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

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 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. 0-07099

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

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

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

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

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

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

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

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

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

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

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

The number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: 34,812,539 shares of common stock, par value $0.01 per share, as of October 30, 2023.

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
For the quarter ended September 30, 2023

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)	(unaudited) September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 47,583	$ 45,522
Restricted cash	753	1,063
Accounts receivable, net	112,433	83,086
Costs and estimated earnings in excess of billings on uncompleted contracts	64,856	71,016
Inventories, net	37,911	26,526
Prepaid expenses and other current assets	15,266	12,174
Prepaid income taxes	6,583	1,271
Total current assets	285,385	240,658
Property, plant and equipment, net	25,010	20,828
Right-of-use assets from operating leases	13,849	11,373
Goodwill	209,825	183,197
Intangible assets – finite life, net	52,340	35,251
Intangible assets – indefinite life	9,514	9,508
Deferred income taxes	801	829
Deferred charges and other assets	3,333	3,077
Total assets	$ 600,057	$ 504,721
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	$ 4,726	$ 3,579
Accounts payable	94,236	73,407
Accrued expenses	44,154	33,791
Billings in excess of costs and estimated earnings on uncompleted contracts	54,209	32,716
Notes payable	2,500	—
Income taxes payable	3,473	3,207
Total current liabilities	203,298	146,700
Other liabilities	14,652	15,129
Debt, less current portion	135,273	107,625
Deferred income tax liability, net	7,591	8,666
Operating lease liabilities	9,101	8,453
Total liabilities	369,915	286,573
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $.01 par value; 10,000 shares authorized, none issued	—	—
Common stock, $.01 par value; 100,000,000 shares authorized, 34,811,077 and 34,381,668 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	347	344
Capital in excess of par value	253,613	250,174
Accumulated loss	(10,266)	(19,298)
Accumulated other comprehensive loss	(18,251)	(17,996)
Total CECO shareholders' equity	225,443	213,224
Noncontrolling interest	4,699	4,924
Total shareholders' equity	230,142	218,148
Total liabilities and shareholders' equity	$ 600,057	$ 504,721

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in thousands, except per share data)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net sales	$ 149,390	$ 108,414	$ 391,134	$ 306,225
Cost of sales	106,269	75,988	273,303	215,696
Gross profit	43,121	32,426	117,831	90,529
Selling and administrative expenses	30,439	25,166	86,082	66,806
Amortization and earnout expenses	1,968	2,039	5,988	4,939
Acquisition and integration expenses	1,386	1,287	2,210	3,827
Executive transition expenses	1,258	1,161	1,417	1,161
Restructuring expenses	217	—	217	73
Income from operations	7,853	2,773	21,917	13,723
Other (expense) income, net	(216)	1,276	(670)	2,754
Interest expense	(3,340)	(1,569)	(9,498)	(3,489)
Income before income taxes	4,297	2,480	11,749	12,988
Income tax expense	585	314	1,577	3,287
Net income	3,712	2,166	10,172	9,701
Noncontrolling interest	382	223	1,140	579
Net income attributable to CECO Environmental Corp.	$ 3,330	$ 1,943	$ 9,032	$ 9,122
Earnings per share:				
Basic	$ 0.10	$ 0.06	$ 0.26	$ 0.26
Diluted	$ 0.09	$ 0.06	$ 0.26	$ 0.26
Weighted average number of common shares outstanding:				
Basic	34,771,742	34,455,657	34,612,163	34,791,129
Diluted	35,301,429	34,871,313	35,215,843	35,035,041

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

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

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net income	$ 3,712	$ 2,166	$ 10,172	$ 9,701
Other comprehensive loss, net of tax:				
Foreign currency translation loss	(1,160)	(5,890)	(255)	(9,387)
Comprehensive income (loss)	$ 2,552	$ (3,724)	$ 9,917	$ 314

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

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)

	Common Stock		Capital in excess of par value	Accumulated Loss	Accumulated Other Comprehensive Loss	Non-controlling interest	Total Shareholders' Equity
	Shares	Amount					
Balance December 31, 2022	34,382	$ 344	$ 250,174	$ (19,298)	$ (17,996)	$ 4,924	$ 218,148
Net income for the three months ended March 31, 2023	—	—	—	1,978	—	491	2,469
Exercise of stock options	52	1	611	—	—	—	612
Restricted stock units issued	123	1	(622)	—	—	—	(621)
Share based compensation earned	—	—	808	—	—	—	808
Translation gain	—	—	—	—	766	—	766
Balance March 31, 2023	34,557	$ 346	$ 250,971	$ (17,320)	$ (17,230)	$ 5,415	$ 222,182
Net income for the three months ended June 30, 2023	—	—	—	3,724	—	266	3,990
Exercise of stock options	25	—	317	—	—	—	317
Restricted stock units issued	132	1	(271)	—	—	—	(270)
Share based compensation earned	24	—	1,389	—	—	—	1,389
Translation gain	—	—	—	—	139	—	139
Noncontrolling interest distributions	—	—	—	—	—	(599)	(599)
Balance June 30, 2023	34,738	$ 347	$ 252,406	$ (13,596)	$ (17,091)	$ 5,082	$ 227,148
Net income for the three months ended September 30, 2023	—	—	—	3,330	—	382	3,712
Exercise of stock options	25	—	281	—	—	—	281
Restricted stock units issued	48	—	(203)	—	—	—	(203)
Share based compensation earned	—	—	1,129	—	—	—	1,129
Translation loss	—	—	—	—	(1,160)	—	(1,160)
Noncontrolling interest distributions	—	—	—	—	—	(765)	(765)
Balance September 30, 2023	34,811	$ 347	$ 253,613	$ (10,266)	$ (18,251)	$ 4,699	$ 230,142

	Common Stock Shares	Common Stock Amount	Capital in excess of par value	Accumulated Loss	Accumulated Other Comprehensive Loss	Non-controlling interest	Total Shareholders' Equity
Balance December 31, 2021	35,028	$ 350	$ 252,989	$ (36,715)	$ (12,070)	$ 1,403	$ 205,957
Net income for the three months ended March 31, 2022	—	—	—	2,792	—	18	2,810
Restricted stock units issued	34	—	(67)	—	—	—	(67)
Share based compensation earned	14	—	953	—	—	—	953
Translation loss	—	—	—	—	(531)	—	(531)
Noncontrolling interest distributions	—	—	—	—	—	(900)	(900)
Fair value of noncontrolling interest equity issued	—	—	—	—	—	5,000	5,000
Balance March 31, 2022	35,076	$ 350	$ 253,875	$ (33,923)	$ (12,601)	$ 5,521	$ 213,222
Net income for the three months ended June 30, 2022	—	—	—	4,385	—	339	4,724
Restricted stock units issued	183	2	(211)	—	—	—	(209)
Share based compensation earned	—	—	915	—	—	—	915
Common stock repurchase and retirement	(725)	(7)	(4,317)	—	—	—	(4,324)
Translation loss	—	—	—	—	(2,966)	—	(2,966)
Fair value of noncontrolling interest equity issued	—	—	—	—	—	(901)	(901)
Balance June 30, 2022	34,534	$ 345	$ 250,262	$ (29,538)	$ (15,567)	$ 4,959	$ 210,461
Net income for the three months ended September 30, 2022	—	—	—	1,943	—	223	2,166
Restricted stock units issued	32	—	(65)	—	—	—	(65)
Share based compensation earned	20	—	1,242	—	—	—	1,242
Common stock repurchase and retirement (see Note 9)	(256)	(2)	(2,191)	—	—	—	(2,193)
Translation loss	—	—	—	—	(5,890)	—	(5,890)
Noncontrolling interest distributions	—	—	—	—	—	(301)	(301)
Balance September 30, 2022	34,330	$ 343	$ 249,248	$ (27,595)	$ (21,457)	$ 4,881	$ 205,420

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	Nine months ended September 30, 2023	2022
Cash flows from operating activities:		
Net income	$ 10,172	$ 9,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,769	7,609
Unrealized foreign currency (loss) gain	(138)	2,525
Fair value adjustment to earnout liabilities	296	—
Earnout payments	—	(1,007)
Gain (loss) on sale of property and equipment	43	(7)
Debt discount amortization	271	279
Share-based compensation expense	3,096	2,859
Bad debt expense	154	823
Inventory reserve expense	526	115
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(25,961)	(15,772)
Costs and estimated earnings in excess of billings on uncompleted contracts	6,006	(4,846)
Inventories	(10,395)	(4,620)
Prepaid expense and other current assets	(8,228)	(1,900)
Deferred charges and other assets	(268)	2,311
Accounts payable	21,162	13,050
Accrued expenses	7,868	4,598
Billings in excess of costs and estimated earnings on uncompleted contracts	19,330	6,567
Income taxes payable	261	(51)
Other liabilities, net	(3,473)	(2,538)
Net cash provided by operating activities	29,491	19,696
Cash flows from investing activities:		
Acquisitions of property and equipment	(5,511)	(2,367)
Net proceeds from sale of assets	—	7
Net cash paid for acquisitions	(48,102)	(44,900)
Net cash used in investing activities	(53,613)	(47,260)
Cash flows from financing activities:		
Borrowings on revolving credit lines	94,200	73,600
Repayments on revolving credit lines	(63,200)	(35,900)
Borrowing on long-term debt	—	11,000
Repayments of long-term debt	(2,478)	(2,294)
Deferred financing fees paid	—	(130)
Deferred consideration paid for acquisitions	(1,247)	—
Payments on finance leases and financing liability	(680)	(444)
Earnout payments	(1,496)	—
Proceeds from employee stock purchase plan and exercise of stock options	1,435	169
Noncontrolling interest distributions	(1,364)	(1,201)
Common stock repurchased	—	(6,558)
Net cash provided by financing activities	25,170	38,242
Effect of exchange rate changes on cash, cash equivalents and restricted cash	703	(6,459)
Net increase in cash, cash equivalents and restricted cash	1,751	4,219
Cash, cash equivalents and restricted cash at beginning of period	46,585	31,995
Cash, cash equivalents and restricted cash at end of period	$ 48,336	$ 36,214
Cash paid during the period for:		
Interest	$ 8,531	$ 3,239
Income taxes	$ 8,633	$ 3,566

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

1. Basis of Reporting for Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements of CECO Environmental Corp. and its subsidiaries (the "Company," "CECO," "we," "us," or "our") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, the accompanying unaudited condensed consolidated financial statements of the Company contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position as of September 30, 2023 and the results of operations, cash flows and shareholders' equity for the three and nine months ended September 30, 2023 and 2022. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the full year. The balance sheet as of December 31, 2022 has been derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the SEC on March 6, 2023 (the "Form 10-K").

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

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

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

2. New Financial Accounting Pronouncements

Accounting Standards Adopted in Fiscal 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

None.

3. Accounts Receivable

Accounts receivable as of September 30, 2023 and December 31, 2022 consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Accounts receivable	$ 116,786	$ 87,306
Provision for credit losses	(4,353)	(4,220)
Total accounts receivable, net	$ 112,433	$ 83,086

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 within the Condensed Consolidated Balance Sheets amounted to approximately $1.8 million and $1.6 million as of September 30, 2023 and December 31, 2022, respectively. 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 Condensed Consolidated Balance Sheets depending on timing of expected collection.

Provision for credit losses was $0.2 million and $0.4 million for the three months ended September 30, 2023 and 2022, respectively, and $0.2 million and $0.8 million for the nine months ended September 30, 2023 and 2022, respectively.

4. Contract Assets and Liabilities

Contract assets and liabilities as of September 30, 2023 and December 31, 2022 consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 64,856	$ 71,016
Billings in excess of costs and estimated earnings on uncompleted contracts	54,209	32,716

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 Condensed Consolidated Balance Sheets were $9.2 million, $4.5 million and $4.4 million as of September 30, 2023, December 31, 2022 and January 1, 2022, respectively. Approximately 75% of the Company's contract liabilities as of December 31, 2022 were recognized as revenue in the nine months ended September 30, 2023.

5. Inventories

Inventories as of September 30, 2023 and December 31, 2022 consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Raw materials	$ 27,273	$ 19,774
Work in process	11,001	7,183
Finished goods	2,947	2,436
Obsolescence allowance	(3,310)	(2,867)
Total inventories	$ 37,911	$ 26,526

Amounts credited to the allowance for obsolete inventory and charged to cost of sales were zero for each of the three months ended September 30, 2023 and 2022, and $0.5 million and $0.1 million for the nine months ended September 30, 2023 and 2022, respectively.

6. Goodwill and Intangible Assets

Goodwill activity for the nine months ended September 30, 2023 and the year ended December 31, 2022 was as follows:

(in thousands) Goodwill / Tradename	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Goodwill	Tradename	Goodwill	Tradename
Balance at beginning of period	$ 183,197	$ 9,508	$ 161,183	$ 9,629
Acquisitions	26,455	—	23,312	—
Foreign currency translation	173	6	(1,298)	(121)
Balance at end of period	$ 209,825	$ 9,514	$ 183,197	$ 9,508

Finite life intangible assets as of September 30, 2023 and December 31, 2022 consisted of the following:

(in thousands)	September 30, 2023		December 31, 2022	
	Cost	Accum. Amort.	Cost	Accum. Amort.
Technology	$ 16,517	$ 13,947	$ 14,457	$ 13,729
Customer lists	103,471	61,742	85,719	57,540
Tradenames	14,094	4,655	11,604	3,768
Foreign currency adjustments	(1,725)	(327)	(1,864)	(372)
Total intangible assets – finite life	$ 132,357	$ 80,017	$ 109,916	$ 74,665

Finite life intangible asset activity for the nine months ended September 30, 2023 and 2022 was as follows:

(in thousands)	Nine months ended September 30, 2023	2022
Intangible assets – finite life, net at beginning of period	$ 35,251	$ 25,841
Amortization expense	(5,306)	(4,939)
Acquisitions	22,318	16,438
Foreign currency adjustments	77	(1,245)
Intangible assets – finite life, net at end of period	$ 52,340	$ 36,095

Amortization expense of finite life intangible assets was $1.9 million and $2.0 million for the three months ended September 30, 2023 and 2022, respectively, and $5.3 million and $4.9 million for the nine months ended September 30, 2023 and 2022, respectively. Amortization over the next five years for finite life intangibles is expected to be $2.1 million for the remainder of 2023, $8.6 million in 2024, $7.6 million in 2025, $6.2 million in 2026, and $6.0 million in 2027.

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

As of September 30, 2023, the Company reviewed its previous forecasts and assumptions based on its current projections, which are subject to various risks and uncertainties, including projected revenue, projected operational profit, terminal growth rates, and the cost of capital. The Company did not identify any triggering events during the three or nine months ended September 30, 2023 that would require an interim impairment assessment of goodwill or intangible assets.

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

7. Accrued Expenses

Accrued expenses as of September 30, 2023 and December 31, 2022 consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Compensation and related benefits	$ 8,764	$ 9,577
Accrued warranty	4,907	3,691
Contract liability	9,186	4,516
Short-term operating lease liability	4,187	3,228
Other	17,110	12,779
Total accrued expenses	$ 44,154	$ 33,791

8. Senior Debt

Debt as of September 30, 2023 and December 31, 2022 consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Outstanding borrowings under the Credit Facility (as defined below)		
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	$ 39,656	$ 41,309
Revolving credit facility	92,300	61,300
Total outstanding borrowings under the Credit Facility	131,956	102,609
Outstanding borrowings under the joint venture term debt	9,132	10,083
Unamortized debt discount	(1,089)	(1,488)
Total outstanding borrowings	139,999	111,204
Less: current portion	(4,726)	(3,579)
Total debt, less current portion	$ 135,273	$ 107,625

Scheduled principal payments under the Credit Facility and joint venture term debt are $1.1 million remaining in 2023, $4.9 million in 2024, $5.2 million in 2025, $126.0 million in 2026, and $3.9 million in 2027.

Credit Facility

As of September 30, 2023 and December 31, 2022, $21.0 million and $18.9 million of letters of credit were outstanding, respectively. Total unused credit availability, in consideration of borrowing limitations, 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 (the "Credit Facility") was $26.7 million and $59.8 million at September 30, 2023 and December 31, 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 either the highest of (a) the federal funds rate plus 0.5%, (b) the Agent's prime lending rate, (c) Daily Simple SOFR plus the Daily Simple SOFR Adjustment of 0.11448% plus 1.0%, or (d) 1.0%, plus a margin ranging from 1.75% to 2.75% depending on the Company's Consolidated Leverage Ratio ("Base Rate"), or (d) a one/three/six-month Term SOFR Rate (as defined in the Credit Facility) plus the Term SOFR Adjustment ranging from 0.11% to 0.43% plus 1.75% to 2.75% 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 8.04% and 6.75% at September 30, 2023 and December 31, 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 domestic 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 Facility may also be guaranteed by the Company's material foreign subsidiaries to the extent no adverse tax consequences would result to the Company.

As of September 30, 2023 and December 31, 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 of September 30, 2023 and December 31, 2022, $9.1 million and $10.0 million was outstanding under the loan, respectively. 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 at September 30, 2023 and December 31, 2022 was 8.70% and 6.60%, respectively. As of September 30, 2023 and December 31, 2022, 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. In March 2023, the Company amended the Credit Facility, allowing letters of credit and bank guarantee issuances of up to $80.0 million from the bilateral lines of credit secured through pledged assets and collateral under the Credit Facility. As of September 30, 2023 and December 31, 2022, $41.4 million and $30.4 million in bank guarantees were outstanding, respectively, inclusive of $2.0 million and $0.6 million in outstanding bank guarantees as of September 30, 2023 and December 31, 2022, respectively, under a Euro-denominated bank guarantee agreement held by a subsidiary of the Company located in the Netherlands and secured by local assets.

9. Earnings per Share

The computational components of basic and diluted earnings per share for the three months ended September 30, 2023 and 2022 are as follows:

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022
Numerator (for basic and diluted earnings per share)		
Net income attributable to CECO Environmental Corp.	$ 3,330	$ 1,943
Denominator		
Basic weighted-average shares outstanding	34,772	34,456
Common stock equivalents arising from stock options and restricted stock awards	529	415
Diluted weighted-average shares outstanding	35,301	34,871

The computational components of basic and diluted earnings per share for the nine months ended September 30, 2023 and 2022 are as follows:

(in thousands)	Nine months ended September 30, 2023	2022
Numerator (for basic and diluted earnings per share)		
Net income attributable to CECO Environmental Corp.	$ 9,032	$ 9,122
Denominator		
Basic weighted-average shares outstanding	34,612	34,791
Common stock equivalents arising from stock options and restricted stock awards	604	244
Diluted weighted-average shares outstanding	35,216	35,035

Options and restricted stock units included in the computation of diluted earnings per share are calculated using the treasury stock method. For the three months ended September 30, 2023 and 2022, zero and 1.2 million, respectively, and for the nine months ended September 30, 2023 and 2022, 0.7 million and 1.7 million, respectively, of outstanding options and restricted stock units were excluded from the computation of diluted earnings per share due to their anti-dilutive effect.

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

Common Stock Repurchase

On 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. Under the program, the Company repurchased zero and 256,000 shares at a cost of zero and $2.2 million during the three months ended September 30, 2023 and 2022, respectively, and zero and 981,000 shares at a cost of zero and $6.5 million during the nine months ended September 30, 2023 and 2022, respectively.

10. Share-Based Compensation

The Company accounts for share-based compensation in accordance with Accounting Standards Codification (“ASC”) Topic 718, “Compensation – Stock Compensation,” which requires the Company to recognize compensation expense for share-based awards, measured at the fair value of the awards at the grant date. The Company recognized $1.2 million and $1.1 million of share-based compensation related expense during the three months ended September 30, 2023 and 2022, respectively, and $3.1 million and $2.9 million of share-based compensation related expense during the nine months ended September 30, 2023 and 2022, respectively.

The Company granted approximately 345,000 and 68,000 restricted stock units during the three months ended September 30, 2023 and 2022, respectively, and approximately 733,000 and 755,000 restricted stock units during the nine months ended September 30, 2023 and 2022, respectively.

There were approximately 25,000 and 101,000 options exercised during the three and nine months ended September 30, 2023, respectively. The Company received $0.3 million and $1.2 million in cash from employees and directors exercising options during the three and nine months ended September 30, 2023, respectively. The intrinsic value of options exercised was $0.1 million for each of the three and nine months ended September 30, 2023. There were no options exercised during the three and nine months ended September 30, 2022.

11. Pension and Employee Benefit Plans

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

The Company presents the components of net periodic benefit cost (gain) within “Other (expense) income, net” on the Condensed Consolidated Statements of Income.

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

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest cost	$ 318	$ 219	$ 955	$ 658
Expected return on plan assets	(285)	(390)	(856)	(1,170)
Amortization of net actuarial loss	74	66	223	197
Net periodic benefit cost (gain)	$ 107	$ (105)	$ 322	$ (315)

The Company made no contributions to its defined benefit plan during the nine months ended September 30, 2023 and 2022. For the remainder of 2023, the Company does not expect to make any contributions to fund the pension plan. The unfunded liability of the plan of $5.8 million and $5.5 million as of September 30, 2023 and December 31, 2022, respectively, is included in “Other liabilities” on the Condensed Consolidated Balance Sheets.

12. Income Taxes

The Company files income tax returns in various federal, state and local jurisdictions. Tax years from 2018 forward remain open for examination by Federal authorities. Tax years from 2017 forward remain open for all significant state and foreign authorities.

The Company accounts for uncertain tax positions pursuant to ASC Topic 740, “Income Taxes.” As of September 30, 2023 and December 31, 2022, the liability for uncertain tax positions totaled $0.1 million, which is included in “Other liabilities” on the Condensed Consolidated Balance Sheets. The Company recognizes accrued interest related to uncertain tax positions and penalties, if any, in income tax expense within the Condensed Consolidated Statements of Income.

Certain of the Company’s undistributed earnings of our foreign subsidiaries are not permanently reinvested. Since foreign earnings have already been subject to United States income tax in 2017 as a result of the 2017 Tax Cuts and Jobs Act, the Company intends to repatriate foreign-held cash as needed. The Company records deferred income tax attributable to foreign withholding taxes that would become payable should it decide to repatriate cash held in our foreign operations. As of September 30, 2023 and December 31, 2022, the Company recorded deferred income taxes of approximately $0.8 million and $1.3 million, respectively, on the undistributed earnings of its foreign subsidiaries.

Income tax expense was $0.6 million and $0.3 million for the three months ended September 30, 2023 and 2022, respectively, and $1.6 million and $3.3 million for the nine months ended September 30, 2023 and 2022, respectively. The effective income tax rate for the three months ended September 30, 2023 was 13.6% compared with 12.7% for the three months ended September 30, 2022, and the effective income tax rate for the nine months ended September 30, 2023 was 13.4% compared with 25.3% for the nine months ended September 30, 2022. The effective income tax rates for the three and nine months ended September 30, 2023 and 2022 differ from the United States federal statutory rate. The Company's effective rate is affected by certain other permanent differences, including state income taxes, non-deductible incentive stock-based compensation and differences in tax rates among jurisdictions in which it operates.

13. Financial Instruments

The Company's financial instruments consist primarily of investments in cash and cash equivalents, receivables and certain other assets, notes payable, foreign debt and accounts payable, which approximate fair value 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 $141.1 million and $112.7 million at September 30, 2023 and December 31, 2022, respectively. The fair value was determined considering market conditions, the Company's credit worthiness and the current terms of our debt, which is considered Level 2 on the fair value hierarchy.

At September 30, 2023 and December 31, 2022, the Company had cash and cash equivalents of $47.6 million and $45.5 million, respectively, of which $37.0 million and $31.7 million, respectively, was held outside of the United States, principally in the Netherlands, United Kingdom, United Arab Emirates and China.

14. Commitments and Contingencies

Asbestos cases

The Company's subsidiary, Met-Pro Technologies LLC (“Met-Pro”), beginning in 2002, has been named in asbestos-related lawsuits filed against a large number of industrial companies including, in particular, those in the pump and fluid handling industries. In management’s opinion, the complaints typically have been vague, general and speculative, alleging that Met-Pro, along with the numerous other defendants, sold unidentified asbestos-containing products and engaged in other related actions which caused injuries (including death) and loss to the plaintiffs. Counsel has advised that more recent cases typically allege more serious claims of mesothelioma. The Company’s insurers have hired attorneys who, together with the Company, are vigorously defending these cases. Many cases have been dismissed after the plaintiff fails to produce evidence of exposure to Met-Pro’s products. In those cases, where evidence has been produced, the Company’s experience has been that the exposure levels are low and the Company’s position has been that its products were not a cause of death, injury or loss. The Company has been dismissed from or settled a large number of these cases. Cumulative settlement payments from 2002 through September 30, 2023 for cases involving asbestos-related claims were $6.4 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 301 cases pending against the Company as of September 30, 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 the nine months ended September 30, 2023, 132 new cases were filed against the Company, and the Company was dismissed from 54 cases and settled 24 cases. Most of the pending cases have not advanced beyond the early stages of discovery, although a number of cases are on schedules leading to or scheduled for trial. The Company believes that its insurance coverage is adequate for the cases currently pending against the Company and for the foreseeable future, assuming a continuation of the current volume, nature of cases and settlement amounts. However, the Company has no control over the number and nature of cases that are filed against it, nor as to the financial health of its insurers or their position as to coverage. The Company also presently believes that none of the pending cases will have a material adverse impact upon the Company’s results of operations, liquidity or financial condition.

Other

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

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

The Company is not aware of any 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.

15. 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 September 30, 2023, the earnout liability recorded in “Accrued expenses” and "Other liabilities", depending on the anticipated payout timing, on the Condensed Consolidated Balance Sheets is $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 fair values of the assets acquired and liabilities assumed at the date of closing.

(in thousands)		
Current assets (including accounts receivable, net of $2,328)	$	8,902
Property and equipment		341
Right-of-use assets from operating leases		1,602
Intangible - finite life		11,610
Goodwill		11,005
Other assets		16
Total assets acquired		33,476
Current liabilities assumed		(6,853)
Other liabilities assumed		(404)
Net assets acquired	$	26,219

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 three months ended September 30, 2023, Kemco accounted for $3.6 million in revenue and $0.5 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 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, net of $1,493)	$	2,614
Property and equipment		1,153
Intangible - finite life		8,930
Goodwill		10,671
Other assets		231
Total assets acquired		23,599
Current liabilities assumed		(1,203)
Net assets acquired	$	22,396

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 three and nine months ended September 30, 2023, Transcend accounted for $3.8 million and $6.2 million in revenue, respectively, and $0.5 million and $1.0 million of net income, respectively, 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 are 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. As of September 30, 2023, the earnout liability recorded in "Accrued expenses" on the Condensed Consolidated Balance Sheets is $0.6 million, representing the fully earned amount to be paid 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 fair values of the assets acquired and liabilities assumed at the date of closing.

(in thousands)		
Current assets (including accounts receivable, net of $2,467)	$	3,240
Property and equipment		635
Intangible - finite life		1,778
Goodwill		4,779
Total assets acquired		10,432
Current liabilities assumed		(4,860)
Deferred income tax liability		(444)
Net assets acquired	$	5,128

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 three and nine months ended September 30, 2023, Wakefield accounted for $4.8 million and $10.3 million in revenue, respectively, and $0.5 million and $0.8 million of net income, respectively, 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 and accounts receivable, net of $575)	$	5,099
Property and equipment		4,112
Intangible - finite life		422
Deferred income taxes		557
Other assets		169
Total assets acquired		10,359
Current liabilities assumed		(1,008)
Other liabilities		(113)
Net assets acquired	$	9,238

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 Limited

On June 22, 2022, the Company acquired 100% of the equity interests of Western Air Ducts Limited ("Western Air Ducts") 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 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 and accounts receivable, net of $936)	$	2,711
Property and equipment		188
Intangible - finite life		3,158
Goodwill		7,344
Total assets acquired		13,401
Current liabilities assumed		(1,127)
Deferred income tax liability		(824)
Net assets acquired	$	11,450

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.

During the three and nine months ended September 30, 2022, Western Air Ducts accounted for $0.7 million in revenue and $0.2 million of net loss included in the Company's results.

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 and accounts receivable, net of $1,254)	$	4,796
Property and equipment		101
Intangible - finite life		4,900
Goodwill		4,848
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.

During the three and nine months ended September 30, 2022, Compass accounted for $1.5 million and $2.3 million in revenue, respectively, and $0.1 million and $0.2 million, respectively, of net loss included in the Company's results.

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 fair value ascribed to the equity interest of the former owners of GRC was approximately $4.1 million. As of September 30, 2023, there were $15.5 million in current assets, $27.2 million in long-lived assets, and $31.5 million in total liabilities related to the EFM JV included in the Condensed Consolidated Balance Sheets. For the three months and nine months ended September 30, 2023, the EFM JV accounted for $9.9 million and $19.3 million, respectively, in revenue included in the Company's results.

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 and accounts receivable, net of $2,043)	$	4,963
Property and equipment		459
Intangible - finite life		8,380
Goodwill		11,120
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.

During the three and nine months ended September 30, 2022, GRC accounted for $3.9 million and $8.3 million in revenue, respectively, and $0.7 million and $1.5 million, respectively, of net income included in the Company's results.

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 Condensed 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:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except per share data)	2023	2022	2023	2022
Net sales	$ 153,443	121,567	$ 404,819	$ 349,803
Net income attributable to CECO Environmental Corp.	3,732	2,477	9,536	10,898
Earnings per share:				
Basic	$ 0.11	$ 0.07	$ 0.28	$ 0.31
Diluted	$ 0.11	$ 0.07	$ 0.27	$ 0.31

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.

16. Business Segment Information

The Company's operations are organized and reviewed by management along with its solutions or end markets that the segment serves and presented in two reportable segments. The results of the segments are reviewed through the "Income from operations" line on the Condensed Consolidated Statements of Income.

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

Engineered Systems segment: The 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 addresses 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 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:

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net sales (less intra-, inter-segment sales)				
Engineered Systems segment	$ 105,540	$ 65,630	$ 267,516	$ 189,938
Industrial Process Solutions segment	43,850	42,784	123,618	116,287
Total net sales	$ 149,390	$ 108,414	$ 391,134	$ 306,225

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Income from operations				
Engineered Systems segment	$ 15,759	$ 8,991	$ 39,601	$ 24,467
Industrial Process Solutions segment	5,586	5,226	15,769	14,847
Corporate and Other[1]	(13,492)	(11,444)	(33,453)	(25,591)
Total income from operations	$ 7,853	$ 2,773	$ 21,917	$ 13,723

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

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Property and equipment additions				
Engineered Systems segment	$ 392	$ 96	$ 1,081	$ 128
Industrial Process Solutions segment	570	330	2,281	743
Corporate and Other	629	508	2,149	1,496
Total property and equipment additions	$ 1,591	$ 934	$ 5,511	$ 2,367

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Depreciation and amortization				
Engineered Systems segment	$ 1,462	$ 1,398	$ 3,948	$ 3,253
Industrial Process Solutions segment	1,109	1,153	3,217	3,212
Corporate and Other	548	390	1,604	1,144
Total depreciation and amortization	$ 3,119	$ 2,941	$ 8,769	$ 7,609

(in thousands)	September 30, 2023	December 31, 2022
Identifiable assets		
Engineered Systems segment	$ 420,665	$ 332,820
Industrial Process Solutions segment	159,763	150,458
Corporate and Other[2]	19,629	21,443
Total identifiable assets	$ 600,057	$ 504,721

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

(in thousands)	September 30, 2023	December 31, 2022
Goodwill		
Engineered Systems segment	$ 141,174	$ 114,746
Industrial Process Solutions segment	68,651	68,451
Total goodwill	$ 209,825	$ 183,197

Intra-segment and Inter-segment Revenues

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

	Three months ended September 30, 2023				
			Less Inter-Segment Sales		
(in thousands)	Total Sales	Intra-Segment Sales	Industrial Process Solutions	Engineered Systems	Net Sales to Outside Customers
Net sales					
Engineered Systems segment	$ 114,605	$ (8,639)	$ (426)	$ —	$ 105,540
Industrial Process Solutions segment	49,264	(5,231)	—	(183)	43,850
Total net sales	$ 163,869	$ (13,870)	$ (426)	$ (183)	$ 149,390

	Three months ended September 30, 2022				
			Less Inter-Segment Sales		
(in thousands)	Total Sales	Intra-Segment Sales	Industrial Process Solutions	Engineered Systems	Net Sales to Outside Customers
Net sales					
Engineered Systems segment	$ 68,738	$ (2,904)	$ (204)	$ —	$ 65,630
Industrial Process Solutions segment	44,079	(1,126)	—	(169)	42,784
Total net sales	$ 112,817	$ (4,030)	$ (204)	$ (169)	$ 108,414

	Nine months ended September 30, 2023				
			Less Inter-Segment Sales		
(in thousands)	Total Sales	Intra-Segment Sales	Industrial Process Solutions	Engineered Systems	Net Sales to Outside Customers
Net sales					
Engineered Systems segment	$ 286,575	$ (18,173)	$ (886)	$ —	$ 267,516
Industrial Process Solutions segment	132,946	(8,871)	—	(457)	123,618
Total net sales	$ 419,521	$ (27,044)	$ (886)	$ (457)	$ 391,134

	Nine months ended September 30, 2022				
			Less Inter-Segment Sales		
(in thousands)	Total Sales	Intra-Segment Sales	Industrial Process Solutions	Engineered Systems	Net Sales to Outside Customers
Net sales					
Engineered Systems segment	$ 201,092	$ (10,693)	$ (461)	$ —	$ 189,938
Industrial Process Solutions segment	121,122	(4,468)	—	(367)	116,287
Total net sales	$ 322,214	$ (15,161)	$ (461)	$ (367)	$ 306,225

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

The Company’s Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2023 and 2022 reflect the consolidated operations of the Company and its subsidiaries.

CECO Environmental Corp. (“CECO,” “we,” “us,” 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 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.

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 challenges in obtaining certain raw materials and labor on a timely basis at a reasonable cost. We expect these supply chain challenges and cost impacts to continue for the foreseeable future. Although we have taken mitigating actions, including securing additional raw materials from existing and alternate suppliers, to minimize supply chain disruptions, we cannot guarantee that these efforts will continue to be successful. In this event, our business, results and financial condition could be adversely affected.

Note Regarding Use of Non-GAAP Financial Measures

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

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

The Company has provided the non-GAAP financial measures of non-GAAP operating income and non-GAAP operating margin as a result of items that the Company believes are not indicative of its ongoing operations. These include transactions 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 income associated with acquisitions. While the Company cannot predict the exact timing or amounts of such charges, it does expect to treat the financial impact of these transactions as special items in its future presentation of non-GAAP results.

Results of Operations

Consolidated Results

Our Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2023 and 2022 are as follows:

(in millions, except ratios)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net sales	$ 149.4	$ 108.4	$ 391.1	$ 306.2
Cost of sales	106.3	76.0	273.3	215.7
Gross profit	$ 43.1	$ 32.4	$ 117.8	$ 90.5
Percent of sales	*28.8 %*	*29.9 %*	*30.1 %*	*29.6 %*
Selling and administrative expenses	30.3	25.1	86.1	66.8
Percent of sales	*20.3 %*	*23.2 %*	*22.0 %*	*21.8 %*
Amortization and earnout expenses	2.0	2.0	6.0	4.9
Acquisition and integration expenses	1.4	1.3	2.2	3.8
Executive transition expenses	1.3	1.2	1.4	1.2
Restructuring expenses	0.2	—	0.2	0.1
Operating income	$ 7.9	$ 2.8	$ 21.9	$ 13.7
Operating margin	*5.3 %*	*2.6 %*	*5.6 %*	*4.5 %*

To compare operating performance between the three and nine months ended September 30, 2023 and 2022, the Company has adjusted GAAP operating income to exclude (1) amortization of intangible assets, earnout and retention expenses, (2) acquisition and integration expenses, which include legal, accounting, and other expenses, (3) executive transition expenses, including fees and expenses incurred in the search for and hiring of new executives and (4) restructuring expenses primarily relating to severance, facility exits, and associated legal expenses.

The following table presents the reconciliation of GAAP operating income and GAAP operating margin to non-GAAP operating income and non-GAAP operating margin:

(in millions, except ratios)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Operating income as reported in accordance with GAAP	$ 7.9	$ 2.8	$ 21.9	$ 13.7
Operating margin in accordance with GAAP	*5.3 %*	*2.6 %*	*5.6 %*	*4.5 %*
Amortization and earnout expenses	2.0	2.0	6.0	4.9
Acquisition and integration expenses	1.4	1.3	2.2	3.8
Executive transition expenses	1.3	1.2	1.4	1.2
Restructuring expenses	0.2	—	0.2	0.1
Non-GAAP operating income	$ 12.8	$ 7.3	$ 31.7	$ 23.7
Non-GAAP operating margin	*8.6 %*	*6.7 %*	*8.1 %*	*7.7 %*

Orders booked increased $43.8 million, or 43.1%, to $145.5 million during the three months ended September 30, 2023 compared with $101.7 million in the three months ended September 30, 2022. The increase is led by an increase of $22.4 million in our thermal acoustics business and $14.5 million in our separation, filtration and industrial water businesses. Of the $145.5 million in orders booked during the three months ended September 30, 2023, $17.1 million is attributable to acquisitions that have occurred during the preceding twelve month period.

Orders booked increased $78.2 million, or 21%, to $454.4 million during the nine months ended September 30, 2023 compared with $376.2 million in the nine months ended September 30, 2022. The increase is led by increases of $25.7 million in our thermal acoustics business, $23.5 million in our separation, filtration and industrial water businesses and $21.8 million in our emissions management business. Of the $454.4 million in orders booked during the nine months ended September 30, 2023, $29.7 million is attributable to acquisitions that have occurred during the preceding twelve month period.

Net sales for the three months ended September 30, 2023 increased $41.0 million, or 37.8%, to $149.4 million compared with $108.4 million for the three months ended September 30, 2022. The increase is broad-based, led by an increase of $26.3 million in our separation, filtration and industrial water businesses. Approximately 89%, or $133.6 million, of net sales for the three months ended September 30, 2023 is attributable to organic revenue, defined as revenue recorded subsequent to the twelve month period post-acquisition date.

Net sales for the nine months ended September 30, 2023 increased $84.9 million, or 27.7%, to $391.1 million compared with $306.2 million for the nine months ended September 30, 2022. The increase is broad-based, led by increases of $54.1 million in separation, filtration, and industrial water businesses, and $14.9 million in our thermal acoustics business. Approximately 91% or $354.8 million, of net sales for the nine months ended September 30, 2023 is attributable to organic revenue.

Gross profit increased $10.7 million, or 33.0%, to $43.1 million in the three months ended September 30, 2023 compared with $32.4 million in the three months ended September 30, 2022. The increase in gross profit is primarily attributable to higher organic sales as described above, operating performance and acquisitions of businesses with favorable margins. Gross profit as a percentage of sales decreased by 100 basis points to 28.8% in the three months ended September 30, 2023 compared with 29.9% in the three months ended September 30, 2022.

Gross profit increased $27.3 million, or 30.2%, to $117.8 million in the nine months ended September 30, 2023 compared with $90.5 million in the nine months ended September 30, 2022. The increase in gross profit is primarily attributable to higher organic sales as described above, favorable project margin mix and acquisitions of businesses with favorable margins. Gross profit as a percentage of sales increased by 60 basis points to 30.2% in the nine months ended September 30, 2023 compared with 29.6% in the nine months ended September 30, 2022.

Selling and administrative expenses were $30.3 million for the three months ended September 30, 2023 compared with $25.1 million for the three months ended September 30, 2022. The increase is primarily attributable to acquisitions during the prior and current year, and increased sales and engineering headcount to support our growth, execute against our backlog, and expand our global footprint.

Selling and administrative expenses were $86.1 million for the nine months ended September 30, 2023 compared with $66.8 million for the nine months ended September 30, 2022. The increase is primarily attributable to acquisitions during the prior and current year, a $2.5 million favorable insurance settlement in the prior year, and increased investments to support our growth and expand our global footprint.

Amortization and earnout expense was $2.0 million for each of the three months ended September 30, 2023 and September 30, 2022.

Amortization and earnout expense was $6.0 million for the nine months ended September 30, 2023 compared with $4.9 million for the nine months ended September 30, 2022. The increase in expense is attributable to an increase of $0.7 million in earnout expense and an increase of $0.4 million in definite lived asset amortization due to increased intangible assets attributable to current and prior year acquisitions.

Operating income increased $5.1 million to $7.9 million for the three months ended September 30, 2023 compared with operating income of $2.8 million for the three months ended September 30, 2022. The increase in operating income is primarily attributable to higher organic sales.

Operating income increased $8.2 million to $21.9 million for the nine months ended September 30, 2023 compared with operating income of $13.7 million for the nine months ended September 30, 2022. The increase in operating income is primarily attributable to higher organic sales.

Non-GAAP operating income was $12.8 million for the three months ended September 30, 2023 compared with $7.3 million for the three months ended September 30, 2022. Non-GAAP operating income as a percentage of sales increased 190 basis points to 8.6% for the three months ended September 30, 2023 from 6.7% for the three months ended September 30, 2022.

Non-GAAP operating income was $31.7 million for the nine months ended September 30, 2023 compared with $23.7 million for the nine months ended September 30, 2022. Non-GAAP operating income as a percentage of sales increased 40 basis points to 8.1% for the three months ended September 30, 2023 from 7.7% for the nine months ended September 30, 2022.

Interest expense increased to $3.3 million in the three months ended September 30, 2023 compared with interest expense of $1.6 million for the three months ended September 30, 2022. The increase in interest expense is primarily due to increased debt balances and rising interest rates.

Interest expense increased to $9.5 million in the nine months ended September 30, 2023 compared with interest expense of $3.5 million for the nine months ended September 30, 2022. The increase in interest expense is primarily due to increased debt balances and rising interest rates.

Income tax expense was $0.6 million for the three months ended September 30, 2023 compared with income tax expense of $0.3 million for the three months ended September 30, 2022. Income tax expense was $1.6 million for the nine months ended

September 30, 2023 compared with income tax expense of $3.3 million for the nine months ended September 30, 2022. The effective income tax rate for the three months ended September 30, 2023 was 13.6% compared with 12.7% for the three months ended September 30, 2022. The effective income tax rate for the nine months ended September 30, 2023 was 13.4% compared with 25.3% for the nine months ended September 30, 2022. The effective income tax rates for the three and nine months ended September 30, 2023 differ from the United States federal statutory rate. Our effective tax rate is affected by certain other permanent differences, including state income taxes, non-deductible incentive stock-based compensation, and differences in tax rates among the jurisdictions in which we operate.

Business Segments

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Net Sales (less intra- and inter-segment sales)				
Engineered Systems segment	$ 105,540	$ 65,630	$ 267,516	$ 189,938
Industrial Process Solutions segment	43,850	42,784	123,618	116,287
Total net sales	$ 149,390	$ 108,414	$ 391,134	$ 306,225

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Income from Operations				
Engineered Systems segment	$ 15,759	$ 8,991	$ 39,601	$ 24,467
Industrial Process Solutions segment	5,586	5,226	15,769	14,847
Corporate and Other[(1)]	(13,492)	(11,444)	(33,453)	(25,591)
Total income from operations	$ 7,853	$ 2,773	$ 21,917	$ 13,723

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

Engineered Systems Segment

Our Engineered Systems segment net sales increased $39.9 million to $105.5 million for the three months ended September 30, 2023 compared with $65.6 million for the three months ended September 30, 2022. The increase is led by an increase of $26.3 million in separation, filtration, and industrial water businesses. Approximately 86%, or $90.2 million, of net sales for the three months ended September 30, 2023 is attributable to organic revenue.

Our Engineered Systems segment net sales increased $77.6 million to $267.5 million for the nine months ended September 30, 2023 compared with $189.9 million for the nine months ended September 30, 2022. The increase is led by an increase of $54.1 million in separation, filtration, and industrial water businesses. Approximately 87%, or $233.6 million, of net sales for the nine months ended September 30, 2023 is attributable to organic revenue.

Operating income for the Engineered Systems segment increased $6.8 million to $15.8 million for the three months ended September 30, 2023 compared with $9.0 million for the three months ended September 30, 2022. The increase is primarily attributable to increased organic sales, partially offset by an increase in direct costs.

Operating income for the Engineered Systems segment increased $15.1 million to $39.6 million for the nine months ended September 30, 2023 compared with $24.5 million for the nine months ended September 30, 2022. The increase is primarily attributable to increased organic sales, partially offset by an increase in direct costs.

Industrial Process Solutions Segment

Our Industrial Process Solutions segment net sales increased $1.1 million to $43.9 million for the three months ended September 30, 2023 compared with $42.8 million for the three months ended September 30, 2022. The entirety of the increase represents organic growth.

Our Industrial Process Solutions segment net sales increased $7.3 million to $123.6 million for the nine months ended September 30, 2023 compared with $116.3 million for the nine months ended September 30, 2022. The increase is primarily attributable to an increase of $4.8 million in our fluid handling business. Approximately 98%, or $121.1 million, of net sales for the nine months ended September 30, 2023 is attributable to organic revenue.

Operating income for the Industrial Process Solutions segment increased $0.4 million to $5.6 million for the three months ended September 30, 2023 compared with $5.2 million for the three months ended September 30, 2022. The increase is primarily attributable to increased sales, partially offset by an increase in direct costs.

Operating income for the Industrial Process Solutions segment increased $1.0 million to $15.8 million for the nine months ended September 30, 2023 compared with $14.8 million for the nine months ended September 30, 2022. The increase is primarily attributable to increased sales, partially offset by an increase in direct costs.

Corporate and Other Segment

Operating expense for the Corporate and Other segment increased $2.1 million to $13.5 million for the three months ended September 30, 2023 compared with $11.4 million for the three months ended September 30, 2022. The increase is primarily attributable to investments made to support growth inclusive of acquisition and integration expenses, and inflationary increases for wages and services.

Operating expense for the Corporate and Other segment increased $7.9 million to $33.5 million for the nine months ended September 30, 2023 compared with $25.6 million for the nine months ended September 30, 2022. The increase is primarily attributable to investments made to support growth inclusive of acquisition and integration expenses, inflationary increases for wages and services, and a favorable insurance settlement of $2.5 million in the prior year period.

Backlog

Backlog (i.e., unfulfilled or remaining performance obligations) represents the sales we expect to recognize for our products and services for which control has not yet transferred to the customer. Backlog increased to $394.0 million as of September 30, 2023 from $311.7 million as of December 31, 2022, with $57.2 million, or 69.5%, due to organic growth. Our customers may have the right to cancel a given order. Historically, cancellations have not been common. Backlog is adjusted on a quarterly basis for adjustments in foreign currency exchange rates. Substantially all backlog is expected to be delivered within 12 to 18 months. Backlog is not defined by GAAP and our methodology for calculating backlog may not be consistent with methodologies used by other companies.

New Accounting Pronouncements

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

Liquidity and Capital Resources

When we undertake large jobs, our working capital objective is to make these projects self-funding. We work to achieve this by obtaining customer 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 under our Credit Facility (as defined below).

At September 30, 2023, the Company had working capital of $82.1 million, compared with $94.0 million at December 31, 2022. The ratio of current assets to current liabilities was 1.40 to 1.00 on September 30, 2023, as compared with a ratio of 1.64 to 1.00 on December 31, 2022. The decrease in the ratio was driven by timing of cash receipts and payments to suppliers.

At September 30, 2023 and December 31, 2022, cash and cash equivalents totaled $47.6 million and $45.5 million, respectively. As of September 30, 2023 and December 31, 2022, $37.0 million and $31.7 million, respectively, of our cash and cash equivalents were held by certain non-United States subsidiaries, as well as being denominated in foreign currencies.

Debt consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Outstanding borrowings under the Credit Facility (as defined below)		
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	$ 39,656	$ 41,309
Revolving credit facility	92,300	61,300
Total outstanding borrowings under the Credit Facility	131,956	102,609
Outstanding borrowings under the joint venture term debt	9,132	10,083
Unamortized debt discount	(1,089)	(1,488)
Total outstanding borrowings	139,999	111,204
Less: current portion	(4,726)	(3,579)
Total debt, less current portion	$ 135,273	$ 107,625

Credit Facility

The Company's outstanding borrowings in the United States consist of a senior secured term loan and a senior secured revolver loan with sub-facilities for letters of credit, swing-line loans and multi-currency loans (collectively, the "Credit Facility"). As of September 30, 2023 and December 31, 2022, the Company was in compliance with all related financial and other restrictive covenants under the Credit Facility.

See Note 8 to the unaudited condensed consolidated financial statements within Item 1 of this Quarterly Report on Form 10-Q for further information on the Company's debt facilities.

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

(in millions)	September 30, 2023	December 31, 2022
Credit Facility, revolving loans	$ 140.0	$ 140.0
Draw down	(92.3)	(61.3)
Letters of credit open	(21.0)	(18.9)
Total unused credit availability	$ 26.7	$ 59.8
Amount available based on borrowing limitations	$ 26.7	$ 59.8

Overview of Cash Flows and Liquidity

	Nine months ended September 30,	
(in thousands)	2023	2022
Net cash provided by operating activities	$ 29,491	$ 19,696
Net cash used in investing activities	(53,613)	(47,260)
Net cash provided by financing activities	25,170	38,242
Effect of exchange rate changes on cash and cash equivalents	703	(6,459)
Net increase in cash	$ 1,751	$ 4,219

Operating Activities

For the nine months ended September 30, 2023, $29.5 million of cash was provided by operating activities compared with $19.7 million provided by operations in the prior year period, representing $9.8 million additional cash generated. Cash flow from operating activities in the first nine months of 2023 increased year-over-year primarily due to timing of costs and billings on uncompleted contracts, improved management of payments to suppliers, and the increase in net income compared to the prior year period.

Investing Activities

For the nine months ended September 30, 2023, net cash used in investing activities was $53.6 million compared with $47.3 million used in investing activities in the prior year period. For the nine months ended September 30, 2023, the $53.6 million cash used in investing activities was the result of $48.1 million cash used for acquisitions as described in Note 15 to the unaudited condensed consolidated financial statements, and $5.5 million for the acquisition of property and equipment. In the prior year period, the $47.3

million cash used in investing activities was the result of $44.9 million used for acquisitions as described in Note 15 and $2.4 million for the acquisition of property and equipment.

Financing Activities

For the nine months ended September 30, 2023, $25.2 million was provided by financing activities compared with $38.2 million provided by financing activities in the prior year period, for a decrease of $13.0 million. For the nine months ended September 30, 2023, the Company used $31.0 million for net borrowings on the Company's revolving credit lines, primarily used to finance current year acquisitions, $2.5 million in repayment on long-term debt, $1.2 million on deferred payments for acquisitions, $1.5 million on earnout payments, and $1.4 million on distributions to the noncontrolling interest. The Company also received $1.4 million of proceeds from the exercise of stock options and the employee stock purchase plan. In the prior year period, the Company used $37.7 million for net borrowings on the Company's revolving credit lines and $8.7 million for net borrowings on long-term debt, primarily used to finance acquisitions, as well as $6.6 million on common stock repurchases and $1.2 million on distributions to the noncontrolling interest.

Critical Accounting Policies and Estimates

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

Management believes there have been no changes during the nine months ended September 30, 2023 to the items that the Company disclosed as its critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, which are intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Any statements contained in this Quarterly Report on Form 10-Q, other than statements of historical fact, including statements about management's beliefs and expectations, are forward-looking statements and should be evaluated as such. These statements are made on the basis of management's views and assumptions regarding future events and business performance. We use words such as "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "will," "plan," "should" and similar expressions to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from any future results, performance or achievements expressed or implied by such statements. Potential risks and uncertainties, among others, that could cause actual results to differ materially are discussed under "Item 1A. Risk Factors" of this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, 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 rising 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;
- our ability to successfully realize the expected benefits of our restructuring program;
- economic and political conditions generally;
- 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The carrying value of the Company's total long-term debt and current maturities of long-term debt at September 30, 2023 was $141.1 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 September 30, 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 September 30, 2023 is $1.1 million.

The Company has wholly-owned subsidiaries in several countries, including in the Netherlands, Canada, the People's Republic of China, Mexico, United Kingdom, Singapore, India, United Arab Emirates and South Korea. In the past, we have not hedged our foreign currency exposure, and fluctuations in exchange rates have not materially affected our operating results. Future changes in exchange rates may positively or negatively impact our revenues, operating expenses and earnings. Transaction (losses) gains included in "Other (expense) income, net" line of the Condensed Consolidated Statements of Income were $(0.6) million and $(3.6) million for the three months ended September 30, 2023 and 2022, respectively, and $0.2 million and $(4.9) million for the nine months ended September 30, 2023 and 2022, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of September 30, 2023, as the result of the material weaknesses in our internal control over financial reporting discussed below, which are currently being remediated.

Notwithstanding these material weaknesses, management believes that the condensed 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 for the first quarter ended March 31, 2023 relating to management’s review of its revenue recognition for contracts recognized over time isolated to our Engineered Systems segment. Specifically, for the quarter ended March 31, 2023, 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

In connection with our evaluation as of September 30, 2023, 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 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 weakness, 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 September 30, 2023, these 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 control has operated for a sufficient period of time, and management has concluded, through testing, that the control is operating effectively.

Changes in Internal Control Over Financial Reporting

Other than the material weaknesses described above and the ongoing remediation of such material weaknesses, there were no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended

September 30, 2023 that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Limitations on the Effectiveness of Controls

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 14 to the unaudited Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding legal proceedings in which the Company is involved.

ITEM 1A. RISK FACTORS

The risk factors that were disclosed in "Part I – Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 are hereby supplemented to include the following:

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 4. "Controls and Procedures" in this Quarterly Report on Form 10-Q, 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 September 30, 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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about our purchases of the Company's equity securities for the three months ended September 30, 2023:

(in thousands, except per share data) Period	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
July 1, 2023 - July 31, 2023	—	—	—	$ 13,000
August 1, 2023 - August 31, 2023	—	—	—	13,000
September 1, 2023 - September 30, 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 unaudited Condensed Consolidated Financial Statements. The program expires on April 30, 2025.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

10.1^	Separation Agreement, dated as of August 21, 2023, by and between CECO Environmental Corp. and Ramesh Nuggihalli
10.2^	Separation Agreement, dated as of September 1, 2023, by and between CECO Environmental Corp. and Paul Gohr
10.3^	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)
10.4^	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)
10.5^	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)
10.6^	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)
10.7^	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)
31.1	Rule 13(a)/15d-14(a) Certification by Chief Executive Officer
31.2	Rule 13(a)/15d-14(a) Certification by Chief Financial Officer
32.1	Certification of Chief Executive Officer (18 U.S. Section 1350)
32.2	Certification of Chief Financial Officer (18 U.S. Section 1350)
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

^ Management contracts or compensation plans or arrangement

SIGNATURES

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

CECO Environmental Corp.

By: /s/ Kiril Kovachev

Kiril Kovachev
Chief Accounting Officer
(principal accounting officer and duly authorized officer)

Date: November 7, 2023

EXECUTIVE SEPARATION AGREEMENT AND RELEASE

THIS EXECUTIVE SEPARATION AGREEMENT AND RELEASE (the "Agreement") by and between CECO Environmental Corp. (the "Company") and Ramesh Nuggihalli (the "Executive") as of August 21, 2023.

WHEREAS, the Company has decided to terminate the Executive's employment as the Company's Chief Operating Officer, and the Company and the Executive have mutually agreed to the following satisfactory severance arrangements.

NOW, THEREFORE, in consideration of this mutual Agreement, the Company and the Executive hereby agree as follows:

1. Departure. Executive's duties as Chief Operating Officer shall conclude on August 20, 2023 (the "Departure Date") and Executive's employment with the Company shall cease on the Departure Date. The Company notified Executive via written notice of his Departure Date forty-five days in advance of the Departure Date on July 6, 2023 and, accordingly, shall be deemed to have satisfied the notice requirements for a termination of the Executive's employment to be effective as of the Departure Date under Section 4(a) of the Company's Executive Change in Control Severance Plan (the "Plan") with effective date July 6, 2023 (a copy attached hereto) in which the Executive is a Participant (as defined in the Plan). Executive shall be paid for any earned wages through the Departure Date without regard to whether Executive signs this Agreement within six days of the Departure Date or on the next payroll cycle after the Departure Date, whichever is earlier. Executive was not enrolled in Company benefits at time of Departure Date.

2. Departure Payments. The Company will provide the Executive with the following compensation, provided that that the Executive has timely executed and has not revoked this Agreement (as defined in Section 6 of this Agreement), has fulfilled all of the Executive's transition duties through the Departure Date, and has otherwise complied with his obligations under this Agreement:

(a) The gross amount of Six Hundred Thirty Thousand Dollars and No Cents ($630,000), less applicable withholding taxes and other deductions required by applicable law or authorized by the Executive, representing one- and one-half times the Executive's last effective base salary, which amount will be paid to the Executive as soon as practicable (but no later than 74 days) following the Departure Date.

(b) The gross amount of Twenty Thousand Dollars and No Cents ($20,000), less applicable withholding taxes and other deductions required by applicable law or authorized by the Executive, to enable the Executive to obtain executive-level outplacement services, the Company will pay this amount to the Executive as soon as practicable (but no later than 74 days) following the Departure Date.

(c) The gross amount of Three Hundred Eighteen Thousand Nine Hundred Seventy Dollars and No Cents ($318,970), less applicable withholding taxes and other deductions required by applicable law or authorized by the Executive, representing Executive's pro-rated annual target bonus for 2023, which is calculated by multiplying (A) the full year annual bonus that the Executive would have earned had the Executive remained employed through the end of the fiscal year in which the Departure Date occurs, assuming target performance under the applicable performance targets has been met, by (B) a fraction, the numerator of which is the total number of days that have elapsed during the fiscal year through the Departure Date (231 days) and the denominator of which is 365. The Company will pay this amount to Executive as soon as practicable (but no later than 74 days) following the Departure Date.

(d) In lieu of and notwithstanding the default treatment set forth in the award agreements applicable to the service-based restricted stock unit awards granted to the Executive in 2021 and 2022 that remain unvested and outstanding as of the Departure Date (the “RSUs”), as set forth on Exhibit A, such RSUs shall accelerate and be deemed vested as of the Departure Date, and shall be settled in shares not later than March 15, 2024.

3. Obligations of Executive at Departure. Executive hereby resigns as an officer or director of any subsidiaries of the Company or any other position held with the Company or its subsidiaries effective as of the Departure Date and represents and warrants that Executive will, on or before the Departure Date, execute such documentation as the Company deems necessary with respect to such resignations. Executive further represents and warrants that Executive will, on or before such date, deliver to the Company the original and all copies of all documents, records, and property of any nature whatsoever which are in Executive’s possession or control and which are the property of the Company or which relate to Confidential Information (as described below), or to the business activities, facilities, employees, vendors, suppliers or customers of the Company, including any records (electronic or otherwise), documents or property created by the Executive, and shall permanently delete (and not retain copies of) any such records maintained on the Executive’s personal devices.

4. Other Agreements. Except as provided below, this Agreement constitutes the entire agreement between the Company and the Executive with respect to the matters addressed herein, including but not limited to the Executive’s termination of employment from the Company, and it fully supersedes any and all prior agreements or understandings, written or oral, including any notice periods contained therein, between the Executive and the Company, including, but not limited to, the Plan, except that:

(a) This Agreement does not affect the restrictive covenants set forth in Section 9 of the Plan, which shall remain in effect as binding obligations in accordance with their terms.

(b) This Agreement does not limit or restrict in any way Executive’s existing rights or obligations under the Company’s employee benefit plans (other than the Plan), including any retirement plan, retirement savings plan, or group medical plan.

5. Restrictive Covenants. The Executive acknowledges and agrees to comply with the restrictive covenants set forth in Section 9 of the Plan.

6. Release. In accordance with Section 8(a) of the Plan:

(a) In consideration of the promises and covenants made herein, the Executive, for the Executive, the Executive's heirs, executors, administrators, successors and assigns, does hereby RELEASE, ACQUIT AND FOREVER DISCHARGE the Company, and each of its parents, subsidiaries, related and affiliated corporations or other entities, and each of their respective present or former officers, directors, shareholders, employees, agents, representatives, successors and assigns (all of whom are hereinafter collectively referred to as "Releasees") from any and all claims, demands, causes of action and liabilities of any kind or character, accrued or to accrue hereafter, which the Executive ever had, now has or may hereafter have against Releasees, through the Departure Date, arising out of any act, omission, statement, representation, transaction or occurrence, including, without limitation, those related to the Executive's employment by the Company or the termination thereof. Without limiting the generality of the foregoing, it is understood and agreed that this Release constitutes a release of any claim or cause of action, including, but not limited to,: (i) for breach of any employment, commission or other agreement existing between the Executive and the Company, all of which are hereby acknowledged to have terminated, except as otherwise stated herein; or (ii) otherwise related, in any way, to the Executive's employment by the Company, including the termination thereof, and includes, without limitation, claims under any of the following, as amended: Title VII of the Civil Rights Act of 1964; the Americans with Disabilities Act of 1990; the Age Discrimination in Employment Act; the Older Workers Benefit Protection Act; the Equal Pay Act; the Anti-Retaliation provision of the Texas Workers Compensation Act; the Fair Labor Standards Act; the Texas Pay Day Law; the Texas Labor Code; Pennsylvania Human Relations Act – 43 P.S. §951 et seq.; Pennsylvania Minimum Wage Act, as amended – 43 P.S. §33.101 et seq.; Pennsylvania Whistleblower Law – 43 P.S. §1421 et seq.; Pennsylvania Equal Pay Law, as amended – 43 P.S. §336.1 et seq.; The Pennsylvania Wage Payment and Collection Law; Pennsylvania's Bona Fide Occupational Qualifications Rules; Pennsylvania's Military Leave and Re-Employment Rights Laws; The Pennsylvania Criminal History Record Information Act; the Family and Medical Leave Act; the Occupational Safety and Health Act; the National Labor Relations Act; the Fair Credit Reporting Act; the Rehabilitation Act; the Employee Retirement Income Security Act of 1974 (ERISA); the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA); the Sarbanes-Oxley Act of 2002; the Employee Polygraph Protection Act; the Financial Institutions Reform, Recovery and Enforcement Act; the Uniform Services Employment and Reemployment Rights Act of 1994; and any other state or federal statute or regulation governing the employment relationship or the Executive's rights, or the Company's obligations, in connection therewith. This release also includes a release of any claim or right to further wages, compensation, benefits, damages, penalties, attorneys' fees, costs, or expenses of any kind from the Company or any of the other Releasees, except as provided for in this Agreement. This release also constitutes a release of any claim or cause of action for invasion of privacy, intentional or negligent infliction of emotional distress, wrongful termination, promissory estoppel, false imprisonment, defamation, negligence, gross negligence, breach of contract, libel or slander, tortious interference with contract or business relationship, misrepresentation, deceptive trade practices, fraud, and any employment-related claims, or for any personal injuries, however characterized, or by virtue of any fact(s), act(s) or event(s) occurring prior to the date of this Agreement. This release covers both claims that the Executive knows about and those the Executive may not know about.

(b) **THE EXECUTIVE UNDERSTANDS THAT BY SIGNING AND NOT REVOKING THIS RELEASE, THE EXECUTIVE IS WAIVING ANY AND ALL RIGHTS OR CLAIMS WHICH THE EXECUTIVE MAY HAVE UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT AND/OR THE OLDER WORKERS BENEFIT PROTECTION ACT ("OWBPA") FOR AGE DISCRIMINATION ARISING FROM EMPLOYMENT WITH THE COMPANY, INCLUDING, WITHOUT LIMITATION, THE RIGHT TO SUE THE COMPANY IN FEDERAL OR STATE COURT FOR AGE DISCRIMINATION. THE EXECUTIVE FURTHER ACKNOWLEDGES THAT THE EXECUTIVE: (1) DOES NOT WAIVE ANY CLAIMS OR RIGHTS THAT MAY ARISE AFTER THE DATE THE AGREEMENT IS EXECUTED; (2) WAIVES CLAIMS OR RIGHTS ONLY IN EXCHANGE FOR CONSIDERATION IN ADDITION TO ANYTHING OF VALUE TO WHICH THE EXECUTIVE IS ALREADY ENTITLED; (3) IS AND HAS BEEN ADVISED BY THE COMPANY IN WRITING OF THE EXECUTIVE'S RIGHT TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE; AND (4) AGREES THAT THIS AGREEMENT IS WRITTEN IN A MANNER CALCULATED TO BE UNDERSTOOD BY THE EXECUTIVE, AND THE EXECUTIVE, IN FACT, UNDERSTANDS THE TERMS, CONTENTS, CONDITIONS, AND EFFECTS OF THIS AGREEMENT, AND HAS ENTERED INTO THIS AGREEMENT KNOWINGLY AND VOLUNTARILY.**

(c) Anything herein to the contrary notwithstanding, this Agreement does not constitute a release nor a waiver of the Executive's right to file a charge or complaint with or participate, testify, or assist in any investigation, hearing, or other proceeding before any federal, state, or local government agency (e.g., EEOC, NLRB, SEC) or in any legislative or judicial proceeding nor does anything in this Agreement preclude, prohibit or otherwise limit, in any way, Executive's rights and abilities to contact, communicate with or report unlawful conduct to federal, state, or local officials for investigation or participate in any whistleblower program administered by any such agencies. However, to the maximum extent permitted by law, Executive agrees that if such an administrative claim is made, Executive shall not be entitled to recover any individual monetary relief or other individual remedies.

(d) If any claim is not subject to release, to the extent permitted by law, Executive waives any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which the Company or any other Releasee identified in this Agreement is a party.

(e) The Executive acknowledges that the payments contemplated by Section 2 include consideration which the Executive would not be entitled to receive but for the Executive's execution and non-revocation of this Agreement. Failure by Executive to timely execute, return and not-revoke this Agreement relieves the Company of the obligation to make the payments due to Executive pursuant to Paragraph 2 of this Agreement and the Plan.

(f) The Executive states that the Executive has not filed or joined in any complaints, charges, lawsuits, or proceedings of any kind against the Company or any of the other Releasees. By signing this Agreement, Executive agrees not to sue the Company and/or any of the Releasees for anything which has been released pursuant to the Agreement.

(g) Nothing in this Agreement is meant to suggest, nor should the Agreement be construed as an admission, that the Company or any of the other Releasees have violated any law, contract, policy, or practice, or that the Executive has any claim against the Company or any of the other Releasees and any such liability is expressly denied.

7. <u>Power of Attorney</u>. The Company hereby revokes any and all powers of attorney the Company or any subsidiary thereof may have granted the Executive during the Executive's employment with the Company.

8. <u>Non-Disparagement</u>. Executive agrees to refrain from making statements that are disparaging or defamatory about Releasees, or Releasees' customers, suppliers, or vendors, including but not limited to communications on social media websites such as Facebook, Twitter, LinkedIn, or Glassdoor on blogs, by text or email or other electronic means.

9. <u>Affirmations.</u>

(a) Executive affirms that he has no known workplace injuries or occupational diseases.

(b) Executive also affirms that he has not divulged any proprietary or confidential information of the Company and will continue to maintain the confidentiality of such information consistent with the Company's policies and Executive's agreement(s) with the Company and/or common law.

(c) Executive further affirms that Executive has not reported internally to the Company any allegations of wrongdoing by the Company or its officers, including any allegations of corporate fraud, and Executive has not been retaliated against for reporting any such allegations internally to the Company.

10. Expenses and Insurance. With respect to services provided by the Executive to the Departure Date and pursuant to this Agreement, the Company shall (a) reimburse Executive for reasonable business expenses incurred in the performance of Executive's services, (b) maintain Director and Officer insurance coverage for the Executive consistent with that provided to other Company directors and officers, and (c) provide Executive with full indemnification as permitted by the Company's by-laws.

11. Taxes. All payments made herein or the value of all property transferred to Executive hereunder shall be subject to applicable payroll and withholding taxes. The Plan, this Agreement, and the payments hereunder shall be construed and administered in a manner that satisfies an exemption from, or is compliant with, Section 409A of the Internal Revenue Code. The parties agree to amend the Agreement as may be necessary to avoid application of Code Section 409A excise taxes or penalties to payments made pursuant to this Agreement. Notwithstanding the foregoing, no provision of the Plan or this Agreement shall be construed to require the Company to provide any gross-up for the tax consequences under Code Section 409A of any provisions of, or payments under, this Agreement, and the Company shall have no responsibility for tax consequences under Code Section 409A to Executive resulting from the terms or operation of the Plan or this Agreement.

12. Severability. In the event any one or more of the provisions of this Agreement (or any part thereof) shall for any reason be held to be invalid, illegal or unenforceable, the remaining provisions of this Agreement (or part thereof) shall be unimpaired, and the invalid, illegal or unenforceable provision (or part thereof) shall be replaced by a provision (or part thereof), which, being valid, legal and enforceable, comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provisions. However, in the event that any such provision of this Agreement (or part thereof) is adjudged by a court of competent jurisdiction to be invalid, illegal or unenforceable, but that the other provisions (or part thereof) are adjudged to be valid, legal and enforceable if such invalid, illegal or unenforceable provision (or part thereof) were deleted or modified, then this Agreement shall apply with only such deletions or modifications, or both, as the case may be, as are necessary to permit the remaining separate provisions (or part thereof) to be valid, legal and enforceable.

13. Governing Law. This Agreement shall be governed by the substantive laws of the State of Texas without regard to its conflict of laws provisions or the laws of any other jurisdiction in which the Executive resides or performs any duties hereunder, or where any violation of the Agreement occurs.

14. Successors; Binding Agreement; Notices. The Company shall have the right to assign its obligations under this Agreement to any entity that acquires all or substantially all of the

assets of the Company and continues the Company’s business. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the Company and its successors and assigns. The Executive may not assign the Executive’s rights or delegate the Executive’s obligations hereunder. Except as otherwise set forth under Section 15, all notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows: If to the Executive, at the most recent address on file at the Company. If to the Company, to CECO Environmental Corp.; 14651 North Dallas Parkway, Suite 500; Dallas, Texas, 75254; Attention: Chief Legal Officer.

15.Amendment; Waiver. This Agreement may be amended or modified only by a written instrument executed by the Company and the Executive. No provision of this Agreement may be waived or discharged unless such waiver or discharge is in writing and signed by the Chief Executive Officer of the Company. Any failure by Executive or the Company to enforce any of the provisions of this Agreement shall not be construed to be a waiver of such provisions or any right to enforce each and every provision in the future. A waiver of any breach of this Agreement shall not be construed as a waiver of any other or subsequent breach.

16.Time Period for Enforceability/Revocation of Agreement. The Company's obligation to pay the amounts set forth in Section 2 and provide any other benefits described in this Agreement is contingent upon the Executive executing and returning this Agreement to the Company. The Executive may take up to sixty (60) days after the Departure Date, or if longer, up to twenty-one (21) day after the Executive has been provided this Agreement after the Departure Date (such longer period, the “Consideration Period”) to consider this Agreement prior to executing it. The Executive may sign this Agreement at any time during the Consideration Period, except that the Executive may not sign this Agreement prior to the Departure Date. Any changes made to this Agreement after presentation to the Executive will not restart the running of the Consideration Period. After executing this Agreement, the Executive shall have seven (7) calendar days during which time the Executive may revoke the Executive’s consent to this Agreement by given written or electronic notification of the decision to revoke to the Company. This Agreement will not become effective or enforceable, and the payments and benefits described herein shall not become due, until such revocation period has expired and the Executive has not delivered a written or electronic notice of revocation.

17.Notice of Revocation. Any notice of revocation to be given pursuant to the foregoing paragraph shall be sent in writing by email or facsimile transmission to: Lynn Watkins-Asiyanbi, Senior Vice President, Chief Administrative and Legal Officer, Corporate Secretary at lwatkins@OneCECO.com or via fax at (214) 351-4172. The Executive understands and acknowledges that the Executive will not receive any monies or benefits pursuant to this Agreement except upon the execution and non-revocation of this Agreement, and the fulfillment of the promises contained herein. The Effective Date of this Agreement shall be the eighth day after which Executive timely signs this Agreement provided he has not revoked his signature.

18.Counterparts. This Agreement may be signed in counter-parts (meaning by the Executive and the Company separately) and that facsimile, copy or PDF copy signatures shall be treated as just as valid as original signatures.

THE COMPANY AND THE EXECUTIVE ACKNOWLEDGE THAT (A) EACH HAS CAREFULLY READ THIS AGREEMENT, (B) EACH UNDERSTANDS ITS TERMS, (C) ALL UNDERSTANDINGS AND AGREEMENTS BETWEEN THE COMPANY AND THE EXECUTIVE RELATING TO THE SUBJECTS COVERED IN THE AGREEMENT ARE CONTAINED IN IT, AND (D) EACH HAS ENTERED INTO THIS AGREEMENT VOLUNTARILY AND NOT IN RELIANCE ON ANY PROMISES OR REPRESENTATIONS BY THE OTHER, OTHER THAN THOSE CONTAINED IN THIS AGREEMENT ITSELF.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

Ramesh Nuggihalli	**CECO Environmental Corp.**
	By /s/ Todd Gleason
/s/ Ramesh Nuggihalli	Todd Gleason
Signature of Executive	Chief Executive Officer
8/22/2023	8/21/2023
Date	Date

OMITTED SCHEDULE

EXHIBIT A: Accelerated RSUs

EXECUTIVE SEPARATION AGREEMENT AND RELEASE

THIS EXECUTIVE SEPARATION AGREEMENT AND RELEASE (the “Agreement”) by and between CECO Environmental Corp. (the “Company”) and Paul Gohr (the “Executive”) is made as of September 1, 2023 (the “Effective Date”).

WHEREAS, the Company has decided to terminate the Executive’s employment as the Company’s Chief Accounting Officer, and the Company and the Executive have mutually agreed to the following satisfactory severance arrangements.

NOW, THEREFORE, in consideration of this mutual Agreement, the Company and the Executive hereby agree as follows:

1. Departure. Executive’s duties as Chief Accounting Officer shall conclude on September 1, 2023 (the “Departure Date”) and Executive’s employment with the Company shall cease on the Departure Date. The Company shall be deemed to have satisfied the notice requirements for a termination of the Executive’s employment to be effective as of the Departure Date under Section 4(a) of the Company’s Executive Change in Control Severance Plan (the “Plan”) with effective date March 3, 2023 (a copy attached hereto) in which the Executive is a Participant (as defined in the Plan). For the avoidance of doubt, Executive was not approved as a Participant in the Company’s Amended and Restated Executive Change in Control Severance Plan that became effective July 6, 2023.

2. Departure Payments. The Company will provide the Executive with the following compensation, provided, in the case of paragraphs (b)-(f), that the Executive has timely executed and not revoked the Release (as defined in Section 6 of this Agreement) and provided further that the Executive does not violate Section 5 of this Agreement:

(a) The Company will pay the Executive, in a lump sum in cash within 30 days after the Departure Date, the Executive’s annual base salary earned through the Departure Date to the extent not theretofore paid, less applicable withholding taxes and other deductions required by applicable law or authorized by the Executive.

(b) The Company will pay the Executive One Hundred Twenty-Four Thousand Eight Hundred Dollars ($124,800) in a lump sum in cash, less applicable withholding taxes and other deductions required by applicable law or authorized by the Executive, representing 26 weeks of the Executive’s base salary as of the Departure Date, which amount will be paid to the Executive as soon as practicable (but no later than 74 days) following the Departure Date.

(c) The Company will pay the Executive a lump sum amount equal to Twenty Thousand Dollars ($20,000), less applicable withholding taxes and other deductions required by applicable law or authorized by the Executive, to enable the Executive to obtain executive-level outplacement services, the Company will pay this amount to the Executive as soon as practicable (but no later than 74 days) following the Departure Date.

(d) If the Executive timely elects continuation coverage under the Company’s health, dental and vision plans pursuant to the Consolidated Omnibus Budget

Reconciliation Act of 1985 (COBRA), the Company will pay to the insurance carrier for the Executive's benefit the Company's subsidy toward the cost of medical coverage for similarly situated active executives enrolled in the same coverage in which the Executive was enrolled at the time of the Departure Date for a period not to exceed 6 months from the Departure Date. The total lump sum for six months would be $14,362.44 for medical, dental, vision for the plan Executive was enrolled in at the time of the Departure Date (Employee plus Family). The Company's payment of such subsidy will be treated as a taxable payment to the Executive.

(e) Provided the Company determines in good faith that Executive has fulfilled all of the Executive's transition duties, the Company shall pay to the Executive a lump sum cash amount equal to (i) the product obtained by multiplying (A) the full year annual bonus that the Executive would have earned had the Executive remained employed through the end of the fiscal year in which the Departure Date occurs, assuming target performance under the applicable performance targets has been met, by (B) a fraction, the numerator of which is the total number of days that have elapsed during the fiscal year through the Departure Date and the denominator of which is 365 less (ii) applicable withholding taxes and other and other deductions required by applicable law or authorized by the Executive. The amount, calculated to be $66,473 (gross), will be payable as soon as practicable (but no later than 74 days) following the Departure Date.

(f) In lieu of and notwithstanding the default treatment set forth in the award agreements applicable to the service-based restricted stock unit awards granted to the Executive in 2020, 2021 and 2022 that remain unvested and outstanding as of the Departure Date (the "RSUs"), as set forth on Exhibit A, such RSUs shall accelerate and be deemed vested as of the Departure Date, and shall be settled in shares not later than March 15, 2024.

3. Obligations of Executive at Departure. Executive hereby resigns as an officer or director of any subsidiaries of the Company or any other position held with the Company or its subsidiaries effective as of the Departure Date and represents and warrants that Executive will, on or before the Departure Date, execute such documentation as the Company deems necessary with respect to such resignations. Executive further represents and warrants that Executive will, on or before such date, deliver to the Company the original and all copies of all documents, records, and property of any nature whatsoever which are in Executive's possession or control and which are the property of the Company or which relate to Confidential Information (as described below), or to the business activities, facilities, employees, vendors, suppliers or customers of the Company, including any records (electronic or otherwise), documents or property created by the Executive, and shall permanently delete (and not retain copies of) any such records maintained on the Executive's personal devices.

4. Other Agreements. Except as provided below, this Agreement constitutes the entire agreement between the Company and the Executive with respect to the matters addressed herein, including but not limited to the Executive's termination of employment from the Company, and it fully supersedes any and all prior agreements or understandings, written or oral, including any notice periods contained therein, between the Executive and the Company, including, but not limited to, the Plan, except that:

(a) This Agreement does not affect the restrictive covenants set forth in Section 9 of the Plan, which shall remain in effect as binding obligations in accordance with their terms.

(b) This Agreement does not limit or restrict in any way Executive's existing rights or obligations under the Company's employee benefit plans (other than the Plan), including any retirement plan, retirement savings plan, or group medical plan.

5. Restrictive Covenants. The Executive acknowledges and agrees to comply with the restrictive covenants set forth in Section 9 of the Plan.

6. Release. In accordance with Section 8(a) of the Plan:

(a) In consideration of the promises and covenants made herein, the Executive, for the Executive, the Executive's heirs, executors, administrators, successors and assigns, does hereby RELEASE, ACQUIT AND FOREVER DISCHARGE the Company, and each of its parents, subsidiaries, related and affiliated corporations or other entities, and each of their respective present or former officers, directors, shareholders, employees, agents, representatives, successors and assigns (all of whom are hereinafter collectively referred to as "Releasees") from any and all claims, demands, causes of action and liabilities of any kind or character, accrued or to accrue hereafter, which the Executive ever had, now has or may hereafter have against Releasees, through the Departure Date, arising out of any act, omission, statement, representation, transaction or occurrence, including, without limitation, those related to the Executive's employment by the Company or the termination thereof. Without limiting the generality of the foregoing, it is understood and agreed that this Release constitutes a release of any claim or cause of action: (i) for breach of any employment, commission or other agreement existing between the Executive and the Company, all of which are hereby acknowledged to have terminated, except as otherwise stated herein; or (ii) otherwise related, in any way, to the Executive's employment by the Company, including the termination thereof, and includes, without limitation, claims under any of the following, as amended: Title VII of the Civil Rights Act of 1964; the Americans with Disabilities Act of 1990; the Age Discrimination in Employment Act; the Older Workers Benefit Protection Act; the Equal Pay Act; the Anti-Retaliation provision of the Texas Workers Compensation Act; the Fair Labor Standards Act; the Texas Pay Day Law; the Texas Labor Code; the Ohio Civil Rights Act (OCRA) (R.C. 4112.01 to 4112.99); the Ohio Whistleblowers' Protection Act (R.C. 4113.51 to 4113.53); the Ohio Minimum Fair Wage Standards Act (R.C. 4111.01 to 4111.99); Ohio's equal pay statute (R.C. 4111.17); Ohio's Miscellaneous Labor Provisions (R.C. 4113.01 to 4113.99) Ohio's workers' compensation retaliation statute (R.C. 4123.90); the Family and Medical Leave Act; the Occupational Safety and Health Act; the National

Labor Relations Act; the Fair Credit Reporting Act; the Rehabilitation Act; the Employee Retirement Income Security Act of 1974 (ERISA); the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA); the Sarbanes-Oxley Act of 2002; the Employee Polygraph Protection Act; the Financial Institutions Reform, Recovery and Enforcement Act; the Uniform Services Employment and Reemployment Rights Act of 1994; and any other state or federal statute or regulation governing the employment relationship or the Executive's rights, or the Company's obligations, in connection therewith. This release also includes a release of any claim or right to further wages, compensation, benefits, damages, penalties, attorneys' fees, costs, or expenses of any kind from the Company or any of the other Releasees, except as provided for in this Agreement. This release also constitutes a release of any claim or cause of action for invasion of privacy, intentional or negligent infliction of emotional distress, wrongful termination, promissory estoppel, false imprisonment, defamation, negligence, gross negligence, breach of contract, libel or slander, tortious interference with contract or business relationship, misrepresentation, deceptive trade practices, fraud, and any employment-related claims, or for any personal injuries, however characterized, or by virtue of any fact(s), act(s) or event(s) occurring prior to the date of this Agreement. This release covers both claims that the Executive knows about and those the Executive may not know about.

(b) **THE EXECUTIVE UNDERSTANDS THAT BY SIGNING AND NOT REVOKING THIS RELEASE, THE EXECUTIVE IS WAIVING ANY AND ALL RIGHTS OR CLAIMS WHICH THE EXECUTIVE MAY HAVE UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT AND/OR THE OLDER WORKERS BENEFIT PROTECTION ACT ("OWBPA") FOR AGE DISCRIMINATION ARISING FROM EMPLOYMENT WITH THE COMPANY, INCLUDING, WITHOUT LIMITATION, THE RIGHT TO SUE THE COMPANY IN FEDERAL OR STATE COURT FOR AGE DISCRIMINATION. THE EXECUTIVE FURTHER ACKNOWLEDGES THAT THE EXECUTIVE: (1) DOES NOT WAIVE ANY CLAIMS OR RIGHTS THAT MAY ARISE AFTER THE DATE THE AGREEMENT IS EXECUTED; (2) WAIVES CLAIMS OR RIGHTS ONLY IN EXCHANGE FOR CONSIDERATION IN ADDITION TO ANYTHING OF VALUE TO WHICH THE EXECUTIVE IS ALREADY ENTITLED; (3) HAS BEEN ADVISED BY THE COMPANY IN WRITING OF THE EXECUTIVE'S RIGHT TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE; AND (4) AGREES THAT THIS AGREEMENT IS WRITTEN IN A MANNER CALCULATED TO BE UNDERSTOOD BY THE EXECUTIVE, AND THE EXECUTIVE, IN FACT, UNDERSTANDS THE TERMS, CONTENTS, CONDITIONS, AND EFFECTS OF THIS**

AGREEMENT, AND HAS ENTERED INTO THIS AGREEMENT KNOWINGLY AND VOLUNTARILY.

(c) Anything herein to the contrary notwithstanding, this Agreement does not constitute a release nor a waiver of the Executive's right to file a charge or participate in an investigation or proceeding conducted by the Equal Employment Opportunity Commission, the Ohio Workforce Commission, or any other governmental agency with jurisdiction to regulate employment conditions or regulations; provided further, that the Executive does release and relinquish any right to receive any money, property, or any other thing of value, or any other financial benefit or award, as a result of any proceeding of any kind or character initiated by any such governmental agencies or organizations.

(d) The Executive acknowledges that the payments contemplated by Section 2 include consideration which the Executive would not be entitled to receive but for the Executive's execution and non-revocation of this Agreement.

(e) The Executive states that the Executive has not filed or joined in any complaints, charges, lawsuits, or proceedings of any kind against the Company or any of the other Releasees.

(f) Nothing in this Agreement is meant to suggest that the Company or any of the other Releasees have violated any law, contract, policy, or practice, or that the Executive has any claim against the Company or any of the other Releasees and any such liability is expressly denied.

7. Power of Attorney. The Company hereby revokes any and all powers of attorney the Company or any subsidiary thereof may have granted the Executive during the Executive's employment with the Company.

8. Expenses and Insurance. With respect to services provided by the Executive to the Departure Date and pursuant to this Agreement, the Company shall (a) reimburse Executive for reasonable business expenses incurred in the performance of Executive's services, (b) maintain Director and Officer insurance coverage for the Executive consistent with that provided to other Company directors and officers, and (c) provide Executive with full indemnification as permitted by the Company's by-laws.

9. Taxes. All payments made herein or the value of all property transferred to Executive hereunder shall be subject to applicable payroll and withholding taxes. This Agreement shall be construed and administered in compliance with Section 409A of the Internal Revenue Code. The parties agree to amend the Agreement as may be necessary to avoid application of Code Section 409A excise taxes or penalties to payments made pursuant to this Agreement.

10. Severability. In the event any one or more of the provisions of this Agreement (or any part thereof) shall for any reason be held to be invalid, illegal or unenforceable, the remaining provisions of this Agreement (or part thereof) shall be unimpaired, and the invalid, illegal or unenforceable provision (or part thereof) shall be replaced by a provision (or part

thereof), which, being valid, legal and enforceable, comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provisions. However, in the event that any such provision of this Agreement (or part thereof) is adjudged by a court of competent jurisdiction to be invalid, illegal or unenforceable, but that the other provisions (or part thereof) are adjudged to be valid, legal and enforceable if such invalid, illegal or unenforceable provision (or part thereof) were deleted or modified, then this Agreement shall apply with only such deletions or modifications, or both, as the case may be, as are necessary to permit the remaining separate provisions (or part thereof) to be valid, legal and enforceable.

11.Governing Law. This Agreement shall be governed by the substantive laws of the State of Texas without regard to its conflict of laws provisions or the laws of any other jurisdiction in which the Executive resides or performs any duties hereunder, or where any violation of the Agreement occurs.

12.Successors; Binding Agreement; Notices. The Company shall have the right to assign its obligations under this Agreement to any entity that acquires all or substantially all of the assets of the Company and continues the Company’s business. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the Company and its successors and assigns. The Executive may not assign the Executive’s rights or delegate the Executive’s obligations hereunder. Except as otherwise set forth under Section 15, all notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows: If to the Executive, at the most recent address on file at the Company. If to the Company, to CECO Environmental Corp.; 14651 North Dallas Parkway, Suite 500; Dallas, Texas, 75254; Attention: Chief Legal Officer.

13.Amendment; Waiver. This Agreement may be amended or modified only by a written instrument executed by the Company and the Executive. No provision of this Agreement may be waived or discharged unless such waiver or discharge is in writing and signed by the Chief Executive Officer of the Company. Any failure by Executive or the Company to enforce any of the provisions of this Agreement shall not be construed to be a waiver of such provisions or any right to enforce each and every provision in the future. A waiver of any breach of this Agreement shall not be construed as a waiver of any other or subsequent breach.

14.Time Period for Enforceability/Revocation of Agreement. The Company's obligation to pay the amounts set forth in Section 2 and provide any other benefits described in this Agreement is contingent upon the Executive executing and returning this Agreement to the Company. The Executive may take up to sixty (60) days after the Departure Date, or if longer, up to twenty-one (21) day after the Executive has been provided this Agreement (such longer period, the “Consideration Period”) to consider this Agreement prior to executing it. The Executive may sign this Agreement at any time during the Consideration Period, except that the Executive may not sign this Agreement prior to the Departure Date. Any changes made to this Agreement after presentation to the Executive will not restart the running of the Consideration Period. After executing this Agreement, the Executive shall have seven (7) days during which time the Executive may revoke the Executive’s consent to this Agreement by given written or electronic notification of the decision to revoke to the Company. This Agreement will not become effective or enforceable, and the payments and benefits described herein shall not become due, until such revocation period has expired and the Executive has not delivered a written or electronic notice of revocation.

15. Notice of Revocation. Any notice of revocation to be given pursuant to the foregoing paragraph shall be sent by email or facsimile transmission to: Lynn Watkins-Asiyanbi, Senior Vice President, Chief Administrative and Legal Officer, Corporate Secretary at lwatkins@OneCECO.com or via fax at (214) 351-4172. The Executive understands and acknowledges that the Executive will not receive any monies or benefits pursuant to this Agreement except upon the execution and non-revocation of this Agreement, and the fulfillment of the promises contained herein.

16. Counterparts. This Agreement may be signed in counter-parts (meaning by the Executive and the Company separately) and that facsimile, copy or PDF copy signatures shall be treated as just as valid as original signatures.

THE COMPANY AND THE EXECUTIVE ACKNOWLEDGE THAT (A) EACH HAS CAREFULLY READ THIS AGREEMENT, (B) EACH UNDERSTANDS ITS TERMS, (C) ALL UNDERSTANDINGS AND AGREEMENTS BETWEEN THE COMPANY AND THE EXECUTIVE RELATING TO THE SUBJECTS COVERED IN THE AGREEMENT ARE CONTAINED IN IT, AND (D) EACH HAS ENTERED INTO THIS AGREEMENT VOLUNTARILY AND NOT IN RELIANCE ON ANY PROMISES OR REPRESENTATIONS BY THE OTHER, OTHER THAN THOSE CONTAINED IN THIS AGREEMENT ITSELF.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

Paul Gohr	**CECO Environmental Corp.**
/s/ Paul Gohr Signature of Executive	By /s/ Todd Gleason Todd Gleason Chief Executive Officer
9/1/2023 Date	9/1/2023 Date

OMITTED SCHEDULE

EXHIBIT A: Accelerated RSUs

Exhibit 31.1

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

I, Todd Gleason, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Todd Gleason

Todd Gleason
Chief Executive Officer

Date: November 7, 2023

Exhibit 31.2

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

I, Peter Johansson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CECO Environmental Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Peter Johansson
Peter Johansson
Chief Financial and Strategy Officer

Date: November 7, 2023

Exhibit 32.1

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

In connection with the Quarterly Report of CECO Environmental Corp. (the “Company”) on Form 10-Q for the nine month period ended September 30, 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. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

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

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

/s/ Todd Gleason

Todd Gleason
Chief Executive Officer

Date: November 7, 2023

Exhibit 32.2

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

In connection with the Quarterly Report of CECO Environmental Corp. (the “Company”) on Form 10-Q for the nine month period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter Johansson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

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

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

/s/ Peter Johansson

Peter Johansson
Chief Financial and Strategy Officer

Date: November 7, 2023