





### **HVAC**

Our HVAC segment offers package cooling towers, commercial and industrial refrigeration products, residential and commercial boilers, and comfort heating solutions. The combination of our leading brands and our focus on innovating to meet our customers' expanding needs enables us to deliver high-value-added products in commercial, industrial, and residential markets.



MARLEY >

# DETECTION & MEASUREMENT

Our Detection & Measurement segment provides specialized underground location and inspection equipment, transportation solutions, aids to navigation, and communication technologies products. We have market-leading brands, with scalable platforms and technologies. Our value-creating solutions make people's lives easier and safer, and enable our customers to be more efficient.



# SHAREHOLDERS,

2021 was another exciting year for SPX Corporation. We continued to execute on our value creation road map, introduced several new products, closed on three strategic acquisitions, and completed the sale of our largest business to focus on our highest growth platforms. We progressed on our digital and continuous improvement programs, continued to invest in and develop our people, and advanced our Diversity & Inclusion initiatives.

I am very proud of our team for the resilience they continue to demonstrate in the face of challenges related to the ongoing pandemic. Their hard work and dedication have brought us to the position of strength we are in today. We entered 2022 with an exceptionally strong backlog and balance sheet supporting our growth plans. We have a long runway for continued organic growth, a pipeline of attractive acquisition opportunities, and a strong team to continue executing at high levels.

During 2021, we simplified and strengthened our business model starting with the sale of SPX Transformer Solutions. The transaction brought us from three segments to two segments, and increased our segment margins and overall growth potential, while freeing up substantial investment capital.

In our Detection & Measurement and HVAC segments, we continued to make significant progress on our value creation journey with both organic and inorganic investments. We also advanced our continuous improvement and digital initiatives, while working hard to manage the complexities of supply chain and labor challenges affecting production and delivery across the worldwide economy.

In our HVAC segment, our cooling platform expanded its MH Fluid Cooler line to meet an even more diverse

range of uses, including water source and geothermal heat pumps, water-cooled VRF (variable refrigerant flow), and numerous other applications. In December, we completed the purchase of Cincinnati Fan, leveraging our extensive technical expertise and commercial infrastructure to establish a foundation for additional growth in the attractive engineered air quality market.

In our HVAC Heating platform, our Weil-McLain Eco® Tec premium residential gas boiler was recognized with a Dealer Design Award for high-efficiency residential HVAC equipment, while our Marley Engineered Products business continued to gain traction with our in-floor convector designs and SmartSeries® Plus digital touchscreens.

In our Detection & Measurement segment, our Location & Inspection platform continued to drive strong growth in global demand for our location products. We also introduced innovative solutions to improve efficiency and safety for our end-market utility customers, including new approaches to resolving unintended intersections between different underground utility assets, ("cross-bore") as well as less invasive and safer robotic approaches to roadwork in high-traffic areas.

We further extended our Aids-to-Navigation (AtoN) platform with the acquisition of Sealite and Avlite,

#### 2021 WAS ANOTHER EXCITING YEAR FOR SPX

"During 2021 we simplified and strengthened our business model, increased our segment-margin, and continued to make sustainable progress on our value creation journey."



leaders in marine and airfield lighting, solidifying our leadership in this attractive growth market. We also purchased Enterprise Control Systems Ltd ("ECS"), our first acquisition within the growing Communication Technologies market, extending our position in RF Technologies.

We maintained our focus on the advancement of our culture and people initiatives in 2021. Our Diversity, Equity & Inclusion program continued to progress and add value from the Boardroom to the shop floor. We also made considerable strides in continuous improvement initiatives as we implemented rigorous new processes to identify and drive additional efficiency improvements across our company, including in sourcing and manufacturing.

SPX also continued to extend our progress on ESG initiatives, and remains well-positioned to thrive in a world where the Paris Accord becomes reality, and society requires low-impact solutions to sustainably manage and maintain critical infrastructure.

Today SPX is stronger and better positioned than at any other time during my tenure as CEO. Looking forward, I remain very excited about our opportunities for further growth. We will continue to leverage our business system to manage through ongoing logistical challenges, and will maintain our unrelenting focus on continuous improvement. We see significant potential for further value creation by investing in new products, including digital solutions that increase the efficiency and effectiveness of our customers, and in our people who are the foundation of our success.

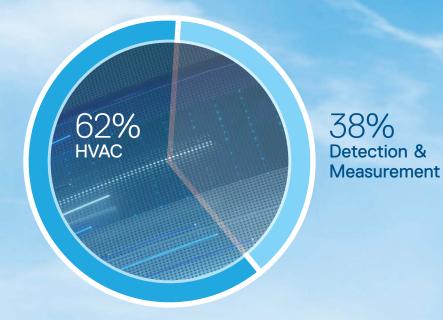
I am very proud of what we have accomplished, and pleased with our momentum and direction as a company, and as a team. I would like to thank you, our shareholders, for your support, and your valuable feedback, which helps guide our journey. I am confident that we have the right team and the right resources in place to continue generating substantial value for years to come.

C.9.

**GENE LOWE**President and Chief Executive Officer

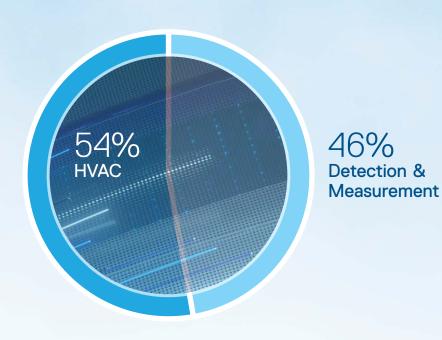


\$1.22B



Adjusted Segment Income\*

\$201M



# Focused, Market Leading Growth Platforms



# Detection & Measurement (~\$467M)<sup>®</sup>

#### Location & Inspection

- RADIODETECTION CUES ULC TECHNOLOGIES
- SENSORS & SOFTWARE SCHONSTEDT







#### Aids to Navigation

■ FLASH TECHNOLOGY ■ SABIK MARINE ■ SEALITE/AVLITE







#### CommTech/Transportation

■ TCI ■ ENTERPRISE CONTROL SYSTEMS ■ GENFARE







# 22B

- High replacement revenue (~70%)
- Mandated/spec driven markets
- Less cyclical/ capital intensive
- Diverse end markets

# Growth St

# Organic Growth

A key part of our growth strategy is continually increasing the value we provide to customers through innovative new products, services, and channels, and building on our successes to expand our growth potential. This approach was evident in many of our achievements in 2021.

In our HVAC segment, our heating platform continued to see strong traction with our high-efficiency boilers, including both commercial and residential lines. In our cooling platform, we further penetrated closed loop commercial and industrial cooling applications with recent product introductions.

In our Detection & Measurement segment, our Location & Inspection platform continued to deliver intelligent solutions for maintaining and remediating critical underground infrastructure with greater safety and efficiency, and with less environmental disruption. Within our Aids-to-Navigation platform, we continued to see the benefits of integrating our marine lighting businesses, which allowed us to serve customers across a broader range of geographies and market applications. Additionally, our Communication Technologies (CommTech) platform continued to provide innovative high-tech solutions to growing security challenges around the world.



The Marley® MH Fluid Cooler is one of the most energy-efficient solutions for closed loop industrial and HVAC applications, delivering consistent, reliable cooling with low power usage.



Weil-McLain's Eco®Tec: An award-winning premium residential gas boiler, the Eco®Tec is highly efficient, and easy to install and service.

ULC's All Electric Roadwork and Excavation System: Innovating high-tech solutions for managing and maintaining critical infrastructure with a low environmental impact and low labor requirements.



Sabik Marine's Aids-to-Navigation (AtoN): SPX's

and locate potential threats globally.

TCI's Modular COMINT Platform: Helps identify

# rategy

# Acquisitions



Cincinnati Fan (December 2021): Provides a strong foundation for further expansion in the attractive engineered air quality market.

Using our attractive business platforms as a foundation for strategic acquisitions allows us to compound our growth by continually broadening our future opportunities. In 2021, we completed three acquisitions that illustrate the success of this approach.

In our HVAC segment, we acquired Cincinnati Fan, a leader in engineered air quality solutions, including blowers and critical exhaust systems. The acquisition is highly complementary to our existing HVAC cooling platform and provides a strong foundation for further expansion in this attractive end market.

In our Detection & Measurement segment, we continued building on our successful Aids-to-Navigation ("AtoN") platform, with the purchase of Sealite/Avlite, a leading Australia-based provider of marine and airfield ground lighting solutions. The combination significantly strengthened SPX's AtoN distribution in the Asia Pacific region, while further extending our technology and solutions to the attractive airfield lighting market.

We also made our first acquisition in our Communication Technologies (CommTech) platform with the purchase of Enterprise Control Systems ("ECS"). ECS's expertise in encrypted data link systems and RF countermeasures is highly complementary to the high-value RF monitoring, detect, and locate capabilities of our TCI business, and provides a strong platform to further grow our position in RF technologies.

Enterprise Control Systems (August 2021): ECS's highly engineered tactical datalinks and radio frequency (RF) countermeasures extend our position in communications intelligence, or COMINT, solutions. Sealite/Avlite (April 2021): Further strengthens SPX's AtoN position in marine obstruction and expands the platform to airfield ground lighting.





# Value Drive



Enabling our customers to become more efficient, safer, and productive is at the heart of our Digital initiatives. At SPX we constantly look for new ways to use software, data capture, and analysis tools in conjunction with our world-class hardware to help people work smarter.

We continue to advance this mission, with the utmost focus on security and data privacy, building on the success of such products as our Genfare Link complete transit-fare management solution and CUES GraniteNet, a next-generation infrastructure inspection and decision support software for water, wastewater, stormwater, and municipal public works asset management. In 2021, our HVAC Cooling platform introduced a new product specification tool called CoolSpec™, which represents a significant leap forward in ease and optimization of the cooling equipment selection process. Like our other digital tools, we believe CoolSpec will help us win additional share in our end markets and improve the value proposition of our highly engineered solutions.

FEATURED ABOVE, LEFT TO RIGHT:

SPX Cooling Technologies'
CoolSpec™ software is an
intuitive tool that helps
customers select and
compare cooling products
faster and easier than ever
before.

The Genfare Link transitfare management system modernizes riders' experiences while providing municipal authorities with valuable insights and analysis to help efficiently manage their networks.

CUES GraniteNet next-generation software provides infrastructure inspection and decision support for underground utility asset management.

# Continuous Improvement



Continuous improvement is part of the SPX way of doing business. (SPX Cooling Technologies pictured)

Getting better all the time is core to the SPX way of doing business. From the way we conduct executive meetings to the way we manage the shop floor, we constantly ask ourselves how we can do things faster, better, more accurately, and more efficiently. Sometimes this takes the form of investing in technology. Sometimes it means revisiting long-held habits, processes, and ways of thinking.

SPX has continued to invest in continuous improvement across our enterprise, rolling out additional tools and training, and using Lean and 80/20 as the backbone of our program. While the pandemic has tested all of us to try new approaches to collaboration, planning, and the execution of complex work-streams, these investments have proven invaluable to our ability to continue successfully advancing our value creation initiatives.



# People & Culture

SPX employees participate in a volunteer event to prepare food packages for Feed My Starving Children, a charity focused on providing food aid for the neediest children around the world.





# At SPX, we remain focused on our core values of **Integrity**, **Accountability**, **Excellence**, **Teamwork**, and **Results**.

Our people and culture are the foundation of our success as a company. At SPX we strive to build a strong culture where everyone has a voice, and all voices matter. To enable success, we invest in our people to help them acquire the skills needed to grow and develop. We believe motivated employees thrive in an environment where they are recognized and rewarded, and see a clear path for advancement.

RiSE, our talent management framework, helps SPX to Reach, Identify, Strengthen, and Engage our workforce. Our initiatives include a wide array of activities ranging from technical skill building, leadership development, employee mentoring programs, and community engagement.

We are committed to embracing diversity to build a culture of inclusion at SPX. In 2021, we formalized this commitment in our DE&I (diversity, equity, and inclusion) statement and charter:

Valuing different backgrounds, experiences, and opinions is the right thing to do and critical to our long-term success. In doing so, we grow and flourish together as individuals and as a business.

#### Our objectives:

- Cultivate a culture of engagement, and belonging, where everyone is treated with dignity and respect
- Create an environment where we value diverse opinions and everyone feels safe to respectfully voice their view
- Achieve diversity throughout the company, reflective of the markets and communities in which we operate
- Build a reputation for attracting, developing, and advancing talented individuals with diverse backgrounds and experiences

We are committed to challenge ourselves, openly communicate, and strive to improve every day. We will measure our progress through holding ourselves accountable to take action and to continuously improve our employees' experience. We will continue to live our core values, which encompass diversity and inclusion, to ensure that SPX is Building the People that Build the World.

#### Key DE&I actions taken throughout the year include:

- **Engagement:** Gathered feedback from our teams through our annual Global Employee Survey, senior leader listening sessions, and all-hands meetings to ensure we focus on impactful actions;
- **Education & Training:** Trained 500+ people leaders on DE&I practices and principles using our "Creating an Inclusive Environment" programs; and
- Focused Programs & Initiatives: Advanced our Ambassador network, increased internal communications on DE&I programs, and broadened our talent acquisition process to reach more diverse candidate pools.

# ESG

SPX believes that long-term success requires innovative, sustainable solutions and practices that address global challenges, such as the stability of the environment and promoting a fair and just society.

This year we will publish our fifth annual sustainability report, which continues to detail our ESG initiatives, as well as data on our energy and water usage, greenhouse gas emissions, waste and recycling, employee health and safety, and other factors to help our stakeholders evaluate our positioning.

Climate change poses serious risks. We believe SPX is well-positioned to thrive in a world where the Paris Accord becomes reality, and society requires low-impact solutions to sustainably manage and maintain critical infrastructure. In our HVAC segment, our cooling products reduce energy usage and greenhouse gas emissions, while our heating platform offers a broad array of high-efficiency and electrification solutions.

In our Detection & Measurement segment, our location & inspection products help prevent accidents and environmental damage in underground infrastructure, while our AtoN products enable safe travel and transport with low-energy usage, increasingly employing solar power. Our Transportation platform drives equitable mobility, and offers affordable, easy-to-access solutions for managing public transportation for both riders and transportation authorities.

SPX also believes that social and corporate responsibility are essential to our success. Our Code of Ethics and Business Conduct, and our training and educational programs help instill the highest level of ethical behavior in our people. Our corporate policies emphasize human and labor rights, promote gender and racial equality, and employee health and safety. Involvement in and support for the communities where we live and work is foundational to our culture.



#### **Annual Sustainability Reports**

SPX's commitment to sustainability remains central to our growth journey. Our Annual Sustainability Reports provide details of our energy and water usage, greenhouse gas emissions, waste and recycling data, safety metrics, and other relevant information to help our key constituents assess our progress.



# SPX

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Form 10-K

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

		FORM 10-K		
(Mark On	e)			
×	ANNUAL REPORT PUR SECURITIES EXCHAN		ON 13 OR 15(d) OF THE	
	For the fiscal year ended Dece TRANSITION REPOR' SECURITIES EXCHAN	Γ PURSUANT TO SE	ECTION 13 OR 15(d) OF THE	
	For the transition period from	to .		
	Com	mission file number: 1-694	8	
	S	SPX Corporation		
		of registrant as specified in	its charter)	
	Delaware		38-1016240	
(State or other jurisdiction of incorporation or organization)			(I.R.S. Employer Identification No.)	
		Ardrey Kell Road Suite 40 Charlotte, NC 28277 rincipal executive offices) (		
Registrant's telepho	ne number, including area code:	(980) 474-3700		
Securities registered	I pursuant to Section 12(b) of the	e Act:		
	of each class ck, Par Value \$0.01	Trading Symbol(s)  SPXC	Name of each exchange on which registered New York Stock Exchange	
Securities registered	I pursuant to Section 12(g) of the	e Act:		
		None (Title of class)		
Indicate by c Act. Yes <b>■</b> No □	•	a well-known seasoned is	suer, as defined in Rule 405 of the Securities	
Indicate by c Act. Yes □ No 🗷	_	ot required to file reports	pursuant to Section 13 or Section 15(d) of the	
Securities Exchange		ng 12 months (or for such	equired to be filed by Section 13 or 15(d) of the shorter period that the registrant was required to st 90 days. Yes $\blacksquare$ No $\square$	
Indicate by c	heck mark whether the registra	nt has submitted electronic	cally 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 and post such files). Yes 🗷 No 🗆

smaller reportin		company. See the def	ted filer, an accelerated filer, a non-acceler initions of "large accelerated filer," "accelerated of the Exchange Act.	
	Large accelerated filer	×	Accelerated filer	
	Non-accelerated filer		Smaller reporting company	
			Emerging growth company	
	plying with any new or revised fi		gistrant has elected not to used the extended standards provided pursuant to Section 130	
effectiveness of		reporting under Se	and attestation to its management's assessmention 404(b) of the Sarbanes-Oxley Act (its audit report 🗷	
Indicate b	by check mark whether the registrant	is a shell company (a	s defined in Rule 12b-2 of the Act). Yes $\Box$	No 🗷
\$2,744,821,519			affiliates of the registrant as of July 3, 2 foregoing calculation is not necessarily a c	
The n	umber of shares outstanding of the re	gistrant's common st	ock as of February 18, 2022 was 45,491,812.	
	ts incorporated by reference: Portion re incorporated by reference into Par	<u> </u>	proxy statement for its Annual Meeting to be eport on Form 10-K.	e held on

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#### PART I

#### **ITEM 1. Business**

(All currency and share amounts are in millions)

#### Forward-Looking Information

Some of the statements in this document and any documents incorporated by reference, including any statements as to operational and financial projections, constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933, as amended. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our businesses' or our industries' actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. Such statements may address our plans, our strategies, our prospects, changes and trends in our business and the markets in which we operate under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") or in other sections of this document. In some cases, you can identify forward-looking statements by terminology such as "may," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "project," "potential" or "continue" or the negative of those terms or other comparable terminology. Particular risks and uncertainties facing us include economic, business and other risks stemming from our internal operations, legal and regulatory risks, and uncertainties with respect to costs and availability of raw materials, availability of labor, pricing pressures, pension funding requirements, integration of acquisitions, and changes in the economy, as well as the impacts of the coronavirus disease (the "COVID-19" pandemic"), which is further discussed in other sections of this document. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industries or other factors, and forward-looking statements should not be relied upon as a prediction of actual results. In addition, management's estimates of future operating results are based on our current complement of businesses, which is subject to change as management selects strategic markets.

All the forward-looking statements are qualified in their entirety by reference to the risks and uncertainties discussed in this filing, including under the heading "Risk Factors," and any subsequent filing with the U.S. Securities and Exchange Commission ("SEC"), as well as in any documents incorporated by reference that describe risks, uncertainties, and other factors that could cause results to differ materially from those projected in these forward-looking statements. We caution you that these discussions of risks and uncertainties may not be exhaustive. We operate in a continually changing business environment and frequently enter into new businesses and product lines. We cannot predict these new risk factors, and we cannot assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, you should not rely on forward-looking statements as a prediction of actual results. We disclaim any responsibility, except to the extent we are legally required, to update or publicly revise any forward-looking statements to reflect events or circumstances that arise after the date of this document.

#### **Business**

SPX Corporation ("SPX", "our" or "we") was founded in Muskegon, Michigan in 1912 as the Piston Ring Company and adopted our current name in 1988. Since 1968, we have been incorporated under the laws of Delaware, and we have been listed on the New York Stock Exchange since 1972.

On September 26, 2015, we completed the spin-off to our stockholders (the "Spin-Off") of all the outstanding shares of SPX FLOW, Inc. ("SPX FLOW"), a wholly-owned subsidiary of SPX prior to the Spin-Off, which at the time of the Spin-Off held the businesses comprising our Flow Technology reportable segment, our Hydraulic Technologies business, and certain of our corporate subsidiaries.

Prior to the Spin-Off, our businesses serving the power generation markets had a major impact on the consolidated financial results of SPX. In the years leading up to the Spin-Off, these businesses experienced significant declines in revenues and profitability associated with weak demand and increased competition within the global power generation markets. Based on a review of our post-spin portfolio and the belief that a recovery within the power generation markets was unlikely in the foreseeable future, we decided coming out of the Spin-Off that our strategic focus would be on our (i) scalable growth businesses that serve the heating, ventilation and cooling ("HVAC") and detection and measurement markets and (ii) power transformer and process cooling systems businesses. As a result, we have significantly reduced our exposure to the power generation markets as indicated by the dispositions of our dry cooling and Balcke Dürr businesses during 2016. Additionally, during 2018, we initiated a plan to wind-down the SPX Heat Transfer ("Heat Transfer") business, with the wind-down completed during the fourth quarter of 2020. As a result of completing such wind-down activities, we are reporting the Heat Transfer business as a discontinued operation for all periods presented. Lastly, with its substantial completion of the remaining

scope on the large power projects in South Africa, our South African subsidiary, DBT Technologies (PTY) LTD's ("DBT"), completed wind-down activities during the fourth quarter of 2021. As a result of completing wind-down activities, we are now reporting the DBT business as a discontinued operation for all periods presented. See MD&A and Notes 1 and 4 to our consolidated financial statements for further discussion of these actions.

On February 1, 2019, we completed the acquisition of Sabik Marine ("Sabik"), primarily a manufacturer of obstruction lighting products. The post-acquisition operating results of Sabik Marine are reflected within our Detection and Measurement reportable segment.

On July 3, 2019 and November 12, 2019, we completed the acquisitions of SGS Refrigeration Inc. ("SGS") and Patterson-Kelley, LLC ("Patterson-Kelley"), respectively. SGS is a manufacturer of industrial refrigeration products, while Patterson-Kelley is a manufacturer and distributor of commercial boilers and water heaters. The post-acquisition operating results of SGS and Patterson-Kelley are reflected within our HVAC reportable segment.

On September 2, 2020 and November 11, 2020, we completed the acquisitions of ULC Robotics ("ULC") and Sensors & Software, Inc. ("Sensors & Software"), respectively. ULC is leading developer of robotic systems, mechanical learning applications, and inspection technology for the energy, utility, and industrial markets, while Sensors & Software is a manufacturer and distributor of ground penetrating radar products used for locating underground utilities, detecting unexploded ordinances, and geotechnical and geological investigations. The post-acquisition operating results of ULC and Sensors & Software are reflected within our Detection and Measurement reportable segment.

On April 19, 2021 and August 2, 2021, we completed the acquisitions of Sealite Pty Ltd and affiliated entities, including Sealite USA, LLC (doing business as Avlite Systems) and Star2M Pty Ltd (collectively, "Sealite"), and Enterprise Control Systems Ltd ("ECS"), respectively. Sealite is a leader in the design and manufacture of marine and aviation Aids to Navigation products, while ECS is a manufacturer and designer of highly-engineered tactical datalinks and radio frequency ("RF") countermeasures, including counter-drone and counter-IED RF jammers. The post-acquisition operating results of Sealite and ECS are reflected within our Detection and Measurement reportable segment.

On October 1, 2021 we completed the sale of SPX Transformer Solutions, Inc. ("Transformer Solutions") pursuant to the terms of the Stock Purchase Agreement dated June 8, 2021 with GE-Prolec Transformers, Inc. (the "Purchaser") and Prolec GE Internacional, S. de R.L. de C.V. We are reporting Transformer Solutions as a discontinued operation for all periods presented. See Notes 1 and 4 to our consolidated financial statements for further details. In connection with the disposition of Transformer Solutions and its classification as a discontinued operation, we have eliminated the Engineered Solutions reportable segment and have reflected the remaining operations of the former Engineered Solutions reportable segment within the HVAC reportable segment for all periods presented.

On December 15, 2021, we completed the acquisition of Cincinnati Fan & Ventilator Co., Inc. ("Cincinnati Fan"), a leader in engineered air movement solutions, including blowers and critical exhaust systems. The post-acquisition operating results of Cincinnati Fan are reflected within our HVAC reportable segment.

Unless otherwise indicated, amounts provided in Part I pertain to continuing operations only (see Notes 1 and 4 to our consolidated financial statements for information on discontinued operations).

We are a diversified, global supplier of infrastructure equipment serving the HVAC and detection and measurement markets. With operations in 15 countries and approximately 3,100 employees, we offer a wide array of highly engineered infrastructure products with strong brands.

HVAC solutions offered by our businesses include package and process cooling equipment, engineered air quality solutions, residential and commercial boilers, comfort heating, and ventilation products. Our market leading brands, coupled with our commitment to continuous innovation and focus on our customers' needs, enables our HVAC cooling and heating businesses to serve an expanding number of industrial, commercial and residential customers. Growth for our HVAC businesses will be driven by innovation, increased scalability, and our ability to meet the needs of broader markets.

Our detection and measurement product lines encompass underground pipe and cable locators, inspection and rehabilitation equipment, robotic systems, bus fare collection systems, communication technologies, and obstruction lighting. Our detection and measurement solutions enable utilities, telecommunication providers and regulators, and municipalities and transit authorities to build, monitor and maintain vital infrastructure. Our technology and decades of experience have afforded us a strong position in specific detection and measurement markets. We intend to expand our portfolio of specialized products through new, innovative hardware and software solutions in an attempt to (i) further capitalize on the detection and measurement markets we currently serve and (ii) expand the number of markets that we serve.

#### **Reportable Segments**

Our operating segments are aggregated into the following two reportable segments: HVAC and Detection and Measurement. The factors considered in determining our aggregated segments are the economic similarity of the businesses, the nature of products sold or services provided, production processes, types of customers, distribution methods, and regulatory environment. In determining our reportable segments, we apply the threshold criteria of the Segment Reporting Topic of the Financial Accounting Standards Board Codification ("Codification"). Operating income for our reportable segments is determined before considering impairment and special charges, long-term incentive compensation, certain other operating income/expense and other indirect corporate expenses. This is consistent with the way our Chief Operating Decision Maker evaluates the results of each segment.

#### **HVAC Reportable Segment**

Our HVAC reportable segment had revenues of \$752.1, \$740.8 and \$738.7 in 2021, 2020 and 2019, respectively, and backlog of \$226.9 and \$150.1 as of December 31, 2021 and 2020, respectively. Approximately 97% of the segment's backlog as of December 31, 2021 is expected to be recognized as revenue during 2022. The segment engineers, designs, manufactures, installs and services cooling products and engineered air quality solutions for the HVAC and industrial markets, as well as heating and ventilation products for the residential and commercial markets. The primary distribution channels for the segment's products are direct to customers, independent manufacturing representatives, third-party distributors, and retailers. The segment serves a customer base in North America, Europe, and Asia. Core brands for our cooling products include Marley, Recold, SGS and Cincinnati Fan, while our heating and ventilation products are sold under the Berko, Qmark, Fahrenheat, Leading Edge, and Patterson-Kelley brands, and our WM Technologies subsidiary sells its products under the Weil-McLain and Williamson-Thermoflo brands.

#### **Detection and Measurement Reportable Segment**

Our Detection and Measurement reportable segment had revenues of \$467.4, \$387.3 and \$384.9 in 2021, 2020 and 2019, respectively, and backlog of \$153.6 and \$89.3 as of December 31, 2021 and 2020, respectively. Approximately 71% of the segment's backlog as of December 31, 2021 is expected to be recognized as revenue during 2022. The segment engineers, designs, manufactures, services, and installs underground pipe and cable locators, inspection and rehabilitation equipment, robotic systems, bus fare collection systems, communication technologies, and obstruction lighting. The primary distribution channels for the segment's products are direct to customers and third-party distributors. The segment serves a global customer base, with a strong presence in North America, Europe, Africa and Asia Pacific. Core brands for our underground pipe and cable locators and inspection and rehabilitation equipment are Radiodetection, Pearpoint, Schonstedt, Dielectric, Riser Bond, Warren G-V, Cues, ULC Robotics, and Sensors & Software. Our bus fare collection systems, communication technologies, and obstruction lighting are sold under the Genfare, TCI, Flash Technology, Sabik Marine, Sealite, Avlite and ECS brand names, respectively.

#### Acquisitions

We regularly review and negotiate potential acquisitions in the ordinary course of business, some of which are or may be material.

As previously indicated, we acquired Sealite, ECS, and Cincinnati Fan in 2021, ULC and Sensors & Software in 2020, and Sabik, SGS, and Patterson-Kelley in 2019.

#### **Divestitures**

We regularly review and negotiate potential divestitures in the ordinary course of business, some of which are or may be material. As previously indicated, the divestiture of Transformer Solutions was completed in 2021. There were no divestitures of businesses in 2020 or 2019. As previously indicated, we completed the wind-down of our DBT and Heat Transfer businesses in the fourth quarters of 2021 and 2020, respectively.

#### **International Operations**

We are a multinational corporation with operations in over 15 countries. Sales outside the United States were \$228.0, \$192.4 and \$150.9 in 2021, 2020 and 2019, respectively.

See Note 7 to our consolidated financial statements for more information on our international operations.

#### **Research and Development**

We are actively engaged in research and development programs designed to improve existing products and manufacturing methods and develop new products to better serve our current and future customers. These efforts encompass certain of our products with divisional engineering teams coordinating their resources. We place particular emphasis on the development of new products that are compatible with, and build upon, our manufacturing and marketing capabilities.

#### Patents/Trademarks

We own 163 domestic and 265 foreign patents (comprising 154 patent "families"), including 34 patents that were issued in 2021, covering a variety of our products and manufacturing methods. We also own a number of registered trademarks. Although in the aggregate our patents and trademarks are of considerable importance in the operation of our business, we do not consider any single patent or trademark to be of such importance that its absence would adversely affect our ability to conduct business as presently constituted. We are both a licensor and licensee of patents. For more information, please refer to "Risk Factors."

#### **Outsourcing and Raw Materials**

We manufacture many of the components used in our products; however, our strategy includes outsourcing certain components and sub-assemblies to other companies where strategically and economically beneficial. In instances where we depend on third-party suppliers for outsourced products or components, we are subject to the risk of customer dissatisfaction with the quality or performance of the products we sell due to supplier failure. In addition, business difficulties experienced by a third-party supplier can lead to the interruption of our ability to obtain the outsourced product or component and ultimately to our inability to supply products to our customers. We believe that we generally will be able to continue to obtain adequate supplies of key products, components or appropriate substitutes at reasonable costs. For information regarding COVID-19 impacts, please refer to "MD&A - COVID-19 Pandemic, Supply Chain Disruptions, and Other Economic Factors."

We are subject to increases in the prices of many of our key raw materials, including petroleum-based products and steel. In recent years, we have generally been able to offset increases in raw material costs. Occasionally, we are subject to long-term supplier contracts, which may increase our exposure to pricing fluctuations.

Due to our diverse products and services, as well as the wide geographic dispersion of our production facilities, we use numerous sources for the raw materials needed in our operations. We are not significantly dependent on any one or a limited number of suppliers, and we have been able to obtain suitable quantities of raw materials at competitive prices. For information regarding COVID-19 impacts, please refer to "MD&A - COVID-19 Pandemic, Supply Chain Disruptions, and Other Economic Factors."

#### Competition

Our competitive position cannot be determined accurately in the aggregate or by reportable or operating segment since we and our competitors do not offer all the same product lines or serve all the same markets. In addition, specific reliable comparative figures are not available for many of our competitors. In most product groups, competition comes from numerous concerns, both large and small. The principal methods of competition are service, product performance, technical innovation and price. These methods vary with the type of product sold. We believe we compete effectively on the basis of each of these factors as they apply to the various products and services offered. See "Reportable Segments" above for a discussion of our competitors.

#### **Environmental Matters**

See "MD&A — Critical Accounting Estimates — Contingent Liabilities," "Risk Factors - Risks Related to Contingent Liabilities" and Note 15 to our consolidated financial statements for information regarding environmental matters.

#### **Human Capital Resources**

At December 31, 2021, we had approximately 3,100 employees, with approximately 2,400 employed in the United States. We also leverage temporary workers to provide flexibility for our business and manufacturing needs. Six domestic collective bargaining agreements cover approximately 300 of our employees. In addition, we have various collective labor arrangements covering certain of our non-U.S. employee groups. While we generally have experienced satisfactory labor relations, we are subject to potential union campaigns, work stoppages, union negotiations and other potential labor disputes.

We believe that our future success largely depends upon our continued ability to attract and retain highly skilled employees. As such, we strive to provide an environment where employees are developed and provided challenging career growth opportunities, and know their inputs and contributions are appreciated. We offer a "Total Rewards" program that provides comprehensive compensation and benefits packages that are competitive with the market and choices designed to reward employees and assist them in managing their well-being. In 2021, we also focused significant time on re-working many of our policies and programs to provide increased flexibility and work-life balance to our team members. Together, these opportunities present significant growth potential for our employees from a financial, professional, and personal standpoint.

As part of our focus on building and sustaining a highly capable, engaged and motivated workforce that has the ability to deliver on the current and future requirements of the company, we continue to advance our talent management framework, known as RiSE, which helps us Reach, Identify, Strengthen, and Engage our workforce. Recent areas of focus include: the enhancement of our Front-line Leadership Program, introduction of a new on-demand learning platform and the on-going expansion of our talent review and succession planning programs. We also were able to successfully move even more of our education and training programs to an online format to allow for expanded participation and broader, time-flexible development.

During 2021, we continued our focus on enhancing our Diversity, Equity & Inclusion programs, aimed at ensuring we provide an inclusive environment where everyone feels valued and respected. We launched our formal Diversity & Inclusion Statement and published an enterprise charter to align the organization on our commitments. Our Executive Leadership Team and Diversity & Inclusion Council, both comprised of senior leaders from across the enterprise and led by our CEO, facilitated listening sessions with employees from across the globe to learn what was important to them and how we could create an even better work environment. In response to the feedback received, multiple initiatives were undertaken to increase communications, build the capabilities of our leaders (we trained over 500 employees on how to Create an Inclusive Environment) and on furthering the dialogue across the enterprise. A Day of Understanding was held in each business to communicate, engage and educate our global teams. Our networking and action groups, comprised of dozens of "Ambassadors" from across the company, were active participants in the development and implementation of our strategies and programming to ensure that the actions we take drive meaningful and impactful results for our employees. We believe that through these efforts we can unlock greater potential, provide new opportunities for our employees, and benefit from diverse backgrounds and points of view. Valuing diversity and inclusion is, and will be, an on-going part of the culture we are continuously working to strengthen.

#### **Other Matters**

No customer or group of customers that, to our knowledge, are under common control accounted for more than 10% of our consolidated revenues for any period presented.

Our businesses maintain sufficient levels of working capital to support customer requirements, particularly inventory. We believe our businesses' sales and payment terms are generally similar to those of our competitors.

Many of our businesses closely follow changes in the industries and end markets they serve. In addition, certain businesses have seasonal fluctuations. Historically, our businesses generally tend to be stronger in the second half of the year.

Our website address is www.spx.com. Information on our website is not incorporated by reference herein. We file reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and certain amendments to these reports. Copies of these reports are available free of charge on our website as soon as reasonably practicable after we file the reports with the SEC. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

#### **ITEM 1A. Risk Factors**

(All currency and share amounts are in millions)

You should consider the risks described below and elsewhere in our documents filed with the SEC before investing in any of our securities. We may amend, supplement or add to the risk factors described below from time to time in future reports filed with the SEC.

#### Risks Related to the COVID-19 Pandemic

#### The COVID-19 pandemic has had, and could continue to have, an adverse impact on our business.

The COVID-19 pandemic had an adverse impact on our consolidated results of operations in the first half of 2020, with diminishing impacts during the second half of 2020 and during 2021. The COVID-19 pandemic could have an adverse impact on our business and consolidated financial results during 2022 and we are unable to determine the extent, duration, or nature at this time. The intensity, duration and governmental responses to the pandemic, as well as the pace of vaccination efforts and the emergence of new variants of the virus that cause COVID-19, are all highly uncertain and could contribute to the ultimate impact on our business. Specifically, the COVID-19 pandemic could impact:

- Our suppliers' ability to perform and the availability of materials and subcontractors' services;
- Our customers' ability to access credit and to pay amounts due to us;
- · Our distributors' ability to perform; and
- Our ability to:
  - Access credit;
  - Meet contractual deadlines with customers, which could result in delays in payments from customers and customers possibly seeking delay damages;
  - Complete acquisitions due to potential adverse impacts on targeted businesses or product lines; and
  - Meet the financial covenants under our senior credit and other debt agreements.

The impact of the COVID-19 pandemic has resulted, and could continue to result, in:

- Disruptions in our supply chain or increased costs for certain components or commodities;
- Labor shortages and difficulties filling the positions within our organization;
- A prolonged reduction in the demand for certain of our products;
- A prolonged shut-down of one or more of our facilities either due to exposure to the COVID-19 pandemic or to further restrictive government orders;
- Asset impairment charges;
- A loss of productivity, greater cybersecurity risk and other fraud risks, and difficulties in maintaining internal controls over financial reporting due to the impact of employees working remotely;
- An adverse impact to the funded status of our defined benefit pension plans, which could result in (i) a material charge during the fourth quarter of 2022 and (ii) on a longer-term, additional funding requirements for the plans;
- The diversion of management's attention from core business operations; and
- Restructuring charges if we decide to reduce headcount as a result of a decline in customer demand.

Any of the above risks could have a material adverse impact on our business and consolidated financial results.

#### **Risks Related to Contingent Liabilities**

Our South African subsidiary is subject to various claims, disputes, enforcement actions, litigation, arbitration and other legal proceedings related to two large power projects in South Africa that could ultimately be resolved against it.

Since 2008, DBT had been executing on two large power projects in South Africa (Kusile and Medupi), on which it has now substantially completed its scope of work. Over such time, the business environment surrounding these projects was difficult, as DBT, along with many other contractors on the projects, experienced delays, cost over-runs, and various other challenges associated with a complex set of contractual relationships among the end customer, prime contractors, various

subcontractors (including DBT and its subcontractors), and various suppliers. DBT is currently involved in a number of claims relating to these challenges and may be subject to other claims, which could be significant. SPX has provided parent company guarantees to certain counterparties in connection with these projects. We cannot give assurance that these claims and the costs to assert DBT's claims and defend claims against DBT will not have a material adverse effect on our financial position, results of operations, or cash flows. See "MD&A - Critical Accounting Estimates - Contingent Liabilities" and Note 15 to our consolidated financial statements for further discussion.

## We are subject to potential liability relating to claims, complaints and proceedings, including those relating to asbestos, environmental, product liability and other matters.

We are subject to various laws, ordinances, regulations and other requirements of government authorities in the United States and other nations. Additionally, changes in laws, ordinances, regulations, or other governmental policies may significantly increase our expenses and liabilities.

Numerous claims, complaints, and proceedings arising in the ordinary course of business have been asserted or are pending against us or certain of our subsidiaries (collectively, "claims"). These claims relate to litigation matters (e.g., class actions and contracts, intellectual property, and competitive claims), environmental matters, product liability matters (predominately associated with alleged exposure to asbestos-containing materials), and other risk management matters (e.g., general liability, automobile, and workers' compensation claims). Periodically, claims, complaints and proceedings arising other than in the ordinary course of business have been asserted or are pending against us or certain of our subsidiaries (e.g. patent infringement), including claims with respect to businesses that we have acquired for matters arising before the relevant date of the acquisition. From time to time, we face actions by governmental authorities, both in and outside the United States. Additionally, we may become subject to other claims of which we are currently unaware, which may be significant, or the claims of which we are aware may result in our incurring significantly greater loss than we anticipate. Our insurance may be insufficient or unavailable (e.g., because of insurer insolvency) to protect us against potential loss exposures.

The liabilities we record for asbestos product liability matters are based on a number of assumptions, including historical claims and payment experience and actuarial estimates of the future period during which additional claims are reasonably foreseeable. While we base our assumptions on facts currently known to us, they entail inherently subjective judgments and uncertainties. As a result, our current assumptions for estimating these liabilities may not prove accurate, and we may be required to adjust these liabilities in the future, including as a result of our change in relevant assumptions, which could result in material charges to earnings. In addition, a significant increase in claims, costs, and/or issues with existing insurance coverage could have a material adverse impact on our financial position, results of operations and cash flows.

We face environmental exposures including, for example, those relating to discharges from and materials handled as part of our operations, the remediation of soil and groundwater contaminated by petroleum products or hazardous substances or wastes, and the health and safety of our employees. We may be liable for the costs of investigation, removal, or remediation of hazardous substances or petroleum products on, under, or in our current or formerly owned or leased properties, or from third-party disposal facilities that we may have used, without regard to whether we knew of, or caused, the presence of the contaminants. The presence of, or failure to properly remediate, these substances may have adverse effects, including, for example, substantial investigative or remedial obligations and limitations on the ability to sell or rent affected property or to borrow funds using affected property as collateral. New or existing environmental matters or changes in environmental laws or policies could lead to material costs for environmental compliance or cleanup. In addition, environmentally related product regulations are growing globally in number and complexity and could contribute to increased costs with respect to disclosure requirements, product sales and distribution related costs, and post-sale recycling and disposal costs. There can be no assurance that these liabilities and costs will not have a material adverse effect on our financial position, results of operations, or cash flows.

We devote significant time and expense to defend against the various claims, complaints, and proceedings brought against us. In addition, from time to time, we bring actions to enforce our rights against customers, suppliers, insurers, and other third parties. We cannot assure you that the expenses or distractions from operating our businesses arising from these defenses and actions will not increase materially.

We cannot assure you that our accruals and right to indemnity and insurance will be sufficient, that recoveries from insurance or indemnification claims will be available or that any of our current or future claims or other matters will not have a material adverse effect on our financial position, results of operations, or cash flows.

See "MD&A - Critical Accounting Estimates - Contingent Liabilities" and Note 15 to our consolidated financial statements for further discussion.

#### Risks Related to our Markets and Customers

## Many of the markets in which we operate are cyclical or are subject to industry events, and our results have been and could be affected as a result.

Many of the markets in which we operate are subject to general economic cycles or industry events. In addition, certain of our businesses are subject to market-specific cycles.

Furthermore, contract timing on projects, including those relating to communication technologies, fare collection systems, and process cooling systems and towers may cause significant fluctuations in revenues and profits from period to period.

The businesses of many of our customers are to varying degrees cyclical and have experienced, and may continue to experience, periodic downturns. Cyclical changes and specific industry events could also affect sales of products in our other businesses. Downturns in the business cycles of our different operations may occur at the same time, which could exacerbate any adverse effects on our businesses. In addition, certain of our businesses have seasonal and weather-related fluctuations. Historically, many of our key businesses generally have tended to have stronger performance in the second half of the year. See "MD&A - Results of Continuing Operations and Results of Reportable Segments."

#### Our business depends on capital investment and maintenance expenditures by our customers.

Demand for most of our products and services depends on the level of new capital investment and planned maintenance expenditures by our customers. The level of capital expenditures by our customers fluctuates based on planned expansions, new builds and repairs, commodity prices, general economic conditions, availability of credit, and expectations of future market behavior. Any of these factors, whether individually or in the aggregate, could have a material adverse effect on our customers and, in turn, our business, financial condition, results of operations and cash flows.

#### Our customers have been and could be impacted by commodity availability and prices.

A number of factors outside our control, including fluctuating commodity prices, impact the demand for our products. Increased commodity prices, including as a result of new or increased tariffs or the impact of new trade laws, may increase our customers' cost of doing business, thus causing them to delay or cancel large capital projects.

On the other hand, declining commodity prices may cause our customers to delay or cancel projects relating to the production of such commodities. Reduced demand for our products and services could result in the delay or cancellation of existing orders or lead to excess manufacturing capacity, which unfavorably impacts our absorption of fixed manufacturing costs. Reduced demand may also erode average selling prices in the relevant market.

#### We operate in highly competitive markets. Our failure to compete effectively could harm our business.

We sell our products in highly competitive markets, which could result in pressure on our profit margins and limit our ability to maintain or increase the market share of our products. We compete on a number of fronts, including on the basis of service, product performance, technical innovation and price. We have a number of competitors with substantial technological and financial resources, brand recognition and established relationships with global service providers. Some of our competitors have lower cost structures, support from local governments, or both. In addition, new competitors may enter the markets in which we participate. Competitors may be able to offer lower prices, additional products or services or a more attractive mix of products or services, or services or other incentives that we cannot or will not match. These competitors may be in a stronger position to respond quickly to new or emerging technologies and may be able to undertake more extensive marketing campaigns and make more attractive offers to potential customers, employees and strategic partners. In addition, competitive environments in slow-growth markets, to which some of our businesses have exposure, have been inherently more influenced by pricing and domestic and global economic conditions. To remain competitive, we need to invest in manufacturing, marketing, customer service and support, and our distribution networks. No assurances can be made that we will have sufficient resources to continue to make the investment required to maintain or increase our market share or that our investments will be successful. If we do not compete successfully, our business, financial condition, results of operations and cash flows could be materially adversely affected.

#### Risks Related to our Suppliers and Vendors

#### The price and availability of raw materials and components has and may adversely affect our business.

We are exposed to a variety of risks relating to the price and availability of raw materials and components. In recent years, we have faced volatility in the prices of many key raw materials (e.g., steel and oil) and key components (e.g. circuit boards), including price increases in response to trade laws and tariffs and shortages related to the COVID-19 pandemic. Increases in the prices of raw materials and components, including as a result of new or increased tariffs or the impact of new trade laws, or shortages or allocations of materials and components may have a material adverse effect on our financial position, results of operations or cash flows, as there may be delays in our ability, or we may not be able, to pass cost increases on to our customers, or our sales may be reduced. We are subject to, or may enter into, long-term supplier contracts that may increase our exposure to pricing fluctuations.

## The fact that we outsource various elements of the products and services we sell subjects us to the business risks of our suppliers and subcontractors, which could have a material adverse impact on our operations.

In areas where we depend on third-party suppliers and subcontractors for outsourced products, components or services, we are subject to the risk of customer dissatisfaction with the quality or performance of the products or services we sell due to supplier or subcontractor failure. In addition, business difficulties experienced by a third-party supplier or subcontractor can lead to the interruption of our ability to obtain outsourced products or services and ultimately our inability to supply products or services to our customers. Third-party supplier and subcontractor business interruptions can include, but are not limited to, work stoppages, union negotiations and other labor disputes. Current economic conditions could also impact the ability of suppliers and subcontractors to access credit and, thus, impair their ability to provide us quality products or services in a timely manner, or at all.

#### Risks Related to Information, Technology and Cybersecurity

### If we are unable to protect our information systems against data corruption, cyber-based attacks or network security breaches, our operations could be disrupted.

We are increasingly dependent on cloud-based and other information technology ("IT") networks and systems, some of which are managed by third parties, to process, transmit, and store electronic information. We depend on such IT infrastructure for electronic communications among our locations around the world and between our personnel and suppliers and customers. In addition, we rely on these IT systems to record, process, summarize, transmit, and store electronic information, and to manage or support a variety of business processes and activities, including, among other things, our accounting and financial reporting processes; our manufacturing and supply chain processes; our sales and marketing efforts; and the data related to our research and development efforts. The failure of our IT systems or those of our business partners or third-party service providers to perform properly, or difficulties encountered in the development of new systems or the upgrade of existing systems, could disrupt our business and harm our reputation, which may result in decreased sales, increased overhead costs, excess or obsolete inventory, and product shortages, causing our business, reputation, financial condition, and operating results to suffer. Upon expiration or termination of any of our agreements with third-party vendors, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us, and a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete.

IT security threats are increasing in frequency and sophistication and we have detected numerous attempts to compromise the security of our IT systems. Cyber-attacks may be random, coordinated, or targeted, including sophisticated computer crime threats. These threats pose a risk to the security of our systems and networks, and those of our business partners and third-party service providers, and to the confidentiality, availability, and integrity of our data. Despite our implementation of security measures, cybersecurity threats, such as malicious software, ransomware, phishing attacks, computer viruses, and attempts to gain unauthorized access, cannot be completely mitigated. Our business, reputation, operating results, and financial condition could be materially adversely affected if, as a result of a significant cyber event or otherwise, our operations or industrial processes are disrupted or shutdown; our confidential, proprietary information is stolen or disclosed; the performance or security of our cloud-based product offerings is impacted; our intranet and internet sites are compromised; data is manipulated or destroyed; we incur costs or are required to pay fines in connection with stolen customer, employee, or other confidential information; we must dedicate significant resources to system repairs or increase cyber security protection; or we otherwise incur significant litigation or other costs.

In addition, newer generations of certain of our products include IT systems, including systems that are cloud-based and/ or interconnect through the internet. These systems are subject to the same cybersecurity threats described above and the failure of these systems, including by cyber-attack, could disrupt our customers' business, leading to potential exposure for us.

Our technology is important to our success, and failure to develop new products or make the appropriate investment in technology advancements may result in the loss of any sustainable competitive advantage in products, services and processes.

We believe the development of our intellectual property rights is critical to the success of our business. In order to maintain our market positions and margins, we need to regularly develop and introduce high-quality, technologically advanced and cost-effective products on a timely basis, in many cases in multiple jurisdictions around the world. Information technology systems, platforms and products are critical to our operating environment, product offerings and competitive position. Certain digitalization initiatives important to our long-term success may require capital investment, have significant risks associated with their execution, and could take several years to implement. If we do not accurately predict, prepare and respond to new technology innovations, market developments and changing customer needs, our revenues, profitability and long-term competitiveness could be materially adversely affected.

#### Failure to protect or unauthorized use of our intellectual property may harm our business.

Despite our efforts to protect our proprietary rights, unauthorized parties or competitors may copy or otherwise obtain and use our products or technology. The steps we have taken may not prevent unauthorized use of our technology or knowledge, particularly in foreign countries where the laws may not protect our proprietary rights to the same extent as in the United States. Costs incurred to defend our rights may be material.

#### Risks Related to Our Manufacturing and Operations

Cost overruns, inflation, delays and other risks could significantly impact our results, particularly with respect to fixed-price contracts.

A portion of our revenues and earnings is generated through fixed-price contracts, particularly within our HVAC reportable segment. We recognize revenues for certain of these contracts over-time whereby revenues and expenses, and thereby profit, in a given period are determined based on our estimates as to the project status and the costs remaining to complete a particular project.

Estimates of total revenues and cost at completion are subject to many variables, including the length of time to complete a contract. In addition, contract delays may negatively impact these estimates and our revenues and earnings results for affected periods.

To the extent that we underestimate the remaining cost to complete a project, we may overstate the revenues and profit in a particular period. Further, certain of these contracts provide for penalties or liquidated damages for failure to timely perform our obligations under the contract, or require that we, at our expense, correct and remedy certain defects to the satisfaction of the other party. Because some of our contracts are at a fixed price, we face the risk that cost overruns or inflation may exceed, erode or eliminate our expected profit margin, or cause us to record a loss on our projects.

Our current and planned products may contain defects or errors that are detected only after delivery to customers. If that occurs, our reputation may be harmed and we may face additional costs.

We cannot assure you that our product development, manufacturing and integration testing will be adequate to detect all defects, errors, failures and quality issues that could impact customer satisfaction or result in claims against us with regard to our products. As a result, we may have, and from time to time have had, to replace certain components and/or provide remediation in response to the discovery of defects in products that are shipped. The occurrence of any defects, errors, failures or quality issues could result in cancellation of orders, product returns, diversion of our resources, legal actions by our customers or our customers' end users and other losses to us or to any of our customers or end users, and could also result in the loss of or delay in market acceptance of our products and loss of sales, which would harm our business and adversely affect our revenues, profitability and cash flows.

#### Risks Related to Macro-Economic, Domestic and World Events

#### Governmental laws and regulations could negatively affect our business.

Changes in laws and regulations to which we are or may become subject could have a significant negative impact on our business. In addition, we could face material costs and risks if it is determined that we have failed to comply with relevant laws and regulations. We are subject to U.S. Customs and Export Regulations, including U.S. International Traffic and Arms Regulations and similar laws, which collectively control import, export and sale of technologies by companies and various other aspects of the operation of our business; the Foreign Corrupt Practices Act and similar anti-bribery laws, which prohibit companies from making improper payments to government officials for the purposes of obtaining or retaining business; the California Transparency in Supply Chain Act and similar laws and regulations, which relate to human trafficking and antislavery and impose new compliance requirements on our businesses and their suppliers; and the California Consumer Privacy Act of 2018 and the European General Data Protection Regulation, which establish data management requirements for the protection of personal information of individuals. While our policies and procedures mandate compliance with such laws and regulations, there can be no assurance that our employees and agents will always act in strict compliance. Failure to comply with such laws and regulations may result in civil and criminal enforcement, including monetary fines and possible injunctions against shipment of product or other of our activities, which could have a material adverse impact on our results of operations and financial condition.

Several of our businesses are reliant on or may be directly impacted by government regulations. Changes to these regulations may have a significant negative impact on these businesses. For example, (i) a reduction of Federal Aviation Administration regulations mandating lighting of towers and buildings at height; (ii) increases in Department of Energy regulations on energy efficiency requirements for heating, and (iii) a reduction in regulations requiring 811 calls to be made before the commencement of a digging project, could have a significant negative impact on these businesses. While we monitor these regulations and our businesses plan for potential changes, there can be no assurance that we will be able to adapt in each circumstance. Failure to adapt if regulations change could have a material adverse impact on our results of operations and financial condition.

### Difficulties presented by domestic economic, political, legal, accounting and business factors could negatively affect our business.

In 2021, approximately 81% of our revenues were generated inside the United States. Our reliance on U.S. revenues and U.S. manufacturing bases exposes us to a number of risks, including:

- Government embargoes or foreign trade restrictions such as antidumping duties, as well as the imposition of trade sanctions by the United States against a class of products imported from or sold and exported to, or the loss of "normal trade relations" status with, countries in which we conduct business, could significantly increase our cost of products imported into or exported from the United States or reduce our sales and harm our business and the relaxation of embargoes and foreign trade restrictions, by the United States could adversely affect the market for our products in the United States;
- Customs and tariffs may make it difficult or impossible for us to move our products or assets across borders in a cost-effective manner and may increase the cost of our raw materials, including raw materials sourced domestically;
- Transportation and shipping expenses add cost to our products;
- Complications related to shipping, including delays due to weather, labor action, or customs, may impact our profit margins or lead to lost business;
- Environmental and other laws and regulations could increase our costs or limit our ability to run our business; and
- Our ability to obtain supplies from foreign vendors and ship products internationally may be impaired during times of crisis or otherwise.

Any of the above factors or other factors affecting the movement of people and products into and from various countries to North America could have a significant negative effect on our operations. In addition, our concentration on U.S. business may make it difficult to enter new markets, making it more difficult for our businesses to grow.

#### Worldwide economic conditions could negatively impact our businesses.

Many of our customers historically have tended to delay capital projects, including expensive maintenance and upgrades, during economic downturns. Poor macroeconomic conditions could negatively impact our businesses by adversely affecting, among other things, our:

- Revenues;
- Margins;
- Profits;

- · Cash flows;
- Customers' orders, including order cancellation activity or delays on existing orders;
- Customers' ability to access credit;
- Customers' ability to pay amounts due to us; and
- Suppliers' and distributors' ability to perform and the availability and costs of materials and subcontracted services.

Downturns in global economies could negatively impact our performance or any expectations in reporting performance.

#### Our non-U.S. revenues and operations expose us to numerous risks that may negatively impact our business.

To the extent we generate revenues outside of the United States, non-U.S. revenues and non-U.S. manufacturing bases exposes us to a number of risks, including:

- Significant competition could come from local or long-term participants in non-U.S. markets who may have significantly greater market knowledge and substantially greater resources than we do;
- Local customers may have a preference for locally-produced products;
- Credit risk or financial condition of local customers and distributors could affect our ability to market our products or collect receivables;
- Regulatory or political systems or barriers may make it difficult or impossible to enter or remain in new markets. In addition, these barriers may impact our existing businesses, including making it more difficult for them to grow;
- Local political, economic and social conditions, including the possibility of hyperinflationary conditions, political
  instability, nationalization of private enterprises, or unexpected changes relating to currency could adversely impact
  our revenues and operations;
- The United Kingdom's exit from the European Union (commonly referred to as "Brexit") has contributed to, and may
  continue to contribute to, economic, currency, market and regulatory uncertainty in the United Kingdom and
  European Union and could adversely affect economic, currency, market, regulatory, or political conditions both in
  those regions and worldwide;
- Customs, tariffs and trade restrictions may make it difficult or impossible for us to move our products or assets across borders in a cost-effective manner;
- Transportation and shipping expenses add cost to our products;
- Complications related to shipping, including delays due to weather, labor action, or customs, may impact our profit margins or lead to lost business;
- Local, regional or worldwide hostilities, including armed conflicts, could impact our operations;
- Distance and language and cultural differences may make it more difficult to manage our business and employees and to effectively market our products and services; and
- Public health crises, including the outbreak of a pandemic or contagious disease.

Any of the above factors or other factors affecting social and economic activity in the United Kingdom, China, and South Africa or affecting the movement of people and products into and from these countries to our major markets, could have a significant negative effect on our operations.

## Climate change and legal or regulatory responses thereto may have an adverse impact on our business and results of operations.

There is growing concern that increases in global average temperatures as a result of increased concentration of carbon dioxide and other greenhouse gases in the atmosphere will cause significant adverse long-term climate changes, as well as more near-term changes in weather patterns that could adversely impact our operations. Moreover, growing concern over climate change may result in additional legal or regulatory requirements designed to reduce or mitigate the effects of carbon dioxide and other greenhouse gas emissions on the environment. Many of our manufacturing plants and the products we manufacture, particularly in the HVAC reportable segment, use significant amounts of electricity generated by burning fossil fuels, which releases carbon dioxide. Additionally, many of the products we manufacture in the HVAC reportable segment use natural gas or oil as a fuel source and may be subject to increasing regulatory restrictions aimed at "de-carbonization" or the elimination of such fuel sources. Increased energy or compliance costs and expenses as a result of increased legal or regulatory requirements may cause disruptions in, or an increase in the costs associated with, the manufacturing and distribution of our products and we may be required to develop product improvements to satisfy developing energy-efficiency targets in order to remain competitive. In addition, the impacts of climate change and legal or regulatory initiatives to address climate change could have a long-term adverse impact on our business and results of operations. If we fail to achieve or improperly report on our progress on environmental and sustainability programs and initiatives or fail to develop product improvements to satisfy developing energy-efficiency targets, the results could have an adverse impact on our business, results of operations and financial condition.

#### Risks Related to Acquisitions and Dispositions

#### Acquisitions involve a number of risks and present financial, managerial and operational challenges.

Our acquisitions involve a number of risks and present financial, managerial and operational challenges, including:

- Adverse effects on our reported operating results due to charges to earnings, including potential impairment charges associated with goodwill and other intangibles;
- Diversion of management attention from core business operations;
- Integration of technology, operations, personnel and financial and other systems;
- Increased expenses;
- Increased foreign operations, often with unique issues relating to corporate culture, compliance with legal and regulatory requirements and other challenges;
- Assumption of known and unknown liabilities and exposure to litigation;
- Increased levels of debt or dilution to existing stockholders;
- Potential disputes with the sellers of acquired businesses; and
- Potential cybersecurity risks, as acquired systems may not possess the appropriate security measures.

We conduct operational, financial, tax, systems, and legal due diligence on all acquisitions; however, we cannot assure that all potential risks or liabilities are adequately discovered, disclosed, or understood in each instance.

In addition, internal controls over financial reporting of acquired companies may not be compliant with required standards. Issues may exist that could rise to the level of significant deficiencies or, in some cases, material weaknesses, particularly with respect to foreign companies or non-public U.S. companies.

Our integration activities may place substantial demands on our management, operational resources and financial and internal control systems. Customer dissatisfaction or performance problems with an acquired business, technology, service or product could also have a material adverse effect on our reputation and business.

#### Our failure to successfully complete acquisitions could negatively affect us.

We may not be able to consummate desired acquisitions, which could materially impact our growth rate, results of operations, future cash flows and stock price. Our ability to achieve our goals depends upon, among other things, our ability to identify and successfully acquire companies, businesses and product lines, to effectively integrate them and to achieve cost savings. We may also be unable to raise additional funds necessary to consummate these acquisitions. In addition, decreases in our stock price may adversely affect our ability to consummate acquisitions. Competition for acquisitions in our business areas may be significant and result in higher prices for businesses, including businesses that we may target, which may also affect our acquisition rate or benefits achieved from our acquisitions.

#### We may not achieve the expected cost savings and other benefits of our acquisitions.

We strive for and expect to achieve cost savings in connection with our acquisitions, including: (i) manufacturing process and supply chain rationalization, (ii) streamlining redundant administrative overhead and support activities, (iii) restructuring and repositioning sales and marketing organizations to eliminate redundancies, and (iv) achieving anticipated revenue synergies. Cost savings expectations are estimates that are inherently difficult to predict and are necessarily speculative in nature, and we cannot assure you that we will achieve expected, or any, cost savings in connection with an acquisition. In addition, we cannot assure you that unforeseen factors will not offset the estimated cost savings or other benefits from our acquisitions. As a result, anticipated benefits could be delayed, differ significantly from our estimates and the other information contained in this report, or not be realized.

#### Dispositions or liabilities retained in connection with dispositions could negatively affect us.

Our dispositions involve a number of risks and present financial, managerial and operational challenges, including diversion of management attention from running our core businesses, increased expense associated with the dispositions, potential disputes with the customers or suppliers of the disposed businesses, potential disputes with the acquirers of the disposed businesses and a potential dilutive effect on our earnings per share. In addition, we have agreed to retain certain liabilities in connection with the disposition of certain businesses. These liabilities may be significant and could negatively impact our business.

If dispositions are not completed in a timely manner, there may be a negative effect on our cash flows and/or our ability to execute our strategy. In addition, we may not realize some or all of the anticipated benefits of our dispositions. See "Business,"

"MD&A - Results of Discontinued Operations," and Note 4 to our consolidated financial statements for the status of our divestitures.

#### **Risks Related to Human Capital Resources**

The loss of key personnel and an inability to attract and retain qualified employees could have a material adverse effect on our operations.

We are dependent on the continued services of our leadership team. The loss of these personnel without adequate replacement could have a material adverse effect on our operations. Additionally, we need qualified managers and skilled employees with technical and manufacturing industry experience in many locations in order to operate our business successfully. From time to time, there may be a shortage of qualified managers or skilled labor, which may make it more difficult and expensive for us to attract and retain qualified employees. If we were unable to attract and retain sufficient numbers of qualified individuals or our costs to do so were to increase significantly, our operations could be materially adversely affected.

We are subject to work stoppages, union negotiations, labor disputes and other matters associated with our labor force, which may adversely impact our operations and cause us to incur incremental costs.

At December 31, 2021, we had six domestic collective bargaining agreements covering approximately 300 of our over 3,100 employees. Three of these collective bargaining agreements expire in 2022 and are scheduled for negotiation and renewal. We also have various collective labor arrangements covering certain non-U.S. employee groups. We are subject to potential union campaigns, work stoppages, union negotiations and other potential labor disputes. Further, we may be subject to work stoppages, which are beyond our control, at our suppliers or customers.

#### **Risks Related to Financial Matters**

We may not be able to finance future needs or adapt our business plan to react to changes in economic or business conditions because of restrictions placed on us by our senior credit facilities and any existing or future instruments governing our other indebtedness.

Our senior credit facilities and agreements governing our other indebtedness contain, or future or revised instruments may contain, various restrictions and covenants that limit our ability to make distributions or other payments to our investors and creditors unless certain financial tests or other criteria are satisfied. We also must comply with certain specified financial ratios and tests. Our subsidiaries may also be subject to restrictions on their ability to make distributions to us. In addition, our senior credit facilities and agreements governing our other indebtedness contain or may contain additional affirmative and negative covenants. Material existing restrictions are described more fully in the "MD&A - Liquidity and Financial Condition - Senior Credit Facilities" and Note 13 to our consolidated financial statements. Each of these restrictions could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities, such as acquisitions.

If we do not comply with the covenants and restrictions contained in our senior credit facilities and agreements governing our other indebtedness, we could default under those agreements, and the debt, together with accrued interest, could be declared due and payable. If we default under our senior credit facilities, the lenders could cause all our outstanding debt obligations under our senior credit facilities to become due and payable or require us to repay the indebtedness under these facilities. If our debt is accelerated, we may not be able to repay or refinance our debt. In addition, any default under our senior credit facilities or agreements governing our other indebtedness could lead to an acceleration of debt under other debt instruments that contain cross-acceleration or cross-default provisions. If the indebtedness under our senior credit facilities is accelerated, we may not have sufficient assets to repay amounts due under our senior credit facilities or other debt securities then outstanding. Our ability to comply with these provisions of our senior credit facilities and agreements governing our other indebtedness will be affected by changes in the economic or business conditions or other events beyond our control. Complying with our covenants may also cause us to take actions that are not favorable to us and may make it more difficult for us to successfully execute our business strategy and compete, including against companies that are not subject to such restrictions.

#### Currency conversion risk could have a material impact on our reported results of business operations.

Our operating results are presented in U.S. dollars for reporting purposes. The strengthening or weakening of the U.S. dollar against other currencies in which we conduct business could result in unfavorable translation effects as the results of transactions in foreign countries are translated into U.S. dollars.

Increased strength of the U.S. dollar will increase the effective price of our products sold in U.S. dollars into other countries, including countries utilizing the Euro, which may have a material adverse effect on sales or require us to lower our

prices, and also decrease our reported revenues or margins related to sales conducted in foreign currencies to the extent we are unable or determine not to increase local currency prices. Likewise, the increased strength of the U.S. dollar could allow competitors with foreign-based manufacturing costs to sell their products in the U.S. at lower prices. Alternatively, decreased strength of the U.S. dollar could have a material adverse effect on the cost of materials and products purchased overseas.

Similarly, increased or decreased strength of the currencies of non-U.S. countries in which we manufacture will have a comparable effect against the currencies of other jurisdictions in which we sell. For example, our Radiodetection business manufactures a number of detection instruments in the United Kingdom and sells to customers in other countries, therefore increased strength of the British pound sterling will increase the effective price of these products sold in British pound sterling into other countries; and decreased strength of British pound sterling could have a material adverse effect on the cost of materials and products purchased outside of the United Kingdom.

#### Credit and counterparty risks could harm our business.

The financial condition of our customers and distributors could affect our ability to market our products or collect receivables. In addition, financial difficulties faced by our customers may lead to cancellations or delays of orders.

Our customers may suffer financial difficulties that make them unable to pay for a project when completed, or they may decide not or be unable to pay us, either as a matter of corporate decision-making or in response to changes in local laws and regulations. We cannot assure you that expenses or losses for uncollectible amounts will not have a material adverse effect on our earnings and cash flows.

## Changes in tax laws and regulations or other factors could cause our income tax obligations to increase, potentially reducing our net income and adversely affecting our cash flows.

We are subject to taxation in various jurisdictions around the world. In preparing our financial statements, we provide for income taxes based on current tax laws and regulations and the estimated taxable income within each of these jurisdictions. Our income tax obligations, however, may be higher due to numerous factors, including changes in tax laws or regulations and the outcome of audits and examinations of our tax returns.

Officials in some of the jurisdictions in which we do business have proposed, or announced that they are reviewing, tax changes that could potentially increase taxes, and other revenue-raising laws and regulations, including those that may be enacted as a result of various OECD projects. Changes in applicable U.S. or foreign tax laws and regulations, or their interpretation and application, could have a material impact on our financial position, results of operations, and cash flows.

As indicated in Note 12 to our consolidated financial statements, certain of our income tax returns are currently under audit. In connection with these and any future audits, there is a risk that we could be challenged by tax authorities on certain of the tax positions we have taken, or will take, on our tax returns. Although we believe that current tax laws and regulations support our positions, there can be no assurance that tax authorities will agree with our positions. In the event tax authorities were to challenge one or more of our tax positions, an unfavorable outcome could have a material adverse impact on our financial position, results of operations, and cash flows.

## If the fair value of any of our reporting units is insufficient to recover the carrying value of the goodwill and other intangibles of the respective reporting unit, a material non-cash charge to earnings could result.

At December 31, 2021, we had goodwill and other intangible assets, net, of \$872.8. We conduct annual impairment testing to determine if we will be able to recover all or a portion of the carrying value of goodwill and indefinite-lived intangibles. In addition, we review goodwill and indefinite-lived intangible assets for impairment more frequently if impairment indicators arise. If the fair value is insufficient to recover the carrying value of our goodwill and indefinite-lived intangibles, we may be required to record a material non-cash charge to earnings.

The fair values of our reporting units generally are based on discounted cash flow projections that are believed to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about carrying values of the reported net assets of our reporting units. Other considerations are also incorporated, including comparable price multiples. Many of our businesses closely follow changes in the industries and end markets that they serve. Accordingly, we consider estimates and judgments that affect the future cash flow projections, including principal methods of competition such as volume, price, service, product performance and technical innovations and estimates associated with cost reduction initiatives, capacity utilization, and assumptions for inflation and foreign currency changes. We monitor impairment indicators across all of our businesses. Significant changes in market conditions and estimates or judgments used to determine expected

future cash flows that indicate a reduction in carrying value may give, and have given, rise to impairments in the period that the change becomes known.

#### Cost reduction actions may affect our business.

Cost reduction actions often result in charges against earnings. These charges can vary significantly from period to period and, as a result, we may experience fluctuations in our reported net income and earnings per share due to the timing of cost reduction actions.

Changes in key estimates and assumptions related to our defined benefit pension and postretirement plans, such as discount rates, assumed long-term return on assets, assumed long-term trends of future cost, and accounting and legislative changes, as well as actual investment returns on our pension plan assets and other actuarial factors, could affect our results of operations and cash flows.

We have defined benefit pension and postretirement plans, including both qualified and non-qualified plans, which cover a portion of our salaried and hourly employees and retirees, including a portion of our employees and retirees in foreign countries. As of December 31, 2021, our net liability to these plans was \$115.5. The determination of funding requirements and pension expense or income associated with these plans involves significant judgment, particularly with respect to discount rates, long-term trends of future costs and other actuarial assumptions. If our assumptions change significantly due to changes in economic, legislative and/or demographic experience or circumstances, our pension and other benefit plans' expense, funded status and our required cash contributions to such plans could be negatively impacted. In addition, returns on plan assets could have a material impact on our pension plans' expense, funded status and our required contributions to the plans. Changes in regulations or law could also significantly impact our obligations. For example, see "MD&A - Critical Accounting Estimates" for the impact that changes in certain assumptions used in the calculation of our costs and obligations associated with these plans could have on our results of operations and financial position.

#### Our incurrence of additional indebtedness may affect our business and may restrict our operating flexibility.

At December 31, 2021, we had \$246.0 in total indebtedness. On that same date, we had \$437.8 of available borrowing capacity under our revolving credit facilities, after giving effect to \$12.2 reserved for outstanding letters of credit. In addition, at December 31, 2021, we had \$30.3 of available issuance capacity under our foreign credit instrument facilities after giving effect to \$24.7 reserved for outstanding letters of credit. At December 31, 2021, our cash and equivalents balance was \$396.0. See "MD&A - Liquidity and Financial Condition - Borrowings" and Note 13 to our consolidated financial statements for further discussion. We may incur additional indebtedness in the future, including indebtedness incurred to finance, or assumed in connection with, acquisitions. We may renegotiate or refinance our senior credit facilities or other debt facilities, or enter into additional agreements that have different or more stringent terms. Increases in the level of our indebtedness relative to our cash balances could:

- Impact our ability to obtain new, or refinance existing, indebtedness, on favorable terms or at all;
- Limit our ability to obtain, or obtain on favorable terms, additional debt financing for working capital, capital expenditures or acquisitions;
- Limit our flexibility in reacting to competitive and other changes in the industry and economic conditions;
- Limit our ability to pay dividends on our common stock in the future;
- Coupled with a substantial decrease in net operating cash flows due to economic developments or adverse developments in our business, make it difficult to meet debt service requirements; and
- Expose us to interest rate fluctuations to the extent existing borrowings are, and any new borrowings may be, at variable rates of interest, which could result in higher interest expense and interest payments in the event of increases in interest rates.

Our ability to make scheduled payments of principal or pay interest on, or to refinance, our indebtedness and to satisfy our other debt obligations will depend upon our future operating performance, which may be affected by general economic, financial, competitive, legislative, regulatory, business and other factors beyond our control. In addition, we cannot assure you that future borrowings or equity financing will be available for the payment or refinancing of our indebtedness. If we are unable to service our indebtedness, whether in the ordinary course of business or upon an acceleration of such indebtedness, we may pursue one or more alternative strategies, such as restructuring or refinancing our indebtedness, selling assets, reducing or delaying capital expenditures, revising implementation of or delaying strategic plans or seeking additional equity capital. Any of these actions could have a material adverse effect on our business, financial condition, results of operations and stock price. In addition, we cannot assure that we would be able to take any of these actions, that these actions would enable us to continue to satisfy our capital requirements, or that these actions would be permitted under the terms of our various debt agreements.

Numerous banks in many countries are syndicate members in our credit facility. Failure of one or more of our larger lenders, or several of our smaller lenders, could significantly reduce availability of our credit, which could harm our liquidity.

#### Failure of our internal control over financial reporting could adversely affect our business and financial results.

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States ("GAAP"). Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. The identification of a material weakness could indicate a lack of controls adequate to generate accurate financial statements that, in turn, could cause a loss of investor confidence and decline in the market price of our common stock. We cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods or maintain all of the controls necessary for continued compliance.

We have identified a material weakness in our internal control over financial reporting. If this material weakness is not remediated, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our financial statements and a failure to meet our reporting and financial obligations, each of which could have a material adverse effect on our financial condition and the trading price of our common stock.

Management identified a material weakness in our internal control over financial reporting related to the available insurance coverage for liabilities associated with alleged exposure to asbestos-containing materials. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

As discussed in Item 9A. "Controls and Procedures" of this filing, management has evaluated its assessment of the effectiveness of internal control over financial reporting and our disclosure controls and procedures and concluded that they were not effective as of December 31, 2021.

We are committed to remediating the material weakness as promptly as possible, and management is in the process of implementing the remediation plan; however, there can be no assurance as to when the material weaknesses will be remediated or that additional material weaknesses will not arise in the future. If we are unable to maintain effective internal control over financial reporting, our ability to record, process and report financial information timely and accurately could be adversely affected.

#### Risks Related to Ownership of Our Common Stock

Provisions in our corporate documents and Delaware law may delay or prevent a change in control of our company, and accordingly, we may not consummate a transaction that our stockholders consider favorable.

Provisions of our Certificate of Incorporation and By-laws may inhibit changes in control of our company not approved by our Board. These provisions include, for example: a staggered board of directors; a prohibition on stockholder action by written consent; a requirement that special stockholder meetings be called only by our Chairman, President or Board; advance notice requirements for stockholder proposals and nominations; limitations on stockholders' ability to amend, alter or repeal the By-laws; enhanced voting requirements for certain business combinations involving substantial stockholders; the authority of our Board to issue, without stockholder approval, preferred stock with terms determined in its discretion; and limitations on stockholders' ability to remove directors. In addition, we are afforded the protections of Section 203 of the Delaware General Corporation Law, which could have similar effects. In general, Section 203 prohibits us from engaging in a "business combination" with an "interested stockholder" (each as defined in Section 203) for at least three years after the time the person became an interested stockholder unless certain conditions are met. These protective provisions could result in our not consummating a transaction that our stockholders consider favorable or discourage entities from attempting to acquire us, potentially at a significant premium to our then-existing stock price.

Increases in the number of shares of our outstanding common stock could adversely affect our common stock price or dilute our earnings per share.

Sales of a substantial number of shares of common stock into the public market, or the perception that these sales could occur, could have a material adverse effect on our stock price. As of December 31, 2021, we had the ability to issue up to an additional 4.074 shares as restricted stock shares, restricted stock units, performance stock units, or stock options under our 2019 Stock Compensation Plan, and 0.027 under our 2006 Non-Employee Directors' Stock Incentive Plan. We also may issue a significant number of additional shares, in connection with acquisitions, through a registration statement, or otherwise. Additional shares issued would have a dilutive effect on our earnings per share.

#### **ITEM 1B. Unresolved Staff Comments**

None.

#### **ITEM 2. Properties**

The following is a summary of our principal properties as of December 31, 2021:

		No. of Facilities	Approximate Square Footage	
	Location		Owned	Leased
			(in millions)	
HVAC reportable segment	9 U.S. states and 2 foreign countries	16	1.7	1.5
Detection and Measurement reportable segment	8 U.S. states and 4 foreign countries	18	0.4	0.3
Corporate	1 U.S. state	1	<u> </u>	0.1
Total		35	2.1	1.9

In addition to manufacturing plants, we own and lease various sales, service and other locations throughout the world. We consider these properties, as well as the related machinery and equipment, to be well maintained and suitable and adequate for their intended purposes.

#### **ITEM 3. Legal Proceedings**

See "<u>Risk Factors</u>," "<u>MD&A — Critical Accounting Estimates — Contingent Liabilities</u>," and <u>Note 15</u> to our consolidated financial statements for a discussion of legal proceedings.

We are also subject to legal proceedings and claims that arise in the normal course of business. We believe these matters are either without merit or of a kind that should not have a material effect individually or in the aggregate on our financial position, results of operations or cash flows; however, we cannot assure you that these proceedings or claims will not have a material effect on our financial position, results of operations or cash flows.

#### **ITEM 4. Mine Safety Disclosures**

Not applicable.

#### PART II

#### ITEM 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange under the symbol "SPXC."

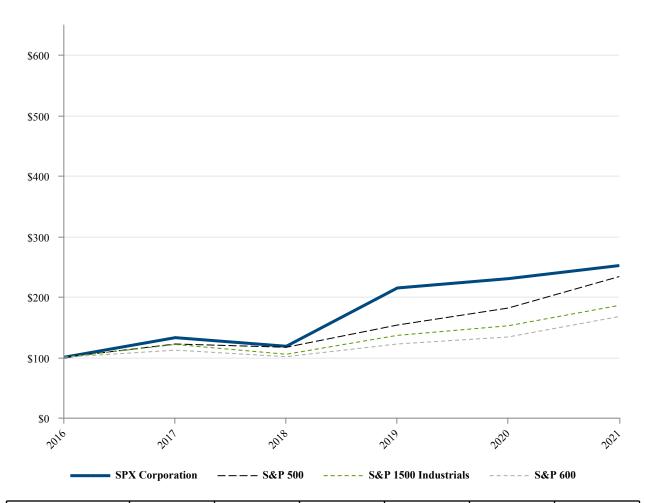
We discontinued dividend payments in September 2015 in connection with the Spin-off and, thus, there have been no dividends declared since such time.

On May 11, 2021, our Board of Directors authorized management to repurchase our capital stock over a period expiring at the earlier of May 10, 2022 or such earlier time determined by our Board of Directors in its sole discretion. Under the authorization, we may repurchase shares through open market purchases, privately negotiated transactions or otherwise, and at prices and times and in amounts as we determine, subject to applicable restrictions under our senior credit agreement. Our senior credit agreement permits an unlimited amount of share repurchases if our consolidated leverage ratio (as calculated under the senior credit agreement) is less than 2.75 to 1.00. Otherwise, the senior credit agreement restricts our repurchase of shares if the amount of repurchases in any fiscal year exceeds \$100.0 million plus a basket amount based on our cumulative consolidated net income from a specified date.

We have not repurchased any shares under this authorization, and there were no repurchases of common stock during the three months ended December 31, 2021. The number of stockholders of record of our common stock as of February 18, 2022 was 2.355.

# **Company Performance**

This graph shows a five-year comparison of cumulative total returns for SPX, the S&P 500 Index, the S&P 1500 Industrials Index, and the S&P 600 Index. The graph assumes an initial investment of \$100 on December 31, 2016 and the reinvestment of dividends.



	2016	2017	2018	2018 2019 2020		2021
SPX Corporation	\$ 100.00	\$ 132.34	\$ 118.09	\$ 214.50	\$ 229.93	\$ 251.60
S&P 500	100.00	121.83	116.49	153.17	181.35	233.41
S&P 1500 Industrials	100.00	121.06	104.87	136.12	152.03	185.75
S&P 600	100.00	111.73	100.83	121.86	133.53	167.28

# ITEM 6. [Reserved]

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

(All currency and share amounts are in millions)

The following should be read in conjunction with our consolidated financial statements and the related notes thereto. Unless otherwise indicated, amounts provided in Item 7 pertain to continuing operations only.

## COVID-19 Pandemic, Supply Chain Disruptions and Labor Shortages, and the Related Impacts to Our Business

The COVID-19 pandemic had an adverse impact on our consolidated results of operations in the first half of 2020, with diminishing impacts during the second half of 2020 and during 2021. During the second half of 2021, certain of our businesses began to experience supply chain disruptions and labor shortages, which have negatively impacted their production of goods and, thus, resulted in lower absorption of manufacturing costs and, in some cases, delays in shipments to customers. We are taking actions to manage the potential impacts of these matters and we will continue to assess the actual and expected impacts and the need for further actions.

## **Change in Accounting Method**

Historically, certain of our domestic businesses within our HVAC reportable segment accounted for their inventories under the last-in, last-out ("LIFO") method. During the fourth quarter of 2021, as a means of harmonizing our accounting method for inventories across all of our businesses, we converted the inventory accounting for these businesses to the first-in, first-out ("FIFO") method. This change in accounting has been retrospectively applied to our consolidated financial statements. See Note 9 to our consolidated financial statements for further discussion of this change, including the impact of the change on our prior years' consolidated financial statements.

#### **Executive Overview**

Revenues for 2021 totaled \$1,219.5, compared to \$1,128.1 in 2020 (and \$1,123.6 in 2019). The increase in revenues during 2021, compared to 2020, was due primarily to (i) the impact of the ULC and Sensors & Software acquisitions in 2020 and the Sealite, ECS and Cincinnati Fan acquisitions in 2021 and (ii) an increase in organic revenue. The increase in organic revenue was due primarily to higher sales of heating and underground pipe and locator products, partially offset by lower sales of cooling products. During the first half of 2020, sales of heating and underground pipe and locator products were impacted negatively by the COVID-19 pandemic. Sales of cooling products declined in 2021, as several large cooling projects favorably impacted sales in 2020. The increase in revenues in 2020, compared to 2019, was due to the impact of the acquisitions of SGS and Patterson-Kelley during 2019 and ULC and Sensors & Software during 2020, partially offset by a decline in organic revenue in 2020. The decline in organic revenue during 2020 was due primarily to lower sales of heating products, domestic cooling products, and communication technologies products, partially offset by higher sales of cooling products in the international markets. A portion of the organic revenue decline in 2020 was attributable to a decline in customer demand and order delays caused by the COVID-19 pandemic.

For 2021, operating income totaled \$73.7, compared to \$96.9 in 2020 (and \$114.0 in 2019). The decrease in operating income in 2021, compared to 2020, was due primarily to increases in asbestos product liability charges of \$16.9 and corporate expense of \$10.8. The increase in asbestos product liability charges was due primarily to a continuing unfavorable trend in the percentage of claims with payment (versus claims dismissed without payment), while the increase in corporate expense was due to additional investments in continuous improvement and strategic initiatives and higher incentive compensation expense in 2021. The decrease in operating income in 2020, compared to 2019, was due primarily to declines in profitability associated with lower sales of heating products and higher-margin communication technologies products.

Operating cash flows from continuing operations totaled \$131.2 in 2021, compared to \$105.2 in 2020 (and \$110.0 in 2019). The increase in operating cash flows from continuing operations in 2021, compared to 2020, was due primarily to (i) improved cash flows within our heating and underground pipe and locator businesses associated with improved profitability, (ii) a decline in working capital at certain of our businesses, (iii) insurance proceeds of \$15.0 associated with the settlement of an asbestos insurance coverage matter, and (iv) income tax refunds, net of tax payments, of \$5.5 in 2021 (compared to income tax payments, net of refunds, of \$7.6 in 2020). The decrease in operating cash flows from continuing operations in 2020, compared to 2019, was due primarily to a decline in cash flows at certain of our project-related businesses during 2020, as cash receipts for these project-related businesses are often subject to contractual milestones that can impact the timing of cash flows from year-to-year.

Additional details on certain matters noted above as well as significant items impacting the financial results for 2021, 2020, and 2019 are as follows:

## 2021:

- On April 19, 2021, we completed the acquisition of Sealite.
  - The purchase price for Sealite was \$80.3, net of cash acquired of \$2.3.
  - The post-acquisition operating results of Sealite are reflected within our Detection and Measurement reportable segment.
- On August 2, 2021, we completed the acquisition of ECS.
  - The purchase price for ECS was \$39.4, net of cash acquired of \$5.1.
  - The seller is eligible for additional cash consideration of up to \$16.8, upon achievement of certain financial performance milestones.
    - The estimated fair value of such contingent consideration was \$8.2 as of the date of acquisition, which we reflected as a liability in our condensed consolidated balance sheet as of the end of the third quarter of 2021.
    - During the fourth quarter of 2021, we concluded that the probability of achieving the above financial performance milestones had lessened due to a delay in the execution of a large order, resulting in a reduction of the estimated fair value/liability of \$6.7, with such amount recorded to "Other operating expenses, net" during the quarter.
  - The post-acquisition operating results of ECS are included within our Detection and Measurement reportable segment.
- On December 15, 2021, we completed the acquisition of Cincinnati Fan.
  - The purchase price for Cincinnati Fan was \$145.2, net of cash acquired of \$2.5.
  - The post-acquisition operating results of Cincinnati Fan are included within our HVAC reportable segment.
- On October 1, 2021, we completed the sale of Transformer Solutions.
  - Transformer Solutions is included in discontinued operations for all periods presented.
  - We received net cash proceeds of \$620.6 and recorded a gain of \$382.2 to "Gain (loss) on disposition of discontinued operations, net of tax."
- Change in Segment Reporting Structure:
  - In connection with the disposition of Transformer Solutions and its classification as a discontinued operation, we have eliminated the Engineered Solutions reportable segment.
  - The remaining operations of the former Engineered Solutions reportable segment have been reflected within our HVAC reportable segment for all periods presented.
- DBT (our South Africa subsidiary):
  - Large Power Projects
    - On February 22, 2021 and April 28, 2021, DBT received favorable rulings from dispute adjudication panels.
      - In connection with the rulings, DBT received South African Rand 126.6 (\$8.6 at time of payment) and South African Rand 82.0 (\$6.0 at the time of payment), respectively.
      - As the rulings are subject to further arbitration, such amounts have not been reflected in our consolidated statement of operations.
      - On July 5, 2021, DBT received notice from Mitsubishi Heavy Industries Power ZAF (or "MHI") of its intent to seek final and binding arbitration on the matter related to the February 22, 2021 dispute adjudication panel's ruling.
    - In May 2021, and in connection with certain claims made by MHI, MHI made a demand and received payment of South African Rand 178.7 (or \$12.5 at the time of payment) on bonds issued by a bank.
      - Under the terms of the bonds and our senior credit agreement, we were required to fund the payment.
      - DBT denies liability for these claims and, thus, fully intends to seek, and believes it is legally entitled to, reimbursement of the South African Rand 178.7.
      - As such, the amount has been reflected as a non-current asset in our consolidated balance sheet as of December 31, 2021.
    - On June 4, 2021, DBT received a revised version of the interim claim from MHI that was provided on February 26, 2019. DBT has numerous defenses and, thus, does not believe it has a probable liability associated with these claimed damages.
  - In the fourth quarter of 2021, we completed the wind-down of DBT.

- The wind-down was a culmination of a strategic shift away from the power generation markets.
- As a result of completing the wind-down plan, we are now reporting DBT as a discontinued operation for all periods presented.

#### Asbestos Product Liability Matters:

- During 2021, we recorded charges of \$51.2 related to asbestos product liability matters, with such charges related primarily to a continuing unfavorable trend in the percentage of claims with payment (versus dismissed without payment).
- Of such charges, \$48.6 were reflected in "Income from continuing operations before income taxes" and the remainder in "Gain (loss) on disposition of discontinued operations, net of tax."
- Insurance recoveries for asbestos product liability matters, net of payments, totaled \$0.3 in 2021.
- Insurance recoveries included \$15.0 associated with the settlement of an insurance coverage matter.
- See Note 15 to our consolidated financial statements for additional details.

#### Actuarial Losses on Pension and Postretirement Plans:

- We recorded net actuarial gains of \$9.9 in the fourth quarter of 2021 in connection with the annual remeasurement of our pension and postretirement plans, with such gains resulting primarily from increases in discount rates.
- See Notes 1 and 11 to our consolidated financial statements for additional details.

## • Changes in the Estimated Fair Value of an Equity Security:

- Recorded gains of \$11.8 within "Other income (expense), net" related to increases in the estimated fair value of an equity security that we hold.
- See Note 17 to our consolidated financial statements for additional details.

## • ULC Contingent Consideration, Indefinite-Lived Intangible Assets, and Goodwill:

- The seller of ULC was eligible for additional cash consideration of up to \$45.0, upon achievement of certain operating and financial performance milestones.
- During the third quarter of 2021, we concluded that the operating and financial milestones associated with the ULC contingent consideration would not be achieved.
- As a result, we reversed the related liability of \$24.3, with the offset to "Other operating expenses, net."
- We also concluded that the lack of achievement of the above milestones, along with lower than anticipated future cash flows, were indicators of potential impairment related to ULC's indefinite-lived intangible assets and goodwill.
- As such, we tested ULC's infinite-lived intangible assets and goodwill for impairment during the third quarter of 2021.
- Based on such testing, we determined that the carrying value of ULC's net assets exceeded the implied fair value of the business.
- As a result, we recorded an impairment charge of \$24.3 to "Other operating expenses, net," with \$23.3 related to goodwill and the remainder to trademarks.
- During the fourth quarter of 2021, we performed our annual analysis of ULC's indefinite-lived intangible assets and goodwill. As a result of such analysis, we recorded impairment charges of \$5.2, with \$0.3 related to trademarks and \$4.9 to goodwill.
- See Note 1 and 10 to our consolidated financial statements for additional details.

## • Sensors & Software Contingent Consideration:

- The seller of Sensors & Software was eligible for additional cash consideration of up to \$3.9, upon achievement of certain financial performance milestones.
- During the fourth quarter of 2021, we concluded that certain of the financial milestones associated with the Sensors & Software contingent consideration had been achieved.
- As a result, we recorded an additional charge of \$0.6 to "Other operating expenses, net."
- The estimated fair value of such contingent consideration is \$1.3 and \$0.7, which is reflected as a liability in our consolidated balance sheets at December 31, 2021 and 2020, respectively.

#### 2020:

- In February 2020, and as a result of the December 2019 amendment that extended the maturity date of our senior credit facilities to December 17, 2024, we entered into additional interest rate swap agreements. These additional swaps:
  - Had an initial notional amount of \$248.4;
  - Cover the period March 2021 to November 2024; and
  - Effectively convert borrowings under our senior credit facilities to a fixed rate of 1.061%, plus an applicable margin, during the period noted above.

- On September 2, 2020, we completed the acquisition of ULC.
  - The purchase price for ULC was \$89.2, net of cash acquired of \$4.0.
  - The post-acquisition operating results of ULC are reflected within our Detection and Measurement reportable segment.
- In September 2020, MHI made a demand and received payment of South African Rand 239.6 (or \$14.3 at the time of payment) on certain bonds that were issued by a bank in favor of MHI.
  - As required under the terms of the bonds and our senior credit agreement, we funded the South African Rand 239.6.
  - In its demand, MHI purported that DBT failed to carry out certain contractual obligations.
  - DBT denies liability and, thus, intends to seek, and believes it is fully entitled to, reimbursement of the South African Rand 239.6 that has been paid.
  - As such, we have reflected the South African Rand 239.6 (or \$15.0 and \$16.3 at December 31, 2021 and 2020, respectively) within non-current assets on our consolidated balance sheets as of December 31, 2021 and 2020.
  - See Note 15 to our consolidated financial statements for additional details.
- On November 11, 2020, we completed the acquisition of Sensors & Software.
  - The purchase price for Sensors & Software was \$15.5, net of cash acquired of \$0.3.
  - The post-acquisition operating results of Sensors & Software are reflected within our Detection and Measurement reportable segment.
- In the fourth quarter of 2020, we completed the wind-down of Heat Transfer.
  - The wind-down was initiated in 2018 after an unsuccessful attempt to sell the business.
  - The wind-down was part of a strategic shift away from the power generation markets.
  - As a result of completing the wind-down plan, we are reporting Heat Transfer as a discontinued operation for all periods presented.
- Asbestos Product Liability Matters:
  - During 2020, we recorded charges of \$21.3 related to asbestos product liability matters.
  - Of such charges, \$19.2 were reflected in "Income from continuing operations before income taxes" and the remainder in "Gain (loss) on disposition of discontinued operations, net of tax."
  - Payments for asbestos product liability matters, net of insurance recoveries, totaled \$19.3 in 2020.
- Actuarial Losses on Pension and Postretirement Plans:
  - We recorded net actuarial losses of \$6.8 in the fourth quarter of 2020 in connection with the annual remeasurement of our pension and postretirement plans, with such losses resulting primarily from declines in discount rates on our unfunded pension and postretirement plans.
  - See Notes 1 and 11 to our consolidated financial statements for additional details.
- Changes in the Estimated Fair Value of an Equity Security:
  - During 2020, we:
    - Recorded gains of \$8.6 within "Other income (expense), net" related to increases in the estimated fair value of an equity security that we hold; and
    - Received distributions of \$3.5, which are included in "Cash flows from operating activities."
  - See Note 17 to our consolidated financial statements for additional details.

## 2019:

- On February 1, 2019, we completed the acquisition of Sabik.
  - The purchase price for Sabik was \$77.2, net of cash acquired of \$0.6.
  - The post-acquisition operating results of Sabik are reflected within our Detection and Measurement reportable segment.
- On July 3, 2019, we completed the acquisition of SGS.
  - The purchase price for SGS was \$11.5, including contingent consideration of \$1.5 that was paid during 2020.
  - The post-acquisition operating results of SGS are reflected within our HVAC reportable segment.
- On November 12, 2019, we completed the acquisition of Patterson-Kelley.
  - The purchase price for Patterson-Kelley was \$59.9.
  - The post-acquisition operating results of Patterson-Kelley are reflected within our HVAC reportable segment.

- On December 17, 2019, we amended our senior credit agreement. In connection with the amendment, we recorded a charge of \$0.6 associated with the write-off of a portion of deferred financing costs associated with the senior credit agreement.
- Asbestos Product Liability Matters:
  - During 2019, we recorded charges of \$10.1 related to asbestos product liability matters.
  - o Of such charges, \$6.3 were reflected in "Income from continuing operations before income taxes" and the remainder in "Gain (loss) on disposition of discontinued operations, net of tax."
  - Payments for asbestos product liability matters, net of insurance recoveries, totaled \$13.1 in 2019.
- Actuarial Losses on Pension and Postretirement Plans:
  - We recorded net actuarial losses of \$10.0 in the fourth quarter of 2019 in connection with the annual remeasurement of our pension and postretirement plans, with such losses resulting primarily from declines in discount rates on our unfunded pension and postretirement plans.
  - See Notes 1 and 11 to our consolidated financial statements for additional details.
- Changes in the Estimated Fair Value of an Equity Security:
  - o During 2019, we:
    - Recorded gains of \$7.9 within "Other income (expense), net" related to increases in the estimated fair value of an equity security that we hold; and
    - Received distributions of \$2.6, which are included in "Cash flows from operating activities."
  - See Note 17 to our consolidated financial statements for additions details.

## **Results of Continuing Operations**

Cyclicality of End Markets, Seasonality and Competition—The financial results of our businesses closely follow changes in the industries in which they operate and end markets in which they serve. In addition, certain of our businesses have seasonal fluctuations. For example, our heating products businesses tend to be stronger in the third and fourth quarters, as customer buying habits are driven largely by seasonal weather patterns. In aggregate, our businesses generally tend to be stronger in the second half of the year.

Although our businesses operate in highly competitive markets, our competitive position cannot be determined accurately in the aggregate or by segment since none of our competitors offer all the same product lines or serve all the same markets as we do. In addition, specific reliable comparative figures are not available for many of our competitors. In most product groups, competition comes from numerous concerns, both large and small. The principal methods of competition are service, product performance, technical innovation and price. These methods vary with the type of product sold. We believe we compete effectively on the basis of each of these factors.

Non-GAAP Measures — Organic revenue growth (decline) presented herein is defined as revenue growth (decline) excluding the effects of foreign currency fluctuations, acquisitions/divestitures, and the impact of a reduction in revenue during 2021 associated with the settlement of claims on a legacy dry cooling project. We believe this metric is a useful financial measure for investors in evaluating our operating performance for the periods presented, as, when read in conjunction with our revenues, it presents a useful tool to evaluate our ongoing operations and provides investors with a tool they can use to evaluate our management of assets held from period to period. In addition, organic revenue growth (decline) is one of the factors we use in internal evaluations of the overall performance of our business. This metric, however, is not a measure of financial performance under GAAP, should not be considered a substitute for net revenue growth (decline) as determined in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies.

The following table provides selected financial information for the years ended December 31, 2021, 2020, and 2019, including the reconciliation of organic revenue increase (decline) to net revenue increase:

	Year ended December 31,						2021 vs	2020 vs
		2021		2020		2019	2020 %	2019 %
Revenues	\$	1,219.5	\$	1,128.1	\$	1,123.6	8.1 %	0.4 %
Gross profit		431.8		395.5		402.0	9.2	(1.6)
% of revenues		35.4 %		35.1 %		35.8 %		
Selling, general and administrative expense		309.6		272.5		275.8	13.6	(1.2)
% of revenues		25.4 %		24.2 %		24.5 %		
Intangible amortization		21.6		14.0		8.9	54.3	57.3
Impairment of goodwill and intangible assets		5.7		0.7		_	*	*
Special charges, net		1.0		2.4		1.5	(58.3)	60.0
Other operating expenses, net		20.2		9.0		1.8	*	*
Other income (expense), net		9.0		(0.1)		(5.2)	*	*
Interest expense, net		(12.8)		(18.2)		(19.4)	(29.7)	(6.2)
Loss on amendment/refinancing of senior credit agreement		_		_		(0.6)	*	*
Income from continuing operations before income taxes		69.9		78.6		88.8	(11.1)	(11.5)
Income tax provision		(10.9)		(4.8)		(12.5)	*	*
Income from continuing operations		59.0		73.8		76.3	(20.1)	(3.3)
Components of consolidated revenue increase:								
Organic							2.6	(4.7)
Foreign currency							0.7	
Settlement of legacy dry cooling contract							(0.4)	_
Acquisitions							5.2	5.1
Net revenue increase							8.1	0.4

<sup>\*</sup> Not meaningful for comparison purposes.

Revenues - For 2021, the increase in revenues, compared to 2020, was due primarily to (i) the impact of the acquisitions of ULC and Sensors & Software in 2020 and Sealite, ECS and Cincinnati Fan in 2021 and (ii) an increase in organic revenue. The increase in organic revenue was due primarily to higher sales of heating and underground pipe and locator products, partially offset by lower sales of cooling products. During the first half of 2020, sales of heating and underground pipe and locator products were impacted negatively by the COVID-19 pandemic. Sales of cooling products declined in 2021, as there were several large cooling projects that favorably impacted sales in 2020.

For 2020, the increase in revenues, compared to 2019, was due to the impact of the acquisitions of SGS and Patterson-Kelley during 2019 and ULC and Sensors & Software during 2020, partially offset by a decline in organic revenue in 2020. The decline in organic revenue was due primarily to lower sales of heating products, domestic cooling products, and communication technologies products, partially offset by higher sales of cooling products in the international markets. A portion of the organic revenue decline is attributable to a decline in customer demand and order delays caused by the COVID-19 pandemic. See "Results of Reportable Segments" for additional details.

*Gross Profit* - For 2021, the increase in gross profit and gross profit as a percentage of revenues, compared to 2020, was due primarily to the revenue increases noted above.

For 2020, the decrease in gross profit and gross profit as a percentage of revenues, compared to 2019, was due primarily to lower sales of high-margin communication technologies products and heating products.

Selling, General and Administrative ("SG&A") Expense — For 2021, the increase in SG&A expense, compared to 2020, was due primarily to SG&A associated with Sealite, ECS and Cincinnati Fan since their dates of acquisition in 2021 and the impact of a full year's SG&A associated with the 2020 acquisitions of ULC and Sensors and Software. Also, additional corporate expense in 2021 associated with (i) increased investments in continuous improvement and strategic initiatives and (ii) higher incentive compensation contributed to the increase in SG&A in 2021.

For 2020, the decrease in SG&A expense, compared to 2019, was due primarily to lower incentive compensation and lower travel expense during 2020, with the lower travel expense due to the impact of the COVID-19 pandemic.

Intangible Amortization — For 2021, the increase in intangible amortization, compared to 2020, was due to the amortization expense associated with Sealite, ECS and Cincinnati Fan since their dates of acquisition in 2021 and the impact of a full year's amortization expense on the 2020 acquisitions of ULC and Sensors and Software.

For 2020, the increase in intangible amortization, compared to 2019, was due primarily to the amortization expense associated with ULC since its date of acquisition in 2020 and the impact of a full year's amortization expense on the 2019 acquisitions of Sabik, SGS, and Patterson-Kelley.

Impairment of Goodwill and Intangible Assets — During 2021, we recorded impairment charges of \$5.2 related to the goodwill and trademarks of ULC and \$0.5 related to certain other trademarks. During 2020, we recorded \$0.7 of impairment charges related to certain trademarks. See Note 10 to our consolidated financial statements for additional details.

Special Charges, Net — Special charges, net, related primarily to restructuring initiatives to consolidate manufacturing, distribution, sales and administrative facilities, reduce workforce, and rationalize certain product lines. See Note 8 to our consolidated financial statements for the details of actions taken in 2021, 2020, and 2019. The components of special charges, net, are as follows:

	 Year ended December 31,					
	2021	2020		2019		
Employee termination costs	\$ 1.0	\$ 1.0	\$	0.5		
Facility consolidation costs	_	_		0.5		
Other cash costs, net	_	1.0		_		
Non-cash asset write-downs	_	0.4		0.5		
Total	\$ 1.0	\$ 2.4	\$	1.5		

Other Operating Expenses, Net – During 2021, we recorded charges of \$26.3 for asbestos product liability matters related to products that we no longer manufacture, along with a charge of \$0.6 related to revisions to the contingent consideration liability associated with the Sensors and Software acquisition, partially offset by income of \$6.7 associated with a reduction in the liability associated with the contingent consideration related to the ECS acquisition. The charges for the asbestos product liability matters were due to a change in assumptions for estimating the related liabilities primarily as a result of a continuing unfavorable trend in the percentage of claims with payment (versus claims dismissed without payment). The charge of \$0.6 was the result of finalizing the contingent consideration amount that is due on the Sensors & Software acquisition. The income associated with the ECS contingent consideration was due to a change in fair value of the related liability resulting from a lower probability of the business achieving certain defined financial milestones.

During 2020, we recorded charges of \$9.4 for asbestos product liability matters, net of a gain of \$0.4 related to revisions to estimates of certain liabilities retained in connection with the 2016 sale of the dry cooling business. The charges for the asbestos product liability matters were due to a change in assumptions for estimating the related liabilities as a result of recent claim trends.

For 2019, we recorded charges associated with revisions to estimates of certain liabilities retained in connection with the 2016 sale of the dry cooling business.

Other Income (Expense), Net – Other income, net, for 2021 was composed primarily of pension and post retirement income of \$16.4, a gain of \$11.8 related to changes in the estimated fair value of an equity security we hold, and income derived from company-owned life insurance policies of \$3.2, partially offset by charges of \$21.0 associated with asbestos product liability matters. The charges associated with asbestos product liability matters were the result of a change in assumptions for estimating the related liabilities due primarily to a continuing unfavorable trend in the percentage of claims with payment (versus claims dismissed without payment).

Other expense, net, for 2020 was composed primarily of charges of \$7.6 associated with asbestos product liability matters, pension and postretirement expense of \$3.0, environmental remediation charges of \$1.5, and foreign currency transaction losses

of \$0.6, partially offset by a gain of \$8.6 related to changes in the estimated fair value of an equity security we hold and income derived from company-owned life insurance policies of \$5.0.

Other expense, net, for 2019 was composed primarily of pension and postretirement expense of \$9.9, charges of \$4.5 associated with asbestos product liability matters, and foreign currency transaction losses of \$1.5, partially offset by a gain of \$7.9 related to changes in the estimated fair value of an equity security that we hold and income derived from company-owned life insurance policies of \$4.0.

Interest Expense, Net — Interest expense, net, includes both interest expense and interest income. The decrease in interest expense, net, during 2021, compared to 2020, was the result of lower average effective interest rates and lower average debt balances during 2021.

The decrease in interest expense, net, during 2020, compared to 2019, was the result of lower average interest rates during 2020, partially offset by the impact of higher average debt balances during 2020.

Loss on Amendment/Refinancing of Senior Credit Agreement — During the fourth quarter of 2019, we amended our senior credit agreement. In connection with the amendment, we recorded a charge of \$0.6, which consisted of the write-off of a portion of the unamortized deferred financing costs related to our senior credit facilities.

Income Taxes — During 2021, we recorded an income tax provision of \$10.9 on \$69.9 of pre-tax income from continuing operations, resulting in an effective tax rate of 15.6%. The most significant items impacting the effective income tax rate for 2021 were (i) earnings in jurisdictions with lower statutory rates, (ii) \$4.3 of income tax benefits related to various valuation allowance adjustments, primarily due to foreign tax credits for which the future realization is now considered likely, and (iii) a benefit of \$3.5 related to the resolution of certain liabilities for uncertain tax positions and interest associated with various refund claims, partially offset by \$13.2 of tax expense associated with global intangible low-taxed income created by the liquidation of various recently acquired entities.

During 2020, we recorded an income tax provision of \$4.8 on \$78.6 of pre-tax income from continuing operations, resulting in an effective tax rate of 6.1%. The most significant items impacting the effective tax rate for 2020 were (i) earnings in jurisdictions with lower statutory tax rates, (ii) \$4.2 of tax benefits related to various audit settlements, statute expirations, and other adjustments to liabilities for uncertain tax positions, and (iii) \$2.8 of excess tax benefits resulting from stock-based compensation awards that vested and/or were exercised during the year.

During 2019, we recorded an income tax provision of \$12.5 on \$88.8 of pre-tax income from continuing operations, resulting in an effective tax rate of 14.1%. The most significant items impacting the effective tax rate for 2019 were (i) \$1.6 of excess tax benefits resulting from stock-based compensation awards that vested and/or were exercised during the year, (ii) \$1.3 of tax benefits related to our U.S. tax credits and incentives, and (iii) \$1.2 of tax benefits related to various audit settlements, statute expirations, and other adjustments to liabilities for uncertain tax positions.

## **Results of Discontinued Operations**

#### Wind-Down of the Heat Transfer Business

Following the Spin-Off, we initiated a strategic shift away from the power generation markets. As part of this strategic shift, we sold the dry cooling and Balcke Dürr businesses in 2016 and commenced efforts to sell the Heat Transfer business. After an unsuccessful attempt to sell the Heat Transfer business, we implemented a wind-down plan for the business in 2018. During the fourth quarter of 2020, we completed the wind-down plan, which included providing all products and services on the business's remaining contracts with customers. As a result, we are reporting Heat Transfer as a discontinued operation for all periods presented.

#### **Sale of Transformer Solutions Business**

On October 1, 2021, we completed the sale of Transformer Solutions pursuant to the terms of the Stock Purchase Agreement dated June 8, 2021. We transferred all of the outstanding common stock of Transformer Solutions to the Purchaser for an aggregate cash purchase price of \$645.0 (the "Transaction"). The purchase price is subject to potential adjustment based on Transformer Solutions' cash, debt and working capital on the date the Transaction was consummated, as well as for specified transaction expenses and other specified items. In connection with the sale, we received net cash proceeds of \$620.6 and recorded a gain of \$382.2 to "Gain (loss) on disposition of discontinued operations, net of tax" within our 2021 consolidated statement of operations. We have classified the business as a discontinued operation in our consolidated financial statements for all periods presented. See Notes 1 and 4 to our consolidated financial statements for additional details.

#### Wind-Down of DBT Business

As a culmination of our strategic shift away from power generation markets, we completed the wind-down of our DBT business. As a result, we are now reporting DBT as a discontinued operation in our consolidated financial statements for all periods presented. In connection with the wind-down, we recorded a charge of \$19.9 to "Gain (loss) on disposition of discontinued operations, net of taxes" within our consolidated statement of operations for the year ended December 31, 2021 to reflect the write-off of historical currency translation amounts associated with DBT that had been previously reported within "Stockholders' equity" of our consolidated balance sheet. DBT continues to be engaged in various dispute resolution matters related to two large power projects, as indicated in Note 15 to the consolidated financial statements.

## Other Discontinued Operations Activity

In addition to Heat Transfer, Transformer Solutions, and DBT, we recognized net losses of \$1.3, \$3.7 and \$4.4 during 2021, 2020 and 2019, respectively. The net losses for 2021, 2020, and 2019 resulted primarily from revisions to liabilities, including income tax liabilities, retained in connection with prior businesses classified as discontinued operations.

Changes in estimates associated with liabilities retained in connection with a business divestiture (e.g., income taxes) may occur. As a result, it is possible that the resulting gains/losses on these and other previous divestitures may be materially adjusted in subsequent periods.

For the years ended December 31, 2021, 2020 and 2019, results of operations from our businesses reported as discontinued operations were as follows:

		Year e	ended December 3	31,
	202	21	2020	2019
Transformer Solutions				
Income from discontinued operations	\$	454.9 \$	56.9	\$ 39.4
Income tax provision (1)		(51.8)	(14.0)	(8.8)
Income from discontinued operations, net		403.1	42.9	30.6
DBT				
		(27.0)	(16.6)	(42.1)
Loss from discontinued operations		(37.8)	(16.6)	(43.1)
Income tax benefit		2.7	2.4	7.3
Loss from discontinued operations, net		(35.1)	(14.2)	(35.8)
Heat Transfer				
Income (loss) from discontinued operations		(0.3)	0.3	(1.8)
Income tax (provision) benefit		_	(0.1)	0.4
Income (loss) from discontinued operations, net		(0.3)	0.2	(1.4)
ATL d				
All other		(7.0)	(4.0)	(4.0)
Loss from discontinued operations		(7.6)	(4.8)	(4.0)
Income tax (provision) benefit		6.3	1.1	(0.4)
Loss from discontinued operations, net		(1.3)	(3.7)	(4.4)
Total				
Income (loss) from discontinued operations		409.2	35.8	(9.5)
Income tax provision		(42.8)	(10.6)	(1.5)
Income (loss) from discontinued operations, net	\$	366.4 \$	25.2	\$ (11.0)

<sup>&</sup>lt;sup>(1)</sup> During the fourth quarter of 2021, we liquidated various recently acquired entities. As a result of this action, we recorded a net income tax benefit of \$16.5 within our 2021 consolidated statement of operations, which included an income tax charge of \$10.9 within continuing operations and income tax benefit of \$27.4 within discontinued operations.

## **Results of Reportable Segments**

The following information should be read in conjunction with our consolidated financial statements and related notes. These results exclude the operating results of discontinued operations for all periods presented. See Note 7 to our consolidated financial statements for a description of each of our reportable segments.

Non-GAAP Measures — Throughout the following discussion of reportable segments, we use "organic revenue" growth (decline) to facilitate explanation of the operating performance of our segments. Organic revenue growth (decline) is a non-GAAP financial measure, and is not a substitute for net revenue growth (decline). Refer to the explanation of this measure and purpose of use by management under "Results of Continuing Operations — Non-GAAP Measures."

#### **HVAC Reportable Segment**

	 Year Ended December 31,				2021 vs.	2020 vs.	
	2021		2020		2019	2021 vs.	2020 vs. 2019 %
Revenues	\$ 752.1	\$	740.8	\$	738.7	1.5	0.3
Income	104.2		102.7		103.2	1.5	(0.5)
% of revenues	13.9 %	, D	13.9 %	ó	14.0 %		
Components of revenue increase:							
Organic						1.3	(4.8)
Foreign currency						0.5	(0.1)
Settlement of legacy dry cooling contract						(0.6)	_
Acquisitions						0.3	5.2
Net revenue increase						1.5	0.3

Revenues — For 2021, the increase in revenues, compared to 2020, was due primarily to an increase in organic revenue for the segment's heating businesses, partially offset by a decline in organic revenue at the segment's cooling businesses due to several large projects that contributed significant revenue to the segment's results in 2020. Sales of heating products during the first half of 2020 were impacted negatively by (i) a warmer than normal winter and (ii) the COVID-19 pandemic.

For 2020, the increase in revenues, compared to 2019, was due to the impact of the SGS and Patterson-Kelley acquisitions in 2019, partially offset by a decline in organic revenue. The decline in organic revenue was due to a decrease in sales of heating products and domestic cooling products. The decline in the sales of heating products was due primarily to (i) warmer than normal weather during the first half of 2020 and (ii) the negative impact of the COVID-19 pandemic on customer demand. The demand for domestic cooling products was also negatively impacted by the COVID-19 pandemic. These declines in organic revenue were offset partially by higher sales of cooling products in the international markets, with such sales favorably impacted by a number of large orders that were secured prior to the COVID-19 pandemic.

*Income* — For 2021, the increase in income, compared to 2020, was due primarily to the increase in revenues noted above.

For 2020, the decrease in income and margin, compared to 2019, was due primarily to the decline in sales of heating products noted above. This decrease in income and margin was partially offset by the impact of (i) improved operational execution and a favorable sales mix within the segment's domestic cooling products business and (ii) higher sales of cooling products in the international markets.

Backlog — The segment had backlog of \$226.9 (including \$20.4 related to Cincinnati Fan) and \$150.1 as of December 31, 2021 and 2020, respectively. Approximately 97% of the segment's backlog as of December 31, 2021 is expected to be recognized as revenue during 2022.

## **Detection and Measurement Reportable Segment**

	 Year Ended December 31,				2021 vs.	2020 vs.	
	2021		2020		2019	2021 VS. 2020 %	2020 VS. 2019 %
Revenues	\$ 467.4	\$	387.3	\$	384.9	20.7	0.6
Income	69.7		69.1		81.7	0.9	(15.4)
% of revenues	14.9 %	ó	17.8 %	6	21.2 %		
Components of revenue increase:							
Organic						5.0	(4.4)
Foreign currency						1.1	0.1
Acquisitions					_	14.6	4.9
Net revenue increase					_	20.7	0.6

Revenues — For 2021, the increase in revenues, compared to 2020, was due primarily to the impact of the acquisitions of ECS and Sealite in 2021 and ULC and Sensors and Software in 2020 and, to a lesser extent, organic revenue growth and the impact of foreign currency exchange rates. The increase in organic revenue was primarily the result of higher sales of underground pipe and locator products and, to a lesser extent, higher sales of communication technologies and obstruction

lighting products. These increases in organic revenue were offset partially by lower sales of bus fare collection systems. During the first half of 2020, sales of underground pipe and locator products were impacted negatively by the COVID-19 pandemic, while the decline in sales of bus fare collection systems in the current year was due primarily to the timing of large projects, as the extent of such projects can fluctuate from year-to-year.

For 2020, the increase in revenues, compared to 2019, was due primarily to the impact of the ULC acquisition and, to a lesser extent, the Sensors & Software acquisition, partially offset by a decline in organic revenue. The decline in organic revenue was primarily the result of lower sales of communication technologies products, with a portion of the decline due to order delays caused by the COVID-19 pandemic.

*Income* — For 2021, the increase in income, compared to 2020, was due primarily to the increase in revenue noted above, partially offset by increases in amortization expense of \$7.1 and inventory step-up charges of \$2.3 associated with the acquisitions noted above. The year-over-year decrease in margins was due primarily to the increases in amortization expense and inventory step-up charges noted above.

For 2020, the decrease in income and margin, compared to 2019, was due primarily to the decline in sales of high-margin communication technologies products noted above.

Backlog — The segment had backlog of \$153.6 (including \$50.8 related to Sealite and ECS) and \$89.3 as of December 31, 2021 and 2020, respectively. Approximately 71% of the segment's backlog as of December 31, 2021 is expected to be recognized as revenue during 2022.

#### **Corporate Expense and Other Expense**

	 Yea	ar En	ded Decembe	r 31,		2021	2020
	2021		2020		2019	2021 vs. 2020 %	2020 vs. 2019 %
Total consolidated revenues	\$ 1,219.5	\$	1,128.1	\$	1,123.6	8.1	0.4
Corporate expense	60.5		49.7		55.0	21.7	(9.6)
% of revenues	5.0 %		4.4 %	,	4.9 %		
Long-term incentive compensation expense	12.8		13.1		12.6	(2.3)	4.0

Corporate Expense — Corporate expense generally relates to the cost associated with our Charlotte, NC corporate headquarters. The increase in corporate expense during 2021, compared to 2020, was due primarily to increased investments in continuous improvement and other strategic initiatives and higher incentive compensation during 2021.

The decrease in corporate expense during 2020, compared to 2019, was due primarily to lower incentive compensation and travel expense during 2020, with the decline in travel expense resulting from the impact of the COVID-19 pandemic.

Long-Term Incentive Compensation Expense — The decrease in long-term incentive compensation in 2021, compared to 2020, was due primarily to revisions to/finalization of the liability associated with the 2018 long-term cash awards during the first quarter of 2021, partially offset by the impact of a lower amount of award forfeitures during 2021. The increase in long-term incentive compensation in 2020, compared to 2019, was due primarily to the accelerated expense in 2020 on certain awards.

See Note 16 to our consolidated financial statements for further details on our long-term incentive compensation plans.

#### **Liquidity and Financial Condition**

#### **Cash Flows**

Listed below are the cash flows from (used in) operating, investing and financing activities, and discontinued operations, as well as the net change in cash and equivalents for the years ended December 31, 2021, 2020 and 2019.

Year Ended December 31,					
	2021		2020		2019
\$	131.2	\$	105.2	\$	110.0
	(306.0)		(119.9)		(154.9)
	(167.8)		16.3		4.7
	663.7		14.5		24.0
	6.6		(2.5)		2.1
\$	327.7	\$	13.6	\$	(14.1)
	\$	\$ 131.2 (306.0) (167.8) 663.7	\$ 131.2 \$ (306.0) (167.8) 663.7 6.6	\$ 131.2 \$ 105.2 (306.0) (119.9) (167.8) 16.3 663.7 14.5 6.6 (2.5)	\$ 131.2 \$ 105.2 \$ (306.0) (119.9) (167.8) 16.3 663.7 14.5

#### **2021 Compared to 2020**

Operating Activities – The increase in cash flows from operating activities, compared to 2020, was due primarily to (i) improved cash flows within our heating and underground pipe and locator businesses associated with improved profitability, (ii) a decline in working capital at certain of our businesses, (iii) insurance proceeds of \$15.0 associated with the settlement of an asbestos insurance coverage matter, and (iv) income tax refunds, net of tax payments, of \$5.5 in 2021 (compared to income tax payments, net of refunds, of \$7.6 in 2020).

Investing Activities - Cash flows used in investing activities for 2021 were comprised primarily of cash utilized in the acquisitions of Sealite, ECS and Cincinnati Fan of \$264.9, net expenditures related to company-owned life insurance policies of \$31.2, and capital expenditures of \$9.6. Cash flows used in investing activities in 2020 were comprised primarily of cash utilized in the acquisitions of ULC and Sensors & Software of \$104.4 and capital expenditures of \$15.3.

Financing Activities – Cash flows used in financing activities during 2021 were comprised primarily of net repayments on our various debt instruments of \$164.5. Cash flows from financing activities during 2020 were comprised primarily of net borrowings on our various debt instruments of \$15.6.

Discontinued Operations – Cash flows from discontinued operations for 2021 related primarily to proceeds received in connection with the sale of Transformer Solutions of \$620.6. In addition cash flows from discontinued operations include cash flows from operations generated by Transformer Solutions, partially offset by cash flows used in DBT's operations and disbursements related to liabilities retained in connection with other dispositions. Cash flows from discontinued operations for 2020 related primarily to cash flows generated by Transformer Solutions and Heat Transfer, partially offset by cash flows used in DBT's operations and disbursements for liabilities retained in connection with other dispositions.

Change in Cash and Equivalents Due to Changes in Foreign Currency Exchange Rates - Changes in foreign currency exchange rates did not have a significant impact on our cash and equivalents during 2021 and 2020.

#### **2020** Compared to **2019**

Operating Activities – The decrease in cash flows from operating activities, compared to 2019, was due primarily to a decline in cash flows at certain of our project-related businesses during 2020, as cash receipts for these project-related business are often subject to contractual milestones that can impact the timing of cash flows from year-to-year.

Investing Activities - Cash flows used in investing activities for 2020 were comprised primarily of cash utilized in the acquisitions of ULC and Sensors & Software of \$104.4 and capital expenditures of \$15.3. Cash flows used in investing activities in 2019 were comprised primarily of cash utilized in the acquisitions of Sabik, SGS, and Patterson-Kelley of \$147.1 and capital expenditures of \$13.5, partially offset by proceeds from company-owned life insurance policies of \$5.9.

Financing Activities – Cash flows from financing activities during 2020 were comprised primarily of net borrowings on our various debt instruments of \$15.6. Cash flows from financing activities during 2019 were comprised primarily of net borrowings on various debt instruments of \$10.0.

Discontinued Operations – Cash flows from discontinued operations for 2020 related primarily to cash flows generated by Transformer Solutions and Heat Transfer, partially offset by cash flows used in DBT operations and disbursements for liabilities retained in connection with other dispositions. Cash flows from discontinued operations for 2019 related primarily to cash flows generated by Transformer Solutions and proceeds of \$5.5 received in connection with the sale of Heat Transfer's manufacturing facility, partially offset by disbursements for liabilities retained in connection with other dispositions, net cash flows used in operations by Heat Transfer and DBT, and a payment of \$15.6 to settle a put option held by a minority shareholder of DBT (see Note 15 to our consolidated financial statements for additional details).

Change in Cash and Equivalents Due to Changes in Foreign Currency Exchange Rates - Changes in foreign currency exchange rates did not have a significant impact on our cash and equivalents during 2020 and 2019.

## **Borrowings**

The following summarizes our debt activity (both current and non-current) for the year ended December 31, 2021:

	mber 31, 2020	Bor	rowings	Re	payments	Ot	ther (5)	De	cember 31, 2021
Revolving loans (1)	\$ 129.8	\$	209.9	\$	(339.7)	\$		\$	_
Term loan (2)	248.6		_		(6.3)		0.4		242.7
Trade receivables financing arrangement (3)	28.0		179.0		(207.0)		_		
Other indebtedness (4)	6.0		0.6		(1.0)		(2.3)		3.3
Total debt	412.4	\$	389.5	\$	(554.0)	\$	(1.9)		246.0
Less: short-term debt	101.2								2.2
Less: current maturities of long-term debt	7.2								13.0
Total long-term debt	\$ 304.0							\$	230.8

- While not due for repayment until December 2024 under the terms of our senior credit agreement, we classify within current liabilities the portion of the outstanding balance that we believe will be repaid over the next year, with such amount based on an estimate of cash that is expected to be generated over such period.
- The term loan is repayable in quarterly installments beginning in the first quarter of 2021, with the quarterly installments equal to 0.625% of the initial term loan balance of \$250.0 during 2021, 1.25% in each of the four quarters of 2022 and 2023, and 1.25% during the first three quarters of 2024. The remaining balance is payable in full on December 17, 2024. Balances are net of unamortized debt issuance costs of \$1.0 and \$1.4 at December 31, 2021 and December 31, 2020, respectively.
- Under this arrangement, we can borrow, on a continuous basis, up to \$50.0, as available. At December 31, 2021, there was no available borrowing capacity under the agreement.
- Primarily includes balances under a purchase card program of \$2.2 and \$1.7 and finance lease obligations of \$1.1 and \$2.6 at December 31, 2021 and 2020, respectively. The purchase card program allows for payment beyond the normal payment terms for goods and services acquired under the program. As this arrangement extends the payment of these purchases beyond their normal payment terms through third-party lending institutions, we have classified these amounts as short-term debt.
- (5) "Other" primarily includes debt assumed, foreign currency translation on any debt instruments denominated in currencies other than the U.S. dollar, and the impact of amortization of debt issuance costs associated with the term loan.

Maturities of long-term debt payable during each of the five years subsequent to December 31, 2021 are are \$13.0, \$12.9, \$218.9, \$0.0, and \$0.0 respectively.

#### **Senior Credit Facilities**

On December 17, 2019, we amended our senior credit agreement (the "Credit Agreement") to, among other things, extend the term of each facility under the Credit Agreement (with the aggregate of each facility comprising the "Senior Credit Facilities") and provide for committed senior secured financing with an aggregate amount of \$800.0. On May 24, 2021, we elected to reduce our participating foreign credit instrument facility and bilateral foreign credit instrument facility, available for performance letters of credit and guarantees, by an aggregate amount of \$20.0 and \$25.0, respectively. The facility reduction resulted in a write-off of deferred finance costs of \$0.2, recorded to "Interest expense" in the consolidated statement of operations for the year ended December 31, 2021. After this reduction, and repayments of term loans through December 31, 2021, our committed senior secured financing consists of the following at December 31, 2021 (each with a final maturity of December 17, 2024):

- A term loan facility with a remaining principle amount, as of December 31, 2021, of \$243.7;
- A domestic revolving credit facility, available for loans and letters of credit, in an aggregate principal amount of \$300.0;
- A global revolving credit facility, available for loans in USD, Euros, British Pound Sterling, and other currencies, in the aggregate principal amount up to the equivalent of \$150.0;
- A participating foreign credit instrument facility, available for performance letters of credit and guarantees, in an aggregate principal amount up to the equivalent of \$35.0; and
- A bilateral foreign credit instrument facility, available for performance letters of credit and guarantees, in an aggregate principal amount up to the equivalent of \$20.0.

The Credit Agreement also:

- Requires that we maintain a Consolidated Leverage Ratio (defined in the Credit Agreement) as of the last day of each fiscal quarter to not more than 3.75 to 1.00 (or up to 4.25 to 1.00 for the four fiscal quarters after certain permitted acquisitions);
- Requires that we maintain a Consolidated Interest Coverage Ratio as of the last day of each fiscal quarter to not less than 3.00 to 1.00; and
- Establishes per annum fees charged and applies interest rate margins to Eurodollar and alternate base rate loans, in each case based on the Consolidated Leverage Ratio, as follows:

Consolidated Leverage Ratio	Domestic Revolving Commitment Fee	Global Revolving Commitment Fee	Letter of Credit Fee	Foreign Credit Commitment Fee	Foreign Credit Instrument Fee	LIBOR Rate Loans	ABR Loans
Greater than or equal to 3.50 to 1.0	0.350 %	0.350 %	2.000 %	0.350 %	1.250 %	2.000 %	1.000 %
Between 2.50 to 1.0 and 3.50 to 1.0	0.300 %	0.300 %	1.750 %	0.300 %	1.000 %	1.750 %	0.750 %
Between 1.75 to 1.0 and 2.50 to 1.0	0.275 %	0.275 %	1.500 %	0.275 %	0.875 %	1.500 %	0.500 %
Less than 1.75 to 1.0	0.250 %	0.250 %	1.375 %	0.250 %	0.800 %	1.375 %	0.375 %

The interest rates applicable to loans under the Credit Agreement are, at our option, equal to either (i) an alternate base rate (the highest of (a) the federal funds effective rate plus 0.5%, (b) the prime rate of Bank of America, N.A., and (c) the one-month LIBOR rate plus 1.0%) or (ii) a reserve-adjusted LIBOR rate for dollars (Eurodollars) plus, in each case, an applicable margin percentage as previously discussed, which varies based on our Consolidated Leverage Ratio (defined in the Credit Agreement generally as the ratio of consolidated total debt (excluding the face amount of undrawn letters of credit, bank undertakings and analogous instruments and net of cash and cash equivalents) at the date of determination to consolidated adjusted EBITDA for the four fiscal quarters ended most recently before such date). We may elect interest periods of one, two, three or six months (and, if consented to by all relevant lenders, twelve months) for Eurodollar borrowings.

The weighted-average interest rate of outstanding borrowings under our Senior Credit Facilities was approximately 1.5% at December 31, 2021.

On December 9, 2021, in preparation of our adoption of Accounting Standards Update ("ASU") No. 2020-04 and No. 2021-01, Reference Rate Reform, we entered into a LIBOR transition amendment related to our global revolving credit facility for certain foreign currencies. This amendment provides for a transition from the LIBOR rate to a successor rate in accordance with the Credit Agreement.

The fees and bilateral foreign credit commitments are as specified above for foreign credit commitments unless otherwise agreed with the bilateral foreign issuing lender. We also pay fronting fees on the outstanding amounts of letters of credit and foreign credit instruments (in the participation facility) at the rates of 0.125% per annum and 0.25% per annum, respectively.

SPX is the borrower under each of the above facilities, and certain of our foreign subsidiaries are (and we may designate other foreign subsidiaries to be) borrowers under the global revolving credit facility and the foreign credit instrument facilities. All borrowings and other extensions of credit under the Credit Agreement are subject to the satisfaction of customary conditions, including absence of defaults and accuracy in material respects of representations and warranties.

The letters of credit under the domestic revolving credit facility are stand-by letters of credit requested by SPX on behalf of any of our subsidiaries or certain joint ventures. The foreign credit instrument facility is used to issue foreign credit instruments, including bank undertakings to support our foreign operations.

The Credit Agreement requires mandatory prepayments in amounts equal to the net proceeds from the sale or other disposition of, including from any casualty to, or governmental taking of, property in excess of specified values (other than in the ordinary course of business and subject to other exceptions) by SPX or our subsidiaries. Mandatory prepayments will be applied to repay, first, amounts outstanding under any term loans and, then, amounts (or cash collateralize letters of credit) outstanding under the global revolving credit facility and the domestic revolving credit facility (without reducing the commitments thereunder). No prepayment is required generally to the extent the net proceeds are reinvested (or committed to be reinvested) in permitted acquisitions, permitted investments or assets to be used in our business within 360 days (and if committed to be reinvested, actually reinvested within 360 days after the end of such 360-day period) of the receipt of such proceeds.

We may voluntarily prepay loans under the Credit Agreement, in whole or in part, without premium or penalty. Any voluntary prepayment of loans will be subject to reimbursement of the lenders' breakage costs in the case of a prepayment of Eurodollar rate borrowings other than on the last day of the relevant interest period. Indebtedness under the Credit Agreement is guaranteed by:

- Each existing and subsequently acquired or organized domestic material subsidiary with specified exceptions; and
- SPX with respect to the obligations of our foreign borrower subsidiaries under the global revolving credit facility, the participation foreign credit instrument facility and the bilateral foreign credit instrument facility.

Indebtedness under the Credit Agreement is secured by a first priority pledge and security interest in 100% of the capital stock of our domestic subsidiaries (with certain exceptions) held by SPX or our domestic subsidiary guarantors and 65% of the capital stock of our material first-tier foreign subsidiaries (with certain exceptions). If SPX obtains a corporate credit rating from Moody's and S&P and such corporate credit rating is less than "Ba2" (or not rated) by Moody's and less than "BB" (or not rated) by S&P, then SPX and our domestic subsidiary guarantors are required to grant security interests, mortgages and other liens on substantially all of their assets. If SPX's corporate credit rating is "Baa3" or better by Moody's or "BBB-" or better by S&P and no defaults then exist, all collateral security is to be released and the indebtedness under the Credit Agreement would be unsecured.

The Credit Agreement also contains covenants that, among other things, restrict our ability to incur additional indebtedness, grant liens, make investments, loans, guarantees, or advances, make restricted junior payments, including dividends, redemptions of capital stock, and voluntary prepayments or repurchase of certain other indebtedness, engage in mergers, acquisitions or sales of assets, enter into sale and leaseback transactions, or engage in certain transactions with affiliates, and otherwise restrict certain corporate activities. The Credit Agreement contains customary representations, warranties, affirmative covenants and events of default.

We are permitted under the Credit Agreement to repurchase our capital stock and pay cash dividends in an unlimited amount if our Consolidated Leverage Ratio is (after giving pro forma effect to such payments) less than 2.75 to 1.00. If our Consolidated Leverage Ratio is (after giving pro forma effect to such payments) greater than or equal to 2.75 to 1.00, the aggregate amount of such repurchases and dividend declarations cannot exceed (A) \$100.0 in any fiscal year plus (B) an additional amount for all such repurchases and dividend declarations made after September 1, 2015 equal to the sum of (i) \$100.0 plus (ii) a positive amount equal to 50% of cumulative Consolidated Net Income (as defined in the Credit Agreement

generally as consolidated net income subject to certain adjustments solely for the purposes of determining this basket) during the period from September 1, 2015 to the end of the most recent fiscal quarter preceding the date of such repurchase or dividend declaration for which financial statements have been (or were required to be) delivered (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit) plus (iii) certain other amounts, less our previous usage of such additional amount for certain other investments and restricted junior payments.

At December 31, 2021, we had \$437.8 of available borrowing capacity under our revolving credit facilities after giving effect to \$12.2 reserved for outstanding letters of credit. In addition, at December 31, 2021, we had \$30.3 of available issuance capacity under our foreign credit instrument facilities after giving effect to \$24.7 reserved for outstanding letters of credit.

At December 31, 2021, we were in compliance with all covenants of our Credit Agreement.

Other Borrowings and Financing Activities

Certain of our businesses purchase goods and services under a purchase card program allowing for payment beyond their normal payment terms. As of December 31, 2021 and 2020, the participating businesses had \$2.2 and \$1.7, respectively, outstanding under this arrangement.

We are party to a trade receivables financing agreement, whereby we can borrow, on a continuous basis, up to \$50.0. Availability of funds may fluctuate over time given, among other things, changes in eligible receivable balances, but will not exceed the \$50.0 program limit. The facility contains representations, warranties, covenants and indemnities customary for facilities of this type. The facility does not contain any covenants that we view as materially constraining to the activities of our business.

#### **Financial Instruments**

We measure our financial assets and liabilities on a recurring basis, and nonfinancial assets and liabilities on a non-recurring basis, at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We utilize market data or assumptions that we believe market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2) or significant unobservable inputs (Level 3).

Our derivative financial assets and liabilities include interest rate swap agreements, forward contracts to manage exposure on contracts with forecasted transactions denominated in non-functional currencies and to manage the risk of transaction gains and losses associated with assets/liabilities denominated in currencies other than the functional currency of certain subsidiaries ("FX forward contracts"), and, as related to Transformer Solutions through its date of disposition, forward contracts that manage the exposure on forecasted purchases of commodity raw materials ("commodity contracts") that are measured at fair value using observable market inputs such as forward rates, interest rates, our own credit risk, and our counterparties' credit risks. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. Based on our continued ability to enter into forward contracts, we consider the markets for our fair value instruments active.

As of December 31, 2021, there was no significant impact to the fair value of our derivative liabilities due to our own credit risk as the related instruments are collateralized under our Senior Credit Facilities. Similarly, there was no significant impact to the fair value of our derivative assets based on our evaluation of our counterparties' credit risk.

We primarily use the income approach, which uses valuation techniques to convert future amounts to a single present amount. Assets and liabilities measured at fair value on a recurring basis are further discussed below.

*Interest Rate Swaps* 

We previously maintained interest rate swap agreements that matured in March 2021 and effectively converted borrowings under our senior credit facilities to a fixed rate of 2.535%, plus the applicable margin.

In February 2020, and as a result of a December 2019 amendment that extended the maturity date of our senior credit facilities to December 17, 2024, we entered into additional interest swap agreements ("Swaps"). The Swaps have a notional amount of \$243.7, cover the period from March 2021 to November 2024, and effectively convert borrowings under our senior credit facilities to a fixed rate of 1.061%, plus the applicable margin.

We have designated and are accounting for our interest rate swap agreements as cash flow hedges. As of December 31, 2021 and 2020, the unrealized gain (loss), net of tax, recorded in Accumulated other comprehensive income ("AOCI") was \$0.5 and \$(5.9), respectively. In addition, as of December 31, 2021, the fair value of our interest rate swap agreements was \$0.6

(with \$2.5 recorded as a non-current asset and \$1.9 as a current liability), and \$7.8 at December 31, 2020 (with \$1.4 recorded as a current liability and the remainder in long-term liabilities). Changes in fair value of our interest rate swap agreements are reclassified into earnings as a component of interest expense, when the forecasted transaction impacts earnings.

#### Currency Forward Contracts

We manufacture and sell our products in a number of countries and, as a result, are exposed to movements in foreign currency exchange rates. Our objective is to preserve the economic value of non-functional currency-denominated cash flows and to minimize the impact of changes as a result of currency fluctuations. Our principal currency exposures relate to the South African Rand, British Pound Sterling, and Euro.

From time to time, we enter into FX forward contracts to manage the exposure on contracts with forecasted transactions denominated in non-functional currencies and to manage the risk of transaction gains and losses associated with assets/liabilities denominated in currencies other than the functional currency of certain subsidiaries. None of our FX forward contracts are designated as cash flow hedges.

We had FX forward contracts with an aggregate notional amount of \$8.7 and \$6.3 outstanding as of December 31, 2021 and 2020, respectively, with all of the \$8.7 scheduled to mature in 2022. The fair value of our FX forward contracts was less than \$0.1 at December 31, 2021 and 2020.

## Commodity Contracts

From time to time, we entered into commodity contracts to manage the exposure on forecasted purchases of commodity raw materials. The commodity contracts related solely to Transformer Solutions. As discussed in Note 1, on October 1, 2021, we completed the sale of Transformer Solutions. Immediately prior to the sale, we extinguished the existing commodity contracts and reclassified from AOCI a net loss of \$0.6 to "Gain (loss) on disposition of discontinued operations, net of tax" within our consolidated statement of operations for the year ended December 31, 2021. Prior to extinguishment, we designated and accounted for these contracts as cash flow hedges and, to the extent these commodity contracts were effective in offsetting the variability of the forecasted purchases, the change in fair value was included in AOCI. We reclassified amounts associated with our commodity contracts out of AOCI when the forecasted transaction impacted earnings. As of December 31, 2020, the fair values of these contracts was a current asset of \$2.4. Since these commodity contracts related to our Transformer Solutions business, the amount has been recorded within assets of discontinued operations of our consolidated balance sheet. The unrealized gain, net of taxes, recorded in AOCI was \$1.5 as of December 31, 2020.

## Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist of cash and equivalents, trade accounts receivable, insurance recovery assets associated with asbestos product liability matters, and interest rate swap and foreign currency forward contracts. These financial instruments, other than trade accounts receivable, are placed with high-quality financial institutions and insurance companies throughout the world. We periodically evaluate the credit standing of these financial institutions and insurance companies.

We maintain cash levels in bank accounts that, at times, may exceed federally-insured limits. We have not experienced significant loss, and believe we are not exposed to significant risk of loss, in these accounts.

We have credit loss exposure in the event of nonperformance by counterparties to the above financial instruments, but have no other off-balance-sheet credit risk of accounting loss. We anticipate, however, that counterparties will be able to fully satisfy their obligations under the contracts. We do not obtain collateral or other security to support financial instruments subject to credit risk, but we do monitor the credit standing of counterparties.

Concentrations of credit risk arising from trade accounts receivable are due to selling to customers in a particular industry. Credit risks are mitigated by performing ongoing credit evaluations of our customers' financial conditions and obtaining collateral, advance payments, or other security when appropriate. No one customer, or group of customers that to our knowledge are under common control, accounted for more than 10% of our revenues for any period presented.

## **Cash and Other Commitments**

Balances under our Credit Agreement are payable in full on December 17, 2024. Our term loan is repayable in quarterly installments beginning in the first quarter of 2021, with the quarterly installments equal to 0.625% of the initial term loan balance of \$250.0 during 2021, 1.25% in each of the four quarters of 2022 and 2023, and 1.25% during the first three quarters of 2024. The remaining balance is repayable in full on December 17, 2024.

We use operating leases to finance certain equipment, vehicles and properties. At December 31, 2021, we had \$43.7 of future minimum rental payments under operating leases with remaining non-cancelable terms in excess of one year.

Capital expenditures for 2021 totaled \$9.6, compared to \$15.3 and \$13.5 in 2020 and 2019, respectively. Capital expenditures in 2021 related primarily to upgrades to manufacturing facilities, including replacement of equipment. We expect 2022 capital expenditures to approximate \$15.0 to \$20.0, with a significant portion related to replacement of equipment.

In 2021, we made contributions and direct benefit payments of \$12.3 to our defined benefit pension and postretirement benefit plans. We expect to make \$12.5 of minimum required funding contributions and direct benefit payments in 2022. Our pension plans have not experienced any liquidity difficulties or counterparty defaults due to the volatility in the credit markets. Our pension funds earned asset returns of approximately 1.0% in 2021. See Note 11 to our consolidated financial statements for further disclosure of expected future contributions and benefit payments.

On a net basis, both from continuing and discontinued operations, net income tax refunds (payments) totaled \$5.5, \$(7.6), and \$(7.0) in 2021, 2020, and 2019, respectively. In 2021, we made payments of \$22.0 associated with the actual and estimated tax liability for federal, state and foreign tax obligations and received refunds of \$27.5. The amount of income taxes that we receive or pay annually is dependent on various factors, including the timing of certain deductions. Deductions and the amount of income taxes can and do vary from year-to-year.

Our Certificate of Incorporation provides that we indemnify our officers and directors to the fullest extent permitted by the Delaware General Corporation Law for any personal liability in connection with their employment or service with us, subject to limited exceptions. While we maintain insurance for this type of liability, the liability could exceed the amount of the insurance coverage.

We continually review each of our businesses in order to determine their long-term strategic fit. These reviews could result in selected acquisitions to expand an existing business or result in the disposition of an existing business. In addition, you should read "Risk Factors," "Results for Reportable Segments" included in this MD&A, and "Business" for an understanding of the risks, uncertainties and trends facing our businesses.

## **Off-Balance Sheet Arrangements**

As of December 31, 2021, except as discussed in Notes 15 and 17 to our consolidated financial statements and in the contractual obligations table below, we did not have any material guarantees, off-balance sheet arrangements or purchase commitments other than the following: (i) \$30.8 of certain standby letters of credit outstanding, all of which relate to self-insurance or environmental matters and \$12.2 of which reduce the available borrowing capacity on our domestic revolving credit facility, (ii) \$24.7 of letters of credit outstanding, all of which reduce the available borrowing capacity on our foreign trade facilities, and (iii) \$87.1 of surety bonds.

#### **Contractual Obligations**

The following is a summary of our primary contractual obligations as of December 31, 2021:

	 Total	Due Within 1 Year	Due in 1-3 Years	 Due in 3-5 Years	Due After 5 Years
Long-term debt obligations	\$ 244.8	\$ 13.0	\$ 231.8	\$ _	\$ _
Pension and postretirement benefit plan contributions and payments <sup>(1)</sup>	177.0	12.5	22.5	19.5	122.5
Purchase and other contractual obligations <sup>(2)</sup>	145.6	100.1	45.5	_	_
Future minimum operating lease payments <sup>(3)</sup>	43.7	8.8	16.6	7.1	11.2
Interest payments	21.6	 7.1	 14.5	 	 _
Total contractual cash obligations (4)(5)	\$ 632.7	\$ 141.5	\$ 330.9	\$ 26.6	\$ 133.7

<sup>(1)</sup> Estimated minimum required pension funding and pension and postretirement benefit payments are based on actuarial estimates using current assumptions for, among other things, discount rates, expected long-term rates of return on plan assets (where applicable), and health care cost trend rates. The expected pension contributions for the U.S. plans in 2021 and thereafter reflect the minimum required contributions under the Pension Protection Act of 2006 and the Worker, Retiree, and Employer Recovery Act of 2008. These contributions do not reflect potential voluntary contributions, or additional contributions that may be required in connection with acquisitions, dispositions or related

- plan mergers. See Note 11 to our consolidated financial statements for additional information on expected future contributions and benefit payments.
- (2) Represents contractual commitments to purchase goods and services at specified dates.
- (3) Represents rental payments under operating leases with remaining non-cancelable terms in excess of one year.
- (4) Contingent obligations, such as environmental accruals and those relating to uncertain tax positions generally do not have specific payment dates and accordingly have been excluded from the above table. We believe that within the next 12 months it is reasonably possible that our previously unrecognized tax benefits could decrease up to \$5.0.
- (5) In addition, the above table does not include potential payments under our derivative financial instruments.

## **Critical Accounting Estimates**

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. The accounting policies that we believe are most critical to the portrayal of our financial condition and results of operations, and that require our most difficult, subjective or complex judgments in estimating the effect of inherent uncertainties, are listed below. This section should be read in conjunction with Notes 1 and 2 to our consolidated financial statements, which include a detailed discussion of these and other accounting policies.

## **Contingent Liabilities**

Numerous claims, complaints and proceedings arising in the ordinary course of business have been asserted or are pending against us or certain of our subsidiaries (collectively, "claims"). These claims relate to litigation matters (e.g., class actions, derivative lawsuits and contracts, intellectual property and competitive claims), environmental matters, product liability matters (predominately associated with alleged exposure to asbestos-containing materials), and other risk management matters (e.g., general liability, automobile, and workers' compensation claims). Additionally, we may become subject to other claims of which we are currently unaware, which may be significant, or the claims of which we are aware may result in our incurring significantly greater loss than we anticipate. While we (and our subsidiaries) maintain property, cargo, auto, product, general liability, environmental, and directors' and officers' liability insurance and have acquired rights under similar policies in connection with acquisitions that we believe cover a significant portion of these claims, this insurance may be insufficient or unavailable (e.g., in the case of insurer insolvency) to protect us against potential loss exposures. Also, while we believe we are entitled to indemnification from third parties for some of these claims, these rights may be insufficient or unavailable to protect us against potential loss exposures.

Our recorded liabilities related to these matters totaled \$658.8 and \$575.7 at December 31, 2021 and 2020, respectively. Of these amounts, \$584.3 and \$499.8 are included in "Other long-term liabilities" within our consolidated balance sheets at December 31, 2021 and 2020, respectively, with the remainder included in "Accrued expenses." The liabilities we record for these matters are based on a number of assumptions, including historical claims and payment experience. While we base our assumptions on facts currently known to us, they entail inherently subjective judgments and uncertainties. As a result, our current assumptions for estimating these liabilities may not prove accurate, and we may be required to adjust these liabilities in the future, which could result in charges to earnings. These variances relative to current expectations could have a material impact on our financial position and results of operations.

Our asbestos-related claims are typical in certain of the industries in which we operate or pertain to legacy businesses we no longer operate. It is not unusual in these cases for fifty or more corporate entities to be named as defendants. We vigorously defend these claims, many of which are dismissed without payment, and the significant majority of costs related to these claims have historically been paid pursuant to our insurance arrangements. Our recorded assets and liabilities related to asbestos-related claims were as follows at December 31, 2021 and 2020:

	 December 31,							
	 2021	2020	)					
Insurance recovery assets (1)	\$ 526.2	\$	496.4					
Liabilities for claims (2)	616.5		535.2					

Of these amounts \$473.6 and \$446.4 are included in "Other assets" at December 31, 2021 and 2020, respectively, while the remainder is included in "Other current assets."

Of these amounts \$561.4 and \$479.9 are included in "Other long-term liabilities" at December 31, 2021 and 2020, respectively, while the remainder is included in "Accrued expenses."

The liabilities we record for asbestos-related claims are based on a number of assumptions. In estimating our liabilities for asbestos-related claims, we consider, among other things, the following:

- The number of pending claims by disease type and jurisdiction.
- Historical information by disease type and jurisdiction with regard to:
  - Average number of claims settled with payment (versus dismissed without payment); and
  - Average claim settlement amounts.
- The period over which we can reasonably project asbestos-related claims (currently projecting through 2057).

The following table presents information regarding activity for asbestos-related claims for the years ended December 31, 2021, 2020 and 2019:

	Year ended December 31						
	2021	2020	2019				
Pending claims, beginning of year	9,782	11,079	13,767				
Claims filed	2,826	2,449	3,607				
Claims resolved	(2,543)	(3,746)	(6,295)				
Pending claims, end of year	10,065	9,782	11,079				

The assets we record for asbestos-related claims represent amounts that we believe we are or will be entitled to recover under agreements we have with insurance companies. The amount of these assets are based on a number of assumptions, including the continued solvency of the insurers and our legal interpretation of our rights for recovery under the agreements we have with the insurers. Our current assumptions for estimating these assets may not prove accurate, and we may be required to adjust these assets in the future. These variances relative to current expectations could have a material impact on our financial position and results of operations.

During the years ended December 31, 2021, 2020 and 2019, our (receipts) payments for asbestos-related claims, net of respective insurance recoveries of \$53.9, \$35.4, and \$47.1, were \$(0.3), \$19.3 and \$13.1, respectively. The year ended December 31, 2021 includes insurance proceeds of \$15.0 associated with the settlement of an asbestos insurance coverage matter. A significant increase in claims, costs and/or issues with existing insurance coverage (e.g., dispute with or insolvency of insurer(s)) could have a material adverse impact on our share of future payments related to these matters, and, as a result, have a material impact on our financial position, results of operations and cash flows.

During the years ended December 31, 2021, 2020, and 2019, we recorded charges of \$51.2, \$21.3, and \$10.1, respectively, as a result of changes in estimates associated with the liabilities and assets related to asbestos-related claims. Of these charges, \$48.6, \$19.2 and \$6.3 were reflected in "Income from continuing operations before income taxes" for the years ended December 31, 2021, 2020, and 2019, respectively, and \$2.6, \$2.1, and \$3.8, respectively, were reflected in "Gain (loss) on disposition of discontinued operations, net of tax."

#### **Large Power Projects in South Africa**

Overview - Since 2008, DBT had been executing on two large power projects in South Africa (Kusile and Medupi), on which it has now substantially completed its scope of work. Over such time, the business environment surrounding these projects was difficult, as DBT, along with many other contractors on the projects, experienced delays, cost over-runs, and various other challenges associated with a complex set of contractual relationships among the end customer, prime contractors, various subcontractors (including DBT and its subcontractors), and various suppliers. DBT's remaining responsibilities relate largely to resolution of various claims, primarily between itself and one of its prime contractors, MHI.

The challenges related to the projects have resulted in (i) significant adjustments to our revenue and cost estimates for the projects, (ii) DBT's submission of numerous change orders to the prime contractors, (iii) various claims and disputes between DBT and other parties involved with the projects (e.g., prime contractors, subcontractors, suppliers, etc.), and (iv) the possibility that DBT may become subject to additional claims, which could be significant. It is possible that some outstanding claims may not be resolved until after the prime contractors complete their scopes of work. Our future financial position, operating results, and cash flows could be materially impacted by the resolution of current and any future claims.

Claims by DBT - DBT has asserted claims against MHI of approximately South African Rand 1,000.0 (or \$62.6). As DBT prepares these claims for dispute resolution processes, the amounts, along with the characterization, of the claims could change. Of these claims, South African Rand 566.5 (or \$35.5), which is inclusive of the amounts awarded in the adjudications referred to below, are currently proceeding through contractual dispute resolution processes and DBT is likely to initiate additional dispute resolution processes. DBT is also pursuing several claims to force MHI to abide by its contractual obligations and provide DBT with certain benefits that MHI may have received from its customer on the projects. In addition to existing asserted claims, DBT believes it has additional claims and rights to recovery based on its performance under the contracts with, and actions taken by, MHI. DBT is continuing to evaluate the claims and the amounts owed to it under the contracts based on MHI's failure to comply with its contractual obligations. The amounts DBT may recover for current and potential future claims against MHI are not currently known given (i) the extent of current and potential future claims by MHI against DBT (see below for further discussion) and (ii) the unpredictable nature of any dispute resolution processes that may occur in connection with these current and potential future claims. No revenue has been recorded in the consolidated financial statements with respect to current or potential future claims against MHI.

On July 23, 2020, a dispute adjudication panel issued a ruling in favor of DBT on certain matters related to the Kusile and Medupi projects. The panel (i) ruled that DBT had achieved takeover on 9 of the units; (ii) ordered MHI to return \$2.3 of bonds (which have been subsequently returned by MHI); (iii) ruled that DBT is entitled to the return of an additional \$4.3 of bonds upon the completion of certain administrative milestones; (iv) ordered MHI to pay South African Rand 18.4 (or \$1.1 at the time of the ruling) in incentive payments for work performed by DBT (which MHI has subsequently paid); and (v) ruled that MHI waived its rights to assert delay damages against DBT on one of the units of the Kusile project. The ruling is subject to MHI's rights to seek further arbitration in the matter, as provided in the contracts. As such, the incentive payments noted above have not been recorded in our consolidated statements of operations.

On February 22, 2021, a dispute adjudication panel issued a ruling in favor of DBT related to costs incurred in connection with delays on two units of the Kusile project. In connection with the ruling, MHI paid DBT South African Rand 126.6 (or \$8.6 at the time of payment). This ruling is subject to MHI's rights to seek further arbitration in the matter and, thus, the amount awarded has not been reflected in our consolidated statement of operations for the year ended December 31, 2021. On July 5, 2021, DBT received notice from MHI of its intent to seek final and binding arbitration in this matter.

On April 28, 2021, a dispute adjudication panel issued a ruling in favor of DBT related to costs incurred in connection with delays on two units of the Medupi project. In connection with the ruling, MHI paid DBT South African Rand 82.0 (or \$6.0 at the time of payment). This ruling is subject to MHI's rights to seek further arbitration in the matter and, thus, the amount awarded has not been reflected in our consolidated statement of operations for the year ended December 31, 2021.

Claims by MHI - On February 26, 2019, DBT received notification of an interim claim consisting of both direct and consequential damages from MHI alleging, among other things, that DBT (i) provided defective product and (ii) failed to meet certain project milestones. In September 2020, MHI made a demand on certain bonds issued in its favor by DBT, based solely on these alleged defects, but without further substantiation or other justification (see further discussion below). On December 30, 2020, MHI notified DBT of its intent to take these claims to binding arbitration even though the vast majority of these claims has not been brought appropriately before a dispute adjudication board as required under the relevant subcontracts. On June 4, 2021, in connection with the arbitration, DBT received a revised version of the claim. Similar to the interim claim, we believe the vast majority of the damages summarized in the revised claim are unsubstantiated and, thus, any loss for the majority of these claims is considered remote. For the remainder of the claims in both the interim notification and the revised

version, which largely appear to be direct in nature (approximately South African Rand 790.0 or \$49.5), DBT has numerous defenses and, thus, we do not believe that DBT has a probable loss associated with these claims. In addition, we do not believe MHI has followed the appropriate dispute resolution processes under our agreement and therefore most, if not all, of its claims against DBT are invalid. As such, no loss has been recorded in the consolidated financial statements with respect to these claims. DBT intends to vigorously defend itself against these claims. Although it is reasonably possible that some loss may be incurred in connection with these claims, we currently are unable to estimate the potential loss or range of potential loss associated with these claims due to the (i) lack of support provided by MHI for these claims; (ii) complexity of contractual relationships between the end customer, MHI, and DBT; (iii) legal interpretation of the contract provisions and application of South African law to the contracts; and (iv) unpredictable nature of any dispute resolution processes that may occur in connection with these claims.

In April and July 2019, DBT received notifications of intent to claim liquidated damages totaling South African Rand 407.2 (or \$25.5) from MHI alleging that DBT failed to meet certain project milestones related to the construction of the filters for both the Kusile and Medupi projects. DBT has numerous defenses against these claims and, thus, we do not believe that DBT has a probable loss associated with these claims. As such, no loss has been recorded in the consolidated financial statements with respect to these claims. Although it is reasonably possible that some loss may be incurred in connection with these claims, we currently are unable to estimate the potential loss or range of potential loss.

MHI has made other claims against DBT totaling South African Rand 176.2 (or \$11.0). DBT has numerous defenses against these claims and, thus, we do not believe that DBT has a probable loss associated with these claims. As such, no loss has been recorded in the consolidated financial statements with respect to these claims.

Bonds Issued in Favor of MHI - DBT is obligated with respect to bonds issued by banks in favor of MHI. In September of 2020, MHI made a demand, and received payment of South African Rand 239.6 (or \$14.3 at the time of payment), on certain of these bonds. In May 2021, MHI made an additional demand, and received payment of South African Rand 178.7 (or \$12.5 at time of payment), on certain of the remaining bonds at such time. In both cases, we funded the payment as required under the terms of the bonds and our senior credit agreement. In its demands, MHI purported that DBT failed to carry out its obligations to rectify certain alleged product defects and that DBT failed to meet certain project milestones. DBT denies liability for such allegations and, thus, fully intends to seek, and believes it is legally entitled to, reimbursement of the South African Rand 418.3 (or \$26.2) that has been paid. However, given the extent and complexities of the claims between DBT and MHI, reimbursement of the South African Rand 418.3 (or \$26.2) is unlikely to occur over the next twelve months. As such, we have reflected the South African Rand 418.3 (or \$26.2) as a non-current asset within our consolidated balance sheet as of December 31, 2021.

The remaining bond of \$1.8 issued to MHI as a performance guarantee could be exercised by MHI for an alleged breach of DBT's obligation. In the event that MHI were to receive payment on a portion, or all, of the remaining bond, we would be required to reimburse the issuing bank.

In addition to this bond, SPX Corporation has guaranteed DBT's performance on these projects to the prime contractors, including MHI.

Claim against Surety - On February 5, 2021, DBT received payment of \$6.7 on bonds issued in support of performance by one of DBT's sub-contractors. The sub-contractor maintains a right to seek recovery of such amount and, thus, the amount received by DBT has not been reflected in our consolidated statement of operations for the year ended December 31, 2021.

Settlement with the Minority Shareholder of DBT – On October 16, 2019, SPX Technologies (PTY) LTD, DBT's parent company, along with DBT and SPX Corporation, executed an agreement with the then minority shareholder of DBT to settle a put option and other claims between the parties for a total payment of South African Rand 230.0 (or \$15.6 at the time of payment). The difference between the settlement amount (South African Rand 230.0) and the amount previously recorded for the matter of South African Rand 257.0, or South African Rand 27.0 (or \$1.8), along with a tax benefit of \$3.8 associated with the total payment of South African Rand 230.0, has been reflected as an adjustment to "Net income attributable to SPX common stockholders" in our calculations of basic and diluted earnings per share for the year ended December 31, 2019.

#### **Environmental Matters**

We believe that we are in substantial compliance with applicable environmental requirements. We are currently involved in various investigatory and remedial actions at our facilities and at third-party waste disposal sites. It is our policy to accrue for estimated losses from legal actions or claims when events exist that make the realization of the losses or expenses probable and they can be reasonably estimated. Our environmental accruals cover anticipated costs, including investigation, remediation, and

operation and maintenance of clean-up sites. Accordingly, our estimates may change based on future developments, including new or changes in existing environmental laws or policies, differences in costs required to complete anticipated actions from estimates provided, future findings of investigation or remediation actions, or alteration to the expected remediation plans. We expense costs incurred to investigate and remediate environmental issues unless they extend the economic useful lives of related assets. We record liabilities when it is probable that an obligation has been incurred and the amounts can be reasonably estimated. Our estimates are based primarily on investigations and remediation plans established by independent consultants, regulatory agencies and potentially responsible third parties. It is our policy to realize a change in estimates once it becomes probable and can be reasonably estimated. In determining our accruals, we generally do not discount environmental accruals and do not reduce them by anticipated insurance, litigation and other recoveries. We take into account third-party indemnification from financially viable parties in determining our accruals where there is no dispute regarding the right to indemnification.

## Self-Insured Risk Management Matters

We are self-insured for certain of our workers' compensation, automobile, product and general liability, disability and health costs, and we believe that we maintain adequate accruals to cover our retained liability. Our accruals for risk management matters are determined by us, are based on claims filed and an estimate of claims incurred but not yet reported, and generally are not discounted. We consider a number of factors, including third-party actuarial valuations, when making these determinations. We maintain third-party stop-loss insurance policies to cover certain liability costs in excess of predetermined retained amounts; however, this insurance may be insufficient or unavailable (e.g., because of insurer insolvency) to protect us against potential loss exposures. The key assumptions considered in estimating the ultimate cost to settle reported claims and the estimated costs associated with incurred but not yet reported claims include, among other things, our historical and industry claims experience, trends in health care and administrative costs, our current and future risk management programs, and historical lag studies with regard to the timing between when a claim is incurred versus when it is reported.

## **Revenue Recognition**

We recognize revenue in accordance with Accounting Standards Codification 606, which requires revenue to be recognized over-time or at a point in time.

Most of our businesses recognize revenue at a point in time as satisfaction of the related performance obligations occur at the time of shipment or delivery, while certain of our businesses recognize revenue and costs for long-term contracts over-time.

The revenue for these long-term contracts is recorded based on the percentage of costs incurred to date for each contract to the estimated total costs for such a contract at completion. In 2021, 2020, and 2019, we recognized \$142.4, \$164.0 and \$135.1, respectively, of revenues under such method. We record any provision for estimated losses on uncompleted long-term contracts in the period which the losses are determined.

Our long-term contracts often include unapproved change orders and claims. We include in our contract estimates additional revenue for unapproved change orders or claims when we believe we have an enforceable right to the unapproved change order or claim and the amount can be reliably estimated. In evaluating these criteria, we consider the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs, and the objective evidence available to support the claim. These estimates are also based on historical award experience. Due to uncertainties inherent in the estimation process, it is reasonably possible that the ultimate revenues and completion costs on our long-term contracts, including those arising from contract penalty provisions and final contract settlements, will be revised during the duration of the contract. These revised revenues and costs are recognized in the period in which the revisions are determined.

Our estimation process for determining revenues and costs for our long-term contracts is based upon (i) our historical experience, (ii) the professional judgment and knowledge of our engineers, project managers, and operations and financial professionals, and (iii) an assessment of the key underlying factors (see below).

As our long-term contracts generally range from six to eighteen months in duration, we typically reassess the estimated revenues and costs of these contracts on a quarterly basis, but may reassess more often as situations warrant. We record changes in estimates of revenues and costs when identified using the cumulative catch-up method.

We believe the underlying factors used to estimate our long-term contracts costs to complete and percentage-of-completion are sufficiently reliable to provide a reasonable estimate of revenue and profit; however, due to the length of time over which revenues are generated and costs are incurred, along with the judgment required in developing the underlying factors, the variability of revenue and cost can be significant. Factors that may affect revenue and costs relating to long-term contracts include, but are not limited to, the following:

- Cost Recovery for Product Design Changes and Claims On occasion, design specifications may change during the
  course of the contract. Any additional costs arising from these changes may be supported by change orders, or we
  may submit a claim to the customer. Change orders and claims related to design changes are accounted for as
  described above.
- Material Availability and Costs Our estimates of material costs generally are based on existing supplier relationships, adequate availability of materials, prevailing market prices for materials, and, in some cases, long-term supplier contracts. Changes in our supplier relationships, delays in obtaining materials, or changes in material prices can have a significant impact on our cost and profitability estimates.
- Use of Subcontractors Our arrangements with subcontractors are generally based on fixed prices; however, our
  estimates of the cost and profitability can be impacted by subcontractor delays, customer claims arising from
  subcontractor performance issues, or a subcontractor's inability to fulfill its obligations.
- Labor Costs and Anticipated Productivity Levels Where applicable, we include the impact of labor improvements
  in our estimation of costs, such as in cases where we expect a favorable learning curve over the duration of the
  contract. In these cases, if the improvements do not materialize, costs and profitability could be adversely impacted.
  Additionally, to the extent we are more or less productive than originally anticipated, estimated costs and profitability
  may also be impacted.
- Effect of Foreign Currency Fluctuations Fluctuations between currencies in which our long-term contracts are
  denominated and the currencies under which contract costs are incurred can have an impact on profitability. When the
  impact on profitability is potentially significant, we may enter into FX forward contracts or prepay certain vendors for
  raw materials to manage the potential exposure. See Note 14 to our consolidated financial statements for additional
  details on our FX forward contracts.

In some cases, the timing of revenue recognition, particularly for revenue recognized over time, differs from when such amounts are invoiced to customers, resulting in a contract asset (revenue recognition precedes the invoicing of the related revenue amount) or a contract liability (payment from the customer precedes recognition of the related revenue amount). Contract assets are recoverable from customers based upon various measures of performance, including achievement of certain milestones, completion of specific units, or completion of the contract.

In contracts where a portion of the price may vary, we estimate the variable consideration at the amount to which we expect to be entitled, which is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. We analyze the risk of a significant revenue reversal and, if necessary, constrain the amount of variable consideration recognized in order to mitigate this risk.

See Note 1 and 5 to our consolidated financial statements for further information on our revenue recognition policies.

## Impairment of Goodwill and Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but instead are subject to annual impairment testing. We review goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter and continually assess whether a triggering event has occurred to determine whether the carrying value exceeds the implied fair value. We monitor the results of each of our reporting units as a means of identifying trends and/or matters that may impact their financial results and, thus, be an indicator of a potential impairment. The trends and/or matters that we specifically monitor for each of our reporting units are as follows:

- Significant variances in financial performance (e.g., revenues, earnings and cash flows) in relation to expectations and historical performance;
- Significant changes in end markets or other economic factors;
- Significant changes or planned changes in our use of a reporting unit's assets; and
- Significant changes in customer relationships and competitive conditions.

The identification and measurement of goodwill impairment involves the estimation of the fair value of reporting units. We have the option to assess impairment through a qualitative assessment, which includes factors such as general economic conditions, negative developments in equity and credit markets, adverse changes in the markets in which a reporting unit operates, increases in input costs that have a negative effect on earnings and cash flows, or a trend of negative or declining cash flows over multiple periods, among others. When a potential impairment is indicated, we perform quantitative testing by

comparing the estimated fair value of the reporting unit to the carrying value of the reported net assets. Under our quantitative testing, fair value is generally based on the income approach using a calculation of discounted cash flows, based on the most recent financial projections for the reporting units. The revenue growth rates included in the financial projections are our best estimates based on current and forecasted market conditions, and the profit margin assumptions are projected by each reporting unit based on current cost structure and, when applicable, anticipated net cost reductions.

The calculation of fair value for our reporting units incorporates many assumptions including future growth rates, profit margin and discount factors. Changes in economic and operating conditions impacting these assumptions could result in impairment charges in future periods.

After performing our qualitative assessment during the fourth quarter of 2021, we concluded that, with the exception of our Cues and ULC reporting units, it was not more likely than not that the fair values of our reporting units were less than their respective carrying values and, therefore, did not perform a quantitative analysis on these reporting units. Based on our quantitative review of the Cues and ULC reporting units during the fourth quarter of 2021, we concluded that the estimated fair value of ULC, after impairment charges of \$5.2, approximates the carrying value of its net assets, and the estimated fair value of Cues exceeded the carrying value of its respective net assets by 30%. The total goodwill for ULC was \$12.0 as of December 31, 2021. A change in assumptions used in ULC's quantitative analysis (e.g., projected revenues and profit growth rates, discount rates, industry price multiples, etc.) could result in the reporting unit's estimated fair value being less than the carrying value of its net assets. In addition to ULC, the fair value of Sealite, ECS and Cincinnati Fan, acquisitions over the past 12 months, approximate their carrying value. If ULC, Sealite, ECS or Cincinnati Fan are unable to achieve their respective current financial forecast, we may be required to record an impairment charge in a future period related to their respective goodwill.

We perform our annual trademarks impairment testing during the fourth quarter, or on a more frequent basis if there are indications of potential impairment. The fair values of our trademarks are determined by applying estimated royalty rates to projected revenues, with resulting cash flows discounted at a rate of return that reflects current market conditions. The basis for these projected revenues is the annual operating plan for each of the related businesses, which is prepared in the fourth quarter of each year. In connection with the annual impairment testing of our trademarks during the fourth quarters of 2021 and 2020, we recorded impairment charges of \$0.5 and \$0.7, respectively, related to certain of these trademarks

See Note 10 to our consolidated financial statements for additional details.

## **Employee Benefit Plans**

Defined benefit plans cover a portion of our salaried and hourly paid employees, including certain employees in foreign countries. Additionally, domestic postretirement plans provide health and life insurance benefits for certain retirees and their dependents. We recognize changes in the fair value of plan assets and actuarial gains and losses into earnings during the fourth quarter of each year, unless earlier remeasurement is required, as a component of net periodic benefit expense. The remaining components of pension/postretirement expense, primarily interest costs and expected return on plan assets, are recorded on a quarterly basis.

Our pension plans have not experienced any significant impact on liquidity or counterparty exposure due to the volatility in the credit markets.

The costs and obligations associated with these plans are determined based on actuarial valuations. The critical assumptions used in determining these related expenses and obligations are discount rates and healthcare cost projections. These critical assumptions are calculated based on company data and appropriate market indicators, and are evaluated at least annually by us in consultation with outside actuaries. Other assumptions involving demographic factors such as retirement patterns and mortality, are evaluated periodically and are updated to reflect our experience and expectations for the future. While management believes that the assumptions used are appropriate, actual results may differ.

The discount rate enables us to state expected future cash flows at a present value on the measurement date. This rate is the yield on high-quality fixed income investments at the measurement date. A lower discount rate increases the present value of benefit obligations and increases pension expense. Including the effects of recognizing actuarial gains and losses into earnings as described above, a 50 basis point decrease in the discount rate for our domestic plans would have increased our 2021 pension expense by approximately \$16.6, and a 50 basis point increase in the discount rate would have decreased our 2021 pension expense by approximately \$15.3.

The trend in healthcare costs is difficult to estimate, and it can significantly impact our postretirement liabilities and costs. The healthcare cost trend rate for 2021, which is the weighted-average annual projected rate of increase in the per capita cost of covered benefits, is 6.3%. This rate is assumed to decrease to 5.0% by 2027 and then remain at that level.

See Note 11 to our consolidated financial statements for further information on our pension and postretirement benefit plans.

#### **Income Taxes**

We record our income taxes based on the Income Taxes Topic of the Codification, which includes an estimate of the amount of income taxes payable or refundable for the current year and deferred income tax liabilities and assets for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns.

Deferred tax assets and liabilities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We periodically assess the realizability of deferred tax assets and the adequacy of deferred tax liabilities, including the results of local, state, federal or foreign statutory tax audits or estimates and judgments used.

Realization of deferred tax assets involves estimates regarding (i) the timing and amount of the reversal of taxable temporary differences, (ii) expected future taxable income, and (iii) the impact of tax planning strategies. We believe that it is more likely than not that we will not realize the benefit of certain deferred tax assets and, accordingly, have established a valuation allowance against them. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of and potential changes to ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Although realization is not assured for the remaining deferred tax assets, we believe it is more likely than not that the remaining deferred tax assets will be realized through future taxable earnings or alternative tax strategies. However, deferred tax assets could be reduced in the near term if our estimates of taxable income are significantly reduced or tax strategies are no longer viable.

The amount of income tax that we pay annually is dependent on various factors, including the timing of certain deductions and ongoing audits by federal, state and foreign tax authorities, which may result in proposed adjustments. We perform reviews of our income tax positions on a quarterly basis and accrue for potential uncertain tax positions. Accruals for these uncertain tax positions are classified as "Income taxes payable" and "Deferred and other income taxes" in our consolidated balance sheets based on an expectation as to the timing of when the matter will be resolved. As events change or resolutions occur, these accruals are adjusted, such as in the case of audit settlements with taxing authorities. We believe we have adequately provided for any reasonably foreseeable outcome related to these matters.

Our future results may include favorable or unfavorable adjustments to our estimated tax liabilities due to closure of income tax examinations, statute expirations, new regulatory or judicial pronouncements, changes in tax laws, changes in projected levels of taxable income, future tax planning strategies, or other relevant events. See Note 12 to our consolidated financial statements for additional details regarding our uncertain tax positions.

# **New Accounting Pronouncements**

See Note 3 to our consolidated financial statements for a discussion of recent accounting pronouncements.							

## ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

(All amounts are in millions)

We are exposed to market risk related to changes in interest rates, foreign currency exchange rates and commodity raw material prices, and we selectively use financial instruments to manage these risks. We do not enter into financial instruments for speculative or trading purposes; however, these instruments may be deemed speculative if the future cash flows originally hedged are no longer probable of occurring as anticipated. Our currency exposures vary, but are primarily concentrated in the South African Rand, British Pound Sterling, and Euro. We generally do not hedge currency translation exposures. Our exposures for commodity raw materials vary, with the highest concentration relating to steel and oil. See Note 14 to our consolidated financial statements for further details.

The following table provides information, as of December 31, 2021, about our primary outstanding debt obligations and presents principal cash flows by expected maturity dates, weighted-average interest rates and fair values.

		Expected Maturity Date												
	2	2022		2023		2024	2	025	Ther	eafter		Total	I	air Value
Senior Credit Facilities	\$	12.5	\$	12.5	\$	218.7	\$		\$	_	\$	243.7	\$	243.7
Average interest rate												1.5 %	, D	

We believe that cash and equivalents, cash flows from operations, and availability under revolving credit facilities and our trade receivables financing arrangement will be sufficient to fund working capital needs, planned capital expenditures, other operational cash requirements and required debt service obligations.

At December 31, 2021, we had swaps with a notional amount of \$243.7 that cover the period from March 2021 to November 2024. The fair value of these swaps was \$0.6 at December 31, 2021, with \$2.5 recorded as a non-current asset and \$1.9 as a current liability.

From time to time, we enter into FX forward contracts to manage the exposure on contracts with forecasted transactions denominated in non-functional currencies and to manage the risk of transaction gains and losses associated with assets/liabilities denominated in currencies other than the functional currency of certain subsidiaries. None of our FX forward contracts are designated as cash flow hedges. We had FX forward contracts with an aggregate notional amount of \$8.7 at December 31, 2021, with all of the \$8.7 scheduled to mature in 2022. The fair value of our FX contracts was less than \$0.1 at December 31, 2021.

# ITEM 8. Financial Statements And Supplementary Data

# SPX Corporation and Subsidiaries Index To Consolidated Financial Statements December 31, 2021

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All schedules are omitted because they are not applicable, not required or because the required information is included in our consolidated financial statements or notes thereto.

#### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of SPX Corporation

## **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of SPX Corporation and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control* — *Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2022, expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

#### **Change in Accounting Principle**

As discussed in Note 1 to the consolidated financial statements, the Company elected to change its method of accounting for inventory from the last-in, first-out ("LIFO") cost method to the first-in, first-out ("FIFO") cost method which has been retrospectively applied to the consolidated financial statements for the years ended December 31, 2021, 2020, and 2019.

## **Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### **Critical Audit Matters**

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

# Contingent Liabilities and Other Matters — Large Power Projects in South Africa — Refer to Notes 2 and 15 to the financial statements

Critical Audit Matter Description

Since 2008, DBT Technologies (PTY) LTD ("DBT") (South African subsidiary of the Company) had been executing on two large power projects in South Africa (Kusile and Medupi), which it has now substantially completed its scope of work. Over such time, the business environment surrounding these projects was difficult, as DBT, along with many other contractors on the projects, experienced delays, cost over-runs, and various other challenges associated with a complex set of contractual relationships among the end customer, prime contractors, various subcontractors (including DBT and its subcontractors), and various suppliers. These matters resulted in claims and disputes between DBT and other parties involved with the projects, including allegations that DBT provided defective product and failed to meet certain project milestones. It is the Company's policy to accrue for estimated losses from legal actions or claims when events exist that make the realization of the losses probable and they can be reasonably estimated. The Company does not believe it has probable losses associated with these claims and disputes.

We identified the South African power project claims and disputes as a critical audit matter because the evaluation of the probability of potential outcomes of these various claims and disputes and related disclosures involves significant judgment by management. This required a high degree of auditor judgment and an increased extent of effort when evaluating the Company's legal and accounting positions and related disclosures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the South African power project claims and disputes included the following, among others:

- We tested the effectiveness of controls related to the South African power project claims and disputes.
- We obtained and evaluated legal confirmations from the Company's internal and external counsels.
- We held discussions with the Company's internal and external counsels to determine the status of the South African power project claims and disputes, the contractual provisions for settlement or other legal resolution, and their awareness of any pending or threatened litigation, claims, and assessments omitted.
- We read minutes of meetings of the Board of Directors and its committees and conducted public domain searches for evidence of unrecorded loss contingencies or contradictory evidence related to the Company's positions related to the South African power project claims and disputes.
- We evaluated the accuracy and completeness of the Company's disclosures in the financial statements for consistency with our knowledge of matters related to the South African power projects claims and disputes.

# Contingent Liabilities and Other Matters — Asbestos Product Liabilities and Insurance Recovery Assets — Refer to Notes 2 and 15 to the financial statements

Critical Audit Matter Description

The Company maintains liabilities for asbestos-related claims. These claims are largely offset by insurance recovery assets. Recorded asbestos product liabilities are based on a number of assumptions, including historical claims and payment experience, and actuarial estimates of the future period during which additional claims are reasonably foreseeable. Insurance recovery assets are based on certain assumptions, including the continued solvency of the insurers and legal interpretation of rights for recovery under the insurance policies.

We identified asbestos product liabilities and insurance recovery assets as a critical audit matter given the subjectivity of estimating projected claims, the projected settlement values of reported and unreported claims, the complexity of determining the associated insurance recovery assets, and a material weakness related to the insurance recovery assets as described in "Management's Report on Internal Control Over Financial Reporting". This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our actuarial and insurance specialist, when performing audit procedures to evaluate the reasonableness of the asbestos product liabilities and the associated insurance recovery assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to asbestos product liabilities and insurance recovery assets included the following, among others:

- We tested the effectiveness of controls related to asbestos product liabilities.
- We evaluated the methods and assumptions used by management to estimate the asbestos product liabilities by testing the underlying data that served as the basis for the actuarial estimates, including historical claims and payment experience, to test that the inputs to the actuarial estimates were complete and accurate.
- With the assistance of our actuarial and insurance specialist, we:
  - Developed independent estimates of the asbestos product liabilities and compared our estimates to management's estimates.
  - Assessed the ongoing financial solvency of insurance carriers and the recoverability of the recorded insurance recovery assets.
- We independently confirmed a selection of insurance policies directly with insurance carriers.
- We independently confirmed a selection of defense costs directly with external legal counsel.
- We developed an independent expectation of the insurance recovery assets and compared our estimates to management's estimates and recalculated the insurance recovery assets for entities under coverage-in-place agreements.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina February 25, 2022 We have served as the Company's auditor since 2002.

## SPX Corporation and Subsidiaries Consolidated Statements of Operations (in millions, except per share amounts)

		Year ended December 31,				
		2021		2020		2019
Revenues	\$	1,219.5	\$	1,128.1	\$	1,123.6
Costs and expenses:						
Cost of products sold		787.7		732.6		721.6
Selling, general and administrative		309.6		272.5		275.8
Intangible amortization		21.6		14.0		8.9
Impairment of goodwill and intangible assets		5.7		0.7		_
Special charges, net		1.0		2.4		1.5
Other operating expenses, net		20.2		9.0		1.8
Operating income		73.7		96.9		114.0
Other income (expense), net		9.0		(0.1)		(5.2)
Interest expense		(13.3)		(18.4)		(21.0)
Interest income		0.5		0.2		1.6
Loss on amendment/refinancing of senior credit agreement		_		_		(0.6)
Income from continuing operations before income taxes		69.9		78.6		88.8
Income tax provision		(10.9)		(4.8)		(12.5)
Income from continuing operations		59.0		73.8		76.3
Income (loss) from discontinued operations, net of tax		5.7		28.9		(6.6)
Gain (loss) on disposition of discontinued operations, net of tax		360.7		(3.7)		(4.4)
Gain (loss) from discontinued operations, net of tax		366.4		25.2		(11.0)
Net income		425.4		99.0		65.3
Less: Net loss attributable to noncontrolling interests		_		_		_
Net income attributable to SPX Corporation common stockholders		425.4		99.0		65.3
Adjustment related to redeemable noncontrolling interest (Note 15)		_		_		5.6
Net income attributable to SPX Corporation common stockholders after adjustment related to redeemable noncontrolling interest	\$	425.4	\$	99.0	\$	70.9
Amounts attributable to SPX Corporation common stockholders after adjustment related	1					
to redeemable noncontrolling interest:	•					
Income from continuing operations, net of tax	\$	59.0	\$	73.8	\$	76.3
Gain (loss) from discontinued operations, net of tax		366.4		25.2		(5.4)
Net income	\$	425.4	\$	99.0	\$	70.9
Basic income (loss) per share of common stock:						
Income from continuing operations attributable to SPX Corporation common						
stockholders after adjustment related to redeemable noncontrolling interest	\$	1.30	\$	1.65	\$	1.74
Income (loss) from discontinued operations attributable to SPX Corporation common stockholders		8.09		0.57		(0.13)
Net income per share attributable to SPX Corporation common stockholders after adjustment related to redeemable noncontrolling interest	\$	9.39	\$	2.22	\$	1.61
Weighted-average number of common shares outstanding — basic		45.289		44.628		43.942
Diluted income (loss) per share of common stock:		10.00				,
Income from continuing operations attributable to SPX Corporation common stockholders after adjustment related to redeemable noncontrolling interest	\$	1.27	\$	1.61	\$	1.70
Income (loss) from discontinued operations attributable to SPX Corporation common stockholders		7.88		0.55		(0.12)
Net income per share attributable to SPX Corporation common stockholders after adjustment related to redeemable noncontrolling interest	\$	9.15	\$	2.16	\$	1.58
Weighted-average number of common shares outstanding — diluted		46.495		45.766		44.957

The accompanying notes are an integral part of these statements.

# SPX Corporation and Subsidiaries Consolidated Statements of Comprehensive Income (in millions)

	Year ended December 31,					
		2021	2020		2019	
Net income	\$	425.4	\$	99.0	\$	65.3
Other comprehensive income (loss), net:						
Pension and postretirement liability adjustment, net of tax benefit of \$1.2, \$1.2, and \$0.5 in 2021, 2020 and 2019, respectively		(3.6)		(3.6)		(1.8)
Net unrealized gains (losses) on qualifying cash flow hedges, net of tax (provision) benefit of \$(1.5), \$0.9, and \$0.3 in 2021, 2020 and 2019, respectively		4.9		(2.8)		(1.0)
Foreign currency translation adjustments		14.1		10.6		2.2
Other comprehensive income (loss), net		15.4		4.2		(0.6)
Total comprehensive income		440.8		103.2		64.7
Less: Total comprehensive loss attributable to noncontrolling interests		_				_
Total comprehensive income attributable to SPX Corporation common stockholders	\$	440.8	\$	103.2	\$	64.7

The accompanying notes are an integral part of these statements.

# SPX Corporation and Subsidiaries Consolidated Balance Sheets (in millions, except share data)

	December 31, 2021	De	cember 31, 2020
ASSETS			
Current assets:			
Cash and equivalents	\$ 388.2	\$	64.0
Accounts receivable, net	223.4		210.8
Contract assets	28.9		32.5
Inventories, net	189.8		155.0
Other current assets (includes income taxes receivable of \$8.7 and \$27.3 at December 31, 2021 and 2020, respectively)	73.1		88.4
Assets of discontinued operations			124.4
Total current assets	903.4		675.1
Property, plant and equipment:			
Land	13.9		12.9
Buildings and leasehold improvements	62.9		59.2
Machinery and equipment	231.4		208.3
	308.2		280.4
Accumulated depreciation	(194.9)		(173.6)
Property, plant and equipment, net	113.3		106.8
Goodwill	457.3		368.6
Intangibles, net	415.5		305.0
Other assets	675.9		591.7
Deferred income taxes	11.0		23.9
Assets of discontinued operations	_		219.1
Assets of DBT and Heat Transfer (includes cash and cash equivalents of \$7.8 and \$4.3 at December 31, 2021 and 2020, respectively) - Note 4	52.2		43.5
TOTAL ASSETS	\$ 2,628.6	\$	2,333.7
LIABILITIES AND STOCKHOLDERS' EQUITY		. —	
Current liabilities:			
Accounts payable	\$ 119.6	\$	102.1
Contract liabilities	44.7		38.8
Accrued expenses	217.9		206.6
Income taxes payable	42.1		0.4
Short-term debt	2.2		101.2
Current maturities of long-term debt	13.0		7.2
Liabilities of discontinued operations	_		115.8
Total current liabilities	439.5		572.1
Long-term debt	230.8		304.0
Deferred and other income taxes	31.3		26.6
Other long-term liabilities	788.5		741.4
Liabilities of discontinued operations	-		31.4
Liabilities of DBT and Heat Transfer (Note 4)	35.6		18.1
Total long-term liabilities	1,086.2		1,121.5
Commitments and contingent liabilities (Note 15)			
Stockholders' equity:			
Common stock (53,011,255 and 45,467,768 issued and outstanding at December 31, 2021, respectively, and 52,704,973 and 45,032,325 issued and outstanding at December 31, 2020, respectively)	0.5		0.5
Paid-in capital	1,334.2		1,319.9
Retained deficit	(51.8)		(477.2)
Accumulated other comprehensive income	263.9		248.5
Common stock in treasury (7,543,487 and 7,672,648 shares at December 31, 2021 and 2020 respectively)	(443.9)		(451.6)
Total stockholders' equity	1,102.9		640.1
• •		•	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,628.6	\$	2,333.7

The accompanying notes are an integral part of these statements.

# SPX Corporation and Subsidiaries Consolidated Statements of Stockholders' Equity (in millions)

	nmon tock	Paid-In Capital	Retained Deficit	Comp	m. Other orehensive ncome	S	Common Stock In Creasury	Sto	Total ockholders' Equity
Balance at December 31, 2018	\$ 0.5	\$ 1,295.4	\$ (641.0)	\$	244.9	\$	(475.8)	\$	424.0
Net income	_	_	65.3		_		_		65.3
Other comprehensive loss, net	_	_	_		(0.6)		_		(0.6)
Incentive plan activity	_	13.0	_		_		_		13.0
Long-term incentive compensation expense	_	10.8	_		_		_		10.8
Restricted stock and restricted stock unit vesting	_	(22.4)	_		_		15.8		(6.6)
Adjustment related to redeemable noncontrolling interest (Note 15)		5.6			_				5.6
Balance at December 31, 2019	0.5	1,302.4	(575.7)		244.3		(460.0)		511.5
Impact of adoption of ASU 2016-13 - See Note 3	_	_	(0.5)		_		_		(0.5)
Net income	_	_	99.0		_		_		99.0
Other comprehensive income, net	_	_	_		4.2		_		4.2
Incentive plan activity	_	17.5	_		_		_		17.5
Long-term incentive compensation expense	_	12.8	_		_		_		12.8
Restricted stock unit vesting		 (12.8)					8.4		(4.4)
Balance at December 31, 2020	0.5	1,319.9	(477.2)		248.5		(451.6)		640.1
Net income	_	_	425.4		_		_		425.4
Other comprehensive income, net	_	_	_		15.4		_		15.4
Incentive plan activity	_	12.8	_		_		_		12.8
Long-term incentive compensation expense	_	14.2	_		_		_		14.2
Restricted stock unit vesting		(12.7)					7.7		(5.0)
Balance at December 31, 2021	\$ 0.5	\$ 1,334.2	\$ (51.8)	\$	263.9	\$	(443.9)	\$	1,102.9

The accompanying notes are an integral part of these statements.

# SPX Corporation and Subsidiaries Consolidated Statements of Cash Flows (in millions)

	Year	r 31,	
	2021	2020	2019
Cash flows from (used in) operating activities:			
Net income	\$ 425.4	\$ 99.0	\$ 65.3
Less: Gain (loss) from discontinued operations, net of tax	366.4	25.2	(11.0)
Income from continuing operations	59.0	73.8	76.3
Adjustments to reconcile income from continuing operations to net cash from operating activities			
Special charges, net	1.0	2.4	1.5
Gain on change in fair value of equity security	(11.8)	(8.6)	(7.9)
Loss on amendment/refinancing of senior credit agreement	_	_	0.6
Impairment of goodwill and intangible assets	5.7	0.7	_
Deferred and other income taxes	(1.4)	0.3	13.8
Depreciation and amortization	42.3	31.9	24.4
Pension and other employee benefits	(8.6)	10.7	16.9
Long-term incentive compensation	12.8	13.1	12.6
Other, net	4.3	5.0	1.8
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable and other assets	(19.8)	33.5	36.3
Inventories	(21.0)	_	(8.8)
Accounts payable, accrued expenses and other	70.3	(56.1)	(56.1)
Cash spending on restructuring actions	(1.6)	(1.5)	(1.4)
Net cash from continuing operations	131.2	105.2	110.0
Net cash from discontinued operations	43.4	21.1	38.6
Net cash from operating activities	174.6	126.3	148.6
Cash flows from (used in) investing activities:			
Proceeds (expenditures) related to company-owned life insurance policies, net	(31.2)	(0.2)	5.9
Business acquisitions, net of cash acquired	(265.2)	(104.4)	(147.1)
Capital expenditures	(9.6)	(15.3)	(13.5)
Other		_	(0.2)
Net cash used in continuing operations	(306.0)	(119.9)	(154.9)
Net cash from (used in) discontinued operations	620.1	(6.2)	1.2
Net cash from (used in) investing activities	314.1	(126.1)	(153.7)
Cash flows from (used in) financing activities:	2	()	(****)
Borrowings under senior credit facilities	209.9	197.6	593.8
Repayments under senior credit facilities	(346.0)	(207.8)	(560.2)
Borrowings under trade receivables agreement	179.0	134.4	93.0
Repayments under trade receivables agreement	(207.0)	(106.4)	(116.0)
Net repayments under other financing arrangements	(0.4)	(2.2)	(0.6)
Payment of contingent consideration	(0.4)	(1.5)	(0.0)
Minimum withholdings paid on behalf of employees for net share settlements, net of proceeds from the exercise of employee stock options and other	(3.3)	2.2	(3.7)
Financing fees paid			(1.6)
Net cash from (used in) continuing operations	(167.8)	16.3	4.7
Net cash from (used in) discontinued operations	0.2	(0.4)	(15.8)
Net cash from (used in) financing activities	(167.6)	15.9	(11.1)

Change in cash and equivalents due to changes in foreign currency exchange rates		6.6		(2.5)		2.1
Net change in cash and equivalents		327.7		13.6		(14.1)
Consolidated cash and equivalents, beginning of period		68.3		54.7		68.8
Consolidated cash and equivalents, end of period	\$	396.0	\$	68.3	\$	54.7
Supplemental disclosure of cash flow information:						
Interest paid	\$	11.4	\$	17.5	\$	16.1
Income tax refunds (payments), net	\$	5.5	\$	(7.6)	\$	(7.0)
Non-cash investing and financing activity:						
Debt assumed	\$	0.4	\$	2.9	\$	1.3
	Year ended December 31,					
	2021		2021 2020			2019
Components of cash and equivalents:						
Cash and cash equivalents	\$	388.2	\$	64.0	\$	50.7
Cash and cash equivalents included in assets of DBT and Heat Transfer		7.8		4.3		4.0
Total cash and cash equivalents	\$	396.0	\$	68.3	\$	54.7

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements December 31, 2021

(All currency and share amounts are in millions, except per share and par value data)

# (1) Basis of Presentation and Summary of Significant Accounting Policies

Our significant accounting policies are described below, as well as in other Notes that follow. Unless otherwise indicated, amounts provided in these Notes pertain to continuing operations only (see Note 4 for information on discontinued operations).

Principles of Consolidation — The consolidated financial statements include SPX Corporation's ("SPX", "our", or "we") accounts prepared in conformity with accounting principles generally accepted in the United States ("GAAP") after the elimination of intercompany transactions. Investments in unconsolidated companies where we exercise significant influence but do not have control are accounted for using the equity method. In determining whether we are the primary beneficiary of a variable interest entity ("VIE"), we perform a qualitative analysis that considers the design of the VIE, the nature of our involvement and the variable interests held by other parties to determine which party has the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and which party has the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the VIE. All of our VIEs are immaterial, individually and in aggregate, to our consolidated financial statements.

Shift Away from the Power Generation Markets — On September 26, 2015, we completed the spin-off to our stockholders (the "Spin-Off") of all the outstanding shares of SPX FLOW, Inc., a wholly-owned subsidiary of SPX prior to the Spin-Off, which at the time of the Spin-Off held the businesses comprising our Flow Technology reportable segment, our Hydraulic Technologies business, and certain of our corporate subsidiaries. Prior to the Spin-Off, our businesses serving the power generation markets had a major impact on the consolidated financial results of SPX. In the years leading up to the Spin-Off, these businesses experienced significant declines in revenues and profitability associated with weak demand and increased competition within the global power generation markets. Based on a review of our post-spin portfolio and the belief that a recovery within the power generation markets was unlikely in the foreseeable future, we decided coming out of the Spin-Off that our strategic focus would be on our (i) scalable growth businesses that serve the heating, ventilation and cooling ("HVAC") and detection and measurement markets and (ii) power transformers and process cooling systems business. As a result, we have significantly reduced our exposure to the power generation markets as indicated by the activities summarized below:

- Sale of Dry Cooling Business On March 30, 2016, we completed the sale of our dry cooling business, a business that provides dry cooling systems to the global power generation markets.
- Sale of Balcke Dürr Business On December 30, 2016, we completed the sale of Balcke Dürr, a business that provides heat exchangers and other related components to the European and Asian power generation markets. Balcke Dürr historically had been the most significant of our power generation businesses. As we considered the disposition of Balcke Dürr to be the cornerstone of our strategic shift away from the power generation markets, and given the significance of Balcke Dürr's financial results to our overall operations prior to its disposition, we began classifying Balcke Dürr as a discontinued operation at the time of its disposition.
- Wind-Down of the SPX Heat Transfer Business After an unsuccessful attempt to sell the SPX Heat Transfer ("Heat Transfer") business, and as a continuation of our strategic shift away from power generation markets, we initiated a wind-down plan for the business in 2018. During the fourth quarter of 2020, we completed the plan, which included providing all products and services on the business's remaining contracts with customers. As a result, we are reporting Heat Transfer as a discontinued operation in the accompanying consolidated financial statements. See Note 4 for additional details.
- Wind-Down of DBT Technologies Business As a culmination of our strategic shift away from power generation
  markets, we substantially ceased all operations of, and have ceased accepting new businesses in, our South African
  subsidiary, DBT Technologies (PTY) LTD ("DBT"). As a result, we are reporting DBT as a discontinued operation in
  the accompanying consolidated financial statements. DBT continues to be involved in various dispute resolution
  matters related to two large power projects. See Note 4 for additional details regarding DBT's presentation as a
  discontinued operation and Note 15 regarding the dispute resolution matters.

Sale of Transformer Solutions Business — On October 1, 2021, we completed the sale of SPX Transformer Solutions, Inc. ("Transformer Solutions") pursuant to the terms of the Stock Purchase Agreement dated June 8, 2021 with GE-Prolec Transformers, Inc. (the "Purchaser") and Prolec GE Internacional, S. de R.L. de C.V. We transferred all of the outstanding common stock of Transformer Solutions to the Purchaser for an aggregate cash purchase price of \$645.0 (the "Transaction"). The purchase price is subject to potential adjustment based on Transformer Solutions' cash, debt and working capital on the

date the Transaction was consummated, as well as for specified transaction expenses and other specified items. In connection with the sale, we received cash proceeds of \$620.6 and recorded a gain of \$382.2 to "Gain (loss) on disposition of discontinued operations, net of tax" within our 2021 consolidated statement of operations. Historically, Transformer Solutions' operations have had a significant impact on our consolidated financial results, with revenues totaling approximately 25% of our total consolidated revenues. As we no longer have a consequential presence in the power transmission and distribution markets, and given Transformer Solutions' significance to our historical consolidated financial results, we have concluded that the sale of Transformer Solutions represents a strategic shift. Accordingly, we have classified the business as a discontinued operation in the accompanying consolidated financial statements. See Note 4 for additional details.

Change in Segment Reporting Structure — As noted above, Transformer Solutions and DBT are now being reported as discontinued operations within the accompanying consolidated financial statements. In addition, the remaining operations of our former Engineered Solutions reportable segment, with annual income representing less than 5% of the total income of our reportable segments, are being reported within our HVAC reportable segment, as these operations are now being managed, and evaluated by our Chief Operating Decision Maker, as part of our HVAC cooling business.

# Acquisitions in 2021:

- Sealite On April 19, 2021, we completed the acquisition of Sealite Pty Ltd and affiliated entities, including Sealite USA, LLC (doing business as Avlite Systems) and Star2M Pty Ltd (collectively, "Sealite"). Sealite is a leader in the design and manufacture of marine and aviation Aids to Navigation products. We purchased Sealite for cash proceeds of \$80.3, net of cash acquired of \$2.3. The post acquisition operating results of Sealite are reflected within our Detection and Measurement reportable segment.
- ECS On August 2, 2021, we completed the acquisition of Enterprise Control Systems Ltd ("ECS"), a leader in the design and manufacture of highly-engineered tactical datalinks and radio frequency ("RF") countermeasures, including counter-drone and counter-IED RF jammers. We purchased ECS for cash proceeds of \$39.4, net of cash acquired of \$5.1. Under the terms of the purchase and sales agreement, the seller is eligible for additional cash consideration of up to \$16.8, with payment to be made in 2022 upon successful achievement of certain financial performance milestones. The estimated fair value of such contingent consideration as of the date of acquisition was \$8.2, which we reflected as a liability in our condensed consolidated balance sheet as of the end of the third quarter of 2021. During the fourth quarter of 2021, we concluded that the probability of achieving the above financial performance milestones had lessened due to a delay in the execution of a large order, resulting in a reduction of the estimated liability of \$6.7, with such amount recorded within "Other operating expenses, net" in the 2021 consolidated statement of operations. The post-acquisition operating results of ECS are reflected within our Detection and Measurement reportable segment.
- Cincinnati Fan On December 15, 2021, we completed the acquisition of Cincinnati Fan & Ventilator Co., Inc. ("Cincinnati Fan"), a leader in engineered air movement solutions, including blowers and critical exhaust systems. We purchased Cincinnati Fan for cash proceeds of \$145.2, net of cash acquired of \$2.5. The purchase price is subject to adjustment based on the final calculation of working capital, cash, and debt as of the date of the acquisition. The post acquisition operating results of Cincinnati Fan are reflected within our HVAC reportable segment.

The assets acquired and liabilities assumed in the Sealite, ECS, and Cincinnati Fan transactions have been recorded at estimates of fair value as determined by management, based on information available and assumptions as to future operations and are subject to change, primarily for the final assessment and valuation of certain income tax amounts.

#### Acquisitions in 2020:

• ULC – On September 2, 2020, we completed the acquisition of ULC Robotics ("ULC"), a leading developer of robotic systems, machine learning applications, and inspection technology for the energy, utility, and industrial markets, for cash proceeds of \$89.2, net of cash acquired of \$4.0. Under the terms of the purchase and sales agreement, the seller was eligible for additional cash consideration of up to \$45.0, with payments scheduled to be made upon successful achievement of certain operational and financial performance milestones. At the time of the acquisition, we recorded a liability of \$24.3, which represented the estimated fair value of the contingent consideration. During the third quarter of 2021, we concluded that the operational and financial milestones noted above would not be achieved. As a result, we reversed the liability of \$24.3 during the third quarter, with the offset recorded to "Other operating expenses, net" (See Note 10 for further discussion of this matter). The post-acquisition operating results of ULC are reflected within our Detection and Measurement reportable segment.

• Sensors & Software – On November 11, 2020, we completed the acquisition of Sensors & Software Inc. ("Sensors & Software"), a leading manufacturer and distributor of ground penetrating radar products used for locating underground utilities, detecting unexploded ordinances, and geotechnical and geological investigations, for cash proceeds of \$15.5, net of cash acquired of \$0.3. Under the terms of the purchase and sales agreement, the seller is eligible for additional cash consideration of up to \$3.9, with payment scheduled to be made upon successful achievement of defined financial performance milestones during the twelve months following the date of acquisition. At the time of the acquisition, we recorded a liability of \$0.7 which represented the estimated fair value of the contingent consideration. During the fourth quarter of 2021, we concluded that certain of these financial milestones had been achieved, resulting in an increase to the liability of \$0.6, with the offset reflected in "Other operating expenses, net" in the accompanying 2021 consolidated statement of operations. The estimated fair value of such contingent consideration is \$1.3 and \$0.7, which is reflected as a liability in the accompanying consolidated balance sheets as of December 31, 2021 and 2020, respectively. The post-acquisition operating results of Sensors & Software are reflected within our Detection and Measurement reportable segment.

#### Acquisitions in 2019:

- Sabik On February 1, 2019, we completed the acquisition of Sabik Marine ("Sabik"), primarily a manufacturer of
  obstruction lighting products, for a purchase price of \$77.2, net of cash acquired of \$0.6. The post-acquisition
  operating results of Sabik are reflected within our Detection and Measurement reportable segment.
- SGS On July 3, 2019, we completed the acquisition of SGS Refrigeration Inc. ("SGS"), a manufacturer of industrial
  refrigeration products, for cash proceeds of \$11.5, including contingent consideration of \$1.5 that was paid during the
  first quarter of 2020. The post-acquisition operating results of SGS are reflected within our HVAC reportable segment.
- Patterson-Kelley On November 12, 2019, we completed the acquisition of Patterson-Kelley, LLC ("Patterson-Kelley"), a manufacturer and distributor of commercial boilers and water heaters, for cash proceeds of \$59.9. The post-acquisition operating results of Patterson-Kelley are reflected within our HVAC reportable segment.

Inventories — Historically, certain of our domestic businesses within our HVAC reportable segment accounted for their inventories under the last-in, last-out ("LIFO") method. During the fourth quarter of 2021, as a means of harmonizing our accounting method for inventories across all of our businesses, we converted the inventory accounting for these businesses to the first-in, first-out ("FIFO") method. This change in accounting has been retrospectively applied to our consolidated financial statements. See Note 9 for further discussion of this change, including the impact of this change on our prior years' consolidated financial statements.

Foreign Currency Translation and Transactions — The financial statements of our foreign subsidiaries are translated into U.S. dollars in accordance with the Foreign Currency Matters Topic of the Financial Accounting Standards Board Codification ("Codification"). Gains and losses on foreign currency translations are reflected as a separate component of stockholders' equity and other comprehensive income. Foreign currency transaction gains and losses, as well as gains and losses related to foreign currency forward contracts, are included in "Other income (expense), net," with the related net losses totaling \$0.9, \$0.6 and \$0.9 in 2021, 2020 and 2019, respectively.

*Cash Equivalents* — We consider highly liquid money market investments with original maturities of three months or less at the date of purchase to be cash equivalents.

*Revenue Recognition* — We recognize revenue in accordance with Accounting Standards Codification ("ASC") 606. See Note 5 for our policy for recognizing revenue under ASC 606 as well as the various other disclosures required by ASC 606.

Research and Development Costs — We expense research and development costs as incurred. We charge costs incurred in the research and development of new software included in products to expense until technological feasibility is established. After technological feasibility is established, additional eligible costs are capitalized until the product is available for general release. We amortize these costs over the economic lives of the related products and include the amortization in cost of products sold. We perform periodic reviews of the recoverability of these capitalized software costs. At the time we determine that capitalized amounts are not recoverable based on the estimated cash flows to be generated from the applicable software, we write off any unrecoverable capitalized amounts. Capitalized software, net of amortization, totaled \$0.1 and \$1.3 as of December 31, 2021 and 2020, respectively. Capitalized software amortization expense totaled \$1.3, \$2.5, and \$2.4 in 2021, 2020, and 2019, respectively. We expensed research activities relating to the development and improvement of our products of \$30.7, \$28.1 and \$24.3 in 2021, 2020 and 2019, respectively.

Property, Plant and Equipment — Property, plant and equipment ("PP&E") is stated at cost, less accumulated depreciation. We use the straight-line method for computing depreciation expense over the useful lives of PP&E, which do not exceed 40 years for buildings and range from 3 to 15 years for machinery and equipment. Depreciation expense, including amortization of finance leases, was \$19.4, \$15.4 and \$13.1 for the years ended December 31, 2021, 2020 and 2019, respectively. Leasehold improvements are amortized over the life of the related asset or the life of the lease, whichever is shorter. Interest is capitalized on significant construction or installation projects. No interest was capitalized during 2021, 2020 or 2019.

Pension and Postretirement — We recognize changes in the fair value of plan assets and actuarial gains and losses in earnings during the fourth quarter of each year, unless earlier remeasurement is required, as a component of net periodic benefit expense/income and, accordingly, recognize the effects of plan investment performance, interest rate changes, and changes in actuarial assumptions as a component of earnings in the year in which they occur. The remaining components of pension/postretirement expense/income, primarily interest costs and expected return on plan assets, are recorded on a quarterly basis.

Income Taxes — We account for income taxes based on the requirements of the Income Taxes Topic of the Codification, which includes an estimate of the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We periodically assess the realizability of deferred tax assets and the adequacy of deferred tax liabilities, including the results of local, state, federal or foreign statutory tax audits or estimates and judgments used.

Derivative Financial Instruments — We use foreign currency forward contracts to manage our exposures to fluctuating currency exchange rates, forward contracts to manage the exposure on forecasted purchases of commodity raw materials ("commodity contracts") and interest rate protection agreements to manage our exposures to fluctuating interest rate risk on variable rate debt. Derivatives are recorded on the balance sheet and measured at fair value. For derivatives designated as hedges of the fair value of assets or liabilities, the changes in fair values of both the derivatives and the hedged items are recorded in current earnings. For derivatives designated as cash flow hedges, the change in fair value of the derivatives is recorded in accumulated other comprehensive income ("AOCI") and subsequently recognized in earnings when the forecasted transaction impacts earnings. We do not enter into financial instruments for speculative or trading purposes.

For those transactions that are designated as cash flow hedges, on the date the derivative contract is entered into, we document our hedge relationship, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for undertaking the hedge transaction. We also assess, both at inception and quarterly thereafter, whether such derivatives are highly effective in offsetting changes in the fair value of the hedged item. See Notes 14 and 17 for further information.

Cash flows from hedging activities are included in the same category as the items being hedged, which are primarily operating activities.

Reclassification of Prior Years' Amounts – Certain prior years' amounts have been reclassified to conform to the current year presentation, including amounts related to the inclusion of Transformer Solutions and DBT within discontinued operations.

#### (2) Use of Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate these estimates and judgments on an ongoing basis and base our estimates on experience, current and expected future conditions, third-party evaluations and various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ from the estimates and assumptions used in the consolidated financial statements and related notes.

Listed below are certain significant estimates and assumptions used in the preparation of our consolidated financial statements. Certain other estimates and assumptions are further explained in the related notes.

Accounts Receivable Allowances — We provide allowances for estimated losses on uncollectible accounts based on our historical experience and the evaluation of the likelihood of success in collecting specific customer receivables. In addition, we

maintain allowances for customer returns, discounts and invoice pricing discrepancies, with such allowances primarily based on historical experience. Summarized below is the activity for these allowance accounts.

	 Year ended December 31,						
	 2021		2020		2019		
Balance at beginning of year	\$ 11.5	\$	8.5	\$	9.3		
Acquisitions			0.3		0.3		
Allowances provided	14.9		18.6		18.2		
Write-offs, net of recoveries, credits issued and other	 (16.0)		(15.9)		(19.3)		
Balance at end of year	\$ 10.4	\$	11.5	\$	8.5		

*Inventory* — We estimate losses for excess and/or obsolete inventory and the net realizable value of inventory based on the aging and historical utilization of the inventory and the evaluation of the likelihood of recovering the inventory costs based on anticipated demand and selling price.

Long-Lived Assets and Intangible Assets Subject to Amortization — We continually review whether events and circumstances subsequent to the acquisition of any long-lived assets, including intangible assets subject to amortization, have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be fully recoverable. If events and circumstances indicate that the long-lived assets should be reviewed for possible impairment, we use projections to assess whether future cash flows on an undiscounted basis related to the assets are likely to exceed the related carrying amount. We will record an impairment charge to the extent that the carrying value of the assets exceed their fair values as determined by valuation techniques appropriate in the circumstances, which could include the use of similar projections on a discounted basis.

In determining the estimated useful lives of definite-lived intangibles, we consider the nature, competitive position, life cycle position, and historical and expected future operating cash flows of each acquired asset, as well as our commitment to support these assets through continued investment and legal infringement protection.

Goodwill and Indefinite-Lived Intangible Assets — We review goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter and continually assess whether a triggering event has occurred to determine whether the carrying value exceeds the implied fair value. In reviewing goodwill for impairment, we first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (greater than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If we determine that an impairment is more likely than not, we then perform a quantitative impairment test (described below). Otherwise, no further analysis is required. Our qualitative evaluation is an assessment of factors, including reporting unit-specific operating results, as well as industry, market, and general economic conditions. Our quantitative analysis of the fair value of reporting units is based generally on discounted projected cash flows, but we also consider factors such as comparable industry price multiples. We employ cash flow projections that we believe to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about the carrying values of the reported net assets of our reporting units. Many of our businesses closely follow changes in the industries and end markets that they serve. Accordingly, we consider estimates and judgments that affect the future cash flow projections, including principal methods of competition, such as volume, price, service, product performance and technical innovations, as well as estimates associated with cost reduction initiatives, capacity utilization and assumptions for inflation and foreign currency changes.

Accrued Expenses — We make estimates and judgments in establishing accruals as required under GAAP. Summarized in the table below are the components of accrued expenses at December 31, 2021 and 2020.

	 December 31,			
	 2021		2020	
Employee benefits	\$ 66.7	\$	69.2	
Warranty	11.8		11.6	
Other (1)	139.4		125.8	
Total	\$ 217.9	\$	206.6	

Other consists of various items including, among other items, the current portion of our liabilities related to risk management matters, environmental remediation costs, and operating leases, as well as, accrued rebates, legal, interest and restructuring costs, none of which is individually material.

Legal — It is our policy to accrue for estimated losses from legal actions or claims when events exist that make the realization of the losses probable and they can be reasonably estimated. We do not discount legal obligations or reduce them by anticipated insurance recoveries. See Note 15 for additional details.

Environmental Remediation Costs — We expense costs incurred to investigate and remediate environmental issues unless they extend the economic useful lives of related assets. We record liabilities when it is probable that an obligation has been incurred and the amounts can be reasonably estimated. Our environmental accruals cover anticipated costs, including investigation, remediation and operation and maintenance of clean-up sites. Our estimates are based primarily on investigations and remediation plans established by independent consultants, regulatory agencies and potentially responsible third parties. We generally do not discount environmental obligations or reduce them by anticipated insurance recoveries.

Risk Management Matters — We are subject to claims associated with risk management matters (e.g., product liability, predominately associated with alleged exposure to asbestos-containing materials, general liability, automobile, and workers' compensation claims). The liabilities we record for these claims are based on a number of assumptions, including historical claims and payment experience and, with respect to asbestos claims, actuarial estimates of the future period during which additional claims are reasonably foreseeable. We also have recorded insurance recovery assets associated with the asbestos product liability matters. These assets represent amounts that we believe we are or will be entitled to recover under agreements we have with insurance companies. The assets we record for these insurance recoveries are based on a number of assumptions, including the continued solvency of the insurers, and our legal interpretation of our rights for recovery under the agreements we have with the insurers. In addition, we are self-insured for certain of our workers' compensation, automobile, product, general liability, disability and health costs, and we maintain adequate accruals to cover our retained liabilities. Our accruals for selfinsurance liabilities are based on claims filed and an estimate of claims incurred but not yet reported, and generally are not discounted. We consider a number of factors, including third-party actuarial valuations, when making these determinations. We maintain third-party stop-loss insurance policies to cover certain liability costs in excess of predetermined retained amounts; however, this insurance may be insufficient or unavailable (e.g., because of insurer insolvency) to protect us against potential loss exposures. The key assumptions considered in estimating the ultimate cost to settle reported claims and the estimated costs associated with incurred but not yet reported claims include, among other factors, our historical and industry claims experience, trends in health care and administrative costs, our current and future risk management programs, and historical lag studies with regard to the timing between when a claim is incurred and reported. See Note 15 for additional details.

Warranty — In the normal course of business, we issue product warranties for specific products and provide for the estimated future warranty cost in the period in which the sale is recorded. We provide for the estimate of warranty cost based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided. In addition, due to the seasonal fluctuations at certain of our businesses, the timing of warranty provisions and the usage of warranty accruals can vary period to period. We make adjustments to initial obligations for warranties as changes in the obligations become reasonably estimable. The following is an analysis of our product warranty accrual for the periods presented:

	 Year ended December 31,					
	 2021		2020		2019	
Balance at beginning of year	\$ 35.3	\$	31.7	\$	30.1	
Acquisitions	0.1		1.6		0.4	
Provisions	8.5		12.4		12.0	
Usage	(9.1)		(10.6)		(10.7)	
Currency translation adjustment	_		0.2		(0.1)	
Balance at end of year	34.8		35.3		31.7	
Less: Current portion of warranty	11.8		11.6		10.8	
Non-current portion of warranty	\$ 23.0	\$	23.7	\$	20.9	

Income Taxes — We perform reviews of our income tax positions on a continuous basis and accrue for potential uncertain tax positions in accordance with the Income Taxes Topic of the Codification. Accruals for these uncertain tax positions are classified as "Income taxes payable" and "Deferred and other income taxes" in the accompanying consolidated balance sheets based on an expectation as to the timing of when the matter will be resolved. As events change or resolutions occur, these accruals are adjusted, such as in the case of audit settlements with taxing authorities. For tax positions where it is more likely than not that a tax benefit will be sustained, we record the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority, assuming such authority has full knowledge of all relevant information. These reviews also entail analyzing the realization of deferred tax assets. When we believe that it is more

likely than not that we will not realize a benefit for a deferred tax asset based on all available evidence, we establish a valuation allowance.

Employee Benefit Plans — Defined benefit plans cover a portion of our salaried and hourly employees, including certain employees in foreign countries. As discussed in Note 1, we recognize changes in the fair value of plan assets and actuarial gains and losses associated with our pension and postretirement benefit plans in earnings during the fourth quarter of each year, unless earlier remeasurement is required, as a component of net periodic benefit expense. The remaining components of pension/postretirement expense, primarily interest costs and expected return on plan assets, are recorded on a quarterly basis. See Note 11 for further discussion of our pension and postretirement benefits.

We derive pension expense from an actuarial calculation based on the defined benefit plans' provisions and our assumptions regarding discount rate. We primarily determine the discount rate for our plans by matching the expected projected benefit obligation cash flows for each of the plans to a yield curve that is representative of long-term, high-quality (rated AA or higher) fixed income debt instruments as of the measurement date. We also consult with independent actuaries in determining these assumptions.

Parent Guarantees and Bonds Associated with Balcke Dürr — In connection with the sale of Balcke Dürr in 2016, we became contingently obligated under existing parent company guarantees and bank and surety bonds which totaled approximately Euro 79.0 and Euro 79.0, respectively, at the time of sale. Since the sale of Balcke Dürr, the guarantees have expired and, as of the third quarter of 2021, all the bonds have been returned. We accounted for our contingent obligation in accordance with the Guarantees Topic of the Codification, which required that we record a liability for the estimated fair value of the parent company guarantees and the bonds in connection with the accounting for the sale of Balcke Dürr. Under the related purchase agreement, Balcke Dürr provided cash collateral and the parent company of the buyer provided a partial guarantee in the event any of the bonds were called. We recorded an asset for the estimated fair value of the cash collateral provided by Balcke Dürr and the partial guarantee provided by the parent company of the buyer, with the estimated fair values based on the terms and conditions and relative risk associated with each of these securities. As the guarantees have expired and the bonds have been returned, we no longer have assets or liabilities recorded for this matter. See Note 17 for additional details.

# (3) New Accounting Pronouncements

The following is a summary of new accounting pronouncements that apply or may apply to our business.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13. ASU 2016-13 changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income, including trade receivables, based on historical experience, current conditions, and reasonable and supportable forecasts. The requirements of ASU 2016-13 are to be applied on a modified retrospective basis, which entails recognizing the initial effect of adoption in retained earnings. We adopted ASU 2016-13 on January 1, 2020, which resulted in an increase of our retained deficit of \$0.5.

In January 2017, the FASB issued an amendment to simplify the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires that an entity recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This amendment is effective for annual reporting periods beginning after December 31, 2019, including interim periods within those annual reporting periods. We adopted this guidance during the first quarter of 2020, with such adoption having no impact to our consolidated financial statements.

In August 2018, the FASB issued amended guidance to simplify fair value measurement disclosure requirements. The new provisions eliminate the requirements to disclose (i) transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) policies related to valuation processes and the timing of transfers between levels of the fair value hierarchy, and (iii) net asset value disclosure of estimates of timing of future liquidity events. The FASB also modified disclosure requirements of Level 3 fair value measurements. This guidance is effective for annual periods beginning after December 15, 2019. We adopted this guidance on January 1, 2020, with no impact on our consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes (Topic 740). This ASU simplifies the accounting for income taxes by, among other things, eliminating certain existing exceptions related to the general approach in ASC 740 relating to franchise taxes, reducing complexity in the interim-period accounting for year-to-date loss limitations and changes in tax laws, and clarifying the accounting for the step-up in the tax basis of goodwill. The transition requirements are primarily prospective and the effective date is for interim and annual reporting periods beginning after December 15, 2020, with early adoption permitted. We adopted this guidance on January 1, 2021, with no material impact on our consolidated financial statements.

The London Interbank Offered Rate ("LIBOR") is scheduled to be discontinued on June 30, 2023, with some tenors ceasing on December 31, 2021. In an effort to address the various challenges created by such discontinuance, the FASB issued two amendments to existing guidance, ASU No. 2020-04 and No. 2021-01, Reference Rate Reform. The amended guidance is designed to provide relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g., loans, debt securities, derivatives, etc.) necessitated by the reference rate reform. It also provides optional expedients to enable companies to continue to apply hedge accounting to certain hedging relationships impacted by the reference rate reform. Application of the guidance in the amendments is optional, is only available in certain situations, and is only available for companies to apply until December 31, 2022. In preparation of our adoption of these amendments, we entered into a LIBOR transition amendment related to our global revolving credit facility, as described in Note 13. Upon adoption, we do not believe these amendments will have a material impact to our consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This ASU requires acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. This guidance is effective for public entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The impact of adopting this guidance on our consolidated financial statements will depend on business combinations occurring on or after the effective date.

# (4) Acquisitions and Discontinued Operations

#### Acquisitions

As indicated in Note 1, on February 1, 2019, July 3, 2019, November 12, 2019, September 2, 2020, November 11, 2020, April 19, 2021, August 2, 2021 and December 15, 2021, we completed the acquisitions of Sabik, SGS, Patterson-Kelley, ULC, Sensors & Software, Sealite, ECS, and Cincinnati Fan, respectively. The pro forma effects of these acquisitions are not material to our consolidated results of operations.

#### **Sale of Transformer Solutions Business**

As discussed in Note 1, on October 1, 2021, we completed the sale of Transformer Solutions for net cash proceeds of \$620.6. In connection with the sale, we recorded a gain of \$382.2 to "Gain (loss) on disposition of discontinued operations, net of tax" within our consolidated statement of operations for the year ended December 31, 2021.

The results of Transformer Solutions are presented as a discontinued operation for all periods presented. Major line items constituting pre-tax income and after-tax income of Transformer Solutions for the period January 1, 2021 to October 1, 2021 and the years ended December 2020 and 2019 are shown below:

	2021		2020	2019
Revenues	\$	313.5	\$ 427.4	\$ 403.4
Costs and expenses:				
Cost of product sold		257.2	338.7	334.1
Selling, general and administrative		28.4	32.7	30.2
Special charges		_	_	0.3
Other income, net			0.9	0.6
Income before tax		27.9	56.9	39.4
Income tax provision		(7.0)	(14.0)	(8.8)
Income after tax	\$	20.9	\$ 42.9	\$ 30.6

The assets and liabilities of Transformer Solutions have been classified as assets and liabilities of discontinued operations as of December 31, 2020. The major line items constituting Transformer Solutions assets and liabilities as of December 31, 2020 are shown below:

ASSETS	
Accounts receivable, net	\$ 50.9
Contract assets	48.6
Inventories, net	21.7
Other current assets	3.2
Property, plant and equipment:	
Land	6.5
Buildings and leasehold improvements	63.1
Machinery and equipment	141.1
	210.7
Accumulated depreciation	(131.0)
Property, plant and equipment, net	79.7
Goodwill	131.3
Other assets	8.1
Total assets - discontinued operations	\$ 343.5
LIABILITIES	
Accounts payable	\$ 34.1
Contract liabilities	57.2
Accrued expenses	24.5
Deferred and other income taxes	22.3
Other long-term liabilities	 9.1
Total liabilities - discontinued operations	\$ 147.2

# Wind-Down of DBT Business

As discussed in Note 1, we completed the wind-down of our DBT business in the fourth quarter of 2021. As a result of completing the wind-down plan, we are now reporting DBT as a discontinued operation for all periods presented. In connection with the wind-down, we recorded a charge of \$19.9 to "Gain (loss) on disposition of discontinued operations, net of tax" within our consolidated statement of operations for the year ended December 31, 2021 to reflect the write-off of historical currency translation amounts associated with DBT that had been previously reported within "Stockholders' equity."

Major line items constituting pre-tax loss and after-tax loss of DBT for the years ended December 31, 2021, 2020 and 2019 are shown below:

	2021	2020	2019
Revenues (1)	\$ 0.	5 \$ 4.0	\$ (6.1)
Costs and expenses:			
Cost of product sold	0.	9 6.9	22.4
Selling, general and administrative	15.	1 14.8	11.6
Special charges	1.	0.8	2.6
Other income (expense), net	(1.	2) 1.9	(0.6)
Interest income, net	0.	<u> </u>	0.2
Loss before tax	(17.	9) (16.6)	(43.1)
Income tax benefit	2	7 2.4	7.3
Loss after tax	\$ (15.	2) \$ (14.2)	\$ (35.8)

<sup>(1)</sup> During the year ended December 31, 2019, we reduced the amount of revenue associated with the large power projects in South Africa by \$23.5. See below for further discussion.

During February, April, and July of 2019, we received a number of claims from the prime contractors on the large power projects in South Africa asserting various amounts of damages. In consideration of these claims (including the magnitude of the claims and claims in areas that had not been previously identified by the prime contractors), and in accordance with ASC 606, we analyzed the risk of a significant revenue reversal associated with the amount of variable consideration that had been recorded for these projects. Based on such analysis, we reduced the amount of cumulative revenue associated with variable consideration on these projects by \$17.5 during the first quarter of 2019, as it was no longer probable that such amounts of revenue would not be reversed.

On June 28, 2019, DBT reached an agreement with Alstom S&E Africa (PTY) LTD ("Alstom/GE"), one of the prime contractors on the large power projects in South Africa to, among other things, settle all material outstanding claims between the parties (other than certain pass-through claims relating to third parties). In connection with the agreement, we reduced the amount of cumulative revenue associated with variable consideration on the large power projects in South Africa by \$6.0 during the second quarter of 2019.

The assets and liabilities of DBT have been included within "Assets of DBT and Heat Transfer" and "Liabilities of DBT and Heat Transfer," respectively, on the consolidated balance sheets as of December 31, 2021 and 2020. The major line items constituting DBT's assets and liabilities as of December 31, 2021 and 2020 are shown below:

	December 31, 2021	<b>December 31, 2020</b>
ASSETS		
Cash and equivalents	\$ 7.8	\$ 4.3
Accounts receivable, net	9.1	10.1
Other current assets	7.0	7.5
Property, plant and equipment:		
Buildings and leasehold improvements	0.2	5.7
Machinery and equipment	1.5	7.3
	1.7	13.0
Accumulated depreciation	(1.5)	(9.8)
Property, plant and equipment, net	0.2	3.2
Other assets	27.6	17.9
Total assets of DBT	\$ 51.7	\$ 43.0
LIABILITIES		
Accounts payable	\$ 2.3	\$ 2.3
Contract liabilities	5.6	7.5
Accrued expenses	22.4	2.5
Other long-term liabilities	4.9	5.3
Total liabilities of DBT	\$ 35.2	\$ 17.6

## **Wind-Down of the Heat Transfer Business**

As discussed in Note 1, we completed the wind-down of our Heat Transfer business in the fourth quarter of 2020. As a result of completing the wind-down plan, we are reporting Heat Transfer as a discontinued operation for all periods presented.

Major line items constituting pre-tax income (loss) and after-tax income (loss) of Heat Transfer for the years ended December 31, 2020 and 2019 are shown below:

		2020		2019
Revenues	\$	3.9	\$	4.5
Costs and expenses:				
Cost of products sold		3.1		6.1
Selling, general and administrative		0.1		0.9
Special charges (credits), net		0.4		(0.4)
Other income, net		_		0.3
Income (loss) before tax		0.3		(1.8)
Income tax (provision) benefit		(0.1)		0.4
Income (loss) after tax	\$	0.2	\$	(1.4)

The assets and liabilities of Heat Transfer have been included within "Assets of DBT and Heat Transfer" and "Liabilities of DBT and Heat Transfer," respectively, on the consolidated balance sheets as of December 31, 2021 and 2020. The major line items constituting Heat Transfer's assets and liabilities as of December 31, 2021 and 2020 are shown below:

	December 31, 2021	<b>December 31, 2020</b>
ASSETS		
Accounts receivable, net	\$ 0.1	\$ 0.1
Other current assets	0.2	0.2
Other assets	0.2	0.2
Total assets of Heat Transfer	\$ 0.5	\$ 0.5
LIABILITIES		
Accounts payable	\$ 0.3	\$ 0.2
Accrued expenses	0.1	0.3
Total liabilities of Heat Transfer	\$ 0.4	\$ 0.5

# **Other Discontinued Operations Activity**

In addition to Transformer Solutions, DBT and Heat Transfer, we recognized net losses of \$1.3, \$3.7 and \$4.4 during 2021, 2020 and 2019, respectively. The net losses for 2021, 2020, and 2019 resulted primarily from revisions to liabilities, including income tax liabilities, retained in connection with prior businesses classified as discontinued operations.

Changes in estimates associated with liabilities retained in connection with a business divestiture (e.g., income taxes) may occur. As a result, it is possible that the resulting gains/losses on these and other previous divestitures may be materially adjusted in subsequent periods.

For the years ended December 31, 2021, 2020 and 2019, results of operations from our businesses reported as discontinued operations were as follows:

	2021	2020	2019
Transformer Solutions			
Income from discontinued operations	\$ 454.9	\$ 56.9	\$ 39.4
Income tax provision (1)	(51.8)	(14.0)	(8.8)
Income from discontinued operations, net	403.1	42.9	30.6
DBT			
Loss from discontinued operations	(37.8)	(16.6)	(43.1)
Income tax benefit	2.7	2.4	7.3
Loss from discontinued operations, net	(35.1)	(14.2)	(35.8)
Heat Transfer			
Income (loss) from discontinued operations	(0.3)	0.3	(1.8)
Income tax (provision) benefit	_	(0.1)	0.4
Income (loss) from discontinued operations, net	(0.3)	0.2	(1.4)
All other			
Loss from discontinued operations	(7.6)	(4.8)	(4.0)
Income tax (provision) benefit	6.3	1.1	(0.4)
Loss from discontinued operations, net	(1.3)	(3.7)	(4.4)
Total			
Income (loss) from discontinued operations	409.2	35.8	(9.5)
Income tax provision	(42.8)	(10.6)	(1.5)
Income (loss) from discontinued operations, net	\$ 366.4	\$ 25.2	\$ (11.0)

<sup>(1)</sup> During the fourth quarter of 2021, we liquidated certain recently acquired entities. As a result of this action, we recorded a net income tax benefit of \$16.5 within our 2021 consolidated statement of operations, which included an income tax charge of \$10.9 within continuing operations and income tax benefit of \$27.4 within discontinued operations.

## (5) Revenues from Contracts

Summarized below is our policy for recognizing revenue under ASC 606, as well as the various disclosures required by ASC 606.

Performance Obligations - Certain of our contracts are comprised of multiple deliverables, which can include hardware and software components, installation, maintenance, and extended warranties. For these contracts, we evaluate whether these deliverables represent separate performance obligations as defined by ASC 606. In some cases, a customer contracts with us to integrate a complex set of tasks and components into a single project or capability (even if the single project results in the delivery of multiple units). Hence, the entire contract is treated as a single performance obligation. In contrast, we may promise to provide distinct goods or services within a contract, in which case we separate the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, we allocate the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. In cases where we sell standard products with observable standalone selling prices, these selling prices are used to determine the relative standalone selling price. In cases where we sell a customized customer specific solution, we typically use the expected cost plus margin approach to estimate the standalone selling price of each performance obligation. Sales taxes and other usage-based taxes are excluded from revenue.

Remaining performance obligations represent performance obligations that have yet to be satisfied. As a practical expedient, we do not disclose performance obligations (i) that are part of a contract that has an original expected duration of less than one year and/or (ii) where our right to consideration corresponds directly to the value transferred to the customer. Performance obligations for contracts with an original duration in excess of one year that have yet to be satisfied as of the end of a period primarily relate to our Aids to Navigation systems, communication technologies products, large process cooling systems, as well as certain of our bus fare collection systems. As of December 31, 2021, the aggregate amount allocated to remaining performance obligations after the effect of practical expedients was \$105.8. We expect to recognize revenue on

approximately 63% and 88% of the remaining performance obligations over the next 12 and 24 months, respectively, with the remaining recognized thereafter.

Options - We offer options within certain of our contracts to purchase future goods or services. To the extent the option provides a material right to a future benefit (i.e., future goods and services at a discount from the relative standalone selling price), we separate the material right as a performance obligation and adjust the standalone selling price of the other performance obligations within the contract. When determining the relative standalone selling price of the option, we first determine the incremental discount that the customer would receive by exercising the option and then adjust that value based on the probability of option exercise (based, where possible, on historical experience). Revenue is recognized for the option as either the option is exercised or when it expires.

Contract Combination and Modification - We assess each contract at its inception to determine whether it should be combined with other contracts for revenue recognition purposes. When making this determination, we consider factors such as whether two or more contracts with a customer were negotiated at or near the same time or were negotiated with an overall profit objective. Contracts are sometimes modified for changes in contract specifications, scope, or price (or a combination of these). Contract modifications for goods or services that are not distinct within the context of the contract (generally associated with specification changes for certain product lines within our HVAC reportable segment) are accounted for as part of the existing contract. Contract modifications for goods or services that are distinct (i.e., adding or subtracting distinct goods or services) are accounted for as either a termination of the existing contract and the creation of a new contract (where the goods or services are not priced at their standalone selling price), or the creation of separate contract (where the goods or services are priced at their standalone selling price).

Variable Consideration - We determine the transaction price for each contract based on the consideration we expect to receive for the products or services being provided under the contract. For contracts where a portion of the price may vary, we estimate the variable consideration at the amount to which we expect to be entitled, which is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. We analyze the risk of a significant revenue reversal and, if necessary, constrain the amount of variable consideration recognized in order to mitigate this risk. Variable consideration primarily pertains to late delivery penalties and unapproved change orders and claims (levied by us and/or against us). Actual amounts of consideration ultimately received may differ from our estimates. If actual results vary from our estimates, we will adjust these estimates, which would affect revenue and earnings, in the period such variances become known.

As noted above, the nature of our contracts gives rise to several types of variable consideration, including unapproved change orders and claims. We include in our contract estimates additional revenue for unapproved change orders or claims against the customer when we believe we have an enforceable right to the unapproved change order or claim, the amount can be reliably estimated, and the above criteria have been met. In evaluating these criteria, we consider the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs, and the objective evidence available to support the claim. These estimates are also based on historical award experience.

Returns, Customer Sales Incentives and Warranties - We have certain arrangements that require us to estimate, at the time of sale, the amounts of variable consideration that should be excluded from revenue as (i) certain amounts are not expected to be collected from customers and/or (ii) the product may be returned. We principally rely on historical experience, specific customer agreements, and anticipated future trends to estimate these amounts at the time of shipment and to reduce the transaction price. These arrangements include volume rebates, which are estimated using the most likely amount method, as well as early payment discounts and promotional and advertising allowances, which are estimated using the expected value method. We primarily offer assurance-type standard warranties that the product will conform to published specifications for a defined period of time after delivery. These types of warranties do not represent separate performance obligations. We establish provisions for estimated returns and warranties primarily based on contract terms and historical experience, using the expected value method. Certain businesses offer extended warranties, which are considered separate performance obligations.

Contract Costs - We have elected to apply the practical expedient provided under ASC 606 which allows an entity to expense incremental costs of obtaining or fulfilling a contract when incurred if the amortization period of the asset that the entity otherwise would have recorded is one year or less. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of products sold. The net asset recorded for incremental costs incurred to obtain or fulfill contracts, after consideration of the practical expedient mentioned above, is not material to our consolidated financial statements.

## Nature of Goods and Services, Satisfaction of Performance Obligations, and Payment Terms

Our HVAC product lines include package and process cooling equipment, residential and commercial boilers, comfort heating and ventilation products, and engineered air movement solutions. Performance obligations for our HVAC product lines relate primarily to the delivery of equipment and components, construction and reconstruction of cooling towers and other components, and providing installation, replacement/spare parts and various other services. Performance obligations related to delivery of equipment and components are satisfied at the time of shipment or delivery (i.e., control is transferred at a point in time). The typical length of these contracts is one to three months and payment terms are generally 15 to 60 days after shipment to the customer. Performance obligations for construction and reconstruction of cooling towers and other components, and providing installation and various other services, are typically satisfied through a contract with us to provide a customerspecific solution. The customer typically controls the work in process due to contractual termination clauses whereby we have an enforceable right to recovery of cost incurred including a reasonable profit for work performed to date on products or services that do not have an alternative use to us. Additionally, certain projects are performed on customer sites such that the customer controls the asset as it is created or enhanced. As such, performance obligations for these product lines are generally satisfied over time, with the related revenue recorded based on the percentage of costs incurred to date for each contract to the estimated total costs for such contract at completion, as this method best depicts how control of the product or service is being transferred. The length of customer contract for these product lines is generally 6 to 18 months. Revenue for sales of certain engineered components and all replacement/spare parts is recognized upon shipment or delivery (i.e., at a point in time). Payments on longer-term contracts are generally commensurate with milestones defined in the related contract, while payments for the replacement/spare parts contracts typically occur 30 to 60 days after delivery.

Our detection and measurement product lines include underground pipe and cable locators, inspection and rehabilitation equipment, robotic systems, bus fare collection systems, communication technologies, and obstruction lighting. Performance obligations for these product lines relate to delivery of equipment and components, installation and other short-term services, long-term maintenance and software subscription services, pipeline remediation services and development of robotics. Performance obligations for equipment and components generally are satisfied at the time of shipment or delivery (i.e., control is transferred at a point in time). Performance obligations for installation and other short-term services, pipeline remediation, and development of robotics are satisfied over time as the installation or service is performed. Performance obligations for maintenance and software subscription services are satisfied over time, with the related revenue recorded evenly throughout the contract service period as this method best depicts how control of the service is transferred. Payment terms for equipment and components are typically 30 to 60 days after shipment or delivery, while payment for services typically occurs at completion for shorter-term engagements (less than three months in duration) and throughout the service period for longer-term engagements (generally greater than three months in duration). These product lines have varying contract lengths ranging from one to eighteen months (with the longer term contracts generally associated with our bus fare collection systems and communication technologies products lines), with the typical duration being one to three months.

Customer prepayments, progress billings, and retention payments are customary for some of our longer-term contracts. Customer prepayments, progress billings, and retention payments are not considered a significant financing component because they are intended to protect either the customer or ourselves in the event that some or all of the obligations under the contract are not completed. Additionally, most contract assets are expected to convert to accounts receivable, and contract liabilities are expected to convert to revenue, within one year. As such, after applying the practical expedient to exclude potential financing components that are less than one year in duration, we do not have any such financing components.

# Disaggregated Revenues

We disaggregate revenue from contracts with customers by major product line and based on the timing of recognition for each of our reportable segments, as we believe such disaggregation best depicts how the nature, amount, timing, and uncertainty of our revenues and cash flows are effected by economic factors, with such disaggregation presented below for the years ended December 31, 2021, 2020, and 2019:

	Year Ended December 31, 2				1, 20	2021			
Reportable Segments	HVAC Detection and Measurement		Total						
Major product lines									
Package and process cooling equipment and services, and engineered air quality solutions	\$	433.8	\$	_	\$	433.8			
Boilers, comfort heating, and ventilation		318.3		_		318.3			
Underground locators, inspection and rehabilitation equipment, and robotic systems		_		256.8		256.8			
Communication technologies, obstruction lighting, and bus fare collection systems				210.6		210.6			
	\$	752.1	\$	467.4	\$	1,219.5			
Timing of Revenue Recognition									
Revenues recognized at a point in time	\$	661.2	\$	415.9	\$	1,077.1			
Revenues recognized over time		90.9		51.5		142.4			
	\$	752.1	\$	467.4	\$	1,219.5			

	Year Ended December 31, 2020								
portable Segments		HVAC		tection and asurement		Total			
Major product lines									
Package and process cooling equipment and services	\$	447.1	\$	_	\$	447.1			
Boilers, comfort heating, and ventilation		293.7		_		293.7			
Underground locators, inspection and rehabilitation equipment, and robotic systems		_		217.8		217.8			
Communication technologies, obstruction lighting, and bus fare collection systems				169.5		169.5			
	\$	740.8	\$	387.3	\$	1,128.1			
Timing of Revenue Recognition									
Revenues recognized at a point in time	\$	622.2	\$	341.9	\$	964.1			
Revenues recognized over time		118.6		45.4		164.0			
	\$	740.8	\$	387.3	\$	1,128.1			

	Year Ended December 31, 2019					119
Reportable Segments	HVAC Detection and Measurement			Total		
Major product lines						
Package and process cooling equipment and services	\$	429.7	\$	_	\$	429.7
Boilers, comfort heating, and ventilation		309.0		_		309.0
Underground locators and inspection and rehabilitation equipment		_		194.3		194.3
Communication technologies, obstruction lighting, and bus fare collection systems				190.6		190.6
	\$	738.7	\$	384.9	\$	1,123.6
Timing of Revenue Recognition						
Revenues recognized at a point in time	\$	631.4	\$	357.1	\$	988.5
Revenues recognized over time		107.3		27.8		135.1
	\$	738.7	\$	384.9	\$	1,123.6

#### **Contract Balances**

Our customers are invoiced for products and services at the time of delivery or based on contractual milestones, resulting in outstanding receivables with payment terms from these customers ("Contract Accounts Receivable"). In some cases, the timing of revenue recognition, particularly for revenue recognized over time, differs from when such amounts are invoiced to customers, resulting in a contract asset (revenue recognition precedes the invoicing of the related revenue amount) or a contract liability (payment from the customer precedes recognition of the related revenue amount). Contract assets and liabilities are generally classified as current. On a contract-by-contract basis, the contract assets and contract liabilities are reported net within our consolidated balance sheets. Our contract balances consisted of the following as of December 31, 2021 and 2020:

Contract Balances	Dec	ember 31, 2021	1	December 31, 2020	Change
Contract Accounts Receivable (1)	\$	215.3	\$	200.6	\$ 14.7
Contract Assets		28.9		32.5	(3.6)
Contract Liabilities - current		(44.7)		(38.8)	(5.9)
Contract Liabilities - non-current (2)		(5.8)		(3.4)	(2.4)
Net contract balance	\$	193.7	\$	190.9	\$ 2.8

<sup>(1)</sup> Included in "Accounts receivable, net" within the accompanying consolidated balance sheets.

The \$2.8 increase in our net contract balance from December 31, 2020 to December 31, 2021 was due primarily to revenue recognized during the period, partially offset by cash payments received from customers during the period.

During 2021, we recognized revenues of \$34.0 related to our contract liabilities at December 31, 2020.

# (6) Leases

Summarized below is our policy under, as well as the various other disclosures required by, ASC 842.

We have elected to account for lease agreements with lease and non-lease components as a single component for all leases. Leases with an initial term of 12 months or less are not recorded on our consolidated balance sheets and we recognize lease expense for these leases on a straight-line basis over the lease term.

We review if an arrangement is a lease at inception and conclude whether the contract contains an identified asset if we have the right to obtain substantially all the economic benefit and direct the use of the asset. Operating leases with right-of-use ("ROU") assets are reflected within "Other assets," "Accrued expenses," and "Other long-term liabilities" within our consolidated balance sheets. Finance leases are included in "Property, plant and equipment," "Current maturities of long-term debt," and "Long-term debt."

<sup>(2)</sup> Included in "Other long-term liabilities" within the accompanying consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and the related liabilities are recognized at commencement date based on the present value of lease payments over the lease term. These payments include renewal options when reasonably certain to be exercised, and exclude termination options. As none of our leases provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any prepaid lease payments and excludes lease incentives.

We have operating and finance leases for facilities, equipment, and vehicles. Our leases have remaining lease terms of one year to 10 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the lease within one year. We rent or sublease certain space within owned facilities to third parties under operating leases, with the impact of these lease arrangements being immaterial to our consolidated financial statements.

The components of lease expense were as follows:

	Year ended				
<b>December 31, 2021</b>			December 31, 2020		
\$	13.5	\$	11.5		
	0.1		_		
\$	0.6	\$	0.6		
			0.1		
\$	0.6	\$	0.7		
	Decem    \$       \$       \$	\$ 13.5 0.1 \$ 0.6	December 31, 2021   \$   13.5   \$   0.1		

<sup>&</sup>lt;sup>(1)</sup> Includes short-term lease cost of \$4.3 and \$2.5, at December 31, 2021 and 2020 respectively.

Supplemental cash flow information related to leases was as follows:

	Year ended						
	De	December 31, 2021		December 31, 2020			
Cash paid for amounts included in the measurement of lease liabilities:							
Operating cash flow from operating leases	\$	9.4	\$	9.1			
Operating cash flows from finance leases		_		0.1			
Financing cash flows from finance leases		0.6		1.3			
Non-cash activities:							
Operating lease right-of-use assets obtained in exchange for new lease obligations		9.1		19.8			
Finance lease right-of-use assets obtained in exchange for new lease obligations		0.4		1.2			

Supplemental balance sheet information related to leases was as follows:

	Dec	ember 31, 2021	De	cember 31, 2020	
<b>Operating Leases:</b>					Affected Line Item in the Consolidated Balance Sheets
Operating lease ROU assets (1)	\$	41.7	\$	40.5	Other assets
Operating lease current liabilities	\$	7.7	\$	7.3	Accrued expenses
Operating lease non-current liabilities		31.5		30.9	Other long-term liabilities
Total operating lease liabilities	\$	39.2	\$	38.2	
Finance Leases:					
Finance Lease Assets	\$	1.0	\$	2.5	Property, plant and equipment, net
Finance lease current liabilities	\$	0.5	\$	1.0	Current maturities of long-term debt
Finance lease non-current liabilities		0.6		1.6	Long-term debt
Total finance lease liabilities	\$	1.1	\$	2.6	

<sup>(1)</sup> Includes favorable leasehold interests as of December 31, 2021 and 2020 of \$6.4 and \$6.6, respectively, recorded as part of the acquisition of Patterson-Kelley.

The weighted average remaining lease terms (years) of our leases as of December 31, 2021 and December 31, 2020, were as follows:

	December	31,
	2021	2020
Operating Leases	6.6	7.0
Finance Leases	2.3	3.2

The discount rate utilized to determine the present value of lease payments over the lease term is our incremental borrowing rate based on the information available at lease commencement date. In developing the incremental borrowing rate, we considered the interest rate that reflects a term similar to the underlying lease term on a fully collateralized basis. We concluded to apply the incremental borrowing rate at a consolidated portfolio level using a five-year term, as the results did not materially differ upon further stratification. The weighted-average discount rate for our operating leases was 3.1% and 3.0% at December 31, 2021 and 2020, respectively, and finance leases was 3.0% and 3.6% at December 31, 2021 and 2020, respectively.

The future minimum payments under our operating and finance leases were as follows as of December 31, 2021:

	Operat	ing Leases	Finance Leases			Total		
Next 12 months	\$	8.8	\$	0.5	\$	9.3		
12 to 24 months		8.6		0.4		9.0		
24 to 36 months		8.0		0.2		8.2		
36 to 48 months		3.9		_		3.9		
48 to 60 months		3.2		_		3.2		
Thereafter		11.2		_		11.2		
Total lease payments		43.7		1.1		44.8		
Less imputed interest		4.5		_		4.5		
Total	\$	39.2	\$	1.1	\$	40.3		

#### (7) Information on Reportable Segments

We are a global supplier of highly specialized, engineered solutions with operations in 15 countries and sales in over 100 countries around the world.

We have aggregated our operating segments into the following two reportable segments: HVAC and Detection and Measurement. The factors considered in determining our aggregated segments are the economic similarity of the businesses, the nature of products sold or services provided, production processes, types of customers, distribution methods, and regulatory environment. In determining our reportable segments, we apply the threshold criteria of the Segment Reporting Topic of the Codification. Operating income for each of our reportable segments is determined before considering impairment and special charges, long-term incentive compensation, certain other operating income/expense, and other indirect corporate expenses. This is consistent with the way our Chief Operating Decision Maker evaluates the results of each segment.

#### **HVAC Reportable Segment**

Our HVAC reportable segment engineers, designs, manufactures, installs and services package and process cooling products and engineered air movement solutions for the HVAC industrial and power generation markets, as well as boilers and comfort heating and ventilation products for the residential and commercial markets. The primary distribution channels for the segment's products are direct to customers, independent manufacturing representatives, third-party distributors, and retailers. The segment serves a customer base in North America, Europe, and Asia.

#### **Detection and Measurement Reportable Segment**

Our Detection and Measurement reportable segment engineers, designs, manufactures, services, and installs underground pipe and cable locators, inspection and rehabilitation equipment, robotic systems, bus fare collection systems, communication technologies, and obstruction lighting. The primary distribution channels for the segment's products are direct to customers and third-party distributors. The segment serves a global customer base, with a strong presence in North America, Europe, Africa and Asia.

#### **Corporate Expense**

Corporate expense generally relates to the cost of our Charlotte, NC corporate headquarters.

Financial data for our reportable segments for the years ended December 31, 2021, 2020 and 2019 were as follows:

		2021		2020		2019
Revenues:						
HVAC reportable segment	\$	752.1	\$	740.8	\$	738.7
Detection and Measurement reportable segment		467.4		387.3		384.9
Consolidated revenues	\$	1,219.5	\$	1,128.1	\$	1,123.6
Income:						
HVAC reportable segment	\$	104.2	\$	102.7	\$	103.2
Detection and Measurement reportable segment	Ψ	69.7	Ψ	69.1	Ψ	81.7
Total income for segments		173.9		171.8		184.9
Corporate expense		60.5		49.7		55.0
Long-term incentive compensation expense		12.8		13.1		12.6
						12.0
Impairment of goodwill and intangible assets		5.7		0.7		_
Special charges, net		1.0		2.4		1.5
Other operating expenses, net (1)		20.2		9.0		1.8
Consolidated operating income	\$	73.7	\$	96.9	\$	114.0
Canital avnaudituussi						
Capital expenditures: HVAC reportable segment	\$	5.3	\$	7.0	\$	8.7
Detection and Measurement reportable segment	Φ	3.4	φ	2.7	Φ	2.3
General corporate		0.9		5.6		2.5
Total capital expenditures	\$	9.6	\$	15.3	\$	13.5
Total capital experiutures	<u> </u>	9.0	<b></b>	13.3	<u> </u>	13.3
Depreciation and amortization:						
HVAC reportable segment	\$	11.5	\$	11.0	\$	8.2
Detection and Measurement reportable segment		28.0		17.6		13.2
General corporate		2.8		3.3		3.0
Total depreciation and amortization	\$	42.3	\$	31.9	\$	24.4
Identifiable assets:	<u> </u>	2021		2020		2019
HVAC reportable segment	\$	808.4	\$	632.2	\$	654.0
Detection and Measurement reportable segment	Þ	835.4	Ф	772.5	Ф	609.4
General corporate and eliminations (2)		406.4		45.6		33.5
Insurance recovery assets (3)		526.2		496.4		509.6
Discontinued operations		52.2		387.0		361.3
Total identifiable assets	\$	2,628.6	\$	2,333.7	\$	2,167.8
Geographic Areas:					_	
Revenues: (4)						
United States	\$	991.5	\$	935.7	\$	972.7
China		57.9		41.7		31.1
United Kingdom		80.1		88.4		59.0
Other		90.0		62.3		60.8
	\$	1,219.5	\$	1,128.1	\$	1,123.6
Tangible Long-Lived Assets:						
United States	\$	762.4	\$	695.6	\$	682.3
Other		37.8		26.8		41.4
Long-lived assets of continuing operations		800.2		722.4		723.7
Long-lived assets of discontinued operations, DBT and Heat Transfer		28.0		109.1		95.7
Total tangible long-lived assets	\$	828.2	\$	831.5	\$	819.4

- For 2021, includes charges of \$26.3 for asbestos product liability matters related to products we no longer manufacture and \$0.6 related to revisions to the liability associated with the contingent consideration for the Sensors & Software acquisition, partially offset by income of \$6.7 related to the reduction of the liability associated with contingent consideration for the ECS acquisition. For 2020, includes charges of \$9.4 for asbestos product liability matters, net of a gain of \$0.4 related to revisions to estimates of certain liabilities retained in connection with the 2016 sale of the dry cooling business. For 2019, includes charges of \$1.8 related to revisions to estimates of certain liabilities retained in connection with the 2016 sale of the dry cooling business.
- (2) General corporate and eliminations is comprised of general corporate assets and includes elimination or netting of intercompany amounts, primarily related to certain deferred tax balances and cash management arrangements.
- (3) Insurance recovery assets are associated with asbestos product liability matters. Refer to Note 15 for additional details.
- (4) Revenues are included in the above geographic areas based on the country that recorded the revenue.

# (8) Special Charges, Net

As part of our business strategy, we periodically right-size and consolidate operations to improve long-term results. Additionally, from time to time, we alter our business model to better serve customer demand, discontinue lower-margin product lines and rationalize and consolidate manufacturing capacity. Our restructuring and integration decisions are based, in part, on discounted cash flows and are designed to achieve our goals of reducing structural footprint and maximizing profitability. As a result of our strategic review process, we recorded net special charges of \$1.0 in 2021, \$2.4 in 2020, and \$1.5 in 2019. These net special charges were primarily related to restructuring initiatives to consolidate manufacturing and sales facilities, reduce workforce, and rationalize certain product lines.

The components of the charges have been computed based on actual cash payouts, including severance and other employee benefits based on existing severance policies, local laws, and other estimated exit costs, and our estimate of the realizable value of the affected tangible assets.

Impairments of long-lived assets, which represent non-cash asset write-downs, typically arise from business restructuring decisions that lead to the disposition of assets no longer required in the restructured business. For these situations, we recognize a loss when the carrying amount of an asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Fair values for assets subject to impairment testing are determined primarily by management, taking into consideration various factors including third-party appraisals, quoted market prices and previous experience. If an asset remains in service at the decision date, the asset is written down to its fair value and the resulting net book value is depreciated over its remaining economic useful life. When we commit to a plan to sell an asset, including the initiation of a plan to locate a buyer, and it is probable that the asset will be sold within one year based on its current condition and sales price, depreciation of the asset is discontinued and the asset is classified as an asset held for sale. The asset is written down to its fair value less any selling costs.

Liabilities for exit costs, including, among other things, severance, other employee benefit costs, and operating lease obligations on idle facilities, are measured initially at their fair value and recorded when incurred.

We anticipate that the liabilities related to restructuring actions will be paid within one year from the period in which the action was initiated.

Special charges for the years ended December 31, 2021, 2020 and 2019 are described in more detail below and in the applicable sections that follow:

	 Years Ended December 31,								
	2021 2020								
Employee termination costs	\$ 1.0	\$ 1.0	\$ 0.5						
Facility consolidation costs	_	_	0.5						
Other cash costs, net	_	1.0	_						
Non-cash asset write-downs	_	0.4	0.5						
Total	\$ 1.0	\$ 2.4	\$ 1.5						

# 2021 Charges:

	Tern	ployee nination Costs	nation Consolidation Other Asset				Asset		Total Special Charges
HVAC reportable segment	\$	0.1	\$		\$	_	\$		\$ 0.1
Detection and Measurement reportable segment		0.9		_		_		_	0.9
Corporate		_		_		_		_	_
Total	\$	1.0	\$		\$		\$		\$ 1.0

*HVAC* – Charges for 2021 related to severance costs associated with a restructuring action at one of the segment's heating businesses. This action resulted in the termination of 6 employees.

Detection & Measurement – Charges for 2021 related primarily to severance costs associated with restructuring actions at the segment's location and inspection businesses. These actions resulted in the termination of 44 employees.

# 2020 Charges:

	Termi	loyee nation osts	Cons	acility olidation Costs	 her osts, Net	A	n-Cash Asset e-downs	Total Special Charges		
HVAC reportable segment	\$	0.5	\$		\$ 	\$		\$	0.5	
Detection and Measurement reportable segment		0.3		_	_		_		0.3	
Corporate		0.2		_	1.0		0.4		1.6	
Total	\$	1.0	\$		\$ 1.0	\$	0.4	\$	2.4	

*HVAC* – Charges for 2020 related to severance costs associated with restructuring actions at the segment's Cooling Americas and heating businesses. These actions resulted in the termination of 11 employees.

Detection & Measurement – Charges for 2020 related severance costs for a restructuring action at the segment's bus fare collection systems business. The action resulted in the termination of 5 employees.

Corporate – Charges for 2020 related primarily to (i) asset impairment and other charges associated with the move to a new corporate headquarters and (ii) cost incurred for a legal entity reorganization initiative.

# 2019 Charges:

	Employee Termination Costs		Facility Consolidation Costs		Other Cash Costs, Net		Non-Cash Asset Write-downs		Total Special Charges
HVAC reportable segment	\$	0.3	\$	0.5	\$		\$	0.5	\$ 1.3
Detection and Measurement reportable segment		_		_		_		_	_
Corporate		0.2				_			0.2
Total	\$	0.5	\$	0.5	\$		\$	0.5	\$ 1.5

HVAC — Charges for 2019 related primarily to severance, asset impairment, and other charges associated with the relocation of certain of the segment's operations and severance costs associated with a restructuring action at the segment's Cooling EMEA business. These actions resulted in the termination of 19 employees.

Corporate — Charges for 2019 related to severance costs incurred in connection with the rationalization of certain administrative functions.

The following is an analysis of our restructuring liabilities for the years ended December 31, 2021, 2020 and 2019:

	2021		2020	2019
	\$ 0.9	\$	0.4	\$ 0.8
	1.0		2.0	1.0
	(1.6	)	(1.5)	(1.4)
year	\$ 0.3	\$	0.9	\$ 0.4

The years ended December 31, 2021, 2020 and 2019 excluded \$0.0, \$0.4 and \$0.5, respectively, of non-cash charges that impacted special charges but not the restructuring liabilities.

## (9) Inventories, Net

Inventories at December 31, 2021 and 2020 comprised the following:

		Decem	ber 31,		
	2021				
Finished goods	\$	55.1	\$	49.5	
Work in process		21.1		21.1	
Raw materials and purchased parts		113.6		84.4	
Total inventories	\$	189.8	\$	155.0	

Inventories include material, labor and factory overhead costs and are reduced, when necessary, to estimated net realizable values. Historically, certain of our domestic businesses within our HVAC reportable segment accounted for their inventories under the LIFO method. As indicated in Note 1, during the fourth quarter of 2021, we converted the inventory accounting for these businesses to the FIFO method. We believe that this change in accounting is preferable as it (i) results in a consistent method to value inventories across all of our businesses, (ii) it improves comparability with industry peers, (iii) better reflects current inventory costs, and (iv) aligns with how we internally monitor the performance of our businesses.

The effects of this accounting change have been retrospectively applied to all periods presented. This change resulted in a reduction of our to "Retained deficit" of \$9.1 as of December 31, 2018. The impact of this accounting change on our consolidated statements of operations and consolidated statements of comprehensive income for the years ended December 31, 2019 and 2020, and our consolidated balance sheet as of December 31, 2020, was as follows:

	As Computed under LIFO		Effect of Change		As A	Adjusted
Consolidated Statement of Operations for the year ended December 31, 2019:						
Income from continuing operations before income taxes	\$	88.7	\$	0.1	\$	88.8
Income tax provision		(12.4)		(0.1)		(12.5)
Income from continuing operations, net of tax		76.3		_		76.3
Loss from discontinued operations, net of tax		(11.0)		<u> </u>		(11.0)
Net income		65.3		_		65.3
Adjustment related to redeemable noncontrolling interest		5.6		<u> </u>		5.6
Net income attributable to SPX common stockholders	\$	70.9	\$		\$	70.9

Basic income (loss) per share of common stock:						
Income from continuing operations, net of tax	\$	1.74	\$	_	\$	1.74
Loss from discontinued operations, net of tax		(0.13)		_		(0.13)
Net income attributable to SPX common stockholders after adjustment related to redeemable noncontrolling interest	\$	1.61	\$		\$	1.61
Diluted income per share of common stock:						
Income from continuing operations, net of tax	\$	1.70	\$	_	\$	1.70
Loss from discontinued operations, net of tax		(0.12)				(0.12)
Net income attributable to SPX common stockholders after adjustment related to redeemable noncontrolling interest	\$	1.58	\$		\$	1.58
Total comprehensive income	\$	64.7	\$		\$	64.7
Consolidated Statement of Operations for the year ended December 31, 2020						
Income from continuing operations before income taxes	\$	76.3	\$	2.3	\$	78.6
Income tax provision		(4.2)		(0.6)		(4.8)
Income from continuing operations		72.1		1.7		73.8
Gain from discontinued operations, net of tax		25.1		0.1		25.2
Net income	\$	97.2	\$	1.8	\$	99.0
Basic income per share of common stock:						
Income from continuing operations, net of tax	\$	1.61	\$	0.04	\$	1.65
Gain from discontinued operations, net of tax		0.57				0.57
Net income attributable to SPX common stockholders	\$	2.18	\$	0.04	\$	2.22
Diluted income per share of common stock:						
Income from continuing operations, net of tax	\$	1.57	\$	0.04	\$	1.61
Gain from discontinued operations, net of tax	Ψ	0.55	Ψ	_	Ψ	0.55
Net income attributable to SPX common stockholders	\$	2.12	\$	0.04	\$	2.16
	_		_		_	
Total comprehensive income	\$	101.4	\$	1.8	\$	103.2
Consolidated Balance Sheet as of December 31, 2020:						
Inventories, net	\$	143.1	\$	11.9	\$	155.0
Current assets of discontinued operations		121.6		2.8		124.4
Deferred and other income taxes		23.5		3.1		26.6
Non-current liabilities of discontinued operations		30.7		0.7		31.4
Retained deficit		(488.1)		10.9		(477.2)

The following table compares amounts that would have been reported under the LIFO method with amounts reported under the FIFO method in the accompanying consolidated statement of operations and consolidated statement of comprehensive income for the year ended December 31, 2021, and the consolidated balance sheet as of December 31, 2021:

	omputed er LIFO	Reported ler FIFO	ffect of Change
Income from continuing operations before income taxes	\$ 58.3	\$ 69.9	\$ 11.6
Income tax provision	 (8.0)	(10.9)	(2.9)
Income from continuing operations, net of tax	50.3	59.0	8.7
Gain from discontinued operations, net of tax	 368.5	366.4	(2.1)
Net income attributable to SPX common stockholders	\$ 418.8	\$ 425.4	\$ 6.6
Basic income per share of common stock:			
Income from continuing operations, net of tax	\$ 1.11	\$ 1.30	\$ 0.19
Gain from discontinued operations, net of tax	 8.14	 8.09	 (0.05)
Net income attributable to SPX common stockholders	\$ 9.25	\$ 9.39	\$ 0.14
Total Comprehensive Income	\$ 434.3	\$ 440.8	\$ 6.5
Diluted income per share of common stock:			
Income from continuing operations, net of tax	\$ 1.08	\$ 1.27	\$ 0.19
Gain from discontinued operations, net of tax	 7.93	 7.88	 (0.05)
Net income attributable to SPX common stockholders	\$ 9.01	\$ 9.15	\$ 0.14
Inventories, net	\$ 166.3	\$ 189.8	\$ 23.5
Deferred and other income taxes	25.3	31.3	6.0
Retained deficit	(69.3)	(51.8)	17.5

The impact of the change from LIFO to FIFO on our consolidated statements of cash flows for the years ended December 31, 2021, 2020, and 2019 was limited to the changes in income noted above, along with offsetting changes within inventories and deferred and other income taxes. As a result, this accounting change had no impact on our total cash flows from operating, investing, and financing activities during the years ended December 31, 2021, 2020, and 2019.

## (10) Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill, for the year ended December 31, 2021, were as follows:

	ember 31, 2020	F fro	Goodwill Resulting m Business mbinations (1)	In	npairments (2)	Foreign Currency Translation	December 31, 2021	,
HVAC reportable segment								
Gross goodwill	\$ 492.2	\$	46.0	\$	_	\$ (9.3)	\$ 528.	9
Accumulated impairments	(340.6)				_	6.5	(334.	1)
Goodwill	151.6		46.0		_	(2.8)	194.	8
Detection and Measurement reportable segment								П
Gross goodwill	351.5		78.7		_	(5.3)	424.	9
Accumulated impairments	(134.5)				(28.2)	0.3	(162.	4)
Goodwill	217.0		78.7		(28.2)	(5.0)	262.	5
Total	 							
Gross goodwill	843.7		124.7		_	(14.6)	953.	8
Accumulated impairments	 (475.1)				(28.2)	6.8	(496.	5)
Goodwill	\$ 368.6	\$	124.7	\$	(28.2)	\$ (7.8)	\$ 457.	3

<sup>(1)</sup> Reflects (i) goodwill acquired with the Sealite, ECS and Cincinnati Fan acquisitions of \$47.7, \$25.9 and \$46.0, respectively, (ii) and increase in ULC's goodwill during 2021 of \$3.1 resulting from revisions to the valuation of certain assets and liabilities and income tax accounts, and (iii) an increase in Sensors & Software's goodwill of \$2.0 resulting from revisions to the valuation of certain assets and liabilities and income tax accounts. As indicated in Note 1, the acquired assets, including goodwill, and liabilities assumed in the Sealite, ECS and Cincinnati Fan acquisitions have been recorded at estimates of fair value and are subject to change upon completion of acquisition accounting.

<sup>(2)</sup> As indicated in Note 1, we concluded during the third quarter of 2021 that the operating and financial milestones related to the ULC contingent consideration would not be achieved, resulting in the reversal of the related liability of \$24.3, with the offset to "Other operating expenses, net." We also concluded that the lack of achievement of these milestones, along with lower than anticipated future cash flows, were indicators of potential impairment related to ULC's goodwill and indefinite-lived intangible assets. As such, we tested ULC's goodwill and indefinite-lived intangible assets for impairment during the quarter. Based on such testing, we determined that the carrying value of ULC's net assets exceeded the implied fair value of the business. As a result, we recorded an impairment charge to "Other operating expenses, net" of \$24.3 during the third quarter, with \$23.3 related to goodwill and the remainder to trademarks. In connection with our annual impairment analysis of ULC's goodwill and indefinite-lived intangibles, during the fourth quarter of 2021, we determined that the carrying value of ULC's net assets exceeded the implied fair value of the business by \$5.2. As a result, we recorded impairment charges of \$4.9 and \$0.3 related to the business's goodwill and trademarks, respectively.

The changes in the carrying amount of goodwill, for the year ended December 31, 2020, were as follows:

	December 31, 2019	Goodwill Resulting from Business Combinations (1)	Impairments	Foreign Currency Translation	December 31, 2020
HVAC reportable segment					
Gross goodwill	\$ 480.0	\$ 0.8	\$ —	\$ 11.4	\$ 492.2
Accumulated impairments	(332.5)			(8.1)	(340.6)
Goodwill	147.5	0.8		3.3	151.6
<b>Detection and Measurement reportable segment</b>					
Gross goodwill	304.1	42.7	_	4.7	351.5
Accumulated impairments	(133.6)			(0.9)	(134.5)
Goodwill	170.5	42.7		3.8	217.0
Total					
Gross goodwill	784.1	43.5	_	16.1	843.7
Accumulated impairments	(466.1)			(9.0)	(475.1)
Goodwill	\$ 318.0	\$ 43.5	<u>\$</u>	\$ 7.1	\$ 368.6

<sup>(1)</sup> Reflects goodwill acquired with the ULC and Sensors & Software acquisitions of \$37.3 and \$5.4, respectively, and a net increase in Patterson-Kelley's goodwill during 2020 of \$0.4 resulting from revisions to the valuation of certain liabilities and tangible assets and an increase in SGS's goodwill during the first half of 2020 of \$0.4 resulting from revisions to the valuation of certain income tax accounts.

Identifiable intangible assets were as follows:

	December 31, 2021					December 31, 2020						
	Gross Carrying Value		Accumulated Amortization		Net Carrying Value	Gross Carrying Value		Accumulated Amortization			Net Carrying Value	
Intangible assets with determinable lives: <sup>(1)</sup>												
Customer relationships	\$ 188	.2	\$ (26.7)	\$	161.5	\$	103.4	\$	(16.2)	\$	87.2	
Technology	80	.1	(11.9)		68.2		54.4		(6.8)		47.6	
Patents	4	.5	(4.5)		_		4.5		(4.5)		_	
Other	31	.6	(18.0)		13.6		18.8		(12.5)		6.3	
	304	.4	(61.1)		243.3		181.1		(40.0)		141.1	
Trademarks with indefinite lives (2)	172	.2	_		172.2		163.9		_		163.9	
Total	\$ 476	.6	\$ (61.1)	\$	415.5	\$	345.0	\$	(40.0)	\$	305.0	

The identifiable intangible assets associated with the Sealite, ECS and Cincinnati Fan acquisitions consist of customer backlog of \$1.9, \$0.8 and \$4.3, respectively, customer relationships of \$12.1, \$12.6 and \$61.7, respectively, technology of \$6.6, \$5.8 and \$14.4, respectively, and definite-lived trademarks of \$0.0, \$1.2 and \$4.7, respectively.

Amortization expense was \$21.6, \$14.0 and \$8.9 for the years ended December 31, 2021, 2020 and 2019, respectively. Estimated amortization expense is approximately \$28.0 for 2022 and \$23.0 over each of the four years thereafter related to these intangible assets.

At December 31, 2021, the net carrying value of intangible assets with determinable lives consisted of \$106.2 in the HVAC reportable segment and \$137.1 in the Detection and Measurement reportable segment. Trademarks with indefinite lives consisted of \$105.4 in the HVAC reportable segment and \$66.8 in the Detection and Measurement reportable segment.

Changes during 2021 related primarily to the acquisition of Sealite trademarks of \$11.6 and, as previously discussed, the impairment charges of \$1.3 related to ULC's trademarks during the third and fourth quarters of 2021.

As indicated in Note 1, we review goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter. In addition, we test goodwill for impairment on a more frequent basis if there are indications of potential impairment. In reviewing goodwill and indefinite-lived intangible assets for impairment, we initially perform a qualitative analysis. If there is an indication of impairment, we then perform a quantitative analysis. During the fourth quarter of 2021, we performed quantitative analyses on the goodwill and indefinite-lived intangible assets of our Cues and ULC reporting units. Based on such analysis, we determined that the fair value of Cues' net assets exceeded the related carrying value by approximately 30%. Our quantitative analysis of the ULC reporting unit resulted in impairment charges of \$5.2, with \$4.9 related to goodwill and \$0.3 to the ULC trademarks. After such impairment charges, ULC's total goodwill was \$12.0 as of December 31, 2021. A change in assumptions used in ULC's quantitative analysis (e.g., projected revenues and profit growth rates, discount rates, industry price multiples, etc.) could result in the reporting unit's estimated fair value being less than the carrying value of its net assets. In addition to ULC, the fair value of Sealite, ECS and Cincinnati Fan, acquisitions over the past 12 months, approximate their carrying value. If ULC, Sealite, ECS, or Cincinnati Fan are unable to achieve their respective current financial forecast, we may be required to record an impairment charge in a future period related to their respective goodwill.

Our quantitative analysis of trademarks is based on applying estimated royalty rates to projected revenues, with resulting cash flows discounted at a rate of return that reflects current market conditions. In addition to the \$1.3 of 2021 impairment charges related to the ULC trademarks, during the fourth quarters of 2021 and 2020, we recorded impairment charges of \$0.5 and \$0.7, respectively, related to certain other trademarks.

# (11) Employee Benefit Plans

Overview — Defined benefit pension plans cover a portion of our salaried and hourly paid employees, including certain employees in foreign countries. Beginning in 2001, we discontinued providing these pension benefits generally to newly hired employees. Effective January 31, 2018, we discontinued providing service credits to active participants.

We have domestic postretirement plans that provide health and life insurance benefits to certain retirees and their dependents. Beginning in 2003, we discontinued providing these postretirement benefits generally to newly hired employees.

The plan year-end date for all our plans is December 31.

Actuarial Gains and Losses - As indicated in Notes 1 and 2, changes in fair value of plan assets and actuarial gains and losses related to our pension and postretirement plans are recorded to earnings during the fourth quarter of each year, unless earlier remeasurement is required.

#### **Defined Benefit Pension Plans**

Plan assets — Our investment strategy is based on the long-term growth and protection of principle while mitigating overall risk to ensure that funds are available to pay benefit obligations. The domestic plan assets are invested in a broad range of investment classes, including fixed income securities and domestic and international equities. We engage various investment managers who are regularly evaluated on long-term performance, adherence to investment guidelines and the ability to manage risk commensurate with the investment style and objective for which they were hired. We continuously monitor the value of assets by class and routinely rebalance our portfolio with the goal of meeting our target allocations.

The strategy for bonds emphasizes investment-grade corporate and government debt with maturities matching a portion of the longer duration pension liabilities. The bonds strategy also includes a high yield element, which is generally shorter in duration. The strategy for equity assets is to minimize concentrations of risk by investing primarily in companies in a diversified mix of industries worldwide, while targeting neutrality in exposure to global versus regional markets, fund types and fund managers. A small portion of U.S. plan assets (Level 3 assets) is allocated to private equity partnerships and real estate asset fund investments for diversification, providing opportunities for above market returns.

Allowable investments under the plan agreements include fixed income securities, equity securities, mutual funds, venture capital funds, real estate and cash and equivalents. In addition, investments in futures and option contracts, commodities and other derivatives are allowed in commingled fund allocations managed by professional investment managers. Investments prohibited under the plan agreements include private placements and short selling of stock. No shares of our common stock were held by our defined benefit pension plans as of December 31, 2021 or 2020.

Actual asset allocation percentages of each class of our domestic and foreign pension plan assets as of December 31, 2021 and 2020, along with the current targeted asset investment allocation percentages, each of which is based on the midpoint of an allocation range, were as follows:

	Acti Alloca		Mid-point of Target Allocation Range
	2021	2020	2021
Fixed income common trust funds	67 %	68 %	65 %
Commingled global fund allocation	6 %	11 %	6 %
Global equity common trust funds	15 %	5 %	15 %
U.S. Government securities	10 %	9 %	12 %
Short-term investments and other (1)	2 %	7 %	2 %
Total	100 %	100 %	100 %

<sup>(1)</sup> Short-term investments are generally invested in actively managed common trust funds or interest-bearing accounts.

# Foreign Pension Plans

	Actu Allocat	Mid-point of Target Allocation Range		
	2021	2020	2021	
Global equity common trust funds	9 %	9 %	9 %	
Fixed income common trust funds	61 %	65 %	66 %	
Commingled global fund allocation	27 %	25 %	25 %	
Non-U.S. Government securities	— %	— %	— %	
Short-term investments (1)	3 %	1 %	— %	
Total	100 %	100 %	100 %	

<sup>(1)</sup> Short-term investments are generally invested in actively managed common trust funds or interest-bearing accounts.

The fair values of pension plan assets at December 31, 2021, by asset class, were as follows:

	 Quoted Prices in Active Markets for Identical Assets Total (Level 1)		Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		
Asset class:							
Debt securities:							
Fixed income common trust funds (1)(2)	\$ 291.2	\$	_	\$	291.2	\$	_
Non-U.S. Government securities	0.3		_		0.3		_
U.S. Government securities	25.8		_		25.8		_
Equity securities:							
Global equity common trust funds (1) (3)	58.0		_		58.0		—
Alternative investments:							
Commingled global fund allocations (1) (4)	67.4		_		67.4		_
Other:							
Short-term investments (5)	10.4		10.4		_		_
Other	0.9		_		_		0.9
Total	\$ 454.0	\$	10.4	\$	442.7	\$	0.9

The fair values of pension plan assets at December 31, 2020, by asset class, were as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Uı	Significant nobservable Inputs (Level 3)
Asset class:					
Debt securities:					
Fixed income common trust funds (1)(2)	\$ 315.4	\$ —	\$ 315.4	\$	_
Non-U.S. Government securities	0.3	_	0.3		_
U.S. Government securities	25.2	_	25.2		_
Equity securities:					
Global equity common trust funds (1) (3)	32.1	_	32.1		_
Alternative Investments:					
Commingled global fund allocations (1) (4)	81.7	_	81.7		_
Other:					
Short-term investments (5)	22.5	22.5	_		_
Other	0.9	_	_		0.9
Total	\$ 478.1	\$ 22.5	\$ 454.7	\$	0.9

- (1) Common/commingled trust funds are similar to mutual funds, with a daily net asset value per share measured by the fund sponsor and used as the basis for current transactions. These investments, however, are not registered with the U.S. Securities and Exchange Commission and participation is not open to the public. The funds are valued at the net asset value per share multiplied by the number of shares held as of the measurement date.
- This class represents investments in actively managed common trust funds that invest in a variety of fixed income investments, which may include corporate bonds, both U.S. and non-U.S. municipal and government securities, interest rate swaps, options and futures.
- (3) This class represents investments in actively managed common trust funds that invest primarily in equity securities, which may include common stocks, options and futures.
- (4) This class represents investments in actively managed common trust funds with investments in both equity and debt securities. The investments may include common stock, corporate bonds, U.S. and non-U.S. municipal securities, interest rate swaps, options and futures.
- (5) Short-term investments are valued at \$1.00/unit, which approximates fair value. Amounts are generally invested in actively managed common trust funds or interest-bearing accounts.

Employer Contributions — We currently fund U.S. pension plans in amounts equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus additional amounts that may be approved from time to time. During 2021, we made no contributions to our qualified domestic pension plans, and direct benefit payments of \$5.5 to our non-qualified domestic pension plans. In 2022, we do not expect to make any minimum required funding contributions to our qualified domestic pension plans and expect to make direct benefit payments of \$5.3 to our non-qualified domestic pension plans.

In 2021, we made contributions of \$0.9 to our foreign pension plans. In 2022, we expect to make contributions of \$1.2 to our foreign pension plans.

Estimated Future Benefit Payments — Following is a summary, as of December 31, 2021, of the estimated future benefit payments for our pension plans in each of the next five fiscal years and in the aggregate for five fiscal years thereafter. Benefit payments are paid from plan assets or directly by us for our non-funded plans. The expected benefit payments are estimated based on the same assumptions used at December 31, 2021 to measure our obligations and include benefits attributable to estimated future employee service.

# Estimated future benefit payments: (Domestic and foreign pension plans)

	Domestic Pension Benefits	Foreign Pension Benefits
2022	\$ 26.7	\$ 6.3
2023	26.4	6.0
2024	26.0	6.4
2025	25.1	7.5
2026	26.1	7.2
Subsequent five years	98.1	39.6

Obligations and Funded Status — The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of market interest rates. Our non-funded pension plans account for \$60.4 of the current underfunded status, as these plans are not required to be funded. The following tables show the domestic and foreign pension plans' funded status and amounts recognized in our consolidated balance sheets:

	Domestic Pension Plans				Foreign Pension Plans			
		2021		2020		2021		2020
Change in projected benefit obligation:								
Projected benefit obligation — beginning of year	\$	364.7	\$	348.2	\$	192.2	\$	175.0
Service cost		_		_		_		_
Interest cost		8.4		10.8		3.4		3.8
Actuarial (gains) losses		(12.9)		30.4		(4.8)		14.3
Settlements		(10.5)		(10.3)		(3.0)		_
Benefits paid		(14.3)		(14.4)		(5.1)		(6.7)
Foreign exchange and other		_		_		(0.3)		5.8
Projected benefit obligation — end of year	\$	335.4	\$	364.7	\$	182.4	\$	192.2

The actuarial gains and losses for all pension plans in 2021 and 2020 were primarily related to a change in the discount rate used to measure the benefit obligations of those plans.

	Domestic Pension Plans			Foreign Pension Plans			
		2021		2020	2021		2020
Change in plan assets:							
Fair value of plan assets — beginning of year	\$	279.8	\$	263.6	\$ 198.3	\$	178.1
Actual return on plan assets		(0.1)		35.1	3.6		19.9
Contributions (employer and employee)		5.5		5.8	0.9		0.9
Settlements		(10.5)		(10.3)	(3.0)		_
Benefits paid		(14.3)		(14.4)	(5.1)		(6.7)
Foreign exchange and other		_		_	(1.1)		6.1
Fair value of plan assets — end of year	\$	260.4	\$	279.8	\$ 193.6	\$	198.3
Funded status at year-end		(75.0)		(84.9)	11.2		6.1
Amounts recognized in the consolidated balance sheets consist of:							
Other assets	\$	2.2	\$	2.6	\$ 11.4	\$	8.6
Accrued expenses		(5.2)		(5.4)	_		_
Other long-term liabilities		(72.0)		(82.1)	(0.2)		(2.5)
Net amount recognized	\$	(75.0)	\$	(84.9)	\$ 11.2	\$	6.1
Amount recognized in accumulated other comprehensive income (pretax) consists of — net prior service (credits) costs		(0.1)		(0.2)	1.2		1.2

The following is information about our pension plans that had accumulated benefit obligations in excess of the fair value of their plan assets at December 31, 2021 and 2020:

	Domestic Pension Plans					Foreign Pension Plans			
		2021		2020	2021			2020	
Projected benefit obligation	\$	329.0	\$	357.9	\$	0.2	\$	50.9	
Accumulated benefit obligation		329.0		357.9		0.2		50.9	
Fair value of plan assets		251.8		270.4		_		48.4	

The accumulated benefit obligation for all domestic and foreign pension plans was \$335.4 and \$182.4, respectively, at December 31, 2021 and \$364.7 and \$192.2, respectively, at December 31, 2020.

Components of Net Periodic Pension Benefit Expense (Income) — Net periodic pension benefit expense (income) for our domestic and foreign pension plans included the following components:

Domestic Pension Plans

		Year ended December 31,					
	_	2021	2020	2019			
Service cost	9	<u> </u>	<u> </u>	\$ —			
Interest cost		8.4	10.8	13.3			
Expected return on plan assets		(8.7)	(9.5)	(9.8)			
Amortization of unrecognized prior service credits		(0.1)	(0.1)	(0.1)			
Recognized net actuarial (gains) losses (1)		(4.2)	4.7	6.5			
Total net periodic pension benefit (income) expense	\$	6 (4.6)	\$ 5.9	\$ 9.9			

<sup>(1)</sup> Consists primarily of our reported actuarial (gains) losses, the difference between actual and expected returns on plan assets, settlement gains (losses), and curtailment gains (losses).

## Foreign Pension Plans

	 Year ended December 31,					
	 2021	2020	2019			
Service cost	\$ 	\$ —	\$ —			
Interest cost	3.4	3.8	4.8			
Expected return on plan assets	(5.8)	(5.7)	(6.7)			
Recognized net actuarial (gains) losses (1)	(1.8)	0.2	1.0			
Total net periodic pension benefit income	\$ (4.2)	\$ (1.7)	\$ (0.9)			

<sup>(1)</sup> Consists of our reported actuarial (gains) losses and the difference between actual and expected returns on plan assets.

Assumptions — Actuarial assumptions used in accounting for our domestic and foreign pension plans were as follows:

_	Year ended December 31,				
	2021	2020	2019		
Domestic Pension Plans					
Weighted-average actuarial assumptions used in determining net periodic pension expense:					
Discount rate	2.35 %	3.16 %	4.29 %		
Rate of increase in compensation levels	N/A	N/A	N/A		
Expected long-term rate of return on assets	3.22 %	3.75 %	4.25 %		
Weighted-average actuarial assumptions used in determining year-end benefit obligations:					
Discount rate	2.83 %	2.35 %	3.16 %		
Rate of increase in compensation levels	N/A	N/A	N/A		
Foreign Pension Plans					
Weighted-average actuarial assumptions used in determining net periodic pension expense:					
Discount rate	1.76 %	2.27 %	3.02 %		
Rate of increase in compensation levels	N/A	N/A	N/A		
Expected long-term rate of return on assets	3.31 %	3.81 %	4.69 %		
Weighted-average actuarial assumptions used in determining year-end benefit obligations:					
Discount rate	2.19 %	1.76 %	2.27 %		
Rate of increase in compensation levels	N/A	N/A	N/A		

We review the pension assumptions annually. Pension income or expense for the year is determined using assumptions as of the beginning of the year (except for the effects of recognizing changes in the fair value of plan assets and actuarial gains and losses in the fourth quarter of each year), while the funded status is determined using assumptions as of the end of the year. We determined assumptions and established them at the respective balance sheet date using the following principles: (i) the expected long-term rate of return on plan assets is established based on forward looking long-term expectations of asset returns over the expected period to fund participant benefits based on the target investment mix of our plans and (ii) the discount rate is primarily determined by matching the expected projected benefit obligation cash flows for each of the plans to a yield curve that is representative of long-term, high-quality (rated AA or higher) fixed income debt instruments as of the measurement date.

## **Postretirement Benefit Plans**

Employer Contributions and Future Benefit Payments — Our postretirement medical plans are unfunded and have no plan assets, but are instead funded by us on a pay-as-you-go basis in the form of direct benefit payments or policy premium payments. In 2021, we made benefit payments of \$5.9 to our postretirement benefit plans. Following is a summary, as of December 31, 2021, of the estimated future benefit payments for our postretirement plans in each of the next five fiscal years and in the aggregate for five fiscal years thereafter. The expected benefit payments are estimated based on the same assumptions used at December 31, 2021 to measure our obligations and include benefits attributable to estimated future employee service.

	Postretireme	nt Payments
2022	\$	6.0
2023		5.4
2024		4.9
2025		4.4
2026		4.0
Subsequent five years		14.8

Obligations and Funded Status — The following tables show the postretirement plans' funded status and amounts recognized in our consolidated balance sheets:

	Postretirement Plans		
	 2021		2020
Change in projected postretirement benefit obligation:			
Projected postretirement benefit obligation — beginning of year	\$ 60.5	\$	63.6
Interest cost	1.0		1.6
Actuarial (gains) losses	(3.9)		1.9
Benefits paid	(5.9)		(6.6)
Projected postretirement benefit obligation — end of year	\$ 51.7	\$	60.5
Funded status at year-end	\$ (51.7)	\$	(60.5)
Amounts recognized in the consolidated balance sheets consist of:			
Accrued expenses	\$ (5.9)	\$	(6.7)
Other long-term liabilities	(45.8)		(53.8)
Net amount recognized	\$ (51.7)	\$	(60.5)
Amount recognized in accumulated other comprehensive income (pre-tax) consists of — net prior service credits	\$ (15.5)	\$	(20.2)

The actuarial gains and losses for our postretirement benefit plans in 2021 and 2020 were primarily related to a change in the discount rate used to measure the benefit obligations of those plans.

The net periodic postretirement benefit expense (income) included the following components:

	Year ended December 31,					
		2021	2020			2019
Service cost	\$		\$	_	\$	_
Interest cost		1.0		1.6		2.4
Amortization of unrecognized prior service credits		(4.7)		(4.7)		(4.0)
Recognized net actuarial (gains) losses		(3.9)		1.9		2.5
Net periodic postretirement benefit (income) expense	\$	(7.6)	\$	(1.2)	\$	0.9

Actuarial assumptions used in accounting for our domestic postretirement plans were as follows:

	Year ended December 31,				
	2021	2020	2019		
Assumed health care cost trend rates:					
Health care cost trend rate for next year	6.25 %	6.50 %	6.75 %		
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %	5.00 %	5.00 %		
Year that the rate reaches the ultimate trend rate	2027	2027	2027		
Discount rate used in determining net periodic postretirement benefit expense	2.00 %	2.97 %	4.09 %		
Discount rate used in determining year-end postretirement benefit obligation	2.56 %	2.00 %	2.97 %		

The accumulated postretirement benefit obligation was determined using the terms and conditions of our various plans, together with relevant actuarial assumptions and health care cost trend rates. It is our policy to review the postretirement assumptions annually. The assumptions are determined by us and are established based on our prior experience and our expectations that future health care cost trend rates will decline. In addition, we consider advice from independent actuaries.

## **Defined Contribution Retirement Plans**

We maintain a defined contribution retirement plan (the "DC Plan") pursuant to Section 401(k) of the U.S. Internal Revenue Code. Under the DC Plan, eligible U.S. employees may voluntarily contribute up to 50% of their compensation into the DC Plan and we match a portion of participating employees' contributions. Our matching contributions are primarily made in newly issued shares of company common stock and are issued at the prevailing market price. The matching contributions vest with the employee immediately upon the date of the match and there are no restrictions on the resale of common stock held by employees.

Under the DC Plan, we contributed 0.135, 0.192 and 0.199 shares of our common stock to employee accounts in 2021, 2020 and 2019, respectively. Compensation expense is recorded based on the market value of shares as the shares are contributed to employee accounts. We recorded \$7.8 in 2021, \$7.7 in 2020 and \$7.0 in 2019 as compensation expense related to the matching contribution.

Certain collectively-bargained employees participate in the DC Plan with company contributions not being made in company common stock, although company common stock is offered as an investment option under these plans.

We also maintain a Supplemental Retirement Savings Plan ("SRSP"), which permits certain members of our senior management and executive groups to defer eligible compensation in excess of the amounts allowed under the DC Plan. We match a portion of participating employees' deferrals to the extent allowable under the SRSP provisions. The matching contributions vest with the participant immediately. Our funding of the participants' deferrals and our matching contributions are held in certain mutual funds (as allowed under the SRSP), as directed by the participant. The fair values of these assets, which totaled \$18.3 and \$20.9 at December 31, 2021 and 2020, respectively, are based on quoted prices in active markets for identical assets (Level 1). In addition, the assets under the SRSP are available to the general creditors in the event of our bankruptcy and, thus, are maintained on our consolidated balance sheets within "Other assets," with a corresponding amount in "Other long-term liabilities" for our obligation to the participants. Lastly, these assets are accounted for as trading securities. During 2021, 2020 and 2019, we recorded compensation expense of \$0.2, \$0.2 and \$0.2, respectively, relating to our matching contributions to the SRSP.

## (12) Income Taxes

Income from continuing operations before income taxes and the (provision for) benefit from income taxes consisted of the following:

	Year ended December 31,					
	2	021		2020		2019
Income from continuing operations:						
United States	\$	17.2	\$	39.6	\$	52.9
Foreign		52.7		39.0		35.9
	\$	69.9	\$	78.6	\$	88.8
(Provision for) benefit from income taxes:		-				
Current:						
United States	\$	(5.4)	\$	(0.7)	\$	6.8
Foreign		(6.9)		(3.8)		(5.5)
Total current		(12.3)		(4.5)		1.3
Deferred and other:						
United States		0.8		(0.3)		(12.8)
Foreign		0.6		_		(1.0)
Total deferred and other		1.4		(0.3)		(13.8)
Total provision	\$	(10.9)	\$	(4.8)	\$	(12.5)

The reconciliation of income tax computed at the U.S. federal statutory tax rate to our effective income tax rate was as follows:

	Year	Year ended December 31,				
	2021	2020	2019			
Tax at U.S. federal statutory rate	21.0 %	21.0 %	21.0 %			
State and local taxes, net of U.S. federal benefit	0.4 %	1.8 %	0.8 %			
U.S. credits and exemptions	(20.4)%	(4.4)%	(3.3)%			
Foreign earnings/losses taxed at different rates	12.6 %	(4.6)%	(2.8)%			
Nondeductible expenses	3.3 %	2.2 %	2.5 %			
Adjustments to uncertain tax positions	(2.4)%	(4.4)%	(0.5)%			
Changes in valuation allowance (1)	47.9 %	(0.6)%	(1.8)%			
Share-based compensation	(1.8)%	(3.6)%	(1.8)%			
Capital loss (1)	(42.5)%	— %	— %			
Goodwill impairment and basis adjustments	7.3 %	— %	— %			
Statutory rate changes	2.1 %	— %	(0.6)%			
Adjustments to contingent consideration	(8.9)%	— %	— %			
Other	(3.0)%	(1.3)%	0.6 %			
	15.6 %	6.1 %	14.1 %			

<sup>&</sup>lt;sup>(1)</sup> During the fourth quarter of 2021, we generated a capital loss in connection with the liquidation of certain recently acquired entities. All but \$2.0 of the income tax benefit associated with the capital loss has been reflected in "Gain (loss) from discontinued operations, net of tax" in the accompanying consolidated statement of operations for the year ended December 31, 2021. As such, the capital loss had only a minimal impact on our effective income tax rate for continuing operations during the year ended December 31, 2021.

Significant components of our deferred tax assets and liabilities were as follows:

	As	of December 31,
	2021	2020
Deferred tax assets:		
NOL and credit carryforwards	\$ 1	118.6 \$ 141.0
Pension, other postretirement and postemployment benefits		31.1 36.5
Payroll and compensation		16.3 15.0
Legal, environmental and self-insurance accruals		35.9 22.6
Working capital accruals		17.0 17.1
Other		9.8 8.4
Total deferred tax assets		228.7 240.6
Valuation allowance		(89.8) (92.0)
Net deferred tax assets		138.9 148.6
Deferred tax liabilities:		
Intangible assets recorded in acquisitions		79.4 65.2
Basis difference in affiliates		19.8 16.3
Accelerated depreciation		13.3 11.9
Deferred income		20.2 29.4
Other		16.8 11.1
Total deferred tax liabilities	1	149.5 133.9
	\$	(10.6) \$ 14.7

## **General Matters**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We periodically assess deferred tax assets to determine if they are likely to be realized and the adequacy of deferred tax liabilities, incorporating the results of local, state, federal and foreign tax audits in our estimates and judgments.

At December 31, 2021, we had \$352.0 of state and \$288.0 of foreign tax loss carryforwards available. We also had federal and state tax credit carryforwards of \$8.0. Of these amounts, \$41.9 expire in 2022 and \$310.7 expire at various times between 2023 and 2040. The remaining carryforwards have no expiration date.

Realization of deferred tax assets, including those associated with net operating loss and credit carryforwards, is dependent upon generating sufficient taxable income in the appropriate tax jurisdiction. We believe that it is more likely than not that we may not realize the benefit of certain of these deferred tax assets and, accordingly, have established a valuation allowance against these deferred tax assets. Although realization is not assured for the remaining deferred tax assets, we believe it is more likely than not that the deferred tax assets will be realized through future taxable earnings or tax planning strategies. However, deferred tax assets could be reduced in the near term if our estimates of taxable income are significantly reduced or tax planning strategies are no longer viable. Our valuation allowance decreased by \$2.2 in 2021 and by \$1.6 in 2020. The 2021 decrease was primarily driven by the utilization of state attributes in connection with our sale of Transformer Solutions. As previously indicated, we recorded an income tax benefit associated with the capital loss that was generated from the liquidation of certain recently acquired entities, with \$2.0 recorded to continuing operations and the remainder to discontinued operations. As such, the capital loss had no net impact to our valuation allowance during the year ended December 31, 2021.

The amount of income tax that we pay annually is dependent on various factors, including the timing of certain deductions. These deductions can vary from year-to-year, and, consequently, the amount of income taxes paid in future years will vary from the amounts paid in prior years.

## **Undistributed Foreign Earnings**

In general, it is our practice and intention to reinvest the earnings of our non-U.S. subsidiaries in those operations. As of December 31, 2021, we have \$172.0 of undistributed earnings of our foreign subsidiaries. The majority of these earnings have already been reinvested in our overseas businesses. Further, we believe future domestic cash generation will be sufficient to meet future domestic cash needs. For this reason, we have not recorded a provision for U.S. or foreign withholding taxes on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. Generally, such amounts may become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of a deferred tax liability related to the undistributed earnings of our foreign subsidiaries in the event that these earnings are no longer considered to be indefinitely reinvested, due to the hypothetical nature of the calculation.

## **Unrecognized Tax Benefits**

As of December 31, 2021, we had gross and net unrecognized tax benefits of \$7.1 and \$6.4, respectively. All of these net unrecognized tax benefits would impact our effective tax rate from continuing operations if recognized. Similarly, at December 31, 2020 and 2019, we had gross unrecognized tax benefits of \$13.6 (net unrecognized tax benefits of \$11.0) and \$17.2 (net unrecognized tax benefits of \$13.9), respectively.

We classify interest and penalties related to unrecognized tax benefits as a component of our income tax (provision) benefit. As of December 31, 2021, gross accrued interest totaled \$2.6 (net accrued interest of \$2.2), while the related amounts as of December 31, 2020 and 2019 were \$3.8 (net accrued interest of \$3.0) and \$4.1 (net accrued interest of \$3.2), respectively. Our income tax (provision) benefit for the years ended December 31, 2021, 2020 and 2019 included gross interest income (expense) of \$1.0, \$0.2, and \$(0.5), respectively, resulting from adjustments to our liability for uncertain tax positions. As of December 31, 2021, 2020 and 2019, we had no accrual for penalties included in our unrecognized tax benefits.

Based on the outcome of certain examinations or as a result of the expiration of statutes of limitations for certain jurisdictions, we believe that within the next 12 months it is reasonably possible that our previously unrecognized tax benefits could decrease by up to \$5.0. The previously unrecognized tax benefits relate to a variety of tax matters including transfer pricing and various state matters.

The aggregate changes in the balance of unrecognized tax benefits for the years ended December 31, 2021, 2020 and 2019 were as follows:

	Year ended December 31,					
		2021		2020		2019
Unrecognized tax benefit — opening balance	\$	13.6	\$	17.2	\$	20.3
Gross increases — tax positions in prior period		0.7		0.3		1.1
Gross decreases — tax positions in prior period		(6.4)		(2.2)		(0.8)
Gross increases — tax positions in current period		0.2		0.2		0.2
Settlements		_		(0.3)		(2.1)
Lapse of statute of limitations		(1.1)		(1.7)		(1.5)
Change due to foreign currency exchange rates		0.1		0.1		_
Unrecognized tax benefit — ending balance	\$	7.1	\$	13.6	\$	17.2

#### Other Tax Matters

During 2021, our income tax provision was impacted most significantly by (i) earnings in jurisdictions with lower statutory tax rates, (ii) \$4.3 of income tax benefits related to various valuation allowance adjustments, primarily due to foreign tax credits for which the future realization is now considered likely, and (iii) a benefit of \$3.5 related to the resolution of certain liabilities for uncertain tax positions and interest associated with various refund claims, partially offset by \$13.2 of tax expense associated with global intangible low-taxed income created by the liquidation of various recently acquired entities.

During 2020, our income tax provision was impacted most significantly by (i) earnings in jurisdictions with lower statutory tax rates, (ii) \$4.2 of tax benefits related to various audit settlements, statute expirations, and other adjustments to liabilities for uncertain tax positions, and (iii) \$2.8 of excess tax benefits resulting from stock-based compensation awards that vested and/or were exercised during the year.

During 2019, our income tax provision was impacted most significantly by (i) \$1.6 of excess tax benefits resulting from stock-based compensation awards that vested and/or were exercised during the year, (ii) \$1.3 of tax benefits related to our U.S. tax credits and incentives, and (iii) \$1.2 of tax benefits related to various audit settlements, statute expirations, and other adjustments to liabilities for uncertain tax positions.

We perform reviews of our income tax positions on a continuous basis and accrue for potential uncertain positions when we determine that a tax position meets the criteria of the Income Taxes Topic of the Codification. Accruals for these uncertain tax positions are recorded in "Income taxes payable" and "Deferred and other income taxes" in the accompanying consolidated balance sheets based on the expectation as to the timing of when the matters will be resolved. As events change and resolutions occur, these accruals are adjusted, such as in the case of audit settlements with taxing authorities.

The Internal Revenue Service ("IRS") concluded its audit of our 2013, 2014, 2015, 2016 and 2017 federal income tax returns. In connection with such, we recorded a tax benefit of \$2.2 during 2021 related to the resolution of certain liabilities for uncertain tax positions and interest associated with various refund claims.

State income tax returns generally are subject to examination for a period of three to five years after filing the respective tax returns. The impact on such tax returns of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. We have various state income tax returns in the process of examination. We believe any uncertain tax positions related to these examinations have been adequately provided for.

We have various foreign income tax returns under examination. The most significant of these are in Germany for the 2010 through 2014 tax years. We believe that any uncertain tax positions related to these examinations have been adequately provided for.

An unfavorable resolution of one or more of the above matters could have a material adverse effect on our results of operations or cash flows in the quarter and year in which an adjustment is recorded or the tax is due or paid. As audits and examinations are still in process, the timing of the ultimate resolution and any payments that may be required for the above matters cannot be determined at this time.

## Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")

On March 27, 2020, the CARES Act was enacted into law and provides changes to various tax laws that impact businesses. We do not believe these changes impact our current and deferred income tax balances; therefore, no resulting adjustments have been recorded to such balances as of December 31, 2021 and 2020.

As provided within the CARES Act, we are deferring payments of our social security payroll taxes, for the period March 27, 2020 to December 31, 2020, with such deferral totaling \$3.5 as of December 31, 2021. One-half of the deferred amount was paid in 2021, with the remainder required to be paid in 2022.

## (13) Indebtedness

The following summarizes our debt activity (both current and non-current) for the year ended December 31, 2021:

	De	December 31, 2020		Borrowings		Repayments		Other (5)		ember 31, 2021
Revolving loans (1)	\$	129.8	\$	209.9	\$	(339.7)	\$		\$	_
Term loan (2)		248.6				(6.3)		0.4		242.7
Trade receivables financing arrangement (3)		28.0		179.0		(207.0)		_		_
Other indebtedness (4)		6.0		0.6		(1.0)		(2.3)		3.3
Total debt		412.4	\$	389.5	\$	(554.0)	\$	(1.9)		246.0
Less: short-term debt		101.2								2.2
Less: current maturities of long-term debt		7.2								13.0
Total long-term debt	\$	304.0							\$	230.8

- While not due for repayment until December 2024 under the terms of our senior credit agreement, we classify within current liabilities the portion of the outstanding balance that we believe will be repaid over the next year, with such amount based on an estimate of cash that is expected to be generated over such period.
- (2) The term loan is repayable in quarterly installments beginning in the first quarter of 2021, with the quarterly installments equal to 0.625% of the initial term loan balance of \$250.0 during 2021, 1.25% in each of the four quarters of 2022 and 2023, and 1.25% during the first three quarters of 2024. The remaining balance is payable in full on December 17, 2024. Balances are net of unamortized debt issuance costs of \$1.0 and \$1.4 at December 31, 2021 and December 31, 2020, respectively.
- <sup>(3)</sup> Under this arrangement, we can borrow, on a continuous basis, up to \$50.0, as available. At December 31, 2021, there was no available borrowing capacity under the agreement.
- (4) Primarily includes balances under a purchase card program of \$2.2 and \$1.7 and finance lease obligations of \$1.1 and \$2.6 at December 31, 2021 and 2020, respectively. The purchase card program allows for payment beyond the normal payment terms for goods and services acquired under the program. As this arrangement extends the payment of these purchases beyond their normal payment terms through third-party lending institutions, we have classified these amounts as short-term debt.
- (5) "Other" primarily includes debt assumed, foreign currency translation on any debt instruments denominated in currencies other than the U.S. dollar, and the impact of amortization of debt issuance costs associated with the term loan.

Maturities of long-term debt payable during each of the five years subsequent to December 31, 2021 are \$13.0, \$12.9, \$218.9, \$0.0, and \$0.0 respectively.

### Senior Credit Facilities

On December 17, 2019, we amended our senior credit agreement (the "Credit Agreement") to, among other things, extend the term of each facility under the Credit Agreement (with the aggregate of each facility comprising the "Senior Credit Facilities") and provide for committed senior secured financing with an aggregate amount of \$800.0. On May 24, 2021, we elected to reduce our participating foreign credit instrument facility and bilateral foreign credit instrument facility, available for performance letters of credit and guarantees, by an aggregate amount of \$20.0 and \$25.0, respectively. The facility reduction resulted in a write-off of deferred finance costs of \$0.2, recorded to "Interest expense" in the accompanying consolidated statement of operations for the year ended December 31, 2021. After this reduction, and repayments of term loans through

December 31, 2021, our committed senior secured financing consists of the following at December 31, 2021 (each with a final maturity of December 17, 2024):

- A term loan facility with a remaining principal amount, as of December 31, 2021, of \$243.7;
- A domestic revolving credit facility, available for loans and letters of credit, in an aggregate principal amount of \$300.0;
- A global revolving credit facility, available for loans in USD, Euros, British Pound Sterling, and other currencies, in the aggregate principal amount up to the equivalent of \$150.0;
- A participating foreign credit instrument facility, available for performance letters of credit and guarantees, in an aggregate principal amount up to the equivalent of \$35.0; and
- A bilateral foreign credit instrument facility, available for performance letters of credit and guarantees, in an aggregate principal amount up to the equivalent of \$20.0.

The Credit Agreement also:

- Requires that we maintain a Consolidated Leverage Ratio (defined in the Credit Agreement) as of the last day of each
  fiscal quarter to not more than 3.75 to 1.00 (or up to 4.25 to 1.00 for the four fiscal quarters after certain permitted
  acquisitions);
- Requires that we maintain a Consolidated Interest Coverage Ratio as of the last day of each fiscal quarter to not less than 3.00 to 1.00; and
- Establishes per annum fees charged and applies interest rate margins to Eurodollar and alternate base rate loans, in each case based on the Consolidated Leverage Ratio, as follows:

Consolidated Leverage Ratio	Domestic Revolving Commitment Fee	Global Revolving Commitment Fee	Letter of Credit Fee	Foreign Credit Commitment Fee	Foreign Credit Instrument Fee	LIBOR Rate Loans	ABR Loans
Greater than or equal to 3.50 to 1.0	0.350 %	0.350 %	2.000 %	0.350 %	1.250 %	2.000 %	1.000 %
Between 2.50 to 1.0 and 3.50 to 1.0	0.300 %	0.300 %	1.750 %	0.300 %	1.000 %	1.750 %	0.750 %
Between 1.75 to 1.0 and 2.50 to 1.0	0.275 %	0.275 %	1.500 %	0.275 %	0.875 %	1.500 %	0.500 %
Less than 1.75 to 1.0	0.250 %	0.250 %	1.375 %	0.250 %	0.800 %	1.375 %	0.375 %

The interest rates applicable to loans under the Credit Agreement are, at our option, equal to either (i) an alternate base rate (the highest of (a) the federal funds effective rate plus 0.5%, (b) the prime rate of Bank of America, N.A., and (c) the one-month LIBOR rate plus 1.0%) or (ii) a reserve-adjusted LIBOR rate for dollars (Eurodollars) plus, in each case, an applicable margin percentage as previously discussed, which varies based on our Consolidated Leverage Ratio (defined in the Credit Agreement generally as the ratio of consolidated total debt (excluding the face amount of undrawn letters of credit, bank undertakings and analogous instruments and net of cash and cash equivalents) at the date of determination to consolidated adjusted EBITDA for the four fiscal quarters ended most recently before such date). We may elect interest periods of one, two, three or six months (and, if consented to by all relevant lenders, twelve months) for Eurodollar borrowings.

The weighted-average interest rate of outstanding borrowings under our Senior Credit Facilities was approximately 1.5% at December 31, 2021.

On December 9, 2021, in preparation of our adoption of ASU No. 2020-04 and No. 2021-01, Reference Rate Reform (see Note 3), we entered into a LIBOR transition amendment related to our global revolving credit facility for certain foreign currencies. This amendment provides for a transition within the Credit Agreement from the LIBOR rate to a successor rate.

The fees and bilateral foreign credit commitments are as specified above for foreign credit commitments unless otherwise agreed with the bilateral foreign issuing lender. We also pay fronting fees on the outstanding amounts of letters of credit and foreign credit instruments (in the participation facility) at the rates of 0.125% per annum and 0.25% per annum, respectively.

SPX is the borrower under each of the above facilities, and certain of our foreign subsidiaries are (and we may designate other foreign subsidiaries to be) borrowers under the global revolving credit facility and the foreign credit instrument facilities. All borrowings and other extensions of credit under the Credit Agreement are subject to the satisfaction of customary conditions, including absence of defaults and accuracy in material respects of representations and warranties.

The letters of credit under the domestic revolving credit facility are stand-by letters of credit requested by SPX on behalf of any of our subsidiaries or certain joint ventures. The foreign credit instrument facility is used to issue foreign credit instruments, including bank undertakings to support our foreign operations.

The Credit Agreement requires mandatory prepayments in amounts equal to the net proceeds from the sale or other disposition of, including from any casualty to, or governmental taking of, property in excess of specified values (other than in the ordinary course of business and subject to other exceptions) by SPX or our subsidiaries. Mandatory prepayments will be applied to repay, first, amounts outstanding under any term loans and, then, amounts (or cash collateralize letters of credit) outstanding under the global revolving credit facility and the domestic revolving credit facility (without reducing the commitments thereunder). No prepayment is required generally to the extent the net proceeds are reinvested (or committed to be reinvested) in permitted acquisitions, permitted investments or assets to be used in our business within 360 days (and if committed to be reinvested, actually reinvested within 360 days after the end of such 360-day period) of the receipt of such proceeds.

We may voluntarily prepay loans under the Credit Agreement, in whole or in part, without premium or penalty. Any voluntary prepayment of loans will be subject to reimbursement of the lenders' breakage costs in the case of a prepayment of Eurodollar rate borrowings other than on the last day of the relevant interest period. Indebtedness under the Credit Agreement is guaranteed by:

- · Each existing and subsequently acquired or organized domestic material subsidiary with specified exceptions; and
- SPX with respect to the obligations of our foreign borrower subsidiaries under the global revolving credit facility, the participation foreign credit instrument facility and the bilateral foreign credit instrument facility.

Indebtedness under the Credit Agreement is secured by a first priority pledge and security interest in 100% of the capital stock of our domestic subsidiaries (with certain exceptions) held by SPX or our domestic subsidiary guarantors and 65% of the capital stock of our material first-tier foreign subsidiaries (with certain exceptions). If SPX obtains a corporate credit rating from Moody's and S&P and such corporate credit rating is less than "Ba2" (or not rated) by Moody's and less than "BB" (or not rated) by S&P, then SPX and our domestic subsidiary guarantors are required to grant security interests, mortgages and other liens on substantially all of their assets. If SPX's corporate credit rating is "Baa3" or better by Moody's or "BBB-" or better by S&P and no defaults then exist, all collateral security is to be released and the indebtedness under the Credit Agreement would be unsecured.

The Credit Agreement also contains covenants that, among other things, restrict our ability to incur additional indebtedness, grant liens, make investments, loans, guarantees, or advances, make restricted junior payments, including dividends, redemptions of capital stock, and voluntary prepayments or repurchase of certain other indebtedness, engage in mergers, acquisitions or sales of assets, enter into sale and leaseback transactions, or engage in certain transactions with affiliates, and otherwise restrict certain corporate activities. The Credit Agreement contains customary representations, warranties, affirmative covenants and events of default.

We are permitted under the Credit Agreement to repurchase our capital stock and pay cash dividends in an unlimited amount if our Consolidated Leverage Ratio is (after giving pro forma effect to such payments) less than 2.75 to 1.00. If our Consolidated Leverage Ratio is (after giving pro forma effect to such payments) greater than or equal to 2.75 to 1.00, the aggregate amount of such repurchases and dividend declarations cannot exceed (A) \$100.0 in any fiscal year plus (B) an additional amount for all such repurchases and dividend declarations made after September 1, 2015 equal to the sum of (i) \$100.0 plus (ii) a positive amount equal to 50% of cumulative Consolidated Net Income (as defined in the Credit Agreement generally as consolidated net income subject to certain adjustments solely for the purposes of determining this basket) during the period from September 1, 2015 to the end of the most recent fiscal quarter preceding the date of such repurchase or dividend declaration for which financial statements have been (or were required to be) delivered (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit) plus (iii) certain other amounts, less our previous usage of such additional amount for certain other investments and restricted junior payments.

At December 31, 2021, we had \$437.8 of available borrowing capacity under our revolving credit facilities after giving effect to \$12.2 reserved for outstanding letters of credit. In addition, at December 31, 2021, we had \$30.3 of available issuance capacity under our foreign credit instrument facilities after giving effect to \$24.7 reserved for outstanding letters of credit.

At December 31, 2021, we were in compliance with all covenants of our Credit Agreement.

Other Borrowings and Financing Activities

Certain of our businesses purchase goods and services under a purchase card program allowing for payment beyond their normal payment terms. As of December 31, 2021 and 2020, the participating businesses had \$2.2 and \$1.7, respectively, outstanding under this arrangement.

We are party to a trade receivables financing agreement, whereby we can borrow, on a continuous basis, up to \$50.0. Availability of funds may fluctuate over time given, among other things, changes in eligible receivable balances, but will not exceed the \$50.0 program limit. The facility contains representations, warranties, covenants and indemnities customary for facilities of this type. The facility does not contain any covenants that we view as materially constraining to the activities of our business.

In addition, we maintain uncommitted line of credit facilities in China and South Africa available to fund operations in these regions, when necessary, and at the discretion of the lender. At December 31, 2021, the aggregate amount of borrowing capacity under these facilities was \$20.0, while there were no borrowings outstanding.

## (14) Derivative Financial Instruments and Concentrations of Credit Risk

Interest Rate Swaps

We previously maintained interest rate swap agreements that matured in March 2021 and effectively converted borrowings under our senior credit facilities to a fixed rate of 2.535%, plus the applicable margin.

In February 2020, and as a result of a December 2019 amendment that extended the maturity date of our senior credit facilities to December 17, 2024, we entered into additional interest swap agreements ("Swaps"). The Swaps have a notional amount of \$243.7, cover the period from March 2021 to November 2024, and effectively convert borrowings under our senior credit facilities to a fixed rate of 1.061%, plus the applicable margin.

We have designated and are accounting for our interest rate swap agreements as cash flow hedges. As of December 31, 2021 and 2020, the unrealized gain (loss), net of tax, recorded in AOCI was \$0.5 and \$(5.9), respectively. In addition, as of December 31, 2021, the fair value of our interest rate swap agreements was \$0.6 (with \$2.5 recorded as a non-current asset and \$1.9 as a current liability), and \$7.8 at December 31, 2020 (with \$1.4 recorded as a current liability and the remainder in long-term liabilities). Changes in fair value of our interest rate swap agreements are reclassified into earnings as a component of interest expense, when the forecasted transaction impacts earnings.

#### Currency Forward Contracts

We manufacture and sell our products in a number of countries and, as a result, are exposed to movements in foreign currency exchange rates. Our objective is to preserve the economic value of non-functional currency-denominated cash flows and to minimize the impact of changes as a result of currency fluctuations. Our principal currency exposures relate to the South African Rand, British Pound Sterling, and Euro.

From time to time, we enter into forward contracts to manage the exposure on contracts with forecasted transactions denominated in non-functional currencies and to manage the risk of transaction gains and losses associated with assets/liabilities denominated in currencies other than the functional currency of certain subsidiaries ("FX forward contracts"). None of our FX forward contracts are designated as cash flow hedges.

We had FX forward contracts with an aggregate notional amount of \$8.7 and \$6.3 outstanding as of December 31, 2021 and 2020, respectively, with all of the \$8.7 scheduled to mature in 2022. The fair value of our FX forward contracts was less than \$0.1 at December 31, 2021 and 2020.

## Commodity Contracts

From time to time, we entered into commodity contracts to manage the exposure on forecasted purchases of commodity raw materials. The commodity contracts related solely to Transformer Solutions. As discussed in Note 1, on October 1, 2021, we completed the sale of Transformer Solutions. Immediately prior to the sale, we extinguished the existing commodity contracts and reclassified from AOCI a net loss of \$0.6 to "Gain (loss) on disposition of discontinued operations, net of tax" within our consolidated statement of operations for the year ended December 31, 2021. Prior to extinguishment, we designated and accounted for these contracts as cash flow hedges and, to the extent these commodity contracts were effective in offsetting the variability of the forecasted purchases, the change in fair value was included in AOCI. We reclassified amounts associated with our commodity contracts out of AOCI when the forecasted transaction impacted earnings. As of December 31, 2020, the fair values of these contracts was a current asset of \$2.4. Since these commodity contracts related to our Transformer Solutions business, the amount has been recorded within assets of discontinued operations in the accompanying consolidated balance sheet. The unrealized gain, net of taxes, recorded in AOCI was \$1.5 as of December 31, 2020.

## Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist of cash and equivalents, trade accounts receivable, insurance recovery assets associated with asbestos product liability matters, and interest rate swap and foreign currency forward contracts. These financial instruments, other than trade accounts receivable, are placed with high-quality financial institutions and insurance companies throughout the world. We periodically evaluate the credit standing of these financial institutions and insurance companies.

We maintain cash levels in bank accounts that, at times, may exceed federally-insured limits. We have not experienced significant loss, and believe we are not exposed to significant risk of loss, in these accounts.

We have credit loss exposure in the event of nonperformance by counterparties to the above financial instruments, but have no other off-balance-sheet credit risk of accounting loss. We anticipate, however, that counterparties will be able to fully satisfy their obligations under the contracts. We do not obtain collateral or other security to support financial instruments subject to credit risk, but we do monitor the credit standing of counterparties.

Concentrations of credit risk arising from trade accounts receivable are due to selling to customers in a particular industry. Credit risks are mitigated by performing ongoing credit evaluations of our customers' financial conditions and obtaining collateral, advance payments, or other security when appropriate. No one customer, or group of customers that to our knowledge are under common control, accounted for more than 10% of our revenues for any period presented.

## (15) Contingent Liabilities and Other Matters

#### General

Numerous claims, complaints and proceedings arising in the ordinary course of business have been asserted or are pending against us or certain of our subsidiaries (collectively, "claims"). These claims relate to litigation matters (e.g., class actions, derivative lawsuits and contracts, intellectual property and competitive claims), environmental matters, product liability matters (predominately associated with alleged exposure to asbestos-containing materials), and other risk management matters (e.g., general liability, automobile, and workers' compensation claims). Additionally, we may become subject to other claims of which we are currently unaware, which may be significant, or the claims of which we are aware may result in our incurring significantly greater loss than we anticipate. While we (and our subsidiaries) maintain property, cargo, auto, product, general liability, environmental, and directors' and officers' liability insurance and have acquired rights under similar policies in connection with acquisitions that we believe cover a significant portion of these claims, this insurance may be insufficient or unavailable (e.g., in the case of insurer insolvency) to protect us against potential loss exposures. Also, while we believe we are entitled to indemnification from third parties for some of these claims, these rights may be insufficient or unavailable to protect us against potential loss exposures.

Our recorded liabilities related to these matters totaled \$658.8 and \$575.7 at December 31, 2021 and 2020, respectively. Of these amounts, \$584.3 and \$499.8 are included in "Other long-term liabilities" within our consolidated balance sheets at December 31, 2021 and 2020, respectively, with the remainder included in "Accrued expenses." The liabilities we record for these matters are based on a number of assumptions, including historical claims and payment experience. While we base our assumptions on facts currently known to us, they entail inherently subjective judgments and uncertainties. As a result, our current assumptions for estimating these liabilities may not prove accurate, and we may be required to adjust these liabilities in the future, which could result in charges to earnings. These variances relative to current expectations could have a material impact on our financial position and results of operations.

Our asbestos-related claims are typical in certain of the industries in which we operate or pertain to legacy businesses we no longer operate. It is not unusual in these cases for fifty or more corporate entities to be named as defendants. We vigorously defend these claims, many of which are dismissed without payment, and the significant majority of costs related to these claims have historically been paid pursuant to our insurance arrangements. Our recorded assets and liabilities related to asbestos-related claims were as follows at December 31, 2021 and 2020:

	 December 31,					
	 2021	2020				
Insurance recovery assets (1)	\$ 526.2	\$	496.4			
Liabilities for claims (2)	616.5		535.2			

Of these amounts \$473.6 and \$446.4 are included in "Other assets" at December 31, 2021 and 2020, respectively, while the remainder is included in "Other current assets."

The liabilities we record for asbestos-related claims are based on a number of assumptions. In estimating our liabilities for asbestos-related claims, we consider, among other things, the following:

- The number of pending claims by disease type and jurisdiction.
- Historical information by disease type and jurisdiction with regard to:
  - Average number of claims settled with payment (versus dismissed without payment); and
  - Average claim settlement amounts.
- The period over which we can reasonably project asbestos-related claims (currently projecting through 2057).

The following table presents information regarding activity for asbestos-related claims for the years ended December 31, 2021, 2020 and 2019:

	Year ended December 31						
	2021	2020	2019				
Pending claims, beginning of year	9,782	11,079	13,767				
Claims filed	2,826	2,449	3,607				
Claims resolved	(2,543)	(3,746)	(6,295)				
Pending claims, end of year	10,065	9,782	11,079				

The assets we record for asbestos-related claims represent amounts that we believe we are or will be entitled to recover under agreements we have with insurance companies. The amount of these assets are based on a number of assumptions, including the continued solvency of the insurers and our legal interpretation of our rights for recovery under the agreements we have with the insurers. Our current assumptions for estimating these assets may not prove accurate, and we may be required to adjust these assets in the future. These variances relative to current expectations could have a material impact on our financial position and results of operations.

During the years ended December 31, 2021, 2020 and 2019, our (receipts) payments for asbestos-related claims, net of respective insurance recoveries of \$53.9, \$35.4, and \$47.1, were \$(0.3), \$19.3 and \$13.1, respectively. The year ended December 31, 2021 includes insurance proceeds of \$15.0, associated with the settlement of an asbestos insurance coverage matter. A significant increase in claims, costs and/or issues with existing insurance coverage (e.g., dispute with or insolvency of insurer(s)) could have a material adverse impact on our share of future payments related to these matters, and, as a result, have a material impact on our financial position, results of operations and cash flows.

During the years ended December 31, 2021, 2020, and 2019, we recorded charges of \$51.2, \$21.3, and \$10.1, respectively, as a result of changes in estimates associated with the liabilities and assets related to asbestos-related claims. Of these charges, \$48.6, \$19.2 and \$6.3 were reflected in "Income from continuing operations before income taxes" for the years ended December 31, 2021, 2020, and 2019, respectively, and \$2.6, \$2.1, and \$3.8, respectively, were reflected in "Gain (loss) on disposition of discontinued operations, net of tax."

Of these amounts \$561.4 and \$479.9 are included in "Other long-term liabilities" at December 31, 2021 and 2020, respectively, while the remainder is included in "Accrued expenses."

#### Large Power Projects in South Africa

Overview - Since 2008, DBT had been executing on two large power projects in South Africa (Kusile and Medupi), on which it has now substantially completed its scope of work. Over such time, the business environment surrounding these projects was difficult, as DBT, along with many other contractors on the projects, experienced delays, cost over-runs, and various other challenges associated with a complex set of contractual relationships among the end customer, prime contractors, various subcontractors (including DBT and its subcontractors), and various suppliers. DBT's remaining responsibilities relate largely to resolution of various claims, primarily between itself and one of its prime contractors, Mitsubishi Heavy Industries Power—ZAF (f.k.a. Mitsubishi-Hitachi Power Systems Africa (PTY) LTD), or "MHI."

The challenges related to the projects have resulted in (i) significant adjustments to our revenue and cost estimates for the projects, (ii) DBT's submission of numerous change orders to the prime contractors, (iii) various claims and disputes between DBT and other parties involved with the projects (e.g., prime contractors, subcontractors, suppliers, etc.), and (iv) the possibility that DBT may become subject to additional claims, which could be significant. It is possible that some outstanding claims may not be resolved until after the prime contractors complete their scopes of work. Our future financial position, operating results, and cash flows could be materially impacted by the resolution of current and any future claims.

Claims by DBT - DBT has asserted claims against MHI of approximately South African Rand 1,000.0 (or \$62.6). As DBT prepares these claims for dispute resolution processes, the amounts, along with the characterization, of the claims could change. Of these claims, South African Rand 566.5 (or \$35.5), which is inclusive of the amounts awarded in the adjudications referred to below, are currently proceeding through contractual dispute resolution processes and DBT is likely to initiate additional dispute resolution processes. DBT is also pursuing several claims to force MHI to abide by its contractual obligations and provide DBT with certain benefits that MHI may have received from its customer on the projects. In addition to existing asserted claims, DBT believes it has additional claims and rights to recovery based on its performance under the contracts with, and actions taken by, MHI. DBT is continuing to evaluate the claims and the amounts owed to it under the contracts based on MHI's failure to comply with its contractual obligations. The amounts DBT may recover for current and potential future claims against MHI are not currently known given (i) the extent of current and potential future claims by MHI against DBT (see below for further discussion) and (ii) the unpredictable nature of any dispute resolution processes that may occur in connection with these current and potential future claims. No revenue has been recorded in the accompanying consolidated financial statements with respect to current or potential future claims against MHI.

On July 23, 2020, a dispute adjudication panel issued a ruling in favor of DBT on certain matters related to the Kusile and Medupi projects. The panel (i) ruled that DBT had achieved takeover on 9 of the units; (ii) ordered MHI to return \$2.3 of bonds (which have been subsequently returned by MHI); (iii) ruled that DBT is entitled to the return of an additional \$4.3 of bonds upon the completion of certain administrative milestones; (iv) ordered MHI to pay South African Rand 18.4 (or \$1.1 at the time of the ruling) in incentive payments for work performed by DBT (which MHI has subsequently paid); and (v) ruled that MHI waived its rights to assert delay damages against DBT on one of the units of the Kusile project. The ruling is subject to MHI's rights to seek further arbitration in the matter, as provided in the contracts. As such, the incentive payments noted above have not been recorded in our accompanying consolidated statements of operations.

On February 22, 2021, a dispute adjudication panel issued a ruling in favor of DBT related to costs incurred in connection with delays on two units of the Kusile project. In connection with the ruling, MHI paid DBT South African Rand 126.6 (or \$8.6 at the time of payment). This ruling is subject to MHI's rights to seek further arbitration in the matter and, thus, the amount awarded has not been reflected in our accompanying consolidated statement of operations for the year ended December 31, 2021. On July 5, 2021, DBT received notice from MHI of its intent to seek final and binding arbitration in this matter.

On April 28, 2021, a dispute adjudication panel issued a ruling in favor of DBT related to costs incurred in connection with delays on two units of the Medupi project. In connection with the ruling, MHI paid DBT South African Rand 82.0 (or \$6.0 at the time of payment). This ruling is subject to MHI's rights to seek further arbitration in the matter and, thus, the amount awarded has not been reflected in our accompanying consolidated statement of operations for the year ended December 31, 2021.

Claims by MHI - On February 26, 2019, DBT received notification of an interim claim consisting of both direct and consequential damages from MHI alleging, among other things, that DBT (i) provided defective product and (ii) failed to meet certain project milestones. In September 2020, MHI made a demand on certain bonds issued in its favor by DBT, based solely on these alleged defects, but without further substantiation or other justification (see further discussion below). On December 30, 2020, MHI notified DBT of its intent to take these claims to binding arbitration even though the vast majority of these claims had not been brought appropriately before a dispute adjudication board as required under the relevant subcontracts. On June 4, 2021, in connection with the arbitration, DBT received a revised version of the claim. Similar to the interim claim, we

believe the vast majority of the damages summarized in the revised claim are unsubstantiated and, thus, any loss for the majority of these claims is considered remote. For the remainder of the claims in both the interim notification and the revised version, which largely appear to be direct in nature (approximately South African Rand 790.0 or \$49.5), DBT has numerous defenses and, thus, we do not believe that DBT has a probable loss associated with these claims. In addition, we do not believe MHI has followed the appropriate dispute resolution processes under our agreement and therefore most, if not all, of its claims against DBT are not valid. As such, no loss has been recorded in the consolidated financial statements with respect to these claims. DBT intends to vigorously defend itself against these claims. Although it is reasonably possible that some loss may be incurred in connection with these claims, we currently are unable to estimate the potential loss or range of potential loss associated with these claims due to the (i) lack of support provided by MHI for these claims; (ii) complexity of contractual relationships between the end customer, MHI, and DBT; (iii) legal interpretation of the contract provisions and application of South African law to the contracts; and (iv) unpredictable nature of any dispute resolution processes that may occur in connection with these claims.

In April and July 2019, DBT received notifications of intent to claim liquidated damages totaling South African Rand 407.2 (or \$25.5) from MHI alleging that DBT failed to meet certain project milestones related to the construction of the filters for both the Kusile and Medupi projects. DBT has numerous defenses against these claims and, thus, we do not believe that DBT has a probable loss associated with these claims. As such, no loss has been recorded in the accompanying consolidated financial statements with respect to these claims. Although it is reasonably possible that some loss may be incurred in connection with these claims, we currently are unable to estimate the potential loss or range of potential loss.

MHI has made other claims against DBT totaling South African Rand 176.2 (or \$11.0). DBT has numerous defenses against these claims and, thus, we do not believe that DBT has a probable loss associated with these claims. As such, no loss has been recorded in the accompanying consolidated financial statements with respect to these claims.

Bonds Issued in Favor of MHI - DBT is obligated with respect to bonds issued by banks in favor of MHI. In September of 2020, MHI made a demand, and received payment of South African Rand 239.6 (or \$14.3 at the time of payment), on certain of these bonds. In May 2021, MHI made an additional demand, and received payment of South African Rand 178.7 (or \$12.5 at time of payment), on certain of the remaining bonds at such time. In both cases, we funded the payment as required under the terms of the bonds and our senior credit agreement. In its demands, MHI purported that DBT failed to carry out its obligations to rectify certain alleged product defects and that DBT failed to meet certain project milestones. DBT denies liability for such allegations and, thus, fully intends to seek, and believes it is legally entitled to, reimbursement of the South African Rand 418.3 (or \$26.2) that has been paid. However, given the extent and complexities of the claims between DBT and MHI, reimbursement of the South African Rand 418.3 (or \$26.2) is unlikely to occur over the next twelve months. As such, we have reflected the South African Rand 418.3 (or \$26.2) as a non-current asset within our consolidated balance sheet as of December 31, 2021.

The remaining bond of \$1.8 issued to MHI as a performance guarantee could be exercised by MHI for an alleged breach of DBT's obligation. In the event that MHI were to receive payment on a portion, or all, of the remaining bond, we would be required to reimburse the issuing bank.

In addition to this bond, SPX Corporation has guaranteed DBT's performance on these projects to the prime contractors, including MHI.

Claim against Surety - On February 5, 2021, DBT received payment of \$6.7 on bonds issued in support of performance by one of DBT's sub-contractors. The sub-contractor maintains a right to seek recovery of such amount and, thus, the amount received by DBT has not been reflected in our accompanying consolidated statement of operations for the year ended December 31, 2021.

Settlement with the Minority Shareholder of DBT – On October 16, 2019, SPX Technologies (PTY) LTD, DBT's parent company, along with DBT and SPX Corporation, executed an agreement with the then minority shareholder of DBT to settle a put option and other claims between the parties for a total payment of South African Rand 230.0 (or \$15.6 at the time of payment). The difference between the settlement amount (South African Rand 230.0) and the amount previously recorded for the matter of South African Rand 257.0, or South African Rand 27.0 (or \$1.8), along with a tax benefit of \$3.8 associated with the total payment of South African Rand 230.0, has been reflected as an adjustment to "Net income attributable to SPX common stockholders" in our calculations of basic and diluted earnings per share for the year ended December 31, 2019.

## **Litigation Matters**

We are subject to other legal matters that arise in the normal course of business. We believe these matters are either without merit or of a kind that should not have a material effect, individually or in the aggregate, on our financial position,

results of operations or cash flows; however, we cannot give assurance that these proceedings or claims will not have a material effect on our financial position, results of operations or cash flows.

## **Environmental Matters**

Our operations and properties are subject to federal, state, local and foreign regulatory requirements relating to environmental protection. It is our policy to comply fully with all applicable requirements. As part of our effort to comply, we have a comprehensive environmental compliance program that includes environmental audits conducted by internal and external independent professionals, as well as regular communications with our operating units regarding environmental compliance requirements and anticipated regulations. Based on current information, we believe that our operations are in substantial compliance with applicable environmental laws and regulations, and we are not aware of any violations that could have a material effect, individually or in the aggregate, on our business, financial condition, and results of operations or cash flows. As of December 31, 2021, we had liabilities for site investigation and/or remediation at 18 sites (25 sites at December 31, 2020) that we own or control. In addition, while we believe that we maintain adequate accruals to cover the costs of site investigation and/or remediation, we cannot provide assurance that new matters, developments, laws and regulations, or stricter interpretations of existing laws and regulations will not materially affect our business or operations in the future.

Our environmental accruals cover anticipated costs, including investigation, remediation, and maintenance of clean-up sites. Our estimates are based primarily on investigations and remediation plans established by independent consultants, regulatory agencies and potentially responsible third parties. Accordingly, our estimates may change based on future developments, including new or changes in existing environmental laws or policies, differences in costs required to complete anticipated actions from estimates provided, future findings of investigation or remediation actions, or alteration to the expected remediation plans. It is our policy to revise an estimate once it becomes probable and the amount of change can be reasonably estimated. We generally do not discount our environmental accruals and do not reduce them by anticipated insurance recoveries. We take into account third-party indemnification from financially viable parties in determining our accruals where there is no dispute regarding the right to indemnification.

In the case of contamination at offsite, third-party disposal sites, as of December 31, 2021, we have been notified that we are potentially responsible and have received other notices of potential liability pursuant to various environmental laws at 9 sites (11 sites at December 31, 2020) at which the liability has not been settled, of which 9 sites have been active in the past few years. These laws may impose liability on certain persons that are considered jointly and severally liable for the costs of investigation and remediation of hazardous substances present at these sites, regardless of fault or legality of the original disposal. These persons include the present or former owners or operators of the site and companies that generated, disposed of or arranged for the disposal of hazardous substances at the site. We are considered a "de minimis" potentially responsible party at most of the sites, and we estimate that our aggregate liability, if any, related to these sites is not material to our consolidated financial statements. We conduct extensive environmental due diligence with respect to potential acquisitions, including environmental site assessments and such further testing as we may deem warranted. If an environmental matter is identified, we estimate the cost and either establish a liability, purchase insurance or obtain an indemnity from a financially sound seller; however, in connection with our acquisitions or dispositions, we may assume or retain significant environmental liabilities, some of which we may be unaware. The potential costs related to these environmental matters and the possible impact on future operations are uncertain due in part to the complexity of government laws and regulations and their interpretations, the varying costs and effectiveness of various clean-up technologies, the uncertain level of insurance or other types of recovery, and the questionable level of our responsibility. We record a liability when it is both probable and the amount can be reasonably estimated.

In our opinion, after considering accruals established for such purposes, the cost of remedial actions for compliance with the present laws and regulations governing the protection of the environment are not expected to have a material impact, individually or in the aggregate, on our financial position, results of operations or cash flows.

## **Self-Insured Risk Management Matters**

We are self-insured for certain of our workers' compensation, automobile, product and general liability, disability and health costs, and we believe that we maintain adequate accruals to cover our retained liability. Our accruals for risk management matters are determined by us, are based on claims filed and estimates of claims incurred but not yet reported, and generally are not discounted. We consider a number of factors, including third-party actuarial valuations, when making these determinations. We maintain third-party stop-loss insurance policies to cover certain liability costs in excess of predetermined retained amounts. This insurance may be insufficient or unavailable (e.g., because of insurer insolvency) to protect us against loss exposures.

## **Executive Agreements**

The Board of Directors has approved an employment agreement for our President and Chief Executive Officer. This agreement had an initial term through December 31, 2017 and, thereafter, rolling terms of one year, and specifies the executive's current compensation, benefits and perquisites, severance entitlements, and other employment rights and responsibilities. The Compensation Committee of the Board of Directors has approved severance benefit agreements for our other six executive officers. These agreements cover each executive's entitlements in the event that the executive's employment is terminated for other than cause, death or disability, or the executive resigns with good reason. The Compensation Committee of the Board of Directors has also approved change of control agreements for each of our executive officers, which cover each executive's entitlements following a change of control.

## (16) Stockholders' Equity and Long-Term Incentive Compensation

#### **Income Per Share**

The following table sets forth the computations of the components used for the calculation of basic and diluted income (loss) per share:

	Year ended December 31,					
	2021		2020			2019
Numerator:						
Income from continuing operations attributable to SPX Corporation common stockholders for calculating basic and diluted income per share	\$	59.0	\$	73.8	\$	76.3
Income (loss) from discontinued operations, net of tax	\$	366.4	\$	25.2	\$	(11.0)
Adjustment related to redeemable noncontrolling interest (Note 15)		_		_		5.6
Income (loss) from discontinued operations attributable to SPX Corporation common stockholders for calculating basic and diluted income per share	\$	366.4	\$	25.2	\$	(5.4)
Denominator:						
Weighted-average number of common shares used in basic income per share		45.289		44.628		43.942
Dilutive securities — Employee stock options, restricted stock shares and restricted stock units		1.206		1.138		1.015
Weighted-average number of common shares and dilutive securities used in diluted income per share		46.495		45.766		44.957
	_		_			

For the years ended December 31, 2021, 2020, and 2019, 0.245, 0.300, and 0.319, respectively, of unvested restricted stock shares/units were excluded from the computation of diluted earnings per share as the assumed proceeds for these instruments exceeded the average market value of the underlying common stock for the related years. For the years ended December 31, 2021, 2020, and 2019, 0.627, 0.793, and 0.942, respectively, of outstanding stock options were excluded from the computation of diluted earnings per share as the assumed proceeds for these instruments exceeded the average market value of the underlying common stock for the related years.

### **Common Stock and Treasury Stock**

At December 31, 2021, we had 200.0 authorized shares of common stock (par value \$0.01). Common shares issued, treasury shares and shares outstanding are summarized in the table below.

	Common Stock Issued	Treasury Stock	Shares Outstanding
Balance at December 31, 2018	51.529	(8.078)	43.451
Restricted stock units	_	0.264	0.264
Other	0.488		0.488
Balance at December 31, 2019	52.017	(7.814)	44.203
Restricted stock units	_	0.141	0.141
Other	0.688		0.688
Balance at December 31, 2020	52.705	(7.673)	45.032
Restricted stock units	_	0.130	0.130
Other	0.306		0.306
Balance at December 31, 2021	53.011	(7.543)	45.468

### **Long-Term Incentive Compensation**

On May 9, 2019, our stockholders approved our 2019 Stock Compensation Plan (the "2019 Plan") which replaced our 2002 Stock Compensation Plan, as amended in 2006, 2011, 2012 and 2015 (the "Prior Plan"). As a result of the approval of the 2019 Plan, no further awards were permitted to be made under the Prior Plan. Up to 4.074 shares of our common stock were available for grant at December 31, 2021 under the 2019 Plan. The 2019 Plan permits the issuance of new shares or shares from treasury upon the exercise of options, vesting of time-based restricted stock units ("RSU's") and performance stock units ("PSU's"), or the granting of restricted stock shares ("RS's"). Each RSU, RS and PSU granted reduces availability by two shares. Similar awards were permitted to be granted under the Prior Plan before the approval of the 2019 Plan.

PSU's, RSU's and RS's may be granted to certain eligible employees or non-employee directors in accordance with applicable equity compensation plan documents and agreements. Subject to participants' continued employment and other plan terms and conditions, the restrictions lapse and awards generally vest over a period of time, generally one or three years. In some instances, such as death, disability, or retirement, stock may vest concurrently with or following an employee's termination. PSU's are eligible to vest at the end of the performance period, with performance based on the total return of our stock over the three-year performance period against a peer group within the S&P 600 Capital Goods Index, while the RSU's and RS's vest based on the passage of time since grant date. PSU's, RSU's, and RS's that do not vest within the applicable vesting period are forfeited.

We grant RSU's or RS's to non-employee directors under the 2006 Non-Employee Directors' Stock Incentive Plan (the "Directors' Plan") and the 2019 Plan. Under the Directors' Plan, up to 0.027 shares of our common stock were available for grant at December 31, 2021. The 2021, 2020 and 2019 grants to non-employee directors generally vest over a 1 year-period, with the 2021 grants scheduled to vest in their entirety immediately prior to the annual meeting of stockholders in May 2022.

Stock options may be granted to key employees in the form of incentive stock options or non-qualified stock options. The option price per share may be no less than the fair market value of our common stock at the close of business the day prior to the date of grant. Upon exercise, the employee has the option to surrender previously owned shares at current value in payment of the exercise price and/or for withholding tax obligations.

The recognition of compensation expense for share-based awards, including stock options, is based on their grant date fair values. The fair value of each award is amortized over the lesser of the award's requisite or derived service period, which is generally up to three years. Compensation expense within income from continuing operations related to PSU's, RSU's, RS's and stock options totaled \$12.9, \$12.0 and \$10.0 for the years ended December 31, 2021, 2020 and 2019, respectively, with the related tax benefit being \$2.2, \$2.0 and \$2.4 for the years ended December 31, 2021, 2020 and 2019, respectively.

In years prior to 2019, annual long-term cash awards were granted to executive officers and other members of senior management. These awards are eligible to vest at the end of a three-year performance measurement period, with performance based on our achievement of a target segment income amount over the three-year measurement period. Long-term incentive compensation expense for 2021, 2020, and 2019 included \$(0.1), \$1.1 and \$2.6, respectively, associated with long-term cash awards.

We use the Monte Carlo simulation model valuation technique to determine fair value of our restricted stock awards that contain a market condition (i.e., the PSU's). The Monte Carlo simulation model utilizes multiple input variables that determine

the probability of satisfying the market condition stipulated in the award and calculates the fair value of each PSU. We issued PSU's to eligible participants on March 1, 2021, February 20, 2020 and February 21, 2019. We used the following assumptions in determining the fair value of these awards:

Annual Expected Stock Price Volatility	Annual Expected Dividend Yield	Risk-Free Interest Rate	Correlation Between Total Shareholder Return for SPX and the Applicable S&P Index
42.88 %	— %	0.25 %	60.24 %
51.25 %	n/a	0.25 %	
29.47 %	<u> </u>	1.35 %	35.47 %
34.93 %	n/a	1.35 %	
32.70 %	— %	2.53 %	38.75 %
34.75 %	n/a	2.48 %	
	Expected Stock Price Volatility  42.88 % 51.25 %  29.47 % 34.93 %  32.70 %	Expected Stock Price Volatility         Annual Expected Dividend Yield           42.88 %         — %           51.25 %         n/a           29.47 %         — %           34.93 %         n/a           32.70 %         — %	Expected Stock Price Volatility         Annual Expected Dividend Yield         Risk-Free Interest Rate           42.88 %         — %         0.25 %           51.25 %         n/a         0.25 %           29.47 %         — %         1.35 %           34.93 %         n/a         1.35 %           32.70 %         — %         2.53 %

Annual expected stock price volatility is based on the three-year historical volatility. There is no annual expected dividend yield as we discontinued dividend payments in 2015 and do not expect to pay dividends for the foreseeable future. The average risk-free interest rate is based on the one-year through three-year daily treasury yield curve rate as of the grant date.

The following table summarizes the PSU, RSU, and RS activity from December 31, 2018 through December 31, 2021:

Weighted-

	Unvested PSU's, RSU's, and RS's	Weighted- Average Grant-Date Fair Value Per Share
December 31, 2018	0.652	\$ 24.65
Granted	0.430	35.49
Vested	(0.446)	18.75
Forfeited	(0.030)	35.10
December 31, 2019	0.606	36.17
Granted	0.277	46.61
Vested	(0.233)	31.49
Forfeited	(0.006)	41.37
December 31, 2020	0.644	42.32
Granted	0.243	57.24
Vested	(0.219)	37.40
Forfeited	(0.032)	53.69
December 31, 2021	0.636	\$ 49.14
	' <del>'</del>	

As of December 31, 2021, there was \$10.9 of unrecognized compensation cost related to PSU's, RSU's and RS's. We expect this cost to be recognized over a weighted-average period of 1.8 years.

## Stock Options

On March 1, 2021, February 20, 2020 and February 21, 2019, we granted stock options totaling 0.105, 0.125 and 0.186, respectively. The exercise price per share of these options is \$58.34, \$50.09 and \$36.51, respectively, and the maximum contractual term of these options is ten years.

The fair value of each stock option granted on March 1, 2021, February 20, 2020 and February 21, 2019 was \$23.49, \$17.40 and \$13.31, respectively. The fair value of each option grant was estimated using a Black-Scholes option-pricing model with the following assumptions:

	March 1, 2021	February 20, 2020	February 21, 2019
Annual expected stock price volatility	41.15 %	33.48 %	32.70 %
Annual expected dividend yield	— %	— %	— %
Risk-free interest rate	0.91 %	1.41 %	2.53 %
Expected life of stock option (in years)	6.0	6.0	6.0

Annual expected stock price volatility for the March 1, 2021, February 20, 2020 and February 21, 2019 grants were based on a weighted average of SPX's stock volatility since the Spin-Off and an average of the most recent six-year historical volatility of a peer company group. There is no annual expected dividend yield as we discontinued dividend payments in 2015 and do not expect to pay dividends for the foreseeable future. The average risk-free interest rate is based on the five-year and seven-year treasury constant maturity rates. The expected option life is based on a three-year pro-rata vesting schedule and represents the period of time that awards are expected to be outstanding.

The following table shows stock option activity from December 31, 2018 through December 31, 2021.

		Weighted- Average Exercise
	Shares	Price
Options outstanding at December 31, 2018	1.718	\$ 16.58
Exercised	(0.202)	13.46
Forfeited	(0.013)	33.15
Granted	0.189	36.50
Options outstanding at December 31, 2019	1.692	19.05
Exercised	(0.412)	14.97
Forfeited		_
Granted	0.139	49.57
Options outstanding at December 31, 2020	1.419	23.21
Exercised	(0.123)	15.82
Forfeited	(0.008)	50.11
Granted	0.105	58.34
Options outstanding at December 31, 2021	1.393	\$ 26.35

As of December 31, 2021, 1.150 of the above stock options were exercisable and there was \$1.6 of unrecognized compensation cost related to the outstanding stock options. We expect this cost to be recognized over a weighted-average period of 2.0 years.

## **Accumulated Other Comprehensive Income**

The changes in the components of accumulated other comprehensive income, net of tax, for the year ended December 31, 2021 were as follows:

	Foreign Currency Translation Adjustment		Net Unrealized Gains (losses) on Qualifying Cash Flow Hedges <sup>(1)</sup>		Pension and Postretirement Liability Adjustment <sup>(2)</sup>		Total
Balance at December 31, 2020	\$	238.6	\$	(4.4)	\$ 14.3	\$	248.5
Other comprehensive income (loss) before reclassifications		(5.8)		5.3	_		(0.5)
Amounts reclassified from accumulated other comprehensive income (loss)		19.9		(0.4)	(3.6)		15.9
Current-period other comprehensive income (loss)		14.1		4.9	(3.6)		15.4
Balance at December 31, 2021	\$	252.7	\$	0.5	\$ 10.7	\$	263.9

<sup>(1)</sup> Net of tax (provision) benefit of \$(0.1) and \$1.4 as of December 31, 2021 and 2020, respectively.

The changes in the components of accumulated other comprehensive income, net of tax, for the year ended December 31, 2020 were as follows:

	Foreign Currency Translation Adjustment		N	let Unrealized Losses on Qualifying Cash Flow Hedges (1)	Pension and Postretirement Liability Adjustment and Other (2)		Total
Balance at December 31, 2019	\$	228.0	\$	(1.6)	\$	17.9	\$ 244.3
Other comprehensive income (loss) before reclassifications		10.6		(5.7)			4.9
Amounts reclassified from accumulated other comprehensive income (loss):		_		2.9		(3.6)	(0.7)
Current-period other comprehensive income (loss)		10.6		(2.8)		(3.6)	 4.2
Balance at December 31, 2020	\$	238.6	\$	(4.4)	\$	14.3	\$ 248.5

<sup>(1)</sup> Net of tax benefit of \$1.4 and \$0.5 as of December 31, 2020 and 2019, respectively.

<sup>&</sup>lt;sup>(2)</sup> Net of tax provision of \$3.7 and \$4.9 as of December 31, 2021 and 2020, respectively. The balances as of December 31, 2021 and 2020 include unamortized prior service credits.

<sup>&</sup>lt;sup>(2)</sup> Net of tax provision of \$4.9 and \$6.1 as of December 31, 2020 and 2019, respectively. The balances as of December 31, 2020 and 2019 include unamortized prior service credits.

The following summarizes amounts reclassified from each component of accumulated comprehensive income for the years ended December 31, 2021 and 2020:

		Amo Reclas fro AO	ssified om	Affected Line Items in the Consolidated Statements of Operations
		Year o Decem		
		2021	2020	
(Gains) losses on qualifying cash flow hedges:				
Commodity contracts	\$	(3.8)	\$ (0.9)	Income from discontinued operations, net of tax
Swaps		3.2	4.7	Interest expense
Pre-tax		(0.6)	3.8	
Income taxes		0.2	(0.9)	
	\$	(0.4)	\$ 2.9	
Pension and postretirement items:				
Amortization of unrecognized prior service credits - Pre-tax	\$	(4.8)	\$ (4.8)	Other income (expense), net
Income taxes		1.2	1.2	
	\$	(3.6)	\$ (3.6)	
Loss on reclassification of foreign currency translation adjustments:				
DBT	\$	19.9	¢	Gain on disposition of discontinued operations, net of tax
Income taxes	Ψ	17.9	Ψ	OI WA
meonic taxes	\$	19.9	<u> </u>	
	Φ	17.9	Ψ	

## **Common Stock in Treasury**

During the years ended December 31, 2021, 2020 and 2019, "Common stock in treasury" was decreased by the settlement of restricted stock units issued from treasury stock of \$7.7, \$8.4 and \$15.8, respectively.

## **Preferred Stock**

None of our 3.0 shares of authorized no par value preferred stock was outstanding at December 31, 2021, 2020 or 2019.

### (17) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

- Level 1 Quoted prices for identical instruments in active markets.
- Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 Significant inputs to the valuation model are unobservable.

There were no changes during the periods presented to the valuation techniques we use to measure asset and liability fair values on a recurring basis. There were no transfers between the three levels of the fair value hierarchy for the periods presented.

## Valuation Methods Used to Measure Fair Value on a Non-Recurring Basis

Parent Guarantees and Bonds Associated with Balcke Dürr — In connection with the 2016 sale of Balcke Dürr, existing parent company guarantees and bank surety bonds, which totaled approximately Euro 79.0 and Euro 79.0, respectively, remained in place at the time of sale. These guarantees and bonds provided protections for Balcke Dürr customers in regard to advance payments, performance, and warranties on projects in existence at the time of sale. In addition, certain bonds related to lease obligations and foreign tax matters in existence at the time of sale. Balcke Dürr and the acquirer of Balcke Dürr provided us an indemnity in the event that any of the bonds were called or payments were made under the guarantees. Also, at the time of sale, Balcke Dürr provided cash collateral of Euro 4.0 and the parent company of the buyer provided a guarantee of Euro 5.0 as a security for the above indemnifications (Euro 0.0 and Euro 0.0, respectively, at December 31, 2021). In connection with the sale, we recorded a liability for the estimated fair value of the guarantees and bonds and an asset for the estimated fair value of the cash collateral and indemnities provided. Since the sale of Balcke Dürr, the guarantees have expired and bonds have been returned. Summarized below are the liability (related to the parent company guarantees and bank and surety bonds) and asset (related to the cash collateral and guarantee provided by the parent company of the buyer) recorded at the time of sale, along with the change in the liability and the asset during 2021, 2020, and 2019.

						Year	end	ed					
		Decembe	r 31, 2	021		Decembe	r 31	1, 2020	December 31, 2019				
	Guarantees and Bonds Liability <sup>(1)</sup>		Indemnification Assets (1)		Guarantees and Bonds Liability <sup>(1)</sup>		Indemnification Assets (1)			Guarantees and Bonds Liability <sup>(1)</sup>	Indemnification Assets (1)		
Balance at beginning of year	\$	1.8	\$	_	\$	2.0	\$	0.3	\$	4.4	\$	1.2	
Reduction/Amortization for the period (2)		(1.7)		_		(0.4)		(0.3)		(2.3)		(0.9)	
Impact of changes in foreign currency rates		(0.1)		_		0.2		_		(0.1)		_	
Balance at end of period (3)	\$		\$		\$	1.8	\$		\$	2.0	\$	0.3	

- (1) In connection with the sale, we estimated the fair value of the existing parent company guarantees and bank and surety bonds considering the probability of default by Balcke Dürr and an estimate of the amount we would be obligated to pay in the event of a default. Additionally, we estimated the fair value of the cash collateral provided by Balcke Dürr and the guarantee provided by the parent company of the buyer based on the terms and conditions and relative risk associated with each of these securities (unobservable inputs Level 3).
- We reduced the liability generally at the earlier of the completion of the related underlying project milestones or the expiration of the guarantees or bonds. We amortized the asset based on the expiration terms of each of the securities. We recorded the reduction of the liability and the amortization of the asset to "Other income (expense), net."
- (3) Balance associated with the guarantees and bonds is reflected within "Other long-term liabilities" within the accompanying consolidated balance sheet as of December 31, 2020.

Contingent Consideration for Sensors & Software and ECS Acquisitions — In connection with acquisitions of Sensors & Software and ECS, the respective sellers are eligible for additional cash consideration of \$3.9 and \$16.8, respectively, with payment of such contingent consideration dependent upon the achievement of certain milestones. The estimated fair value of such contingent consideration is \$1.3 and \$1.5, respectively, with such amounts reflected as liabilities within our consolidated balance sheet as of December 31, 2021. We estimated the fair value of the contingent consideration for these acquisitions based on the probability of Sensors & Software and ECS achieving the applicable milestones.

Goodwill, Indefinite-Lived Intangible and Other Long-Lived Assets — Certain of our non-financial assets are subject to impairment analysis, including long-lived assets, indefinite-lived intangible assets and goodwill. We review the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually for indefinite-lived intangible assets and goodwill. Any resulting asset impairment would require that the instrument be recorded at its fair value.

## Valuation Methods Used to Measure Fair Value on a Recurring Basis

Derivative Financial Instruments — Our financial derivative assets and liabilities include commodity contracts (until the sale of Transformer Solutions), interest rate swaps, and FX forward contracts, valued using models based on observable market inputs such as forward rates, interest rates, our own credit risk and the credit risk of our counterparties, which comprise investment-grade financial institutions. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. We have not made any adjustments to the inputs obtained from the independent sources. Based on our continued ability to enter into forward contracts, we consider the markets for our fair value instruments active. We primarily use the income approach, which uses valuation techniques to convert future amounts to a single present amount.

As of December 31, 2021, there had been no significant impact to the fair value of our derivative liabilities due to our own credit risk, as the related instruments are collateralized under our senior credit facilities. Similarly, there had been no significant impact to the fair value of our derivative assets based on our evaluation of our counterparties' credit risks.

*Equity Security* - We estimate the fair value of an equity security that we hold utilizing a practical expedient under existing guidance, with such estimated fair value based on our ownership percentage applied to the net asset value of the investee as presented in the investee's most recent audited financial statements.

During the years ended December 31, 2021, 2020 and 2019, we recorded gains of \$11.8, \$8.6 and \$7.9, respectively, to "Other income (expense), net" related to increases in the estimated fair value of such equity security. In addition, we received distributions during 2020 and 2019 of \$3.5 and \$2.6, respectively, included within "cash flows from operating activities" in our consolidated statements of cash flows. As of December 31, 2021 and 2020, the equity security had an estimated fair value of \$38.8 and \$27.0, respectively. We are restricted from transferring this investment without approval of the manager of the investee.

*Indebtedness* — The estimated fair value of our debt instruments as of December 31, 2021 and December 31, 2020 approximated the related carrying values due primarily to the variable market-based interest rates for such instruments. See Note 13 for further details.

## (18) Quarterly Results (Unaudited)

	First (4)				Second (4)					Thi	)	Fourth (4)				
		2021		2020	2021		2020		2021		2020		2021			2020
Operating revenues	\$	287.2	\$	254.7	\$	296.6	\$	257.3	\$	285.7	\$	267.8	\$	350.0	\$	348.3
Gross profit (1)		104.4		90.5		102.3		89.4		95.8		92.1		129.3		123.5
Income from continuing operations, net of $\tan^{(1)(2)}$		23.0		14.5		17.7		19.3		13.9		19.5		4.4		20.5
Income from discontinued operations, net of tax $^{(1)(3)}$		3.8		8.6		44.2		8.2		316.4		3.1		2.0		5.3
Net income	\$	26.8	\$	23.1	\$	61.9	\$	27.5	\$	330.3	\$	22.6	\$	6.4	\$	25.8
Basic income per share of common stock:																
Continuing operations, net of tax	\$	0.51	\$	0.33	\$	0.39	\$	0.43	\$	0.31	\$	0.44	\$	0.10	\$	0.46
Discontinued operations, net of tax		0.08		0.19		0.98		0.19		6.98		0.07		0.04		0.11
Net income	\$	0.59	\$	0.52	\$	1.37	\$	0.62	\$	7.29	\$	0.51	\$	0.14	\$	0.57
Diluted income per share of common stock:																
Continuing operations, net of tax	\$	0.50	\$	0.32	\$	0.38	\$	0.42	\$	0.30	\$	0.42	\$	0.10	\$	0.44
Discontinued operations, net of tax		0.08		0.19		0.95		0.18		6.78		0.07		0.04		0.12
Net income	\$	0.58	\$	0.51	\$	1.33	\$	0.60	\$	7.08	\$	0.49	\$	0.14	\$	0.56

*Note:* The sum of the quarters' income per share may not equal the full year per share amounts.

Ouring the fourth quarter of 2021, and as further discussed in Note 9, we converted the inventory accounting for certain of our businesses from the LIFO method to the FIFO method. This change in accounting has been retrospectively applied to our consolidated financial statements. Within the quarterly results presented above, and compared to what has been previously reported, we have restated gross profit, income from continuing operations, net of tax, income from discontinued operations, net of tax, and net income as follows:

	First					Sec	ond		Third				Fourth	
	2021		2020		2021		2020		2021		2020		2020	
Gross profit	\$		\$	0.5	\$	0.5	\$	0.5	\$	1.5	\$	(0.2)	\$	1.5
Income from continuing operations, net of tax		_		0.4		0.4		0.4		1.1		(0.2)		1.1
Income from discontinued operations, net of tax		_		_		_		_		(2.1)		_		0.1
Net income		_		0.4		0.4		0.4		(1.0)		(0.2)		1.2

<sup>&</sup>lt;sup>(2)</sup> During the fourth quarter of 2021 and 2020, we recognized pre-tax actuarial gains (losses) of \$9.9 and \$(6.8), respectively, associated with our pension and postretirement benefit plans. See Note 11 for additional details.

During the fourth quarter of 2021 and 2020, we recorded charges of \$46.3 (\$44.6 to continuing operations and \$1.7 to discontinued operations) and \$19.1 (\$17.0 to continuing operations and \$2.1 to discontinued operations), respectively, as a result of changes in estimates associated with the assets and liabilities recorded for asbestos product liability matters.

During the fourth quarter of 2021, we recorded impairment charges of \$5.7 related to (i) the goodwill and indefinite-lived intangible assets of ULC (\$5.2) and (ii) certain other indefinite-lived intangible assets (\$0.5). See Note 10 for additional details.

(3) During the second quarter of 2021, we recorded tax benefits of \$33.0 in "Income from discontinued operations, net of tax" including (i) \$28.6 for the excess tax basis in the stock of Transformer Solutions and (ii) \$4.4 for previously unrecognized state net operating losses, each as a result of the definitive agreement to sell the business.

As discussed in Note 1, on October 1, 2021, we completed the sale of Transformer Solutions for net cash proceeds of \$620.6. In connection with the sale, we recorded a gain of \$357.7 to "Gain (loss) on disposition of discontinued operations, net of tax" within our consolidated statement of operations for the third quarter 2021.

During the fourth quarter of 2021, we increased the gain by \$24.5, with the additional gain related primarily to the utilization of income tax benefits associated with liquidating certain recently acquired entities.

In the fourth quarter of 2021, and in connection with the completion of the wind-down of our DBT business, we recorded a charge of \$19.9 to discontinued operations to reflect the write-off of historical currency translation amounts associated with DBT that had been previously reported within "Stockholders' equity."

(4) We establish actual interim closing dates using a fiscal calendar, which requires our businesses to close their books on the Saturday closest to the end of the first calendar quarter, with the second and third quarters being 91 days in length. Our fourth quarter ends on December 31. The interim closing dates for the first, second and third quarters of 2021 were April 3, July 3 and October 2, compared to the respective March 28, June 27 and September 26, 2020 dates. This practice only affects the quarterly reporting periods and not the annual reporting period. We had five more days in the first quarter of 2021 and had six fewer days in the fourth quarter of 2021 than in the respective 2020 periods.

### ITEM 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

### ITEM 9A. Controls and Procedures

### **Disclosure Controls and Procedures**

SPX management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15(b), as of December 31, 2021. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2021 due to the material weakness discussed below related to the accounting for asbestos-related insurance recovery assets.

## Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control framework and processes were designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded properly to allow for the preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and the Board of Directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition
  of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changing conditions, effectiveness of internal control over financial reporting may vary over time.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2021, at the reasonable assurance level described above. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control - Integrated Framework (2013). Based on this assessment, our Chief Executive Officer and Chief Financial Officer concluded, given the existence of a material weakness described below, that our internal control over financial reporting was not effective as of December 31, 2021.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis.

As a result of its assessment, management, with the participation of our Chief Executive Officer and Chief Financial Officer, identified a deficiency in the design and operating effectiveness of our internal controls related to the insurance recovery assets associated with alleged exposure to asbestos-containing materials. While the deficiency did not cause material misstatements to the financial statements, it presented a reasonable possibility that a material misstatement to the financial statements could have occurred.

Management excluded from its assessment of internal control over financial reporting as of December 31, 2021, the internal control over financial reporting of Sealite, ECS and Cincinnati Fan, which were acquired on April 19, 2021, August 2, 2021 and December 15, 2021, respectively. This exclusion is consistent with guidance issued by the U.S. Securities and Exchange Commission that an assessment of a recently acquired business may be omitted from the scope of management's report on internal control over financial reporting in the year of acquisition. The total assets of these acquired entities (excluding goodwill and intangible assets, which are included within the scope of our assessment) represented approximately 2% of our

consolidated total assets as of December 31, 2021 and their aggregate revenues represented approximately 3% of our consolidated revenues for the year ended December 31, 2021. See a discussion of these acquisitions in Note 1 of the Notes to the Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report included in this Form 10-K.

#### Remediation Plan and Status

Our remediation efforts are in process as we have subsequently designed control procedures to address the material weakness. Management will, among other procedures,

- Perform a reconciliation of data used in our accounting assessments to the records of external legal counsel and thirdparty administrators to verify the completeness of recorded insurance recovery assets associated with alleged exposure to asbestos-containing materials.
- On a quarterly basis, monitor changes in available insurance and, to the extent there are changes, confirm all changes
  with the external legal counsel and third-party administrators and verify all such changes are properly reflected in the
  insurance availability reports.

We will implement, document policies and procedures for, and test the implementation and operating effectiveness of, the newly-designed controls in future periods. The material weakness in our internal control over financial reporting will not be considered remediated until the newly-designed controls operate for a sufficient period of time.

## **Changes in Internal Control Over Financial Reporting**

Other than those described above, there have been no changes in the our internal control over financial reporting (as defined in Rule 13a-15(d)) during the quarter ended December 31, 2021 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

#### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of SPX Corporation

## **Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of SPX Corporation and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control*—*Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 25, 2022, expressed an unqualified opinion on those financial statements.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Sealite Pty Ltd ("Sealite"), Enterprise Control Systems Ltd ("ECS"), and Cincinnati Fan & Ventilator Co., Inc. ("Cincinnati Fan"), which were acquired on April 19, 2021, August 2, 2021, and December 15, 2021, respectively, and whose aggregate total assets (excluding goodwill and intangible assets, which were integrated into the Company's control environment) and aggregate revenues constitute approximately 2% and 3%, respectively, of the related amounts in the Company's consolidated financial statements as of and for the year ended December 31, 2021. Accordingly, our audit did not include the internal control over financial reporting at Sealite, ECS, and Cincinnati Fan.

## **Basis for Opinion**

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

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

## **Definition and Limitations of Internal Control over Financial Reporting**

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

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

## **Material Weakness**

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: The Company identified a deficiency in the design and operating effectiveness of internal controls related to the insurance recovery assets associated with alleged exposure to asbestos-containing materials.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2021, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte & Touche LLP Charlotte, North Carolina February 25, 2022

## ITEM 9B. Other Information

Not applicable	
	ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections
Not applicable	•

### PART III

## ITEM 10. Directors, Executive Officers and Corporate Governance

a) Directors of the company.

This information is included in our definitive proxy statement for the 2022 Annual Meeting of Stockholders under the heading "Election of Directors" and is incorporated herein by reference.

- b) Executive Officers of the company.
  - **Eugene J. Lowe, III**, 53, President and Chief Executive Officer and a member of the Board of Directors since September 2015. Mr. Lowe joined SPX in 2008, was appointed an officer of the company in December 2014, and previously served as President, Thermal Equipment and Services from February 2013 to September 2015, President, Global Evaporative Cooling from March 2010 to February 2013, and Vice President of Global Business Development and Marketing, Thermal Equipment and Services from June 2008 to March 2010. Prior to joining SPX, Mr. Lowe held positions with Milliken & Company, Lazard Technology Partners, Bain & Company, and Andersen Consulting.
  - James E. Harris, 59, Vice President, Chief Financial Officer and Treasurer since August 2020. Mr. Harris joined SPX from Elevate Textiles, Inc., a private equity portfolio company, where he served as Chief Financial Officer prior to being promoted to interim Chief Executive Officer. Before joining Elevate in 2019, Jamie spent over ten years with Coca-Cola Consolidated, the largest independent Coca-Cola franchisee in the United States, where he served as Senior Vice President Chief Financial Officer, and subsequently Executive Vice President Business Transformation and Business Services. His prior executive roles include senior financial positions with MedCath Corporation, Fresh Foods Inc., and The Shelton Companies.
  - **J. Randall Data**, 56, President, South Africa and Global Operations since August 2015 and was appointed an officer of the company in September 2015. Prior to joining SPX, Mr. Data spent over 27 years with The Babcock & Wilcox Company. Most recently, he was President and Chief Operating Officer of Babcock & Wilcox Power Generation Group, Inc., a subsidiary of The Babcock & Wilcox Company, from April 2012 to July 2015. While at The Babcock & Wilcox Company, Mr. Data held numerous leadership positions in the global operations of the steam generating and environmental equipment businesses.
  - **John W. Nurkin**, 52, Vice President, General Counsel and Secretary since September 2015. Mr. Nurkin joined SPX in 2005, was appointed an officer of the company in September 2015, and previously served as Segment General Counsel, Industrial Products and Services and Corporate Commercial from September 2013 to September 2015, Vice President of New Venture Development and Assistant General Counsel from January 2011 to September 2013, Segment General Counsel, Industrial Products and Services from January 2007 to January 2011, and Group General Counsel, Industrial Products and Services from October 2005 to January 2007. Prior to joining SPX, Mr. Nurkin was a partner at the law firm of Moore & Van Allen.
  - **John W. Swann, III**, 51, President, Weil-McLain and Marley Engineered Products since August 2013, President, Radiodetection since September 2015 and President, Heating and Location & Inspection since 2018. Mr. Swann joined SPX in 2004, was appointed an officer of the company in September 2015, and previously served as President, Hydraulic Technologies from January 2011 to August 2013, Vice President of New Venture Development from February 2010 to January 2011, and Director of Business Development from August 2004 to February 2010. Prior to joining SPX, Mr. Swann held positions with PricewaterhouseCoopers and Andersen Business Consulting.
  - **NaTausha H. White**, 50, Vice President and Chief Human Resources Officer since April 2015 and was appointed an officer of the company in September 2015. Ms. White returned to SPX in April 2015 after serving as the Vice President of Human Resources for Integrated Network Solutions at Harris Corporation from June 2013 to April 2015. Prior to that, she was responsible for the Human Resources function at SPX's Global Evaporative Cooling business from July 2012 to June 2013. From 2006 to 2012, she served in various human resources leadership positions within United Technologies Corporation. Ms. White began her career at Georgia-Pacific Corporation, spending 12 years in a variety of human resource management roles.
  - Ankush Kumar, 48, President, SPX Global Cooling since October of 2020. Mr. Kumar joined SPX from Gardner Denver Holdings, Inc., a global industrial manufacturer, where he led the fluid transfer equipment and liquid-ring compressor systems businesses. He also previously spent 13 years at McKinsey & Company, where his focus was growth through strategy deployment, business development and commercial performance transformation.

c) Section 16(a) Beneficial Ownership Reporting Compliance.

This information is included in our definitive proxy statement for the 2022 Annual Meeting of Stockholders under the heading "Delinquent Section 16(a) Reports" and is incorporated herein by reference.

## d) Code of Ethics.

This information is included in our definitive proxy statement for the 2022 Annual Meeting of Stockholders under the heading "Corporate Governance" and is incorporated herein by reference.

e) Information regarding our Audit Committee and Nominating and Governance Committee is set forth in our definitive proxy statement for the 2022 Annual Meeting of Stockholders under the headings "Corporate Governance" and "Board Committees" and is incorporated herein by reference.

## **ITEM 11. Executive Compensation**

This information is included in our definitive proxy statement for the 2022 Annual Meeting of Stockholders under the headings "Executive Compensation" and "Director Compensation" and is incorporated herein by reference.

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

This information is included in our definitive proxy statement for the 2022 Annual Meeting of Stockholders under the headings "Ownership of Common Stock" and "Equity Compensation Plan Information" and is incorporated herein by reference.

## ITEM 13. Certain Relationships and Related Transactions, and Director Independence

This information is included in our definitive proxy statement for the 2022 Annual Meeting of Stockholders under the heading "Corporate Governance" and is incorporated herein by reference.

## ITEM 14. Principal Accountant Fees and Services

This information is included in our definitive proxy statement for the 2022 Annual Meeting of Stockholders under the heading "Ratification of the Appointment of Independent Public Accountants" and is incorporated herein by reference.

## PART IV

## ITEM 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Form 10-K:

- 1. All financial statements. See Index to Consolidated Financial Statements on page 51 of this Form 10-K.
- 2. Financial Statement Schedules. None required. See page 51 of this Form 10-K.
- 3. Exhibits. See Index to Exhibits.

## ITEM 16. Form 10-K Summary

We have chosen not to include an optional summary of the information required by this Form 10-K. For a reference to the
information in this Form 10-K, investors should refer to the Table of Contents to this Form 10-K.

## **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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 on this 25th day of February, 2022.

(Registrant)	KATION
Ву	/s/ JAMES E. HARRIS
'	James E. Harris

Finance, and Corporate Controller

Vice President, Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on this 25th day of February, 2022.

/s/ EUGENE J. LOWE, III	/s/ JAMES E. HARRIS
Eugene J. Lowe, III President and Chief Executive Officer	James E. Harris Vice President, Chief Financial Officer and Treasurer
/s/ PATRICK J. O'LEARY	/s/ RICKY D. PUCKETT
Patrick J. O'Leary Director	Ricky D. Puckett Director
/s/ DAVID A. ROBERTS	/s/ RUTH G. SHAW
David A. Roberts Director	Ruth G. Shaw Director
/s/ ROBERT B. TOTH	/s/ ANGEL S. WILLIS
Robert B. Toth Director	Angel S. Willis Director
/s/ MEENAL A. SETHNA	/s/ TANA L. UTLEY
Meenal A. Sethna Director	Tana L. Utley Director
	/s/ MICHAEL A. REILLY
	Michael A. Reilly Chief Accounting Officer, Vice President,

## INDEX TO EXHIBITS

		INDEX TO EXHIBITS
Item No.		Description
2.1		Separation and Distribution Agreement, dated as of September 22, 2015, by and between SPX FLOW, Inc. and SPX Corporation, incorporated by reference from our Current Report on Form 8-K filed on September 28, 2015 (File no. 1-6948).
2.2		Stock Purchase Agreement among SPX Corporation, SPX Transformer Solutions, Inc., GE Prolec Transformers, Inc. and Prolec GE Internacional, S. DE RL. DE CV. dated as of June 8, 2021, incorporated by reference from our Current Report on Form 8-K filed on June 9, 2021 (File no. 1-6948).
3.1	_	Restated Certificate of Incorporation, as amended, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File no. 1-6948).
3.2	_	Certificate of Amendment of Certificate of Incorporation, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended June 27, 2015 (File no. 1-6948).
3.3	_	By-Laws as amended and restated effective February 20, 2013, incorporated herein by reference from our Current Report on Form 8-K filed on February 20, 2013 (File no. 1-6948).
4.1	_	Description of Capital Stock, incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2019 (File no. 1-6948).
10.1	_	Share Purchase Agreement, dated as of November 22, 2016, by and among SPX Cooling Technologies Leipzig GmbH, Marley Cooling Tower (Holdings) Limited, and SPX Mauritius Ltd. (collectively, the "Sellers," and each a "Seller"), and mutares Holding-24 AG ("Purchaser"), and, as parent guarantor, mutares AG incorporated by reference from our Current Report on Form 8-K/A filed on January 6, 2017 (File no. 1-6948).
10.2		Agreement and Plan of Merger dated as of April 22, 2018 by and among SPX Corporation, SPX PoolCo 2018, Inc., and ELXSI Corporation incorporated herein by reference from our Current Report on Form 8-K filed on April 23, 2018 (File No. 1-6948).
10.3		Transition Services Agreement, dated as of September 26, 2015, by and between SPX FLOW, Inc. and SPX Corporation, incorporated by reference from our Current Report on Form 8-K filed on September 28, 2015 (File no. 1-6948).
10.4	_	Tax Matters Agreement, dated as of September 26, 2015, by and between SPX FLOW, Inc. and SPX Corporation, incorporated by reference from our Current Report on Form 8-K filed on September 28, 2015 (File no. 1-6948).
10.5	—	Employee Matters Agreement, dated as of September 26, 2015, by and between SPX FLOW, Inc. and SPX Corporation, incorporated by reference from our Current Report on Form 8-K filed on September 28, 2015 (File no. 1-6948).
10.6		Trademark License Agreement, dated as of September 26, 2015, by and between SPX FLOW, Inc. and SPX Corporation, incorporated by reference from our Current Report on Form 8-K filed on September 28, 2015 (File no. 1-6948).
10.7		Credit Agreement, dated as of September 1, 2015, among SPX Corporation, the Foreign Subsidiary Borrowers party thereto, Bank of America, N.A., as Administrative Agent, Deutsche Bank AG Deutschlandgeschäft Branch, as Foreign Trade Facility Agent, and the other agents and lenders party thereto, incorporated by reference from our Current Report on Form 8-K filed on September 2, 2015 (File no. 1-6948).
10.8		First Amendment to Credit Agreement, dated as of March 20, 2017, among SPX Corporation, the Foreign Subsidiary Borrowers, the Subsidiary Guarantors, the Lenders party thereto, Deutsche Bank AG Deutschlandgeschäft Branch, as Foreign Trade Facility Agent, and Bank of America, N.A., as Administrative Agent, incorporated by reference from our Current Report on Form 8-K filed on March 22, 2017 (File no. 1-6948).
10.9		Second Amendment to Credit Agreement and Amendment to Guarantee and Collateral Agreement, dated as of December 19, 2017, among SPX Corporation, the Foreign Subsidiary Borrowers, the Subsidiary Guarantors, the Lenders party thereto, Deutsche Bank AG Deutschlandgeschäft Branch, as Foreign Trade Facility Agent, and Bank of America, N.A., as Administrative Agent, incorporated by reference from our Current Report on Form 8-K filed on December 20, 2017 (File no. 1-6948).
10.10		Third Amendment to Credit Agreement, dated as of December 17, 2019, among SPX Corporation, the Foreign Subsidiary Borrowers, the Subsidiary Guarantors, the Lenders party thereto, Deutsche Bank AG Deutschlandgeschäft Branch, as Foreign Trade Facility Agent, and Bank of America, N.A., as Administrative Agent, incorporated by reference from our Current Report on Form 8-K filed on December 18, 2019 (File no. 1-6948).
10.11	_	LIBOR Transition Amendment dated as of December 9, 2021 among SPX CORPORATION, the Subsidiary Guarantors party thereto, and Bank of America, N.A., as the Administrative Agent

- 10.12 SPX Corporation 1997 Non-Employee Directors' Compensation Plan, as amended and restated December 17, 2008, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2008 (File no. 1-6948).
- 10.13 Amendment to the SPX Corporation 1997 Non-Employee Directors' Compensation Plan, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2010 (File no. 1-6948).
- 10.14 SPX Corporation 2006 Non-Employee Directors' Stock Incentive Plan, incorporated herein by reference to Appendix E of our definitive proxy statement for our 2006 Annual Meeting of Stockholders, filed April 3, 2006 (File no. 1-6948).
- 10.15 Amendment to the SPX Corporation 2006 Non-Employee Directors' Stock Incentive Plan, incorporated herein by reference to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File no. 1-6948).
- \*10.16 Form of Restricted Stock Agreement under the SPX Corporation 2006 Non-Employee Directors' Stock Incentive Plan, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2010 (File no. 1-6948).
- \*10.17 SPX Corporation 2019 Stock Compensation Plan, incorporated herein by reference to Appendix A of our definitive proxy statement for our 2019 Annual Meeting of Stockholders, filed March 28, 2019 (File no. 1-6948)
- \*10.18 Form of Performance-Based Restricted Stock Unit Agreement under the SPX Corporation 2019 Stock Compensation Plan incorporated by reference from our Current Report on Form 8-K filed on May 10, 2019 (File no. 1-6948).
- \*10.19 Form of Time-Based Restricted Stock Unit Agreement under the SPX Corporation 2019 Stock
  Compensation Plan incorporated by reference from our Current Report on Form 8-K filed on May 10,
  2019 (File no. 1-6948).
- \*10.20 Form of Cash-Settled Performance Unit Agreement under the SPX Corporation 2019 Stock Compensation Plan incorporated by reference from our Current Report on Form 8-K filed on May 10, 2019 (File no. 1-6948).
- \*10.21 Form of Stock Option Agreement under the SPX Corporation 2019 Stock Compensation Plan incorporated by reference from our Current Report on Form 8-K filed on May 10, 2019 (File no. 1-6948).
- \*10.22 Form of Time-Based Restricted Stock Unit Agreement for Non-Employee Directors under the SPX

  Corporation 2019 Stock Compensation Plan incorporated by reference from our Current Report on Form

  8-K filed on May 10, 2019 (File no. 1-6948).
- \*10.23 2002 Stock Compensation Plan (As Amended and Restated Effective May 3, 2012), incorporated herein by reference to Appendix A of our definitive proxy statement for our 2012 Annual Meeting of Stockholders, filed March 22, 2012 (File no. 1-6948).
- \*10.24 SPX Corporation 2002 Stock Compensation Plan (As Amended and Restated Effective May 8, 2015), incorporated herein by reference to Appendix A of our definitive proxy statement for our 2015 Annual Meeting of Stockholders, filed March 26, 2015 (File no. 1-6948).
- \*10.25 Amendment of the SPX Corporation 2002 Stock Compensation Plan (As Amended and Restated Effective May 8, 2015), effective as of February 21, 2017, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2016 (File no. 1-6948).
- \*10.26 SPX Corporation Executive Annual Bonus Plan, incorporated herein by reference to Appendix A of the Registrant's definitive proxy statement for the 2016 Annual Meeting of Stockholders, filed April 12, 2016 (File no. 1-6948).
- \*10.27 SPX Corporation Executive Long-Term Disability Plan, as Amended and Restated Effective July 1, 2015, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2017 (File no. 1-6948).
- \*10.28 SPX Corporation Life Insurance Plan for Key Managers, as Amended and Restated September 26, 2015, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2017 (File no. 1-6948).
- \*10.29 SPX Corporation Supplemental Retirement Savings Plan, as Amended and Restated May 31, 2008, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended June 28, 2008 (File no. 1-6948).
- \*10.30 Amendment to the SPX Corporation Supplemental Retirement Savings Plan (as Amended and Restated May 31, 2008), effective December 31, 2010, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2010 (File no. 1-6948).
- \*10.31 Amendment to the SPX Corporation Supplemental Retirement Savings Plan (as Amended and Restated May 31, 2008), effective March 10, 2014, incorporated herein by reference from our Current Report on Form 8-K filed on March 3, 2014 (File no. 1-6948).

- \*10.32 Amendment to the SPX Corporation Supplemental Retirement Savings Plan (as Amended and Restated May 31, 2008), effective May 7, 2015, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2017 (File no. 1-6948).
- \*10.33 Amendment to the SPX Corporation Supplemental Retirement Savings Plan (as Amended and Restated May 31, 2008), effective September 25, 2015, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2017 (File no. 1-6948).
- \*10.34 Amendment to the SPX Corporation Supplemental Retirement Savings Plan (as Amended and Restated May 31, 2008), effective December 18, 2017, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2017 (File no. 1-6948).
- \*10.35 SPX Corporation Supplemental Individual Account Retirement Plan, as amended and restated December 31, 2008, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2008 (File no. 1-6948).
- \*10.36 Amendment to the SPX Corporation Supplemental Individual Account Retirement Plan (as amended and restated December 31, 2008), effective March 10, 2014, incorporated herein by reference from our Current Report on Form 8-K filed on March 3, 2014 (File no. 1-6948).
- \*10.37 Amendment to the SPX Corporation Supplemental Individual Account Retirement Plan (as amended and restated December 31, 2008), effective August 19, 2015, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2017 (File no. 1-6948).
- \*10.38 SPX Corporation Supplemental Retirement Plan for Top Management, as amended and restated April 22, 2009, incorporated herein by reference to our Quarterly Report on Form 10-Q for the quarter ended June 27, 2009 (File no. 1-6948).
- \*10.39 Amendment to the SPX Corporation Supplemental Retirement Plan for Top Management (as amended and restated April 22, 2009), effective March 10, 2014, incorporated herein by reference from our Current Report on Form 8-K filed on March 3, 2014 (File no. 1-6948).
- \*10.40 Amendment to the SPX Corporation Supplemental Retirement Plan for Top Management (as amended and restated April 22, 2009), effective September 26, 2015, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2017 (File no. 1-6948).
- \*10.41 Form of SPX Corporation Confidentiality and Non-Competition Agreement for Executive Officers, incorporated herein by reference from our Current Report on Form 8-K filed on October 6, 2006 (File no. 1-6948).
- \*10.42 Form of SPX Corporation Confidentiality and Non-Competition Agreement for Executive Officers, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2016 (File no. 1-6948).
- \*10.43 Form of Severance Benefit Agreement, incorporated by reference from our Current Report on Form 8-K filed on October 1, 2015 (File no. 1-6948).
- \*10.44 Form of Change of Control Agreement with SPX Corporation, incorporated by reference from our Current Report on Form 8-K filed on October 1, 2015 (File no. 1-6948).
- \*10.45 Employment Agreement between Eugene Joseph Lowe, III and SPX Corporation, incorporated by reference from our Current Report on Form 8-K filed on October 1, 2015 (File no. 1-6948).
- \*10.46 Change of Control Agreement between Eugene Joseph Lowe, III and SPX Corporation, incorporated by reference from our Current Report on Form 8-K filed on October 1, 2015 (File no. 1-6948).
- \*10.47 Letter agreement dated June 7, 2021 between SPX Corporation and Brian G. Mason, incorporated by reference from our Quarterly Report on Form 10-Q for the period ended July 3, 2021 (File no. 1-6948).
- \*10.48 Enhanced Severance Agreement dated as of June 7, 2021 between SPX Transformer Solutions, Inc. and Brian G. Mason, incorporated by reference from our Quarterly Report on Form 10-Q for the period ended July 3, 2021 (File no. 1-6948).
  - 18.1 Preferability Letter re Change in Accounting Principle
- 21.1 Subsidiaries.
- 23.1 Consent of Independent Registered Public Accounting Firm Deloitte & Touche LLP.
- 31.1 Rule 13a-14(a) Certification.
- 31.2 Rule 13a-14(a) Certification.
- 32.1 Section 1350 Certifications.
- 101.INS Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
- 101.SCH Inline XBRL Taxonomy Extension Schema Document

101.CAL	_	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	_	Inline XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	_	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	_	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104.1		Cover Page Interactive Data File (formatted as Inline XBRL and contained in the Interactive Data File submitted as (Exhibit 101.1)

<sup>\*</sup> Denotes management contract or compensatory plan or arrangement.

# CORPORATE

## INFORMATION \_

### **OFFICERS**



LEFT TO RIGHT

John W. Swann, III, President, Heating and Location & Inspection

Ankush Kumar, President, SPX Global Cooling

NaTausha H. White, Vice President and Chief Human Resources Officer

**John W. Nurkin,** Vice President, General Counsel and Secretary

Eugene J. Lowe, III, President and Chief Executive Officer James E. Harris, Vice President, Chief Financial Officer and Treasurer

J. Randall Data, President, Global Operations and South Africa

#### DIDECTOR



#### LEFT TO RIGHT

Meenal A. Sethna, Executive Vice President and Chief Financial Officer, Littelfuse, Inc.

David A. Roberts, Compensation Committee Chair, Chairman of the Board and Retired Executive Chairman, President and Chief Executive Officer. Carlisle Companies. Inc.

**Dr. Ruth G. Shaw,** Nominating and Governance Committee Chair, Former President and Chief Executive Officer, Duke Power

Ricky D. Puckett, Audit Committee Chair, Retired Executive Vice President, Chief Financial Officer, Treasurer and Chief Administrative Officer, Snyder's-Lance, Inc. Robert B. Toth, Former Chairman, Chief Executive Officer and President, Polypore International, Inc.

Eugene J. Lowe, III, President and Chief Executive Officer, SPX Corporation

**Angel Shelton Willis,** Vice President, General Counsel & Secretary, Sealed Air Corporation

**Tana L. Utley,** Retired Vice President of Large Power Systems Division, Caterpillar Inc.

Patrick J. O'Leary, Chairman, Retired Executive Vice President, Finance, Treasurer and Chief Financial Officer, SPX Corporation

### ANNUAL MEETING

SPX Corporation's Annual Meeting of Stockholders Tuesday, 8 a.m. ET\* May 10, 2022 Virtual Meeting

### CORPORATE OFFICE

SPX Corporation 6325 Ardrey Kell Road, Suite 400 Charlotte, NC 28277 980-474-3700 | www.spx.com

## TRANSFER AGENT AND REGISTRAR

Computershare Investor Services PO Box 505000 Louisville, KY 40233-5000

Inside the United States: 877-498-8861 Outside the United States: 781-575-2879 TDD/TTY for hearing impaired: 800-952-9245 Operators are available Monday– Friday 9:00 a.m. to 5:00 p.m. Eastern Time.

An interactive automated system is available around the clock every day. www.computershare.com

## **AUDITORS**

Deloitte & Touche LLP Charlotte, NC

## STOCK EXCHANGE LISTING

New York Stock Exchange Symbol "SPXC"

\*Please consult Notice or proxy card for details

