

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

FORM 10-K

- (Mark one)
- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2023
- 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. 0-7099

CECO ENVIRONMENTAL CORP.



Delaware
(State or other jurisdiction of
incorporation or organization)

14651 North Dallas Parkway
Suite 500
Dallas, Texas

(Address of principal executive offices)

13-2566064
(I.R.S. Employer
Identification No.)

75254
(Zip Code)

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

Securities registered under 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	CECO	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant was \$399.2 million based upon the closing market price and shares of common stock outstanding as of June 30, 2023, the last business day of our most recently completed second fiscal quarter. For the purpose of the foregoing calculation only, all directors and executive officers of the registrant and owners of more than 10% of the registrant's common stock are assumed to be affiliates of the registrant. This determination of affiliate status is not necessarily conclusive for any other purpose.

As of February 26, 2024, the registrant had 34,850,737 shares of common stock, par value \$0.01 per share, outstanding.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement for the 2024 Annual Meeting of Stockholders, which is to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2023, are incorporated by reference into Part III of this Annual Report to the extent described herein.

CECO Environmental Corp. and Subsidiaries
ANNUAL REPORT ON FORM 10-K
For the year ended December 31, 2023

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934 (the “Exchange Act”) 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 Annual Report on Form 10-K, 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 this Annual Report on Form 10-K 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, and rising energy costs;
- inflationary pressures relating to raw material costs and the cost of labor;
- 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 programs;
- our ability to successfully integrate acquired businesses and realize the synergies from strategic transactions;
- unpredictability and severity of catastrophic events, including cybersecurity threats, acts of terrorism or outbreak of war or hostilities or public health crises, as well as management’s response to any of the aforementioned factors; and
- our ability to remediate our material weaknesses, or any other material weakness that we may identify in the future, that could result in material misstatements in our financial statements.

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 any related 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, the 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 (the “SEC”), we undertake no obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

General

CECO Environmental Corp. (“CECO”, “we”, “us”, “our” or the “Company”) is a leading environmentally focused, diversified industrial company, serving the broad landscape of industrial air, industrial water and energy transition markets globally by providing innovative technology and application expertise. We help companies grow their businesses with safe, clean, and more efficient solutions that help protect people, the environment and industrial equipment. Our solutions improve air and water quality, optimize emissions management, and increase the energy and process efficiency for highly engineered applications in power generation, midstream and downstream hydrocarbon processing and transport, chemical processing, electric vehicle production, polysilicon fabrication, semiconductor and electronics production, battery production and recycling, specialty metals, aluminum and steel production, beverage can manufacturing, and industrial and produced water and wastewater treatment, and a wide range of other industrial end markets.

Our customers include some of the largest natural gas processors, transmission and distribution companies, refineries, power generators, industrial manufacturing, engineering and construction companies, semiconductor manufacturers, compressor manufacturers, beverage can manufacturers, metals and minerals, and electric vehicle producers in the world.

We believe our value differentiators include, but are not limited to, our product and solutions performance quality, reliability, durability, on-time delivery and safety, all of which are underpinned by our core capabilities in advanced design and systems engineering, commercial excellence, and operational excellence. We believe these differentiators and core capabilities are critical to maintaining our competitive position. Additionally, we have built a spirit of continuous improvement to ensure we maintain our market leadership position.

With an installed base of operating systems and equipment in excess of \$6 billion, we are targeting to grow a higher share of recurring revenue from aftermarket products and installed base value-added services, which we believe will provide a greater customer retention and loyalty, and increased business resiliency.

Industry Overview

We serve a growing multi-billion dollar global industrial market that is highly fragmented and comprised of many industrial sectors and niche applications. Our legacy sectors include industrial wastewater treatment, industrial ventilation systems and contamination controls and filtration, semiconductor fabrication, electronics manufacturing, baseload and backup power generation, hydrocarbon processing, chemical processing, natural gas processing and transport, automobile and aircraft production, polysilicon production, battery recycling, metals processing and production, and produced water treatment. Emerging sectors and applications include electric vehicle and battery production, desalination water transport, ultra-high purity water treatment for electrolysis and electronics production, naval/marine vessel oily water treatment, aluminum beverage can production, and lightweight, high-strength metals production.

We believe demand for our products and services will continue to be driven by the following factors:

- *Global Focus on the Environment:* Increased demand for efficient solutions and reduced air and water emissions remains at the forefront of sustainable production. As our customers and end markets navigate this changing landscape, we are making production and power generation cleaner, more efficient and flexible, and workplaces safer. Increasingly, society, along with government regulation, is calling for companies to commit to the preservation and protection of the environment. We believe that through our air and water quality and emissions control offerings, companies want to work with us to protect people and our planet from the harmful effects of industrial processes.
- *Increasingly Stringent Regulatory Environment:* The adoption of increasingly stringent environmental regulations globally requires businesses to pay strict attention to environmental protection and efficient production processes. The businesses and industries we serve must comply with these various international, federal, state and local government regulations or potentially face substantial fines or be forced to suspend production or alter their production processes. Providing assistance in meeting or exceeding stringent environmental regulations are a principal factor that drives our business.
- *Favorable Investment Climate for Net-zero Technologies:* Our businesses are positively impacted by capital expenditures on technologies to address climate change and improve environmental outcomes.

- *Emerging Market Industrialization:* The rapid expansion of manufacturing in emerging economies, and the growing environmental focus in such emerging economies, increases the demand for our industrial air treatment and pollution controls for newly constructed and upgraded facilities. For investments in semiconductor and electronics production, sources of ultra-pure water are required as are emission controls and scrubbers. We expect that more rigorous regulations being introduced to protect the workforce, the environment, and the operating equipment will favorably impact demand for our products and solutions.
- *Developed Market Industrial Re-shoring:* The industries in which we operate have historically embraced a global supply chain which has provided certain advantages by offshoring select production and services. Today many companies are relocating their global supply chains to resume in-region. We believe the re-shoring of manufacturing operations is a driver of business growth.
- *Expansion and Renewal of Infrastructure:* There is a growing trend to better manage and reduce air and water emissions which our products and solutions equipment will serve. Recent legislation, including the 2022 Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act, 2022 Inflation Reduction Act, and 2021 Infrastructure Investment and Jobs Act in the United States, as well as the 2020 European Green Deal, 2021 Fit for 55 package, and 2022 REPowerEU, have dedicated government funds to improving environmental outcomes. As industrial capital expenditures grow, corporations are seeking to make these investments while minimizing environmental impact. This spending serves as a driver of increased interest for our portfolio of products and solutions.
- *Water Scarcity:* There are increasing risks associated with water quality and water access around the globe. Protecting water resources is crucial for the health and resiliency of our communities, ecosystems and our customers. We expect that more rigorous regulations are being, and will be introduced, to protect water as a natural resource. We are well-positioned to deliver solutions to our customers to meet this growing need.
- *Increased Demand for Electrical Power Generation:* An accelerating shift away from traditional fossil fuel powered electricity generation and transportation towards cleaner and sustainable forms of power generation and mass “electrification” of transportation is underway. Demand for cleaner burning natural gas, renewable natural gas, hydrogen and its derivatives, renewables including solar and wind, and a resurgence in interest in nuclear is growing. In addition, the planned retirements of the coal- and oil-fired plants require greater investments in natural gas-fired and renewables generation. Natural gas-fired power plants have lower initial capital requirements and are more flexible in terms of operations. The transition to hydrogen and other “green” fuels (such as HVO’s, biogas, and green ammonia) are in their infancy but will be part of the energy transition over the next decade. Even though considered “green” fuels, power plants using these fuels will continue to require exhaust emissions control solutions which we provide, as will the production facilities and producers of the lightweight materials, batteries, and electronics required to build and operate the new vehicles being deployed.
- *Expanding Natural Gas Infrastructure:* The International Energy Association projects a pronounced shift in Organization for Economic Cooperation and Development countries for electricity generation away from oil and coal towards natural gas, including liquified natural gas (“LNG”), and renewables. Natural gas, including LNG, continues to be the growth fuel of choice for the electrical power and industrial sectors in many of the world’s regions in primary power generation, and as a complement to renewables as a source of backup and standby power. The pipeline and storage infrastructure required to supply these new users creates increased interest in our products and services.
- *Hydrocarbon Processing:* Hydrocarbon processing involves the production, refining, and processing of hydrocarbons and organic chemicals (petrochemicals) for use in a variety of downstream applications, such as gasoline, aviation fuel, fertilizers, lubricants, polymers, plastics, paints and coatings, and additives that keep industry and our economies operating. In response to increasing global demand for petrochemicals and refined products, companies are producing a wider range of intermediate and final products from new sources, upgrading and expanding existing facilities and process lines, and constructing new production and processing. These new and expanded facilities must comply with stricter environmental regulations, wastewater discharge, and emission controls requirements, and the adaptation of production processes will require new or modified catalyst recovery and regeneration systems which we provide.

These factors, individually or collectively, tend to drive increases in industrial capital spending that are not directly impacted by general economic conditions. In contrast, favorable conditions in the economy generally lead to plant expansions and the construction of new industrial sites. However, in a weak economy, customers tend to lengthen the time from initial inquiry to the purchase order or may elect to defer purchases.

Mission and Strategy

Our mission is to help companies grow their business with safe, clean and more efficient solutions that help protect their people, the environment and their industrial equipment and facilities.

We seek to fulfill this mission by providing leading solutions for niche, engineered applications in industrial air treatment and management, industrial water treatment, and the energy transition. We will continue to leverage our technologies and application expertise for customers around the world.

Our strategy to become a global leader in niche applications in industrial air treatment and management, industrial water treatment, and the energy transition is supported by an operating environment of performance excellence across the Company.

We constantly look for opportunities to apply our technology and expertise to new customers and in new geographies in our existing end markets, and to enter new end markets with our existing set of products and solutions. Acquisitions are a key part of our growth model and we constantly are seeking out value-added, accretive additions to the CECO portfolio aligned with our strategic focus in industrial air, industrial water and the energy transition.

We intend to continue to expand our customer base and end markets and have continued to pursue potential attractive growth opportunities both domestically and internationally.

Business Segments

Our reportable segments continue to be focused on attractive end markets and each segment is aligned to generate profitable growth for the Company with a compelling technology and solution set to benefit customers.

- *Engineered Systems segment:* Our Engineered Systems segment serves the power generation, hydrocarbon processing, water/wastewater treatment, oily water separation and treatment, marine and naval vessels, and midstream oil and gas sectors. We seek to address the global demand for environmental and equipment protection solutions with our highly engineered platforms including emissions management, fluid bed cyclones, thermal acoustics, separation and filtration, and dampers and expansion joints.
- *Industrial Process Solutions segment:* Our Industrial Process Solutions segment serves the broad industrial sector with solutions for air pollution and contamination control, fluid handling, and process filtration in applications such as aluminum beverage can production, automobile production, food and beverage processing, semiconductor fabrication, electronics production, steel and aluminum mill processing, wood manufacturing, desalination, and aquaculture markets. We assist customers in maintaining clean and safe operations for employees, reducing energy consumption, minimizing waste for customers, and meeting regulatory standards for toxic emissions, fumes, volatile organic compounds, and odor elimination through our platforms including duct fabrication and installation, industrial air, and fluid handling.

Competitive Strengths

Leading market position as a complete solution provider

We believe we are a leading provider of critical solutions in industrial air quality, industrial water treatment, and energy transition solutions. The multi-billion dollar global market is highly fragmented with numerous small and regional contracting firms separately supplying engineering services, fabrication, installation, testing and monitoring, products and spare parts. We offer our customers a complete end-to-end solution, including engineering and project management services, procurement and fabrication, construction and installation, aftermarket support, and sale of consumables, which allows our customers to avoid dealing with multiple vendors when managing projects.

Long-standing experience and customer relationships in growing industry

We have serviced the needs of our target markets for over 50 years. Our extensive experience and expertise in providing diversified solutions enhances our overall customer relationships, and provides us with a competitive advantage in our markets relative to other companies in the industry. We believe this is evidenced by strong relationships with many of our world-class customers. We believe no single competitor has the resources to offer a similar portfolio of product and service capabilities. We offer the depth of a large organization, while our lean organizational structure keeps us close to our customers and markets, allowing us to offer rapid and complete solutions in each unique situation.

Diversified equipment and solution portfolio and broad customer base

The global diversity of our offering and footprint and customer base provides us with multiple growth opportunities. We have a diversified customer base across a range of industries. We believe that the diversity of our customers, solutions, and end markets mitigates our risk of a potential fluctuation or downturn in demand from any individual industry or particular customer. We believe we have the resources and capabilities to meet the needs of our customers as they upgrade and expand domestically as well as into new international markets. Once systems have been installed and a relationship has been established with the customer, we are often awarded repetitive service and maintenance business as the customers' processes change and modifications or additions to their systems become necessary.

Experienced management and engineering team

Our business management team has substantial experience in delivering highly-engineered solutions for industrial air quality, industrial water treatment, and energy transition applications. The collective experience of our teams enables us to pursue our strategy, and to successfully execute on our strategic and growth priorities. Our team includes approximately 400 engineers, designers, solution experts, and project managers whose industry experience and technical expertise enables them to have a deep understanding of the solutions that will best suit the needs of our customers. The experience and stability of our senior management, operating and engineering teams have been crucial to our recent growth and to developing and maintaining customer relationships, and increasing our market position.

Innovative solutions

We leverage our engineering and manufacturing expertise, fabrication partner network, and strong customer relationships to develop and deliver new products and solutions to address the identified needs of our customers or a particular end market. We thoroughly analyze each new opportunity by considering projected demand, pricing, and cost to deliver, and only pursue those opportunities that we believe will contribute to sustainable earnings growth. In addition, we seek to continually improve our legacy technologies, solutions, and applications with the aim to maintain competitiveness in our existing customer segments, and to adapt them to new industries and customers.

Disciplined acquisition program with successful integration

We believe that we have demonstrated an ability to successfully acquire and integrate companies with complementary product or service offerings. We will continue to seek and execute additional strategic acquisitions and focus on expanding our solution and product breadth and reach, as well as entering into adjacent customer segments and applications. We believe that the breadth and diversity of our products and services and our ability to deliver full solutions to various end markets provides us with multiple sources of stable growth, relative scale benefits, and a competitive advantage relative to other players in the industry, and we will continue to reinforce this advantage.

Products and Services

We provide a wide range of engineered and configured products and solutions including dampers and diverters, expansion joints, selective catalytic reduction systems, severe-service and industrial cyclones, dust collectors, thermal oxidizers, filtration systems, wet and dry scrubbers, separators and coalescers, water treatment packages, metallic and non-metallic pumps, industrial silencers and fluid handling equipment, and plant engineering services and engineered design build fabrication. Our products and solutions primarily compete on the basis of performance, track record, speed of delivery, quality, price and customer service.

Project Design and Research and Development

Our strategy is to produce and supply differentiated, specialized or configured products and solutions that are often tailored to the specifications of a customer or application. We start by understanding our customers' needs, then by focusing our new product development efforts on those criteria that help protect our shared environment while improving a variety of operational outcomes including, but not limited to, facility uptime, production quality, employee safety, equipment protection and process performance.

We continually collaborate with our customers on projects to ensure the proper solution and customer satisfaction. The project development cycle may follow many different paths depending on the specifics of the job and end market. The cycle can take from one to more than twelve months from concept and design to production but may vary significantly depending on developments that occur during the process, including among others, the emergence of new environmental demands, changes in design specifications and ability to obtain necessary approvals.

Sales, Marketing and Support

Our global commercial strategy is to provide a solutions-based approach for our customers, which may take on the role of single source provider of technology, products and equipment for a particular project. When called upon, this strategy involves expanding our scope of supply by utilizing our portfolio of in-house technologies and those of third-party equipment suppliers, many of which have been long-standing partners evolved from pure supplier roles to value-added business partners. Where we identify a technology that is a critical element or commonly required for a solution, we will consider acquiring such technology to ensure we have the appropriate degree of strategic control. This enables us to leverage existing business with selective alliances of suppliers and application specific engineering expertise. Our value proposition to our customers is to provide competitively priced, customized solutions that leverage our vast project experience base and design library. Our industry-specific knowledge, accompanied by our product and service offerings, provides valuable benefits for our customers and synergies across our network of partners.

We sell and market our products and services with our own direct sales force in key regions including the United States, the Netherlands, United Kingdom, Canada, United Arab Emirates, India, China, Korea, and Singapore. Our direct sales and business development teams will work in conjunction with outside sales representatives in the North America, South America, Europe, Middle East, Southeast and East Asia, and India regions, when appropriate. We expect to continue expanding our sales and support capabilities and our network of outside sales representatives in key regions domestically and internationally.

We market our offerings to our customers through a variety of channels including, but not limited to, digital, web, social media, email campaigns, individual customer visits, product announcements, brochures, magazine articles, advertisements and cover or article features in trade journals and other publications. We also participate in public relations and promotional events, including industry tradeshows and technical conferences.

Our customer service organization and sales force provides our customers with technical assistance, use and maintenance information as well as other key information regarding their purchase. We also actively provide our customers with access to key information regarding changes and pending changes in environmental regulations as well as new product or service developments. We believe that maintaining a close relationship with our customers and providing them with the support they request improves their level of satisfaction and enables us to foresee their potential future product needs or service demands. Moreover, this approach can lead to sales of annual service and support contracts as well as consumables. Our website also provides our customers with online tools and technical resources.

Quality Assurance

In engineered systems, quality is defined as system performance. We review with our customers, before the contract is signed, the technical specification and the efficiency of the equipment that will be customized to meet their specific needs. We then review these same parameters internally to assure that warranties will be met. Standard project management and production management tools are used to help ensure that all work is done to specification and that project schedules are met. Equipment is tested at the site to ensure it is functioning properly.

Customers

We are not dependent upon any single customer, and no customer contributed 10% or more of our consolidated revenues for the years ended December 31, 2023, 2022, or 2021.

Suppliers and Subcontractors

We purchase our raw materials and supplies from a variety of global sources. When possible, we directly secure iron and steel sheet and plate products from steel mills, whereas other materials are purchased from a variety of steel service centers. Steel prices have traditionally been volatile, but we typically mitigate the risk of higher prices by including a “surcharge” on our standard products and tracking major materials industry indices and projections. On contract work, we try to mitigate the risk of higher prices by including the current price in our estimate and generally include price inflation clauses for protection.

Typically, on turnkey projects, we subcontract manufacturing, electrical work, concrete work, controls, conveyors and insulation. We use subcontractors with whom we have good working relationships and review each project at the beginning and on an ongoing basis to help ensure that all work is being done according to our specifications. Subcontractors are generally paid when we are paid by our customers according to the terms of our contract with the customer. Our business model focuses on effective management of subcontractors and flow of raw and finished materials, which allows us to optimize working capital levels through reduction in certain assets and reduce capital expenditures.

While we believe we have a good relationship with our suppliers and subcontractors, we are currently experiencing shortages of raw materials and inflationary pressures for certain materials and labor. We expect these supply chain challenges and cost impacts to continue for the foreseeable future as markets continue to recover and supply chains further normalize. Although we have secured raw materials from existing and alternate suppliers and have taken other mitigating actions to mitigate supply disruptions, we cannot guarantee that we can continue to do so in the future. In this event, our business, results and financial condition could be adversely affected.

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 was \$370.9 million as of December 31, 2023 as compared to \$311.7 million as of December 31, 2022, an increase of \$59.2 million or 19.0%. Backlog is adjusted on a quarterly basis for fluctuations in foreign currency exchange rates. Substantially all backlog is expected to be delivered within 18 months, with a majority within 12 months. Backlog is not defined by United States generally accepted accounting principles ("GAAP") and our methodology for calculating backlog may not be consistent with methodologies used by other companies.

Competition

The markets we serve are highly fragmented with numerous small and regional participants. We believe no single company competes with us across the full range of our solutions and products. Competition in the markets we serve is based on a number of considerations, including past performance, track record, customer approvals, lead times, technology, applications experience, know-how, reputation, product warranties, service and price. Demand for our product can vary period over period depending on conditions in the markets we serve. We believe our product performance and quality, reliability, durability, on-time delivery, and safety supported by advanced engineering and operational excellence differentiate us from many of our competitors, including those competitors who often offer products at a lower price.

Due to the size and shipping weight of many of our projects, localized manufacturing/fabrication capabilities are very important to our customers. As a result, competition varies widely by region and industry. The market for our engineered products is reasonably competitive and is characterized by technological stability, continuously evolving environmental regulations, and increasing customer requirements. We believe that the additional competitive factors in our markets include:

- performance track record and reputation;
- comprehensive portfolio of solutions;
- brand recognition;
- high design standard;
- quality customer service and support; and
- financial and operational stability.

We believe we compete favorably with respect to these factors.

Government Regulations

We believe our operations are in compliance with applicable environmental laws and regulations. We believe that changes in environmental laws and regulations create opportunity given the nature of our business.

Our business is subject to numerous evolving laws and regulations. While there are not currently regulations proposed or pending that we believe will result in material capital, operating or other costs to the business at this time, such regulations could be proposed and/or passed into law in 2024 or beyond. Other regulations currently in place could be withdrawn and replaced with more stringent

requirements in 2024 or beyond. New laws and regulations and the costs of compliance with such new laws and regulations can only be broadly appraised until their implementation becomes more defined through regulatory guidance and enforcement.

Intellectual Property

We rely on a combination of patent, trademark, copyright and trade secret laws, employee and third-party nondisclosure/confidentiality agreements and license agreements to protect our intellectual property. We sell most of our products under a number of registered trade names, brand names and registered trademarks, which we believe are widely recognized in the industry. While we hold patents within a number of our businesses, we do not view our patents to be material to our business.

Human Capital Management

We have employees located throughout the globe. As of December 31, 2023, CECO had approximately 1,200 employees, across nine countries. Of our US employees, 131 are unionized in our Pennsylvania, Tennessee and North Carolina facilities. Outside the United States, we enter into employment contracts and agreements in those countries in which such relationships are mandatory or customary. The provisions of these agreements correspond in each case with the required or customary terms in the subject jurisdiction. We have historically maintained good employee relations and have successfully concluded all of our recent negotiations without a work stoppage. However, we cannot predict the outcome of future contract negotiations.

Our strong employee base, along with our uncompromising commitment to our values of customer first, accountability, relentless execution, respect, integrity and teamwork, provide the foundation of our company's success. Employee safety and managing the risks associated with our workplace, is of paramount importance to CECO. We believe that all injuries, occupational illnesses and incidents are preventable, and we are committed to operating with a zero-incident culture. Through our environmental, health and safety program we implement policies and training programs, as well as perform self-audits, to ensure our colleagues leave the workplace safely every day. To better understand employee safety at the site level, we have safety committees and safety scorecards to share best practices between sites. CECO's foundational commitment to safety is demonstrated by our world-class recordable and loss time rates. We currently share scorecard information monthly with our team members to foster visibility, accountability and commitment across our workplace, communicating and celebrating successful results across the enterprise. In addition to lagging indicators, such as injury performance, the scorecards highlight leading indicators such as safety observations and near-misses, as well as other proactive actions taken at each site to ensure worker safety. For the year ended December 31, 2023, CECO's domestic Total Recordable Incident Rate ("TRIR") was 1.5% as compared to our benchmark industry average TRIR of 4.3%.

We believe a diverse and inclusive workforce is critical to inspiring innovative thinking, creative problem-solving, performance, and results, so we cultivate an environment where team members feel valued, engaged, and inspired to give their best. The unique characteristics that shape each individual help inform our decisions as a company, and this mindset allows CECO to realize new opportunities and add value to our customers, partners, and stockholders.

As part of our efforts to expand CECO's diverse workforce, we:

- initiated and implemented recruitment efforts to attract and build a more diverse workforce, including expanding career opportunity postings on career websites to diverse job boards, as well as search engines that aggregate and display job openings by employers, including those dedicated to diverse candidates; and
- are developing a comprehensive Diversity, Equity and Inclusive roadmap to align with our operational structure.

CECO's commitment to expanding our diverse workforce and enhancing our inclusive culture is driven by our recognition that a workplace that is reflective of our global customer base establishes a firm foundation to drive creativity and innovation, which leads to problem solving, development, performance, and profitable business success.

We invest in programs and processes that develop our employees' capabilities to ensure that we have the talent we need to execute our strategic business plans. Our Performance Management Program ensures that all leaders have clear priorities, and that their performance relative to these priorities is linked to their total rewards package. We conduct an annual code of conduct training that includes subject matter areas of: anti-corruption, discrimination, harassment, data privacy, appropriate use of company assets, protecting confidential information and how to report code violations. Each employee takes this annual training and follow up communications are conducted to ensure completion of the course by all employees. We also timely completed our mandated sexual harassment training courses with the specified employees.

We believe our management team has the experience necessary to effectively execute our strategy. Our platform leaders have significant industry experience and are supported by an experienced and talented management team who is dedicated to maintaining

and expanding our position as a global leader in our markets. For discussion of the risks related to attracting and retention of management and executive employees, refer to “Part I, Item 1A. Risk Factors” of this Annual Report on Form 10-K.

Executive Officers of CECO

The following are the executive officers of the Company as of February 26, 2024. All officers serve for a one year term and until their successors are elected and qualified.

Todd Gleason (53) has served as a director and Chief Executive Officer since July 2020, and is responsible for driving the company’s strategic vision and aligning the organization for optimal value creation. Prior to joining the Company, Mr. Gleason most recently served, from April 2015 to July 2020, as President and Chief Executive Officer of Scientific Analytics Inc., a predictive analytic technologies and services company. Prior to that position, Mr. Gleason served from June 2007 to March 2015 in a number of senior officer and executive positions for Pentair plc, a water treatment company. During his tenure with Pentair, Mr. Gleason served as Senior Vice President and Corporate Officer from January 2013 to March 2015, President, Integration and Standardization from January 2010 to January 2013, and Vice President, Global Growth and Investor Relations from June 2007 to January 2010. Before joining Pentair, Mr. Gleason served as Vice President, Strategy and Investor Relations for American Standard Companies Inc. (later renamed to Trane Inc. prior to its acquisition by Ingersoll-Rand Company Limited), a global, diversified manufacturing company, and in a number of different roles (including as Chief Financial Officer, Honeywell Process Solutions) at Honeywell International Inc., a diversified technology and manufacturing company. Mr. Gleason holds a Masters of Science degrees in Management and Public Policy from Carnegie Mellon University and a Bachelors of Arts in International Studies and History from Wesleyan University. Mr. Gleason currently serves on the board of directors of NSF, whose stated mission is to protect human and planet health through their leading test and measurement, consulting, training and certification and development of industry leading standards. Previously, Mr. Gleason served on the board of Faradyne, a strategic joint venture between Pentair and Xylem.

Peter Johansson (59) has served as SVP, Chief Financial and Strategy Officer since August 2022. From April 2020 to August 2022, Mr. Johansson had been an independent strategy and business development consultant and joined CECO as a consultant in October 2021. From June 2014 through March 2020, he was EVP, Strategy, Corporate Development & Marketing for Accudyne Industries, LLC (“Accudyne”), where he was responsible for the formulation and execution of growth, value creation, business development, product line, and M&A strategies, and deployment of a product-line based operating model for an industry-leading portfolio of industrial air and gas compressors, broad pump solutions, rotary mixers, and valves. Prior to joining Accudyne, Mr. Johansson led the corporate, product-line, and M&A growth strategy and implementation of a differentiated business line operating model for IDEX Corporation. He has also held senior business, strategic business development, commercial and engineering leadership roles with ITT Inc., Trane Technologies PLC, WABCO Holdings, Inc., and Honeywell International, Inc. and its predecessor AlliedSignal Inc. Mr. Johansson earned a Bachelor of Science degree in Mechanical Engineering from Southern Methodist University of Dallas, Texas. He received his Master of Science degree in Mechanical Engineering from California State University at Fullerton, and his MBA from UCLA’s Anderson Graduate School of Management.

Lynn Watkins-Asiyanbi (49) has served as SVP, Chief Administrative and Legal Officer, and Corporate Secretary since August 2022. Prior to that, from June 2022 to August 2022, Ms. Watkins-Asiyanbi served as Senior Vice President, General Counsel and Corporate Secretary. From June 2016 to June 2022, Ms. Watkins-Asiyanbi served in various roles of increasing responsibility within John Bean Technologies Corporation (“JBTC”), a publicly traded global food processing machinery and airport equipment company, most recently as its Deputy General Counsel (2018-2022), Chief Ethics/Compliance Officer (2020-2022), Global DEI Council Chair (2021-2022) and prior to that as Associate General Counsel at JBTC (from 2016 to 2018). Ms. Watkins-Asiyanbi has also served as a part of the W.W. Grainger, U.S. Foods, Mars, Inc. and General Mills, Inc. legal teams during her career, in addition to her significant legal experience at DLA Piper and Baker and McKenzie, both global law firms. Ms. Watkins-Asiyanbi holds a joint Juris Doctor and Master of Business Administration from Northwestern University’s Pritzker School of Law and the Kellogg School of Management and a Bachelor’s degree in Chemical Engineering and Economics from the University of Wisconsin-Madison.

Available Information

We use the Investor Relations section of our website, www.ccecoenviro.com, as a channel for routine distribution of important information, including news releases, investor presentations and financial information. We post filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC, including our annual, quarterly, and current reports on Forms 10-K, 10-Q, and 8-K; proxy statements; and any amendments to those reports or statements. All such postings and filings are available on our website free of charge. The SEC also maintains a website, www.sec.gov, that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this Annual Report on Form 10-K unless expressly noted.

Item 1A. Risk Factors

An investment in our securities involves a high degree of risk. You should carefully consider the risk factors described below, together with the other information included in this Annual Report on Form 10-K, before you decide to invest in our securities. The risks described below are the material risks of which we are currently aware; however, they may not be the only risks that we may face. Additional risks and uncertainties not currently known to us or that we currently view as immaterial may also impair our business. Although the risks are organized by headings, and each risk is discussed separately, many are interrelated. If any of these risks develop into actual events, it could materially and adversely affect our business, financial condition, results of operations and cash flows, and the trading price of your shares could decline and you may lose all or part of your investment.

Risks Related to Our Business and Industry

Our business may be adversely affected by global economic conditions.

A national or global economic downturn or credit crisis may have a significant negative impact on our financial condition, future results of operations and cash flows. Specific risk factors related to these overall economic and credit conditions include the following:

- customers or potential customers may reduce or delay their procurement or new product development;
- key suppliers may have difficulties resulting in delays for our material purchases;
- vendors, suppliers and other third parties may fail to perform their contractual obligations; and
- customers may become insolvent and/or unable to obtain credit to finance purchases of our products and services.

These risk factors could reduce our product sales, increase our operating costs, impact our ability to collect customer receivables, lengthen our cash conversion cycle and increase our need for cash, which would ultimately decrease our profitability and negatively impact our financial condition. They could also limit our ability to expand through acquisitions due to the tightening of the credit markets.

Our dependence upon fixed-price contracts could adversely affect our operating results.

The majority of our projects are currently performed on a fixed-price basis, while a limited number of projects are currently performed on a time and materials basis. Under a fixed-price contract, we agree on the price that we will receive for the entire project, based upon a defined scope, which includes specific assumptions and project criteria. If our estimates of the costs to complete the project are below the actual costs that we incur, our margins will decrease, or we may incur a loss. The revenue, cost and gross profit realized on a fixed-price contract will often vary from the estimated amounts because of unforeseen conditions or changes in job conditions and variations in labor and equipment productivity over the term of the contract. While our fixed-price contracts are typically not individually material to our operating results, if we are unsuccessful in mitigating these risks, we may realize gross profits that are different from those originally estimated and incur reduced profitability or losses on projects. Depending on the size of a project, these variations from estimated contract performance could have a significant effect on our operating results. In general, turnkey contracts to be performed on a fixed-price basis involve an increased risk of significant variations. Generally, our contracts and projects vary in length, depending on the size and complexity of the project, project owner demands and other factors. The foregoing risks are exacerbated for projects with longer-term durations and the inherent difficulties in estimating costs and of the interrelationship of the integrated services to be provided under these contracts whereby unanticipated costs or delays in performing part of the contract can have compounding effects by increasing costs of performing other parts of the contract.

Accounting for contract revenue may result in material adjustments that would adversely affect our financial condition and results of operations.

We derive a significant portion of our revenues from fixed price contracts. We recognize revenue as performance obligations are satisfied and the customer obtains control of the products and services. A significant amount of our revenue is recognized over a period of time as we perform under the contract because control of the work in process transfers continuously to the customer. For performance obligations to deliver products with continuous transfer of control to the customer, revenue is recognized based on the extent of progress towards completion of the performance obligation. Progress is measured based on the ratio of costs incurred to date to the total estimated costs to complete the performance obligation. For these contracts, the cost-to-cost measure best depicts the continuous transfer of goods or services to the customer.

Contract revenue and total direct cost estimates are reviewed and revised periodically as the work progresses and as change orders are approved, and adjustments are reflected in contract revenue in the period when these estimates are revised. These estimates are based

on management's reasonable assumptions and our historical experience, and are only estimates. Variation of actual results from these assumptions, which are outside the control of management and can differ from our historical experience, could be material. To the extent that these adjustments result in an increase, a reduction or the elimination of previously reported contract revenue, we would recognize a credit or a charge against current earnings, which could be material.

Our inability to deliver our backlog on time could affect our future sales and profitability, and our relationships with our customers.

Our backlog was \$370.9 million at December 31, 2023 and \$311.7 million at December 31, 2022. Our ability to meet customer delivery schedules for our backlog is dependent on a number of factors including, but not limited to, access to the raw materials required for production, an adequately trained and capable workforce, project engineering expertise for certain large projects, sufficient internal manufacturing plant capacity, available subcontractors and appropriate planning and scheduling of manufacturing resources. Our failure to deliver in accordance with customer expectations may result in damage to existing customer relationships and result in the loss of future business. Failure to deliver backlog in accordance with expectations could negatively impact our financial performance and cause adverse changes in the market price of our common stock.

Volatility of oil and natural gas prices can adversely affect demand for our products and services.

Volatility in oil and natural gas prices can impact our customers' activity levels and spending for our products and services. Current energy prices are important contributors to cash flow for our customers and their ability to fund capital expenditures. Lower oil and natural gas prices generally lead to decreased spending by our customers. While higher oil and natural gas prices generally lead to increased spending by our customers, sustained high energy prices can be an impediment to economic growth, and can therefore negatively impact spending by our customers. Our customers also take into account the volatility of energy prices and other risk factors by requiring higher returns for individual projects if there is a higher perceived risk. Any of these factors could affect the demand for oil and natural gas and could have a material effect on our results of operations.

Increasing costs for manufactured components, raw materials, transportation, health care and energy prices may adversely affect our profitability.

We use a broad range of manufactured components and raw materials in our products, including raw steel, steel-related components, resin, filtration media and equipment such as fans and motors. Materials, wages and subcontracting costs comprise the largest components of our total costs, and increases in the price of these items could materially increase our operating costs and materially adversely affect our profit margins. Similarly, transportation, steel and health care costs have risen steadily over the past few years and could represent an increasing burden for us. Although we try to contain these costs whenever possible, and although we try to pass along increased costs in the form of price increases to our customers, we may be unsuccessful in doing so, and even when successful, the timing of such price increases may lag significantly behind our incurrence of higher costs.

Our financial performance may vary significantly from period to period.

Our annual revenues and earnings have varied in the past and are likely to vary in the future. Our contracts generally stipulate customer-specific delivery terms and may have contract cycles of a year or more, which subjects these contracts to many factors beyond our control. In addition, contracts that are significantly larger in size than our typical contracts tend to intensify their impact on our annual operating results. Furthermore, as a significant portion of our operating costs are fixed, an unanticipated decrease in our revenues, a delay or cancellation of orders in backlog, or a decrease in the demand for our products, may have a significant impact on our annual operating results. Therefore, our annual operating results may be subject to significant variations and our operating performance in one period may not be indicative of our future performance.

Customers may cancel or delay projects. As a result, our backlog may not be indicative of our future revenue.

Customers may cancel or delay projects for reasons beyond our control. Our orders normally contain cancellation provisions that permit us to recover our costs, and, for most contracts, a portion of our anticipated profit in the event a customer cancels an order. If a customer elects to cancel an order, we may not realize the full amount of revenues included in our backlog. If projects are delayed, the timing of our revenues could be affected and projects may remain in our backlog for extended periods of time. Revenue recognition occurs over long periods of time and is subject to unanticipated delays. If we receive relatively large orders in any given quarter, fluctuations in the levels of our quarterly backlog can result because the backlog in that quarter may reach levels that may not be sustained in subsequent quarters. As a result, our backlog may not be indicative of our future revenues. With rare exceptions, we are not issued contracts until a customer is ready to start work on a project. Thus, it is our experience that the only relationship between the length of a project and the possibility that a project may be cancelled is simply the fact that there is more time involved. For example, in a year-long project as opposed to a three-month project, more time is available for the customer to experience a softening in its business, which may cause the customer to cancel a project.

We face significant competition in the markets we serve.

All of the product and solution categories in which we compete are highly fragmented and competitive. We compete in industrial markets against a number of local, regional and national manufacturers and suppliers in each of our product or service lines. Our products primarily compete on the basis of performance, quality, reliability, lead time, on-time delivery, and safety supported by advanced engineering and operational excellence. We must also be responsive to any technological developments, including expanded use of data analytics, artificial intelligence, and machine learning, and related changing customer requirements. Any failure by us to compete effectively in the markets we serve could have a material adverse effect on our financial condition, results of operations and cash flows.

We may incur material costs as a result of existing or future product liability claims, or other claims and litigation that could adversely affect our financial condition, results of operations and cash flows; and our insurance coverage may not cover all claims or may be insufficient to cover the claims.

Despite our quality assurance measures, we may be exposed to product liability claims, other claims and litigation in the event that the use of our products results, or is alleged to result, in bodily injury and/or property damage or our products actually or allegedly fail to perform as expected. Such claims may also be accompanied by fraud and deceptive trade practices claims. While we maintain insurance coverage with respect to certain product liability and other claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against product liability and other claims. Furthermore, our insurance may not cover damages from breach of contract by us or based on alleged fraud or deceptive trade practices. Any future damages that are not covered by insurance or are in excess of policy limits could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, product liability and other claims can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome.

An unsuccessful defense of a product liability or other claim could have an adverse effect on our financial condition, results of operations and cash flows. Even if we are successful in defending against a claim relating to our products, claims of this nature could cause our customers to lose confidence in our products and us.

Liability to customers under warranties may adversely affect our reputation, our ability to obtain future business and our results of operations.

We provide certain warranties as to the proper operation and conformance to specifications of the products we manufacture or produce. Failure of our products to operate properly or to meet specifications may increase our costs by requiring additional engineering resources and services, replacement of parts and equipment or monetary reimbursement to customers. We have in the past received warranty claims, are currently subject to warranty claims, and we expect to continue to receive warranty claims in the future. To the extent that we incur substantial warranty claims in any period, our reputation, our ability to obtain future business and our results of operations could be adversely affected.

Risks Related to our Business Model and Capital Structure

Our gross profit may be affected by shifts in our product mix.

Certain of our products have higher gross profit margins than others. Consequently, changes in the product mix of our sales from quarter-to-quarter or from year-to-year can have a significant impact on our reported gross profit margins. Certain of our products also have a much higher internally manufactured cost component. Therefore, changes from quarter-to-quarter or from year-to-year can have a significant impact on our reported gross profit margins. In addition, contracts with a higher percentage of subcontracted work or equipment purchases may result in lower gross profit margins.

Our manufacturing operations are dependent on third-party suppliers.

Although we are not dependent on any one supplier, we are dependent on the ability of our third-party suppliers to supply our raw materials, as well as certain specific component parts and sub-assemblies. The third-party suppliers upon which we depend may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud, loss of key personnel, health-related shutdowns, or other reasons. We cannot ensure that our third-party suppliers will dedicate sufficient resources to meet our scheduled delivery requirements or that our suppliers will have sufficient resources to satisfy our requirements during any period of sustained demand. Failure of suppliers to supply, or delays in supplying, our raw materials or certain components, or allocations in the supply of certain high demand raw components, for any reason, including, without limitation, disruptions in our suppliers' due to cybersecurity incidents, terrorist activity, public health crises, fires or other natural disasters could

materially adversely affect our operations and ability to meet our own delivery schedules on a timely and competitive basis. Additionally, our third-party suppliers may provide us with raw materials or component parts that fail to meet our expectations or the expectations of our customers, which could subject us to product liability claims, other claims and litigation.

Our use of subcontractors could potentially harm our profitability and business reputation.

Occasionally we act as a prime contractor in some of the projects we undertake. In our capacity as lead provider, and when acting as a prime contractor, we perform a portion of the work on our projects with our own resources and typically subcontract activities such as manufacturing, electrical work, concrete work, insulation, conveyors and controls. In our industry, the lead contractor is normally responsible for the performance of the entire contract, including subcontract work. Thus, when acting as a prime contractor, we are subject to risk associated with the failure of one or more subcontractors to perform as anticipated.

We employ subcontractors at various locations around the world to meet our customers' needs in a timely manner, meet local content requirements and reduce costs. Subcontractors generally perform the majority of our manufacturing for international customers. We also utilize subcontractors in North America. The use of subcontractors decreases our control over the performance of these functions and could result in project delays, escalated costs and substandard quality. These risks could adversely affect our profitability and business reputation. In addition, many of our competitors use the same subcontractors that we use and could potentially influence our ability to hire these subcontractors. If we were to lose relationships with key subcontractors, our business could be adversely impacted.

A significant portion of our accounts receivable are related to larger contracts, which increases our exposure to credit risk.

Significant portions of our sales are to customers who place large orders for custom products and whose activities are related to the power generation and oil and gas industries. As a result, our exposure to credit risk is affected to some degree by conditions within these industries and governmental and or political conditions. We frequently attempt to reduce our exposure to credit risk by requiring progress or milestone payments and letters of credit as well as closely monitoring the credit worthiness of our customers. However, the continuing economic climate and other unanticipated events that affect our customers could have a materially adverse impact on our operating results.

Changes in billing terms can increase our exposure to working capital and credit risk.

Our products are generally sold under contracts that allow us to bill upon the completion of certain agreed upon milestones or upon actual shipment of the product, and certain contracts include a retention provision. We attempt to negotiate progress-billing milestones on all large contracts to help us manage the working capital and credit risk associated with these large contracts. Consequently, shifts in the billing terms of the contracts in our backlog from period to period can increase our requirement for working capital and can increase our exposure to credit risk.

Currency fluctuations may reduce profits on our foreign sales or increase our costs, either of which could adversely affect our financial results.

Given that approximately 33% of our 2023 revenues are outside the United States, we are subject to the impact of fluctuations in foreign currency exchange rates. Although our financial results are reported in U.S. dollars, a portion of our sales and operating costs are realized in foreign currencies. Our sales and profitability are impacted by the movement of the U.S. dollar against foreign currencies in the countries in which we generate sales and conduct operations. Long-term fluctuations in relative currency values could have an adverse effect on our operations and financial conditions.

If our goodwill or indefinite lived intangibles become impaired, we may be required to recognize charges that would adversely impact our results of operations.

As of December 31, 2023, goodwill and indefinite lived intangibles were \$220.9 million, or 36.8%, of our total assets. Goodwill and indefinite lived intangible assets are not amortized, but instead are subject to annual impairment evaluations (or more frequently if circumstances require). Major factors that influence our evaluations are estimates for future revenue and expenses associated with the specific intangible asset or the reporting unit in which the goodwill resides. This is the most sensitive of our estimates related to our evaluations. Other factors considered in our evaluations include assumptions as to the business climate, industry and economic conditions. These assumptions are subjective and different estimates could have a significant impact on the results of our analyses. While management, based on current forecasts and outlooks, believes that the assumptions and estimates are reasonable, we can make no assurances that future actual operating results will be realized as planned and that there will not be material impairment charges as a result. In particular, an economic downturn could have a material adverse impact on our customers thereby forcing them to reduce or curtail doing business with us and such a result may materially affect the amount of cash flow generated by our future operations. Any

write-down of goodwill or intangible assets resulting from future periodic evaluations could adversely materially impact our results of operations.

We may incur costs as a result of certain restructuring activities, which may negatively impact our financial results, and we may not achieve some or all of the expected benefits of our restructuring plans.

We are continuously seeking the most cost-effective means and structure to serve our customers, protect our stockholders and respond to changes in our markets. From time to time, we may engage in restructuring activities in an effort to improve cost competitiveness and profitability. We may not achieve the desired or anticipated benefits from these restructuring activities. As a result, restructuring costs may vary significantly from year to year depending on the scope of such activities. Such restructuring costs and expenses could adversely impact our financial results.

We are party to asbestos-containing product litigation that could adversely affect our financial condition, results of operations and cash flows.

Our subsidiary, Met-Pro, along with numerous other third parties, has been named as a defendant 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 that caused injuries (including death) and loss to the plaintiffs. The Company's insurers have hired attorneys who, together with the Company, are vigorously defending these cases. 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.

See Note 12 to the Consolidated Financial Statements contained in Part II, Item 8 of this Annual Report on Form 10-K for information regarding the asbestos-related litigation in which we are involved.

We have \$138.6 million of indebtedness as of December 31, 2023, and incurrence of additional indebtedness could adversely affect our ability to operate our business, remain in compliance with debt covenants, make payments on our debt and limit our growth.

Our outstanding indebtedness could have important consequences for investors, including the following:

- it may be more difficult for us to satisfy our obligations with respect to the agreement governing our Credit Facility (as defined in Note 8 to the Consolidated Financial Statements contained in Part II, Item 8 of this Annual Report on Form 10-K), and any failure to comply with the obligations of any of the agreements governing any additional indebtedness, including financial and other restrictive covenants, could result in an event of default under such agreements;
- the covenants contained in our debt agreements, including our Credit Facility, limit our ability to borrow money in the future for acquisitions, capital expenditures or to meet our operating expenses or other general corporate obligations;
- the amount of our interest expense may increase because a substantial portion of our borrowings is at variable rates of interest, which, if interest rates increase, could result in higher interest expense;
- we may need to use a portion of our cash flows to pay interest on our debt, which will reduce the amount of money we have for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other business activities;
- we may have a higher level of debt than some of our competitors, which could put us at a competitive disadvantage;
- we may be more vulnerable to economic downturns and adverse developments in our industry or the economy in general; and
- our debt level could limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

Our ability to meet our expenses and debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. We will not be able to control many of these factors. We cannot be certain that our earnings will be sufficient to allow us to pay the principal and interest on our existing or future debt and meet our other obligations. If we do not have enough money to service our existing or future debt, we may be required to refinance all or part of our existing or future debt, sell assets, borrow more money or raise equity. We may not be able to refinance our existing or future debt, sell assets, borrow more money or raise equity on terms acceptable to us, if at all.

Our ability to execute our growth strategies may be limited by our ability to secure and retain additional financing on terms reasonably acceptable to us or at all. Certain of our competitors are larger companies that may have greater access to capital, and therefore may have a competitive advantage over us should our access to capital be limited.

We might be unable to protect our intellectual property rights and our products could infringe the intellectual property rights of others, which could expose us to costly disputes.

Although we believe that our products do not infringe patents or violate the proprietary rights of others, it is possible that our existing patent rights may not be valid or that infringement of existing or future patents or proprietary rights may occur. In the event our products infringe patents or proprietary rights of others, we may be required to modify the design of our products or obtain a license for certain technology. We cannot guarantee that we will be able to do so in a timely manner, upon acceptable terms and conditions, or at all. Failure to do any of the foregoing could have a material adverse effect upon our business. Moreover, if our products infringe patents or proprietary rights of others, we could, under certain circumstances, become liable for damages, which also could have a material adverse effect on our business.

Risks related to our pension plan may adversely impact our results of operations and cash flow.

Significant changes in actual investment return on pension assets, discount rates and other factors may adversely affect our results of operations and pension plan contributions in future periods. GAAP requires that we calculate the income or expense of our plan using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates. We establish the discount rate used to determine the present value of the projected and accumulated benefit obligation at the end of each year based upon the available market rates for high quality, fixed-income investments. An increase in the discount rate would increase future pension expense and, conversely, a decrease in the discount rate would decrease future pension expense. Funding requirements for our pension plan may become more significant. The ultimate amounts to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to pension funding obligations.

We may be subject to substantial withdrawal liability assessments in the future related to multiemployer pension plans to which certain of our subsidiaries make contributions pursuant to collective bargaining agreements.

Under applicable federal law, any employer contributing to a multiemployer pension plan that completely ceases participating in the plan while the plan is underfunded is subject to payment of such employer's assessed share of the aggregate unfunded vested benefits of the plan. In certain circumstances, an employer can be assessed a withdrawal liability for a partial withdrawal from a multiemployer pension plan. If any of these adverse events were to occur in the future, it could result in a substantial withdrawal liability assessment that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

We have made and may make future acquisitions or divestitures, which involve numerous risks that could impact our financial condition, results of operations and cash flows.

Our operating strategy has involved expanding or contracting our scope of products and services through selective acquisitions or divestitures and the formation or elimination of new business units that are then integrated or separated into or out of our family of turnkey system providers. We have acquired other businesses, product or service lines, assets or technologies that are complementary to our business. We may be unable to find or consummate future acquisitions at acceptable prices and terms. We continually evaluate potential acquisition opportunities in the ordinary course of business.

Although we conduct what we believe to be a prudent level of investigation regarding the operating and financial condition of the businesses, product or service lines, assets or technologies we purchase, an unavoidable level of risk remains regarding their actual operating and financial condition. Until we actually assume operating control of these businesses, product or service lines, assets or technologies, we may not be able to ascertain their actual value or understand potential liabilities. This is particularly true with respect to acquisitions outside the United States.

In addition, acquisitions of businesses may require additional debt or equity financing, resulting in additional leverage or dilution of ownership. Our Credit Facility contains certain covenants that limit, or which may have the effect of limiting, among other things, acquisitions, capital expenditures, the sale of assets and the incurrence of additional indebtedness.

Societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior as a result of these concerns. We and our customers

will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions and operating process changes. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in oil and gas industries. In addition, we could face reductions in our creditworthiness or in the value of our assets securing loans. Our efforts to take these risks into account in making business decisions, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

Global climate change and related emphasis on environmental, social and governance ("ESG") matters by various stakeholders could negatively affect our business.

Customer, investor and employee expectations relating to ESG have been rapidly evolving and increasing. In addition, government organizations are enhancing or advancing legal and regulatory requirements specific to ESG matters. The heightened stakeholder focus on ESG issues related to our business requires the continuous monitoring of various and evolving laws, regulations, standards and expectations and the associated reporting requirements. A failure to adequately meet stakeholder expectations may result in noncompliance, the loss of business, reputational impacts, diluted market valuation, an inability to attract customers and an inability to attract and retain top talent. In addition, our adoption of certain standards or mandated compliance to certain requirements could necessitate additional investments that could impact our profitability.

Climate changes, such as extreme weather conditions, create financial risk to our business. Global physical climate changes, including unseasonable weather conditions, could result in reduced demand or product obsolescence for certain of our customers' products and/or price modifications for our customers' products and the resources needed to produce them. This could in turn put pressure on our manufacturing costs and result in reduced profit margin associated with certain of our customer programs, or loss of customer programs that we may not be able to replace.

Risks Related to Human Capital Management

The loss of key personnel or inability to attract and retain additional personnel could affect our ability to successfully grow our business.

Our future success depends upon the continued service of our executive officers and other key management and technical personnel, and on our ability to continue to identify, attract, retain and motivate them. Implementing our business strategy requires specialized engineering and other talent, as our revenues are highly dependent on technological and product innovations. The market for employees in our industry is extremely competitive, and competitors for talent, particularly engineering talent, increasingly attempt to hire, and to varying degrees have been successful in hiring, our employees. If we are unable to attract and retain qualified employees, our business may be harmed.

Work stoppages or similar difficulties could significantly disrupt our operations.

As of December 31, 2023, approximately 200 of our approximately 1,200 employees are represented by international or independent labor unions under various union contracts, which, for our covered employees in the United States, expire between November 12, 2025 and May 1, 2026. It is possible that our workforce will become more unionized in the future. Although we consider our employee relations to generally be good, our existing labor agreements may not prevent a strike or work stoppage at one or more of our facilities, which may have a material adverse effect on our business. Unionization activities could also increase our costs, which could have an adverse effect on our profitability.

Additionally, a work stoppage at one of our suppliers could adversely affect our operations if an alternative source of supply were not readily available. Work stoppages by employees of our customers also could result in reduced demand for our products.

Information Technology and Cybersecurity Risks

Our dependence on information systems and the failure of such systems, could significantly disrupt our business and negatively affect our financial condition, results of operations and cash flows.

We are highly dependent on information systems that are increasingly operated by third parties and as a result we have a limited ability to ensure their continued operation. We rely on information technology systems, networks and infrastructure in managing our day-to-day operations. In the event of systems failure or interruption, including those related to force majeure, telecommunications failures, criminal acts, including hardware or software break-ins or extortion attempts, or viruses, or other cybersecurity incidents, we

will have limited ability to affect the timing and success of systems restoration and any resulting interruption in our ability to manage and operate our business could have a material adverse effect on our operating results.

Increased information technology cybersecurity threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, and products.

Increased global information technology cybersecurity threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data and communications. While we attempt to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems, our systems, networks and products remain potentially vulnerable to advanced persistent threats. Depending on their nature and scope, such threats could potentially lead to the compromise of confidential information and communications, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations. We have cybersecurity insurance related to a breach event covering expenses for notification, credit monitoring, investigation, crisis management, public relations and legal advice. However, damage and claims arising from such incidents may not be covered or exceed the amount of any insurance available or may result in increased cybersecurity and other insurance premiums. In response to an increased reliance on our information technology systems, we have taken proactive measures to strengthen our information technology systems, including completion of a National Institute of Standards and Technology ("NIST") assessment, upgraded security patches across all servers, development of best-in-class hack protection service, implementation of recurring company-wide security training and enablement of advanced security for our major information systems. Management provides the Audit Committee with regular cybersecurity program updates including cybersecurity posture, risk management activities, and emerging risk.

Furthermore, the Company may have access to sensitive, confidential, or personal data or information that may be subject to privacy and security laws, regulations, or other contractually-imposed controls. Despite our use of reasonable and appropriate controls, material security breaches, theft, misplaced, lost or corrupted data, programming, or employee errors and/or malfeasance could lead to the compromise or improper use of such sensitive, confidential, or personal data or information, resulting in possible negative consequences, such as fines, ransom demands, penalties, loss of reputation, competitiveness or customers, or other negative consequences resulting in adverse impacts to our results of operations or financial condition.

Regulatory Compliance and International Operations Risks

Disruptions in the political, regulatory, economic and social conditions of the countries in which we conduct business could negatively impact our business, financial condition and profits.

We operate and do business in many countries in addition to the United States. For the year ended December 31, 2023, approximately 33% of our total revenue was derived from products or services ultimately delivered or provided to end users outside the United States. As part of our operating strategy, we intend to expand our international operations through internal growth and selected acquisitions. Operations outside of the United States, particularly in emerging markets, are subject to a variety of risks that are different from or are in addition to the risks we face within the United States. Among others, these risks include: (i) local, economic, political and social conditions, including potential hyperinflationary conditions and political instability in certain countries; (ii) tax-related risks, including the imposition of taxes and the lack of beneficial treaties, that result in a higher effective tax rate for us; (iii) imposition of limitations on the remittance of dividends and payments by foreign subsidiaries; (iv) difficulties in enforcing agreements and collecting receivables through certain foreign local systems; (v) domestic and foreign customs, tariffs and quotas or other trade barriers; (vi) risk of nationalization of private enterprises by foreign governments; (vii) managing and obtaining support and distribution channels for overseas operations; (viii) hiring and retaining qualified management personnel for our overseas operations; and (ix) the results of new trade agreements and changes in membership to international coalitions or unions.

We are also exposed to risks relating to U.S. policy with respect to companies doing business in foreign jurisdictions. Changes in laws or policies governing the terms of foreign trade, in particular increased trade restrictions, tariffs or taxes on import from countries where we procure or manufacture products, such as China, could have a material adverse effect on our business and results of operations. For instance, the U.S. and Chinese governments have imposed a series of significant incremental retaliatory tariffs to certain imported goods. Given the uncertainty regarding the duration of the imposed tariffs, as well as the potential for additional tariffs by the U.S., China or other countries, as well as other changes in tax policy, trade regulations or trade agreements, and the Company's ability to implement strategies to mitigate the impact of changes in tax policy, tariffs or other trade regulations, our exposure to the risks described above could have a material adverse effect on our business and results of operations.

In addition, compliance with foreign and domestic legal and regulatory requirements, including import, export, defense regulations and foreign exchange controls and anti-corruption laws, as discussed below, such as the FCPA (as defined below), the U.K. Bribery

Act (as defined below), the European Union's General Data Protection Regulations and similar laws of other jurisdictions, could adversely impact our ability to compete against companies in such jurisdictions. Moreover, the violation of such laws or regulations, by us or our representatives, could result in severe penalties including monetary fines, criminal proceedings and suspension of export privileges.

The occurrence of one or more of the foregoing factors could have a material adverse effect on our international operations or upon our financial condition, results of operations and cash flows.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws worldwide.

The U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act of 2010 ("U.K. Bribery Act"), and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our training and compliance programs, there is no assurance that our internal control policies and procedures will protect us from acts committed by our employees or agents. If we are found to be liable for FCPA, U.K. Bribery Act or other similar violations (either due to our own acts or due to the acts of others), we could be subject to civil and criminal penalties or other sanctions, which could have a material adverse impact on our business, financial condition, and profits.

Our business can be significantly affected by changes in regulatory standards.

The markets that the Company serves are characterized by competitively imposed process standards and regulatory requirements, each of which influences the demand for our products and services. Changes in legislative, regulatory or industrial requirements may render certain of our products and processes obsolete. Conversely, these changes may present new business opportunities for us. Acceptance of new products and services may also be affected by the adoption of new government regulations requiring stricter standards. Our ability to anticipate changes in regulatory standards and to respond with new and enhanced products on a timely basis will be a significant factor in our ability to grow and to remain competitive. We cannot guarantee that we will be able to achieve the technological advances that may be necessary for us to remain competitive or that certain of our products or services will not become obsolete.

Changes in current environmental legislation and enforcement could have an adverse impact on the sale of our environmental control systems and products and on our financial condition, results of operations and cash flows.

Our business is primarily driven by capital spending, clean air rules, plant upgrades by our customers to comply with laws and regulations governing the discharge of pollutants into the environment or otherwise relating to the protection of the environment or human health. These laws include, but are not limited to, United States federal statutes such as the Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Water Act, the Clean Air Act, the Clean Air Interstate Rule, and the regulations implementing these statutes, as well as similar laws and regulations at state and local levels and in other countries. These United States laws and regulations may change and other countries may not adopt similar laws and regulations. Our business may be adversely impacted to the extent that environmental regulations are repealed, amended, implementation dates are delayed, or to the extent that regulatory authorities reduce enforcement.

Changes in laws or regulations or the manner of their interpretation or enforcement could adversely impact our financial performance and restrict our ability to operate our business or execute our strategies.

New laws or regulations, or changes in existing laws or regulations, or the manner of their interpretation or enforcement, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies. In particular, there is continued uncertainty with respect to United States trade policies, treaties, government regulations and tariffs. Any changes the Biden administration makes to United States administrative policy could result in changes to existing trade agreements, greater restrictions on free trade generally and significant increases in tariffs on goods imported into the United States, particularly tariffs on products manufactured in Mexico and China, among other possible changes. A trade war or other governmental action related to tariffs or international trade agreements, and any resulting negative sentiments towards the United States as a result thereof, would likely have an adverse effect on our international operations or upon our business, financial condition, results of operations and cash flows.

Risks Related to Our Common Stock

The market price of our common stock may be volatile or may decline regardless of our operating performance and investors may not be able to resell shares they purchase at their purchase price.

The stock market has experienced and may in the future experience volatility that has often been unrelated to the operating performance of particular companies. The market price of our common stock has experienced, and may continue to experience, substantial volatility. During 2023, the sales price of our common stock on the NASDAQ ranged from \$10.68 to \$21.43 per share. We expect our common stock to continue to be subject to fluctuations. Broad market and industry factors may adversely affect the market price of our common stock, regardless of our actual operating performance. Factors that could cause fluctuation in the common stock price may include, among other things:

- actual or anticipated variations in operating results;
- adverse general economic conditions, including, but not limited to, withdrawals of investments in the stock markets generally or a tightening of credit available to potential acquirers of businesses, that result in lower average prices being paid for public company shares and lower valuations being placed on businesses;
- other domestic and international macroeconomic factors unrelated to our performance;
- health epidemics and other outbreaks;
- our failure to meet the expectations of the investment community;
- industry trends and the business success of our customers;
- loss of key customers;
- announcements of technological advances by us or our competitors;
- current events affecting the political and economic environment in the United States;
- conditions or trends in our industry, including demand for our products and services, technological advances and governmental regulations;
- litigation or other proceedings involving or affecting us; and
- additions or departures of our key personnel.

The realization of any of these risks and other factors beyond our control could cause the market price of our common stock to decline significantly.

We are not currently paying dividends and cannot make assurances that we will pay dividends on our common stock and our indebtedness could limit our ability to pay dividends.

The timing, declaration, amount and payment of future dividends to our stockholders fall within the discretion of our Board of Directors and will depend on many factors, including our financial condition, results of operations and capital requirements, as well as applicable legal or regulatory constraints, industry practice and other business considerations that our Board of Directors considers relevant. We have not paid a cash dividend on our common stock in recent years and currently intend to retain future earnings, if any, to finance the operations, growth and development of our business into the foreseeable future.

Our ability to issue preferred stock could adversely affect the rights of holders of our common stock.

Our certificate of incorporation authorizes us to issue up to 10,000 shares of preferred stock in one or more series on terms that may be determined at the time of issuance by our Board of Directors. Accordingly, we may issue shares of any series of preferred stock that would rank senior to our common stock as to voting or dividend rights or rights upon our liquidation, dissolution or winding up.

Certain provisions in our charter documents have anti-takeover effects.

Certain provisions of our certificate of incorporation and bylaws may have the effect of delaying, deferring or preventing a change in control of us. Such provisions, including those limiting who may call special stockholders' meetings, together with the possible issuance of our preferred stock without stockholder approval, may make it more difficult for other persons, without the approval of our Board of Directors, to make a tender offer or otherwise acquire substantial amounts of our common stock or to launch other takeover attempts that a stockholder might consider to be in such stockholder's best interest.

Risks Related to Internal Control over Financial Reporting

We have identified material weaknesses in our internal control over financial reporting. If we are unable to develop and maintain adequate internal controls, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and materially and adversely affect our business.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to include in each of our Annual Reports on Form 10-K a report containing our management's assessment of the effectiveness of our internal control over financial reporting and an attestation report of our independent auditor. These laws, rules and regulations continue to evolve and could become increasingly stringent in the future. We have undertaken actions to enhance our ability to comply with the requirements of the Sarbanes-Oxley Act of 2002, including, but not limited to, the engagement of consultants, the documentation of existing controls and the implementation of new controls or modification of existing controls as deemed appropriate.

We continue to devote substantial time and resources to the documentation and testing of our controls, and to plan for and the implementation of remedial efforts in those instances where remediation is indicated.

As disclosed in Item 9A. "Controls and Procedures" in this Annual Report on Form 10-K, we have material weaknesses in our control environment with regard to management's review of revenue recognition for contracts and balance sheet reconciliations. These material weaknesses could result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

To address these material weaknesses, we have developed a remediation plan that includes reinforcing the importance of adherence to Company policies regarding control performance and related documentation with control owners, strengthening existing training programs for control owners, and developing monitoring activities to validate the performance of controls by control owners. As of December 31, 2023, these remediation efforts are ongoing.

The actions that we are taking are subject to ongoing senior management review, as well as Audit Committee oversight. We will not be able to conclude whether the steps we are taking will fully remediate the material weaknesses in our internal control over financial reporting until we have completed our remediation efforts and subsequent evaluation of their effectiveness. Until these material weaknesses are remediated, we plan to continue to perform additional analyses and other procedures to ensure that our consolidated financial statements are prepared in accordance with GAAP.

If we continue to have material weaknesses in our internal controls, or, if we fail to develop and maintain adequate internal controls in the future, including remediating any material weaknesses or deficiencies in our internal controls, we could be subject to regulatory actions, civil or criminal penalties or stockholder litigation. In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our financial condition, results of operations and cash flows. We believe that the out-of-pocket costs, the diversion of management's attention from running our day-to-day operations and operational changes caused by the need to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 will continue to be significant.

There are inherent limitations in all internal control systems over financial reporting, and misstatements due to error or fraud may occur and not be detected.

While we continue to take action to ensure compliance with the internal control, disclosure control and other requirements of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder by the SEC, there are inherent limitations in our ability to control all circumstances. Our management, including our Chief Executive Officer and Chief Financial and Strategy Officer, do not expect that our internal controls and disclosure controls can prevent all errors and all frauds. A control system, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be evaluated in relation 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, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

If we are not able to establish and maintain effective internal control over financial reporting, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business, financial condition and

operating results could be harmed. We can give no assurances that any additional material weaknesses will not arise in the future due to our failure to implement and maintain adequate internal control over financial reporting.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

The Company's Board of Directors (the "Board") recognizes the critical importance of maintaining the trust and confidence of our customers, clients, business partners and employees. The Board is actively involved in oversight of the Company's risk management program, and cybersecurity represents an important component of the Company's overall approach to enterprise risk management ("ERM"). The Company's cybersecurity policies, standards, and processes are being integrated into the Company's ERM program and based on recognized frameworks and industry standards, including the National Institute of Standards and Technology, the International Organization for Standardization and other applicable industry standards. In general, the Company seeks to address cybersecurity risks through a comprehensive, cross-functional approach that is focused on preserving the confidentiality, security, and availability of Company and customer systems, information, and products.

The Company has engaged third-party cybersecurity service providers and leverages leading technologies and expertise to monitor, maintain, and provide 24/7 managed detection and response capabilities for coordination, escalation and remediation of alerts associated with information technology systems utilized by the Company.

Risk Management and Strategy

The Company engages in the periodic assessment and testing of the Company's policies, standards, processes and practices that are designed to address cybersecurity threats and incidents. These efforts include a wide range of activities, including audits, assessments, tabletop exercises, threat modeling, vulnerability testing and other exercises focused on evaluating the effectiveness of our cybersecurity measures and planning. The results of such assessments, audits and reviews are reported to the Audit Committee and the Board, and the Company adjusts its cybersecurity program as necessary based on the information provided by these assessments, audits, and reviews.

Governance

The Board, in coordination with the Audit Committee, oversees the Company's ERM process, including the management of risks arising from cybersecurity threats. The Board and the Audit Committee each receive regular presentations and reports on cybersecurity risks, which address a wide range of topics including recent developments, evolving standards, vulnerability assessments, and third-party and independent reviews. The Board and the Audit Committee also receive prompt and timely information regarding any cybersecurity incident that meets established reporting thresholds, as well as ongoing updates regarding any such incident until it has been addressed. On an annual basis, the Board and the Audit Committee discuss the Company's approach to cybersecurity risk management with the Company's Vice President of Information Technology (the "VP of IT").

The VP of IT reports to the Chief Financial and Strategy Officer and is the head of the Company's cybersecurity team. Through ongoing communications, the VP of IT and the Executive Leadership Team, which includes our Chief Executive Officer, Chief Financial and Strategy Officer, and Chief Administrative and Legal Officer, monitor the prevention, detection, mitigation and remediation of cybersecurity threats and incidents in real time and report such threats and incidents to the Audit Committee when appropriate.

The VP of IT has served in various roles in information technology and information security for over 25 years, including leading the cybersecurity programs for three public companies. The VP of IT holds undergraduate and graduate degrees in business and has attained multiple cybersecurity certifications including Certified Information Security Manager.

Cybersecurity threats, including those as a result of any previous cybersecurity incidents, have not materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations or financial condition. For more information on our cybersecurity related risks, refer to "Part I, Item 1A. Risk Factors" of this Annual Report on Form 10-K.

Item 2. Properties

The Company has 30 principal operating facilities across 12 states and nine countries. The Company's executive offices are located in Dallas, Texas. We maintain our facilities in good operating condition, and we believe they are suitable and adequate for the purposes for which they are intended to conduct business. Our current capacity, with limited capital additions, is expected to be sufficient to meet production requirements for the near future. It is anticipated that most leases coming due in the near future will be renewed at expiration. The property we own is subject to collateral mortgages to secure the amounts owed under the Credit Facility. Information on the number and location of principal operating facilities by segment was as follows as of December 31, 2023.

Segment	Owned	Leased	Location of Facilities	
			States	Countries
Engineered Systems Segment	1	16	Arizona, California, Connecticut, Florida, New York, Ohio, Texas	United States, The Netherlands, Canada, India, United Arab Emirates, Singapore, United Kingdom, People's Republic of China, South Korea
Industrial Process Solutions Segment	1	10	California, Indiana, Michigan, North Carolina, Pennsylvania, Tennessee	United States, United Kingdom, The Netherlands, People's Republic of China
Corporate	—	2	Ohio, Texas	United States
	<u>2</u>	<u>28</u>		

Item 3. Legal Proceedings

See Note 12 to the Consolidated Financial Statements contained in Part II, Item 8 of this Annual Report on Form 10-K for information regarding legal proceedings in which we are involved.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

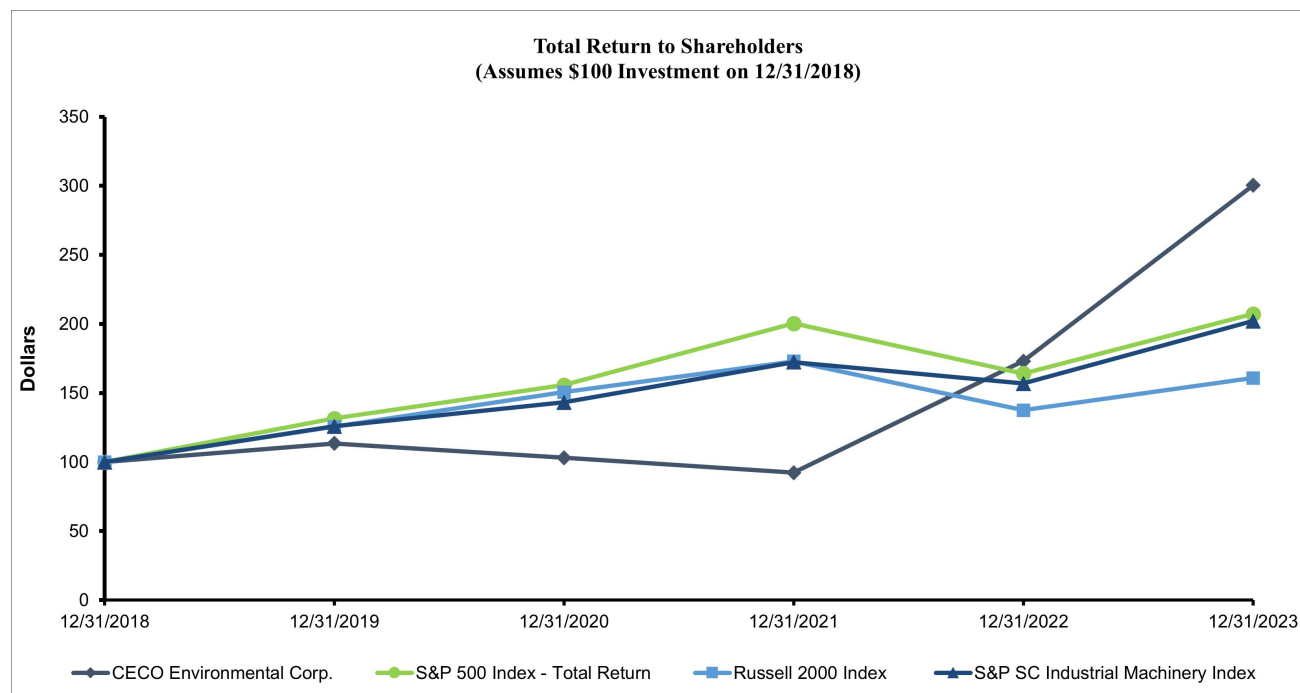
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on The Nasdaq Global Select Market under the symbol “CECO.”

Performance Graph

The following graph sets forth the cumulative total return to CECO’s stockholders during the five years ended December 31, 2023, as well as the following indices: Russell 2000 Index, Standard and Poor’s (“S&P”) 600 Small Cap Industrial Machinery Index, and S&P 500 Index. The following graph assumes \$100 was invested on December 31, 2018, including the reinvestment of dividends, in each category.



Dividends

The timing, declaration, amount and payment of future dividends to our stockholders fall within the discretion of our Board of Directors and will depend on many factors, including our financial condition, results of operations and capital requirements, as well as applicable legal or regulatory constraints, industry practice and other business considerations that our Board of Directors considers relevant. We have not paid a cash dividend on our common stock in recent years and currently intend to retain future earnings, if any, to finance the operations, growth and development of our business into the foreseeable future, or for other uses such as the continuation of our share repurchase program. Payment of dividends is also subject to the continuing compliance with our financial covenants under our Credit Facility.

Holders

The approximate number of registered stockholders of record of our common stock as of February 26, 2024 was 248, although there is a larger number of beneficial owners.

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 December 31, 2023.

Period (amounts in thousands, except per share data)	Issuer's Purchases of Equity Securities			
	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
October 1, 2023 - October 31, 2023	—	\$ —	—	\$ 13,000
November 1, 2023 - November 30, 2023	—	—	—	13,000
December 1, 2023 - December 31, 2023	—	—	—	13,000
Total	—	\$ —	—	—

(1) On May 10, 2022, the Board of Directors authorized a \$20.0 million share repurchase program as described within Note 9 to the Consolidated Financial Statements. The program expires on April 30, 2025.

Recent Sales of Unregistered Securities

Not applicable.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements and accompanying notes included in Item 8 of this Annual Report on Form 10-K, which include additional information about our accounting policies, practices and the transactions underlying our financial results. The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts in our consolidated financial statements and the accompanying notes including various claims and contingencies related to lawsuits, taxes, environmental and other matters arising during the normal course of business. We apply our best judgment, our knowledge of existing facts and circumstances and actions that we may undertake in the future in determining the estimates that affect our consolidated financial statements. We evaluate our estimates on an ongoing basis using our historical experience, as well as other factors we believe appropriate under the circumstances, such as current economic conditions, and adjust or revise our estimates as circumstances change. As future events and their effects cannot be determined with precision, actual results may differ from these estimates.

Overview

Business Overview

CECO is a leading environmentally focused, diversified industrial company, serving the broad landscape of industrial air, industrial water and energy transition markets globally by providing innovative technology and application expertise. We help companies grow their business with safe, clean, and more efficient solutions that help protect people, the environment and industrial equipment. Our solutions improve air and water quality, optimize emissions management, and increase the energy and process efficiency for highly engineered applications in power generation, midstream and downstream hydrocarbon processing and transport, chemical processing, electric vehicle production, polysilicon fabrication, semiconductor and electronics production, battery production and recycling, specialty metals, aluminum and steel production, beverage can manufacturing, and industrial and produced water and wastewater treatment, and a wide range of other industrial end markets.

Industry Trends and Corporate Strategy

We are a global corporation with worldwide operations. As a global business, our operations are affected by worldwide, regional and industry-specific economic factors, wherever we operate or do business. Our geographic and industry diversity, and the breadth of our product and services portfolio, have helped mitigate the impact of any one industry or the economy of any single country on our consolidated operating results.

We believe growth for our products and services is driven by the increase in demand for air quality and water treatment solutions, the energy transition, a shift towards cleaner sources of fuel such as natural gas, hydrogen, nuclear, and renewable sources, and increased awareness of our customers about corporate social responsibility and interest to procure equipment and solutions that protects employees, the environment and their industrial equipment.

With a shift to cleaner, more environmentally responsible power generation, power providers and industrial power consumers are building new facilities that use cleaner fuels. In developed markets, natural gas is the largest source of electricity generation. We supply product offerings throughout the entire natural gas value chain and believe expansion will drive growth within our Engineered Systems segment for our gas separation & filtration, pressure products, acoustical equipment, water treatment solutions and DeNOx SCR systems for natural-gas-fired power plants. Increases in global natural gas, installed miles of new pipeline, including future CO₂ and hydrogen pipelines, and liquefied natural gas ("LNG") demand and supply all stand to drive the need for our products.

We also believe there is a growing demand to control and reduce air and water emissions from industrial facilities for which our pollution control equipment will serve. In 2021, the US Congress passed the Infrastructure Investment and Jobs Act with \$550 billion of new federal spending aimed at rebuilding roads and bridges, climate resilience, and other environmental initiatives. Similar investments are being made in many other countries in which we do business. As industrial capital expenditures grow, corporations are seeking to do so with a smaller environmental impact. These regulatory and economic tailwinds coupled with shareholder pressure on companies to improve their sustainability and reduce their global carbon footprint serve as catalysts for a growing set of opportunities for our portfolio of equipment and solutions.

We continue to focus on increasing revenues and profitability in developing markets, where environmental awareness and associated regulatory standards are increasing, while continuing to strengthen and expand our product offerings and channels in our domestic market of the United States. Our enterprise strategy consists of a combined operational strategy and capital allocation strategy.

Our operational strategy is implemented through our technology and application-based platforms aligned around target customers and end markets where our solutions are particularly valuable. Core elements of our operational strategy are commercial and operational excellence, margin expansion, recurring revenue growth, cash flow generation, product management, and project management execution.

Our capital allocation strategy supports the growth and value creation generated by our operational strategy. We will focus our capital deployment on building out our leading industrial air solutions portfolio, advancing our emerging industrial water treatment position, and supporting our customers as they make the transition to cleaner more sustainable forms of energy, while also shifting our portfolio mix towards businesses with more recurring revenue and more predictable cash flows, strong secular growth trends and less cyclicity.

Market Pressures

The senior management team monitors and manages the Company's ability to operate effectively as the result of market pressures. In particular, we are currently experiencing shortages of raw materials and inflationary pressures for certain materials and labor. We have secured raw materials from existing and alternate suppliers and have taken other mitigating actions to mitigate supply disruptions; however, we cannot guarantee that we can continue to do so in the future. In this event, our business, results and financial condition could be adversely affected.

Operations Overview

We operate our segments and the underlying platforms serving their respective niche end markets. Our platforms are structured to win in their target markets with a core focus on understanding customer needs and providing best-in-class solutions. Our business model provides scalable efficiencies enabling us to serve our customers with a variety of products that we typically classify into three categories: make-to-order, configure-to-order, and engineer-to-order. For our project-based platforms, we leverage third-party subcontract fabrication partners in a global network to execute for our customers world-wide. Our platforms are focused on sales, application engineering, product management, project management, and supply chain execution for our customers.

Our operations management team has distinct industry expertise coupled with strong leadership skills resulting in a customer-first mindset across the business. Our operations management team works closely with our Chief Executive Officer on global fulfillment strategies, operational excellence, resource allocation, and employee development.

Within our segments we have monthly business reviews to ensure we are serving customers, achieving our operating plan, and executing on strategic growth initiatives. These reviews include, but are not limited to pipeline reviews, quotation reviews, project management reviews, financial performance, manufacturing scorecards, safety, and customer feedback. In these reviews we focus on metrics such as quality, customer satisfaction, on-time-delivery, lead-times, price, inflation, project margins, backlog, and above all, safety.

In support of the segments, centralized teams provide back-office functions for scale, efficiency, and compliance. These key functions include: accounting, treasury, tax, payroll, human resources and total rewards management, legal, information technology, marketing, and internal control over financial reporting. We have excellent collaboration between our platforms and our centralized service teams ensuring optimal efficiency and alignment on growth and improvement initiatives.

Our reportable segments are:

- *Engineered Systems segment:* Our Engineered Systems segment serves the power generation, hydrocarbon processing, water/wastewater treatment, oily water separation and treatment, marine and naval vessels, and midstream oil and gas sectors. We seek to address the global demand for environmental and equipment protection solutions with our highly engineered platforms including emissions management, fluid bed cyclones, thermal acoustics, separation and filtration, and dampers and expansion joints.
- *Industrial Process Solutions segment:* Our Industrial Process Solutions segment serves the broad industrial sector with solutions for air pollution and contamination control, fluid handling, and process filtration in applications such as aluminum beverage can production, automobile production, food and beverage processing, semiconductor fabrication, electronics production, steel and aluminum mill processing, wood manufacturing, desalination, and aquaculture markets. We assist customers in maintaining clean and safe operations for employees, reducing energy consumption, minimizing waste for customers, and meeting regulatory standards for toxic emissions, fumes, volatile organic compounds, and odor elimination through our platforms including duct fabrication and installation, industrial air, and fluid handling.

Our contracts are obtained either through competitive bidding or as a result of negotiations with our customers. Contract terms offered by us are generally dependent on the complexity and risk of the project as well as the resources that will be required to complete the project. Our focus is on increasing our operating margins as well as our gross margin percentage, which translates into stronger operating results.

Our cost of sales is principally driven by a number of factors, including material and subcontract prices and labor cost and availability. Changes in these factors may have a material impact on our overall gross profit margins.

We break down costs of sales into five categories, as follows:

- Subcontracts—Electrical work, concrete work, subcomponents and other subcontracts necessary to produce our products;
- Labor—Our direct labor both in the shop and in the field;
- Material—Raw materials that we buy to build our products;
- Equipment—Fans, motors, control panels and other equipment necessary for turnkey systems; and
- Factory overhead—Costs of facilities and supervision wages necessary to produce our products.

In general, subcontracts are the highest percentage of costs and also the most flexible followed by labor, material, and equipment. Due to the project nature and global orientation of several of our platforms, leveraging subcontract fabrication partners close to our customers increases our ability to meet customer delivery expectations at market competitive pricing. In periods where orders are infrequent, we do not have to maintain the fixed cost of a manufacturing plant. Across our various product lines, the relative relationships of these cost categories change and cause variations in gross margin percentage. Material and labor costs can increase quickly, which also reduces gross margin percentage. As material cost inflation occurs, the Company seeks to pass this cost onto our customers as price increases.

Selling and administrative expense principally includes sales and engineering payroll and related fringes, advertising and marketing expenditures as well as all corporate and administrative functions and other costs that support our operations. The majority of these expenses are fixed. An advantage of our operating model is that as revenue grows, we have significant operating leverage on our fixed selling and administrative cost structure.

Note Regarding Use of Non-GAAP Financial Measures

The Company's 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 MD&A 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 supplemental 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 has provided the non-GAAP financial measures including non-GAAP operating income, non-GAAP operating margin, and non-GAAP net income as a result of the adjustment for items that the Company believes are not indicative of its ongoing operations. These items include charges associated with the Company's acquisitions, and the 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 has incurred substantial expense and generated substantial income associated with acquisitions. While the Company cannot predict the exact timing or amounts of such charges, it does expect to treat these charges as special items in its future presentation of non-GAAP results.

Results of Operations

Consolidated Results

Our consolidated statements of income for the years ended December 31, 2023, 2022 and 2021 are as follows:

(dollars in millions)	Year ended December 31,		
	2023	2022	2021
Net sales	\$ 544.8	\$ 422.6	\$ 324.1
Cost of goods sold	373.8	294.4	223.2
Gross profit	\$ 171.0	\$ 128.2	\$ 100.9
<i>Percent of sales</i>	31.4%	30.3%	31.1%
Selling and administrative expenses	\$ 122.9	\$ 93.4	\$ 81.8
<i>Percent of sales</i>	22.6%	22.1%	25.2%
Amortization and earnout expenses	8.2	6.8	7.8
Acquisition and integration expenses	2.5	4.5	0.8
Executive transition expenses	1.5	1.2	—
Restructuring expenses	1.3	0.1	0.6
Operating income	\$ 34.6	\$ 22.2	\$ 9.9
<i>Percent of sales</i>	6.4%	5.3%	3.1%
Other income (expense), net	\$ 0.4	\$ 6.9	\$ (2.2)
Interest expense	(13.4)	(5.4)	(3.0)
Income before income taxes	\$ 21.5	\$ 23.7	\$ 4.7
Income tax expense	7.0	5.4	2.7
Net income	\$ 14.5	\$ 18.3	\$ 2.0
Noncontrolling interest	(1.6)	(0.8)	(0.6)
Net income attributable to CECO Environmental Corp.	\$ 12.9	\$ 17.4	\$ 1.4

Non-GAAP Measures

To compare operating performance between the years ended December 31, 2023, 2022 and 2021 the Company has adjusted GAAP operating income to exclude (1) amortization of intangible assets, and earnout 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, (4) executive transition expenses, including severance for the Company's former executives, fees and expenses incurred in the search, for and hiring, of new executives and (5) intangible asset impairment. See "Note Regarding Use of Non-GAAP Financial Measures" above. The following tables present the reconciliation of GAAP operating income and GAAP operating margin to non-GAAP operating income and non-GAAP operating margin, and GAAP net income to non-GAAP net income.

(dollars in millions)	Year Ended December 31,		
	2023	2022	2021
Operating income as reported in accordance with GAAP	\$ 34.6	\$ 22.2	\$ 9.9
<i>Operating margin in accordance with GAAP</i>	6.4%	5.3%	3.1%
Amortization and earnout expenses	8.2	6.8	7.8
Acquisition and integration expenses	2.5	4.5	0.8
Executive transition expenses	1.5	1.2	—
Restructuring expenses	1.3	0.1	0.6
Non-GAAP operating income	\$ 48.1	\$ 34.8	\$ 19.1
<i>Non-GAAP operating margin</i>	8.8%	8.2%	5.9%

(dollars in millions)	Year Ended December 31,		
	2023	2022	2021
Net income as reported in accordance with GAAP	\$ 12.9	\$ 17.4	\$ 1.4
Amortization and earnout expenses	8.2	6.8	7.8
Acquisition and integration expenses	2.5	4.5	0.8
Executive transition expenses	1.5	1.2	—
Restructuring expenses	1.3	0.1	0.6
Foreign currency remeasurement	(1.0)	(1.3)	2.0
Tax (benefit) expense of adjustments	1.2	(2.8)	(2.8)
Non-GAAP net income	\$ 26.6	\$ 25.9	\$ 9.8
<i>Non-GAAP net income as a percentage of sales</i>	4.9%	6.1%	3.0%

Comparison of the years ended December 31, 2023 and 2022

Consolidated net sales in 2023 were \$544.8 million compared with \$422.6 million in 2022, an increase of \$122.2 million or 28.9%. The increase was led by increases of \$88.2 million in our separation, filtration and industrial water businesses and \$21.2 million in our thermal acoustics technologies. Approximately 58.2%, or \$71.1 million, of the increase in net sales is attributable to organic revenue growth, defined as revenue recorded subsequent to the twelve-month period post-acquisition date, while \$51.1 million is attributable to acquisitions that have occurred during the preceding twelve-month period.

Gross profit increased by \$42.8 million, or 33.4%, to \$171.0 million in 2023 compared with \$128.2 million in 2022. The increase in gross profit was primarily attributable to the increase in sales volume as described above. Gross profit as a percentage of sales increased to 31.4% in 2023 compared with 30.3% in 2022 due to higher project margin mix executed during the year and price increases. We continue to experience shortages of raw materials and inflationary pressures for certain materials and labor. We have secured additional raw materials from existing and alternate suppliers and have taken other mitigating actions to mitigate supply disruptions, such as implementing price increases and applying material surcharges, we cannot guarantee that we can continue to do so in the future. In this event, our business, results and financial condition could be adversely affected.

Orders booked were \$582.8 million in 2023 compared with \$526.6 million in 2022. This \$56.2 million increase is primarily attributable to recent acquisitions.

Selling and administrative expenses were \$122.9 million in 2023 compared with \$93.4 million in 2022. The increase is primarily attributed to acquisitions during 2023, as well as increased investment to support our revenue growth and increased backlog. Selling and administrative expenses as a percentage of sales were flat, with 22.6% in 2023 compared with 22.1% in 2022.

Amortization and earnout expenses were \$8.2 million in 2023 and \$6.8 million in 2022. The increase in expense is attributable to an increase of \$0.9 million in definite lived asset amortization due to recent acquisitions and \$0.5 million in earnout expense. See Note 7 to the Consolidated Financial Statements for further discussion on earnout expenses.

Acquisitions and integration expenses related to various merger and acquisition diligence activities, which include legal, accounting and banking expenses, were \$2.5 million in 2023, as compared with \$4.5 million in 2022. The decrease is due to the timing of acquisition activity. See Note 14 to the Consolidated Financial Statements for further discussion on recent acquisitions.

Executive transition expenses were \$1.5 million in 2023 compared to \$1.2 million in 2022. These expenses related to fees and other expenses incurred in the search for and hiring of new executives, specifically the Chief Administrative and Legal Officer and Chief Finance and Strategy Officer for 2022 and Chief Operating Officer and Chief Accounting Officer for 2023.

Restructuring expenses were \$1.4 million in 2023 compared to \$0.1 million in 2022. These expenses related to severance, facility exits, and associated legal expenses, primarily as it relates to the exit of certain operations in China at the end of 2023.

Operating income for 2023 was \$34.6 million, an increase of \$12.4 million from \$22.2 million in 2022. Operating income as a percentage of sales for 2023 was 6.4% compared with 5.3% for 2022. The increase in operating income is primarily attributable to increases in net organic sales and gaining operating leverage.

Non-GAAP operating income was \$48.1 million in 2023 and \$34.8 million in 2022. The increase in non-GAAP operating income is primarily attributable to the increase in net organic sales and improved operating leverage. Non-GAAP operating income as a percentage of sales for 2023 was 8.8% compared with 8.2% for 2022.

Other income for 2023 was \$0.4 million compared to \$6.9 million in 2022. The decrease in other income was primarily attributable to net foreign currency transaction losses in the current year based on changes in exchange rates at our foreign subsidiaries.

Interest expense increased to \$13.4 million in 2023 from \$5.4 million in 2022. The increase in interest expense is primarily due to higher interest rates and increased debt balances to fund acquisitions.

Income tax expense was \$7.0 million and \$5.4 million in 2023 and 2022, respectively. The effective tax rate for 2023 was 32.6% compared with 22.9% in 2022. Income tax expense and the effective tax rate for 2023 were affected by changes in valuation allowances, and the net impact of global intangible low-taxed income ("GILTI") and foreign-derived intangible income ("FDII"), as well as certain permanent differences including state income taxes, non-deductible incentive stock-based compensation, and differences in tax rates among the jurisdictions in which we operate.

Comparison of the years ended December 31, 2022 and 2021

See the Management Discussion and Analysis section of our Annual Report on Form 10-K for the year ended December 31, 2022 for a discussion of our consolidated results of operations for the year ended December 31, 2022 compared to the year ended December 31, 2021.

Business Segments

The Company's operations are organized and reviewed by management along its product lines and end markets that the segment serves and are presented in two reportable segments. The results of the segments are reviewed through the "Income from operations" line on the Consolidated Statements of Income. The amounts presented in the Net Sales table below and in the following comments regarding our net sales at the reportable business segment level exclude both intra-segment and inter-segment net sales. The Income from Operations table and corresponding comments regarding operating income at the reportable segment level include both intra-segment and inter-segment operating income.

	2023	2022	2021
Net Sales (less intra-, inter-segment sales)			
(table only in thousands)			
Engineered Systems Segment	\$ 380,108	\$ 263,224	\$ 186,926
Industrial Process Solutions Segment	164,737	159,403	137,214
Total net sales	<u>\$ 544,845</u>	<u>\$ 422,627</u>	<u>\$ 324,140</u>

	2023	2022	2021
Income from Operations			
(table only in thousands)			
Engineered Systems segment	\$ 59,846	\$ 36,200	\$ 25,770
Industrial Process Solutions segment	21,630	22,705	15,054
Corporate and Other (1)	(46,907)	(36,744)	(30,967)
Total income from operations	<u>\$ 34,569</u>	<u>\$ 22,161</u>	<u>\$ 9,857</u>

- (1) Includes corporate compensation, professional services, information technology, and other general, administrative corporate expenses. This figure excludes earnout expenses / income, which are recorded in the segment in which the expense / income occurs.

Comparison of the years ended December 31, 2023 and 2022

Engineered Systems segment

Our Engineered Systems segment net sales increased \$116.9 million to \$380.1 million in 2023 compared with \$263.2 million in 2022, an increase of 44.4%. The increase is broad-based, led by increases of \$88.2 million in our separation, filtration and industrial water businesses and \$21.2 million in our thermal acoustics technologies. Approximately 56.6%, or \$66.2 million, of the increase in net sales is attributable to organic revenue growth, while \$50.7 million is attributable to acquisitions that have occurred during the preceding twelve-month period.

Operating income for the Engineered Systems segment increased \$23.6 million to \$59.8 million for 2023 compared with \$36.2 million in 2022, an increase of 65.2%. The increase in operating income is primarily attributable to higher gross profit related to increased sales.

Industrial Process Solutions segment

Our Industrial Process Solutions segment net sales increased \$5.3 million to \$164.7 million in 2023 compared with \$159.4 million in 2022, an increase of 3.3%. The increase is primarily attributable to an increase of \$4.7 million in our duct fabrication and installation businesses. Approximately 62.3%, or \$3.3 million, of the increase in net sales is attributable to organic revenue growth, while \$2.0 million is attributable to acquisitions that have occurred during the preceding twelve-month period.

Operating income was \$21.6 million in 2023 compared with \$22.7 million in 2022. The decrease is primarily attributable to \$1.0 million of restructuring expenses incurred in 2023.

Corporate and Other segment

Operating expense for the Corporate and Other segment increased \$10.2 million to \$46.9 million for 2023 compared with \$36.7 million for 2022. The increase is primarily attributable to inflationary increases in wages and services, as well as increased headcount in order to support our revenue growth.

Comparison of the years ended December 31, 2022 and 2021

See the Management Discussion and Analysis section of our Annual Report on Form 10-K for the year ended December 31, 2022 for a discussion of business segment results of operations for the year ended December 31, 2022 compared to the year ended December 31, 2021.

Liquidity and Capital Resources

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, when possible, utilizing extended payment terms from material suppliers, 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 December 31, 2023, the Company had working capital of \$78.3 million, compared with \$94.0 million at December 31, 2022. The ratio of current assets to current liabilities was 1.39 to 1.00 at December 31, 2023 as compared with a ratio of 1.64 to 1.00 at December 31, 2022.

At December 31, 2023 and 2022, cash and cash equivalents totaled \$54.8 million and \$45.5 million, respectively. As of December 31, 2023 and 2022, \$38.5 million and \$31.7 million, respectively, of our cash and cash equivalents were held by non-U.S. subsidiaries, as well as being denominated in foreign currencies.

Debt consisted of the following:

(table only in thousands)	December 31,	
	2023	2022
Outstanding borrowings under Credit Facility		
Term loan payable in quarterly principal installments of \$550 through September 2023, \$825 through September 2025 and \$1,100 thereafter with balance due upon maturity in December 2026.		
– Term loan	\$ 112,424	\$ 41,309
– Revolving Credit Loan	17,300	61,300
Total outstanding borrowings under the Credit Facility	129,724	102,609
Outstanding borrowings under the joint venture term debt	8,855	10,083
Unamortized debt discount	(1,296)	(1,488)
Total outstanding borrowings	137,283	111,204
Less: current portion	(10,488)	(3,579)
Total debt, less current portion	\$ 126,795	\$ 107,625

In 2023, the Company made repayments of \$44.0 million on the revolving credit line and \$1.2 million on the joint venture term debt, with net borrowings of \$71.1 million on the term loan.

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").

On October 30, 2023, the Company entered into Amendment No. 4 to the Second Amended and Restated Credit Agreement. Pursuant to this amendment, the lenders provided an additional term loan in the aggregate principal amount of \$75.0 million.

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 (as defined in the Credit Facility). In the third quarter of 2023, the Company entered into an Elevated Ratio Period resulting in a maximum Consolidated Net Leverage Ratio of 4.00 through June 30, 2024, after which time it will decrease to 3.50 until the end of the term of the Credit Facility.

As of December 31, 2023 and 2022, the Company was in compliance with all related financial and other restrictive covenants under the Credit Facility.

Joint Venture Debt

On March 7, 2022, the Company's Effox-Flexor-Mader, Inc. joint venture ("EFM JV") entered into a loan agreement secured by the assets of the EFM JV in the aggregate principal amount of \$11.0 million for the acquisition of General Rubber, LLC ("GRC"), as further described in Note 14 to the Consolidated Financial Statements.

Foreign Debt

In addition, the Company has a number of bank guarantee facilities and bilateral lines of credit in various foreign 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 \$65.0 million from the bilateral lines of credit secured by pledged assets and collateral under the Credit Facility.

See Note 8 to the Consolidated Financial Statements for further information on the Company's debt facilities.

Total unused credit availability under our Credit Facility and other non-U.S. credit facilities and agreements, exclusive of any potential asset base limitations, is as follows:

	December 31,	
	2023	2022
(dollars in millions)		
Credit Facility, revolving loans	\$ 140.0	\$ 140.0
Draw down	(17.3)	(61.3)
Letters of credit open	(13.3)	(18.9)
Total unused credit availability	\$ 109.4	\$ 59.8
Amount available based on borrowing limitations	\$ 99.8	\$ 59.8

Overview of Cash Flows and Liquidity

	For the year ended December 31,		
	2023	2022	2021
(dollars in thousands)			
Total operating cash flow provided by operating activities	\$ 44,647	\$ 29,649	\$ 13,298
Net cash used in investing activities	(56,486)	(48,257)	(2,083)
Net cash provided by (used in) financing activities	21,144	38,176	(15,556)
Effect of exchange rate changes on cash and cash equivalents	(442)	(4,978)	(1,475)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 8,863	\$ 14,590	\$ (5,816)

Operating Activities

In 2023, \$44.6 million of cash was provided by operating activities compared with \$29.6 million provided by operating activities in 2022, an increase of \$15.0 million. Cash flow from operating activities in 2023 had a favorable impact year-over-year primarily due to changes in net working capital.

In 2022, \$29.6 million of cash was provided by operating activities compared with \$13.2 million in 2021, an increase of \$16.4 million. Cash flow from operating activities in 2022 had a favorable impact year-over-year primarily due to increases in net earnings, partially offset by increases in net working capital.

Investing Activities

In 2023, \$56.5 million of cash was used in investing activities, which consisted of \$48.1 for current year acquisitions and \$8.4 million for acquisition of property and equipment.

In 2022, \$48.3 million of cash was used in investing activities, which consisted of \$44.9 for current year acquisitions and \$3.4 million for acquisition of property and equipment.

Financing Activities

Financing activities in 2023 provided cash of \$21.1 million, which consisted primarily of \$27.1 million of net borrowings under the Credit Facility, used to finance current year acquisitions, as well as \$1.4 million of proceeds from employee stock purchase plan and exercise of stock options. This was partially offset by \$2.1 million of earnout payments, \$1.7 million in distributions to non-controlling interest, \$1.2 million of deferred consideration for acquisitions, \$0.9 million in payments on our capital leases, and \$0.4 million of financing fees.

Financing activities in 2022 provided cash of \$38.2 million, which consisted primarily of \$39.3 million net borrowings on our revolving credit line and \$11.0 million borrowings of joint venture term debt, both of which were used to finance current year acquisitions. These were partially offset by \$3.1 million paydown of our term debt, \$7.0 million for the repurchase and retirement of our common stock, \$1.4 million in distributions to non-controlling interest, and \$0.6 million in payments on our capital leases.

Our primary sources of liquidity are cash generated from operations and borrowing availability under the Credit Facility. We believe that cash flows from operating activities, together with our existing cash and borrowings available under our Credit Facility, will be sufficient for at least the next twelve months to fund our current anticipated uses of cash. After that, our ability to fund these expected uses of cash and to comply with the financial covenants under our debt agreements will depend on the results of future operations, performance and cash flow. Our ability to fund these expected uses from the results of future operations will be subject to prevailing economic conditions and to financial, business, regulatory, legislative and other factors, many of which are beyond our control.

Our material cash requirements included (i) debt repayments under with respect to our Credit Facility and joint venture term debt, (ii) interest expense, (iii) purchase obligations for costs associated with uncompleted sales contracts, (iv) operating and capital lease obligations and (v) contingent liabilities related to acquisitions, including earnout liabilities and retention payments.

We are party to many contractual obligations involving commitments to make payments to third parties, and such commitments require a material amount of cash. The following table summarizes the Company's material cash requirements from known contractual obligations as of December 31, 2023:

(dollars in thousands)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Term Loan Debt, including joint venture debt	\$ 121,279	\$ 10,488	\$ 107,023	\$ 3,768	\$ —
Revolving Credit Loan	17,300	—	17,300	—	—
Interest expense (estimated)	26,825	11,154	15,344	328	—
Purchase obligations (1)	109,957	109,957	—	—	—
Operating lease obligations	16,938	4,363	6,372	2,723	3,480
Capital lease obligations	6,409	925	1,905	1,983	1,596
Liabilities related to acquisitions (2)	3,700	1,115	2,585	—	—
Totals	\$ 302,408	\$ 138,001	\$ 150,529	\$ 8,802	\$ 5,076

(1) Primarily consists of purchase obligations for costs associated with uncompleted sales contracts.

(2) Includes notes payable and expected earnout liability.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in conformity with GAAP. Preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses and related contingent liabilities. Critical accounting estimates or assumptions are those where the nature of the estimates or assumptions is material given the level of subjectivity and judgment necessary to account for uncertain matters, and the potential impact of the estimates and assumptions on financial condition or operating performance is material. We consider the estimates discussed below to be critical to the understanding of our financial statements. Actual results may differ from our estimates and assumptions, and any such differences could be material to our consolidated financial statements.

Revenue Recognition

A substantial portion of our revenue is derived from fixed-price contracts. We account for a contract after it has been approved by all parties to the arrangement, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

We recognize revenue as performance obligations are satisfied. A significant amount of our revenue is recognized over a period of time as we perform under the contract because control of the work in process transfers continuously to the customer. For performance obligations to deliver products with continuous transfer of control to the customer, revenue is recognized based on the extent of progress towards completion of the performance obligation. Progress is measured based on the ratio of costs incurred to date to the total estimated costs to complete the performance obligation. For these contracts, the cost-to-cost measure best depicts the continuous transfer of goods or services to the customer.

The judgments and estimates involved include management's ability to accurately estimate the contracts' progress to completion at each financial reporting period. In addition, certain contracts are highly dependent on the work of contractors and other subcontractors participating in a project, over which we have no or limited control, and their performance on such project could have an adverse effect on the profitability of our contracts. Delays resulting from these contractors and subcontractors, changes in the scope of the project, weather, and labor availability also can have an effect on a contract's profitability. Changes to job performance, job conditions, and estimated profitability may result in revisions to contract revenue and costs and are recognized in the period in which the revisions are made.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. No provision for estimated losses on uncompleted contracts was needed at December 31, 2023, 2022 and 2021.

Inventories

The Company's inventories are valued at the lower of cost or net realizable value using the first-in, first-out inventory costing method. Inventory quantities are regularly reviewed and provisions for excess or obsolete inventory are recorded primarily based on our forecast of future demand and market conditions. Significant unanticipated changes to our forecasts could require a change in the provision for excess or obsolete inventory.

Long-lived assets

Property, plant and equipment and finite life intangible assets are reviewed whenever events or changes in circumstances occur that indicate possible impairment. If such events or changes in circumstances occur, our impairment review is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of our assets and liabilities. This analysis requires management judgment with respect to changes in technology, the continued success of product lines, and future volume, revenue and expense growth rates. We also review business plans for possible impairment. Impairment occurs when the carrying value of the assets exceeds the future undiscounted cash flows expected to be earned by the use of the asset or asset group. When impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset or asset group and an impairment charge is recorded for the difference between the carrying value and the estimated fair value.

Additionally, we review the remaining useful lives of assets to determine whether events and circumstances warrant a revision to the remaining period of depreciation or amortization. If the estimate of a long-lived asset's remaining useful life is changed, the remaining carrying amount of the asset is depreciated/amortized prospectively over that revised remaining useful life.

We complete an impairment assessment of the Company's indefinite life intangible assets on an annual basis, or more often as circumstances require. As a part of its annual assessment, we first qualitatively assess 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 an asset is less than its carrying amount. If there is a qualitative determination that the fair value of a particular asset is more likely than not greater than its carrying value, we do not need to proceed to the quantitative estimated fair value test for that asset. If this qualitative assessment indicates a more likely than not potential that the asset may be impaired, the estimated fair value is determined by the relief from royalty method. If the estimated fair value of an asset is less than its carrying value, an impairment charge is recorded for the amount by which the carrying value of the asset exceeds its estimated fair value.

During 2023, 2022, and 2021, our annual impairment test indicated no impairment of our indefinite-lived tradenames. Accordingly, we recognized no impairment charges in our financial results for the years ended December 31, 2023, 2022, and 2021. For additional information on impairment testing results, see Note 6 to the Consolidated Financial Statements.

Goodwill

We complete a goodwill impairment assessment on an annual basis as of October 1, or more often as circumstances require, on a reporting unit level, at or below the operating segment level. As a part of the annual assessment, we first qualitatively assess 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 is less than its carrying amount. If there is a qualitative determination that the fair value of a particular reporting unit is more likely than not greater than its carrying value, we do not need to quantitatively test for goodwill impairment for that reporting unit. If this qualitative assessment indicates a more likely than not potential that the asset may be impaired, the estimated fair value is calculated using a weighting of the income method and the market method. If the estimated fair value of a reporting unit is less than its carrying value, an impairment charge is recorded.

We base our measurement of the fair value of a reporting unit using a 50/50 weighting of the income method and the market method. The income method is based on a discounted future cash flow approach that uses the significant assumptions of projected revenue, projected operational profit, terminal growth rates, and the cost of capital. Projected revenue, projected operational profit and terminal growth rates are significant assumptions because they are three primary drivers of the projected cash flows in the discounted future cash flow approach. Cost of capital is a significant assumption as it is the discount rate used to calculate the current fair value of those projected cash flows. The market method is based on financial multiples of comparable companies and applies a control premium. Significant estimates in the market approach include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and operating income multiples in estimating the fair value of a reporting unit. Based on the analysis, the resultant estimated fair value of all of the reporting units exceeded their carrying value as of December 31, 2023. For additional information on goodwill impairment testing results, see Note 6 to the Consolidated Financial Statements.

Income Taxes

Income taxes are determined using the asset and liability method of accounting for income taxes in accordance with Financial Accounting Standards Board (“FASB”), Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes”. Income tax expense includes federal, state and foreign income taxes.

Deferred income taxes are provided using the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases and are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Tax credits and other incentives reduce income tax expense in the year the credits are claimed.

Management must assess the need to accrue or disclose uncertain tax positions for proposed potential adjustments from various federal, state and foreign tax authorities who regularly audit the Company in the normal course of business. In making these assessments, management must often analyze complex tax laws of multiple jurisdictions, including many foreign jurisdictions. The accounting guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We record the related interest expense and penalties, if any, as tax expense in the tax provision.

Management must assess the realizability of the Company’s deferred tax assets. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carry forward periods), projected future taxable income, and tax-planning strategies in making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Company has made an accounting policy election to record the U.S. income tax effect of future global intangible low-taxed income (“GILTI”) inclusions in the period in which they arise, rather than establishing deferred taxes with respect to the expected future tax liabilities associated with future GILTI inclusion.

Certain of the Company’s undistributed earnings of its foreign subsidiaries are not permanently reinvested. A liability has been recorded for the deferred taxes on such undistributed foreign earnings. The amount is attributable primarily to the foreign withholding taxes that would become payable should the Company repatriate cash held in its foreign operations.

Other significant accounting policies

Other significant accounting policies, not involving the same level of uncertainties as those discussed above, are nevertheless important to an understanding of our financial statements. See Note 1 to the Consolidated Financial Statements, Summary of

Significant Accounting Policies, which discusses accounting policies that must be selected by us when there are acceptable alternatives.

New Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 1 to the Consolidated Financial Statements included in this annual report on Form 10-K.

Item 7A. 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. The amount of interest expense may increase because a substantial portion of our borrowings is at variable rates of interest, which, if interest rates increase, could result in higher interest expense. We do not currently hold any derivatives or other financial instruments purely for trading or speculative purposes.

The carrying value of the Company's total long-term debt and current maturities of long-term debt at December 31, 2023 was \$138.6 million. 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 December 31, 2023. Most of the interest on the Company's debt is indexed to SOFR market rates. The estimated annual impact of a hypothetical 10% change in the estimated weighted average borrowing rate at December 31, 2023 is \$1.2 million.

The Company has wholly-owned subsidiaries in several countries, including in the Netherlands, Canada, the People's Republic of China, United Kingdom, Singapore, India, United Arab Emirates and South Korea. In the past, we have not hedged our foreign currency exposure. Future changes in exchange rates may positively or negatively impact our revenues, operating expenses and earnings. Transaction gains (losses) included in "Other income (expense), net" line of the Consolidated Statements of Income were \$1.2 million, \$6.3 million, and \$(3.1) million in 2023, 2022, and 2021, respectively.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements of CECO Environmental Corp. and subsidiaries for the years ended December 31, 2023, 2022 and 2021 and other data are included in this report following the signature page of this report and incorporated into this Item 8 by reference:

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) are controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit 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 made known to our management, including our Chief Executive Officer and Chief Financial and Strategy Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Annual Report on Form 10-K, our management, with the participation of our Chief Executive Officer and Chief Financial and Strategy Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial and Strategy Officer, concluded that our disclosure controls and procedures were not effective as of December 31, 2023, as a result of the material weaknesses in our internal control over financial reporting discussed below, which are currently being remediated.

The management of the Company does not expect that its disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be 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, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur due to simple errors or mistakes. The design of any system of controls is based in part upon certain assumptions regarding the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management's Report on Internal Control over Financial Reporting

The management of the Company is responsible for the preparation and accuracy of the financial statements and other information included in this report. Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial and Strategy Officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting as of December 31, 2023, based on the criteria set forth in Internal Control – Integrated Framework (2013) (the "Framework") issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management concluded that, as of December 31, 2023, its internal control over financial reporting was not effective based on the Framework, as a result of the material weaknesses in our internal control over financial reporting discussed below.

Notwithstanding these material weaknesses, management believes that the consolidated financial statements included in this report present fairly, in all material respects, the Company's financial condition, results of operations and cash flows for each of the periods presented in this report in conformity with accounting principles generally accepted in the United States of America.

Material Weaknesses in Internal Control over Financial Reporting

Revenue Recognition

As previously reported, we identified a material weakness in internal control over financial reporting relating to management's review of its revenue recognition for contracts recognized over time isolated to our Engineered Systems segment. Specifically, management did not retain appropriate documentation supporting the review of over time revenue recognition for customer contracts within the Engineered Systems segment.

Balance Sheet Reconciliations

As previously reported, we identified a material weakness in internal control over financial reporting relating to management's review of balance sheet reconciliations for certain divisions within our Engineered Systems segment. Specifically, management did not review the reconciliations prepared for balance sheet accounts for certain divisions within the Engineered Systems segment as required by Company policy.

These material weaknesses did not result in any material misstatement in our interim or audited financial statements or disclosures, and there were no changes required to any of our previously released interim or audited consolidated financial statements.

Remediation Efforts to Address Material Weaknesses

Management is committed to maintaining a strong internal control environment. In response to the identified material weaknesses, management, with the oversight of the Audit Committee of the Board of Directors, has taken actions toward the remediation of the material weaknesses in internal control over financial reporting, including reinforcing the importance of adherence to Company policies regarding control performance and related documentation with control owners, strengthening existing training programs for control owners, and developing monitoring activities to validate the performance of controls by control owners. As of December 31, 2023, management has reinforced policies through training sessions as well as ongoing communications, and implemented incremental monitoring activities, but remediation efforts are ongoing.

The Company anticipates the actions described above and resulting improvements in controls will strengthen the Company's processes, procedures and controls related to management's review of over time revenue recognition and balance sheet reconciliations and will address the related material weaknesses. However, the material weaknesses cannot be considered remediated until the applicable controls have operated for a sufficient period of time, and management has concluded, through testing, that the controls are operating effectively.

There are inherent limitations on the effectiveness of any system of internal controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective internal controls and procedures can only provide reasonable assurance of achieving their control objectives.

Our independent registered public accounting firm has issued their attestation report on our internal control over financial reporting. The report is included below under the heading "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control Over Financial Reporting

Except as noted above with respect to our ongoing remediation efforts, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the fiscal quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
CECO Environmental Corp.
Dallas, Texas

Opinion on Internal Control over Financial Reporting

We have audited CECO Environmental Corp.'s (the "Company's") internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income and comprehensive income, shareholders' equity and accumulated other comprehensive loss, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated March 5, 2024, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses regarding management's review of its revenue recognition for contracts recognized over time in the Engineered Systems segment and review of balance sheet reconciliations have been identified and described in management's assessment. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2023 financial statements, and this report does not affect our report dated March 5, 2024 on those financial statements.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, P.C.

Cincinnati, Ohio

March 5, 2024

Item 9B. Other Information

Rule 10b5-1 Trading Plans

(b)

During the three months ended December 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement," or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by this Item 10 of Part III of Form 10-K is incorporated by reference to the information set forth in our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A under the Exchange Act within 120 days from December 31, 2023 (the "Proxy Statement"). Reference is also made to the information appearing in Item 1 of Part I of this Annual Report on Form 10-K under the caption "Business— Executive Officers of CECO."

Item 11. Executive Compensation

The information called for by this Item 11 of Part III of Form 10-K is incorporated by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by this Item 12 of Part III of Form 10-K is incorporated by reference to the Proxy Statement.

Securities Authorized for Issuance Under Equity Compensation Plans

EQUITY COMPENSATION PLAN INFORMATION

December 31, 2023	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options and rights	Weighted-average exercise price of outstanding options and rights, compensation plans	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders			
2007 Equity Incentive Plan ¹	30,600	\$ 12.10	—
2017 Equity and Incentive Plan ²	188,207	\$ —	—
2021 Equity and Incentive Plan ³	1,107,794	\$ —	1,597,135
2020 Employee Stock Purchase Plan ⁴	—	\$ —	1,180,156
Equity compensation plans not approved by security holders ⁵	1,238,691	\$ 10.85	—
Total	2,565,292		2,777,291

- (1) The 2007 Equity Incentive Plan ("2007 Plan") was replaced with the 2017 Equity and Incentive Plan ("2017 Plan") and no further grants will be made under the 2007 Plan. The 2007 Plan remains in effect solely for the continued administration of the awards currently outstanding under the 2007 Plan.
- (2) The 2017 Equity and Incentive Plan was replaced with the 2021 Equity and Incentive Plan and no further grants will be made under the 2017 Plan. The 2017 Plan remains in effect solely for the continued administration of the awards currently outstanding under the 2017 Plan.
- (3) The 2021 Equity and Incentive Plan was approved by our stockholders on May 25, 2021. We have reserved 2.6 million shares of our common stock for issuance under our 2021 Equity Incentive Plan.
- (4) The Employee Stock Purchase Plan was approved by our stockholders on June 11, 2020.
- (5) On July 6, 2020, in connection with Mr. Gleason's appointment as the Company's Chief Executive Officer, the Company granted Mr. Gleason 0.1 million restricted stock units, 0.3 million in nonqualified stock options granted at market value, and approximately 0.9 million in premium-priced nonqualified stock options with an exercise price equal to two times market value. Mr. Gleason's restricted stock units and option grants were approved by the Board of Directors of the Company. See Note 9 to the Consolidated Financial Statements for additional information on Mr. Gleason's inducement grants.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by this Item 13 of Part III of Form 10-K is incorporated by reference to the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information called for by this Item 14 of Part III of Form 10-K is incorporated by reference to the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial statements are set forth in this report following the signature page of this report.
2. Financial statement schedules are omitted because they are not applicable or because the required information is shown in the financial statements or in the notes thereto.
3. Exhibit Index. The exhibits listed below, as part of Form 10-K, are numbered in conformity with the numbering used in Item 601 of Regulation S-K and relate to SEC File No. 0-07099, unless otherwise indicated.

Exhibit Number

- | | |
|--------|--|
| 3.1 | <u>Certificate of Incorporation (incorporated by reference to Exhibit 3(i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)</u> |
| 3.2 | <u>Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 9, 2023)</u> |
| 4.1 | <u>Description of Securities (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019)</u> |
| ^10.1 | <u>Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 16, 2016)</u> |
| ^10.2 | <u>Nonqualified Stock Option Inducement Award Agreement, by and between CECO Environmental Corp. and Todd Gleason, dated as of July 6, 2020 (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8 (Commission File No. 333-239707) filed on July 6, 2020)</u> |
| ^10.3 | <u>Nonqualified Premium Stock Option Inducement Award Agreement, by and between CECO Environmental Corp. and Todd Gleason, dated as of July 6, 2020 (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-8 (Commission File No. 333-239707) filed on July 6, 2020)</u> |
| ^10.4 | <u>Restricted Stock Units Inducement Award Agreement, by and between CECO Environmental Corp. and Todd Gleason, dated as of July 6, 2020 (incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement on Form S-8 (Commission File No. 333-239707) filed on July 6, 2020)</u> |
| ^10.5 | <u>Second Amended and Restated CECO Environmental Corp. 2007 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on September 3, 2015)</u> |
| ^10.6 | <u>Form of Incentive Stock Option Agreement under the Second Amended and Restated CECO Environmental Corp. 2007 Equity Incentive Plan (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010)</u> |
| ^10.7 | <u>Form of Non-Statutory Stock Option Agreement under the Second Amended and Restated CECO Environmental Corp. 2007 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010)</u> |
| ^10.8 | <u>CECO Environmental Corp. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (Registration No. 333-218030) filed on May 16, 2017)</u> |
| ^10.9 | <u>Form of Incentive Stock Option Agreement under the CECO Environmental Corp. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2017)</u> |
| ^10.10 | <u>Form of Nonqualified Stock Option Agreement under the CECO Environmental Corp. 2017 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2017)</u> |

- [^]10.11 [Form of Restricted Stock Units Agreement for Directors under the CECO Environmental Corp. 2017 Equity and Incentive Compensation Plan \(incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2017\)](#)
- [^]10.12 [Form of Restricted Stock Units Agreement for Employees under the CECO Environmental Corp. 2017 Equity and Incentive Compensation Plan \(incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2017\)](#)
- [^]10.13 [CECO Environmental Corp. 2020 Employee Stock Purchase Plan \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 16, 2020\)](#)
- [^]10.14 [CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 27, 2021\)](#)
- [^]10.15 [Form of Restricted Stock Units Agreement for Directors under the CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan \(incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021\)](#)
- [^]10.16 [Form of Restricted Stock Units Agreement for Employees under the CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan \(incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021\)](#)
- [^]10.17 [CECO Environmental Corp. Executive Change in Control Severance Plan \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 8, 2021\)](#)
- [†]10.18 [Second Amended and Restated Credit Agreement, dated as of June 11, 2019, among the Company and certain of its subsidiaries, the Lenders party thereto, and Bank of America, N.A. \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 12, 2019\)](#)
- [†]10.19 [Amendment No. 1 to Second Amended and Restated Credit Agreement, dated as of October 30, 2020, among the Company and certain of its subsidiaries, the lenders party thereto and Bank of America, N.A. \(incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021\)](#)
- [†]10.20 [Amendment No. 2 to Second Amended and Restated Credit Agreement, dated as of December 17, 2021, among the Company and certain of its subsidiaries, the lenders party thereto and Bank of America, N.A. \(incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022\)](#)
- [†]10.21 [Amendment No. 3 to Second Amended and Restated Credit Agreement, dated as of March 20, 2023, among the Company and certain of its subsidiaries, the lenders party thereto and Bank of America, N.A. \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 9, 2023\)](#)
- ^{*†}10.22 [Amendment No. 4 to Second Amended and Restated Credit Agreement, dated as of October 30, 2023, among the Company and certain of its subsidiaries, the lenders party thereto and Bank of America, N.A.](#)
- [^]10.23 [Form of Restricted Stock Units Agreement for Employees under the CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan \(incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022\)](#)
- [^]10.24 [Form of Restricted Stock Units Agreement for Directors under the CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan \(incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022\)](#)
- [^]10.25 [Separation Agreement, dated as of August 21, 2023, by and between CECO Environmental Corp. and Ramesh Nuggihalli \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 10-Q filed with the SEC on November 7, 2023\)](#)
- [^]10.26 [Separation Agreement, dated as of September 1, 2023, by and between CECO Environmental Corp. and Paul Gohr \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 10-Q filed with the SEC on November 7, 2023\)](#)

^10.27	Equity Award Agreement between the Company and Peter Johansson, dated September 29, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 5, 2023)
^10.28	Equity Award Agreement between the Company and Joycelynn Watkins-Asiyanbi, dated September 29, 2023 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 5, 2023)
^10.29	Letter agreement with Todd Gleason, dated July 5, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 11, 2023)
^10.30	Equity Award agreement between the Company and Todd Gleason, dated July 5, 2023 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 11, 2023)
^10.31	CECO Environmental Corp. Executive Change in Control and Severance Plan, as amended and restated July 6, 2023 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on July 11, 2023)
*†^10.32	Form of Restricted Stock Units Agreement for Employees under the CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan, revised March 2024
*^10.33	Form of Performance-Based Restricted Stock Units Agreement for Employees under the CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan, revised March 2024
*^10.34	Form of Nonqualified Stock Option Agreement for Employees under the CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan
*21.1	Subsidiaries of the Company
*23.1	Consent of BDO USA, P.C.
*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)
97.1	CECO Environmental Corp. Compensation Recovery Policy
*101.INS	Inline XBRL Instance Document
*101.SCH	Inline XBRL Taxonomy Extension Schema Document with Embedded Linkbase Documents
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed or furnished herewith

^ Management contracts or compensation plans or arrangement

† Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish on a supplemental basis a copy of any omitted schedule or exhibit upon request by the Securities and Exchange Commission.

Item 16. Form 10-K Summary

Not applicable.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
CECO Environmental Corp.
Dallas, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of CECO Environmental Corp. (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of income and comprehensive income, shareholders’ equity and accumulated other comprehensive loss, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 5, 2024 expressed an adverse opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Over Time Revenue Recognition Using the Cost-to-Cost Measure

As described in Notes 1 and 15 to the Company’s consolidated financial statements, the Company derives a significant portion of its revenues from fixed-price contracts within the Engineered Systems and Industrial Process Solutions segments. The revenue for such contracts is recognized over a period of time based on the extent of progress towards completion of the performance obligation, which is measured based on the ratio of costs incurred to date to total estimated costs to complete the performance obligation. Changes in these estimates can have a material impact on the amount of revenue recognized each period.

We identified the accuracy of revenue recognized over time for open contracts as a critical audit matter. The determination of estimated cost and progress to completion requires management to make significant estimates and assumptions, which includes an analysis of total estimated labor, material and subcontract costs, historical experience, current performance to date and the conditions to complete each contract. This analysis requires significant management judgment, which affects the amount of revenue recognized

by the Company. Auditing these complex judgments and assumptions involves especially challenging auditor judgment due to the nature and extent of audit evidence available and effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of internal controls, for the Industrial Process Solutions segment related to the determination of estimated costs to complete a project, including the monthly review of open over time projects and review of estimated cost calculations to complete open projects. These controls include the review of the reasonableness of the assumptions used and the appropriateness of methodologies used to determine costs to complete.
- Testing the completeness, existence, and accuracy of estimated cost and progress to completion calculations for a sample of open contracts by validating the underlying project data and assumptions used as inputs through the inspection of relevant source documents including contracts, project plans or budgets and activity reports, invoices of costs incurred to date, results of recent similar historical projects, other third-party subcontractor support, inquiry of project managers, and confirmations.
- Evaluating management's ability to estimate cost and progress to completion by performing a retrospective review on a sample basis of estimated project costs to actual project costs for completed contracts and investigating variances outside of predetermined thresholds through the inspection of relevant source documents.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2008.

Cincinnati, Ohio

March 5, 2024

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share data)	December 31,	
	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 54,779	\$ 45,522
Restricted cash	669	1,063
Accounts receivable, net of allowances of \$6,460 and \$4,220	112,733	83,086
Costs and estimated earnings in excess of billings on uncompleted contracts	66,574	71,016
Inventories, net	34,089	26,526
Prepaid expenses and other current assets	11,769	12,174
Prepaid income taxes	824	1,271
Total current assets	281,437	240,658
Property, plant and equipment, net	26,237	20,828
Right-of-use assets from operating leases	16,256	11,373
Goodwill	211,326	183,197
Intangible assets – finite life, net	50,461	35,251
Intangible assets – indefinite life	9,570	9,508
Deferred income taxes	304	829
Deferred charges and other assets	4,700	3,077
Total assets	\$ 600,291	\$ 504,721
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	\$ 10,488	\$ 3,579
Accounts payable	87,691	73,407
Accrued expenses	44,301	33,791
Billings in excess of costs and estimated earnings on uncompleted contracts	56,899	32,716
Notes payable	2,500	—
Income taxes payable	1,227	3,207
Total current liabilities	203,106	146,700
Other liabilities	12,644	15,129
Debt, less current portion	126,795	107,625
Deferred income tax liability, net	8,838	8,666
Operating lease liabilities	11,417	8,453
Total liabilities	362,800	286,573
Commitments and contingencies (See Note 12)		
Shareholders' equity:		
Preferred stock, \$.01 par value; 10,000 shares authorized, none issued	—	—
Common stock, \$.01 par value; 100,000,000 shares authorized, 34,835,293 and 34,381,668 shares issued and outstanding at December 31, 2023 and 2022, respectively	348	344
Capital in excess of par value	254,956	250,174
Accumulated loss	(6,387)	(19,298)
Accumulated other comprehensive loss	(16,274)	(17,996)
Total CECO shareholders' equity	232,643	213,224
Noncontrolling interest	4,848	4,924
Total shareholders' equity	237,491	218,148
Total liabilities and shareholders' equity	\$ 600,291	\$ 504,721

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except share and per share data)	Year Ended December 31,		
	2023	2022	2021
Net sales	\$ 544,845	\$ 422,627	\$ 324,140
Cost of sales	373,829	294,402	223,218
Gross profit	171,016	128,225	100,922
Selling and administrative expenses	122,944	93,473	81,797
Amortization and earnout expenses	8,180	6,809	7,789
Acquisition and integration expenses	2,508	4,546	818
Executive transition expenses	1,465	1,161	29
Restructuring expenses	1,350	75	632
Income from operations	34,569	22,161	9,857
Other income (expense), net	372	6,947	(2,231)
Interest expense	(13,416)	(5,419)	(2,952)
Income before income taxes	21,525	23,689	4,674
Income tax expense	7,024	5,426	2,691
Net income	14,501	18,263	1,983
Noncontrolling interest	(1,590)	(846)	(557)
Net income attributable to CECO Environmental Corp.	\$ 12,911	\$ 17,417	\$ 1,426
Income per share:			
Basic	\$ 0.37	\$ 0.50	\$ 0.04
Diluted	\$ 0.37	\$ 0.50	\$ 0.04
Weighted average number of common shares outstanding:			
Basic	34,665,473	34,672,007	35,345,785
Diluted	35,334,090	35,005,159	35,594,779

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)	Year Ended December 31,		
	2023	2022	2021
Net income	\$ 14,501	\$ 18,263	\$ 1,983
Other comprehensive income, net of tax:			
Translation gain (loss)	497	(5,635)	(538)
Minimum pension liability adjustment	1,225	(291)	2,964
Comprehensive income	\$ 16,223	\$ 12,337	\$ 4,409

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)	Common Stock		Capital in	Accumula	Accumul	Treasury Stock		Noncontr	Total
	Shares	Amount	excess of par value	ted Loss	ated Other Compre hensive Loss	Shares	Amount	olling Interest	Sharehold ers' Equity
Balance January 1, 2021	35,505	\$ 355	\$ 255,296	\$ (38,141)	\$ (14,496)	(138)	\$ (356)	\$ 953	\$ 203,611
Net income for the year ended December 31, 2021	-	-	-	1,426	-	-	-	557	1,983
Exercise of stock options	2	-	13	-	-	-	-	-	13
Restricted stock units issued	263	3	(517)	-	-	-	-	-	(514)
Share-based compensation earned	39	-	3,558	-	-	-	-	-	3,558
Common stock repurchase and retirement (See Note 9)	(781)	(8)	(5,361)	-	-	138	356	-	(5,013)
Adjustment for minimum pension liability, net of tax of \$866	-	-	-	-	2,964	-	-	-	2,964
Translation loss	-	-	-	-	(538)	-	-	-	(538)
Noncontrolling interest distribution	-	-	-	-	-	-	-	(107)	(107)
Balance December 31, 2021	35,028	\$ 350	\$ 252,989	\$ (36,715)	\$ (12,070)	-	\$ -	\$ 1,403	\$ 205,957
Net income for the year ended December 31, 2022	-	-	-	17,417	-	-	-	846	18,263
Exercise of stock options	43	-	377	-	-	-	-	-	377
Restricted stock units issued	286	3	(443)	-	-	-	-	-	(440)
Share-based compensation earned	57	1	4,261	-	-	-	-	-	4,262
Common stock repurchase and retirement (See Note 9)	(1,032)	(10)	(7,010)	-	-	-	-	-	(7,020)
Adjustment for minimum pension liability, net of tax of \$97	-	-	-	-	(291)	-	-	-	(291)
Translation loss	-	-	-	-	(5,635)	-	-	-	(5,635)
Noncontrolling interest distribution	-	-	-	-	-	-	-	(1,425)	(1,425)
Fair value of noncontrolling interest equity issued (See Note 14)	-	-	-	-	-	-	-	4,100	4,100
Balance December 31, 2022	34,382	\$ 344	\$ 250,174	\$ (19,298)	\$ (17,996)	-	\$ -	\$ 4,924	\$ 218,148
Net income for the year ended December 31, 2023	-	-	-	12,911	-	-	-	1,590	14,501
Exercise of stock options	101	1	1,209	-	-	-	-	-	1,210
Restricted stock units issued	328	3	(1,189)	-	-	-	-	-	(1,186)
Share-based compensation earned	24	-	4,762	-	-	-	-	-	4,762
Adjustment for minimum pension liability, net of tax of \$619	-	-	-	-	1,225	-	-	-	1,225
Translation gain	-	-	-	-	497	-	-	-	497
Noncontrolling interest distribution	-	-	-	-	-	-	-	(1,666)	(1,666)
Balance December 31, 2023	34,835	\$ 348	\$ 254,956	\$ (6,387)	\$ (16,274)	-	\$ -	\$ 4,848	\$ 237,491

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES
ACCUMULATED OTHER COMPREHENSIVE LOSS

(dollars in thousands)	Translation loss	Minimum pension liability adjustment	Accumulated other comprehensive loss
Balance January 1, 2021	\$ (5,820)	\$ (8,676)	\$ (14,496)
2021 activity	(538)	2,964	2,426
Balance December 31, 2021	(6,358)	(5,712)	(12,070)
2022 activity	(5,635)	(291)	(5,926)
Balance December 31, 2022	(11,993)	(6,003)	(17,996)
2023 activity	497	1,225	1,722
Balance December 31, 2023	<u>\$ (11,496)</u>	<u>\$ (4,778)</u>	<u>\$ (16,274)</u>

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 14,501	\$ 18,263	\$ 1,983
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,507	10,614	9,853
Unrealized foreign currency (gain) loss	(1,041)	(1,284)	2,047
Fair value adjustments to earnout liabilities	296	(229)	704
Earnout payments	—	(1,007)	(587)
Loss (gain) on sale of property and equipment	110	10	(83)
Amortization of debt discount	427	371	404
Share-based compensation expense	4,533	3,895	3,335
Bad debt expense	1,593	1,340	688
Inventory reserve expense	1,099	140	82
Deferred income tax (benefit) expense	(118)	(39)	—
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(26,851)	(6,751)	(13,165)
Cost and estimated earnings of billings on uncompleted contracts	5,040	(16,851)	(7,007)
Inventories	(6,896)	(6,023)	(203)
Prepaid expenses and other current assets	1,196	37	5,911
Deferred charges and other assets	(1,420)	2,478	300
Accounts payable	13,852	19,843	806
Accrued expenses	8,340	2,693	(366)
Billings in excess of costs and estimated earnings on uncompleted contracts	21,575	4,405	8,431
Income taxes payable	(1,976)	1,424	1,047
Other liabilities	(2,120)	(3,680)	(882)
Net cash provided by operating activities	44,647	29,649	13,298
Cash flows from investing activities:			
Acquisitions of property and equipment	(8,384)	(3,376)	(2,616)
Net proceeds from sale of assets	—	19	533
Cash paid for acquisitions, net of cash acquired	(48,102)	(44,900)	—
Net cash used in investing activities	(56,486)	(48,257)	(2,083)
Cash flows from financing activities:			
Borrowings on revolving credit lines	106,600	75,200	51,400
Repayments on revolving credit lines	(150,600)	(35,900)	(57,100)
Borrowings of long-term debt	75,000	11,000	—
Repayments of long-term debt	(4,985)	(3,120)	(2,738)
Repayments of notes payable	—	(500)	—
Deferred financing fees paid	(363)	(130)	(801)
Deferred consideration paid for acquisitions	(1,247)	—	—
Payments on capital leases and sale-leaseback financing liability	(907)	(600)	(603)
Earnout payments	(2,123)	—	(823)
Proceeds from employee stock purchase plan and exercise of stock options	1,435	671	230
Distributions to non-controlling interest	(1,666)	(1,425)	(107)
Common stock repurchases	—	(7,020)	(5,014)
Net cash provided by (used in) financing activities	21,144	38,176	(15,556)
Effect of exchange rate changes on cash and cash equivalents	(442)	(4,978)	(1,475)
Net increase (decrease) in cash, cash equivalents and restricted cash	8,863	14,590	(5,816)
Cash, cash equivalents and restricted cash at beginning of year	46,585	31,995	37,811
Cash, cash equivalents and restricted cash at end of year	\$ 55,448	\$ 46,585	\$ 31,995
Cash paid (received) during the period for:			
Interest	\$ 12,098	\$ 5,007	\$ 2,146
Income taxes	\$ 9,916	\$ 5,378	\$ (2,570)

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2023, 2022 and 2021

1. Nature of Business and Summary of Significant Accounting Policies

Nature of business—CECO Environmental Corp. and its consolidated subsidiaries (“CECO,” the “Company,” “we,” “us,” or “our”) is a leading environmentally focused, diversified industrial company, serving the broad landscape of industrial air, industrial water and energy transition markets globally providing innovative technology and application expertise. CECO helps companies grow their business with safe, clean, and more efficient solutions that help protect people, the environment and industrial equipment. CECO solutions improve air and water quality, optimize emissions management, and increase the energy and process efficiency for highly engineered applications in power generation, midstream and downstream hydrocarbon processing and transport, chemical processing, electric vehicle production, polysilicon fabrication, semiconductor and electronics production, battery production and recycling, specialty metals, aluminum and steel production, beverage can manufacturing, and industrial and produced water and wastewater treatment, and a wide range of other industrial end markets.

Principles of consolidation—The consolidated financial statements include the Company and its controlled subsidiaries. All intercompany balances and transactions have been eliminated.

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

Use of estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“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. Significant estimates and assumptions reflected in the financial statements relate to and include, but are not limited to, the estimates of contracts' progress to completion used in the recognition of revenue over time, inventory valuation, the estimated useful lives of fixed assets and intangible assets, fair values of long-lived assets and goodwill, and deferred tax assets.

Cash equivalents—The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023 and 2022, Restricted Cash is cash in support of letters of credit issued by various foreign subsidiaries of the Company. The Company occasionally enters into letters of credit with durations in excess of one year.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Statements of Cash Flows.

	December 31,	
	2023	2022
Cash and cash equivalents	\$ 54,779	\$ 45,522
Restricted cash	669	1,063
Total cash, cash equivalents and restricted cash	\$ 55,448	\$ 46,585

Accounts receivable—Receivables are generally uncollateralized customer obligations due under normal terms requiring payment generally within 30 days from the invoice date unless otherwise determined by specific contract terms, generally due to retainage provisions. The Company’s estimate of the allowance for credit losses for trade receivables is primarily determined based upon the length of time that the receivables are past due and management estimates of probable losses based upon an analysis of prior collection experience, specific account risks and economic conditions. Accounts are deemed uncollectible based on past account experience and the current financial condition of the account.

Inventories—The Company’s inventory is valued at the lower of cost or net realizable value, using the first-in, first-out inventory costing method. Inventory quantities are regularly reviewed and provisions for excess or obsolete inventory are recorded based on the Company’s forecast of future demand and market conditions. Significant unanticipated changes to the Company’s forecasts could require a change in the provision for excess or obsolete inventory.

Property, plant and equipment—Property, plant and equipment are carried at the cost of acquisition or construction and depreciated over the estimated useful lives of the assets. Depreciation and amortization are provided using the straight-line method in amounts sufficient to amortize the cost of the assets over their estimated useful lives (buildings and improvements—generally five to 40 years;

machinery and equipment—generally two to 15 years). Upon sale or disposal of property, plant and equipment, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts, and the net amount, less any proceeds from sale, is recorded in income.

Intangible assets—Indefinite life intangible assets are comprised of tradenames, while finite life intangible assets are comprised of technology, customer lists, and tradenames. Finite life intangible assets are amortized on a straight line or accelerated basis over their estimated useful lives of seven to 10 years for technology, five to 20 years for customer lists, and 10 years for tradenames.

Long-lived assets—Property, plant and equipment and finite life intangible assets are reviewed whenever events or changes in circumstances occur that indicate possible impairment. If events or changes in circumstances occur that indicate possible impairment, the impairment review is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of assets and liabilities. This analysis requires management judgment with respect to changes in technology, the continued success of product lines, and future volume, revenue and expense growth rates. The Company conducts annual reviews for idle and underutilized equipment, and review business plans for possible impairment. Impairment occurs when the carrying value of the assets exceeds the future undiscounted cash flows expected to be earned by the use of the asset or asset group. When impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset or asset group and an impairment charge is recorded for the difference between the carrying value and the estimated fair value.

Additionally, the Company evaluates the remaining useful life each reporting period to determine whether events and circumstances warrant a revision to the remaining period of depreciation or amortization. If the estimate of a long-lived asset's remaining useful life is changed, the remaining carrying amount of the asset is amortized prospectively over that revised remaining useful life.

The Company completes an impairment assessment annually as of October 1 of its indefinite life intangible assets, or more often as circumstances require. As a part of its annual assessment, typically, the Company first qualitatively assesses whether current events or changes in circumstances lead to a determination that it is more likely than not, as defined as a likelihood of more than 50 percent, that the fair value of an asset is less than its carrying amount. If there is a qualitative determination that the fair value of a particular asset is more likely than not greater than its carrying value, the Company does not need to proceed to the quantitative estimated fair value test for that asset. If this qualitative assessment indicates a more likely than not potential that the asset may be impaired, the estimated fair value is determined by the relief from royalty method. If the estimated fair value of an asset is less than its carrying value, an impairment charge is recorded for the amount by which the carrying value of the asset exceeds its estimated fair value.

Goodwill—The Company completes an impairment assessment annually as of October 1, or more often as circumstances require, of its goodwill on a reporting unit level, at or below the operating segment level. As a part of its annual 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 is less than its carrying amount. If there is a qualitative determination that the fair value of a particular reporting unit is more likely than not greater than its carrying value, the Company does not need to quantitatively test for goodwill impairment for that reporting unit. If this qualitative assessment indicates a more likely than not potential that the asset may be impaired, the estimated fair value is determined using a weighting of the income method and the market method. If the estimated fair value of a reporting unit is less than its carrying value, an impairment charge is recorded.

Deferred financing costs—Deferred financing costs are amortized to interest expense over the life of the related loan. In fiscal 2021, the Company entered into Amendment No.2 to the Second Amended and Restated Credit Agreement (the "Credit Facility"). The Credit Facility amended the Company's existing Amendment No. 1 to Second Amended and Restated Agreement. In connection with the Credit Facility, the Company incurred \$0.8 million in customary closing fees in 2021 that were capitalized and classified as a debt discount (see Note 8 for further details on the Credit Facility). In fiscal 2023, the Company entered into Amendment No.4 to the to the Second Amended and Restated Credit Agreement. In connection with this amendment, the Company incurred \$0.4 million in customary closing fees in the fourth quarter of 2023 that were capitalized and classified as a debt discount (see Note 8). Amortization expense was \$0.4 million, \$0.4 million and \$0.4 million for 2023, 2022 and 2021, respectively. As of December 31, 2023, and 2022, remaining capitalized deferred financing costs of \$1.3 million and \$1.5 million, respectively, are included as a discount to debt in the accompanying Consolidated Balance Sheets.

Revenue recognition—A significant portion of the Company's revenue is derived from fixed-price contracts. The Company accounts for a contract after it has been approved by all parties to the arrangement, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

For each contract, the Company assesses the goods and services promised to a customer and identifies a performance obligation for each distinct promised good or service. The typical life of contracts is generally less than 12 months and each contract generally contains only one performance obligation, to provide goods or services to the customer. The Company determines the transaction

price for each contract based on the consideration the Company expects to receive for the products or services being provided under the contract.

The Company recognizes revenue as performance obligations are satisfied and the customer obtains control of the products and services. A significant amount of the Company's revenue is recognized over a period of time as the Company performs under the contract because control of the work in process transfers continuously to the customer. For performance obligations to deliver products with continuous transfer of control to the customer, revenue is recognized based on the extent of progress towards completion of the performance obligation. Progress is measured based on the ratio of costs incurred to date to the total estimated costs to complete the performance obligation. For these contracts, the cost-to-cost measure best depicts the continuous transfer of goods or services to the customer. Annual revenue recognized over a period of time is approximately 70% of total revenue for the years ended December 31, 2023, 2022, and 2021.

For contracts where the duration is short, total contract revenue is insignificant, or control does not continuously transfer to the customer, revenues are recognized at the point in time control passes to the customer, which occurs generally upon shipment of product. Annual revenue recognized at a point in time is approximately 30% of total revenue for the years ended December 31, 2023, 2022, and 2021.

Progress payments are generally made over the duration of the contract. Shipping and handling activities after control of the products has transferred to the customer are considered fulfillment activities. Sales taxes are recorded on a net basis.

Contract Assets and Contract Liabilities — Contract assets consist of costs and earnings in excess of billings, costs incurred for contracts recognized at a point in time, and retainage. Costs and earnings in excess of billings represent the estimated value of unbilled work for contracts with performance obligations recognized over time and are separately classified as current assets in the Consolidated Balance Sheets. Costs incurred for contracts recognized at a point in time are classified within inventories as work-in-process. Retainage represents a portion of the contract billings that have been billed, but for which the contract allows the customer to retain a portion of the billed amount until final settlement. Retainage is not considered to be a significant financing component because the intent is to protect the customer. Retainage is classified within accounts receivable and deferred charges and other assets depending on when it is due. Almost all of the Company's contract assets are classified as current assets in the Consolidated Balance Sheets.

Billings in excess of costs and estimated earnings on uncompleted contracts are current liabilities, which relate to fixed-price contracts recognized over time, and represents payments in advance of performing the related contract work. Billings in excess of costs and estimated earnings on uncompleted contracts is not considered to be a significant financing component because it is generally used to meet working capital demands that can be higher in the early stages of a contract. Contract liabilities, classified in accounts payable and accrued expenses in the Consolidated Balance Sheets, include advance payments received from customers for which revenue has not been recognized for contracts where revenue is recognized at a point in time. Contract liabilities are reduced when the associated revenue from the contract is recognized, which is generally within one year.

As of the beginning of the prior year period, or January 1, 2022, costs and estimated earnings in excess of billings on uncompleted contracts and billings in excess of costs and estimated earnings on uncompleted contracts were \$51.4 million and \$28.9 million, respectively. The contract liabilities recorded in "Accrued expenses" on the Consolidated Balance Sheets were \$4.4 million as of January 1, 2022. Approximately 95% of the Company's contract liabilities as of December 31, 2022 were recognized as revenue in the year ended December 31, 2023. Approximately 75% of the Company's contract liabilities as of December 31, 2021 were recognized as revenue in the year ended December 31, 2022. Approximately 75% of the Company's contract liabilities as of December 31, 2020 were recognized as revenue in the year ended December 31, 2021.

The revenue streams within the Company are consistent with those disclosed for the Company's reportable segments. See Note 15 to the Consolidated Financial Statements for additional information on product offerings and segments.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes to job performance, job conditions, and estimated profitability may result in revisions to contract revenue and costs and are recognized in the period in which the revisions are made. There was no provision for estimated losses on uncompleted contracts at December 31, 2023 and 2022.

Cost of sales—Cost of sales amounts include materials, subcontract costs, direct labor and associated benefits, inbound freight charges, purchasing and receiving, inspection, warehousing, and depreciation.

Claims—Change orders arise when the scope of the original project is modified for any of a variety of reasons. The Company will negotiate the extent of the modifications, its expected costs and recovery with the customer. Costs related to change orders are added

to the expected total cost of the project. In cases where contract revenues are assured beyond a reasonable doubt to be increased in excess of the expected costs of the change order, incremental profit also is recognized on the contract. Such assurance is generally only achieved when the customer approves in writing the scope and pricing of the change order. Change orders that are in dispute are effectively handled as claims.

Claims are amounts in excess of the agreed contract price that the Company seeks to collect from customers or others for customer-caused delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price. Costs attributable to claims are treated as contract costs as incurred.

The Company recognizes certain significant claims for recovery of incurred costs when it is probable that the claim will result in additional contract revenue and when the amount of the claim can be reliably estimated. When the customer or other parties agree in writing to the amount of the claim to be recovered by the Company, the amount of the claim becomes contractual and is accounted for as an increase in the contract's total estimated revenue and estimated cost. As actual costs are incurred and revenues are recognized over time, a corresponding percentage of the revised total estimated profit will therefore be recognized.

Should it become probable that the claim will not result in additional contract revenue, the Company removes the related contract revenues from its previous estimate of total revenues, which effectively reduces the estimated profit margin on the job and negatively impacts profit for the period.

Pre-contract costs—Pre-contract costs are not significant and are primarily internal costs. As most of the Company's contracts are one year or less, the Company expenses all pre-contract costs as incurred regardless of whether or not the bids are successful. A majority of the Company's business is obtained through a bidding process and this activity is on-going with multiple bids in process at any one time. These costs consist primarily of engineering, sales and project manager wages, fringes and general corporate overhead.

Selling and administrative expenses—Selling and administrative expenses on the Consolidated Statements of Income include sales and administrative wages and associated benefits, selling and office expenses, professional fees, bad debt expense and depreciation. Selling and administrative expenses are charged to expense as incurred. Selling and administrative expenses for the years ended December 31, 2023, 2022, and 2021 included \$0.6 million, \$0.5 million, and \$0.7 million of advertising expenses, respectively.

Acquisition and integration expenses—Acquisition and integration expenses on the Consolidated Statements of Income are related to acquisition activities, which include, legal, accounting, and other expenses.

Amortization and earnout expenses—Amortization and earnout expenses on the Consolidated Statements of Income include amortization of intangible assets, and changes to earnout and contingent compensation amounts related to acquisitions.

Restructuring expenses—Restructuring expenses on the Consolidated Statements of Income include expenses related to ongoing restructuring programs to reduce operating costs in the future. Within restructuring expenses are charges related to severance, facility exit, legal and property, plant and equipment impairment. The Company's policy is to recognize restructuring expenses in accordance with the accounting rules related to exit or disposal activities.

Executive transition expenses—Executive transition expenses on the Consolidated Statements of Income include expenses related to the severance for the Company's former executives, as well as fees and expenses incurred in the search for, and hiring of, new executives.

Product warranties—The Company's warranty reserve is to cover the products sold. The warranty accrual is based on historical claims information. The warranty reserve is reviewed and adjusted as necessary on a quarterly basis and is presented within Note 7.

Research and development—Although not technically defined as research and development, a significant amount of time, effort and expense is devoted to custom engineering which qualifies products for specific customer applications, developing proprietary process technology and partnering with customers to develop new products.

Income taxes - Income taxes are determined using the asset and liability method of accounting for income taxes in accordance with Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") Topic 740, "Income Taxes". Income tax expense includes federal, state and foreign income taxes.

Deferred income taxes are provided using the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases and are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are

expected to be recovered or settled. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Tax credits and other incentives reduce income tax expense in the year the credits are claimed.

Management must assess the need to accrue or disclose uncertain tax positions for proposed potential adjustments from various federal, state and foreign tax authorities who regularly audit the Company in the normal course of business. In making these assessments, management must often analyze complex tax laws of multiple jurisdictions, including many foreign jurisdictions. The accounting guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company records the related interest expense and penalties, if any, as tax expense in the tax provision.

Management must assess the realizability of the Company's deferred tax assets. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carry forward periods), projected future taxable income, and tax-planning strategies in making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Company has made an accounting policy election to record the U.S. income tax effect of future global intangible low-taxed income ("GILTI") inclusions in the period in which they arise, rather than establishing deferred taxes with respect to the expected future tax liabilities associated with future GILTI inclusion.

Certain of the Company's undistributed earnings of its foreign subsidiaries are not permanently reinvested. A liability has been recorded for the deferred taxes on such undistributed foreign earnings. The amount is attributable primarily to the foreign withholding taxes that would become payable should the Company repatriate cash held in its foreign operations.

Earnings per share—The following table reconciles the numerators and denominators used to calculate basic and diluted earnings per share for 2023, 2022 and 2021.

	For the Year Ended December 31		
	2023	2022	2021
(table only in thousands)			
Numerator (for basic and diluted earnings per share)			
Net income attributable to CECO Environmental Corp.	\$ 12,911	\$ 17,417	\$ 1,426
Denominator			
Basic weighted-average shares outstanding	34,665	34,672	35,346
Common stock equivalents arising from stock options and restricted stock awards	669	333	249
Diluted weighted-average shares outstanding	35,334	35,005	35,595

Options and unvested restricted stock units are included in the computation of diluted earnings per share using the treasury stock method. For 2023, 2022 and 2021, outstanding options and unvested restricted stock units of zero, 1.1 million and 1.8 million, respectively, were excluded from the computation of diluted earnings per share due to their having an anti-dilutive effect.

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

Foreign Currency Translation—The functional currencies of the Company's foreign subsidiaries are their local currencies and their books and records are maintained in the local currency. The assets and liabilities of these foreign subsidiaries are translated into United States Dollars ("USD") based on the end-of period exchange rates and the resultant translation adjustments are reported in Accumulated Other Comprehensive Loss in Shareholders' Equity on the Consolidated Balance Sheets.

Income and expenses are translated into USD at average exchange rates in effect during the period.

Transactions denominated in other than the local currency are remeasured into the local currency and the resulting exchange gains or losses are included in "Other (expense) income, net" line of the Consolidated Statements of Income. Transaction gains (losses) were \$1.2 million, \$6.3 million, and \$(3.1) million in 2023, 2022 and 2021, respectively.

Accounting Standards Adopted in 2023

On January 1, 2023, the beginning of the Company's fiscal year, the Company adopted Accounting Standards Update ("ASU") 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which addresses how an acquirer should recognize and measure revenue contracts acquired in a business combination. The adoption of ASU 2021-08 did not have a material impact on the Company's Consolidated Financial Statements.

Accounting Standards to be Adopted

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which addresses income tax disclosure requirements, primarily around the disclosure of the rate reconciliation and income taxes paid. The ASU is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact the adoption of the standard will have on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which addresses segment disclosure requirements, primarily the disclosure of significant segment expenses. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. The Company is currently evaluating the impact the adoption of the standard will have on the Company's consolidated financial statements.

2. Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, receivables and certain other assets, and accounts payable, which approximate fair value at December 31, 2023 and 2022, due to their short-term nature or variable, market-driven interest rates.

The fair value of the debt issued under the Credit Facility and joint venture term loan was \$138.6 million and \$112.7 million at December 31, 2023 and 2022, respectively. The fair value was determined considering market conditions, credit worthiness and the current terms of debt, which is considered Level 2 on the fair value hierarchy.

At December 31, 2023 and 2022, the Company had cash and cash equivalents of \$54.8 million and \$45.5 million, respectively, of which \$38.5 million and \$31.7 million, respectively, was held outside of the United States, principally in the United Arab Emirates, Netherlands, United Kingdom, China, and Mexico.

Concentrations of credit risk

Financial instruments that potentially subject us to credit risk consist principally of cash and cash equivalents, and accounts receivable. The Company maintains cash and cash equivalents with various major financial institutions. The Company perform periodic evaluations of the financial institutions in which its cash is invested. Concentrations of credit risk with respect to trade and contract receivables are limited due to the large number of customers and various geographic areas. Additionally, the Company performs ongoing credit evaluations of its customers' financial condition.

3. Accounts Receivable

Accounts receivable consisted of the following:

(table only in thousands)	December 31,	
	2023	2022
Accounts receivable	\$ 119,193	\$ 87,306
Allowance for credit losses	(6,460)	(4,220)
Total accounts receivable	<u>\$ 112,733</u>	<u>\$ 83,086</u>

Accounts receivable, net as of the beginning of the prior year period, or January 1, 2022, were \$75.0 million.

Balances billed, but not paid by customers under retainage provisions in contracts, amounted to approximately \$3.2 million and \$1.6 million at December 31, 2023 and 2022, respectively. Retainage receivables as of the beginning of the prior year period, or January 1, 2022, were \$1.8 million. Retainage receivables on contracts in progress are generally collected within a year or two subsequent to contract completion, and are recorded in either accounts receivable, net or deferred charges and other assets within the Consolidated Balance Sheets depending on timing of expected collection.

Provision for credit losses was \$1.6 million, \$1.3 million and \$0.7 million during 2023, 2022 and 2021, respectively, while accounts (recovered from) charged to the provision were \$(0.6) million, \$0.6 million and \$0.3 million during 2023, 2022 and 2021, respectively.

4. Inventories

Inventories consisted of the following:

(table only in thousands)	December 31,	
	2023	2022
Raw materials	\$ 25,819	\$ 19,774
Work in process	9,710	7,183
Finished goods	2,368	2,436
Obsolescence allowance	(3,808)	(2,867)
Total inventories	\$ 34,089	\$ 26,526

Amounts credited to the allowance for obsolete inventory and charged to cost of sales amounted to \$1.1 million, \$0.1 million and \$0.1 million during 2023, 2022 and 2021, respectively. Items charged to the allowance for inventory write-offs were \$0.3 million, zero, and \$0.9 million, during 2023, 2022 and 2021, respectively.

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

(table only in thousands)	December 31,	
	2023	2022
Land, building and improvements	\$ 12,284	\$ 11,986
Machinery and equipment	33,364	33,521
Property, plant and equipment, gross	45,648	45,507
Less accumulated depreciation	(19,411)	(24,679)
Property, plant and equipment, net	\$ 26,237	\$ 20,828

Depreciation expense was \$5.1 million, \$3.6 million and \$3.2 million for 2023, 2022 and 2021, respectively.

6. Goodwill and Intangible Assets

(table only in thousands)	Engineered Systems segment	Industrial Process Solutions segment	Totals
	Balance of goodwill at December 31, 2021	\$ 99,303	\$ 61,880
Acquisitions	\$ 15,968	\$ 7,344	\$ 23,312
Foreign currency translation	(525)	(773)	(1,298)
Balance of goodwill at December 31, 2022	114,746	68,451	183,197
Acquisitions	27,152	—	27,152
Foreign currency translation	331	646	977
Balance of goodwill at December 31, 2023	\$ 142,229	\$ 69,097	\$ 211,326

As of December 31, 2023 and 2022, the Company has an aggregate amount of goodwill acquired of \$272.0 million and \$243.9 million, respectively, and an aggregate amount of impairment losses of \$60.7 million which was recognized in 2017.

The Company's indefinite lived intangible assets as of December 31, 2023 and 2022 consisted of the following:

(table only in thousands)	Tradenames	
	2023	2022
Balance beginning of year	\$ 9,508	\$ 9,629
Foreign currency adjustments	62	(121)
Balance end of year	\$ 9,570	\$ 9,508

The Company completes an impairment assessment of its goodwill and indefinite life intangible assets annually as of October 1, or more often as circumstances require, at the reporting unit level.

The Company bases its measurement of the fair value of a reporting unit using a 50/50 weighting of the income method and the market method. The income method is based on a discounted future cash flow approach that uses the significant assumptions of projected revenue, projected operational profit, terminal growth rates, and the cost of capital. Projected revenue and operational profit, and terminal growth rates were determined to be significant assumptions because they are three primary drivers of the projected cash flows in the discounted future cash flow approach. Cost of capital was also determined to be a significant assumption as it is the discount rate used to calculate the current fair value of those projected cash flows. The market method is based on financial multiples of comparable companies and applies a control premium. Significant estimates in the market approach include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and operating income multiples in estimating the fair value of a reporting unit. Based on this analysis, the estimated fair value of all of the Company's reporting units exceeded their carrying value as of October 1, 2023. There was no goodwill impairment in 2023, 2022 and 2021.

The Company also performed an impairment analysis for all indefinite life intangible assets, which consists of tradenames, as of October 1, 2023. The Company based its measurement of the fair value of the indefinite life intangible assets utilizing the relief from royalty method. The significant assumptions used under the relief from royalty method are projected revenue, royalty rates, terminal growth rates, and the cost of capital. Projected revenue, royalty rates and terminal growth rates were determined to be significant assumptions because they are three primary drivers of the projected royalty cash flows in the relief from royalty method. Cost of capital was also determined to be a significant assumption as it is the discount rate used to calculate the current fair value of those projected royalty cash flows. Changes in any of the significant assumptions used can materially affect the expected cash flows, and such impacts can result in material non-cash impairment charges. Under this approach, the estimated fair value of the indefinite life intangible assets exceeded their carrying value for segments as of the testing date. Accordingly, the Company recognized no impairment charges in its financial results for the years ended December 31, 2023, 2022 and 2021.

As described above, the fair value measurement methods used in the Company's goodwill and indefinite life intangible assets impairment analyses utilizes a number of significant unobservable inputs or Level 3 assumptions. These assumptions include, among others, projections of the Company's future operating results, the implied fair value of these assets using an income approach by preparing a discounted cash flow analysis and other subjective assumptions.

The Company's finite lived intangible assets consisted of the following:

(table only in thousands) Intangible assets – finite life	December 31,			
	2023		2022	
	Cost	Accum. Amort.	Cost	Accum. Amort.
Technology	\$ 16,517	\$ 14,061	\$ 14,457	\$ 13,729
Customer lists	103,471	63,420	85,719	57,540
Tradenames	14,094	5,001	11,604	3,768
Foreign currency adjustments	(1,083)	56	(1,864)	(372)
Total finite life intangible assets	<u>\$ 132,999</u>	<u>\$ 82,538</u>	<u>\$ 109,916</u>	<u>\$ 74,665</u>

Amortization expense of finite life intangible assets was \$7.4 million, \$7.0 million and \$6.7 million for 2023, 2022 and 2021, respectively. Amortization over the next five years for finite life intangibles is \$8.6 million in 2024, \$7.6 million in 2025, \$6.2 million in 2026, \$6.0 million in 2027, and \$5.6 million in 2028.

7. Accrued Expenses

Accrued expenses consisted of the following:

(table only in thousands)	December 31,	
	2023	2022
Compensation and related benefits	\$ 11,278	\$ 9,577
Accrued warranty	5,105	3,691
Contract liability	7,875	4,516
Short-term operating lease liability	4,278	3,228
Other	15,765	12,779
Total accrued expenses	<u>\$ 44,301</u>	<u>\$ 33,791</u>

The activity in the Company's earnout liability consisted of the following:

(table only in thousands)	December 31,	
	2023	2022
Earnout accrued at beginning of year	\$ 1,200	\$ 1,037
Fair value of earnout at acquisition date	2,800	1,429
Fair value adjustment	296	(229)
Payments and other	(2,096)	(1,037)
Earnout accrued at end of year	\$ 2,200	\$ 1,200
Current portion, recorded within Accrued expenses	1,115	1,200
Non-current portion, recorded within Other liabilities	1,085	—

As additional consideration in the acquisition of Kemco Systems Co., LLC ("Kemco"), the former owners of Kemco are entitled to earn-out payments up to \$4.0 million based upon specified financial results through August 31, 2026. Based on projections at the acquisition date, the Company estimated the fair value of the earn-out to be \$2.2 million. Of this \$2.2 million, \$1.1 million represents the current portion of earnout liability recorded in Accrued expenses on its Consolidated Balance Sheets, and \$1.1 million represents the non-current portion of earnout liability recorded in Other liabilities on its Consolidated Balance Sheets

As additional consideration in the acquisition of Malvar Engineering Limited, including its subsidiaries Arkanum Management Limited and Wakefield Acoustics Limited (collectively, "Wakefield"), the former owners of Wakefield were entitled to earn-out payments based upon specified financial results through July 31, 2023. Based on projections at the acquisition date, the Company estimated the fair value of the earn-out to be \$0.6 million. An earnout payment of \$0.6 million was made in the year ended December 31, 2023.

As additional consideration in the acquisition of Compass Water Solutions, Inc. ("Compass"), the former owners of Compass were entitled to earn-out payments based upon specified financial results through April 30, 2023. Based on projections at the acquisition date of May 3, 2022, the Company estimated the fair value of the earnout to be \$1.4 million. During the year ended December 31, 2022, the Company decreased the earnout by \$0.2 million based on the estimated fair value at December 31, 2022. The fair value adjustment was recorded in "Amortization and earnout expenses" on the Consolidated Statement of Income. An earnout payment of \$1.5 million was made in the year ended December 31, 2023.

8. Senior debt

Debt consisted of the following:

(table only in thousands)	December 31,	
	2023	2022
Outstanding borrowings under Credit Facility (defined below)		
Term loan payable in quarterly principal installments of \$550 through September 2023, \$2,232 through September 2025 and \$2,977 thereafter with balance due upon maturity in December 2026.		
– Term loan	\$ 112,424	\$ 41,309
– Revolving Credit Loan	17,300	61,300
Total outstanding borrowings under Credit Facility	129,724	102,609
Outstanding borrowings under the joint venture term debt	8,855	10,083
Unamortized debt discount	(1,296)	(1,488)
Total outstanding borrowings	137,283	111,204
Less: current portion	(10,488)	(3,579)
Total debt, less current portion	\$ 126,795	\$ 107,625

Scheduled principal payments under the Credit Facility and joint venture term debt are \$10.5 million in 2024, \$11.3 million in 2025, \$113.0 million in 2026, and \$3.8 million in 2027.

Credit Facility

On December 17, 2021, the Company entered into Amendment No. 2 to the Second Amended and Restated Credit Agreement (the "Credit Facility"). The Credit Facility amended and restated the Company's prior credit agreement. Pursuant to the Credit Facility, the

lenders provided a term loan in the aggregate principal amount of \$44.1 million and a senior secured revolving credit commitment up to an aggregate principal amount of \$140.0 million. This revolving credit commitment allows the Company the ability to borrow loans denominated in different currencies. Additionally, the Credit Facility extended the maturity date to December 17, 2026, replaces LIBOR interest with Secured Overnight Financing Rate ("SOFR") interest for USD loans, Sterling Overnight Interbank Average Rate ("SONIA") for GBP loans, and Canadian Dollar Offered Rate ("CDOR") for CAD loans, and redefined certain financial covenants. On October 30, 2023, the Company entered into Amendment No. 4 to the Second Amended and Restated Credit Agreement. Pursuant to this amendment, the lenders provided an additional term loan in the aggregate principal amount of \$75.0 million, which was subsequently used to repay a portion of the outstanding balance on the revolving credit loan.

As of December 31, 2023 and 2022, \$13.3 million and \$18.9 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 was \$109.4 million and \$59.8 million at December 31, 2023 and 2022, respectively. Revolving loans may be borrowed, repaid and reborrowed until December 17, 2026, at which time all outstanding balances of the Credit Facility must be repaid.

At the Company's option, revolving loans and the term loans accrue interest at a per annum rate based on (a) either the highest of (i) the federal funds rate plus 0.5%, or (ii) the prime lending rate of the Agent (as defined in the Credit Agreement), (b) Daily Simple SOFR plus the Daily Simple SOFR Adjustment of 0.11% plus 1.0%, (c) 1.0%, plus a margin ranging from 1.75% to 3.25% depending on the Company's Consolidated Leverage Ratio, or (d) a one/three/six-month Term SOFR Rate (as defined in the Credit Agreement) plus the Term SOFR Adjustment ranging from 0.11% to 0.43% plus 1.75% to 3.25% depending on the Company's Consolidated Leverage Ratio. Interest on swing line loans is the Base Rate.

Interest on Base Rate loans is payable quarterly in arrears on the last day of each calendar quarter and at maturity. Interest on Term SOFR rate loans is payable on the last date of each applicable Interest Period (as defined in the agreement), but in no event less than once every three months and at maturity. The weighted average stated interest rate on outstanding borrowings was 8.29% and 6.75% at December 31, 2023 and 2022, 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 (as defined in the Credit Facility). In the third quarter of 2023, the Company entered into an Elevated Ratio Period resulting in a maximum Consolidated Net Leverage Ratio of 4.00 through June 30, 2024, after which time it will decrease to 3.50 until the end of the term of the Credit Facility.

The Company has granted a security interest in substantially all of its assets to secure its obligations pursuant to the Credit Facility. The Company's obligations under the Credit Facility are guaranteed by the Company's U.S. subsidiaries and such guaranty obligations are secured by a security interest on substantially all the assets of such subsidiaries, including certain real property. The Company's obligations under the Credit Agreement may also be guaranteed by the Company's material foreign subsidiaries to the extent no adverse tax consequences would result to the Company.

In connection with the Credit Facility, the Company paid \$0.8 million in customary closing fees during 2021 and \$0.4 million in customary closing fees during 2023 that were deferred and classified as a debt discount, as a result of Amendments No. 2 and No. 4 of the Credit Facility being accounted for as debt modifications.

As of December 31, 2023 and 2022, the Company was in compliance with all related financial and other restrictive covenants under the Credit Facility.

Joint Venture Debt

On March 7, 2022, the Company's Effox-Flextor-Mader, Inc. joint venture ("EFM JV") entered into a loan agreement secured by the assets of the EFM JV in the aggregate principal amount of \$11.0 million for the acquisition of General Rubber, LLC ("GRC"), as further described in Note 14. As of December 31, 2023, \$8.9 million was outstanding under the loan. Principal will be paid back to the lender monthly with the final installment due by February 27, 2027. Interest is accrued at the per annum rate based on EFM JV's choice of the 1/3/6 month Term SOFR rate plus 3.25%, with a floor rate of 3.75%. Interest is paid monthly on the last day of each month. The interest rate was 8.70% and 6.60% at December 31, 2023 and December 31, 2022, respectively. As of December 31, 2023, the EFM JV was in compliance with all related financial and other restrictive covenants under this loan agreement. This loan balance does not impact the Company's borrowing capacity or the financial covenants under the Credit Facility.

Foreign Debt

The Company has a number of bank guarantee facilities and bilateral lines of credit in various foreign 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 \$80.0 million from the bilateral lines of credit secured by pledged assets and collateral under the Credit Facility. As of December 31, 2023, \$45.8 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 \$1.3 million in bank guarantees were outstanding as of December 31, 2023. As of December 31, 2023, the borrowers of these facilities and agreements were in compliance with all related financial and other restrictive covenants.

9. Shareholders' Equity

Share-Based Compensation

The Company's 2021 Equity and Incentive Compensation Plan (the "2021 Plan") was approved by the Company's stockholders on May 25, 2021 which replaced the 2017 Equity Incentive Plan (the "2017 Plan"). No further grants will be made under the 2017 Plan, but outstanding awards under the 2017 Plan will continue to be unaffected in accordance with their terms. The 2021 Plan permits the granting of stock options with an exercise price equal to or greater than the fair market value of the Company's common stock at the date of the grant, and other stock-based awards, including appreciation rights, restricted stock, restricted stock units, performance shares and dividend equivalents. A total of 2.6 million shares of common stock were authorized for issuance. As of December 31, 2023, 1.6 million shares remain available for future issuance. Stock options granted to employees generally vest equally over a period of four years from the date of the grant with a maximum contractual term of ten years from the date of the grant. Stock awards granted to employees generally vest over a period of three to four years from the date of the grant.

On July 6, 2020, in connection with the appointment of the Chief Executive Officer, the Company granted its Chief Executive Officer approximately 94,000 restricted stock units with a fair value of \$0.6 million, which are being expensed over the vesting period of four years. The Company also granted its Chief Executive Officer approximately 1.2 million stock options with a fair value of \$2.4 million that are being expensed over the vesting period of four years. These grants of restricted stock units and stock options ("2020 Inducement Awards") were approved by the Board of Directors of the Company and are not included in any of the aforementioned Plans.

Share-based compensation expense for stock options and restricted stock awards under these plans was \$4.3 million, \$3.9 million and \$3.3 million for the years ended December 31, 2023, 2022 and 2021, respectively. The tax benefit related to share-based compensation expense was \$0.8 million, \$0.5 million and \$0.8 million in 2023, 2022 and 2021, respectively.

Employee Stock Purchase Plan

The 2020 Employee Stock Purchase Plan ("ESPP") was approved by shareholders on June 11, 2020. The ESPP is administered by the Compensation Committee. The ESPP allows employees to purchase shares of common stock at a 15% discount from market price and pay for the shares through payroll deductions. Eligible employees can enter the plan at specific "offering dates" that occur in six-month intervals.

The aggregate maximum number of shares of the Company's common stock that may be granted under the ESPP is 1.3 million shares over the ten-year term of the ESPP, subject to adjustment in the event there is a reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, or similar transaction with respect to the common stock. As of December 31, 2023, 1.2 million shares remain available for future issuance.

The Company recognized employee stock purchase plan expense of \$0.2 million, \$0.1 million and \$0.1 million in 2023, 2022 and 2021, respectively.

Stock Options

The estimated weighted-average fair value of stock options was determined using the Black-Scholes option-pricing model at the grant date 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.

Expected Term: Due to limited historical exercise data, the Company utilizes the simplified method of determining the expected term based on the vesting schedules and terms of the stock options.

Risk-Free Interest Rate: The risk-free interest rate factor utilized is based upon the implied yields currently available on U.S. Treasury zero-coupon issues over the expected term of the stock options.

No stock options were granted for the years ended December 31, 2023, 2022, and 2021.

The fair value of stock options is recorded as compensation expense on a straight-line basis over the vesting periods (which approximates the requisite service period) of the options and forfeitures are accounted for when they occur.

Information related to all stock options under the 2021 Plan, 2017 Plan and 2007 Plan, and the 2020 Inducement Awards for 2023, 2022 and 2021 is shown in the tables below:

(Shares in thousands)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000)
Outstanding at December 31, 2022	1,440	\$ 11.30	4.0 years	
Forfeitures	(92)	13.43		
Exercised	(101)	11.93		
Outstanding and expected to vest at December 31, 2023	1,247	11.09	3.4 years	\$ 11,452
Exercisable at December 31, 2023	942	11.10	3.4 years	\$ 8,652

(Shares in thousands)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000)
Outstanding at December 31, 2021	1,514	\$ 11.19	4.9 years	
Forfeitures	(32)	10.55		
Exercised	(42)	8.15		
Outstanding and expected to vest at December 31, 2022	1,440	11.30	4.0 years	\$ 1,766
Exercisable at December 31, 2022	833	11.47	3.6 years	\$ 923

(Shares in thousands)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000)
Outstanding at December 31, 2020	1,554	\$ 11.17	5.8 years	
Forfeitures	(38)	10.63		
Exercised	(2)	6.66		
Outstanding and expected to vest at December 31, 2021	1,514	11.19	4.9 years	\$ —
Exercisable at December 31, 2021	603	11.39	4.0 years	\$ —

The Company received \$1.2 million, \$0.4 million, and zero of cash from employees exercising options in 2023, 2022 and 2021, respectively. The intrinsic value of options exercised during the years ended December 31, 2023, 2022 and 2021 was \$0.3 million, \$0.2 million, and zero, respectively.

Restricted Stock Awards

Information related to restricted stock awards under the 2021 Plan, 2017 Plan, 2007 Plan, and the 2020 Inducement Awards for 2023, 2022 and 2021 is shown in the table below. The fair value of restricted stock awards is based on the price of the stock in the open market on the date of the grant, and the fair value of performance-based restricted stock units is determined by using the Monte Carlo

valuation model. The fair value of the restricted stock awards is recorded as compensation expense on a straight-line basis over the vesting periods of the awards and forfeitures are accounted for when they occur.

(Shares in thousands)	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2020	1,047	\$ 6.00
Granted	573	8.19
Vested	(323)	6.31
Forfeited	(264)	5.80
Nonvested at December 31, 2021	1,033	7.17
Granted	755	5.74
Vested	(355)	6.80
Forfeited	(255)	6.41
Nonvested at December 31, 2022	1,178	6.53
Granted	734	16.12
Vested	(417)	6.56
Forfeited	(174)	7.19
Nonvested at December 31, 2023	1,321	\$ 11.77

The fair value of awards vested and released during the years ended December 31, 2023, 2022 and 2021 was \$5.9 million, \$2.3 million, and \$2.6 million, respectively.

Unrecognized compensation expense related to nonvested shares of stock options, restricted stock and performance units was \$10.4 million at December 31, 2023 and will be recognized over a weighted average vesting period of 1.1 years.

Common Stock Repurchase

On May 10, 2022, the Company's Board of Directors authorized a share repurchase program under which the Company may purchase up to \$20.0 million of its outstanding shares of common stock through April 30, 2025. The authorization permits the Company to repurchase shares in the open market, through accelerated share repurchases, block trades, Rule 10b5-1 trading plans or through privately negotiated transactions in accordance with applicable laws, rules and regulations. During the year ended December 31, 2022, the Company repurchased and retired approximately 1,032,000 shares of common stock at a cost of \$7.0 million under the program. No repurchases occurred during the year ended December 31, 2023.

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 Company stock. The authorization permitted 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. The Company completed its purchases authorized under the plan in October 2021, repurchasing approximately 700,000 shares of common stock at a cost of \$5.0 million under the program. All treasury shares were retired following the repurchase.

Dividends

The Company's dividend policy and the payment of cash dividends under that policy are subject to the Board of Director's continuing determination that the dividend policy and the declaration of dividends are in the best interest of the Company's stockholders. Future dividends and the dividend policy may be changed at the Company's discretion at any time. Payment of dividends is also subject to the continuing compliance with financial covenants under the Credit Facility. The Company has not paid a cash dividend on its common stock in any of the years ended December 31, 2023, 2022 or 2021.

10. Pension and Employee Benefit Plans

The Company sponsors a non-contributory defined benefit pension plan for certain union employees. The accrual of future benefits for all participants who are non-union employees was frozen effective December 31, 2008. The plan is funded in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974.

The following tables set forth the plan changes in benefit obligations, plan assets and funded status on the measurement dates:

(table only in thousands)	December 31,		
	2023	2022	2021
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	\$ 27,350	\$ 35,035	\$ 38,272
Interest cost	1,274	877	775
Actuarial loss (gain)	183	(6,540)	(1,936)
Benefits paid	(2,047)	(2,022)	(2,076)
Projected benefit obligation at end of year	<u>26,760</u>	<u>27,350</u>	<u>35,035</u>
Change in plan assets:			
Fair value of plan assets at beginning of year	21,821	29,474	28,545
Actual return on plan assets	2,872	(5,631)	3,005
Benefits paid	(2,047)	(2,022)	(2,076)
Fair value of plan assets at end of year	<u>22,646</u>	<u>21,821</u>	<u>29,474</u>
Funded status at end of year	<u>\$ (4,114)</u>	<u>\$ (5,529)</u>	<u>\$ (5,561)</u>
Weighted-average assumptions used to determine benefit obligations for the year ended December 31:			
Discount rate	4.70%	4.90%	2.55%

The funded status as of December 31, 2023, 2022 and 2021, was \$4.1 million, \$5.5 million, and \$5.6 million, respectively and is recognized in the accompanying Consolidated Balance Sheets within other long-term liabilities.

The details of net periodic benefit cost for pension benefits included in the accompanying Consolidated Statements of Income are as follows:

(table only in thousands)	December 31,		
	2023	2022	2021
Interest cost	\$ 1,274	\$ 877	\$ 775
Expected return on plan assets	(1,142)	(1,560)	(1,510)
Amortization of net loss	297	263	411
Net periodic benefit (expense) income	<u>\$ 429</u>	<u>\$ (420)</u>	<u>\$ (324)</u>

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

(table only in thousands)	December 31,		
	2023	2022	2021
Net (gain) loss	\$ (1,548)	\$ 651	\$ (3,432)
Amortization of net actuarial loss	(297)	(263)	(411)
Total recognized in other comprehensive income (loss)	<u>\$ (1,845)</u>	<u>\$ 388</u>	<u>\$ (3,843)</u>
Total recognized in net periodic benefit cost and other comprehensive income (loss)	<u>\$ (1,416)</u>	<u>\$ (32)</u>	<u>\$ (4,167)</u>

Weighted-average assumptions used to determine net periodic benefit costs

	December 31,		
	2023	2022	2021
Discount Rate	4.90%	2.55%	2.10%
Expected return on assets	5.50%	5.50%	5.50%

The basis of the long-term rate of return assumption reflects the current asset mix for the pension plan of approximately 30% to 40% debt securities and 60% to 70% equity securities with assumed average annual returns of approximately 4% to 6% for debt securities and 8% to 12% for equity securities. The investment portfolio for the pension plan will be adjusted periodically to maintain the current ratios of debt securities and equity securities. Additional consideration is given to the historical returns for the pension plan as well as future long range projections of investment returns for each asset category. The long-term rate of return also considers administrative expenses of the plan.

Benefits under the plan is not based on wages and, therefore, future wage adjustments have no effect on the projected benefit obligation.

During 2023, 2022 and 2021, the Company updated the mortality tables (RP-2021 Total Mortality Table, RP-2020 Total Mortality Table, and RP-2019 Total Mortality Table for each respective year) in the underlying assumptions used to determine the benefit obligation.

Pension plan assets are invested in trusts comprised primarily of investments in various debt and equity funds. A fiduciary committee establishes the target asset mix and monitors asset performance. The expected rate of return on assets includes the determination of a real rate of return for equity and fixed income investment applied to the portfolio based on their relative weighting, increased by an underlying inflation rate.

The Company's defined benefit pension plan asset allocation by asset category is as follows:

Asset Category:	Target Allocation 2023	Percentage of Plan Assets	
		2023	2022
Cash and cash equivalents	0%	1%	2%
Equity securities	70%	76%	73%
Debt securities	30%	23%	25%
Total	100%	100%	100%

Estimated pension plan cash obligations are \$2.1 million annually for 2024 through 2028, and a total of \$10.0 million for the years 2029 through 2033.

Fair Value Measurements of Pension Plan Assets

Following is a description of the valuation methodologies used for pension assets measured at fair value:

Cash and cash equivalents: Cash and cash equivalents consist primarily of cash on deposit in money market funds. Cash and cash equivalents are stated at cost, which approximates fair value.

Equity securities: Equity securities consist of various managed funds that invest primarily in common stocks. These securities are valued at the net asset value of shares held by the plan at year end. The net asset value is calculated based on the underlying shares and investments held by the funds.

Debt securities: Debt securities consist of U.S. government and agency securities, corporate bonds and notes, and managed funds that invest in fixed income securities. U.S. governmental and agency securities are valued at closing prices reported in the active market in which the individual securities are traded. Corporate bonds and notes are valued using market inputs including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Inputs may be prioritized differently at certain times based on market conditions. Managed funds are valued at the net asset value of shares held by the plan at year end. The net asset value is calculated based on the underlying investments held by the fund.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The levels assigned to the defined benefit plan assets as of December 31, 2023, are summarized in the tables below:

(table only in thousands)	Level 1	Level 2	Level 3	Total
Pension assets, at fair value:				
Cash and cash equivalents	\$ 311	\$ —	\$ —	\$ 311
Equity securities	17,233	—	—	17,233
Debt securities	5,102	—	—	5,102
Total assets	\$ 22,646	\$ —	\$ —	\$ 22,646

The levels assigned to the defined benefit plan assets as of December 31, 2022, are summarized in the tables below:

(table only in thousands)	Level 1	Level 2	Level 3	Total
Pension assets, at fair value:				
Cash and cash equivalents	\$ 354	\$ —	\$ —	\$ 354
Equity securities	15,984	—	—	15,984
Debt securities	5,483	—	—	5,483
Total assets	\$ 21,821	\$ —	\$ —	\$ 21,821

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in some of its multiemployer plans, CECO may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in these plans for the year ended December 31, 2023, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2023 is for the plan's year-end at December 31, 2022. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2012	FIF/RP Status Pending/Implemented	Surcharge Imposed	Expiration of Collective Bargaining Agreement
Sheet Metal Workers' National Pension Fund	52-6112463/001	Green	FIF: Yes - Implemented RP: Yes - Implemented	No	Various
Sheet Metal Workers Local 224 Pension Plan	31-6171353/001	Yellow	FIF: Yes - Implemented	No	n/a
Sheet Metal Workers Local No. 177 Pension Fund	62-6093256/001	Green	Is not subject	No	April 30, 2026

Kirk and Blum was listed in the Sheet Metal Workers Local No. 177 Pension Fund's Form 5500 as providing more than five percent of total contributions for the year ended December 31, 2022. The Company was not listed in any of the other plans' Forms 5500 as providing more than five percent of the total contributions for the plans and plan years. At the date the financial statements were issued, Forms 5500 were not available for the plan years ended December 31, 2023.

The Company has no current intention of withdrawing from any plan and, therefore, no liability has been provided in the accompanying consolidated financial statements.

Amounts charged to pension expense under the above plans including the multi-employer plans totaled \$0.5 million, \$0.4 million, and \$0.6 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The Company has a 401(k) savings retirement plan for employees of certain of its subsidiaries. The plan covers substantially all employees who have 30 days of service, and who have attained 18 years of age. The plan allows the Company to make discretionary contributions and provides for employee salary deferrals of up to 100%. The Company made aggregate matching contributions and discretionary contributions of \$2.0 million, \$1.5 million, and \$0.9 million during the years ended December 31, 2023, 2022 and 2021, respectively.

11. Leases

The lease accounting guidance under ASC 842 establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. The Company's leasing activity is primarily related to buildings used for manufacturing, warehousing, sales, and administrative activities. The Company determines if an arrangement is a lease at inception. Many of the Company's lease agreements contain renewal options; however, the Company does not recognize ROU assets or lease liabilities for renewal periods unless it is determined that lease renewal is reasonably certain at inception or when a triggering event occurs. Some of the Company's lease agreements contain rent escalation clauses, free-rent periods, or other lease concessions. The Company recognizes its minimum rental expense on a straight-line basis based on the fixed components of a lease arrangement. Variable lease costs represent amounts that are not fixed in nature and are not tied to an index or rate, and are recognized as incurred. The Company's variable lease costs are not material.

In determining its ROU assets and lease liabilities, the Company applies a discount rate to the minimum lease payments within each lease agreement. ASC 842 requires the Company to use the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. When the Company cannot readily determine the discount rate implicit in the lease agreement, it utilizes its fully collateralized incremental borrowing rate. To estimate its specific incremental borrowing rates the Company considers, among other factors, interest rates on its existing credit facilities, risk-free rates, the types of assets being leased, and the term of the leases.

The components of lease expense were as follows:

(table only in thousands)	December 31,		
	2023	2022	2021
Operating lease cost (a)	\$ 4,643	\$ 3,558	\$ 3,232
Finance lease cost:			
Amortization of right-of-use assets	232	309	308
Interest on lease liability	289	289	315
Total finance lease cost	521	598	623
Total lease cost	\$ 5,164	\$ 4,156	\$ 3,855

(a) includes variable lease costs which are immaterial

Supplemental cash flow information related to leases was as follows:

(table only in thousands)	December 31,		
	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	\$ 4,567	\$ 3,637	\$ 3,171
Operating cash flows from finance leases	\$ 289	\$ 289	\$ 315
Financing cash flows from finance leases	\$ 907	\$ 600	\$ 603
Right of use assets obtained in exchange for lease obligations			
Operating leases	\$ 7,697	\$ 3,487	\$ 2,206

Supplemental balance sheet information related to leases was as follows:

(table only in thousands)	December 31,	
	2023	2022
Operating leases		
Right-of-use assets from operating leases	\$ 16,256	\$ 11,373
Accrued expenses	\$ 4,278	\$ 3,228
Operating lease liabilities	11,417	8,453
Total operating lease liabilities	\$ 15,695	\$ 11,681
Finance leases		
Property, plant and equipment, net	\$ 2,097	\$ 2,329
Accrued expenses	\$ 693	\$ 645
Other liabilities	4,844	5,537
Total finance lease liabilities	\$ 5,537	\$ 6,182

Weighted-average remaining lease term were as follows:

	December 31,	
	2023	2022
Operating leases	8 years	10 years
Finance leases	7 years	8 years
Weighted-average discount rate		
Operating leases	5.8%	4.7%
Finance leases	4.6%	4.6%

As of December 31, 2023, maturities of lease liabilities were as follows:

(table only in thousands)	Operating Leases	Finance Leases
2024	\$ 4,363	\$ 925
2025	3,845	943
2026	2,527	962
2027	1,578	982
2028	1,145	1,001
Thereafter	3,480	1,596
Total minimum lease payments	\$ 16,938	\$ 6,409
Less imputed interest	(1,243)	(872)
Lease liability	\$ 15,695	\$ 5,537

12. Commitments and Contingencies

Legal Proceedings

Asbestos cases

The Company's subsidiary, 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 December 31, 2023 for cases involving asbestos-related claims were \$6.5 million which together with all legal fees other than corporate counsel expenses have substantially been paid by the Company's insurers. The average cost per settled claim, excluding legal fees, was approximately \$37,000.

Based upon the most recent information available to the Company regarding such claims, there were a total of 313 cases pending against the Company as of December 31, 2023 (with Illinois, New York, Pennsylvania and West Virginia having the largest number of cases), as compared with 247 cases that were pending as of December 31, 2022. During 2023, 169 new cases were filed against the Company, and the Company was dismissed from 74 cases and settled 29 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 are 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 involved in legal proceedings 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, the Company records reserves 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.

The Company is not aware of pending claims or assessments, other than as described above, which may have a material adverse impact on its liquidity, financial position, results of operations, or cash flows.

13. Income Taxes

Income before income taxes was generated in the United States and globally as follows:

(in thousands)	2023	2022	2021
Domestic	\$ 7,444	\$ 11,971	\$ 771
Foreign	14,081	11,718	3,903
	<u>\$ 21,525</u>	<u>\$ 23,689</u>	<u>\$ 4,674</u>

Certain of the Company's undistributed earnings of its foreign subsidiaries are not permanently reinvested, as management intends to repatriate foreign-held cash as needed to meet domestic cash needs for operating, investing, and financing activities. A liability of \$0.7 million has been recorded for the deferred taxes on such undistributed foreign earnings as of December 31, 2023. The deferred taxes are attributable primarily to the foreign withholding taxes that would become payable should the Company repatriate cash held in its foreign operations.

Income tax expense (benefit) consisted of the following for the years ended December 31:

(in thousands)	2023	2022	2021
Current:			
Federal	\$ 3,939	\$ 5,009	\$ 354
State	1,100	836	278
Foreign	2,107	1,755	1,972
	<u>7,147</u>	<u>7,600</u>	<u>2,604</u>
Deferred:			
Federal	(495)	(3,001)	426
State	(208)	(231)	45
Foreign	580	1,058	(384)
	<u>(123)</u>	<u>(2,174)</u>	<u>87</u>
	<u>\$ 7,024</u>	<u>\$ 5,426</u>	<u>\$ 2,691</u>

The income tax expense (benefit) differs from the statutory rate due to the following:

(in thousands)	2023	2022	2021
Tax expense at statutory rate	\$ 4,488	\$ 4,975	\$ 981
Increase (decrease) in tax resulting from:			
State income tax, net of federal benefit	541	340	334
Other permanent differences	290	383	(147)
Impact of rate differences and adjustments	(1,046)	565	876
United States tax credits and incentives	(532)	(626)	300
Foreign tax credits and incentives	(812)	(895)	(265)
Change in valuation allowance	1,782	(526)	(489)
Foreign withholding taxes on repatriation of foreign earnings	(592)	139	244
Earnout expense (income)	85	(48)	233
Equity compensation	460	339	169
Excess compensation	360	11	—
Provision-to-return adjustments	528	(189)	127
Investment in joint venture	(155)	375	237
Net effect GILTI and FDII	1,400	565	—
Other	227	18	91
	<u>\$ 7,024</u>	<u>\$ 5,426</u>	<u>\$ 2,691</u>

Deferred income taxes reflect the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and tax credit carry forwards. The net deferred tax liabilities consisted of the following at December 31:

(in thousands)	2023	2022
Gross deferred tax assets:		
Accrued expenses	\$ 729	\$ 692
Reserves on assets	2,769	2,228
Share-based compensation awards	372	452
Minimum pension	920	1,247
Net operating loss carry-forwards	3,785	3,142
Tax credit carry-forwards	2,302	2,349
Investment in joint venture	926	815
Leases	3,699	2,564
Research and development costs	3,857	3,224
Other	—	69
Total gross deferred tax assets	19,359	16,782
Valuation allowances	(6,545)	(4,950)
	<u>\$ 12,814</u>	<u>\$ 11,832</u>
Gross deferred tax liabilities:		
Depreciation	(1,809)	(727)
Goodwill and intangibles	(14,299)	(13,310)
Prepaid expenses and inventory	(95)	(783)
Withholding tax on unremitted foreign earnings	(662)	(1,254)
Leases	(3,571)	(2,564)
Revenue recognition	(694)	(1,031)
Other	(218)	—
	<u>(21,348)</u>	<u>(19,669)</u>
Net deferred tax liabilities	<u>\$ (8,534)</u>	<u>\$ (7,837)</u>

As of December 31, 2023, state and local net operating loss carry forwards total \$41.0 million, which expire from 2024 to 2043. The Company has recorded a valuation allowance on certain of these net operating loss carry forwards to reflect expected realization. The Company also has net operating loss carry forwards in foreign jurisdictions totaling \$11.2 million. As of December 31, 2023 and 2022, the Company has recorded a valuation reserve, including but not limited to net operating losses, in the amount of \$6.5 million and \$5.0 million, respectively. The changes in the valuation allowance resulted in additional income tax expense (benefit) of \$1.5 million, \$(0.5) million, and \$(0.5) million in 2023, 2022, and 2021, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carry forward periods), projected future taxable income, and tax-planning strategies in making this assessment. Based on this assessment, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2023. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Company accounts for uncertain tax positions pursuant to FASB ASC Topic 740. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. A reconciliation of the beginning and ending amount of uncertain tax position reserves included in other liabilities on the Consolidated Balance Sheets is as follows:

(in thousands)	2023	2022
Balance as of January 1,	\$ 144	\$ 141
Additions for tax positions taken in prior years	7	3
Balance as of December 31,	<u>\$ 151</u>	<u>\$ 144</u>

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. The reserve for uncertain tax positions includes \$0.1 million of interest and penalties as of December 31, 2023 and 2022. The favorable settlement of all uncertain tax positions would impact the Company's effective income tax rate. Tax years going back to 2018 remain open for examination by all significant federal, state and foreign authorities.

14. Acquisitions and Joint Ventures

Kemco Systems Co., LLC

On August 23, 2023, the Company acquired 100% of the equity interests of Kemco Systems Co., LLC ("Kemco") for \$24.0 million in cash, which was financed with a draw on the Company's revolving credit facility. As additional consideration, the former owners are entitled to earn-out payments up to \$4.0 million based upon specified financial results through August 31, 2026. Based on projections at the acquisition date, the Company estimated the fair value of the earn-out to be \$2.2 million. This fair value measurement is based on inputs not observable in the market, which is considered Level 3 on the fair value hierarchy. As of December 31, 2023, the earnout liability recorded in "Accrued expenses" and "Other liabilities" on the Consolidated Balance Sheets was \$1.1 million and \$1.1 million, respectively, based on the anticipated payout timing, for a total of \$2.2 million. Kemco designs and manufactures energy and water conservation systems and equipment for applications regarding wastewater reuse and recycle, heat recovery, water heating, and vapor energy. This acquisition advances the Company's position within the North American water and wastewater treatment market within the Engineered Systems segment. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the date of closing.

(in thousands)		
Current assets (including accounts receivable of \$2,328)	\$	8,902
Property and equipment		341
Right-of-use assets from operating leases		1,602
Intangible - finite life		11,610
Goodwill		11,017
Other assets		16
Total assets acquired		<u>33,488</u>
Current liabilities assumed		(6,853)
Other liabilities assumed		(404)
Deferred tax liability		(12)
Net assets acquired	\$	<u>26,219</u>

The Company acquired technology, customer lists and tradename intangible assets valued at \$1.4 million, \$8.7 million and \$1.5 million, respectively. These assets were determined to have useful lives of 7, 10 and 10 years, respectively.

During the year ended December 31, 2023, Kemco accounted for \$13.1 million in revenue and \$2.0 million of net income included in the Company's results.

Transcend Solutions

On March 31, 2023, the Company acquired 100% of the equity interests of Transcend Solutions, LLC ("Transcend") for \$22.4 million, including \$20.0 million in cash, which was financed with a draw on the Company's revolving credit facility, \$2.4 million of deferred cash consideration, consisting of \$0.4 million of holdback paid within one year and \$2.0 million of notes payable due in equal installments over two years. Transcend is a process filtration solution design and manufacturing company with applications in hydrocarbon and chemical processing. This acquisition improves the Company's short-cycle and long-cycle mix and expands the Company's reach into midstream oil and gas, liquified natural gas, hydrocarbon processing, and chemical processing applications within the Engineered Systems segment. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the date of closing.

(in thousands)		
Current assets (including cash of \$52 and accounts receivable of \$1,493)	\$	2,614
Property and equipment		1,153
Intangible - finite life		8,930
Goodwill		10,839
Other assets		231
Total assets acquired		23,767
Current liabilities assumed		(1,203)
Deferred tax liability		(168)
Net assets acquired	\$	<u>22,564</u>

The Company acquired technology, customer lists and tradename intangible assets valued at \$0.6 million, \$7.6 million and \$0.7 million, respectively. These assets were determined to have useful lives of 7, 10 and 10 years, respectively.

During the year ended December 31, 2023, Transcend accounted for \$10.3 million in revenue and \$1.7 million of net income included in the Company's results.

Malvar Engineering Limited

On January 10, 2023, the Company acquired 100% of the equity interests of Malvar Engineering Limited, including its subsidiaries Arkanum Management Limited and Wakefield Acoustics Limited (collectively, "Wakefield"), for \$4.1 million in cash, which was financed with a draw on the Company's revolving credit facility, and \$0.4 million of deferred cash consideration. As additional consideration, the former owners were entitled to earn-out payments based upon specified financial results through July 31, 2023. Based on projections at the acquisition date, the Company estimated the fair value of the earn-out to be \$0.6 million. A payment of \$0.6 million, representing the fully earned amount, was made in the fourth quarter of 2023. Wakefield is a producer of industrial engineered noise control solutions, including custom acoustical gen-set packages, ambient air baffles, acoustical louvres, and skid enclosures, primarily serving server farms for data centers, standby and emergency power generation, oil and gas, petrochemical, commercial construction, infrastructure, and general manufacturing industries. This acquisition advances the Company's position within the industrial silencing and noise attenuation market by adding a range of solutions and access to new geographic markets within the Engineered Systems segment. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the date of closing.

(in thousands)		
Current assets (including accounts receivable of \$2,467)	\$	3,240
Property and equipment		635
Intangible - finite life		1,778
Goodwill		5,296
Total assets acquired		10,949
Current liabilities assumed		(4,860)
Deferred income tax liability		(961)
Net assets acquired	\$	<u>5,128</u>

The Company acquired customer lists and tradename intangible assets valued at \$1.5 million and \$0.3 million, respectively. These assets were determined to have useful lives of 10 years.

During the year ended December 31, 2023, Wakefield accounted for \$13.8 million in revenue and \$1.3 million of net income included in the Company's results.

DS21 Co., Ltd.

On September 19, 2022, the Company acquired 100% of the equity interests of DS21 Co., Ltd. ("DS21") for \$9.2 million, including \$8.9 million in cash, which was financed with a draw on the Company's revolving credit facility, and deferred cash consideration of \$0.3 million paid within one year from the date of closing.

DS21 is a South Korean-based design and manufacturing firm specializing in innovative water and wastewater treatment solutions. The addition of DS21 advances the Company's leadership position in niche oily water and produced water treatment, demineralization water treatment and ultra-pure water supply applications within the Company's Engineered Systems segment. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of closing.

(in thousands)	
Current assets (including cash of \$1,453)	\$ 5,099
Property and equipment	4,112
Intangible - finite life	422
Deferred income taxes	557
Other assets	169
Total assets acquired	<u>10,359</u>
Current liabilities assumed	(1,008)
Other liabilities	(113)
Net assets acquired	<u>\$ 9,238</u>

The Company acquired customer lists and tradename intangible assets valued at \$0.1 million and \$0.3 million, respectively. These assets were determined to have useful lives of 10 years.

Western Air Ducts Ltd.

On June 22, 2022, the Company acquired 100% of the equity interests of Western Air Ducts Limited for \$10.7 million in cash, which was financed with a draw on the Company's revolving credit facility, and deferred cash consideration of \$0.8 million paid within one year from the date of closing.

Western Air Ducts is a leading European supplier of dust and fume extraction solutions, providing consultation, design, manufacturing, installation, and service. The acquisition diversifies and expands the Company's industrial air product offerings within the Industrial Process Solutions segment. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of closing.

(in thousands)	
Current assets (including cash of \$1,557)	\$ 2,711
Property and equipment	188
Goodwill	7,344
Intangible - finite life	3,158
Total assets acquired	<u>13,401</u>
Current liabilities assumed	(1,127)
Deferred income tax liability	(824)
Net assets acquired	<u>\$ 11,450</u>

The Company acquired customer lists and tradename intangible assets valued at \$2.8 million and \$0.4 million, respectively. These assets were determined to have useful lives of 10 years.

Compass Water Solutions, Inc.

On May 3, 2022, the Company acquired 100% of the equity interests of Compass Water Solutions, Inc. ("Compass") for \$9.0 million in cash, which was financed with a draw on the Company's revolving credit facility, and \$2.0 million in notes payable to the former owners over two years. As additional consideration, the former owners are entitled to earn-out payments based upon a multiple of specified financial results through April 30, 2023. Based on projections at the acquisition date, the Company estimated the fair value of the earn-out to be \$1.4 million, which was paid in the third quarter of 2023.

Compass is a leading global supplier of membrane-based industrial water and wastewater treatment systems that help customers achieve regulatory compliance of water discharge at the lowest lifecycle cost. The acquisition diversifies and expands the Company's industrial water product offerings within the Engineered Systems segment. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of closing.

(in thousands)	
Current assets (including cash of \$334)	\$ 4,796
Property and equipment	101
Goodwill	4,848
Intangible - finite life	4,900
Total assets acquired	14,645
Current liabilities assumed	(623)
Deferred income tax liability	(1,627)
Net assets acquired	\$ 12,395

The Company acquired customer lists and tradename intangible assets valued at \$4.4 million and \$0.5 million, respectively. These assets were determined to have useful lives of 10 years.

General Rubber LLC

On March 7, 2022, the Company, through the EFM JV, acquired 100% of the equity interests of General Rubber LLC ("GRC") for \$19.7 million in cash, which was financed with a combination of a draw on the Company's revolving credit facility and issuance of term debt by the EFM JV. As additional consideration, the former owners of GRC were issued 10% of the equity interest in the EFM JV, resulting in the Company holding 63% of the equity in the joint venture. The Company determined CECO was the primary beneficiary of this variable interest entity and therefore the noncontrolling equity interest is in the Consolidated Balance Sheet. The fair value ascribed to the equity interest of the former owners of GRC was approximately \$4.1 million. As of December 31, 2023, there were \$14.5 million in current assets, \$26.7 million in long-lived assets, and \$12.5 million in total liabilities related to the EFM JV included in the Consolidated Balance Sheets. For the years ended December 31, 2023 and 2022, EFM JV accounted for \$37.7 million and \$35.8 million in revenue, respectively.

GRC engineers and manufactures non-metallic expansion joints and flow control products including rubber expansion joints, ducting expansion joints, and industrial pinch and duck bill valves, serving the industrial water and wastewater markets. The acquisition diversifies and expands the EFM JV product offerings within the Engineered Systems segment. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of closing.

(in thousands)	
Current assets (including cash of \$137)	\$ 4,963
Property and equipment	459
Goodwill	11,120
Intangible - finite life	8,380
Total assets acquired	24,922
Current liabilities assumed	(714)
Deferred income tax liability	(388)
Net assets acquired	\$ 23,820

The Company acquired customer lists and tradename intangible assets valued at \$7.7 million and \$0.7 million, respectively. These assets were determined to have useful lives of 10 years.

The Company has finalized the valuation of assets acquired and liabilities assumed related to the 2022 acquisitions. The purchase accounting related to the 2023 acquisitions is subject to final adjustment, primarily for the valuation of intangible assets pending final valuation results for such assets and tax balances for the further assessment of the acquiree's tax positions. These preliminary estimates and assumptions could change significantly during the purchase price measurement period as the Company finalizes the valuation of assets acquired and liabilities assumed. These changes could result in material variances in the Company's future financial results, including variances in the estimated purchase price, fair values recorded and expenses associated with these items.

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 these acquisitions is not deductible for tax purposes.

Acquisition and integration expenses on the Consolidated Statements of Income are related to acquisition activities, which include retention, legal, accounting, banking, and other expenses.

The following unaudited pro forma financial information represents the Company's results of operations as if these acquisitions had occurred at the beginning of the fiscal year prior to the acquisition:

(table only in thousands, except per share data)	December 31,	
	2023	2022
Net sales	\$ 564,608	\$ 478,802
Net income attributable to CECO Environmental Corp.	\$ 14,562	20,179
Earnings per share:		
Basic	\$ 0.42	\$ 0.58
Diluted	\$ 0.41	\$ 0.58

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 its product lines or end markets that the segment serves and are presented in two reportable segments. The results of the segments are reviewed through to the "Income from operations" line on the Consolidated Statements of Income. The accounting policies of the segments are the same as those in the consolidated financial statements.

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

Engineered Systems segment: The Company's Engineered Systems segment serves the power generation, hydrocarbon processing, water/wastewater treatment, oily water separation and treatment, marine and naval vessels, and midstream oil and gas sectors. The Company seeks to address the global demand for environmental and equipment protection solutions with its highly engineered platforms including emissions management, fluid bed cyclones, thermal acoustics, separation and filtration, and dampers and expansion joints.

Industrial Process Solutions segment: The Company's Industrial Process Solutions segment serves the broad industrial sector with solutions for air pollution and contamination control, fluid handling, and process filtration in applications such as aluminum beverage can production, automobile production, food and beverage processing, semiconductor fabrication, electronics production, steel and aluminum mill processing, wood manufacturing, desalination, and aquaculture markets. The Company assists customers in maintaining clean and safe operations for employees, reducing energy consumption, minimizing waste for customers, and meeting regulatory standards for toxic emissions, fumes, volatile organic compounds, and odor elimination through its platforms including duct fabrication and installation, industrial air, and fluid handling.

The financial segment information is as follows:

(table only in thousands)	2023	2022	2021
Net Sales (less intra-, inter-segment sales)			
Engineered Systems segment	\$ 380,108	\$ 263,224	\$ 186,926
Industrial Process Solutions segment	164,737	159,403	137,214
Total net sales	<u>\$ 544,845</u>	<u>\$ 422,627</u>	<u>\$ 324,140</u>

(table only in thousands)	2023	2022	2021
Income from Operations			
Engineered Systems segment	\$ 59,846	\$ 36,200	\$ 25,770
Industrial Process Solutions segment	21,630	22,705	15,054
Corporate and Other (1)	(46,907)	(36,744)	(30,967)
Income from operations	<u>\$ 34,569</u>	<u>\$ 22,161</u>	<u>\$ 9,857</u>

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

(table only in thousands)	2023	2022	2021
Property and Equipment Additions			
Engineered Systems segment	\$ 2,070	\$ 203	\$ 100
Industrial Process Solutions segment	2,827	879	721
Corporate and Other	3,487	2,294	1,795
Property and equipment additions	\$ 8,384	\$ 3,376	\$ 2,616

(table only in thousands)	2023	2022	2021
Depreciation and Amortization			
Engineered Systems segment	\$ 5,820	\$ 4,672	\$ 4,249
Industrial Process Solutions segment	4,352	4,388	4,299
Corporate and Other	2,335	1,554	1,305
Depreciation and amortization	\$ 12,507	\$ 10,614	\$ 9,853

(table only in thousands)	December 31,	
	2023	2022
Identifiable Assets		
Engineered Systems segment	\$ 432,098	\$ 332,820
Industrial Process Solutions segment	147,740	150,458
Corporate and Other (2)	20,453	21,443
Identifiable assets	\$ 600,291	\$ 504,721

- (2) Corporate assets primarily consist of cash, property, plant and equipment, and income tax related assets.

(table only in thousands)	December 31,	
	2023	2022
Goodwill		
Engineered Systems segment	\$ 142,229	\$ 114,746
Industrial Process Solutions segment	69,097	68,451
Goodwill	\$ 211,326	\$ 183,197

Intra-segment and Inter-segment Revenues

The Company has divisions that sell to each other within segments (intra-segment sales) and between segments (inter-segment sales), as follows:

(table only in thousands)	Year Ended December 31, 2023				
	Total Sales	Intra-Segment Sales	Less Inter-Segment Sales		Net Sales to Outside Customers
			Industrial Process Solutions	Engineered Systems	
Net Sales					
Engineered Systems segment	\$ 412,929	\$ (31,402)	\$ (1,419)	\$ —	\$ 380,108
Industrial Process Solutions segment	183,011	(17,489)	-	(785)	164,737
Total net sales	\$ 595,940	\$ (48,891)	\$ (1,419)	\$ (785)	\$ 544,845

Year Ended December 31, 2022					
(table only in thousands)	Less Inter-Segment Sales				Net Sales to Outside Customers
	Total Sales	Intra-Segment Sales	Industrial Process Solutions	Engineered Systems	
Net Sales					
Engineered Systems segment	\$ 278,354	\$ (14,088)	\$ (1,042)	\$ —	\$ 263,224
Industrial Process Solutions segment	165,220	(5,536)	—	(281)	159,403
Total net sales	<u>\$ 443,574</u>	<u>\$ (19,624)</u>	<u>\$ (1,042)</u>	<u>\$ (281)</u>	<u>\$ 422,627</u>

Year Ended December 31, 2021					
(table only in thousands)	Less Inter-Segment Sales				Net Sales to Outside Customers
	Total Sales	Intra-Segment Sales	Industrial Process Solutions	Engineered Systems	
Net Sales					
Engineered Systems segment	\$ 197,380	\$ (9,483)	\$ (971)	\$ —	\$ 186,926
Industrial Process Solutions segment	152,886	(14,533)	—	(1,139)	137,214
Total net sales	<u>\$ 350,266</u>	<u>\$ (24,016)</u>	<u>\$ (971)</u>	<u>\$ (1,139)</u>	<u>\$ 324,140</u>

No single customer represented greater than 10% of consolidated net sales or accounts receivable for 2023, 2022, or 2021.

For 2023, 2022, and 2021, sales outside the United States accounted for approximately 33%, 35%, and 38%, respectively, of consolidated net sales. The largest portions of sales outside the United States in 2023 were in Europe (19%) and Asia (9%). The largest portions of sales outside the United States in 2022 were in Europe (20%) and Asia (11%). The largest portion of sales outside the United States in 2021 was destined for Asia (16.0%) and Europe (10.3%). Of consolidated long-lived assets, \$48.2 million and \$39.9 million were located outside of the United States as of December 31, 2023 and 2022, respectively. The largest portion of long-lived assets located outside the United States at December 31, 2023 and December 31, 2022 were in Europe (\$38.3 million and \$30.5 million, respectively).

**AMENDMENT NO. 4 TO
SECOND AMENDED AND RESTATED CREDIT AGREEMENT**

THIS AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") dated and effective as of October 30, 2023 (the "Amendment No. 4 Effective Date"), is among CECO ENVIRONMENTAL CORP., a Delaware corporation (the "Company"), BANK OF AMERICA, N.A., in its capacity as the administrative agent (in such capacity, the "Administrative Agent"), each of the Subsidiary Guarantors party hereto and each of the Lenders (as defined below) party hereto.

Recitals:

A. The Company, the lenders party thereto prior to the effectiveness of this Amendment (the "Existing Lenders") and the Administrative Agent have entered into a Second Amended and Restated Credit Agreement dated as of June 11, 2019 (as amended by Amendment No. 1 to Second Amended and Restated Credit Agreement dated as of October 30, 2020, Amendment No. 2 to Second Amended and Restated Credit Agreement dated as of December 17, 2021, and Amendment No. 3 to Second Amended and Restated Credit Agreement dated as of March 20, 2023, prior to the effectiveness of this Amendment, the "Existing Credit Agreement"). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement (as defined below).

B. The Subsidiary Guarantors and the Administrative Agent have entered into an Amended and Restated Subsidiary Guaranty Agreement dated as of June 11, 2019 (the "Subsidiary Guaranty").

C. The Company has requested that certain of the Existing Lenders and certain other Persons party hereto that have been invited to become Lenders (such Persons, the "Joining Lenders") provide Additional Commitments pursuant to Section 2.15 of the Existing Credit Agreement under a new tranche of term loans (the "2023 Incremental Term Loan Facility") as set forth herein. The Existing Lenders and the Joining Lenders providing such Additional Commitments hereunder shall be collectively referred to herein as the "2023 Incremental Term Loan Lenders".

D. Subject to the terms and conditions set forth below, the 2023 Incremental Term Loan Lenders have agreed to provide the 2023 Incremental Term Loan Facility.

In furtherance of the foregoing, the parties agree as follows:

1. Amendments to Existing Credit Agreement. Subject to the terms and conditions set forth herein and in reliance upon the representations and warranties set forth herein:

(a) The Existing Credit Agreement (other than the Exhibits and Schedules attached thereto) is hereby amended in its entirety to read in the form of Annex A attached hereto (as so amended, the "Credit Agreement").

(b) Each of Exhibit A (Form of Loan Notice) and Exhibit J (Form of Notice of Loan Prepayment) attached to the Existing Credit Agreement is hereby amended in its entirety to read in the form of Exhibit A and Exhibit J attached hereto as Annex B.

(c) The Existing Credit Agreement is hereby amended to add new Schedules 2.01A and 2.07(d) in the form attached hereto as Annex C. Each of the 2023 Incremental Term Loan Lenders acknowledges and agrees that its Commitments and Applicable Percentages with respect to the 2023

Incremental Term Loan Facility as of the Amendment No. 4 Effective Date (after giving effect to this Amendment) are as set forth on such Schedule 2.01A.

(d) The Existing Credit Agreement is hereby amended to add a new Exhibit C-3 (2023 Incremental Term Loan Note) in the form of Exhibit C-3 attached hereto as Annex D.

The amendments to the Existing Credit Agreement and the above referenced Exhibits to the Existing Credit Agreement are limited to the extent specifically set forth above and no other terms, covenants or provisions of the Loan Documents are intended to be affected hereby.

Section 2. Joinder of Joining Lenders. Each Joining Lender (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Amendment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets the requirements of an Eligible Assignee under the Credit Agreement (subject to such consents, if any, as may be required under Section 10.06(b)(iii) of the Credit Agreement), (iii) from and after the Amendment No. 4 Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and shall have the obligations of a Lender thereunder with the Commitments and Loans applicable to such Joining Lender as set forth on Schedule 2.01A attached hereto (as such Commitments and Loans may be modified at any time or from time to time pursuant to the terms of the Loan Documents), (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by its Commitments and Loans and either it, or the Person exercising discretion in making its decision to acquire its Commitments and Loans, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Amendment and to acquire its Commitments and Loans, (vi) it has, independently and without reliance upon the Administrative Agent, the Arranger or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Amendment and to acquire its Commitments and Loans, and (vii) if it is a Foreign Lender, it has delivered to the Administrative Agent and the Company any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by such Joining Lender; and (b) agrees that (i) it will, independently and without reliance upon the Administrative Agent, the Arranger or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender. On and after the Amendment No. 4 Effective Date, all references to the “Lenders” in the Credit Agreement and the other Loan Documents shall be deemed to include the Joining Lenders.

Section 3. Conditions Precedent. The effectiveness of this Amendment and the amendments and other agreements contemplated hereby is subject to the satisfaction of the following conditions precedent:

(a) Documentation. The Administrative Agent shall have received the following:

(i) counterparts of this Amendment, duly executed and delivered by the Company, the Subsidiary Guarantors, the Administrative Agent and the 2023 Incremental Term Loan Lenders;

(ii) a 2023 Incremental Term Loan Note executed by the Company in favor of each 2023 Incremental Term Loan Lender requesting a 2023 Incremental Term Loan Note;

(iii) a certificate of each Loan Party signed by the secretary, any assistant secretary or a Responsible Officer of such Loan Party certifying and attaching (A) copies of the Organization Documents of such Loan Party (or as to no change since the last delivery to the Administrative Agent) and a good standing (or equivalent) certificate as of a recent date for such Loan Party from the relevant authority of its jurisdiction of incorporation (to the extent applicable), (B) the resolutions adopted by the board of directors (or other appropriate governing body) of such Loan Party approving or consenting to this Amendment and the 2023 Incremental Term Loan Commitments provided hereby and (C) to the extent not previously provided to the Administrative Agent, the identity, authority, signature and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with the Loan Documents to which such Loan Party is a party;

(iv) certificate of the Company signed by a Responsible Officer of the Company, certifying as to the satisfaction of the conditions set forth in Sections 2.15(f)(i), (ii) and (iii) and 4.02 of the Credit Agreement and certifying that the 2023 Incremental Term Commitments do not exceed the Additional Commitments Limit;

(v) favorable opinions of counsel to the Loan Parties addressed to the Administrative Agent and each Lender, as to the matters concerning the Loan Parties and the Loan Documents as the Administrative Agent may reasonably request; and

(vi) with respect to the 2023 Incremental Term Loan Borrowing, a Request for Credit Extension in accordance with the requirements of the Credit Agreement and, if such Borrowing is of Term SOFR Loans, by 11:00 a.m. two Business Days prior to the Amendment No. 4 Effective Date, a customary indemnity letter with respect to matters addressed by Section 3.05 of the Credit Agreement.

(b) Fees and Expenses. The Company shall have paid (i) all fees owing to the Arranger and the 2023 Incremental Term Loan Lenders in connection with this Amendment and (ii) all reasonable and documented out-of-pocket fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent), in the case of this clause (ii), to the extent invoiced at least two days prior to the Amendment No. 4 Effective Date.

(c) PATRIOT Act, etc. (i) Upon the reasonable request of any Lender made at least five Business Days prior to the Amendment No. 4 Effective Date, the Company shall have provided to such Lender, and such Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the Act, in each case at least three Business Days prior to the effective date of this Amendment and (ii) at least three Business Days prior to the Amendment No. 4 Effective Date, any Loan Party that qualifies as a “legal entity customer” under the Beneficial Ownership Regulation shall have delivered, to each Lender that so requests, a Beneficial Ownership Certification in relation to such Loan Party.

Upon satisfaction of the conditions set forth in this Section 3 and the effectiveness of this Amendment, the Administrative Agent shall provide notice of such effectiveness to the Company and the Lenders.

Section 4. Representations and Warranties.

(a) In order to induce the Administrative Agent and the 2023 Incremental Term Loan Lenders to enter into this Amendment, the Company represents and warrants to the Administrative Agent and the 2023 Incremental Term Loan Lenders as follows:

(i) After giving effect to this Amendment, the representations and warranties of the Company and each other Loan Party contained in Article V of the Credit Agreement and in each other Loan Document are true and correct on and as of the Amendment No. 4 Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Amendment, the representations and warranties contained in Sections 5.05(a) and (b) of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(a) and (b), respectively, of the Credit Agreement.

(ii) After giving effect to this Amendment and the Indebtedness to be incurred in connection herewith, the Company and its Restricted Subsidiaries are in pro forma compliance with all of the covenants set forth in Section 7.11 of the Credit Agreement, such compliance being determined on the basis of financial information for the fiscal period ending June 30, 2023 and calculated in accordance with Section 1.07 of the Credit Agreement.

(iii) No Default or Event of Default has occurred and is continuing, and no Default shall occur on the Amendment No. 4 Effective Date as a result of making any Credit Extension in connection with the 2023 Incremental Term Loan Commitments or from the application of the proceeds thereof.

(b) In order to induce the Administrative Agent and the 2023 Incremental Term Loan Lenders to enter into this Amendment, each of the Company and each Subsidiary Guarantor represents and warrants to the Administrative Agent and the 2023 Incremental Term Loan Lenders that this Amendment has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

Section 5. Miscellaneous.

(a) Ratification and Confirmation of Loan Documents. Each of the Company and each Subsidiary Guarantor hereby consents, acknowledges and agrees to the amendments and other agreements set forth herein and hereby confirms and ratifies in all respects the Loan Documents to which such Person is a party (including without limitation, with respect to each Subsidiary Guarantor, the continuation of its payment and performance obligations under the Subsidiary Guaranty and, with respect to both the Company and each Subsidiary Guarantor, the continuation and extension of the liens granted under the Collateral Documents to secure the Secured Obligations), in each case after giving effect to the amendments and other agreements contemplated hereby.

(b) Fees and Expenses. The Company shall pay on demand all reasonable costs and expenses of the Administrative Agent in connection with the preparation, negotiation, execution, and delivery of this Amendment and any other documents prepared in connection herewith, including, without limitation, the reasonable and documented fees and out-of-pocket expenses of counsel for the Administrative Agent, in each case, as set forth in Section 10.04(a) of the Credit Agreement.

(c) Headings. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

(d) Governing Law; Jurisdiction; Waiver of Jury Trial; Etc. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, and shall be further subject to the provisions of Sections 10.14 and 10.15 of the Credit Agreement.

(e) Counterparts. This Amendment may be in the form of an electronic record (in “.pdf” form or otherwise) and may be executed using electronic signatures, which shall be considered as originals and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts shall be one and the same Amendment. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent of a manually signed Amendment which has been converted into electronic form (such as scanned into “.pdf” format), or an electronically signed Amendment converted into another format, for transmission, delivery and/or retention.

(f) Entire Agreement. This Amendment, together with the Fee Letters and the other Loan Documents (collectively, the “Relevant Documents”), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other in relation to the subject matter hereof or thereof. None of the terms or conditions of this Amendment may be changed, modified, waived or canceled orally or otherwise except in writing in accordance with Section 10.01 of the Credit Agreement.

(g) Enforceability. Should any one or more of the provisions of this Amendment be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

(h) Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns (subject to Section 10.06 of the Credit Agreement).

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

The following parties have caused this Amendment to be executed as of the date first written above.

COMPANY:

CECO ENVIRONMENTAL CORP.

By: /s/ Peter Johansson

Name: Peter Johansson

Title: Senior Vice President and Chief Financial and Strategy Officer

SUBSIDIARY GUARANTORS:

AARDING THERMAL ACOUSTICS USA INC.

CECO ENVIRONMENTAL IP INC.

CECO GROUP, INC.

CECO INDUSTRIAL SOLUTIONS, INC.

CECO MEXICO HOLDINGS LLC

EMTROL LLC

FKI, LLC

H.M. WHITE, INC.

MET-PRO TECHNOLOGIES LLC

PEERLESS MFG. CO.

THE KIRK & BLUM MANUFACTURING COMPANY

By: /s/ Peter Johansson

Name: Peter Johansson

Title: Chief Financial and Strategy Officer

AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Signature Page

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Kyle D. Harding
Name: Kyle D. Harding
Title: Vice President

AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT
Signature Page

LENDERS:

BANK OF AMERICA, N.A., as a Lender and an L/C Issuer

By: /s/ Gregg Bush

Name: Gregg Bush

Title: Senior Vice President

AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT
Signature Page

CITIZENS BANK, N.A., as a Lender

By: /s/ Michael Puleo

Name: Michael Puleo

Title: Senior Vice President

AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Signature Page

CITIBANK, N.A., as a Lender and an L/C Issuer

By: /s/ John Torres
Name: John Torres
Title: Authorized Signer

AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT
Signature Page

FIFTH THIRD BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Jacob Osterman
Name: Jacob Osterman
Title: Senior Vice President

AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT
Signature Page

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Alexander Jodry
Name: Alexander Jodry
Title: Vice-President

AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT
Signature Page

HSBC BANK USA, NATIONAL ASSOCIATION, as a Lender

By: /s/ Cynthia Nwaubani
Name: Cynthia Nwaubani
Title: Senior Vice President

AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT
Signature Page

THE TORONTO-DOMINION BANK, NEW YORK BRANCH, as a Lender

By: /s/ David Perlman
Name: David Perlman
Title: Authorized Signatory

AMENDMENT NO. 4 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT
Signature Page

ANNEX B

Amended Exhibit A and Exhibit J

[See attached.]

FORM OF LOAN NOTICE

Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Credit Agreement, dated as of June 11, 2019 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement"; the terms defined therein being used herein as therein defined), among CECO Environmental Corp., a Delaware corporation (the "Company"), certain Restricted Subsidiaries of the Company party thereto (each a "Designated Borrower" and, together with the Company, the "Borrowers" and, each a "Borrower"), each Lender from time to time party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer.

The undersigned hereby requests on behalf of the Borrower referenced in item 6 below (select one):

FORMCHECKBOX A Borrowing of [Revolving Credit Loans] [Term Loans] [2023 Incremental Term Loans]

FORMCHECKBOX A conversion or continuation [Revolving Credit Loans] [Term Loans] [2023 Incremental Term Loans]

1. On _____ (a Business Day).

2. In the amount of \$ _____.

3. Comprised of _____.

[Type of Loan requested (e.g., Base Rate Loans, Daily Simple SOFR Loans, Term SOFR Loans, Alternative Currency Daily Rate Loans or Alternative Currency Term Rate Loans)]

4. In the following currency:

5. For Alternative Currency Term Rate Loans or Term SOFR Loans: with an Interest Period of _____ months.

6. On behalf of _____ [insert name of applicable Borrower]

[The Revolving Credit Borrowing, if any, requested herein complies with the proviso to the first sentence of Section 2.01(a) of the Agreement.]

COMPANY:

CECO ENVIRONMENTAL CORP.

By: _____

Name: _____

Title: _____

179778257

FORM OF NOTICE OF LOAN PREPAYMENT

TO: Bank of America, N.A., as Administrative Agent (the “Administrative Agent”)

RE: Reference is made to that certain Second Amended and Restated Credit Agreement, dated as of June 11, 2019 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “Agreement;” the terms defined therein being used herein as therein defined), among CECO Environmental Corp., a Delaware corporation (the “Company”), certain Restricted Subsidiaries of the Company party thereto (each a “Designated Borrower” and, together with the Company, the “Borrowers” and, each a “Borrower”), each Lender from time to time party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer.

DATE: [Date]

The Company hereby provides notice to the Administrative Agent that it shall repay the following Loans as more specifically set forth below:

The Loan(s) to be prepaid consist of: [check each applicable box]

FORMCHECKBOX Optional prepayment of Term Loans in the amount of \$ _____ [with an Interest Period of _____ months]

FORMCHECKBOX Optional prepayment of 2023 Incremental Term Loans in the amount of \$ _____ [with an Interest Period of _____ months]

FORMCHECKBOX Optional prepayment of Revolving Credit Loans in the amount of \$ _____ [with an Interest Period of _____ months]

The Company shall repay the above-referenced Loans on the following Business Day: _____. (Complete with a date no earlier than (i) the same Business Day as the date of this Notice of Prepayment with respect to any Base Rate Loan, (ii) two (2) Business Days subsequent to the date of this Notice of Prepayment with respect to Term SOFR Loans denominated in Dollars, (iii) three Business Days subsequent to the date of this Notice of Prepayment with respect to Daily Simple SOFR Loans denominated in Dollars, (iv) four (4) Business Days prior to the date of this Notice of Prepayment with respect to Alternative Currency Loans other than Special Notice Currencies and (iv) five (5) Business Days prior to the date of this Notice of Prepayment with respect to Alternative Currency Loans denominated in Special Notice Currencies.

Delivery of an executed counterpart of a signature page of this notice by fax transmission or other electronic mail transmission (e.g. “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this notice.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

COMPANY:

CECO ENVIRONMENTAL CORP.

By: _____

Name: _____

Title: _____

179778257

ANNEX C

Schedules 2.01A and 2.07(d)

[See attached.]

**2023 INCREMENTAL TERM LOAN FACILITY COMMITMENTS
AND APPLICABLE PERCENTAGES**

Lender	2023 Incremental Term Loan Commitment	Applicable Percentage of 2023 Incremental Term Loan Facility
Bank of America, N.A.	\$19,736,842.06	26.315789414%
The Toronto-Dominion Bank, New York Branch	\$14,605,263.19	19.473684253%
Citibank, N.A.	\$10,657,894.74	14.210526320%
Fifth Third Bank, National Association	\$10,657,894.74	14.210526320%
HSBC Bank USA, National Association	\$10,657,894.74	14.210526320%
PNC Bank, National Association	\$8,684,210.53	11.578947373%
Total	\$75,000,000.00	100.000000000%

2023 INCREMENTAL TERM LOAN FACILITY AMORTIZATION SCHEDULE

Last Business Day of	Payment
December 2023	\$1,406,250.00
March 2024	\$1,406,250.00
June 2024	\$1,406,250.00
September 2024	\$1,406,250.00
December 2024	\$1,406,250.00
March 2025	\$1,406,250.00
June 2025	\$1,406,250.00
September 2025	\$1,406,250.00
December 2025	\$1,875,000.00
March 2026	\$1,875,000.00
June 2026	\$1,875,000.00
September 2026	\$1,875,000.00
Maturity Date	All remaining outstanding principal

ANNEX D

Exhibit C-3

[See attached.]

179778257

FORM OF 2023 INCREMENTAL TERM LOAN NOTE

_____, 20__

FOR VALUE RECEIVED, the undersigned (the "Borrower") hereby promises to pay to _____ or its registered assigns (the "Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the unpaid principal amount of the 2023 Incremental Term Loan made by the Lender to the Borrower under that certain Second Amended and Restated Credit Agreement, dated as of June 11, 2019 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement"; the terms defined therein being used herein as therein defined), among the Borrower, certain of its Restricted Subsidiaries, each Lender from time to time party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer.

The Borrower promises to pay interest on the unpaid principal amount of the 2023 Incremental Term Loan from the date made until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars and in Same Day Funds at the Administrative Agent's Office for Dollar-denominated payments. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This 2023 Incremental Term Loan Note is one of the 2023 Incremental Term Loan Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This 2023 Incremental Term Loan Note is also entitled to the benefits of one or more of the Subsidiary Guaranties and is secured by the Collateral. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this 2023 Incremental Term Loan Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. 2023 Incremental Term Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this 2023 Incremental Term Loan Note and endorse thereon the date, type, amount and maturity of its 2023 Incremental Term Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this 2023 Incremental Term Loan Note.

[Signature page follows]

THIS 2023 INCREMENTAL TERM LOAN NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

CECO ENVIRONMENTAL CORP.

By: _____
Name: _____
Title: _____

Grantee:	%%FIRST_NAME_LAST_NAME%-%
Number of Restricted Stock Units “RSUs”:	%%TOTAL_SHARES_GRANTED,7%-%
Date of Grant:	%%OPTION_DATE,1%-%
<u>Vesting Schedule:</u>	
%%SHARES_PERIOD1%-%	%%VEST_DATE_PERIOD1,'MONTH DD, YYYY'%-%
%%SHARES_PERIOD2%-%	%%VEST_DATE_PERIOD2,'MONTH DD, YYYY'%-%
%%SHARES_PERIOD3%-%	%%VEST_DATE_PERIOD3,'MONTH DD, YYYY'%-%

CECO ENVIRONMENTAL CORP.

Restricted Stock Units Agreement

This RESTRICTED STOCK UNITS AGREEMENT (this “*Agreement*”) is made as of the date set forth above (the “**Date of Grant**”), by and between CECO Environmental Corp., a Delaware corporation (the “*Company*”), and the individual named above (the “*Grantee*”).

1. **Certain Definitions.** Capitalized terms used, but not otherwise defined, in this Agreement will have the meanings given to such terms in the CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan (the “*Plan*”).

2. **Grant of RSUs.** Subject to and upon the terms, conditions and restrictions set forth in this Agreement (including any additional terms and conditions for the Grantee’s country (for Grantees outside the United States only) set forth in any attached appendix that would form part of this Agreement) and in the Plan, pursuant to authorization under resolutions of the Committee, the Company has granted to the Grantee as of the “**Date of Grant**” specified above, the number of Restricted Stock Units (“*RSUs*”) as set forth above. Each RSU shall represent the right of the Grantee to receive one share of Common Stock subject to and upon the terms and conditions of this Agreement.

3. **Restrictions on Transfer of RSUs.** Subject to Section 15 of the Plan, neither the RSUs evidenced hereby nor any interest therein or in the Common Stock underlying such RSUs shall be transferable prior to payment to the Grantee pursuant to **Section 5** hereof other than by will or pursuant to the laws of descent and distribution.

4. **Vesting of RSUs.** The RSUs covered by this Agreement shall become nonforfeitable and payable to the Grantee pursuant to **Section 5** based on the vesting schedule specified above (the “*Vesting Schedule*”), if the Grantee remains in the continuous employment of the Company or a Subsidiary until the vesting date(s) specified in the Vesting Schedule. Subject to the terms of the Plan, any RSUs that do not so become nonforfeitable will be forfeited, including if the Grantee ceases to be continuously employed by the Company or a Subsidiary prior to the vesting date(s) specified in the Vesting Schedule. For purposes of this Agreement, “continuously employed” (or substantially similar terms) means the absence of any interruption

or termination of the Grantee's employment with the Company or a Subsidiary. Continuous employment shall not be considered interrupted or terminated in the case of transfers between locations of the Company and its Subsidiaries.

5. **Form and Time of Payment of RSUs.**

- (a) Payment for the RSUs, after and to the extent they have become nonforfeitable, shall be made in the form of Common Stock. Payment shall be made as soon as administratively practicable following (but no later than thirty (30) days following) the date that the RSUs become nonforfeitable pursuant to **Section 4** hereof.
- (b) The Company's obligations to the Grantee with respect to the RSUs will be satisfied in full upon the issuance of Common Stock corresponding to such RSUs.

6. **Dividend Equivalents; Voting and Other Rights.**

- (a) The Grantee shall have no rights of ownership in the Common Stock underlying the RSUs and no right to vote the Common Stock underlying the RSUs until the date on which the Common Stock underlying the RSUs is issued or transferred to the Grantee pursuant to **Section 5** above.
- (b) From and after the Date of Grant and until the earlier of (i) the time when the RSUs become nonforfeitable and are paid in accordance with **Section 5** hereof or (ii) the time when the Grantee's right to receive Common Stock in payment of the RSUs is forfeited in accordance with **Section 4** hereof, on the date that the Company pays a cash dividend (if any) to holders of Common Stock generally, the Grantee shall be credited with cash per RSU equal to the amount of such dividend. Any amounts credited pursuant to the immediately preceding sentence shall be subject to the same applicable terms and conditions (including vesting, payment and forfeitability) as apply to the RSUs based on which the dividend equivalents were credited, and such amounts shall be paid in cash at the same time as the RSUs to which they relate.
- (c) The obligations of the Company under this Agreement will be merely that of an unfunded and unsecured promise of the Company to deliver Common Stock in the future, and the rights of the Grantee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company under this Agreement.

7. **Adjustments.** The RSUs and the number of shares of Common Stock issuable for each RSU, and the other terms and conditions of the grant evidenced by this Agreement, are subject to mandatory adjustment, including as provided in Section 11 of the Plan.

8. **Withholding Taxes.** To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with the delivery to the Grantee of Common Stock or any other payment to the Grantee or any other payment or vesting event under this Agreement, the Grantee agrees that the Company will withhold any taxes

required to be withheld by the Company under federal, state, local or foreign law as a result of the settlement of the RSUs in an amount sufficient to satisfy the minimum statutory withholding amount. To the extent that the amounts available to the Company for such withholding are insufficient, it shall be a condition to the obligation of the Company to make any such delivery or payment that the Grantee make arrangements satisfactory to the Company for payment of the balance of such taxes or other amounts required to be withheld. Any shares of Common Stock retained to cover tax withholding shall be credited against any such withholding requirement at the market value of such Common Stock on the date of such delivery. In no event will the market value of the Common Stock to be withheld and/or delivered pursuant to this **Section 8** to satisfy applicable withholding taxes exceed the maximum amount of taxes or other amounts that could be required to be withheld.

9. **Compliance With Law.** The Company shall make reasonable efforts to comply with all applicable U.S. federal, state and non-U.S. securities and other applicable laws; provided, however, notwithstanding any other provision of the Plan and this Agreement, the Company shall not be obligated to issue any Common Stock pursuant to this Agreement if the issuance thereof would result in a violation of any such law.

10. **Compliance With or Exemption From Section 409A of the Code.** To the extent applicable, it is intended that this Agreement and the Plan comply with or be exempt from the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with or be exempt from Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Grantee). Further, the Company does not make any representation to the Grantee that the RSUs satisfy the requirements of Section 409A of the Code, and the Company will have no liability or other obligation to indemnify or hold harmless the Grantee or any other party for any tax, additional tax, interest or penalties that the Grantee or any other party may incur in the event that any provision of the Agreement or any amendment or modification thereof or any other action taken with respect thereto, is deemed to violate any of the requirements of Section 409A of the Code.

11. **Interpretation.** Any reference in this Agreement to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

12. **No Right to Future Awards or Employment.** The grant of the RSUs under this Agreement to the Grantee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards or provide benefits in lieu of RSUs, even if RSUs have been awarded repeatedly in the past. The grant of the RSUs and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement shall confer upon the Grantee any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the

Company or any of its Subsidiaries to terminate the employment or adjust the compensation of the Grantee.

13. **Relation to Other Benefits.** Any economic or other benefit to the Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which the Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or any of its Subsidiaries and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or any of its Subsidiaries.

14. **Amendments.** Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that (a) no amendment shall adversely affect the rights of the Grantee under this Agreement without the Grantee's written consent, and (b) the Grantee's consent shall not be required to an amendment that is deemed necessary by the Company to ensure compliance with Section 409A of the Code or Section 10D of the Exchange Act.

15. **Severability.** In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

16. **Relation to Plan.** This Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistency between the provisions of this Agreement and the Plan, the Plan shall govern. The Committee acting pursuant to the Plan, as constituted from time to time, shall, except as expressly provided otherwise herein or in the Plan, have the right to determine any questions which arise in connection with this Agreement. Notwithstanding anything in this Agreement to the contrary, Grantee acknowledges and agrees that this Agreement and the award described herein (and any settlement thereof) are subject to the terms and conditions of the Company's clawback policy as may be in effect from time to time, including specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Common Stock may be traded) (the "**Compensation Recovery Policy**"), and that relevant sections of this Agreement shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.

17. **Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the RSUs and the Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

18. **Data Privacy.** The Grantee explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as

described in this document by and among, as applicable, the Grantee's employer ("**Employer**") and the Company and its Subsidiaries, for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that Employer and the Company and its Subsidiaries hold (but only process or transfer to the extent required or permitted by local law) the following personal information about the Grantee: the Grantee's name, home address and telephone number, email address, date of birth, passport number, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all RSUs or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the purpose of implementing, administering and managing the Plan (collectively, "**Data**"). The Grantee understands that Data may be transferred to third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Grantee's country or elsewhere, and that the recipient's country may have different data privacy laws and protections than those that apply in the Grantee's country. The Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the Grantee's local human resources representative. The Grantee authorizes these recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee may elect to deposit any shares acquired upon vesting or earning of the RSUs. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan and in accordance with local law. The Grantee understands that the Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost by contacting in writing the Grantee's local human resources representative. The Grantee understands, however, that refusing or withdrawing the Grantee's consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee hereby understands that the Grantee may contact his or her local human resources representative.

19. **Nature of the Grant**. In accepting the RSUs, the Grantee acknowledges that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;
- (b) all decisions with respect to future grants of RSUs, if any, will be at the sole discretion of the Company;
- (c) the Grantee's participation in the Plan is voluntary;
- (d) RSUs are outside the scope of the Grantee's employment contract, if any;
- (e) in the event that the Grantee is not an employee of the Company, the grant of RSUs will not be interpreted to form an employment contract or relationship with

the Company; and furthermore, the grant of RSUs will not be interpreted to form an employment contract with the Employer or any other related entity;

- (f) the future value of the underlying Common Stock is unknown and cannot be predicted with certainty;
- (g) if the Grantee receives Common Stock upon vesting of the RSUs, the value of such Common Stock may increase or decrease in value;
- (h) in consideration of the grant of RSUs, no claim or entitlement to compensation or damages arises from termination of the RSUs or diminution in value of the RSUs or shares received upon vesting of RSUs resulting from termination of the Grantee's service to the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and the Grantee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Agreement, the Grantee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim;
- (i) the RSUs and the benefits evidenced by this Agreement do not create any entitlement not otherwise specifically provided for in the Plan or provided by the Company in its discretion, to have the RSUs or any such benefits transferred to, or assumed by, another company, nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Common Stock;
- (j) for purposes of the RSUs, the Grantee's continuous employment will be considered terminated as of the date the Grantee is no longer actively providing services to the Company, the Employer or any Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee provides services or the terms of the Grantee's employment agreement, if any), and such date will not be extended by any notice period (e.g., the Grantee's period of continuous employment would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Grantee provides services or the terms of his or her service agreement, if any); the Company shall have the exclusive discretion to determine when the Grantee is no longer actively continuously employed for purposes of the RSUs (including whether the Grantee may still be considered to be continuously employed while on a leave of absence); and
- (k) neither the Company nor any of its Subsidiaries shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the U.S. dollar that may affect the value of the RSUs or any amounts due to the Grantee pursuant to the settlement of the RSUs or the subsequent sale of Common Stock acquired upon settlement of the RSUs.

20. **Governing Law; Venue.** This Agreement shall be governed by and construed with the internal substantive laws of the State of Delaware, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction. For any legal action relating to this Agreement, the parties to this Agreement consent to the exclusive jurisdiction and venue of the United States District Court for the District of Delaware, U.S.A.

21. **Successors and Assigns.** Without limiting **Section 3** hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Company.

22. **Acknowledgement.** The Grantee acknowledges that the Grantee (a) has received a copy of the Plan, (b) has had an opportunity to review the terms of this Agreement and the Plan, (c) has agreed to the receipt of this Agreement and all documents related to the RSUs in the English language, (d) understands the terms and conditions of this Agreement and the Plan and (e) agrees to such terms and conditions.

23. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

24. **Non-U.S. Addendum.** Notwithstanding any provisions in this Agreement, the grant and RSUs shall also be subject to the special terms and conditions set forth in the Non-U.S. Addendum attached as **Appendix A** to this Agreement for the Grantee's country. Moreover, if the Grantee is not a resident of any of the countries listed on **Appendix A** as of the Date of Grant, but relocates to one of the countries included in the Non-U.S. Addendum, the special terms and conditions for such country will apply to the Grantee to the extent that the Company determines that the application of such terms and conditions are necessary or advisable in order to comply with local law or facilitate the administration of the Plan (or the Company may establish alternative terms as may be necessary or advisable to accommodate the Grantee's relocation). The Non-U.S. Addendum attached hereto as **Appendix A** constitutes part of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

CECO ENVIRONMENTAL CORP.

By: _____

Name: **Todd Gleason**

Title: **Chief Executive Officer**

Grantee Acknowledgment and Acceptance

By: Electronic Signature*

* The Grantee acknowledges and agrees that by clicking the “Accept” button on the Fidelity NetBenefits website, it will act as the Grantee’s electronic signature to this Agreement and will constitute the Grantee’s acceptance of and agreement with all of the terms and conditions set forth in this Agreement and the Plan.

Grantee:	#ParticipantName#
Number of Restricted Stock Units "PRSUs":	#QuantityGranted#
Date of Grant:	#GrantDate#
Performance Period:	January 1, 2024 to December 31, 2026
Vesting Date:	December 31, 2026

CECO ENVIRONMENTAL CORP.

Performance-Based Restricted Stock Units Agreement

This PERFORMANCE-BASED RESTRICTED STOCK UNITS AGREEMENT (this "**Agreement**") is made as of the date set forth above (the "**Date of Grant**") by and between CECO Environmental Corp., a Delaware corporation (the "**Company**"), and the individual named above (the "**Grantee**").

1. **Certain Definitions.** Capitalized terms used, but not otherwise defined, in this Agreement will have the meanings given to such terms in the CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan (as amended from time to time, the "**Plan**").

2. **Grant of PRSUs.** Subject to and upon the terms, conditions and restrictions set forth in this Agreement and in the Plan, pursuant to authorization under resolutions of the Committee, the Company has granted to the Grantee as of the Date of Grant the number of performance-based Restricted Stock Units ("**PRSUs**") as set forth above. Subject to the degree of attainment of the performance goals established for these PRSUs, as approved by the Committee and thereafter communicated to the Grantee (the "**Statement of Performance Goals**"), the Grantee may earn a percentage of the PRSUs. Each PRSU shall then represent the right of the Grantee to receive one share of Common Stock subject to and upon the terms and conditions of this Agreement.

3. **Payment of PRSUs.** The PRSUs will become payable in accordance with the provisions of **Section 6** of this Agreement if the Restriction Period lapses and Grantee's right to receive payment for the PRSUs becomes nonforfeitable ("**Vest**," "**Vesting**" or "**Vested**") in accordance with **Section 5** of this Agreement.

4. **Restrictions on Transfer of PRSUs.** Subject to Section 15 of the Plan, neither the PRSUs evidenced hereby nor any interest therein or in the Common Stock underlying such PRSUs shall be transferable prior to payment to the Grantee pursuant to **Section 6** hereof other than by will or pursuant to the laws of descent and distribution.

5. **Vesting of PRSUs.**

- (a) Subject to the terms and conditions of this Agreement, the PRSUs covered by this Agreement shall Vest on the Vesting Date to the extent that the performance goals described in the Statement of Performance Goals (collectively, the "**Performance**")

Goals”), are achieved, once determined and certified by the Committee in its sole discretion, conditioned upon the Grantee’s continuous employment with the Company or a Subsidiary through the Vesting Date. Any PRSUs that do not so Vest will be forfeited, including if the Grantee ceases to be continuously employed by the Company or a Subsidiary prior to the Vesting Date. For purposes of this Agreement, “continuously employed” (or substantially similar terms) means the absence of any interruption or termination of the Grantee’s employment with the Company or a Subsidiary. Continuous employment shall not be considered interrupted or terminated in the case of transfers between locations of the Company and its Subsidiaries or authorized leaves of absences.

- (b) (i) Notwithstanding **Section 5(a)** above, if at any time before the Vesting Date or forfeiture of the PRSUs, and while the Grantee is continuously employed by the Company or a Subsidiary, a Change in Control occurs, then the PRSUs will vest, except to the extent that a Replacement Award (as defined below) is issued with respect to the PRSUs. PRSUs that Vest in accordance with this **Section 5(b)(i)** will be paid as provided for in **Section 6** of this Agreement.
- (i) For purposes of this Agreement, a “**Replacement Award**” means an award (A) of time-based restricted stock units, (B) that has a value at the time of grant or adjustment at least equal to the value of the PRSUs that would Vest under **Section 5(b)(i)** if there were no Replacement Award, (C) that relates to publicly traded equity securities of the Company or its successor in the Change in Control or another entity that is affiliated with the Company or its successor following the Change in Control, (D) if the Grantee is subject to U.S. federal income tax under the Code, the tax consequences of which to such Grantee under the Code are not less favorable to such Grantee than the tax consequences of this award, (E) that Vests subject to continuous employment through the Vesting Date and (F) the other terms and conditions of which are not less favorable to the Grantee holding the Replacement Award than the terms and conditions of this Agreement (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it does not result in the PRSUs granted hereunder or the Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the PRSUs as time-based restricted stock units if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this **Section 5(b)(ii)** are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.
- (ii) If, after receiving a Replacement Award, the Grantee experiences a termination of employment with the Company or a Subsidiary (or any of their successors) (as applicable, the “**Successor**”) by reason of a termination by the Successor without Cause or by the Grantee for Good Reason, in each

case within a period of two years after the Change in Control and during the remaining vesting period for the Replacement Award, 100% of the Replacement Award shall become nonforfeitable and payable with respect to the restricted stock units covered by such Replacement Award upon such termination.

- (iii) If a Replacement Award is provided, notwithstanding anything in this Agreement to the contrary, any outstanding PRSUs that at the time of the Change in Control are not subject to a “substantial risk of forfeiture” (within the meaning of Section 409A of the Code) will be deemed to be Vested at the time of such Change in Control and will be paid as provided for in **Section 6** of this Agreement.
 - (iv) For purposes of this Agreement, “*Cause*” shall have the meaning given in the Company’s Executive Change in Control Severance Plan.
 - (v) For purposes of this Agreement, “*Good Reason*” shall have the meaning given in the Company’s Executive Change in Control Severance Plan.
- (c) Any PRSUs that have not Vested pursuant to this **Section 5** by the Vesting Date will be forfeited automatically and without further notice on the Vesting Date (or earlier if, and on such date that, Grantee ceases to be an employee of the Company or a Subsidiary prior to the Vesting Date).

6. Form and Time of Payment of PRSUs.

- (a) Payment for the PRSUs, after and to the extent they have Vested, shall be made in the form of Common Stock. Except as provided in **Section 6(b)**, payment shall be made on (or as soon as practicable after) the Vesting Date.
- (b) Notwithstanding **Section 6(a)**, to the extent that the PRSUs are Vested on the date of a Change in Control, Grantee will receive payment for Vested PRSUs on the Change in Control in Common Stock or other form of consideration paid to shareholders of the Company’s Common Stock in connection with such Change in Control.
- (c) Except to the extent permissible under Section 409A of the Code and permitted by the Committee, no Common Stock may be issued to the Grantee at a time earlier than otherwise expressly provided in this Agreement. Notwithstanding anything herein to the contrary, the PRSUs will in all events be paid within the short-term deferral period for purposes of Section 409A of the Code.
- (d) The Company’s obligations to the Grantee with respect to the Vested PRSUs will be satisfied in full upon the issuance of Common Stock or other consideration paid corresponding to such Vested PRSUs.
- (e) Notwithstanding anything herein to the contrary, except as permitted by Section 9, Common Stock paid to the Grantee pursuant to this Agreement may not be sold,

assigned, transferred, pledged, hypothecated or otherwise disposed of by the Grantee prior to the first anniversary of the date such Common Stock is paid to the Grantee, unless the Grantee's employment with the Company and its Subsidiaries is terminated or a Change in Control occurs.

7. Dividend Equivalents; Voting and Other Rights.

- (a) The Grantee shall have no rights of ownership in the Common Stock underlying the PRSUs and no right to vote the Common Stock underlying the PRSUs until the date on which the Common Stock underlying the PRSUs is issued or transferred to the Grantee pursuant to **Section 6** above.
- (b) From and after the Date of Grant and until the earlier of (i) the time when applicable PRSUs Vest in accordance with **Section 5** hereof or (ii) the time when the Grantee's right to receive payment of applicable PRSUs is forfeited in accordance with **Section 6** hereof, on the date that the Company pays a cash dividend (if any) to holders of Common Stock generally, the Grantee shall be credited with cash per outstanding PRSU equal to the amount of such dividend. Any amounts credited pursuant to the immediately preceding sentence shall be subject to the same applicable terms and conditions (including Vesting, payment and forfeitability) as apply to the PRSUs based on which the dividend equivalents were credited, and such amounts shall be paid in cash at the same time as the PRSUs to which they relate are settled.
- (c) The obligations of the Company under this Agreement will be merely that of an unfunded and unsecured promise of the Company to deliver Common Stock or other payment in the future, and the rights of the Grantee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company under this Agreement.

8. **Adjustments.** The PRSUs and the number of shares of Common Stock issuable for each PRSU, and the other terms and conditions of the grant evidenced by this Agreement, are subject to mandatory adjustment, including as provided in Section 11 of the Plan.

9. **Withholding Taxes.** To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with the delivery to the Grantee of Common Stock or any other payment to the Grantee or any other payment or vesting event under this Agreement, the Grantee agrees that the Company will withhold any taxes or other amounts required to be withheld by the Company under federal, state, local or foreign law as a result of the settlement of the PRSUs in an amount sufficient to satisfy the such withholding obligations. If permitted by applicable law, the Company shall retain such number of shares of Common Stock otherwise deliverable hereunder in satisfaction of all or any portion of such taxes. The shares so retained shall be credited against any such withholding requirement at the market value of such Common Stock on the date of such delivery. In no event will the market value of the Common Shares to be withheld and/or delivered pursuant to this **Section 9** to satisfy applicable withholding taxes exceed the maximum statutory amount of taxes that could be required to be withheld. To the extent the Company is unable to withhold shares in an amount sufficient to satisfy

the Grantee's tax withholding obligations, then the Company may deduct such taxes from cash payments due hereunder or from other compensation owed to the Grantee, or the Company may require the Grantee to make arrangements satisfactory to the Company for payment of the balance of such taxes or other amounts required to be withheld as a condition to the obligation of the Company to make any delivery of Common Stock or payment hereunder.

10. Compliance With Law. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of the Plan and this Agreement, the Company shall not be obligated to issue any Common Stock pursuant to this Agreement if the issuance thereof would result in a violation of any such law.

11. Compliance With or Exemption From Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with or be exempt from the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with or be exempt from Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Grantee).

12. Interpretation. Any reference in this Agreement to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

13. No Right to Future Awards or Employment. The grant of the PRSUs under this Agreement to the Grantee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. Nothing contained in this Agreement shall confer upon the Grantee any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate the employment or adjust the compensation of the Grantee.

14. Relation to Other Benefits. Any economic or other benefit to the Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which the Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or any of its Subsidiaries and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or any of its Subsidiaries. The grant of the PRSUs and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law.

15. Amendments. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that (a) except as permitted by the Plan or the terms of this Agreement, no amendment shall adversely affect the rights of the Grantee under this Agreement without the Grantee's written consent, and (b) the Grantee's consent shall not be required to an amendment that is deemed necessary by the

Company to ensure compliance with Section 409A of the Code or Section 10D of the Exchange Act.

16. **Severability.** In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed amended to the minimum extent needed to cause such provision to be valid, or if such amendment is not possible, then such provision shall be deemed separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. **Relation to Plan.** This Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistency between the provisions of this Agreement and the Plan, the Plan shall govern. The Committee acting pursuant to the Plan, as constituted from time to time, shall, except as expressly provided otherwise herein or in the Plan, have the right to determine any questions which arise in connection with this Agreement. Notwithstanding anything in this Agreement to the contrary, Grantee acknowledges and agrees that this Agreement and the award described herein (and any settlement thereof) are subject to the terms and conditions of the Company's clawback policy as may be in effect from time to time, including specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Common Stock may be traded) (the "**Compensation Recovery Policy**"), and that relevant sections of this Agreement shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.

18. **Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the PRSUs and the Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

19. **Governing Law.** This Agreement shall be governed by and construed with the internal substantive laws of the State of Delaware, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.

20. **Successors and Assigns.** Without limiting **Section 4** hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Company.

21. **Acknowledgement.** The Grantee acknowledges that the Grantee (a) has received a copy of the Plan and the Plan's prospectus, (b) has had an opportunity to review the terms of this Agreement and the Plan, (c) understands the terms and conditions of this Agreement and the Plan and (d) agrees to such terms and conditions.

22. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

CECO ENVIRONMENTAL CORP.

By:

Name:

Title:

Grantee Acknowledgment and Acceptance

By:

Name: #ParticipantName#

Acceptance Date: #AcceptanceDate#

Statement of Performance Goals

This Statement of Performance Goals applies to the PRSUs granted to the Grantee on the Date of Grant and applies with respect to the Performance-Based Restricted Stock Units Agreement between the Company and the Grantee (the “*Agreement*”). Capitalized terms used in this Statement of Performance Goals that are not specifically defined in this Statement of Performance Goals have the meanings assigned to them in the Agreement.

23. Definitions. For purposes hereof:

- (a) “**Performance Period**” means the specific timeframe during which the performance criteria outlined in this Agreement are evaluated. During this period, the performance criteria specified herein shall be measured to determine the number of PRSUs that shall vest or be converted into shares of common stock of the Company, subject to the terms and conditions set forth in this Agreement.
- (b) “**Peer Group**” means 125 other select U.S. companies listed on a major U.S. exchange (primary listing) classified in the Materials or Industrials sector with a market capitalization from \$350 million to \$1.4 billion and trailing 12-month revenue greater than \$100 million as of December 31, 2023, which 125 other select entities are set forth on Exhibit A hereto. In terms of mandatory adjustments to the Peer Group during a Performance Period: (i) if any member of the Peer Group files for bankruptcy and/or liquidation, is operating under bankruptcy protection, or is delisted from its primary stock exchange because it fails to meet the exchange listing requirement, then such entity will remain in the Peer Group, but RTSR for the Performance Period will be calculated as if such entity achieved Total Shareholder Return placing it at the bottom (chronologically, if more than one such entity) of the Peer Group; (ii) if, by the last day of the Performance Period, any member of the Peer Group has been acquired and/or is no longer existing as a public company that is traded on its primary stock exchange (other than for the reasons as described in subsection (i) above), then such entity will not remain in the Peer Group and RTSR for the Performance Period will be calculated as if such entity had never been a member of the Peer Group; and (iii) except as otherwise described in subsection (i) and (ii) above, for purposes of this Statement of Performance Goals, for each of the members of the Peer Group, such entity shall be deemed to include any successor to all or substantially all of the primary business of such entity at end of the Performance Period.
- (c) “**Relative Total Shareholder Return**” or “**RTSR**” means the percentile rank of the Company’s Total Shareholder Return as compared to (and included in) the Total Shareholder Returns of all members of the Peer Group at the end of the applicable Performance Period.
- (d) “**Total Shareholder Return**” means, with respect to each of the Common Stock and the common stock of each of the members of the Peer Group, a rate of return reflecting stock price appreciation, plus the reinvestment of dividends in

additional shares of stock, from the beginning of the Performance Period through the end of the Performance Period. For purposes of calculating Total Shareholder Return for each of the Company and the members of the Peer Group, the beginning stock price will be based on the average closing stock price for the 20 calendar days immediately preceding January 1, 2024 on the principal stock exchange on which the stock then traded and the ending stock price will be based on the average closing stock price for the 20 calendar days immediately preceding the first January 1 following the end of the Performance Period on the principal stock exchange on which the stock then trades. For purposes of calculating Total Shareholder Return for the Company or any member of the Peer Group, the Committee shall make such adjustments as it determines are necessary or appropriate to reflect any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company or any member of the Peer Group.

24. RTSR Performance Matrix. A percentage of the PRSUs will be earned based on achievement of RTSR during the Performance Period as follows (with straight line mathematical interpolation between performance levels):

Performance Level	RTSR	% of PRSUs Earned
Below Threshold	Below 25 th percentile	0%
Threshold	At 25th percentile	50%
Target	At 50th percentile	100%
Maximum	At or above 75th percentile	200%

provided, however, that if the Company's Total Shareholder Return for the Performance Period is negative, the percentage of the PRSUs earned will not exceed 100%.

EXHIBIT A

RTSR Peer Group Entities

Company (n = 125)	Industry	Revenue	Market Cap
3D Systems Corporation	Industrials	\$506	\$847
ACCO Brands Corporation	Industrials	\$1,844	\$577
AdvanSix Inc.	Materials	\$1,555	\$808
AerSale Corporation	Industrials	\$335	\$652
Air Transport Services Group, Inc.	Industrials	\$2,087	\$1,142
Allient Inc.	Industrials	\$569	\$490
Alta Equipment Group Inc.	Industrials	\$1,784	\$400
Apogee Enterprises, Inc.	Industrials	\$1,399	\$1,179
Argan, Inc.	Industrials	\$528	\$624
Aspen Aerogels, Inc.	Materials	\$214	\$1,204
Astec Industries, Inc.	Industrials	\$1,351	\$846
Astronics Corporation	Industrials	\$652	\$591
Barrett Business Services, Inc.	Industrials	\$1,065	\$766
Blue Bird Corporation	Industrials	\$1,133	\$867
BlueLinx Holdings Inc.	Industrials	\$3,272	\$993
Bowman Consulting Group Ltd.	Industrials	\$329	\$520
BrightView Holdings, Inc.	Industrials	\$2,787	\$788
Cadre Holdings, Inc.	Industrials	\$482	\$1,236
Century Aluminum Company	Materials	\$2,203	\$1,122
ChargePoint Holdings, Inc.	Industrials	\$544	\$978
Clearwater Paper Corporation	Materials	\$2,097	\$598
Coeur Mining, Inc.	Materials	\$769	\$1,247
Columbus McKinnon Corporation	Industrials	\$1,002	\$1,120
Compass Minerals International, Inc.	Materials	\$1,205	\$1,043
Concrete Pumping Holdings, Inc.	Industrials	\$442	\$449
Conduent Incorporated	Industrials	\$3,755	\$793
Covenant Logistics Group, Inc.	Industrials	\$1,104	\$596
CRA International, Inc.	Industrials	\$607	\$692
CVR Partners, LP	Materials	\$752	\$692
Daseke, Inc.	Industrials	\$1,618	\$377
Deluxe Corporation	Industrials	\$2,192	\$937
DNOW Inc.	Industrials	\$2,313	\$1,204
Douglas Dynamics, Inc.	Industrials	\$594	\$682
Ducommun Incorporated	Industrials	\$753	\$760
DXP Enterprises, Inc.	Industrials	\$1,678	\$545
Eagle Bulk Shipping Inc.	Industrials	\$441	\$550
Ecovyst Inc.	Materials	\$701	\$1,134
Energy Recovery, Inc.	Industrials	\$113	\$1,065
Ennis, Inc.	Industrials	\$425	\$567
Enviri Corporation	Industrials	\$2,009	\$719
Forrester Research, Inc.	Industrials	\$500	\$516
Franklin Covey Co.	Industrials	\$280	\$578

Frontier Group Holdings, Inc.	Industrials	\$3,604	\$1,207
FTAI Infrastructure Inc.	Industrials	\$310	\$387
FuelCell Energy, Inc.	Industrials	\$123	\$723
Genco Shipping & Trading Limited	Industrials	\$395	\$706
GrafTech International Ltd.	Industrials	\$731	\$562
Great Lakes Dredge & Dock Corporation	Industrials	\$555	\$512
Hawaiian Holdings, Inc.	Industrials	\$2,716	\$733
Haynes International, Inc.	Materials	\$590	\$722
Healthcare Services Group, Inc.	Industrials	\$1,672	\$766
Heartland Express, Inc.	Industrials	\$1,207	\$1,127
Heidrick & Struggles International, Inc.	Industrials	\$1,009	\$594
HireRight Holdings Corporation	Industrials	\$731	\$910
Hudson Technologies, Inc.	Industrials	\$292	\$614
Hyster-Yale Materials Handling, Inc.	Industrials	\$4,076	\$1,069
Insteel Industries, Inc.	Industrials	\$604	\$745
Interface, Inc.	Industrials	\$1,272	\$733
Kaiser Aluminum Corporation	Materials	\$3,141	\$1,132
Kaman Corporation	Industrials	\$770	\$677
Karat Packaging Inc.	Industrials	\$403	\$496
Kelly Services, Inc.	Industrials	\$4,837	\$763
Kforce Inc.	Industrials	\$1,588	\$1,278
Koppers Holdings Inc.	Materials	\$2,124	\$1,067
Kronos Worldwide, Inc.	Materials	\$1,609	\$1,143
Limbach Holdings, Inc.	Industrials	\$517	\$500
Liquidity Services, Inc.	Industrials	\$314	\$529
LSB Industries, Inc.	Materials	\$695	\$692
LSI Industries Inc.	Industrials	\$474	\$407
Mativ Holdings, Inc.	Materials	\$2,629	\$830
Matthews International Corporation	Industrials	\$1,881	\$1,127
Microvast Holdings, Inc.	Industrials	\$267	\$441
Miller Industries, Inc.	Industrials	\$1,083	\$484
Montrose Environmental Group, Inc.	Industrials	\$598	\$970
MRC Global Inc.	Industrials	\$3,513	\$928
Myers Industries, Inc.	Materials	\$835	\$720
National Presto Industries, Inc.	Industrials	\$357	\$569
Olympic Steel, Inc.	Materials	\$2,189	\$743
Omega Flex, Inc.	Industrials	\$114	\$712
P.A.M. Transportation Services, Inc.	Industrials	\$868	\$458
Pangaea Logistics Solutions, Ltd.	Industrials	\$495	\$383
Perimeter Solutions, SA	Materials	\$304	\$703
Pitney Bowes Inc.	Industrials	\$3,303	\$776
Planet Labs PBC	Industrials	\$215	\$710
Powell Industries, Inc.	Industrials	\$766	\$1,057
Preformed Line Products Company	Industrials	\$694	\$655
Proto Labs, Inc.	Industrials	\$494	\$1,005
Quanex Building Products Corporation	Industrials	\$1,131	\$1,001
Ramaco Resources, Inc.	Materials	\$626	\$871
Ranpak Holdings Corp.	Materials	\$325	\$481

Resources Connection, Inc.	Industrials	\$705	\$477
REV Group, Inc.	Industrials	\$2,638	\$1,081
Ryerson Holding Corporation	Materials	\$5,285	\$1,185
Schnitzer Steel Industries, Inc.	Materials	\$2,956	\$840
SP Plus Corporation	Industrials	\$872	\$1,007
Steel Partners Holdings L.P.	Industrials	\$1,861	\$852
Stem, Inc.	Industrials	\$450	\$605
Sterling Check Corp.	Industrials	\$720	\$1,312
Stratasys Ltd.	Industrials	\$631	\$988
Sun Country Airlines Holdings, Inc.	Industrials	\$1,050	\$852
SunCoke Energy, Inc.	Materials	\$2,057	\$900
SunPower Corporation	Industrials	\$1,825	\$847
TaskUs, Inc.	Industrials	\$932	\$1,167
The GEO Group, Inc.	Industrials	\$2,426	\$1,322
The Gorman-Rupp Company	Industrials	\$645	\$931
The Greenbrier Companies, Inc.	Industrials	\$3,986	\$1,374
The Manitowoc Company, Inc.	Industrials	\$2,254	\$586
The Shyft Group, Inc.	Industrials	\$972	\$419
Thermon Group Holdings, Inc.	Industrials	\$475	\$1,098
TimkenSteel Corporation	Materials	\$1,280	\$1,012
Titan International, Inc.	Industrials	\$1,941	\$921
Titan Machinery Inc.	Industrials	\$2,489	\$652
Transcat, Inc.	Industrials	\$251	\$965
TriMas Corporation	Materials	\$887	\$1,049
Triumph Group, Inc.	Industrials	\$1,403	\$1,274
TrueBlue, Inc.	Industrials	\$1,972	\$478
TTEC Holdings, Inc.	Industrials	\$2,495	\$1,028
Tutor Perini Corporation	Industrials	\$3,765	\$473
United States Lime & Minerals, Inc.	Materials	\$274	\$1,309
Universal Logistics Holdings, Inc.	Industrials	\$1,730	\$736
Valhi, Inc.	Materials	\$1,871	\$430
Viad Corp	Industrials	\$1,195	\$757
VSE Corporation	Industrials	\$1,077	\$1,017
Wabash National Corporation	Industrials	\$2,598	\$1,181
Westlake Chemical Partners LP	Materials	\$1,260	\$763
CECO Environmental Corp.	Industrials	\$508	\$706

Source: CapIQ as of January 1, 2024

Optionee:	%%FIRST_NAME_LAST_NAME%-%
Number of Shares Subject to the Option:	%%TOTAL_SHARES_GRANTED,7%-%
Option Price per Share:	\$
Date of Grant:	%%OPTION_DATE,1%-%
<u>Vesting Schedule:</u>	
%%SHARES_PERIOD1%-%	%%VEST_DATE_PERIOD1,'MONTH DD, YYYY'%-%
%%SHARES_PERIOD2%-%	%%VEST_DATE_PERIOD2,'MONTH DD, YYYY'%-%
%%SHARES_PERIOD3%-%	%%VEST_DATE_PERIOD3,'MONTH DD, YYYY'%-%

CECO ENVIRONMENTAL CORP.

Nonqualified Stock Option Agreement

This NONQUALIFIED STOCK OPTION AGREEMENT (this “*Agreement*”) is made as of the date set forth above (the “*Date of Grant*”) by and between CECO Environmental Corp., a Delaware corporation (the “*Company*”), and the individual named above (“*Optionee*”).

1. **Certain Definitions.** Capitalized terms used, but not otherwise defined, in this Agreement will have the meanings given to such terms in the CECO Environmental Corp. 2021 Equity and Incentive Compensation Plan (the “*Plan*”).

2. **Grant of Option.** Subject to and upon the terms, conditions and restrictions set forth in this Agreement and in the Plan, pursuant to authorization under resolutions of the Committee, the Company has granted to Optionee as of the Date of Grant set forth above an Option Right to purchase the number of shares of Common Stock (the “*Option*”) set forth above at an Option Price per share of Common Stock as set forth above, which represents at least the Market Value per Share on the Date of Grant (the “*Option Exercise Price*”). The Option is not an Incentive Stock Option.

3. **Vesting of Option.**

- (a) The Option (unless terminated as hereinafter provided) shall be exercisable in accordance with the vesting schedule set forth above if Optionee remains in the continuous employment of the Company or a Subsidiary until the vesting date(s) set forth in the Vesting Schedule. Subject to the terms of the Plan, any portion of the Option that does not so become vested will be forfeited, including if Optionee ceases to be continuously employed by the Company or a Subsidiary prior to the vesting date(s) specified in the Vesting Schedule. For purposes of this Agreement, “continuously employed” (or substantially similar terms) means the absence of any interruption or termination of Optionee’s employment with the

Company or a Subsidiary. Continuous employment shall not be considered interrupted or terminated in the case of transfers between locations of the Company and its Subsidiaries.

- (b) (i) Notwithstanding Section 3(a) above, if a Change in Control occurs while Optionee is continuously employed by the Company or a Subsidiary, then the Option will vest in full on the date of such Change in Control, except to the extent that a Replacement Award (as defined below) is issued with respect to the Option.
- (i) For purposes of this Agreement, a “**Replacement Award**” means an award (A) of time-based stock options, (B) with respect to a number of shares and having an option price that, if necessary, is adjusted in a manner described in Treasury regulation section 1.425-1(a)(5), (C) that relates to publicly traded equity securities of the Company or its successor in the Change in Control or another entity that is affiliated with the Company or its successor following the Change in Control, (D) if the Grantee is subject to U.S. federal income tax under the Code, the tax consequences of which to such Grantee under the Code are not less favorable to such Grantee than the tax consequences of this award, (E) that vests on the same vesting schedule applicable to this award and (F) the other terms and conditions of which are not less favorable to Optionee than the terms and conditions of this Agreement (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it does not result in the Option granted hereunder or the Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Option if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Section 3(b)(ii) are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.
- (c) If, after receiving a Replacement Award, Optionee experiences a termination of employment with the Company or a Subsidiary (or any of their successors) (as applicable, the “**Successor**”) by reason of a termination by the Successor without Cause or by the Grantee for Good Reason, in each case within a period of two years after the Change in Control and during the remaining vesting period for the Replacement Award, 100% of the Replacement Award shall become nonforfeitable upon such termination. For purposes hereof, the terms “Good Reason” and “Cause” shall have the meanings given in the CECO Environmental Corp. Executive Change in Control Severance Plan.
4. **Termination of the Option.** The Option shall terminate on the earliest of the following dates:
- (a) Three months after Optionee’s termination of employment, unless such termination of employment (i) is a result of Optionee’s death or Disability as described in **Section 4(b)** or **4(c)** or (ii) is a result of a Termination for Cause;

- (b) Six months after Optionee's death if such death occurs while Optionee is employed by the Company or any Subsidiary;
- (c) Six months after Optionee's termination of employment with the Company or a Subsidiary due to Disability;
- (d) The date of Optionee's termination of employment by the Company or any Subsidiary as a result of a Termination for Cause; or
- (e) Ten (10) years from the Date of Grant.

5. **Exercise and Payment of Option.**

- (a) **General.** To the extent exercisable, the Option may be exercised in whole or in part from time to time and will be settled in Common Stock by Optionee giving written notice to the Company at its principal office specifying the number of shares of Common Stock for which the Option is to be exercised and paying the aggregate Option Exercise Price for such Common Stock.
- (b) **Form of Payment.** Payment of the Option Exercise Price by Optionee shall be (i) in the form of cash, personal check or certified check, or (ii) by a net exercise, whereby the Company withholds a whole number of shares of Common Stock that would otherwise be issuable upon exercise that have a Market Value per Share sufficient to cover the Option Price (with the Market Value per Share of any fractional share so withheld that is not needed to pay the Option Price to be paid to Optionee in cash), or (iii) where permitted by law and provided that a public market for the Company's stock exists, through a "same day sale" commitment from Optionee and a broker-dealer that is a member of the Financial Industry Regulatory Authority, Inc. (a "***FINRA Dealer***") whereby Optionee irrevocably elects to exercise the Option and to sell a portion of the shares of Common Stock so purchased to pay for the exercise price, and whereby the FINRA Dealer irrevocably commits upon receipt of such shares of Common Stock to forward the exercise price directly to the Company. Optionee shall be solely responsible for any income or other tax consequences from any payment for shares of Common Stock with Optionee's Common Stock.
- (c) **Stock Transfer Records.** Provided that the notice of exercise and payment are in form and substance satisfactory to counsel for the Company, as soon as practicable after the effective exercise of all or any part of the Option, Optionee shall be recorded on the stock transfer books of the Company as the owner of the Common Stock purchased, and the Company shall deliver to Optionee, or to the FINRA Dealer, as the case may be, book entry ownership or one or more duly issued stock certificates evidencing such ownership. All requisite original issue or transfer documentary stamp taxes shall be paid by the Company. Optionee shall pay all other costs of the Company incurred to issue such Common Stock to such FINRA Dealer. Shares of Common Stock purchased pursuant to exercise hereunder: (i) may be deposited with a FINRA Dealer designated by Optionee, in

street name, if so provided in such exercise notice accompanied by all applications and forms reasonably required by the Committee to effect such deposit, or (ii) may be issued to Optionee and such other person, as joint owners with the right of survivorship, as is specifically described in such exercise notice. Optionee shall be solely responsible for any income or other tax consequences of such a designation of ownership hereunder (or the severance thereof).

6. **Transferability, Binding Effect**. Subject to Section 15 of the Plan, the Option is not transferable by Optionee otherwise than by will or the laws of descent and distribution, and in no event shall this award be transferred for value.

7. **Definitions**.

- (a) “***Disability***” (or similar terms) shall mean a circumstance in which Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.
- (b) “***Termination for Cause***” shall mean the termination of Optionee’s employment with the Company or a Subsidiary for “Cause” (or similar term) as such may be defined (i) in any employment or similar agreement between the Company or a Subsidiary and the Optionee; or (ii) in any severance plan or policy sponsored or maintained by the Company or a Subsidiary in which Optionee is a participant, if no such employment or similar agreement exists; or (iii) in the absence of either of the foregoing, or if no such termination for “Cause” definition or standard exists in any other employment or other similar agreement, or severance plan or policy, then it shall mean termination of Optionee’s employment with the Company or a Subsidiary as a result of gross negligence, commission of a felony or material violation of any established Company policies.

8. **No Dividend Equivalents**. Optionee shall not be entitled to dividend equivalents with respect to the Option or the Common Stock underlying the Option.

9. **Adjustments**. The number of shares of Common Stock issuable subject to the Option and the other terms and conditions of the grant evidenced by this Agreement are subject to mandatory adjustment, including as provided in Section 11 of the Plan.

10. **Withholding Taxes**. To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with the vesting or exercise of the Option, then the Company shall have the right to satisfy such withholding obligations by (a) requiring Optionee to tender a cash payment, (b) deducting the withholding taxes from payments of any kind otherwise due to Optionee, (c) permitting Optionee to enter into a “same day sale” commitment with a FINRA Dealer, whereby Optionee irrevocably elects to sell a portion of the shares of Common Stock to be delivered in connection with the exercise of the Option to satisfy withholding obligations and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the withholding obligations directly to the Company or

any Subsidiary, or (d) withholding the delivery of shares of Common Stock otherwise deliverable under this Agreement to meet such obligations, provided that, to the extent required to avoid adverse accounting consequences to the Company, the shares of Common Stock so withheld will have an aggregate Market Value per Share not exceeding the minimum amount of tax required to be withheld by applicable law.

11. **Compliance with Law.** The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of the Plan and this Agreement, the Company shall not be obligated to issue any Common Stock pursuant to this Agreement if the issuance thereof would result in a violation of any such law. The Option shall not be exercisable if such exercise would involve a violation of any law.

12. **No Right to Future Awards or Employment.** The Option award is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The Option award and any related payments made to Optionee will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement will confer upon Optionee any right to be employed or remain employed by the Company or any Subsidiary, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate the employment or adjust the compensation of Optionee.

13. **Relation to Other Benefits.** Any economic or other benefit to Optionee under this Agreement or the Plan shall not be taken into account in determining any benefits to which Optionee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or any of its Subsidiaries and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or any of its Subsidiaries.

14. **Amendments.** Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that (a) no amendment shall adversely affect the right of Optionee under this Agreement without Optionee's written consent and (b) Optionee's consent shall not be required to an amendment that is deemed necessary by the Company to ensure compliance with Section 10D of the Exchange Act.

15. **Severability.** In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

16. **Relation to Plan.** This Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistency between the provisions of this Agreement and the Plan, the Plan will govern. The Committee acting pursuant to the Plan, as constituted from time to time, shall, except as expressly provided otherwise herein or in the Plan, have the right to determine any questions which arise in connection with this Agreement. Notwithstanding anything in this Agreement to the contrary, Optionee acknowledges and agrees that this

Agreement and the award described herein (and any settlement thereof) are subject to the terms and conditions of the Company's clawback policy as may be in effect from time to time, including specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Common Stock may be traded) (the "**Compensation Recovery Policy**"), and that relevant sections of this Agreement shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.

17. **Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the Option and Optionee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request Optionee's consent to participate in the Plan by electronic means. Optionee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

18. **Governing Law.** This Agreement shall be governed by and construed with the internal substantive laws of the State of Delaware, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction. For any legal action relating to this Agreement, the parties to this Agreement consent to the exclusive jurisdiction and venue of the United States District Court for the District of Delaware, U.S.A.

19. **Successors and Assigns.** Without limiting **Section 6** hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Optionee, and the successors and assigns of the Company.

20. **Acknowledgement.** Optionee acknowledges that Optionee (a) has received a copy of the Plan, (b) has had an opportunity to review the terms of this Agreement and the Plan, (c) understands the terms and conditions of this Agreement and the Plan and (d) agrees to such terms and conditions.

21. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

[SIGNATURES ON FOLLOWING PAGE]

CECO ENVIRONMENTAL CORP.

By: _____

Name: _____

Title: _____

Optionee Acknowledgment and Acceptance

By: _____

Name: _____

SUBSIDIARIES OF THE COMPANY

Subsidiary	State/County
Aarding Thermal Acoustics B.V.	Netherlands
Aarding Thermal Acoustics USA Inc.	United States
Arkanum Management Limited	United Kingdom
CECO Emtrol Buell India Private Limited	India
CECO Environmental (Shanghai) Co., Ltd.	China
CECO Environmental Asia Pacific Pte. Ltd.	Singapore
CECO Environmental Corp.	United States
CECO Environmental IP Inc.	United States
CECO Environmental Mexico S. de R. L. de C. V.	Mexico
CECO Environmental Middle East DMCC	United Arab Emirates
CECO Environmental Netherlands B.V.	Netherlands
CECO Environmental Services S de RL de CV	Mexico
CECO Group Global Holdings LLC	United States
Ceco Group, Inc.	United States
CECO Industrial Solutions, Inc.	United States
CECO Mexico Holdings LLC	United States
CECO Peerless (China) Environmental Co. Ltd.	China
CECO Peerless (China) Environmental Co., Ltd. - Shanghai Branch	China
CECO Peerless China Holdings LLC	United States
Compass Water Solutions, Inc.	United States
DS21 Co., Ltd.	Republic of Korea
Effox-Flextor-Mader Inc.	United States
EFM Equipment Company LLC	United States
Emtrol LLC	United States
Emtrol LLC - UK Branch	United Kingdom
Emtrol Ltd.	Canada
Environmental Integrated Solutions Limited	United Kingdom
FKI, LLC	United States
Flextor, Inc.	Canada
General Rubber LLC	United States
H.M. White, Inc.	United States
Kemco Systems Co., LLC	United States
Malvar Engineering Limited	United Kingdom
Mefiag (Guangzhou) Filter Systems Ltd.	China
Mefiag B.V.	Netherlands
Met-Pro (Hong Kong) Company Limited	Hong Kong
Met-Pro Technologies LLC	United States

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference, in the Registration Statements on Form S-8 (Nos. 333-239224, 333-239707, and 333-256466) and Form S-3 (No. 333-264623) of CECO Environmental Corp. (the Company) of our reports dated March 5, 2024, relating to the consolidated financial statements, and the effectiveness of the Company's internal control over financial reporting, which appear in this Annual Report on Form 10-K. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2023.

/s/ BDO USA, P.C.

Cincinnati, Ohio
March 5, 2024

RULE 13a-14(a)/15d-14(a) CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, Todd Gleason, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2023, 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(s) 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(s) 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
March 5, 2024

RULE 13a-14(a)/15d-14(a) CERTIFICATION BY CHIEF FINANCIAL OFFICER

I, Peter Johansson, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2023, 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(s) 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(s) 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/ PETER JOHANSSON

Peter Johansson
Chief Financial and Strategy Officer
March 5, 2024

**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 Annual Report of CECO Environmental Corp. (the "Company") on Form 10-K for the period ending December 31, 2023, 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. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

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

/s/ TODD GLEASON

Todd Gleason
Chief Executive Officer
March 5, 2024

**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 Annual Report of CECO Environmental Corp. (the “Company”) on Form 10-K for the period ending December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter Johansson, Chief Financial and Strategy Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ PETER JOHANSSON

Peter Johansson
Chief Financial and Strategy Officer
March 5, 2024

CECO Environmental Corp. Compensation Recovery Policy

1. Purpose. The purpose of this Compensation Recovery Policy (this “Policy”) is to describe the circumstances under which CECO Environmental Corp. (the “Company”) is required to recover certain compensation paid to certain employees. Any references in compensation plans, agreements, equity awards or other policies to the Company’s “recoupment,” “clawback” or similarly named policy shall mean this Policy.

2. Requirement to Recover Compensation. In the event that the Company is required to prepare an Accounting Restatement, the Company shall recover reasonably promptly the amount of Erroneously Awarded Compensation.

3. Definitions. For purposes of this Policy, the following terms, when capitalized, shall have the meanings set forth below:
 - (a) “*Accounting Restatement*” shall mean any accounting restatement required due to the Company’s material noncompliance with any financial reporting requirement under the securities law, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

 - (b) “*Covered Officer*” shall mean the Company’s president; principal financial officer; principal accounting officer (or if there is no such accounting officer, the controller); any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance); any other officer who performs a significant policy-making function; or any other person who performs similar significant policy-making functions for the Company. Executive officers of the Company’s parent(s) or subsidiaries, if any, shall be deemed “Covered Officers” if they perform such policy-making functions for the Company. Identification of an executive officer for purposes of this Policy shall include at a minimum executive officers identified pursuant to Item 401(b) of Regulation S-K.

 - (c) “Effective Date” shall mean October 2, 2023.

- (d) “*Erroneously Awarded Compensation*” shall mean the excess of (i) the amount of Incentive-Based Compensation Received by a person (A) after beginning service as a Covered Officer, (B) who served as a Covered Officer at any time during the performance period for that Incentive-Based Compensation, (C) while the Company has a class of securities listed on a national securities exchange or a national securities association and (D) during the Recovery Period; over (ii) the Recalculated Compensation.
- (e) “*Incentive-Based Compensation*” shall mean any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a financial reporting measure. A financial reporting measure is a measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures, regardless of whether such measure is presented within the financial statements or included in a filing with the Securities and Exchange Commission. Each of stock price and total shareholder return is always considered a financial reporting measure. For the avoidance of doubt, incentive-based compensation subject to this Policy does not include stock options, restricted stock, restricted stock units or similar equity-based awards for which the grant is not contingent upon achieving any financial reporting measure performance goal and vesting is contingent solely upon completion of a specified employment period or attaining one or more non-financial reporting measures.
- (f) “*Recalculated Compensation*” shall mean the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts in the Accounting Restatement, computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of the Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the amount of the Recalculated Compensation must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return, as the case may be, upon which the compensation was Received. The Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the national securities exchange or association on which its securities are listed.
- (g) Incentive-Based Compensation is deemed “*Received*” in the Company’s fiscal period during which the financial reporting measure specified in the award of such Incentive-Based Compensation is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

(h) “*Recovery Period*” shall mean the three completed fiscal years of the Company immediately preceding the date the Company is required to prepare an Accounting Restatement; provided that the Recovery Period shall not begin before the Effective Date. For purposes of determining the Recovery Period, the Company is considered to be “required to prepare an Accounting Restatement” on the earlier to occur of: (i) the date the Company’s Board of Directors, a committee thereof, or the Company’s officer or officers authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement. If the Company changes its fiscal year, then the transition period within or immediately following such three completed fiscal years also shall be included in the Recovery Period, provided that if the transition period between the last day of the Company’s prior fiscal year end and the first day of its new fiscal year comprises a period of nine to 12 months, then such transition period shall instead be deemed one of the three completed fiscal years and shall not extend the length of the Recovery Period.

4. Exceptions. Notwithstanding anything to the contrary in this Policy, recovery of Erroneously Awarded Compensation will not be required to the extent the Company’s committee of independent directors responsible for executive compensation decisions (or a majority of the independent directors serving on the Company’s board of directors in the absence of such a committee) has made a determination that such recovery would be impracticable and one of the following conditions have been satisfied:

- (a) The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; provided that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation that was Incentive-Based Compensation based on the expense of enforcement, the Company must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to NASDAQ.
- (b) Recovery would violate home country law where, with respect to Incentive-Based Compensation, that law was adopted prior to November 28, 2022; provided that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation that was Incentive-Based Compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to the national securities exchange or

association on which its securities are listed, that recovery would result in such a violation, and must provide such opinion to the exchange or association.

- (c) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

- 5. Manner of Recovery. In addition to any other actions permitted by law or contract, the Company may take any or all of the following actions to recover any Erroneously Awarded Compensation: (a) require the Covered Officer to repay such amount; (b) offset such amount from any other compensation owed by the Company or any of its affiliates to the Covered Officer, regardless of whether the contract or other documentation governing such other compensation specifically permits or specifically prohibits such offsets; and/or (c) subject to Section 4(c), to the extent the Erroneously Awarded Compensation was deferred into a plan of deferred compensation, whether or not qualified, forfeit such amount (as well as the earnings on such amounts) from the Covered Officer's balance in such plan, regardless of whether the plan specifically permits or specifically prohibits such forfeiture. If the Erroneously Awarded Compensation consists of shares of the Company's common stock, and the Covered Officer still owns such shares, then the Company may satisfy its recovery obligations by requiring the Covered Officer to transfer such shares back to the Company.

- 6. Other.

- (a) This Policy shall be administered and interpreted, and may be amended from time to time, by the Company's board of directors or any committee to which the board may delegate its authority in its sole discretion in compliance with the applicable listing standards of the national securities exchange or association on which the Company's securities are listed, and the determinations of the board or such committee shall be binding on all Covered Officers.
- (b) The Company shall not indemnify any Covered Officer against the loss of Erroneously Awarded Compensation.

- (c) The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including the disclosure required by the applicable Securities and Exchange Commission filings.

- (d) Any right to recovery under this Policy shall be in addition to, and not in lieu of, any other rights of recovery that may be available to the Company.

Effective as of October 2, 2023

