

SPX®

2020 Annual Report

## 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, our focus on continuous innovation and meeting our customers' needs enables us to deliver high value-added products to our HVAC cooling and heating customers in commercial, industrial and residential markets.

- SPX COOLING TECHNOLOGIES ■ SGS REFRIGERATION ■ MARLEY® ENGINEERED PRODUCTS
- WEIL-MCLAIN®\* ■ WILLIAMSON-THERMOFLO®\* ■ PATTERSON-KELLEY

## DETECTION & MEASUREMENT

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

- RADIODETECTION ■ CUES ■ GENFARE ■ TCI ■ FLASH TECHNOLOGY ■ SABIK MARINE
- ULC ROBOTICS LLC ■ SCHONSTEDT ■ SENSORS & SOFTWARE

## ENGINEERED SOLUTIONS

Our Engineered Solutions segment offers market-leading engineered equipment for electrical grid and industrial applications. SPX Transformer Solutions offers power transformers and services, while our process cooling business focuses on innovative proprietary components and industrial cooling tower solutions.

- WAUKESHA® TRANSFORMERS ■ MARLEY® COOLING TOWERS

\*Weil-McLain and Williamson-Thermoflo are divisions of the Marley-Wylain Company, LLC.

# DEAR FELLOW SHAREHOLDERS

2020 was a highly unusual and challenging year. I would like to thank our employees for their immense dedication during one of the most difficult times many of us have ever experienced. Facing the challenges of a worldwide pandemic, our team continued to make safety a top priority, while rapidly adapting and executing effectively on our value creation goals. For the year, we were one of only a small group of industrial companies to increase revenues and earnings. We entered 2021 stronger than ever, and positioned to continue our growth journey.

I am very proud of our accomplishments during 2020, including the introduction of several new products, progress on continuous improvement initiatives, the completion of two attractive acquisitions, and several valuable investments in our people and our culture.

Within our HVAC segment we had several successes. In our Cooling business, we enhanced and expanded our coverage of international markets, introduced new commercial and industrial refrigeration products, and improved the value-focus of our sales process. In addition, we further

optimized production efficiency and freight logistics in our domestic operations.

In our Heating businesses, we made significant progress on continuous improvement initiatives, such as 80/20, and introduced several new products, including a new line of residential high-efficiency boilers, and an expanded line of larger-sized commercial boilers. We also continued to successfully integrate Patterson-Kelley, a leader in commercial high-efficiency boilers that we acquired in late 2019.

In our Detection & Measurement segment, we experienced some COVID-19 related headwinds in 2020, but continued to see solid overall demand. We moved forward with the introduction of several new products and made significant progress on sourcing initiatives and investments in digital enhancements. In our Aids to Navigation platform, we introduced new lighting solutions including an obstruction lighting product engineered specifically for wind turbines. In our Location & Inspection platform, we introduced new robotic solutions for helping utilities more efficiently manage connections to lateral lines when remediating underground

## SOLID PERFORMANCE IN AN UNPRECEDENTED ENVIRONMENT

“While 2020 was the most unusual and challenging year many of us have experienced in our lifetime, I am very pleased with the progress we made. Our balanced portfolio and the resilience of our employees helped drive strong results for the year.”



water and waste water infrastructure, and an updated line of underground location equipment with innovative features to improve user experience.

During the year, we further built out our strategic Location & Inspection platform. In September, we acquired ULC Robotics, a pioneer in the use of robotics to inspect and remediate underground gas utility infrastructure. In November, we acquired Sensors & Software, which adds specialized Ground Penetrating Radar products and expertise to our Locators business. Along with our prior acquisitions of CUES and Schonstedt, our Location & Inspection platform has transformed from an equipment business with approximately \$100 million in annual revenue in 2018 into an underground infrastructure solutions provider, with approximately \$250 million of annualized revenue.<sup>1</sup> This expansion positions SPX to address a much larger market with significant growth and margin enhancement opportunities. It has also increased our leverage to important secular drivers, such as the growing need for reinvestment in critical infrastructure.

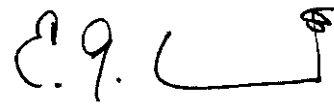
In our Engineered Solutions segment, we continued to make progress on margin expansion in our Transformers business. We are very pleased with the 2020 performance of the segment, and anticipate more opportunities to grow.

Despite numerous challenges faced by our teams and businesses, we made significant progress on initiatives related to people and sustainability. We further advanced our talent management framework, called RiSE, which helps SPX Reach, Identify, Strengthen, and Engage our workforce. We celebrated the graduation of our second class of participants in our leadership development program, and introduced a new executive development program for our frontline leaders.

We also advanced our Diversity & Inclusion initiative, focusing on programming that will build a more inclusive work environment where everyone feels valued and respected. With the launch of our Diversity & Inclusion Council and our Ambassador Network of employees from across the organization, we are developing and implementing strategies to advance this agenda in an impactful way. We believe that through education and engagement, we will enhance the sharing of ideas and the identification of opportunities.

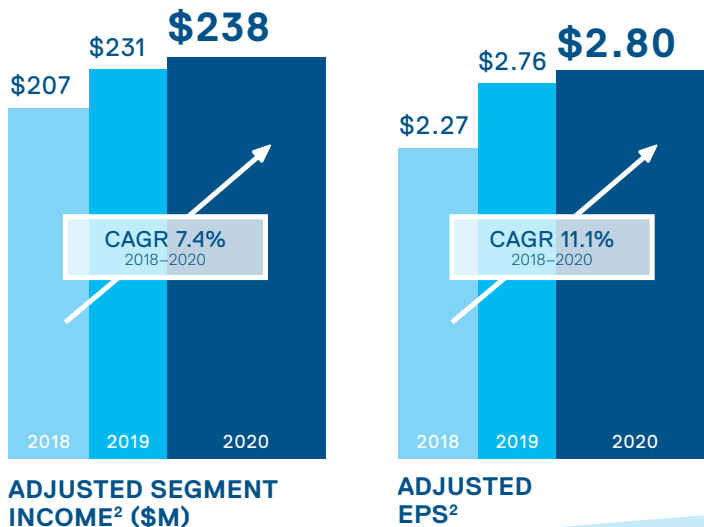
Overall, our balanced portfolio and the resilience of our employees helped drive strong results for the year. As we progress through 2021, we will continue to tightly adhere to our successful value creation framework. Our key initiatives include extending our continuous improvement processes across the organization, further investing in digital solutions to facilitate our customers' experience, and building on our successes in our employee development and Diversity & Inclusion efforts. We also anticipate further opportunities to employ our strong balance sheet to invest in attractive platforms in closely adjacent end markets.

While 2020 was the most unusual and challenging year many of us have experienced in our lifetime, I am very pleased with the progress we made. I would like to thank you, our shareholders, for your support and your valuable feedback, which helps guide our successful 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.



**GENE LOWE**

President and Chief Executive Officer



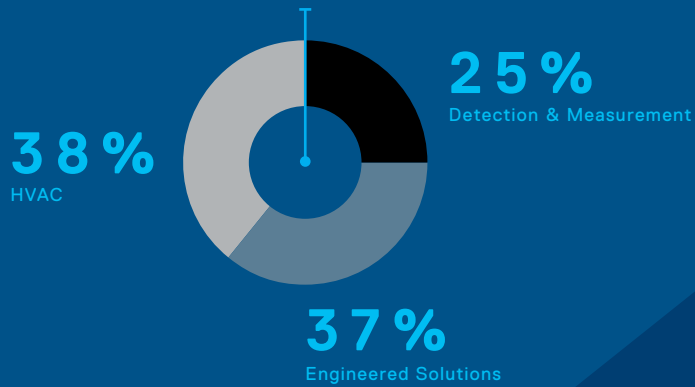
**CONTINUOUS  
DELIVERY OF VALUE  
CREATION**

<sup>1</sup>Approximate run-rate revenue prior to COVID-19 pandemic

<sup>2</sup>Non-GAAP financial measure. Reconciliations from US GAAP financial measures are available in the reconciliation on page 130 of this report.

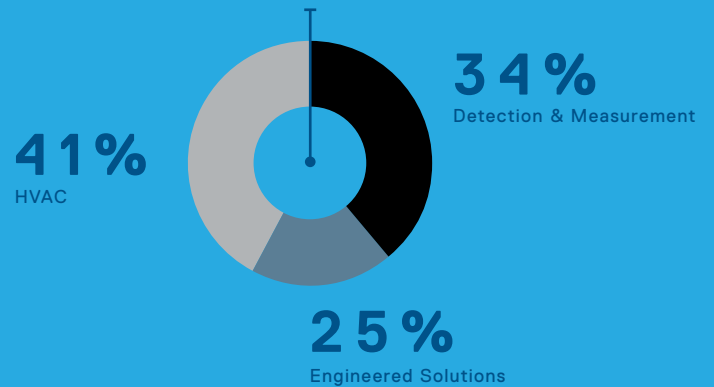
2020  
**\$1.6B**

ADJUSTED REVENUE\*



2020  
**\$238M**

ADJUSTED SEGMENT INCOME\*



\*Non-GAAP financial measure. Reconciliations from US GAAP financial measures are available in the reconciliation on page 130 of this report.

# STRATEGY

## Growth Journey

At SPX, our focus on creating value begins with listening to our shareholders, employees, and customers. By understanding the needs of our stakeholders, we are building a company with sustainable growth potential for many years to come.

## Organic Growth

A key part of our growth journey is expanding our ability to serve new markets and our customers' needs by introducing new products, developing new channels, enhancing the efficiency of our operations and investing in our employees to equip them with the tools to succeed.

Despite the unusual operating climate in 2020, SPX continued to develop multiple new products and opportunities to expand our market position.

## HVAC

In our HVAC segment, our Cooling platform further extended its reach into commercial and industrial refrigeration, with the launch of a highly competitive new fluid cooler and a new evaporator that support large commercial and industrial applications, such as food processing. SPX solidified its position in this space with the 2019 acquisition of SGS Refrigeration.

In our Heating platform, we further expanded our coverage of customer needs in both commercial and residential high-efficiency boilers. We launched a new commercial condensing boiler line, available in 2021, that provides maximum efficiency and comfort in a smaller footprint. We also introduced a highly flexible residential boiler line designed for high performance, and easy installation and service.



### The SGS PC Series Industrial Evaporator

The SGS PC Series Industrial Evaporator is an industrial refrigeration product suitable for large industrial and commercial food preparation and storage facilities.



### PK-Solis

The PK-Solis is Patterson-Kelley's first firetube condensing boiler, designed to maximize (96%) thermal efficiency and comfort while occupying a smaller footprint.



### Marley® MH Element™ Fluid Cooler

The Marley MH Element Fluid Cooler is the most efficient closed-circuit cooling tower in its class, and offers significantly improved performance in a smaller footprint compared to conventional closed-circuit coolers.



### Weil-McLain® ECO® Tec

The Weil-McLain ECO® Tec is an advanced, versatile residential boiler designed for high performance and easy installation and service.



## DETECTION & MEASUREMENT

In our Detection & Measurement segment, we added several innovative solutions in 2020 to drive efficiency and offer value to customers in existing and closely adjacent markets.

In our Location & Inspection platform, we introduced new robotic solutions for helping utilities more efficiently manage connections to lateral lines when remediating underground water and waste water infrastructure, a miniaturized version of a highly popular robotic camera for waste water pipe inspections, and an updated line of underground location equipment with innovative transmission technology.

In our Aids to Navigation platform, which offers advanced lighting solutions for harsh environments, we introduced a new solar powered, off-grid lighting solution for applications where grid connections are problematic, and a high intensity lighting solution specifically designed for the tolerances of wind turbines, offering customers value, efficiency and the highest levels of quality.

### Flash Technology Vanguard High (top left photo above)

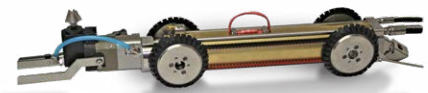
The Vanguard High FTS 270 LED lighting system is engineered for maximum LED life, and provides ultimate serviceability, minimizing downtime if maintenance is required.

### TCI Modular COMINT Platform (top right photo above)

A highly effective portable version of electronic spectrum monitoring equipment for defense applications. Available in 2021.

## ENGINEERED SOLUTIONS

In our Engineered Solutions segment, our Transformers business continued to perform well during 2020 as a result of our persistent focus on operational excellence and our customers' needs. In addition to several process enhancements designed to improve the production throughput of our plants, our team continued to bring a sharp focus to realizing premium value for our high-quality Waukesha Electric transformer brand.



### CUES Curahee Cutter

The CUES Curahee Cutter is a simple, flexible, durable solution for a variety of common issues when remediating lateral lines in underground water and waste water utility pipes.



### CUES Micro Pan & Tilt Camera

The CUES Micro Pan & Tilt Camera is designed to be steerable to navigate through complex, difficult pipe joints and connections in critical underground water infrastructure.



### Flash Technology FTS 350i

The Flash FTS 350i obstruction lighting solution was designed to withstand the harsh environments encountered on wind farms.

# STRATEGY

Compounding Growth through Reinvestment

## Acquisitions

A key part of SPX's acquisition strategy is building platforms on the foundation of our core strengths that deliver enhanced value to our customers across a range of critical end-market applications. 2020 marked another milestone year in SPX's growth journey with the acquisition of two businesses within our Detection & Measurement segment.

In September, SPX acquired ULC Robotics, a leading developer of robotic systems, machine learning applications and inspection technology for the energy, utility and industrial sectors. In November, we acquired Sensors & Software, a leader in Ground Penetrating Radar (GPR) products used for locating underground utilities.

### RADIODETECTION

### SCHONSTEDT

### SENSORS & SOFTWARE

LOCATION EQUIPMENT

~\$95m\*

#### LEGACY BUSINESS

Location & Inspection Equipment

Equipment  
Software  
Service



~\$10m\*

MARCH 2018  
Specialized Ferrous Locators

Equipment  
Software  
Service



~\$10m\*

NOVEMBER 2020  
GPR Location Equipment

Equipment  
Software  
Service





These acquisitions follow our 2018 purchases of Schonestedt Instrument Company, a leading provider of locators of ferrous materials, and CUES Inc., a leader in inspection and remediation equipment for water and wastewater infrastructure.

Together with our Radiodetection business, the leading provider of equipment for locating underground utilities, SPX has transformed our Location & Inspection platform in a short period of time. It has grown from an equipment business with one primary end market into a broad provider of high-value solutions for full life-cycle management of critical infrastructure, with substantially larger market and growth opportunities.



INSPECTION EQUIPMENT

~\$95m\*

JUNE 2018  
Water & Waste  
Water Pipeline  
Inspection Equipment

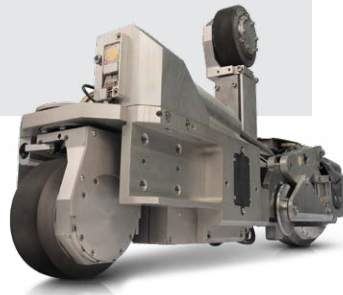
Equipment  
Software  
Service  
AI/Robotics



~\$40m\*

SEPTEMBER 2020  
Gas Utility  
Pipeline  
Inspection & Remediation

Equipment  
Software  
Service  
AI/Robotics



Transformed  
~\$100 million\*  
location equipment  
business into  
~\$250 million\*  
full life cycle  
infrastructure  
solutions provider

\*Based on approximate run-rate of revenue prior to COVID-19 pandemic

# BUSINESS SYSTEM

At SPX, we employ a disciplined business system to manage our businesses as operating platforms under one unified vision, helping us accomplish our company-wide strategic objectives and create value as efficiently as possible.

The unique challenges of 2020 highlighted the strength of our business system, our processes and our team. Keeping our people and environment safe is a critical part of our culture. During the early stages of the pandemic, we were able to move quickly to implement enhanced sanitization and safety procedures, shore up resources, transition critical processes to a work-from-home environment and maintain our commitments to our customers, many of whom are involved in managing critical infrastructure. We also successfully progressed on our key initiatives of Continuous Improvement, Digital and Talent Management. As a result, we did not have a material disruption to any of our operations.

## CONTINUOUS IMPROVEMENT

SPX continued to make progress through investments in tools and training across the enterprise, with lean and 80/20 as the fundamental backbone of our program. While the pandemic slowed our expansion of continuous improvement, we are committed to embedding these processes into our culture and anticipate significant benefits from their implementation over time.

## DIGITAL INITIATIVES

Our digital initiatives span a broad spectrum from simplifying the customer experience, to enhancing value at the product level through software, monitoring and connectivity, and improving search functionality and customer support. During the year, our businesses continued to optimize customer experiences with investments in new solutions for enhanced product configuration and rapid quotes, as well as additional on-demand training modules and easier OEM parts identification and ordering.



## TALENT MANAGEMENT

At SPX, we are highly focused on ensuring that we have the right skills and talent in place to execute on our growth and vision. We believe motivated employees thrive in a culture where they are recognized and rewarded, and see a clear path for development and 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.

### Safety Hazard Identification Win (photo below)

Our Safety Hazard Identification Program at our Transformer facilities rewards employees for identifying better, safer ways to implement manufacturing processes.



# CULTURE AND VALUES



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

In 2020, we continued our journey to build a strong culture that values diversity and inclusion, establishing a Diversity & Inclusion Council, comprised of both senior executives and associates from across the enterprise, designed to create greater awareness of the principles and value of diversity and inclusion, to develop tools for more effective management that facilitates inclusion and encourages diverse perspectives.

As part of this initiative, SPX developed networking and action groups, made up of “Ambassadors” from across the company. These groups highlight and develop solutions to challenges faced within the company and in our communities. Our education and training programs, which are mandatory for all employees, have been well received, and are helping our teams advance their knowledge and awareness of diversity issues, and develop the skills and behaviors required to embed these principles into our culture across the enterprise.

We will hold ourselves accountable for delivering progress on making the focus on diversity and inclusion a consistent part of our standard operating practices.

**SPX encourages and organizes employee involvement in community and charity events (photo above—pre-pandemic)**

Employees participate in Harvesters Community Food Network meal packing event.

# SUSTAINABILITY

THE WAY FORWARD



SPX is committed to a strong sustainability culture and a journey of continuous improvement on environmental, social and governance (ESG) issues.

This year we will publish our fourth annual sustainability report, which continues to include data on our energy and water usage, greenhouse gas emissions and employee health and safety. Each year our report has become more detailed to include additional data and information to allow our stakeholders to evaluate our ESG positioning, risk and opportunities. Our sustainability reports are available on our website at [spx.com](http://spx.com). SPX is committed to mapping and prioritizing key risk factors and opportunities for use in developing sustainability goals, and assessing ESG risks has become a key part of our annual Enterprise Risk Management process.

## ENVIRONMENTAL

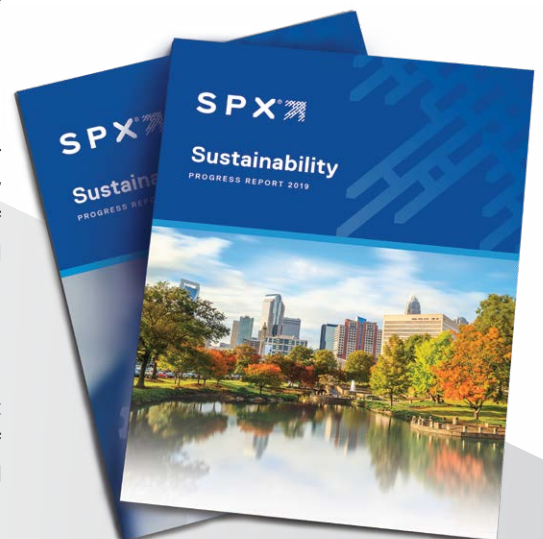
We believe our company is well positioned to thrive in a world where long-term targets on carbon emissions are realized. From our cooling towers, which can help reduce energy usage in buildings, to our inspection equipment that helps remediate leakage of underground water and waste water pipes, SPX offers a wide array of highly efficient and innovative products for the maintenance of critical infrastructure.

## SOCIAL

At SPX we set high standards for social responsibility. Whether by developing our employees through training and mentorship programs, supporting community educational or charity events, or embracing diverse backgrounds and points of view, we are committed to helping enable a safer, more inclusive, healthier and sustainable society.

## GOVERNANCE

Our Corporate Governance Guidelines, adopted by our Board of Directors, assist the Board and Management in the exercise of their responsibilities. Our Code of Ethics and Business Conduct (the Code) captures the values and foundational principles of our culture.





# SPX

**FORM 10-K**



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

**FORM 10-K**

**(Mark One)**

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

**For the fiscal year ended December 31, 2020**

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

**For the transition period from            to            .**

Commission file number: **1-6948**

**SPX Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

**38-1016240**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

**6325 Ardrey Kell Road Suite 400,  
Charlotte, NC 28277**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(980) 474-3700**

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

| <u>Title of each class</u>            | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---------------------------------------|--------------------------|--|
| <b>Common Stock, Par Value \$0.01</b> | <b>SPXC</b>              | <b>New York Stock Exchange</b>                   |

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

**None**  
(Title of class)

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

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

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

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

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

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 27, 2020 was \$1,689,537,294. The determination of affiliate status for purposes of the foregoing calculation is not necessarily a conclusive determination for other purposes.

\_\_\_\_\_

The number of shares outstanding of the registrant’s common stock as of February 19, 2021 was 45,075,565.

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Documents incorporated by reference: Portions of the Registrant’s proxy statement for its Annual Meeting to be held on May 11, 2021 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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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 facing us include economic, business and other risks stemming from our internal operations, legal and regulatory risks, costs of raw materials, pricing pressures, information technology and cybersecurity risks, integration of acquisitions, and changes in the economy, as well as the impacts of the coronavirus disease (the “COVID-19 pandemic”) and governmental responses to stem further outbreaks of the COVID-19 pandemic, which is further discussed below and 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 and 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 all potentially relevant risks and uncertainties, and we cannot assess the impact, if any, of these 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 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 recent 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 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 Dürre 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 now reporting the Heat Transfer business as a discontinued operation for all periods presented. Lastly, our South African subsidiary, DBT Technologies (PTY) LTD’s (“DBT”) contractual scope on the large power projects in South Africa is substantially complete, with its remaining responsibilities under the projects related

primarily to resolution of various claims between itself and one of the prime contractors on the projects. See MD&A and Notes 1 and 4 to our consolidated financial statements for further discussion of these actions.

On March 1, 2018 and June 7, 2018, we completed the acquisitions of Schonstedt Instrument Company (“Schonstedt”) and Cues, Inc. (“Cues”), respectively. Schonstedt is a manufacturer and distributor of magnetic locator products used for locating underground utilities and buried objects, while Cues is a manufacturer of pipeline inspection and rehabilitation equipment. The post-acquisition operating results of Schonstedt and Cues are reflected within our Detection and Measurement reportable segment.

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.

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, detection and measurement, power transmission and generation, and industrial markets. With operations in over 15 countries and approximately 4,500 employees, we offer a wide array of highly engineered infrastructure products with strong brands.

HVAC solutions offered by our businesses include package cooling towers, 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.

Within our engineered solutions platform, we are a leading manufacturer of medium and large power transformers, as well as process cooling equipment. These solutions play a critical role in electricity transmission and generation. Specifically, our power transformers play an integral role in the North American power grid, while our process cooling equipment assists our customers in meeting their power generation and industrial needs. The businesses within the platform are committed to driving value through continued focus on operational and engineering efficiencies.

### **Reportable Segments and Other Operating Segment**

Our DBT operating segment is reported within an “Other” category outside of our reportable segments. Our other operating segments are aggregated into the following three reportable segments: HVAC, Detection and Measurement, and Engineered Solutions. 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 or loss for each of our operating segments is determined before considering impairment and special charges, long-term incentive compensation,

certain other operating expenses 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 \$590.7, \$593.2 and \$582.1 in 2020, 2019 and 2018, respectively, and backlog of \$82.8 and \$77.8 as of December 31, 2020 and 2019, respectively. Approximately 97% of the segment's backlog as of December 31, 2020 is expected to be recognized as revenue during 2021. The segment engineers, designs, manufactures, installs and services cooling products 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 and Recold, while our heating and ventilation products are sold under the Berko, Qmark, Fahrenheit, Leading Edge, and Patterson-Kelley brands, and our Marley-Wylain 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 \$387.3, \$384.9 and \$320.9 in 2020, 2019 and 2018, respectively, and backlog of \$89.3 and \$76.4 as of December 31, 2020 and 2019, respectively. Approximately 81% of the segment's backlog as of December 31, 2020 is expected to be recognized as revenue during 2021. 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, 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 and Sabik Marine brand names, respectively.

### **Engineered Solutions Reportable Segment**

Our Engineered Solutions reportable segment had revenues of \$577.5, \$548.9 and \$537.0 in 2020, 2019 and 2018, respectively, and backlog of \$353.4 and \$373.4 as of December 31, 2020 and 2019, respectively. Approximately 88% of the segment's backlog as of December 31, 2020 is expected to be recognized as revenue during 2021. The segment engineers, designs, manufactures, installs and services transformers for the power transmission and distribution market, as well as process cooling equipment for the industrial and power generation markets. The primary distribution channels for the segment's products are direct to customers and third-party representatives. The segment has a strong presence in North America.

We sell transformers under the Waukesha brand name. Typical customers for this product line are publicly and privately held utilities. Our process cooling products are sold under the brand names of SPX Cooling and Marley.

### **Other**

Our DBT operating segment had revenues of \$4.0, \$(6.1) and \$72.6 in 2020, 2019 and 2018, respectively, and backlog of \$3.7 and \$7.4 as of December 31, 2020 and 2019, respectively. DBT engineers, designs, manufactures, installs, and services equipment for the industrial and power generation markets, with its efforts focused primarily on two large power projects in South Africa that are in the final stages of completion (see Note 15 to our consolidated financial statements for additional details).

### **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 ULC and Sensors & Software in 2020, Sabik, SGS, and Patterson-Kelley in 2019, and Schonstedt and Cues in 2018.

### **Divestitures**

We regularly review and negotiate potential divestitures in the ordinary course of business, some of which are or may be material. There were no divestitures of businesses in 2020, 2019 or 2018. As previously indicated, we completed the wind-down of our Heat Transfer business in the fourth quarter of 2020 and, as such, the business is now being reported as a discontinued operation for all periods presented.

## **International Operations**

We are a multinational corporation with operations in over 15 countries. Sales outside the United States were \$196.4, \$144.8 and \$221.0 in 2020, 2019 and 2018, 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 197 domestic and 214 foreign patents (comprising 186 patent “families”), including 23 patents that were issued in 2020, 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.

We are subject to increases in the prices of many of our key raw materials, including petroleum-based products, steel and copper. 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. We use forward contracts to manage our exposure on forecasted purchases of commodity raw materials (“commodity contracts”). See [Note 14](#) to our consolidated financial statements for further information on commodity contracts.

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.

## **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 and Other Operating Segment” above for a discussion of our competitors.

## **Environmental Matters**

See “[MD&A — Critical Accounting Estimates — Contingent Liabilities](#),” “[Risk Factors](#)” and [Note 15](#) to our consolidated financial statements for information regarding environmental matters.

## **Human Capital Resources**

At December 31, 2020, we had approximately 4,500 employees, with approximately 3,900 employed in the United States. We also leverage temporary workers to provide flexibility for our business and manufacturing needs. Eight domestic collective bargaining agreements cover approximately 1,100 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. Together, these opportunities present significant growth potential for employees, both financially and professionally.

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 graduation of a new cohort from our executive leadership development program, the introduction of a new course supporting our frontline leaders’ development, and the expansion of our talent review and succession planning programs. We also were able to successfully pivot many of our education and training programs to an online format in response to the COVID-19 pandemic. We anticipate that we will incorporate the online approach into our training offerings going forward, as this format allows expanded participation and permits broader, time-flexible development.

During 2020, there was significant focus on enhancing our Diversity & Inclusion programs, aimed at ensuring we provide an inclusive environment where everyone feels valued and respected. We targeted engagement, as well as education and training efforts, which focused on creating awareness and expanding understanding and changing behaviors. We also formed a Diversity & Inclusion Council, which is comprised of several senior leaders from across the enterprise and is led by our CEO. In addition, we developed networking and action groups, comprised of dozens of “Ambassadors” from across the company. These groups have been asked to participate in the development and implementation of strategy and programming to ensure that the actions we take drive meaningful and impactful results for our employees. We believe that through education and training we can unlock greater potential and opportunities 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](http://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](http://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.*

During March 2020, our business began to experience the adverse impacts of the COVID-19 pandemic, including a modest impact on our consolidated financial results for year ended December 31, 2020. In response, we have taken a number of steps to protect our employees, customers, and business, including:

- The implementation of a COVID-19 task force, which, among other things, is monitoring the impacts of the COVID-19 pandemic on a regular basis;
- The adoption of practices that promote social distancing and prevent the spread of the COVID-19 pandemic (e.g., visitor access restrictions at our facilities, the use of masks and, in most cases, temperature checks at our facilities, remote work arrangements where feasible, staggered work shifts, travel restrictions, etc.);
- Enhanced workplace hygiene and sanitary processes at our facilities; and
- Modified/enhanced employee benefits to better support employee needs in the current environment.

The COVID-19 pandemic could continue to have an adverse impact on our business and consolidated financial results during 2021 and we are unable to determine the extent, duration, or nature at this time. The intensity, duration and governmental response to the pandemic, as well as the pace of vaccination efforts, are all highly uncertain and could contribute to the ultimate impact on our business. Specifically, the COVID-19 pandemic could impact:

- Our customers' ability to access credit and to pay amounts due to us;
- Our distributors' ability to perform;
- Our suppliers' ability to perform and the availability of materials and subcontractors' services; 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 could also result in:

- 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;
- Disruptions in our supply chain or increased costs for certain components or commodities;
- 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 2021 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**

***We are 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 us.***

Since 2008, DBT has been executing contracts on two large power projects in South Africa (Kusile and Medupi). Over such time, the business environment surrounding these projects has been difficult, as DBT, along with many other contractors on the projects, have 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. We cannot give assurance that these claims and the costs to assert our claims and defend claims against us 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 power transmission and distribution systems, 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 business. 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 and Other Operating Segment.”

***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., copper, steel and oil) and key components (e.g. circuit boards), including price increases in response to trade laws and tariffs. 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, 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 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 Engineered Solutions 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 Political 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 anti-slavery 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 2020, approximately 87% 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, including antidumping duties on transformers, 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 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.

**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, including the Balcke Dürr business. 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 Notes 4 and 17 to our consolidated financial statements for the status of our divestitures, including liabilities retained in connection with such dispositions.

### **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, 2020, we had eight domestic collective bargaining agreements covering approximately 1,100 of our over 4,500 employees. Three of these collective bargaining agreements expire in 2021 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**

***Our indebtedness may affect our business and may restrict our operating flexibility.***

At December 31, 2020, we had \$412.4 in total indebtedness. On that same date, we had \$302.9 of available borrowing capacity under our revolving credit facilities, after giving effect to \$17.3 reserved for outstanding letters of credit and \$129.8 of borrowings under the revolving credit agreement, and \$11.5 of available borrowing capacity under our trade receivables financing arrangement. In addition, at December 31, 2020, we had \$11.0 of available borrowing capacity under our foreign credit instrument facilities after giving effect to \$89.0 reserved for outstanding letters of credit. At December 31, 2020, our cash and equivalents balance was \$68.3. See MD&A 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. The level of our indebtedness 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.

***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 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, 2020, we had goodwill and other intangible assets, net, of \$804.9. 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, 2020, our net liability to these plans was \$139.3. 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.

### **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, 2020, we had the ability to issue up to an additional 4.407 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.

***The Spin-Off of SPX FLOW could result in substantial tax liability to us and our stockholders.***

In connection with the Spin-Off of SPX FLOW, we received opinions of tax counsel satisfactory to us as to the tax-free treatment of the Spin-Off and certain related transactions. However, if the factual assumptions or representations upon which the opinions are based are inaccurate or incomplete in any material respect, we will not be able to rely on the opinions. Furthermore, the opinions are not binding on the Internal Revenue Service ("IRS") or the courts. Accordingly, the IRS may challenge the conclusions set forth in the opinions and any such challenge could prevail. If, notwithstanding the opinions, the Spin-Off or a related transaction is determined to be taxable, we could be subject to a substantial tax liability. In addition, if the Spin-Off is determined to be taxable, each holder of our common stock who received shares of SPX FLOW would generally be treated as having received a taxable distribution of property in an amount equal to the fair market value of the shares received.

***The Spin-Off may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal dividend requirements.***

The Spin-Off is subject to review under various state and federal fraudulent conveyance laws. Fraudulent conveyance laws generally provide that an entity engages in a constructive fraudulent conveyance when (1) the entity transfers assets and does not receive fair consideration or reasonably equivalent value in return, and (2) the entity (a) is insolvent at the time of the transfer or is rendered insolvent by the transfer, (b) has unreasonably small capital with which to carry on its business, or (c) intends to incur or believes it will incur debts beyond its ability to repay its debts as they mature. An unpaid creditor or an entity acting on behalf of a creditor (including, without limitation, a trustee or debtor-in-possession in a bankruptcy by us or SPX FLOW or any of our respective subsidiaries) may bring a lawsuit alleging that the Spin-Off or any of the related transactions constituted a constructive fraudulent conveyance. If a court accepts these allegations, it could impose a number of remedies, including, without limitation, voiding the distribution and returning SPX FLOW's assets or SPX FLOW's shares and subject us to liability.

The measure of insolvency for purposes of the fraudulent conveyance laws will vary depending on which jurisdiction's law is applied. Generally, an entity would be considered insolvent if (1) the present fair salable value of its assets is less than the amount of its liabilities (including contingent liabilities); (2) the present fair salable value of its assets is less than its probable liabilities on its debts as such debts become absolute and matured; (3) it cannot pay its debts and other liabilities (including contingent liabilities and other commitments) as they mature; or (4) it has unreasonably small capital for the business in which it is engaged. We cannot assure you what standard a court would apply to determine insolvency or that a court would determine that we, SPX FLOW or any of our respective subsidiaries were solvent at the time of or after giving effect to the Spin-Off.

The distribution of SPX FLOW common stock is also subject to review under state corporate distribution statutes. Under the General Corporation Law of the State of Delaware (the "DGCL"), a corporation may only pay dividends to its stockholders either (1) out of its surplus (net assets) or (2) if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

Although we believe that we and SPX FLOW were each solvent at the time of the Spin-Off (including immediately after the distribution of shares of SPX FLOW common stock), that we are able to repay our debts as they mature and have sufficient capital to carry on our businesses, and that the distribution was made entirely out of surplus in accordance with Section 170 of the DGCL, we cannot assure you that a court would reach the same conclusions in determining whether SPX FLOW or we were insolvent at the time of, or after giving effect to, the Spin-Off, or whether lawful funds were available for the separation and the distribution to our stockholders.

## ITEM 1B. Unresolved Staff Comments

None.

## ITEM 2. Properties

The following is a summary of our principal properties as of December 31, 2020:

|  | Location                              | No. of<br>Facilities | Approximate<br>Square Footage |        |
|--|---------------------------------------|----------------------|-------------------------------|--------|
|  |                                       |                      | Owned                         | Leased |
|  |                                       |                      | (in millions)                 |        |
| HVAC reportable segment                      | 6 U.S. states and 2 foreign countries | 12                   | 0.6                           | 1.4    |
| Detection and Measurement reportable segment | 7 U.S. states and 3 foreign countries | 14                   | 0.3                           | 0.2    |
| Engineered Solutions reportable segment      | 7 U.S. states and 0 foreign country   | 11                   | 1.8                           | 0.2    |
| Other (including corporate)                  | 1 U.S. state and 1 foreign country    | 3                    | 0.4                           | 0.1    |
| Total  |                                       | 40                   | 3.1                           | 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 “Risk Factors,” “MD&A — Critical Accounting Estimates — Contingent Liabilities,” and Note 15 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

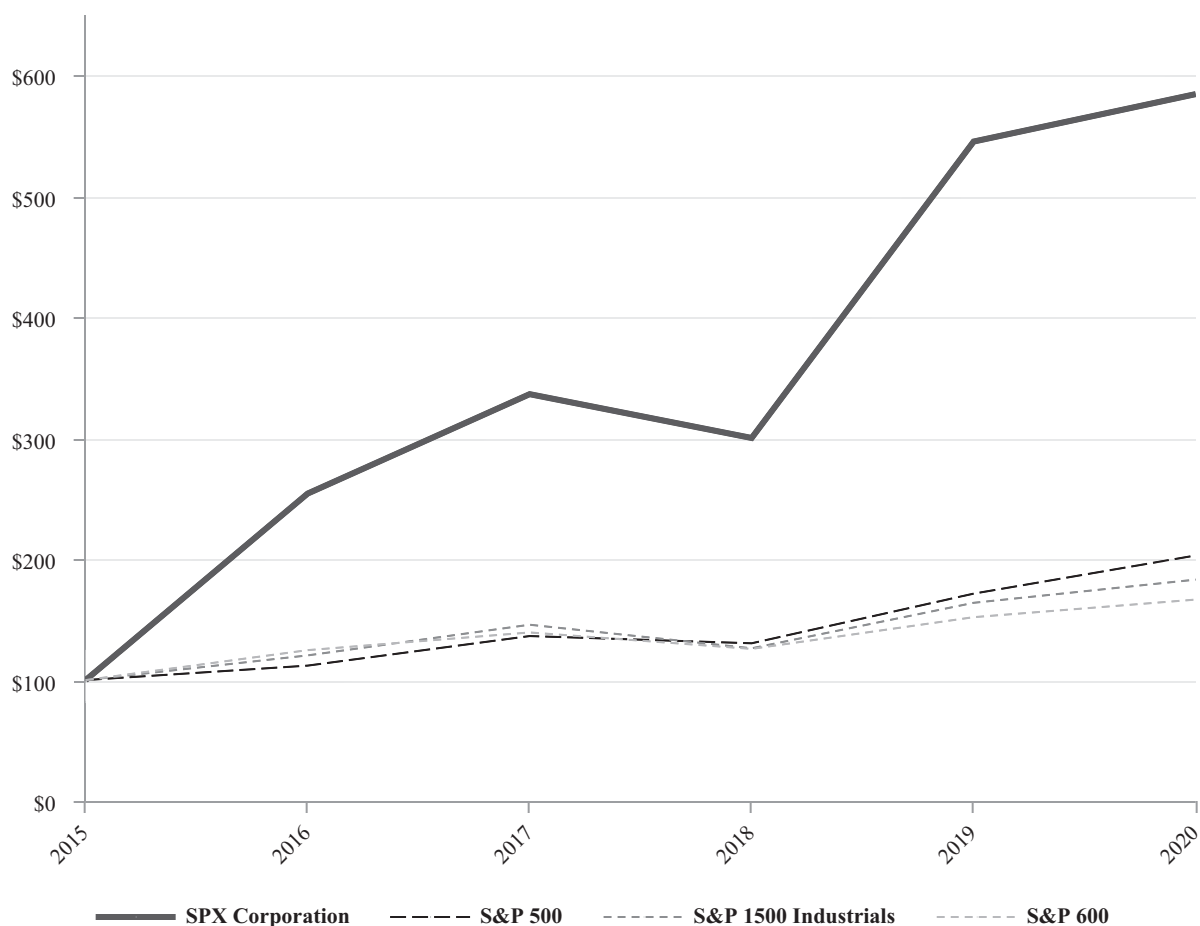
Our common stock is traded on the New York Stock Exchange under the symbol “SPXC.”

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

There were no repurchases of common stock during the three months ended December 31, 2020. The number of shareholders of record of our common stock as of February 19, 2021 was 2,499.

#### 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, 2015 and the reinvestment of dividends.



|                                 | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>SPX Corporation</b>          | \$ 100.00 | \$ 254.23 | \$ 336.44 | \$ 300.21 | \$ 545.34 | \$ 584.57 |
| <b>S&amp;P 500</b>              | 100.00    | 111.96    | 136.40    | 130.42    | 171.49    | 203.04    |
| <b>S&amp;P 1500 Industrials</b> | 100.00    | 120.41    | 145.77    | 126.27    | 163.90    | 183.06    |
| <b>S&amp;P 600</b>              | 100.00    | 124.75    | 139.38    | 125.79    | 152.02    | 166.57    |

## **ITEM 6. Selected Financial Data**

Not applicable. The Company has elected early compliance with the changes to Items 301 and 302 of Regulation S-K effected by Securities and Exchange Commission Release No. 33-10890, Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information (effective February 10, 2021).

## **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.

### **Impact of the COVID-19 Pandemic**

As further discussed below, the COVID-19 pandemic had a modest adverse impact on our consolidated results of operations during 2020. This impact is primarily evident in the decline in revenues at certain of our businesses due to a reduction in customer demand and order delays. These adverse impacts could continue during 2021. Although certain of our businesses have been, and could be, impacted more than others in our portfolio, we believe that our diverse set of businesses, along with our strong balance sheet and available liquidity, position us well to manage the potential adverse impacts of the COVID-19 pandemic. For example, the products we manufacture and services we provide fall under the definition of “critical” or “essential” under various federal guidelines and state/local governmental orders that otherwise restrict business activities. These include products and services that enable the operation and maintenance of communication networks, the electrical grid, water and wastewater systems, and other key elements of infrastructure. Our manufacturing facilities have not experienced material interruptions in operations. If incidents of the COVID-19 pandemic increase, we may temporarily close facilities, if necessary, to address employee safety matters. In terms of liquidity, we generated \$131.1 of cash flows from operating activities associated with continuing operations during 2020 and have experienced no consequential delays in collecting outstanding amounts due from our customers. In addition, as of December 31, 2020, we had over \$350.0 of availability from cash on-hand and aggregate borrowing capacity under our senior credit facilities and trade receivable financing arrangement. Lastly, scheduled repayments over the next twelve months for our long-term debt arrangements totaled only \$7.2 as of December 31, 2020. We also have taken actions to manage near-term costs and cash flows, including reducing discretionary expenses, and implemented actions to address potential material sourcing challenges. We will continue to assess the actual and expected impacts of the COVID-19 pandemic and the need for further actions.

See Notes 2 and 10 to our consolidated financial statements and “Risk Factors” for additional considerations regarding the current and potential impacts of the COVID-19 pandemic.

### **Executive Overview**

Revenues for 2020 totaled \$1,559.5, compared to \$1,520.9 in 2019 (and \$1,512.6 in 2018). The increase in revenues in 2020, compared to 2019, was due primarily to (i) the impact of the acquisitions of SGS and Patterson-Kelley during 2019 and ULC and Sensors & Software during 2020 and (ii) adjustments which resulted in reductions to the cumulative revenue associated with variable consideration on the large power projects in South Africa of \$23.5 during 2019, partially offset by a decline in organic revenue in 2020. The decline in organic revenue was due primarily to lower sales of HVAC heating products, HVAC domestic cooling products, and communication technologies products, partially offset by higher sales of HVAC cooling products in the international markets and power transformers. A portion of the organic revenue decline is attributable to a decline in customer demand and order delays caused by the COVID-19 pandemic. The increase in revenues in 2019, compared to 2018, was due to increases in revenues associated with the acquisitions of Schonstedt and Cues in 2018 and Sabik, SGS, and Patterson-Kelley during 2019, partially offset by (i) a decline in organic revenue, (ii) the adjustments of \$23.5 noted above related to our large power projects in South Africa, and (iii) a stronger U.S. dollar during 2019. The decline in organic revenue was attributable to lower sales related to the large power projects in South Africa, as these projects have been in the latter stages of completion, partially offset by increases in organic revenue for all three of our reportable segments.

For 2020, operating income totaled \$132.0, compared to \$110.0 in 2019 (and \$112.5 in 2018). The increase in operating income in 2020, compared to 2019, was due primarily to (i) the impact of the reduction in revenues during 2019 of \$23.5 noted above associated with the large power projects in South Africa and (ii) increases in profitability at our power transformer and cooling products businesses. These increases in operating income were partially offset by declines in profitability associated with lower sales of heating products and high-margin communication technologies products. The decrease in operating income during 2019, compared to 2018, was due primarily to increased losses associated with the large power projects in South Africa, with such losses impacted by the reductions in revenues/profits of \$23.5 noted above, partially offset by improved operating results across all three reportable segments.

Operating cash flows from continuing operations totaled \$131.1 in 2020, compared to \$154.2 in 2019 (and \$111.5 in 2018). The decrease in operating cash flows from continuing operations, 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 period-to-period. The increase in operating cash flows from continuing operations in 2019, compared to 2018, was due primarily to higher cash flows at certain of our project-related businesses due to the timing of contractual milestone payments and a decline cash outflows related to the large power

projects in South Africa, as these projects have been in the latter stages of completion. These improvements in operating cash flows were offset partially by a decline in net income tax refunds (net tax payments of \$7.0 in 2019 versus net tax refunds of \$44.3 in 2018).

Additional details on certain matters noted above as well as significant items impacting the financial results for 2020, 2019, and 2018 are as follows:

**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:
  - Have a 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 seller is eligible for additional cash consideration of \$45.0.
    - Payments of the contingent consideration are scheduled to be made in 2021 and 2022 upon successful achievement of certain operational and financial milestones.
    - The estimated fair value of such contingent consideration is \$24.3, which is reflected as a liability in our consolidated balance sheet at December 31, 2020.
  - ULC's revenues for the twelve months prior to the date of acquisition were approximately \$40.0.
  - The post-acquisition operating results of ULC are reflected within our Detection and Measurement reportable segment.
- In September 2020, Mitsubishi Heavy Industries Power—ZAF (f.k.a. Mitsubishi-Hitachi Power Systems Africa (PTY) LTD) ("MHI"), one of the prime contractors on the large power projects in South Africa, 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 \$16.3 at December 31, 2020) as a non-current asset within our consolidated balance sheet as of December 31, 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 \$15.2, net of cash acquired of \$0.3.
  - The seller is eligible for additional cash consideration of up to \$3.9.
    - Payment of the contingent consideration is scheduled to be made in 2021 upon successful achievement of a financial milestone during the twelve months following the date of acquisition.
    - The estimated fair value of such contingent consideration is \$0.7, which is reflected as a liability in our consolidated balance sheet at December 31, 2020.
  - Sensors & Software's revenues for the twelve months prior to the date of acquisition were approximately \$7.0.
  - 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 is part of a strategic shift away from the power generation markets.
  - As part of this strategic shift, we sold our dry cooling and Balcke Dürr businesses.
  - As a result of completing the wind-down plan, we are now 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.
  - Sabik’s revenues for the twelve months prior to the date of acquisition were approximately \$28.0.
  - The post-acquisition operating results of Sabik are reflected within our Detection and Measurement reportable segment.
- Adjustments to Revenues and Profits on the Large Power Projects in South Africa:
  - During the first quarter of 2019, in consideration of recent claims received from the prime contractors on the projects, and in accordance with ASC 606, we analyzed the risk of a significant revenue reversal associated with the amount of variable consideration recorded for the projects. Based on such analysis, we reduced the amount of cumulative revenue associated with the variable consideration on the projects by \$17.5.
  - On June 28, 2019, DBT reached an agreement with Alstom/GE, one of the prime contractors on the projects, to, among other things, settle all material outstanding claims between the parties (other than certain pass-through claims related to third-parties). In connection with the agreement, we reduced the revenues associated with the projects by \$6.0 during the second quarter of 2019.
  - See Notes 5 and 15 to our consolidated financial statements for additional details.
- 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.
  - SGS’s revenues for the twelve months prior to the date of acquisition were approximately \$12.0.
  - 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.
  - Patterson-Kelley’s revenues for the twelve months prior to the date of acquisition were approximately \$35.0.
  - 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.
  - See Note 13 to our consolidated financial statements for additional details.
- Asbestos Product Liability Matters:
  - During 2019, we recorded charges of \$10.1 related to asbestos product liability matters.
  - 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.
  - See Notes 1 and 11 to our consolidated financial statements for additional details, with such losses resulting primarily from declines in discount rates on our unfunded pension and postretirement plans.

- Changes in the Estimated Fair Value of an Equity Security:
  - 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.

**2018:**

- On March 1, 2018, we completed the acquisition of Schonstedt.
  - The purchase price for Schonstedt was \$16.4, net of cash acquired of \$0.3.
  - Schonstedt’s revenues for the twelve months prior to the date of acquisition were approximately \$9.0.
  - The post-acquisition operating results of Schonstedt are reflected within our Detection and Measurement reportable segment.
- On June 7, 2018, we completed the acquisition of Cues.
  - The purchase price for Cues was \$164.4, net of cash acquired of \$20.6.
  - Cues’ revenues for the twelve months prior to the date of acquisition were approximately \$84.0.
  - The post-acquisition operating results of Cues are reflected within our Detection and Measurement reportable segment.
  - See Notes 1 and 4 to our consolidated financial statements for additional details.
- Asbestos Product Liability Matters:
  - During 2018, we recorded charges of \$4.8 related to asbestos product liability matters.
  - Of such charges, \$4.4 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 \$9.7 in 2018.
- Actuarial Losses on Pension and Postretirement Plans:
  - We recorded net actuarial losses of \$6.6 in the fourth quarter of 2018 in connection with the annual remeasurement of our pension and postretirement plans, with such losses resulting primarily from negative returns on assets of our foreign pension plans.
  - See Notes 1 and 11 to our consolidated financial statements for additional 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 the reduction to revenues on the large power projects in South Africa during 2019 and 2018 of \$23.5 and \$2.7, respectively. 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 accounting principles generally accepted in the United States (“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, 2020, 2019, and 2018, including the reconciliation of organic revenue decline to net revenue increase:

|  | Year ended December 31, |            |            | 2020 vs | 2019 vs |
|--|-------------------------|------------|------------|---------|---------|
|  | 2020                    | 2019       | 2018       | 2019%   | 2018%   |
| Revenues   | \$ 1,559.5              | \$ 1,520.9 | \$ 1,512.6 | 2.5 %   | 0.5 %   |
| Gross profit   | 478.9                   | 442.7      | 410.0      | 8.2     | 8.0     |
| % of revenues  | 30.7 %                  | 29.1 %     | 27.1 %     |         |         |
| Selling, general and administrative expense              | 320.0                   | 317.6      | 289.1      | 0.8     | 9.9     |
| % of revenues  | 20.5 %                  | 20.9 %     | 19.1 %     |         |         |
| Intangible amortization                                  | 14.0                    | 8.9        | 4.1        | 57.3    | 117.1   |
| Impairment of intangible assets                          | 0.7                     | —          | —          | *       | *       |
| Special charges, net                                     | 3.2                     | 4.4        | 3.7        | (27.3)  | 18.9    |
| Other operating expenses, net                            | 9.0                     | 1.8        | 0.6        | *       | *       |
| Other income (expense), net                              | 2.7                     | (5.2)      | (7.6)      | (151.9) | (31.6)  |
| Interest expense, net                                    | (18.2)                  | (19.2)     | (20.0)     | (5.2)   | (4.0)   |
| Loss on amendment/refinancing of senior credit agreement | —                       | (0.6)      | (0.4)      | (100.0) | 50.0    |
| Income from continuing operations before income taxes    | 116.5                   | 85.0       | 84.5       | 37.1    | 0.6     |
| Income tax provision                                     | (15.8)                  | (13.9)     | (2.6)      | *       | *       |
| Income from continuing operations                        | 100.7                   | 71.1       | 81.9       | 41.6    | (13.2)  |
| Components of consolidated revenue increase:             |                         |            |            |         |         |
| Organic  |                         |            |            | (3.1)   | (2.0)   |
| Foreign currency   |                         |            |            | 0.2     | (0.9)   |
| South Africa revenue adjustments                         |                         |            |            | 1.6     | (1.4)   |
| Acquisitions   |                         |            |            | 3.8     | 4.8     |
| Net revenue increase                                     |                         |            |            | 2.5     | 0.5     |

\* Not meaningful for comparison purposes.

*Revenues* - For 2020, the increase in revenues, compared to 2019, was due primarily to (i) the impact of the acquisitions of SGS and Patterson-Kelley during 2019 and ULC and Sensors & Software during 2020 and (ii) adjustments which resulted in reductions to the cumulative revenue associated with variable consideration on the large power projects in South Africa of \$23.5 during 2019, partially offset by a decline in organic revenue in 2020. The decline in organic revenue was due primarily to lower sales of HVAC heating products, HVAC domestic cooling products, and communication technologies products, partially offset by higher sales of HVAC cooling products in the international markets and power transformers. 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 and Other Operating Segment” for additional details.

For 2019, the increase in revenues, compared to 2018, was due primarily to increases in revenues associated with the acquisitions of Schonstedt and Cues in 2018 and Sabik, SGS, and Patterson-Kelley in 2019, partially offset by (i) a decline in organic revenue, (ii) adjustments during the first and second quarters of 2019 to revenues on the large power projects in South Africa of \$17.5 and \$6.0, respectively, and (iii) a stronger U.S. dollar during 2019. The decline in organic revenue was attributable to lower sales related to the large power projects in South Africa, as these projects have been in the latter stages of completion, partially offset by increases in organic revenue for all three of our reportable segments. See “Results of Reportable Segments and Other Operating Segment” for additional details.

*Gross Profit* - For 2020, the increase in gross profit and gross profit as a percentage of revenues, compared to 2019, was due primarily to (i) the impact of the reduction in revenues during 2019 of \$23.5 noted above associated with the large power projects in South Africa and (ii) increases in profitability at our power transformer and cooling products businesses. These increases in gross profit and gross profit as a percentage of revenues were offset partially by declines in gross profit within our Detection and Measurement reportable segment resulting from lower sales of high-margin communication technologies products.

For 2019, the increase in gross profit and gross profit as a percentage of revenues, compared to 2018, was due primarily to (i) a more profitable revenue mix and (ii) operational improvements within the cooling businesses of our HVAC reportable segment and power transformer business of our Engineered Solutions reportable segment during 2019. The more profitable revenue mix resulted from increases in revenues associated with acquired businesses that generally have higher gross margins (i.e., Cues and Sabik) and a decrease in revenue at DBT, a business that historically generates lower gross margins. In addition, for 2019, gross profit and gross profit as a percentage of revenues were impacted negatively by the aggregate reduction in revenues noted above of \$23.5 associated with the large power projects in South Africa.

*Selling, General and Administrative (“SG&A”) Expense* — For 2020, the increase in SG&A expense, compared to 2019, was due primarily to SG&A associated with ULC since its date of acquisition in 2020 and the impact of a full year’s SG&A associated with the 2019 acquisitions of Sabik, SGS, and Patterson-Kelley. These increases in SG&A were partially offset by lower incentive compensation and lower travel expense during 2020, with the lower travel expense due to the impact of the COVID-19 pandemic.

For 2019, the increase in SG&A, compared to 2018, was due primarily to SG&A associated with Sabik, SGS, and Patterson-Kelley since their respective dates of acquisition in 2019 and the impact of a full year’s SG&A associated with the 2018 acquisitions of Schonstedt and Cues.

*Intangible Amortization* — 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.

For 2019, the increase in intangible amortization, compared to 2018, was due primarily to the amortization expense associated with Sabik, SGS, and Patterson-Kelley since their respective dates of acquisition in 2019 and the impact of a full year’s amortization expense on the 2018 acquisitions of Schonstedt and Cues.

*Impairment of Intangible Assets* — In connection with the annual impairment testing of our trademarks during the fourth quarter of 2020, we recorded impairment charges related to certain of these trademarks.

*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 2020, 2019, and 2018. The components of special charges, net, are as follows:

|                              | Year ended December 31, |               |               |
|------------------------------|-------------------------|---------------|---------------|
|                              | 2020                    | 2019          | 2018          |
| Employee termination costs   | \$ 1.8                  | \$ 3.1        | \$ 3.7        |
| Facility consolidation costs | —                       | 0.5           | —             |
| Other cash costs, net        | 1.0                     | —             | —             |
| Non-cash asset write-downs   | 0.4                     | 0.8           | —             |
| Total                        | <u>\$ 3.2</u>           | <u>\$ 4.4</u> | <u>\$ 3.7</u> |

*Other Operating Expenses, Net* – During 2020, we recorded charges of \$9.4 for asbestos product liability matters related to products that we no longer manufacture, 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 and 2018, 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 2020 was composed primarily of 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, partially offset by charges of \$7.6 associated with asbestos product liability matters and pension and postretirement expense of \$3.0.

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.

Other expense, net, for 2018 was composed primarily of pension and postretirement expense of \$3.9, charges of \$5.0 associated with legacy environmental matters, and charges of \$2.0 associated with asbestos product liability matters, partially offset by income of \$1.5 related to the reduction of the parent company guarantees and bank surety bonds liability and the amortization of related indemnification assets that were outstanding in connection with the Balcke Dürre sale, income from company-owned life insurance policies of \$0.9, and equity earnings in joint ventures of \$0.6.

*Interest Expense, Net* — Interest expense, net, includes both interest expense and interest income. 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.

The decrease in interest expense, net, during 2019, compared to 2018, was the result of lower average debt balances during 2019.

*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.

During the fourth quarter of 2018, we elected to reduce the issuance capacity of our foreign credit facilities under our senior credit agreement by \$50.0. In connection with such reduction, we recorded a charge of \$0.4 associated with the write-off of the unamortized deferred financing costs related to the \$50.0 of previously available issuance capacity.

*Income Taxes* — During 2020, we recorded an income tax provision of \$15.8 on \$116.5 of pre-tax income from continuing operations, resulting in an effective tax rate of 13.6%. The most significant items impacting the effective tax rate for 2020 were (i) \$4.2 of tax benefits related to various audit settlements, statute expirations, and other adjustments to liabilities for uncertain tax positions and (ii) \$2.9 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 \$13.9 on \$85.0 of pre-tax income from continuing operations, resulting in an effective tax rate of 16.4%. The most significant items impacting the effective tax rate for 2019 were (i) \$1.9 of excess tax benefits resulting from stock-based compensation awards that vested and/or were exercised during the year, (ii) a \$1.9 tax benefit associated with an adjustment to the taxation of foreign earnings, (iii) \$1.3 of tax benefits related to our U.S. tax credits and incentives, and (iv) \$1.2 of tax benefits related to various audit settlements, statute expirations, and other adjustments to liabilities for uncertain tax positions, partially offset by \$3.8 of tax expense related to various valuation allowance adjustments, primarily due to foreign losses generated during the year for which no foreign tax benefit was recognized as future realization of any such tax benefit is considered unlikely.

During 2018, we recorded an income tax provision of \$2.6 on \$84.5 of pre-tax income from continuing operations, resulting in an effective tax rate of 3.1%. The most significant items impacting the effective tax rate for 2018 were (i) the utilization of \$33.0 of prior years' losses generated in foreign jurisdictions in which no benefit was previously recognized, (ii) \$7.0 of tax benefits related to various audit settlements, statute expirations, and other adjustments to liabilities for uncertain tax positions, and (iii) \$2.2 of excess tax benefits resulting from stock-based compensation awards that vested during the year.

## 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. In connection with the wind-down of Heat Transfer, we recorded charges of \$3.5 in 2018, with \$0.9 related to the write-down of inventory, \$0.6 related to the impairment of machinery and equipment, and \$2.0 to severance costs. In addition, we sold certain intangible assets of the business in 2018 for net cash proceeds of \$4.8, which resulted in a gain of less than \$0.1. During 2019, we completed the sale of Heat Transfer's manufacturing facility for cash proceeds of \$5.5, which resulted in a gain of \$0.3. 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 now reporting Heat Transfer as a discontinued operation for all periods presented.

### Sale of Balcke Dürr Business

During 2018, we reached a settlement with the buyer of Balcke Dürr on the amount of cash and working capital at the closing date, as well as on various other matters, for a net payment from the buyer in the amount of Euro 3.0 (or \$3.6). The settlement resulted in a gain, net of tax, of \$3.8, which was recorded to "Gain (loss) on disposition of discontinued operations, net of tax."

### Other Discontinued Operations Activity

In addition to Heat Transfer and Balcke Dürr, we recognized net losses of \$3.7, \$4.4 and \$0.8 during 2020, 2019 and 2018, respectively, resulting from adjustments to gains/losses on dispositions of other businesses discontinued prior to 2018.

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, 2020, 2019 and 2018, results of operations from our businesses reported as discontinued operations were as follows:

|   | Year ended December 31, |                 |                 |
|---|-------------------------|-----------------|-----------------|
|   | 2020                    | 2019            | 2018            |
| <b>Balcke Dürr</b>                              |                         |                 |                 |
| Income from discontinued operations             | \$ —                    | \$ —            | \$ 6.3          |
| Income tax provision                            | —                       | —               | (2.5)           |
| Income from discontinued operations, net        | —                       | —               | 3.8             |
| <b>Heat Transfer</b>                            |                         |                 |                 |
| Income (loss) from discontinued operations      | 0.3                     | (1.8)           | (4.9)           |
| Income tax (provision) benefit                  | (0.1)                   | 0.4             | 1.2             |
| Income (loss) from discontinued operations, net | 0.2                     | (1.4)           | (3.7)           |
| <b>All other</b>                                |                         |                 |                 |
| Loss from discontinued operations               | (4.8)                   | (4.0)           | (1.2)           |
| Income tax (provision) benefit                  | 1.1                     | (0.4)           | 0.4             |
| Loss from discontinued operations, net          | (3.7)                   | (4.4)           | (0.8)           |
| <b>Total</b>                                    |                         |                 |                 |
| Income (loss) from discontinued operations      | (4.5)                   | (5.8)           | 0.2             |
| Income tax (provision) benefit                  | 1.0                     | —               | (0.9)           |
| Loss from discontinued operations, net          | <u>\$ (3.5)</u>         | <u>\$ (5.8)</u> | <u>\$ (0.7)</u> |

## Results of Reportable Segments and Other Operating Segment

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 and our other operating segment.

*Non-GAAP Measures* — Throughout the following discussion of reportable and other operating 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, |          |          | 2020 vs.<br>2019% | 2019 vs.<br>2018% |
|---|-------------------------|----------|----------|-------------------|-------------------|
|   | 2020                    | 2019     | 2018     |                   |                   |
| Revenues                                  | \$ 590.7                | \$ 593.2 | \$ 582.1 | (0.4)             | 1.9               |
| Income                                    | 93.4                    | 95.4     | 90.0     | (2.1)             | 6.0               |
| % of revenues                             | 15.8 %                  | 16.1 %   | 15.5 %   |                   |                   |
| Components of revenue increase (decline): |                         |          |          |                   |                   |
| Organic                                   |                         |          |          | (6.9)             | 0.5               |
| Foreign currency                          |                         |          |          | —                 | (0.4)             |
| Acquisitions                              |                         |          |          | 6.5               | 1.8               |
| Net revenue increase (decline)            |                         |          |          | (0.4)             | 1.9               |

*Revenues* — For 2020, the decrease in revenues, compared to 2019, was due to a decline in organic revenue, partially offset by the impact of the SGS and Patterson-Kelley acquisitions in 2019. 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 quarter 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.

For 2019, the increase in revenues, compared to 2018, was due to the impact of the SGS and Patterson-Kelley acquisitions and, to a lesser extent, an increase in organic revenue, partially offset by the impact of a stronger U.S. dollar in 2019. The increase in organic revenue was due primarily to higher sales of boiler products, associated primarily with price increases, as well as cooling products in the Americas, partially offset by lower sales of cooling products in the Asia Pacific region.

*Income* — 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.

For 2019, the increase in income and margin, compared to 2018, was due primarily to a more profitable sales mix and operational improvements within the segment’s cooling products businesses.

*Backlog* — The segment had backlog of \$82.8 and \$77.8 as of December 31, 2020 and 2019, respectively. Approximately 97% of the segment’s backlog as of December 31, 2020 is expected to be recognized as revenue during 2021.

### Detection and Measurement Reportable Segment

|                                 | Year Ended December 31, |          |          | 2020 vs.<br>2019% | 2019 vs.<br>2018% |
|---------------------------------|-------------------------|----------|----------|-------------------|-------------------|
|                                 | 2020                    | 2019     | 2018     |                   |                   |
| Revenues                        | \$ 387.3                | \$ 384.9 | \$ 320.9 | 0.6               | 19.9              |
| Income                          | 69.1                    | 81.7     | 72.4     | (15.4)            | 12.8              |
| % of revenues                   | 17.8 %                  | 21.2 %   | 22.6 %   |                   |                   |
| Components of revenue increase: |                         |          |          |                   |                   |
| Organic                         |                         |          |          | (4.4)             | 1.4               |
| Foreign currency                |                         |          |          | 0.1               | (0.7)             |
| Acquisitions                    |                         |          |          | 4.9               | 19.2              |
| Net revenue increase            |                         |          |          | 0.6               | 19.9              |

*Revenues* — 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.

For 2019, the increase in revenues, compared to 2018, was due to (i) the impact of the Schonstedt and Cues acquisitions in 2018 and the Sabik acquisition in 2019 and, to a lesser extent, (ii) an increase in organic revenue. The increase in organic revenue was due primarily to additional sales by the segment's communication technologies businesses, partially offset by a decline in sales by the segment's bus fare collection systems business.

*Income* — 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.

For 2019, the increase in income, compared to 2018, was due to the impact of the acquisitions noted above and the incremental profits resulting from additional revenues within the segment's communication technologies businesses. The decrease in margin, compared to 2018, was due primarily to the incremental amortization expense associated with the intangible assets acquired in the Cues and Sabik transactions.

*Backlog* — The segment had backlog of \$89.3 (including \$10.6 related to ULC and Sensors & Software) and \$76.4 as of December 31, 2020 and 2019, respectively. Approximately 81% of the segment's backlog as of December 31, 2020 is expected to be recognized as revenue during 2021.

### Engineered Solutions Reportable Segment

|                                 | Year Ended December 31, |          |          | 2020 vs.<br>2019% | 2019 vs.<br>2018% |
|---------------------------------|-------------------------|----------|----------|-------------------|-------------------|
|                                 | 2020                    | 2019     | 2018     |                   |                   |
| Revenues                        | \$ 577.5                | \$ 548.9 | \$ 537.0 | 5.2               | 2.2               |
| Income                          | 60.5                    | 43.0     | 35.0     | 40.7              | 22.9              |
| % of revenues                   | 10.5 %                  | 7.8 %    | 6.5 %    |                   |                   |
| Components of revenue increase: |                         |          |          |                   |                   |
| Organic                         |                         |          |          | 5.3               | 2.2               |
| Foreign currency                |                         |          |          | (0.1)             | —                 |
| Net revenue increase            |                         |          |          | 5.2               | 2.2               |

*Revenues* — For 2020, the increase in revenues, compared to 2019, was due primarily to an increase in organic revenue within the segment's power transformer business associated with (i) a more favorable sales mix and (ii) improved pricing discipline.

For 2019, the increase in revenues, compared to 2018, was due to an organic revenue increase within the segment's power transformer business, partially offset by a decrease in organic revenue for the segment's process cooling business. Revenue for the segment's process cooling business continued to be impacted by a shift in its sales model, as the business is focused more on high-margin components and services and less on lower-margin large projects.

*Income* — For 2020, the increase in income and margin, compared to 2019, was due primarily to the increase in revenues noted above resulting from the favorable sales mix and improved pricing discipline at the segment's power transformer business.



For 2019, the increase in income and margin, compared to 2018, was due primarily to the increase in revenue noted above.

*Backlog* — The segment had backlog of \$353.4 and \$373.4 as of December 31, 2020 and 2019, respectively. Approximately 88% of the segment’s backlog as of December 31, 2020 is expected to be recognized as revenue during 2021.

## Other

|               | Year Ended December 31, |          |         | 2020 vs.<br>2019% | 2019 vs.<br>2018% |
|---------------|-------------------------|----------|---------|-------------------|-------------------|
|               | 2020                    | 2019     | 2018    |                   |                   |
| Revenues      | \$ 4.0                  | \$ (6.1) | \$ 72.6 | *                 | *                 |
| Loss          | (19.3)                  | (43.6)   | (16.0)  | *                 | *                 |
| % of revenues | *                       | *        | *       | *                 | *                 |

\* Not meaningful for comparison purposes.

*Revenues* — For 2020, the increase in revenues, compared to 2019, was due to adjustments which resulted in reductions to the cumulative revenue associated with variable consideration on the large power projects in South Africa of \$23.5 during 2019. The year-over-year impact of these adjustments was offset partially by a decline in organic revenue resulting from lower sales on the large power projects in South Africa, as these projects have been in the latter stages of completion.

For 2019, the decrease in revenues, compared to 2018, was due primarily to a decline in organic revenue. The decline in organic revenue was the result of lower sales related to the large power projects in South Africa, as these projects have been in the latter stages of completion. In addition, revenues in 2019 were impacted negatively by an adjustment during the first quarter of 2019 to the amount of cumulative revenue associated with the variable consideration on the large power projects in South Africa of \$17.5 and an adjustment during the second quarter of 2019 of \$6.0 to revenues on the large power projects in South Africa associated with a settlement with Alstom/GE.

*Loss* — For 2020, the loss decreased, compared to 2019, as operating results for 2019 included the aggregate reduction in revenues/profit noted above of \$23.5.

For 2019, the increase in the loss, compared to 2018, was due primarily to the aggregate adjustments noted above to the large power projects in South Africa.

*Backlog* — The DBT operating segment had aggregate backlog of \$3.7 and \$7.4 as of December 31, 2020 and 2019, respectively.

## Corporate Expense and Other Expense

|  | Year Ended December 31, |            |            | 2020 vs.<br>2019% | 2019 vs.<br>2018% |
|--|-------------------------|------------|------------|-------------------|-------------------|
|  | 2020                    | 2019       | 2018       |                   |                   |
| Total consolidated revenues              | \$ 1,559.5              | \$ 1,520.9 | \$ 1,512.6 | 2.5               | 0.5               |
| Corporate expense                        | 44.8                    | 46.7       | 49.1       | (4.1)             | (4.9)             |
| % of revenues                            | 2.9 %                   | 3.1 %      | 3.2 %      |                   |                   |
| Long-term incentive compensation expense | 14.0                    | 13.6       | 15.5       | 2.9               | (12.3)            |

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

The decrease in corporate expense in 2019, compared to 2018, was due primarily to a decline in acquisition-related costs and other professional fees, partially offset by higher incentive compensation expense.

*Long-Term Incentive Compensation Expense* — The increase in long-term incentive compensation in 2020, compared to 2019, was due primarily to the accelerated expense in 2020 on certain awards. The decrease in long-term incentive compensation in 2019, compared to 2018, was due primarily to certain one-time awards, which were issued in 2015 and became fully vested in the second half of 2018.

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

### Liquidity and Financial Condition

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, 2020, 2019 and 2018.

|  | Year Ended December 31, |                  |                  |
|--|-------------------------|------------------|------------------|
|  | 2020                    | 2019             | 2018             |
| Continuing operations:   |                         |                  |                  |
| Cash flows from operating activities   | \$ 131.1                | \$ 154.2         | \$ 111.5         |
| Cash flows used in investing activities  | (126.1)                 | (159.2)          | (189.0)          |
| Cash flows from (used in) financing activities                                   | 15.9                    | (11.1)           | 16.8             |
| Cash flows from (used in) discontinued operations                                | (4.8)                   | (0.1)            | 7.5              |
| Change in cash and equivalents due to changes in foreign currency exchange rates | (2.5)                   | 2.1              | (2.3)            |
| Net change in cash and equivalents   | <u>\$ 13.6</u>          | <u>\$ (14.1)</u> | <u>\$ (55.5)</u> |

#### 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 businesses are often subject to contractual milestones that can impact the timing of cash flows from period-to-period.

*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 \$21.5. 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 \$17.8, 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 used in financing activities during 2019 were comprised primarily of 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), partially offset by net borrowings on various debt instruments of \$10.0.

*Discontinued Operations* – Cash flows used in discontinued operations for 2020 related primarily to disbursements for liabilities retained in connection with dispositions, net of cash flows from operations generated by Heat Transfer. Cash flows used in discontinued operations for 2019 related primarily to disbursements for liabilities retained in connection with dispositions and net cash flows used in operations by Heat Transfer, partially offset by proceeds of \$5.5 received in connection with the sale of Heat Transfer's manufacturing facility.

*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.

#### 2019 Compared to 2018

*Operating Activities* – The increase in cash flows from operating activities, compared to 2018, was due primarily to higher cash flows at certain of our project-related businesses due to the timing of contractual milestone payments and a decline in cash outflows related to our large power projects in South Africa, as these projects have been in the latter stages of completion. These improvements in operating cash flows were offset partially by a decline in net income tax refunds (net tax payments of \$7.0 in 2019 versus net tax refunds of \$44.3 in 2018).

*Investing Activities* – Cash flows used in investing activities for 2019 were comprised primarily of cash utilized in the acquisitions of Sabik, SGS, and Patterson-Kelley of \$147.1 and capital expenditures of \$17.8, partially offset by proceeds from company-owned life insurance policies of \$5.9. Cash flows used in investing activities for 2018 were comprised primarily of cash utilized in the acquisitions of Schonstedt and Cues of \$180.8 and capital expenditures of \$12.4, partially offset by cash proceeds of \$4.6 received in connection with the subsequent sale of marketable securities acquired in connection with the Cues transaction.

*Financing Activities* - Cash flows used in financing activities during 2019 were comprised primarily of a payment of \$15.6 to settle a put option held by the minority shareholder of DBT (see Note 15 to our consolidated financial statements for additional details), partially offset by net borrowings on our various debt instruments of \$10.0. Cash flows from financing activities in 2018 related primarily to net borrowings in connection with the Cues acquisition.

*Discontinued Operations* – Cash flows used in discontinued operations for 2019 related primarily to disbursements for liabilities retained in connection with dispositions and net cash flows used in operations by Heat Transfer, partially offset by proceeds of \$5.5 received in connection with the sale of Heat Transfer's manufacturing facility. Cash flows from discontinued operations for 2018 related primarily to proceeds of \$3.6 received in connection with a settlement reached with the buyer of Balcke Dürr, proceeds of \$4.8 received in connection with the sale of certain intangible assets of our Heat Transfer business, and net cash flows from operations generated by Heat Transfer, partially offset by disbursements for liabilities retained in connection with 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 2019 and 2018.

## Borrowings

The following summarizes our debt activity (both current and non-current) for the year ended December 31, 2020:

|  | December 31,<br>2019 | Borrowings      | Repayments        | Other (5)     | December 31,<br>2020 |
|--|----------------------|-----------------|-------------------|---------------|----------------------|
| Revolving loans <sup>(1)</sup>                         | \$ 140.0             | \$ 197.6        | \$ (207.8)        | \$ —          | \$ 129.8             |
| Term loan <sup>(2)</sup>                               | 248.2                | —               | —                 | 0.4           | 248.6                |
| Trade receivables financing arrangement <sup>(3)</sup> | —                    | 134.4           | (106.4)           | —             | 28.0                 |
| Other indebtedness <sup>(4)</sup>                      | 5.3                  | —               | (2.2)             | 2.9           | 6.0                  |
| Total debt   | 393.5                | <u>\$ 332.0</u> | <u>\$ (316.4)</u> | <u>\$ 3.3</u> | 412.4                |
| Less: short-term debt                                  | 142.6                |                 |                   |               | 101.2                |
| Less: current maturities of long-term debt             | 1.0                  |                 |                   |               | 7.2                  |
| Total long-term debt                                   | <u>\$ 249.9</u>      |                 |                   |               | <u>\$ 304.0</u>      |

<sup>(1)</sup> While not due for repayment until December 2024 under the terms of our senior credit agreement, we have classified 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.

<sup>(2)</sup> 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 \$1.4 and \$1.8 at December 31, 2020 and December 31, 2019, respectively.

<sup>(3)</sup> Under this arrangement, we can borrow, on a continuous basis, up to \$50.0, as available. At December 31, 2020, we had \$11.5 of available borrowing capacity under this facility. Borrowings under this arrangement are collateralized by eligible trade receivables of certain of our businesses.

<sup>(4)</sup> Primarily includes balances under a purchase card program of \$1.7 and \$2.6 and finance lease obligations of \$2.6 and \$2.7 at December 31, 2020 and 2019, 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.

<sup>(5)</sup> “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, 2020 are \$7.2, \$13.3, \$13.0, \$279.0, and \$0.1, 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, consisting of the following (each with a final maturity of December 17, 2024):

- A new term loan facility in the aggregate principal amount of \$250.0;
- 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 Pounds 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 \$55.0; 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 \$45.0.

The Credit Agreement also:

- Requires that we maintain the 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 1.6% at December 31, 2020.

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, 2020, we had \$302.9 of available borrowing capacity under our revolving credit facilities after giving effect to borrowings under the domestic revolving loan facility of \$129.8 and \$17.3 reserved for outstanding letters of credit. In addition, at December 31, 2020, we had \$11.0 of available issuance capacity under our foreign credit instrument facilities after giving effect to \$89.0 reserved for outstanding letters of credit.

At December 31, 2020, 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, 2020 and 2019, the participating businesses had \$1.7 and \$2.6, 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 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 line of credit facilities in China and South Africa available to fund operations in these regions, when necessary. At December 31, 2020, the aggregate amount of borrowing capacity under these facilities was \$20.0, while there were no borrowings outstanding.

#### **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, FX forward contracts, and 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, 2020, 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*

In March 2018, we entered into interest rate swap agreements (“Initial Swaps”) that had an initial notional amount of \$260.0 and maturities through March 2021 and effectively convert a portion of the borrowings under our senior credit facilities to a fixed rate of 2.535%, plus the applicable margin. As of December 31, 2020, the aggregate notional amount of the Initial Swaps was \$234.0.

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 rate swap agreements (“Additional Swaps”). The Additional Swaps have a notional amount of \$248.4, cover the period from March 2021 to November 2024, and will 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, 2020 and 2019, the unrealized loss, net of tax, recorded in accumulated other comprehensive income (“AOCI”) was \$5.9 and \$1.9 as of December 31, 2020 and 2019, respectively. In addition, as of December 31, 2020, the fair value of our interest rate swap agreements totaled \$7.8, with \$1.4 recorded as a current liability and the remainder in long-term liabilities, and \$2.5 at December 31, 2019 (all of which is recorded 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 \$6.3 and \$26.0 outstanding as of December 31, 2020 and 2019, respectively, with all of the \$6.3 scheduled to mature in 2021.

### *Commodity Contracts*

From time to time, we enter into commodity contracts to manage the exposure on forecasted purchases of commodity raw materials. The outstanding notional amounts of commodity contracts were 3.2 and 3.4 pounds of copper at December 31, 2020 and 2019, respectively. We designate and account for these contracts as cash flow hedges and, to the extent these commodity contracts are effective in offsetting the variability of the forecasted purchases, the change in fair value is included in AOCI. We reclassify AOCI associated with our commodity contracts to cost of products sold when the forecasted transaction impacts earnings. As of December 31, 2020 and 2019, the fair values of these contracts were current assets of \$2.4 and \$0.4, respectively. The unrealized gains, net of taxes, recorded in AOCI were \$1.5 and \$0.3 as of December 31, 2020 and 2019, respectively. We anticipate reclassifying the unrealized gain as of December 31, 2020 to income over the next 12 months.

### *Other Fair Value Financial Assets and Liabilities*

The carrying amounts of cash and equivalents and receivables reported in our consolidated balance sheets approximate fair value due to the short maturity of those instruments.

The fair value of our debt instruments as of December 31, 2020 approximated the related carrying values due primarily to the variable market-based interest rates for such instruments.

### *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, foreign currency forward, and commodity 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, 2020, we had \$43.4 of future minimum rental payments under operating leases with remaining non-cancelable terms in excess of one year.

Capital expenditures for 2020 totaled \$21.5, compared to \$17.8 and \$12.4 in 2019 and 2018, respectively. Capital expenditures in 2020 related primarily to upgrades to manufacturing facilities, including replacement of equipment, and the move of our corporate headquarters. We expect 2021 capital expenditures to approximate \$20.0 to \$25.0, with a significant portion related to replacement of equipment.

In 2020, we made contributions and direct benefit payments of \$13.3 to our defined benefit pension and postretirement benefit plans. We expect to make \$13.2 of minimum required funding contributions and direct benefit payments in 2021. 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 12.0% in 2020. 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 (\$7.6), (\$7.0), and \$44.3 in 2020, 2019, and 2018, respectively. In 2020, we made payments of \$10.8 associated with the actual and estimated tax liability for federal, state and foreign tax obligations and received refunds of \$3.2. 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 and Other Operating Segment" 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, 2020, 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) \$29.2 of certain standby letters of credit outstanding, all of which relate to self-insurance or environmental matters and \$17.3 of which reduce the available borrowing capacity on our domestic revolving credit facility; (ii) \$89.0 of letters of credit outstanding, all of which reduce the available borrowing capacity on our foreign trade facilities; and (iii) \$168.8 of surety bonds.



## Contractual Obligations

The following is a summary of our primary contractual obligations as of December 31, 2020:

|   | Total           | Due Within 1 Year | Due in 1-3 Years | Due in 3-5 Years | Due After 5 Years |
|---|-----------------|-------------------|------------------|------------------|-------------------|
| Long-term debt obligations  | \$ 312.6        | \$ 7.2            | \$ 26.3          | \$ 279.1         | \$ —              |
| Pension and postretirement benefit plan contributions and payments <sup>(1)</sup> | 212.4           | 13.2              | 24.1             | 20.9             | 154.2             |
| Purchase and other contractual obligations <sup>(2)</sup>                         | 115.0           | 99.3              | 14.8             | 0.9              | —                 |
| Future minimum operating lease payments <sup>(3)</sup>                            | 43.4            | 8.7               | 15.0             | 9.1              | 10.6              |
| Interest payments   | 30.5            | 7.8               | 15.2             | 7.5              | —                 |
| Total contractual cash obligations <sup>(4)(5)</sup>                              | <u>\$ 713.9</u> | <u>\$ 136.2</u>   | <u>\$ 95.4</u>   | <u>\$ 317.5</u>  | <u>\$ 164.8</u>   |

- (1) 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 (i) our derivative financial instruments or (ii) the guarantees and bonds associated with Balcke Dürr.

### 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 \$575.7 and \$592.4 at December 31, 2020 and 2019, respectively. Of these amounts, \$499.8 and \$517.6 are included in “Other long-term liabilities” within our consolidated balance sheets at

December 31, 2020 and 2019, 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, 2020 and 2019:

|  | December 31, |          |
|--|--------------|----------|
|  | 2020         | 2019     |
| Insurance recovery assets <sup>(1)</sup> | \$ 496.4     | \$ 509.6 |
| Liabilities for claims <sup>(2)</sup>    | 535.2        | 552.2    |

<sup>(1)</sup> Of these amounts \$446.4 and \$459.6 are included in “Other assets” at December 31, 2020 and 2019, respectively, while the remainder is included in “Other current assets.”

<sup>(2)</sup> Of these amounts \$479.9 and \$498.1 are included in “Other long-term liabilities” at December 31, 2020 and 2019, 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, 2020, 2019 and 2018:

|                                   | Year ended December 31 |         |         |
|-----------------------------------|------------------------|---------|---------|
|                                   | 2020                   | 2019    | 2018    |
| Pending claims, beginning of year | 11,079                 | 13,767  | 17,359  |
| Claims filed                      | 2,449                  | 3,607   | 3,857   |
| Claims resolved                   | (3,746)                | (6,295) | (7,449) |
| Pending claims, end of year       | 9,782                  | 11,079  | 13,767  |

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, 2020, 2019 and 2018, our payments for asbestos-related claims, net of respective insurance recoveries of \$35.4, \$47.1, and \$45.3, were \$19.3, \$13.1 and \$9.7, respectively. 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, 2020, 2019, and 2018, we recorded charges of \$21.3, \$10.1, and \$4.8, respectively, as a result of changes in estimates associated with the liabilities and assets related to asbestos-related claims. Of these charges, \$19.2, \$6.3 and \$4.4 were reflected in “Income from continuing operations before income taxes” for the years ended December 31, 2020, 2019, and 2018, respectively, and \$2.1, \$3.8, and \$0.4, respectively, were reflected in “Gain (loss) on disposition of discontinued operations, net of tax.”

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

*Overview* - Since 2008, DBT has been executing contracts on two large power projects in South Africa (Kusile and Medupi). Over such time, the business environment surrounding these projects has been difficult, as DBT, along with many other contractors on the projects, have 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 has substantially completed its scope of work, with its remaining responsibilities related 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 1,100.0 (or \$75.0). As we prepare these claims for dispute resolution processes, the amounts, along with the characterization, of the claims could change. Of these claims, South African Rand 372.1 (or \$25.3) are currently proceeding through contractual dispute resolution processes and DBT is likely to initiate additional dispute resolution processes in 2021. 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 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. The panel ruled that MHI is obligated to pay DBT South African Rand 116.4 (or \$7.8 at the time of the ruling). This ruling is subject to MHI’s rights to seek further arbitration in the matter. No amount has been reflected in the consolidated financial statements for this matter.

*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. We believe the notification is unsubstantiated and the vast majority of the claimed damages are prohibited under the relevant contracts. Therefore, we believe any loss for the majority of these claimed damages is remote. For the remainder of the claims, which largely appear to be direct in nature (approximately South African Rand 948.0 or \$64.5), DBT has numerous defenses 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. 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. 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 \$27.7) 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 \$12.0). 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.

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 \$4.0 of bonds upon the completion of certain administrative milestones; and (iv) ordered MHI to pay South African Rand 18.4 (or \$1.1) in incentive payments for work performed by DBT (which MHI has subsequently paid), and 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 statement of operations for the year ended December 31, 2020.

*Bonds Issued in Favor of MHI* - We are 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, which we funded as required under the terms of the bonds and our senior credit agreement. In its demand, MHI purported that DBT failed to carry out its obligations to rectify certain alleged product defects identified in its February 2019 interim claims notice (see above). DBT denies liability for such alleged product defects and, thus, fully intends to seek, and believes it is legally entitled to, reimbursement of the South African Rand 239.6 (or \$16.3) that has been paid. However, given the extent and complexities of the claims between DBT and MHI, reimbursement of the South African Rand 239.6 (or \$16.3) is unlikely to occur over the next twelve months. As such, we have reflected the South African Rand 239.6 (or \$16.3) as a non-current asset within our consolidated balance sheet as of December 31, 2020.

The remaining amount of outstanding bonds that have been issued in favor of MHI include (i) \$16.2 of performance and retention money guarantees, which could be exercised by MHI for alleged defects or other alleged breaches of DBT's obligations, and (ii) a \$22.3 bond that can be exercised by MHI only in the event that (a) it receives a favorable judgment on a certain matter and (b) DBT fails to pay any money damages awarded in such judgment. In the event that MHI were to receive payment on a portion, or all, of the remaining bonds, we would be required to reimburse the respective issuing bank.

In addition to these bonds, SPX Corporation has guaranteed DBT's performance on these projects to the prime contractors.

*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 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). 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 shareholders" 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 2020, 2019, and 2018, we recognized \$585.4, \$522.2 and \$561.7, 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:

- **Sales Price Incentives and Sales Price Escalation Clauses** — Sales price incentives and sales price escalations that are reasonably assured and reasonably estimable are recorded over the performance period of the contract. Otherwise, these amounts are recorded when awarded.
- **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, 3, 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 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 perform our impairment testing by comparing the estimated fair value of the reporting unit to the carrying value of the reported net assets, with such testing occurring during the fourth quarter of each year in conjunction with our annual financial planning process (or more frequently if impairment indicators arise), based primarily on events and circumstances existing as of the end of the third quarter. 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.

Based on our annual goodwill impairment testing during the fourth quarter of 2020, we concluded that the estimated fair value of each of our reporting units, exclusive of Cues and Patterson-Kelley, exceeded the carrying value of their respective net

assets by over 75%. The estimated fair values of Cues and Patterson-Kelley exceeded the carrying value of their respective net assets by approximately 12% and 3%, while the total goodwill for Cues and Patterson-Kelley was \$47.9 and \$14.2, respectively, as of December 31, 2020. A change in assumptions used in testing Cues' and Patterson-Kelley's goodwill for impairment (e.g., projected revenues and profit growth rates, discount rates, industry price multiples, etc.) could result in Cues' and/or Patterson-Kelley's estimated fair value being less than the respective carrying value of their net assets. If Cues and/or Patterson-Kelley is unable to achieve the financial forecasts included in their respective 2020 annual goodwill impairment analysis, we may be required to record an impairment charge in a future period related to Cues' and/or Patterson-Kelley's 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 quarter of 2020, we recorded impairment charges related to certain of these trademarks of \$0.7.

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 2020 pension expense by approximately \$19.8, and a 50 basis point increase in the discount rate would have decreased our 2020 pension expense by approximately \$18.0.

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 6.5%. 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, copper and oil. See Note 14 to our consolidated financial statements for further details.

The following table provides information, as of December 31, 2020, 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 |         |         |          |            | Total    | Fair Value |
|--------------------------|------------------------|---------|---------|----------|------------|----------|------------|
|                          | 2021                   | 2022    | 2023    | 2024     | Thereafter |          |            |
| Senior Credit Facilities | \$ 6.2                 | \$ 12.5 | \$ 12.5 | \$ 278.8 | \$ —       | \$ 310.0 | \$ 310.0   |
| Average interest rate    |                        |         |         |          |            | 1.6 %    |            |

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, 2020, we had initial interest rate swap agreements that had an aggregate notional amount of \$234.0 and maturities through March 2021 and additional swaps with a notional amount of \$248.4 that cover the period from March 2021 to November 2024. The fair value of these swaps totaled \$7.8, with \$1.4 recorded as a current liability and the remainder in long-term liabilities as of December 31, 2020.

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. The aggregate notional amount of our FX forward contracts was \$6.3 at December 31, 2020, with all of the \$6.3 scheduled to mature in 2021.

We had commodity contracts with an outstanding notional amount of 3.2 pounds of copper at December 31, 2020. The fair value of these contracts was \$2.4 (recorded as a current asset) as of December 31, 2020.

## ITEM 8. Financial Statements And Supplementary Data

### SPX Corporation and Subsidiaries Index To Consolidated Financial Statements December 31, 2020

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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 shareholders 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, 2020 and 2019, the related consolidated statements of operations, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

### 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") (a South African subsidiary of the Company) has been executing contracts on two large power projects in South Africa. DBT has experienced delays, cost overruns, and various other challenges associated with a complex set of contractual relationships among the end customer, prime contractors, subcontractors (including DBT and its subcontractors), and suppliers. DBT has substantially completed its scope of work, with its remaining responsibilities related largely to resolution of various claims, primarily between itself and one of its prime contractors. 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, as well as the complexity of determining the associated insurance recovery assets. 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 and insurance recovery assets.
- 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 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, 2021

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, |                |                |
|--|-------------------------|----------------|----------------|
|  | 2020                    | 2019           | 2018           |
| Revenues   | \$ 1,559.5              | \$ 1,520.9     | \$ 1,512.6     |
| Costs and expenses:  |                         |                |                |
| Cost of products sold  | 1,080.6                 | 1,078.2        | 1,102.6        |
| Selling, general and administrative  | 320.0                   | 317.6          | 289.1          |
| Intangible amortization  | 14.0                    | 8.9            | 4.1            |
| Impairment of intangible assets  | 0.7                     | —              | —              |
| Special charges, net   | 3.2                     | 4.4            | 3.7            |
| Other operating expenses, net  | 9.0                     | 1.8            | 0.6            |
| Operating income   | <u>132.0</u>            | <u>110.0</u>   | <u>112.5</u>   |
| Other income (expense), net  | 2.7                     | (5.2)          | (7.6)          |
| Interest expense   | (18.4)                  | (21.0)         | (21.5)         |
| Interest income  | 0.2                     | 1.8            | 1.5            |
| Loss on amendment/refinancing of senior credit agreement   | —                       | (0.6)          | (0.4)          |
| Income from continuing operations before income taxes  | <u>116.5</u>            | <u>85.0</u>    | <u>84.5</u>    |
| Income tax provision   | <u>(15.8)</u>           | <u>(13.9)</u>  | <u>(2.6)</u>   |
| Income from continuing operations  | <u>100.7</u>            | <u>71.1</u>    | <u>81.9</u>    |
| Gain (loss) from discontinued operations, net of tax   | 0.2                     | (1.4)          | (3.7)          |
| Gain (loss) on disposition of discontinued operations, net of tax  | <u>(3.7)</u>            | <u>(4.4)</u>   | <u>3.0</u>     |
| Loss from discontinued operations, net of tax  | <u>(3.5)</u>            | <u>(5.8)</u>   | <u>(0.7)</u>   |
| Net income   | 97.2                    | 65.3           | 81.2           |
| Less: Net loss attributable to noncontrolling interests  | —                       | —              | —              |
| Net income attributable to SPX Corporation common shareholders   | <u>97.2</u>             | <u>65.3</u>    | <u>81.2</u>    |
| Adjustment related to redeemable noncontrolling interest (Note 15)   | —                       | 5.6            | —              |
| Net income attributable to SPX Corporation common shareholders after adjustment related to redeemable noncontrolling interest                        | <u>\$ 97.2</u>          | <u>\$ 70.9</u> | <u>\$ 81.2</u> |
| Amounts attributable to SPX Corporation common shareholders after adjustment related to redeemable noncontrolling interest:                          |                         |                |                |
| Income from continuing operations, net of tax  | \$ 100.7                | \$ 76.7        | \$ 81.9        |
| Loss from discontinued operations, net of tax  | (3.5)                   | (5.8)          | (0.7)          |
| Net income   | <u>\$ 97.2</u>          | <u>\$ 70.9</u> | <u>\$ 81.2</u> |
| Basic income (loss) per share of common stock:   |                         |                |                |
| Income from continuing operations attributable to SPX Corporation common shareholders after adjustment related to redeemable noncontrolling interest | \$ 2.26                 | \$ 1.75        | \$ 1.90        |
| Loss from discontinued operations attributable to SPX Corporation common shareholders  | (0.08)                  | (0.14)         | (0.01)         |
| Net income per share attributable to SPX Corporation common shareholders after adjustment related to redeemable noncontrolling interest              | <u>\$ 2.18</u>          | <u>\$ 1.61</u> | <u>\$ 1.89</u> |
| Weighted-average number of common shares outstanding — basic   | 44.628                  | 43.942         | 43.054         |
| Diluted income (loss) per share of common stock:   |                         |                |                |
| Income from continuing operations attributable to SPX Corporation common shareholders after adjustment related to redeemable noncontrolling interest | \$ 2.20                 | \$ 1.71        | \$ 1.83        |
| Loss from discontinued operations attributable to SPX Corporation common shareholders  | (0.08)                  | (0.13)         | (0.01)         |
| Net income per share attributable to SPX Corporation common shareholders after adjustment related to redeemable noncontrolling interest              | <u>\$ 2.12</u>          | <u>\$ 1.58</u> | <u>\$ 1.82</u> |
| Weighted-average number of common shares outstanding — diluted   | 45.766                  | 44.957         | 44.660         |

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, |         |         |
|---|-------------------------|---------|---------|
|   | 2020                    | 2019    | 2018    |
| Net income  | \$ 97.2                 | \$ 65.3 | \$ 81.2 |
| Other comprehensive income (loss), net:   |                         |         |         |
| Pension and postretirement liability adjustment and other, net of tax benefit of \$1.2, \$0.5, and \$5.9 in 2020, 2019 and 2018, respectively | (3.6)                   | (1.8)   | 0.6     |
| Net unrealized losses on qualifying cash flow hedges, net of tax benefit of \$0.9, \$0.3, and \$0.7 in 2020, 2019 and 2018, respectively      | (2.8)                   | (1.0)   | (1.4)   |
| Foreign currency translation adjustments  | 10.6                    | 2.2     | (4.4)   |
| Other comprehensive income (loss), net  | 4.2                     | (0.6)   | (5.2)   |
| Total comprehensive income  | 101.4                   | 64.7    | 76.0    |
| Less: Total comprehensive loss attributable to noncontrolling interests   | —                       | —       | —       |
| Total comprehensive income attributable to SPX Corporation common shareholders  | \$ 101.4                | \$ 64.7 | \$ 76.0 |

The accompanying notes are an integral part of these statements.

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

|   | December 31,<br>2020     | December 31,<br>2019     |
|---|--------------------------|--------------------------|
| <b>ASSETS</b>   |                          |                          |
| Current assets:   |                          |                          |
| Cash and equivalents  | \$ 68.3                  | \$ 54.6                  |
| Accounts receivable, net  | 271.8                    | 264.8                    |
| Contract assets   | 81.1                     | 63.1                     |
| Inventories, net  | 162.0                    | 154.9                    |
| Other current assets (includes income taxes receivable of \$27.3 and \$23.0 at December 31, 2020 and 2019, respectively)  | 99.1                     | 93.0                     |
| Assets of discontinued operations   | 0.3                      | 1.7                      |
| Total current assets  | <u>682.6</u>             | <u>632.1</u>             |
| Property, plant and equipment:  |                          |                          |
| Land  | 19.4                     | 18.7                     |
| Buildings and leasehold improvements  | 128.0                    | 121.9                    |
| Machinery and equipment   | 356.7                    | 342.3                    |
|   | <u>504.1</u>             | <u>482.9</u>             |
| Accumulated depreciation  | (314.4)                  | (303.8)                  |
| Property, plant and equipment, net  | <u>189.7</u>             | <u>179.1</u>             |
| Goodwill  | 499.9                    | 449.3                    |
| Intangibles, net  | 305.0                    | 251.7                    |
| Other assets  | 616.4                    | 605.5                    |
| Deferred income taxes   | 3.9                      | 16.4                     |
| Assets of discontinued operations   | 0.2                      | 0.4                      |
| <b>TOTAL ASSETS</b>   | <u><u>\$ 2,297.7</u></u> | <u><u>\$ 2,134.5</u></u> |
| <b>LIABILITIES AND EQUITY</b>   |                          |                          |
| Current liabilities:  |                          |                          |
| Accounts payable  | \$ 138.5                 | \$ 141.2                 |
| Contract liabilities  | 103.5                    | 100.5                    |
| Accrued expenses  | 233.6                    | 219.6                    |
| Income taxes payable  | 0.4                      | 2.2                      |
| Short-term debt   | 101.2                    | 142.6                    |
| Current maturities of long-term debt  | 7.2                      | 1.0                      |
| Liabilities of discontinued operations  | 0.5                      | 1.5                      |
| Total current liabilities   | <u>584.9</u>             | <u>608.6</u>             |
| Long-term debt  | 304.0                    | 249.9                    |
| Deferred and other income taxes   | 23.8                     | 26.3                     |
| Other long-term liabilities   | 755.8                    | 747.1                    |
| Liabilities of discontinued operations  | —                        | 0.2                      |
| Total long-term liabilities   | <u>1,083.6</u>           | <u>1,023.5</u>           |
| Commitments and contingent liabilities (Note 15)  |                          |                          |
| Equity:   |                          |                          |
| Common stock (52,704,973 and 45,032,325 issued and outstanding at December 31, 2020, respectively, and 52,017,204 and 44,202,503 issued and outstanding at December 31, 2019, respectively) | 0.5                      | 0.5                      |
| Paid-in capital   | 1,319.9                  | 1,302.4                  |
| Retained deficit  | (488.1)                  | (584.8)                  |
| Accumulated other comprehensive income  | 248.5                    | 244.3                    |
| Common stock in treasury 7,672,648 and 7,814,701 shares at December 31, 2020 and 2019, respectively)  | (451.6)                  | (460.0)                  |
| Total equity  | <u>629.2</u>             | <u>502.4</u>             |
| <b>TOTAL LIABILITIES AND EQUITY</b>   | <u><u>\$ 2,297.7</u></u> | <u><u>\$ 2,134.5</u></u> |

The accompanying notes are an integral part of these statements.



**SPX Corporation and Subsidiaries**  
**Consolidated Statements of Equity**  
(in millions)

|   | Common<br>Stock | Paid-In<br>Capital | Retained Deficit  | Accum. Other<br>Comprehensive<br>Income | Common<br>Stock In<br>Treasury | Total Equity    |
|---|-----------------|--------------------|-------------------|---|--------------------------------|-----------------|
| Balance at December 31, 2017  | \$ 0.5          | \$ 1,309.8         | \$ (742.3)        | \$ 250.1                                | \$ (503.4)                     | \$ 314.7        |
| Net income  | —               | —                  | 81.2              | —                                       | —                              | 81.2            |
| Other comprehensive loss, net   | —               | —                  | —                 | (5.2)                                   | —                              | (5.2)           |
| Incentive plan activity   | —               | 10.3               | —                 | —                                       | —                              | 10.3            |
| Long-term incentive compensation expense                              | —               | 11.6               | —                 | —                                       | —                              | 11.6            |
| Restricted stock and restricted stock unit vesting                    | —               | (36.3)             | —                 | —                                       | 27.6                           | (8.7)           |
| Impact of adoption of ASU 2016-01 - See Note 3                        | —               | —                  | 12.0              | —                                       | —                              | 12.0            |
| Impact of adoption of ASC 606 - See Note 3                            | —               | —                  | 4.0               | —                                       | —                              | 4.0             |
| Impact of adoption of ASU 2016-16 - See Note 3                        | —               | —                  | (0.2)             | —                                       | —                              | (0.2)           |
| Stranded income tax effects resulting from tax reform -<br>See Note 3 | —               | —                  | (4.8)             | —                                       | —                              | (4.8)           |
| Balance at December 31, 2018  | 0.5             | 1,295.4            | (650.1)           | 244.9                                   | (475.8)                        | 414.9           |
| 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<br>(Note 15) | —               | 5.6                | —                 | —                                       | —                              | 5.6             |
| Balance at December 31, 2019  | 0.5             | 1,302.4            | (584.8)           | 244.3                                   | (460.0)                        | 502.4           |
| Impact of adoption of ASU 2016-13 - See Note 3                        | —               | —                  | (0.5)             | —                                       | —                              | (0.5)           |
| Net income  | —               | —                  | 97.2              | —                                       | —                              | 97.2            |
| 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  | <u>\$ 0.5</u>   | <u>\$ 1,319.9</u>  | <u>\$ (488.1)</u> | <u>\$ 248.5</u>                         | <u>\$ (451.6)</u>              | <u>\$ 629.2</u> |

The accompanying notes are an integral part of these statements.

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

|   | Year ended December 31, |         |         |
|---|-------------------------|---------|---------|
|   | 2020                    | 2019    | 2018    |
| <b>Cash flows from (used in) operating activities:</b>  |                         |         |         |
| Net income  | \$ 97.2                 | \$ 65.3 | \$ 81.2 |
| Less: Loss from discontinued operations, net of tax   | (3.5)                   | (5.8)   | (0.7)   |
| Income from continuing operations   | 100.7                   | 71.1    | 81.9    |
| Adjustments to reconcile income from continuing operations to net cash from operating activities  |                         |         |         |
| Special charges, net  | 3.2                     | 4.4     | 3.7     |
| Gain on change in fair value of equity security   | (8.6)                   | (7.9)   | —       |
| Loss on amendment/refinancing of senior credit agreement  | —                       | 0.6     | 0.4     |
| Impairment of intangible assets   | 0.7                     | —       | —       |
| Deferred and other income taxes   | 11.3                    | 15.2    | 0.9     |
| Depreciation and amortization   | 41.7                    | 34.2    | 27.9    |
| Pension and other employee benefits   | 14.3                    | 20.2    | 13.7    |
| Long-term incentive compensation  | 14.0                    | 13.6    | 15.5    |
| Other, net  | 4.1                     | 2.6     | 2.3     |
| Changes in operating assets and liabilities, net of effects from acquisitions:  |                         |         |         |
| Accounts receivable and other assets  | 2.8                     | 72.0    | 42.6    |
| Inventories   | (2.2)                   | (8.9)   | 2.9     |
| Accounts payable, accrued expenses and other  | (48.1)                  | (60.0)  | (77.1)  |
| Cash spending on restructuring actions  | (2.8)                   | (2.9)   | (3.2)   |
| Net cash from continuing operations   | 131.1                   | 154.2   | 111.5   |
| Net cash used in discontinued operations  | (4.8)                   | (5.6)   | (0.9)   |
| Net cash from operating activities  | 126.3                   | 148.6   | 110.6   |
| <b>Cash flows from (used in) investing activities:</b>  |                         |         |         |
| Proceeds from asset sales and other   | —                       | (0.2)   | 5.0     |
| Proceeds (expenditures) related to company-owned life insurance policies, net   | (0.2)                   | 5.9     | (0.8)   |
| Business acquisitions, net of cash acquired   | (104.4)                 | (147.1) | (180.8) |
| Capital expenditures  | (21.5)                  | (17.8)  | (12.4)  |
| Net cash used in continuing operations  | (126.1)                 | (159.2) | (189.0) |
| Net cash from discontinued operations   | —                       | 5.5     | 8.4     |
| Net cash used in investing activities   | (126.1)                 | (153.7) | (180.6) |
| <b>Cash flows from (used in) financing activities:</b>  |                         |         |         |
| Borrowings under senior credit facilities   | 197.6                   | 593.8   | 199.4   |
| Repayments under senior credit facilities   | (207.8)                 | (560.2) | (193.0) |
| Borrowings under trade receivables agreement  | 134.4                   | 93.0    | 123.0   |
| Repayments under trade receivables agreement  | (106.4)                 | (116.0) | (100.0) |
| Net repayments under other financing arrangements   | (2.2)                   | (0.6)   | (4.8)   |
| Payment of contingent consideration   | (1.5)                   | —       | —       |
| Minimum withholdings paid on behalf of employees for net share settlements, net of proceeds from the exercise of employee stock options and other | 1.8                     | (3.9)   | (7.8)   |
| Financing fees paid   | —                       | (1.6)   | —       |
| Purchase of subsidiary shares   | —                       | (15.6)  | —       |
| Net cash from (used in) continuing operations   | 15.9                    | (11.1)  | 16.8    |
| Net cash from (used in) discontinued operations   | —                       | —       | —       |
| Net cash from (used in) financing activities  | 15.9                    | (11.1)  | 16.8    |

|  |                |                |                |
|--|----------------|----------------|----------------|
| Change in cash and equivalents due to changes in foreign currency exchange rates | (2.5)          | 2.1            | (2.3)          |
| Net change in cash and equivalents   | 13.6           | (14.1)         | (55.5)         |
| Consolidated cash and equivalents, beginning of period                           | 54.7           | 68.8           | 124.3          |
| Consolidated cash and equivalents, end of period                                 | <u>\$ 68.3</u> | <u>\$ 54.7</u> | <u>\$ 68.8</u> |
| <b>Supplemental disclosure of cash flow information:</b>                         |                |                |                |
| Interest paid  | \$ 17.5        | \$ 16.1        | \$ 19.7        |
| Income tax refunds (payments), net   | \$ (7.6)       | \$ (7.0)       | \$ 44.3        |
| <b>Non-cash investing and financing activity:</b>                                |                |                |                |
| Debt assumed   | \$ 2.9         | \$ 1.3         | \$ 0.2         |

|   | <u>Year ended December 31,</u> |                |                |
|---|--------------------------------|----------------|----------------|
|   | <u>2020</u>                    | <u>2019</u>    | <u>2018</u>    |
| <b>Components of cash and equivalents:</b>                              |                                |                |                |
| Cash and cash equivalents   | \$ 68.3                        | \$ 54.6        | \$ 68.5        |
| Cash and cash equivalents included in assets of discontinued operations | —                              | 0.1            | 0.3            |
| Total cash and cash equivalents   | <u>\$ 68.3</u>                 | <u>\$ 54.7</u> | <u>\$ 68.8</u> |

The accompanying notes are an integral part of these statements.

**Notes to Consolidated Financial Statements**  
**December 31, 2020**

**(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. We have an interest in a VIE, in which we are not the primary beneficiary, as a result of the sale of Balcke Dürr. See below and in Notes 2, 4 and 17 for further discussion of the Balcke Dürr sale. All other VIEs are considered 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 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 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. See Note 4 for additional details.
- 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 connection with this plan, we recorded charges of \$3.5 in 2018, with \$0.9 related to the write-down of inventory, \$0.6 related to the impairment of machinery and equipment and \$2.0 to severance costs. In addition, we sold intangible assets of the business in 2018 for cash proceeds of \$4.8, which resulted in a gain of less than \$0.1. During 2019, we completed the sale of Heat Transfer’s manufacturing facility for cash proceeds of \$5.5, which resulted in a gain of \$0.3. 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.

*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 is eligible for additional cash consideration of up to \$45.0, with payments scheduled to be made in 2021 and 2022 upon

successful achievement of certain operational and financial performance milestones. The estimated fair value of such contingent consideration is \$24.3, which is reflected as a liability in the accompanying consolidated balance sheet as of December 31, 2020. 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 ordnance, and geotechnical and geological investigations, for cash proceeds of \$15.2, 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 in 2021 upon successful achievement of a financial performance milestone during the twelve months following the date of acquisition. The estimated fair value of such contingent consideration is \$0.7, which is reflected as a liability in the accompanying consolidated balance sheet as of December 31, 2020. In addition, 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 Sensors & Software are reflected within our Detection and Measurement reportable segment.

The assets acquired and liabilities assumed in the ULC and Sensors & Software 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 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.

#### *Acquisitions in 2018:*

- **Schonstedt** - On March 1, 2018, we completed the acquisition of Schonstedt Instrument Company (“Schonstedt”), a manufacturer and distributor of magnetic locator products used for locating underground utilities and other buried objects, for a purchase price of \$16.4, net of cash acquired of \$0.3. The post-acquisition operating results of Schonstedt are reflected within our Detection and Measurement reportable segment.
- **Cues** - On June 7, 2018, we completed the acquisition of Cues, Inc. (“Cues”), a manufacturer of pipeline inspection and rehabilitation equipment. The acquisition was completed through the purchase of all of the issued and outstanding shares of Cues’ parent company for a purchase price of \$164.4, net of cash acquired of \$20.6. The post-acquisition operating results of Cues are reflected within our Detection and Measurement reportable segment. See Note 4 for additional details on the Cues acquisition.

*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 equity and other comprehensive income. Foreign currency transaction gains and losses, as well as gains and losses related to foreign currency forward contracts and currency forward embedded derivatives, are included in “Other income (expense), net,” with the related net gains (losses) totaling \$1.3, \$(1.5) and \$(0.3) in 2020, 2019 and 2018, 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 \$1.3 and \$3.8 as of December 31, 2020 and 2019, respectively. Capitalized software amortization expense totaled \$2.5 in 2020, and \$2.4 in both 2019 and 2018. We expensed research activities relating to the development and improvement of our products of \$28.4, \$24.8 and \$22.9 in 2020, 2019 and 2018, 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 \$25.2, \$22.9 and \$21.4 for the years ended December 31, 2020, 2019 and 2018, 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 2020, 2019 or 2018.

*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 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, 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 16 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 Heat Transfer 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.

*Impact of the Coronavirus Disease (the “COVID-19 pandemic”) —* We have experienced modest adverse impacts of the COVID-19 pandemic since March 2020. Despite the adverse impacts, there are no indications that the COVID-19 pandemic has resulted in a material decline in the carrying value of any assets, or a material change in the estimate of any contingent amounts, recorded in our consolidated balance sheet as of December 31, 2020. However, there is uncertainty as to the duration and overall impact of the COVID-19 pandemic, which could result in an adverse material change in a future period to the estimates we have made for the valuation of assets and contingent amounts.

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, |                |                |
|---|-------------------------|----------------|----------------|
|   | 2020                    | 2019           | 2018           |
| Balance at beginning of year                            | \$ 10.3                 | \$ 11.1        | \$ 9.1         |
| Acquisitions  | 0.3                     | 0.3            | —              |
| Allowances provided                                     | 18.7                    | 18.6           | 17.7           |
| Write-offs, net of recoveries, credits issued and other | (16.5)                  | (19.7)         | (15.7)         |
| Balance at end of year                                  | <u>\$ 12.8</u>          | <u>\$ 10.3</u> | <u>\$ 11.1</u> |

*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 test 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. 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, 2020 and 2019.

|                      | December 31,    |                 |
|----------------------|-----------------|-----------------|
|                      | 2020            | 2019            |
| Employee benefits    | \$ 82.8         | \$ 78.5         |
| Warranty             | 13.3            | 12.5            |
| Other <sup>(1)</sup> | 137.5           | 128.6           |
| Total                | <u>\$ 233.6</u> | <u>\$ 219.6</u> |

<sup>(1)</sup> Other consists of various items including, among other items, accrued 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.

*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 self-insurance 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, |         |         |
|---------------------------------------|-------------------------|---------|---------|
|                                       | 2020                    | 2019    | 2018    |
| Balance at beginning of year          | \$ 34.8                 | \$ 33.7 | \$ 33.4 |
| Acquisitions                          | 1.6                     | 0.4     | 1.0     |
| Impact of initial adoption of ASC 606 | —                       | —       | 0.4     |
| Provisions                            | 14.6                    | 14.0    | 11.9    |
| Usage                                 | (12.8)                  | (13.2)  | (12.9)  |
| Currency translation adjustment       | 0.2                     | (0.1)   | (0.1)   |
| Balance at end of year                | 38.4                    | 34.8    | 33.7    |
| Less: Current portion of warranty     | 13.3                    | 12.5    | 11.9    |
| Non-current portion of warranty       | \$ 25.1                 | \$ 22.3 | \$ 21.8 |

*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* — As further discussed in Note 17, in connection with the sale of Balcke Dürr, 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 (and Euro 0.0 and Euro 2.9, respectively, at December 31, 2020). We have 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. We estimated the fair value of the 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. As also discussed in Note 17, 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 are 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. By way of an offset to “Other income (expense), net,” we are reducing the liability and amortizing the asset, with the reduction of the liability generally to occur upon return of the guarantee or bond which is expected to occur at the earlier of the completion of the related underlying project milestones or the expiration of the guarantees or bonds, and the amortization of the asset to occur based on the expiration terms of each of the securities. We will continue to evaluate the adequacy of the recorded liability and will record an adjustment to the liability if we conclude that it is probable that we will be required to fund an amount greater than what is recorded. See Note 17 for further information regarding the estimated fair values of the parent company guarantees and bonds, as well as the cash collateral provided by Balcke Dürr and the partial guarantee provided by the parent company of the buyer.

### (3) New Accounting Pronouncements

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

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard on revenue recognition (“ASC 606”) that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and superseded most current revenue recognition guidance, including industry-specific guidance. Effective January 1, 2018, we adopted ASC 606 using the modified retrospective transition approach for all contracts not completed as of the date of adoption. The modified retrospective transition approach recognizes any changes as of the beginning of the year of initial application (i.e., as of January 1, 2018) through retained earnings, with no restatement of comparative periods. The adoption of ASC 606 resulted in a reduction of our retained deficit of \$4.0.

In January 2016, the FASB issued an amendment to guidance that (i) requires equity securities (excluding equity method investments) to be measured at fair value, with changes in fair value recognized in net earnings, and (ii) enhances the disclosure associated with these instruments. The amendment allows equity securities that do not have readily determinable fair values to be measured at fair value, either upon the occurrence of an observable price change or identification of an impairment. We adopted this amendment in 2018, with the impact limited to an adjustment to the carrying value of an equity security that we had been accounting for based on its historical cost. In connection with our adoption, we adjusted the carrying value of this equity security to its estimated fair value, which resulted in a reduction, net of tax, of our retained deficit of \$12.0. See Note 17 for additional details.

In February 2016, the FASB issued an amendment to existing guidance, ASC 842, that requires lessees to recognize assets and liabilities for the rights and obligations created by leases. Under the amendment, additional qualitative and quantitative disclosures are required to allow users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Effective January 1, 2019, we adopted ASC 842 using the modified retrospective transition approach. The modified retrospective transition approach recognizes any changes as of the beginning of the year of initial application (i.e., as of January 1, 2019) through retained earnings, with no restatement of comparative periods. The new standard provides a number of optional practical expedients upon transition. We elected the “package of practical expedients,” which allowed us to maintain our prior conclusions regarding lease identification, lease classification and initial direct costs. We did not elect the practical expedients for the use-of-hindsight or land easements; the latter not being applicable to us. The adoption of ASC 842 had no impact on our retained deficit and no significant impact on the accompanying consolidated statements of operations or consolidated statements of cash flows for the years ended December 31, 2020 and 2019. See Note 6 for further discussion of the post adoption impact of ASC 842.

In June 2016, the 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 October 2016, the FASB issued ASU 2016-16, which removes the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. The requirements of ASU 2016-16 are to be applied on a modified retrospective basis, which entails recognizing the initial effect of adoption in retained earnings. We adopted ASU 2016-16 as of January 1, 2018, which resulted in an increase of our retained deficit of \$0.2.

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 material impact to our consolidated financial statements.

In August 2017, the FASB issued significant amendments to hedge accounting. The new guidance will make more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. It is intended to more closely align hedge accounting with companies’ risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope

and results of hedging programs. We adopted this guidance during the first quarter of 2019, with such adoption having no material impact to our consolidated financial statements.

In February 2018, the FASB amended its guidance for reporting comprehensive income to reflect the potential impacts of the reduction in the corporate tax rate resulting from the “Tax Cut and Jobs Act,” which was enacted in the United States on December 22, 2017. The amendment gives the option of reclassifying the stranded tax effects within AOCI to retained earnings during the fiscal year or quarter in which the effect of the lower tax rate is recorded. The amendment is effective for years beginning after December 15, 2018, with early adoption permitted. We adopted this guidance as of January 1, 2018, which resulted in an increase of our retained deficit of \$4.8.

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 transactions outside of business combinations that result in a 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 are currently evaluating the impact of this guidance on our consolidated financial statements.

The London Interbank Offered Rate (“LIBOR”) is scheduled to be discontinued 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. We are currently evaluating the impacts of reference rate reform and the new guidance on our consolidated financial statements.

#### (4) Acquisitions and Discontinued Operations

##### *Acquisition of Cues*

As indicated in Note 1, on June 7, 2018, we completed the acquisition of Cues for \$164.4, net of cash acquired of \$20.6. For the period June 7, 2018 to December 31, 2018, Cues recognized revenues and a net loss of \$52.3 and \$0.4, respectively, with the net loss impacted by charges of \$4.3 associated with the excess fair value (over historical cost) of inventory acquired which was subsequently sold in 2018. During the year ended December 31, 2018, we incurred acquisition related costs for Cues of \$2.4, which have been recorded to "Selling, general and administrative" within the accompanying consolidated statement of operations.

The following unaudited pro forma information presents our consolidated results of operations for the year ended December 31, 2018 as if the acquisition of Cues had taken place on January 1, 2018. The unaudited pro forma financial information is not intended to represent or be indicative of our consolidated results of operations that would have been reported had the acquisition been completed as of the date presented, and should not be taken as representative of our future consolidated results of operations. The pro forma results include estimates and assumptions that management believes are reasonable; however, these results do not include any anticipated cost savings or expenses of the planned integration of Cues. These pro forma results of operations have been prepared for comparative purposes only and include additional interest expense on the borrowings required to finance the acquisition, additional depreciation and amortization expense associated with fair value adjustments to the acquired property, plant and equipment and intangible assets, the removal of charges associated with the excess fair value (over historical cost) of inventory acquired and subsequently sold, the removal of professional fees and other one-time costs incurred in connection with the transaction, and the related income tax effects.

|  | <u>Year ended December 31,</u> |         |
|--|--------------------------------|---------|
|  | <u>2018</u>                    |         |
| Revenues   | \$                             | 1,546.7 |
| Income from continuing operations                            |                                | 90.8    |
| Net income   |                                | 90.1    |
|  |                                |         |
| Income from continuing operations per share of common stock: |                                |         |
| Basic  | \$                             | 2.11    |
| Diluted  | \$                             | 2.03    |
|  |                                |         |
| Net income per share of common stock:                        |                                |         |
| Basic  | \$                             | 2.09    |
| Diluted  | \$                             | 2.02    |

##### *Other Acquisitions*

As indicated in Note 1, on March 1, 2018, February 1, 2019, July 3, 2019, November 12, 2019, September 2, 2020, and November 11, 2020, we completed the acquisitions of Schonstedt, Sabik, SGS, Patterson-Kelley, ULC, and Sensors & Software, respectively. The pro forma effects of these acquisitions are not material to our consolidated results of operations.

##### **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 now reporting Heat Transfer as a discontinued operation for all periods presented.

In connection with the wind-down of Heat Transfer, we recorded charges of \$3.5 in 2018, with \$0.9 related to the write-down of inventory, \$0.6 related to the impairment of machinery and equipment, and \$2.0 to severance costs. In addition, we sold certain intangible assets of the business in 2018 for net cash proceeds of \$4.8, which resulted in a gain of less than \$0.1. During 2019, we completed the sale of Heat Transfer's manufacturing facility for cash proceeds of \$5.5, which resulted in a gain of \$0.3.

Major line items constituting pre-tax income (loss) and after-tax income (loss) of Heat Transfer for the years ended December 31, 2020, 2019 and 2018 are shown below:

|  | Year ended December 31, |                 |                 |
|--|-------------------------|-----------------|-----------------|
|  | 2020                    | 2019            | 2018            |
| Revenues   | \$ 3.9                  | \$ 4.5          | \$ 26.0         |
| Costs and expenses:                                    |                         |                 |                 |
| Cost of products sold                                  | 3.1                     | 6.1             | 25.3            |
| Selling, general and administrative                    | 0.1                     | 0.9             | 2.9             |
| Intangible amortization expense                        | —                       | —               | 0.1             |
| Special charges (credits), net                         | 0.4                     | (0.4)           | 2.6             |
| Other income, net                                      | —                       | 0.3             | —               |
| Income (loss) before income tax                        | 0.3                     | (1.8)           | (4.9)           |
| Income tax (provision) benefit                         | (0.1)                   | 0.4             | 1.2             |
| Income (loss) from discontinued operations, net of tax | <u>\$ 0.2</u>           | <u>\$ (1.4)</u> | <u>\$ (3.7)</u> |

The assets and liabilities of Heat Transfer have been classified as assets and liabilities of discontinued operations as of December 31, 2020 and 2019. The major line items constituting Heat Transfer's assets and liabilities as of December 31, 2020 and 2019 are shown below:

|  | December 31,  |               |
|--|---------------|---------------|
|  | 2020          | 2019          |
| <b>ASSETS:</b>                                   |               |               |
| Cash and equivalents                             | \$ —          | \$ 0.1        |
| Accounts receivable, net                         | 0.1           | 1.1           |
| Contract assets                                  | —             | 0.3           |
| Other current assets                             | 0.2           | 0.2           |
| Assets of discontinued operations - current      | 0.3           | 1.7           |
| Other assets                                     | 0.2           | 0.4           |
| Total assets - discontinued operations           | <u>\$ 0.5</u> | <u>\$ 2.1</u> |
| <b>LIABILITIES:</b>                              |               |               |
| Accounts payable                                 | \$ 0.2        | \$ 0.4        |
| Contract liabilities                             | —             | 0.3           |
| Accrued expenses                                 | 0.3           | 0.8           |
| Liabilities of discontinued operations - current | 0.5           | 1.5           |
| Long-term liabilities                            | —             | 0.2           |
| Total liabilities - discontinued operations      | <u>\$ 0.5</u> | <u>\$ 1.7</u> |

### Sale of Balcke Dürr Business

During 2018, we reached a settlement with the buyer of Balcke Dürr on the amount of cash and working capital at the closing date, as well as on various other matters, for a net payment from the buyer in the amount of Euro 3.0 (or \$3.6). The settlement resulted in a gain, net of tax, of \$3.8, which was recorded to "Gain (loss) on disposition of discontinued operations, net of tax."

## Other Discontinued Operations Activity

In addition to Heat Transfer and Balcke Dürr, we recognized net losses of \$3.7, \$4.4 and \$0.8 during 2020, 2019 and 2018, respectively, resulting from adjustments to gains/losses on dispositions of other businesses discontinued prior to 2018.

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, 2020, 2019 and 2018, results of operations from our businesses reported as discontinued operations were as follows:

|   | Year ended December 31, |          |          |
|---|-------------------------|----------|----------|
|   | 2020                    | 2019     | 2018     |
| <b>Balcke Dürr</b>                              |                         |          |          |
| Income from discontinued operations             | \$ —                    | \$ —     | \$ 6.3   |
| Income tax provision                            | —                       | —        | (2.5)    |
| Income from discontinued operations, net        | —                       | —        | 3.8      |
| <b>Heat Transfer</b>                            |                         |          |          |
| Income (loss) from discontinued operations      | 0.3                     | (1.8)    | (4.9)    |
| Income tax (provision) benefit                  | (0.1)                   | 0.4      | 1.2      |
| Income (loss) from discontinued operations, net | 0.2                     | (1.4)    | (3.7)    |
| <b>All other</b>                                |                         |          |          |
| Loss from discontinued operations               | (4.8)                   | (4.0)    | (1.2)    |
| Income tax (provision) benefit                  | 1.1                     | (0.4)    | 0.4      |
| Loss from discontinued operations, net          | (3.7)                   | (4.4)    | (0.8)    |
| <b>Total</b>                                    |                         |          |          |
| Income (loss) from discontinued operations      | (4.5)                   | (5.8)    | 0.2      |
| Income tax (provision) benefit                  | 1.0                     | —        | (0.9)    |
| Loss from discontinued operations, net          | \$ (3.5)                | \$ (5.8) | \$ (0.7) |

## (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 large process cooling systems, as well as certain of our bus fare collection systems. As of December 31, 2020, the aggregate amount allocated to remaining performance obligations after the effect of practical

expedients was \$81.2. We expect to recognize revenue on approximately 52% and 77% 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 Engineered Solutions 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, unapproved change orders and claims (levied by us and/or against us), and index-based pricing. 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.

As indicated in Note 15, during February, March, and April 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.

As indicated in Note 15, 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.

As of December 31, 2020, there was \$0.4 cumulative revenue associated with variable consideration recorded for the large power projects in South Africa.

*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 cooling towers, residential and commercial boilers, and comfort heating and ventilation products. Performance obligations for our HVAC product lines relate primarily to the delivery of equipment and components, with satisfaction of these performance obligations occurring at the time of shipment or delivery (i.e., control is transferred at a point in time). The typical length of a contract is one to three months and payment terms are generally 15 to 60 days after shipment to the customer.

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.

Our engineered solutions product lines include medium and large power transformers and process cooling equipment. Performance obligations for these product lines relate to delivery of equipment and components, construction and reconstruction of cooling towers and other components, providing installation, replacement/spare parts, and various other services. For these product lines, our customers typically contract with us to provide a customer-specific 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. 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). The length of customer contract is generally 6 to 12 months for our power transformers business and 6 to 18 months for our process cooling business. 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 remaining product lines relate to DBT, our South African business. Performance obligations for these product lines relate to delivery of equipment and components and construction, installation, and various other services, primarily for two large power projects that are in the final stages of completion. For these product lines, our customers contracted with us to provide a customer-specific 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, most 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. Payments for these product lines are generally commensurate with milestones defined in the related contract.

Customer prepayments, progress billings, and retention payments are customary in certain of our project-based businesses, generally for our engineered solutions and DBT product lines and, to a lesser extent, our detection and measurement product lines. 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 and our other operating segment, 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, 2020, 2019, and 2018:

| <b>Reportable Segments and Other</b>   | <b>Year Ended December 31, 2020</b> |                                  |                             |               |                   |
|--|-------------------------------------|----------------------------------|-----------------------------|---------------|-------------------|
|  | <b>HVAC</b>                         | <b>Detection and Measurement</b> | <b>Engineered Solutions</b> | <b>Other</b>  | <b>Total</b>      |
| <b>Major product lines</b>   |                                     |                                  |                             |               |                   |
| Cooling  | \$ 297.0                            | \$ —                             | \$ —                        | \$ —          | \$ 297.0          |
| Boilers, comfort heating, and ventilation  | 293.7                               | —                                | —                           | —             | 293.7             |
| Underground locators, inspection and rehabilitation equipment, and robotic systems | —                                   | 217.8                            | —                           | —             | 217.8             |
| Signal monitoring, obstruction lighting, and bus fare collection systems           | —                                   | 169.5                            | —                           | —             | 169.5             |
| Power transformers   | —                                   | —                                | 427.4                       | —             | 427.4             |
| Process cooling equipment and services   | —                                   | —                                | 150.1                       | 0.8           | 150.9             |
| South African projects   | —                                   | —                                | —                           | 3.2           | 3.2               |
|  | <u>\$ 590.7</u>                     | <u>\$ 387.3</u>                  | <u>\$ 577.5</u>             | <u>\$ 4.0</u> | <u>\$ 1,559.5</u> |
| <b>Timing of Revenue Recognition</b>   |                                     |                                  |                             |               |                   |
| Revenues recognized at a point in time   | \$ 590.7                            | \$ 341.9                         | \$ 41.3                     | \$ 0.2        | \$ 974.1          |
| Revenues recognized over time  | —                                   | 45.4                             | 536.2                       | 3.8           | 585.4             |
|  | <u>\$ 590.7</u>                     | <u>\$ 387.3</u>                  | <u>\$ 577.5</u>             | <u>\$ 4.0</u> | <u>\$ 1,559.5</u> |

**Year Ended December 31, 2019**

| <b>Reportable Segments and Other</b>                                     | <b>HVAC</b>     | <b>Detection and Measurement</b> | <b>Engineered Solutions</b> | <b>Other</b>    | <b>Total</b>      |
|--|-----------------|----------------------------------|-----------------------------|-----------------|-------------------|
| <b>Major product lines</b>   |                 |                                  |                             |                 |                   |
| Cooling  | \$ 284.2        | \$ —                             | \$ —                        | \$ —            | \$ 284.2          |
| Boilers, comfort heating, and ventilation                                | 309.0           | —                                | —                           | —               | 309.0             |
| Underground locators and inspection and rehabilitation equipment         | —               | 194.3                            | —                           | —               | 194.3             |
| Signal monitoring, obstruction lighting, and bus fare collection systems | —               | 190.6                            | —                           | —               | 190.6             |
| Power transformers   | —               | —                                | 403.4                       | —               | 403.4             |
| Process cooling equipment and services                                   | —               | —                                | 145.5                       | 4.8             | 150.3             |
| South African projects <sup>(1)</sup>                                    | —               | —                                | —                           | (10.9)          | (10.9)            |
|  | <u>\$ 593.2</u> | <u>\$ 384.9</u>                  | <u>\$ 548.9</u>             | <u>\$ (6.1)</u> | <u>\$ 1,520.9</u> |

**Timing of Revenue Recognition**

|  |                 |                 |                 |                 |                   |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|
| Revenues recognized at a point in time       | \$ 593.2        | \$ 357.1        | \$ 48.4         | \$ —            | \$ 998.7          |
| Revenues recognized over time <sup>(1)</sup> | —               | 27.8            | 500.5           | (6.1)           | 522.2             |
|  | <u>\$ 593.2</u> | <u>\$ 384.9</u> | <u>\$ 548.9</u> | <u>\$ (6.1)</u> | <u>\$ 1,520.9</u> |

<sup>(1)</sup> As discussed above, 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.

**Year Ended December 31, 2018**

| <b>Reportable Segments and Other</b>                                     | <b>HVAC</b>     | <b>Detection and Measurement</b> | <b>Engineered Solutions</b> | <b>Other</b>   | <b>Total</b>      |
|--|-----------------|----------------------------------|-----------------------------|----------------|-------------------|
| <b>Major product lines</b>   |                 |                                  |                             |                |                   |
| Cooling  | \$ 281.7        | \$ —                             | \$ —                        | \$ —           | \$ 281.7          |
| Boilers, comfort heating, and ventilation                                | 300.4           | —                                | —                           | —              | 300.4             |
| Underground locators and inspection and rehabilitation equipment         | —               | 159.1                            | —                           | —              | 159.1             |
| Signal monitoring, obstruction lighting, and bus fare collection systems | —               | 161.8                            | —                           | —              | 161.8             |
| Power transformers   | —               | —                                | 373.8                       | —              | 373.8             |
| Process cooling equipment and services                                   | —               | —                                | 163.2                       | 23.5           | 186.7             |
| South African projects   | —               | —                                | —                           | 49.1           | 49.1              |
|  | <u>\$ 582.1</u> | <u>\$ 320.9</u>                  | <u>\$ 537.0</u>             | <u>\$ 72.6</u> | <u>\$ 1,512.6</u> |

**Timing of Revenue Recognition**

|  |                 |                 |                 |                |                   |
|--|-----------------|-----------------|-----------------|----------------|-------------------|
| Revenues recognized at a point in time | \$ 582.1        | \$ 307.3        | \$ 61.5         | \$ —           | \$ 950.9          |
| Revenues recognized over time          | —               | 13.6            | 475.5           | 72.6           | 561.7             |
|  | <u>\$ 582.1</u> | <u>\$ 320.9</u> | <u>\$ 537.0</u> | <u>\$ 72.6</u> | <u>\$ 1,512.6</u> |

## 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, 2020 and 2019:

| <b>Contract Balances</b>                          | <b>December 31, 2020</b> | <b>December 31, 2019</b> | <b>Change</b>  |
|---|--------------------------|--------------------------|----------------|
| Contract Accounts Receivable <sup>(1)</sup>       | \$ 260.7                 | \$ 259.7                 | \$ 1.0         |
| Contract Assets                                   | 81.1                     | 63.1                     | 18.0           |
| Contract Liabilities - current                    | (103.5)                  | (100.5)                  | (3.0)          |
| Contract Liabilities - non-current <sup>(2)</sup> | (3.4)                    | (3.3)                    | (0.1)          |
| Net contract balance                              | <u>\$ 234.9</u>          | <u>\$ 219.0</u>          | <u>\$ 15.9</u> |

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

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

The \$15.9 increase in our net contract balance from December 31, 2019 to December 31, 2020 was due primarily to revenue recognized during the period, partially offset by cash payments received from customers during the period.

During 2020, we recognized revenues of \$86.5 related to our contract liabilities at December 31, 2019.

## (6) Leases

As indicated in Note 3, effective January 1, 2019, we adopted ASC 842 under the modified retrospective transition approach. As a result, for 2018, leases continue to be presented based on prior guidance. Summarized below is our policy under, as well as the various other disclosures required by, ASC 842.

We 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.”

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        |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | December 31, 2020 | December 31, 2019 |
| Operating lease cost <sup>(1)</sup> | \$ 13.2           | \$ 13.4           |
| Variable lease cost                 | 0.1               | —                 |
| Finance lease cost:                 |                   |                   |
| Amortization of right-of-use assets | \$ 1.2            | \$ 1.2            |
| Interest on lease liabilities       | 0.1               | 0.1               |
| Total finance lease cost            | <u>\$ 1.3</u>     | <u>\$ 1.3</u>     |

<sup>(1)</sup> Includes short-term lease cost of \$3.7 and \$3.8, at December 31, 2020 and 2019 respectively.

Supplemental cash flow information related to leases was as follows:

|  | Year ended        |                   |
|--|-------------------|-------------------|
|  | December 31, 2020 | December 31, 2019 |
| Cash paid for amounts included in the measurement of lease liabilities:            |                   |                   |
| Operating cash flow from operating leases  | \$ 9.7            | \$ 9.7            |
| Operating cash flows from finance leases   | 0.1               | 0.1               |
| Financing cash flows from finance leases   | 1.3               | 1.2               |
| Non-cash activities:   |                   |                   |
| Operating lease right-of-use assets obtained in exchange for new lease obligations | 19.9              | 5.2               |
| Finance lease right-of-use assets obtained in exchange for new lease obligations   | 1.2               | 1.3               |

Supplemental balance sheet information related to leases was as follows:

|   | December 31, 2020 | December 31, 2019 | Affected Line Item in the Consolidated Balance Sheets |
|---|-------------------|-------------------|---|
| <b>Operating Leases:</b>                  |                   |                   |   |
| Operating lease ROU assets <sup>(1)</sup> | <u>\$ 41.3</u>    | <u>\$ 30.6</u>    | Other assets  |
| Operating lease current liabilities       | \$ 7.6            | \$ 7.7            | Accrued expenses                                      |
| Operating lease non-current liabilities   | <u>31.4</u>       | <u>17.6</u>       | Other long-term liabilities                           |
| Total operating lease liabilities         | <u>\$ 39.0</u>    | <u>\$ 25.3</u>    |   |
| <b>Finance Leases:</b>                    |                   |                   |   |
| Finance Lease Assets                      | <u>\$ 2.5</u>     | <u>\$ 2.5</u>     | Property, plant and equipment, net                    |
| Finance lease current liabilities         | \$ 1.0            | \$ 1.0            | Current maturities of long-term debt                  |
| Finance lease non-current liabilities     | <u>1.6</u>        | <u>1.7</u>        | Long-term debt  |
| Total finance lease liabilities           | <u>\$ 2.6</u>     | <u>\$ 2.7</u>     |   |

<sup>(1)</sup> Includes favorable leasehold interests as of December 31, 2020 and 2019 of \$6.6 and \$6.9, respectively, recorded as part of the acquisition of Patterson-Kelley.

The weighted average remaining lease terms (years) of our leases as of December 31, 2020 and December 31, 2019, were as follows:

|                  | December 31, |      |
|------------------|--------------|------|
|                  | 2020         | 2019 |
| Operating Leases | 6.9          | 5.2  |
| Finance Leases   | 3.2          | 3.3  |

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 3.0% and 3.8%, respectively, at December 31, 2020 and 2019 and finance leases was 3.6% and 3.8% at December 31, 2020 and 2019, respectively.

The future minimum payments under our operating and finance leases were as follows as of December 31, 2020:

|                       | Operating Leases | Finance Leases | Total   |
|-----------------------|------------------|----------------|---------|
| Next 12 months        | \$ 8.7           | \$ 1.0         | \$ 9.7  |
| 12 to 24 months       | 7.8              | 0.8            | 8.6     |
| 24 to 36 months       | 7.2              | 0.5            | 7.7     |
| 36 to 48 months       | 6.7              | 0.3            | 7.0     |
| 48 to 60 months       | 2.4              | 0.1            | 2.5     |
| Thereafter            | 10.6             | —              | 10.6    |
| Total lease payments  | 43.4             | 2.7            | 46.1    |
| Less imputed interest | 4.4              | 0.1            | 4.5     |
| Total                 | \$ 39.0          | \$ 2.6         | \$ 41.6 |

## **(7) Information on Reportable Segments and “Other” Operating Segment**

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

Our DBT operating segment is reported within an “Other” category outside of our reportable segments. We have aggregated our other operating segments into the following three reportable segments: HVAC, Detection and Measurement and Engineered Solutions. 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 or loss for each of our operating segments is determined before considering impairment and special charges, long-term incentive compensation, certain other operating expenses, 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 cooling products 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.

### **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 Pacific.

### **Engineered Solutions Reportable Segment**

Our Engineered Solutions reportable segment engineers, designs, manufactures, installs and services transformers for the power transmission and distribution market and process cooling equipment for the industrial and power generation markets. The primary distribution channels for the segment’s products are direct to customers and third-party representatives. The segment has a strong presence in North America.

### **Other**

As noted above, “Other” consists of our South African operating segment, DBT. Our DBT operating segment engineers, designs, manufactures, installs, and services equipment for the industrial and power generation markets, with its efforts focused primarily on two large power projects in South Africa that are in the final stages of completion (see Note 15 for additional details).

### **Corporate Expense**

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

Financial data for our reportable and other operating segments for the years ended December 31, 2020, 2019 and 2018 were as follows:

|  | 2020              | 2019              | 2018              |
|--|-------------------|-------------------|-------------------|
| <b>Revenues:</b>                             |                   |                   |                   |
| HVAC reportable segment                      | \$ 590.7          | \$ 593.2          | \$ 582.1          |
| Detection and Measurement reportable segment | 387.3             | 384.9             | 320.9             |
| Engineered Solutions reportable segment      | 577.5             | 548.9             | 537.0             |
| Other <sup>(1)</sup>                         | 4.0               | (6.1)             | 72.6              |
| Consolidated revenues                        | <u>\$ 1,559.5</u> | <u>\$ 1,520.9</u> | <u>\$ 1,512.6</u> |
| <b>Income (loss):</b>                        |                   |                   |                   |
| HVAC reportable segment                      | \$ 93.4           | \$ 95.4           | \$ 90.0           |
| Detection and Measurement reportable segment | 69.1              | 81.7              | 72.4              |
| Engineered Solutions reportable segment      | 60.5              | 43.0              | 35.0              |
| Other <sup>(1)</sup>                         | (19.3)            | (43.6)            | (16.0)            |
| Total income for segments                    | <u>203.7</u>      | <u>176.5</u>      | <u>181.4</u>      |
| Corporate expense                            | 44.8              | 46.7              | 49.1              |
| Long-term incentive compensation expense     | 14.0              | 13.6              | 15.5              |
| Impairment of intangible assets              | 0.7               | —                 | —                 |
| Special charges, net                         | 3.2               | 4.4               | 3.7               |
| Other operating expenses, net <sup>(2)</sup> | 9.0               | 1.8               | 0.6               |
| Consolidated operating income                | <u>\$ 132.0</u>   | <u>\$ 110.0</u>   | <u>\$ 112.5</u>   |
| <b>Capital expenditures:</b>                 |                   |                   |                   |
| HVAC reportable segment                      | \$ 4.9            | \$ 5.9            | \$ 2.7            |
| Detection and Measurement reportable segment | 2.7               | 2.3               | 1.9               |
| Engineered Solutions reportable segment      | 8.3               | 7.0               | 6.9               |
| Other  | —                 | 0.1               | 0.1               |
| General corporate                            | 5.6               | 2.5               | 0.8               |
| Total capital expenditures                   | <u>\$ 21.5</u>    | <u>\$ 17.8</u>    | <u>\$ 12.4</u>    |
| <b>Depreciation and amortization:</b>        |                   |                   |                   |
| HVAC reportable segment                      | \$ 9.4            | \$ 6.9            | \$ 5.4            |
| Detection and Measurement reportable segment | 17.6              | 13.2              | 8.4               |
| Engineered Solutions reportable segment      | 11.1              | 10.7              | 10.6              |
| Other  | 0.3               | 0.4               | 0.5               |
| General corporate                            | 3.3               | 3.0               | 3.0               |
| Total depreciation and amortization          | <u>\$ 41.7</u>    | <u>\$ 34.2</u>    | <u>\$ 27.9</u>    |

|   | 2020              | 2019              | 2018              |
|---|-------------------|-------------------|-------------------|
| <b>Identifiable assets:</b>                       |                   |                   |                   |
| HVAC reportable segment                           | \$ 525.2          | \$ 611.4          | \$ 512.6          |
| Detection and Measurement reportable segment      | 772.5             | 609.4             | 479.0             |
| Engineered Solutions reportable segment           | 435.0             | 356.5             | 383.2             |
| Other   | 42.6              | 28.6              | 56.9              |
| General corporate and eliminations <sup>(3)</sup> | 25.5              | 16.9              | 73.7              |
| Insurance recovery assets <sup>(4)</sup>          | 496.4             | 509.6             | 541.9             |
| Discontinued operations                           | 0.5               | 2.1               | 10.2              |
| Total identifiable assets                         | <u>\$ 2,297.7</u> | <u>\$ 2,134.5</u> | <u>\$ 2,057.5</u> |
| <b>Geographic Areas:</b>                          |                   |                   |                   |
| Revenues: <sup>(5)</sup>                          |                   |                   |                   |
| United States                                     | \$ 1,363.1        | \$ 1,376.1        | \$ 1,291.6        |
| China   | 41.7              | 31.1              | 38.5              |
| South Africa <sup>(1)</sup>                       | 4.0               | (6.1)             | 72.6              |
| United Kingdom                                    | 88.4              | 59.0              | 62.4              |
| Other   | 62.3              | 60.8              | 47.5              |
|   | <u>\$ 1,559.5</u> | <u>\$ 1,520.9</u> | <u>\$ 1,512.6</u> |
| <b>Tangible Long-Lived Assets:</b>                |                   |                   |                   |
| United States                                     | \$ 762.1          | \$ 754.3          | \$ 831.8          |
| Other   | 47.9              | 46.7              | 28.9              |
| Long-lived assets of continuing operations        | 810.0             | 801.0             | 860.7             |
| Long-lived assets of discontinued operations      | 0.2               | 0.4               | 5.6               |
| Total tangible long-lived assets                  | <u>\$ 810.2</u>   | <u>\$ 801.4</u>   | <u>\$ 866.3</u>   |

(1) As further discussed in Note 15, during the first and second quarters of 2019 and the third quarter of 2018, we made revisions to our estimates of expected revenues and costs on our large power projects in South Africa. As a result of these revisions, we reduced 2019 revenues by \$23.5 (\$17.5 and \$6.0 in the first and second quarters, respectively) and 2018 revenues by \$2.7, and 2019 segment income by \$23.5 (\$17.5 and \$6.0 in the first and second quarters, respectively) and 2018 segment income by \$4.7.

(2) For 2020, includes charges of \$9.4 for asbestos product liability matters related to products that we no longer manufacture, 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 and 2018, includes charges of \$1.8 and \$0.6, respectively, related to revisions to estimates of certain liabilities retained in connection with the 2016 sale of the dry cooling business.

(3) 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.

(4) Insurance recovery assets are associated with asbestos product liability matters. Refer to Note 15 for additional details.

(5) 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 \$3.2 in 2020, \$4.4 in 2019, and \$3.7 in 2018. 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, 2020, 2019 and 2018 are described in more detail below and in the applicable sections that follow:

|                              | Years Ended December 31, |               |               |
|------------------------------|--------------------------|---------------|---------------|
|                              | 2020                     | 2019          | 2018          |
| Employee termination costs   | \$ 1.8                   | \$ 3.1        | \$ 3.7        |
| Facility consolidation costs | —                        | 0.5           | —             |
| Other cash costs, net        | 1.0                      | —             | —             |
| Non-cash asset write-downs   | 0.4                      | 0.8           | —             |
| Total                        | <u>\$ 3.2</u>            | <u>\$ 4.4</u> | <u>\$ 3.7</u> |

#### 2020 Charges:

|  | Employee Termination Costs | Facility Consolidation Costs | Other Cash Costs, Net | Non-Cash Asset Write-downs | Total Special Charges |
|--|----------------------------|------------------------------|-----------------------|----------------------------|-----------------------|
| HVAC reportable segment                      | \$ 0.5                     | \$ —                         | \$ —                  | \$ —                       | \$ 0.5                |
| Detection and Measurement reportable segment | 0.3                        | —                            | —                     | —                          | 0.3                   |
| Engineered Solutions reportable segment      | —                          | —                            | —                     | —                          | —                     |
| Other  | 0.8                        | —                            | —                     | —                          | 0.8                   |
| Corporate                                    | 0.2                        | —                            | 1.0                   | 0.4                        | 1.6                   |
| Total  | <u>\$ 1.8</u>              | <u>\$ —</u>                  | <u>\$ 1.0</u>         | <u>\$ 0.4</u>              | <u>\$ 3.2</u>         |

*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 to severance costs for a restructuring action at the segment’s bus fare collection systems business. The action resulted in the termination of 5 employees.

*Other* – Charges for 2020 related to severance costs incurred in connection with the wind-down activities at DBT, our South African subsidiary.

*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                      | \$ 0.2                     | \$ 0.1                       | \$ —                  | \$ 0.5                     | \$ 0.8                |
| Detection and Measurement reportable segment | —                          | —                            | —                     | —                          | —                     |
| Engineered Solutions reportable segment      | 0.1                        | 0.4                          | —                     | 0.3                        | 0.8                   |
| Other  | 2.6                        | —                            | —                     | —                          | 2.6                   |
| Corporate                                    | 0.2                        | —                            | —                     | —                          | 0.2                   |
| Total  | <u>\$ 3.1</u>              | <u>\$ 0.5</u>                | <u>\$ —</u>           | <u>\$ 0.8</u>              | <u>\$ 4.4</u>         |

*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 9 employees.

*Engineered Solutions* – Charges for 2019 related primarily to costs associated with the relocation of certain operations and an asset impairment charge. These actions resulted in the termination of 10 employees.

*Other* – Charges for 2019 related to severance costs incurred in connection with the wind-down activities at DBT, our South African subsidiary. These actions resulted in the termination of 339 employees.

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

## 2018 Charges:

|  | Employee Termination Costs | Facility Consolidation Costs | Other Cash Costs, Net | Non-Cash Asset Write-downs | Total Special Charges |
|--|----------------------------|------------------------------|-----------------------|----------------------------|-----------------------|
| HVAC reportable segment                      | \$ 0.8                     | \$ —                         | \$ —                  | \$ —                       | \$ 0.8                |
| Detection and Measurement reportable segment | —                          | —                            | —                     | —                          | —                     |
| Engineered Solutions reportable segment      | —                          | —                            | —                     | —                          | —                     |
| Other  | 2.4                        | —                            | —                     | —                          | 2.4                   |
| Corporate                                    | 0.5                        | —                            | —                     | —                          | 0.5                   |
| Total  | <u>\$ 3.7</u>              | <u>\$ —</u>                  | <u>\$ —</u>           | <u>\$ —</u>                | <u>\$ 3.7</u>         |

*HVAC* — Charges for 2018 related primarily to severance costs associated with restructuring actions at the boiler and Cooling Americas’ businesses. These actions resulted in the termination of 18 employees.

*Other* — Charges for 2018 related to severance costs incurred in connection with the wind-down activities at DBT. These actions resulted in the termination of 239 employees.

*Corporate* — Charges for 2018 related to severance costs incurred in connection with the rationalization of certain administrative functions. These actions resulted in the termination of 6 employees.

The following is an analysis of our restructuring liabilities for the years ended December 31, 2020, 2019 and 2018:

|   | <u>2020</u>   | <u>2019</u>   | <u>2018</u>   |
|---|---------------|---------------|---------------|
| Balance at beginning of year              | \$ 1.7        | \$ 1.1        | \$ 0.6        |
| Special charges <sup>(1)</sup>            | 2.8           | 3.6           | 3.7           |
| Utilization — cash                        | (2.8)         | (2.9)         | (3.2)         |
| Currency translation adjustment and other | (0.2)         | (0.1)         | —             |
| Balance at the end of year                | <u>\$ 1.5</u> | <u>\$ 1.7</u> | <u>\$ 1.1</u> |

<sup>(1)</sup> The years ended December 31, 2020, 2019 and 2018 excluded \$0.4, \$0.8 and \$0.0, respectively, of non-cash charges that impacted special charges but not the restructuring liabilities.

## (9) Inventories, Net

Inventories at December 31, 2020 and 2019 comprised the following:

|   | <u>December 31,</u> |                 |
|---|---------------------|-----------------|
|   | <u>2020</u>         | <u>2019</u>     |
| Finished goods                                | \$ 52.9             | \$ 57.6         |
| Work in process                               | 22.3                | 19.3            |
| Raw materials and purchased parts             | 101.5               | 90.3            |
| Total FIFO cost                               | 176.7               | 167.2           |
| Excess of FIFO cost over LIFO inventory value | (14.7)              | (12.3)          |
| Total inventories                             | <u>\$ 162.0</u>     | <u>\$ 154.9</u> |

Inventories include material, labor and factory overhead costs and are reduced, when necessary, to estimated net realizable values. Certain domestic inventories are valued using the last-in, first-out (“LIFO”) method. These inventories were approximately 38% and 36% of total inventory at December 31, 2020 and 2019, respectively. Other inventories are valued using the first-in, first-out (“FIFO”) method.

**(10) Goodwill and Other Intangible Assets**

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

|   | December 31,<br>2019 | Goodwill<br>Resulting<br>from Business<br>Combinations<br>(1) | Impairments | Foreign<br>Currency<br>Translation | December 31,<br>2020 |
|---|----------------------|---|-------------|------------------------------------|----------------------|
| <b>HVAC reportable segment</b>                      |                      |   |             |                                    |                      |
| Gross goodwill                                      | \$ 277.1             | \$ 0.8  | \$ —        | \$ 3.5                             | \$ 281.4             |
| Accumulated impairments                             | (144.6)              | —   | —           | (0.2)                              | (144.8)              |
| Goodwill  | 132.5                | 0.8   | —           | 3.3                                | 136.6                |
| <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                |
| <b>Engineered Solutions reportable segment</b>      |                      |   |             |                                    |                      |
| Gross goodwill                                      | 334.2                | —   | —           | 7.9                                | 342.1                |
| Accumulated impairments                             | (187.9)              | —   | —           | (7.9)                              | (195.8)              |
| Goodwill  | 146.3                | —   | —           | —                                  | 146.3                |
| <b>Other</b>  |                      |   |             |                                    |                      |
| Gross goodwill                                      | —                    | —   | —           | —                                  | —                    |
| Accumulated impairments                             | —                    | —   | —           | —                                  | —                    |
| Goodwill  | —                    | —   | —           | —                                  | —                    |
| <b>Total</b>  |                      |   |             |                                    |                      |
| Gross goodwill                                      | 915.4                | 43.5  | —           | 16.1                               | 975.0                |
| Accumulated impairments                             | (466.1)              | —   | —           | (9.0)                              | (475.1)              |
| Goodwill  | <u>\$ 449.3</u>      | <u>\$ 43.5</u>  | <u>\$ —</u> | <u>\$ 7.1</u>                      | <u>\$ 499.9</u>      |

<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. As indicated in Note 1, the acquired assets, including goodwill, and liabilities assumed in the ULC and Sensors & Software acquisitions have been recorded at estimates of fair value and are subject to change upon completion of acquisition accounting.

The changes in the carrying amount of goodwill, for the year ended December 31, 2019, were as follows:

|   | December 31,<br>2018 | Goodwill<br>Resulting<br>from Business<br>Combinations<br>(1) | Impairments | Foreign<br>Currency<br>Translation | December 31,<br>2019 |
|---|----------------------|---|-------------|------------------------------------|----------------------|
| <b>HVAC reportable segment</b>                      |                      |   |             |                                    |                      |
| Gross goodwill                                      | \$ 261.8             | \$ 15.7   | \$ —        | \$ (0.4)                           | \$ 277.1             |
| Accumulated impairments                             | (144.4)              | —   | —           | (0.2)                              | (144.6)              |
| Goodwill  | 117.4                | 15.7  | —           | (0.6)                              | 132.5                |
| <b>Detection and Measurement reportable segment</b> |                      |   |             |                                    |                      |
| Gross goodwill                                      | 265.0                | 40.4  | —           | (1.3)                              | 304.1                |
| Accumulated impairments                             | (134.3)              | —   | —           | 0.7                                | (133.6)              |
| Goodwill  | 130.7                | 40.4  | —           | (0.6)                              | 170.5                |
| <b>Engineered solutions reportable segment</b>      |                      |   |             |                                    |                      |
| Gross goodwill                                      | 335.3                | —   | —           | (1.1)                              | 334.2                |
| Accumulated impairments                             | (189.0)              | —   | —           | 1.1                                | (187.9)              |
| Goodwill  | 146.3                | —   | —           | —                                  | 146.3                |
| <b>Other</b>  |                      |   |             |                                    |                      |
| Gross goodwill                                      | —                    | —   | —           | —                                  | —                    |
| Accumulated impairments                             | —                    | —   | —           | —                                  | —                    |
| Goodwill  | —                    | —   | —           | —                                  | —                    |
| <b>Total</b>  |                      |   |             |                                    |                      |
| Gross goodwill                                      | 862.1                | 56.1  | —           | (2.8)                              | 915.4                |
| Accumulated impairments                             | (467.7)              | —   | —           | 1.6                                | (466.1)              |
| Goodwill  | <u>\$ 394.4</u>      | <u>\$ 56.1</u>  | <u>\$ —</u> | <u>\$ (1.2)</u>                    | <u>\$ 449.3</u>      |

<sup>(1)</sup> Reflects goodwill acquired in connection with the Sabik, SGS and Patterson-Kelley acquisitions of \$41.2, \$1.9 and \$13.8, respectively, partially offset by a reduction in Cues' goodwill during the first quarter of 2019 of \$0.8 resulting from revisions to the valuation of certain income tax accounts.

Identifiable intangible assets were as follows:

|   | December 31, 2020    |                          |                    | December 31, 2019    |                          |                    |
|---|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------------------|
|   | 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                                    | \$ 103.4             | \$ (16.2)                | \$ 87.2            | \$ 77.4              | \$ (8.7)                 | \$ 68.7            |
| Technology  | 54.4                 | (6.8)                    | 47.6               | 29.5                 | (3.3)                    | 26.2               |
| Patents   | 4.5                  | (4.5)                    | —                  | 4.5                  | (4.5)                    | —                  |
| Other   | 18.8                 | (12.5)                   | 6.3                | 12.6                 | (9.2)                    | 3.4                |
|   | 181.1                | (40.0)                   | 141.1              | 124.0                | (25.7)                   | 98.3               |
| Trademarks with indefinite lives <sup>(2)</sup>           | 163.9                | —                        | 163.9              | 153.4                | —                        | 153.4              |
| Total   | \$ 345.0             | \$ (40.0)                | \$ 305.0           | \$ 277.4             | \$ (25.7)                | \$ 251.7           |

(1) The identifiable intangible assets associated with the ULC and Sensors & Software acquisitions consist of customer backlog of \$4.6 and \$0.1, respectively, customer relationships of \$22.8 and \$2.3, respectively, technology of \$21.9 and \$2.4, respectively, and non-compete agreements of \$1.7 and \$0.1, respectively.

(2) Changes during 2020 related primarily to the acquisition of ULC and Sensors & Software trademarks of \$7.6 and \$1.8, respectively.

Amortization expense was \$14.0, \$8.9 and \$4.1 for the years ended December 31, 2020, 2019 and 2018, respectively. Estimated amortization expense is approximately \$17.0 for 2021 and \$15.0 over each of the four years thereafter related to these intangible assets.

At December 31, 2020, the net carrying value of intangible assets with determinable lives consisted of \$24.4 in the HVAC reportable segment and \$116.7 in the Detection and Measurement reportable segment. Trademarks with indefinite lives consisted of \$96.7 in the HVAC reportable segment, \$58.1 in the Detection and Measurement reportable segment, and \$9.1 in the Engineered Solutions reportable segment.

Consistent with the requirements of the Intangibles — Goodwill and Other Topic of the Codification, the fair values of our reporting units generally are estimated using discounted 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 carrying values of the reported net assets of our reporting units. Other considerations are also incorporated, including comparable industry price multiples. Many of our reporting units 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 improvement initiatives, capacity utilization and assumptions for inflation and foreign currency changes. Any significant change in market conditions and estimates or judgments used to determine expected future cash flows that indicate a reduction in carrying value may give rise to impairment in the period that the change becomes known.

We perform our annual goodwill impairment testing during the fourth quarter in conjunction with our annual financial planning process, with such testing based primarily on events and circumstances existing as of the end of the third quarter. In addition, we test goodwill for impairment on a more frequent basis if there are indications of potential impairment. Based on our annual goodwill impairment testing during the fourth quarter of 2020, we concluded that the estimated fair value of each of our reporting units, exclusive of Cues and Patterson-Kelley, exceeded the carrying value of their respective net assets by over 75%. The estimated fair values of Cues and Patterson-Kelley exceeded the carrying value of their respective net assets by approximately 12% and 3%, while the total goodwill for Cues and Patterson-Kelley was \$47.9 and \$14.2, respectively, as of December 31, 2020. A change in assumptions used in testing Cues' and Patterson-Kelley's goodwill for impairment (e.g., projected revenues and profit growth rates, discount rates, industry price multiples, etc.) could result in Cues' and/or Patterson-Kelley's estimated fair value being less than the respective carrying value of their net assets. If Cues and/or Patterson-Kelley is unable to achieve the financial forecasts included in their respective 2020 annual goodwill impairment analysis, we may be required to record an impairment charge in a future period related to Cues' and/or Patterson-Kelley's 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 quarter of 2020, we recorded impairment charges of \$0.7 related to certain of these trademarks.

As indicated in Note 1, the COVID-19 pandemic could have an adverse impact on our future operating results. As of December 31, 2020, there are no indications that the carrying value of our goodwill and other intangible assets may not be recoverable. However, a prolonged adverse impact of the COVID-19 pandemic on our future operating results may require an impairment charge related to one or more of these assets in a future period.

## **(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 no longer provide 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, 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, 2020 or 2019.

Actual asset allocation percentages of each class of our domestic and foreign pension plan assets as of December 31, 2020 and 2019, along with the current targeted asset investment allocation percentages, each of which is based on the midpoint of an allocation range, were as follows:

*Domestic Pension Plans*

|                                       | Actual Allocations |       | Mid-point of Target Allocation Range |
|---------------------------------------|--------------------|-------|--------------------------------------|
|                                       | 2020               | 2019  | 2020                                 |
| Fixed income common trust funds       | 68 %               | 67 %  | 65 %                                 |
| Commingled global fund allocation     | 11 %               | 17 %  | 18 %                                 |
| Global equity common trust funds      | 5 %                | 5 %   | 5 %                                  |
| U.S. Government securities            | 9 %                | 9 %   | 10 %                                 |
| Short-term investments <sup>(1)</sup> | 7 %                | 2 %   | 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*

|                                       | Actual Allocations |       | Mid-point of Target Allocation Range |
|---------------------------------------|--------------------|-------|--------------------------------------|
|                                       | 2020               | 2019  | 2020                                 |
| Global equity common trust funds      | 9 %                | 10 %  | 9 %                                  |
| Fixed income common trust funds       | 65 %               | 45 %  | 66 %                                 |
| Commingled global fund allocation     | 25 %               | 37 %  | 25 %                                 |
| Non-U.S. Government securities        | — %                | 7 %   | — %                                  |
| Short-term investments <sup>(1)</sup> | 1 %                | 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, 2020, by asset class, were as follows:

| Asset class:   | Total    | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|----------|--|---|---|
| Debt securities:                                     |          |  |   |   |
| Fixed income common trust funds <sup>(1)(2)</sup>    | \$ 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 <sup>(1)(3)</sup>   | 32.1     | —  | 32.1                                    | —   |
| Alternative investments:                             |          |  |   |   |
| Commingled global fund allocations <sup>(1)(4)</sup> | 81.7     | —  | 81.7                                    | —   |
| Other:   |          |  |   |   |
| Short-term investments <sup>(5)</sup>                | 22.5     | 22.5   | —                                       | —   |
| Other  | 0.9      | —  | —                                       | 0.9                                       |
| Total  | \$ 478.1 | \$ 22.5  | \$ 454.7                                | \$ 0.9                                    |



The fair values of pension plan assets at December 31, 2019, by asset class, were as follows:

|  | Total           | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets (Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|--|-----------------|--|--|--|
| Asset class:   |                 |  |  |  |
| Debt securities:                                     |                 |  |  |  |
| Fixed income common trust funds <sup>(1)(2)</sup>    | \$ 255.6        | \$ —   | \$ 255.6   | \$ —   |
| Non-U.S. Government securities                       | 13.2            | —  | 13.2   | —  |
| U.S. Government securities                           | 24.5            | —  | 24.5   | —  |
| Equity securities:                                   |                 |  |  |  |
| Global equity common trust funds <sup>(1)(3)</sup>   | 30.1            | —  | 30.1   | —  |
| Alternative Investments:                             |                 |  |  |  |
| Commingled global fund allocations <sup>(1)(4)</sup> | 110.3           | —  | 110.3  | —  |
| Other:   |                 |  |  |  |
| Short-term investments <sup>(5)</sup>                | 7.1             | 7.1  | —  | —  |
| Other  | 0.9             | —  | —  | 0.9  |
| <b>Total</b>   | <b>\$ 441.7</b> | <b>\$ 7.1</b>  | <b>\$ 433.7</b>                                  | <b>\$ 0.9</b>                                      |

(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.

(2) 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 2020, we made no contributions to our qualified domestic pension plans, and direct benefit payments of \$5.8 to our non-qualified domestic pension plans. In 2021, 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 \$5.4 to our non-qualified domestic pension plans.

In 2020, we made contributions of \$0.9 to our foreign pension plans. In 2021, we expect to make contributions of \$1.0 to our foreign pension plans.

*Estimated Future Benefit Payments* — Following is a summary, as of December 31, 2020, 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, 2020 to measure our obligations and include benefits attributable to estimated future employee service.

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

|                       | Domestic<br>Pension<br>Benefits | Foreign<br>Pension<br>Benefits |
|-----------------------|---------------------------------|--------------------------------|
| 2021                  | \$ 25.1                         | \$ 5.0                         |
| 2022                  | 26.3                            | 6.2                            |
| 2023                  | 25.7                            | 6.1                            |
| 2024                  | 25.5                            | 6.4                            |
| 2025                  | 24.5                            | 7.4                            |
| Subsequent five years | 105.4                           | 37.7                           |

*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 \$66.2 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<br>Plans |                 | Foreign Pension<br>Plans |                 |
|--|---------------------------|-----------------|--------------------------|-----------------|
|  | 2020                      | 2019            | 2020                     | 2019            |
| Change in projected benefit obligation:          |                           |                 |                          |                 |
| Projected benefit obligation — beginning of year | \$ 348.2                  | \$ 320.9        | \$ 175.0                 | \$ 158.2        |
| Service cost                                     | —                         | —               | —                        | —               |
| Interest cost                                    | 10.8                      | 13.3            | 3.8                      | 4.8             |
| Actuarial losses                                 | 30.4                      | 32.4            | 14.3                     | 13.2            |
| Settlements                                      | (10.3)                    | (12.7)          | —                        | —               |
| Acquisition                                      | —                         | 7.1             | —                        | —               |
| Benefits paid                                    | (14.4)                    | (12.8)          | (6.7)                    | (8.0)           |
| Foreign exchange and other                       | —                         | —               | 5.8                      | 6.8             |
| Projected benefit obligation — end of year       | <u>\$ 364.7</u>           | <u>\$ 348.2</u> | <u>\$ 192.2</u>          | <u>\$ 175.0</u> |

The actuarial losses for all pension plans in 2020 and 2019 were primarily related to a change in the discount rate used to measure the benefit obligations of those plans.

|   | Domestic Pension<br>Plans |                  | Foreign Pension<br>Plans |                 |
|---|---------------------------|------------------|--------------------------|-----------------|
|   | 2020                      | 2019             | 2020                     | 2019            |
| Change in plan assets:  |                           |                  |                          |                 |
| Fair value of plan assets — beginning of year   | \$ 263.6                  | \$ 238.0         | \$ 178.1                 | \$ 159.2        |
| Actual return on plan assets  | 35.1                      | 35.7             | 19.9                     | 19.4            |
| Contributions (employer and employee)   | 5.8                       | 6.2              | 0.9                      | 1.0             |
| Settlements   | (10.3)                    | (12.7)           | —                        | —               |
| Benefits paid   | (14.4)                    | (12.8)           | (6.7)                    | (8.0)           |
| Acquisition   | —                         | 9.2              | —                        | —               |
| Foreign exchange and other  | —                         | —                | 6.1                      | 6.5             |
| Fair value of plan assets — end of year   | <u>\$ 279.8</u>           | <u>\$ 263.6</u>  | <u>\$ 198.3</u>          | <u>\$ 178.1</u> |
| Funded status at year-end   | (84.9)                    | (84.6)           | 6.1                      | 3.1             |
| Amounts recognized in the consolidated balance sheets consist of:   |                           |                  |                          |                 |
| Other assets  | \$ 2.6                    | \$ 2.3           | \$ 8.6                   | \$ 6.2          |
| Accrued expenses  | (5.4)                     | (5.5)            | —                        | —               |
| Other long-term liabilities   | (82.1)                    | (81.4)           | (2.5)                    | (3.1)           |
| Net amount recognized   | <u>\$ (84.9)</u>          | <u>\$ (84.6)</u> | <u>\$ 6.1</u>            | <u>\$ 3.1</u>   |
| Amount recognized in accumulated other comprehensive income (pre-tax) consists of — net prior service (credits) costs | (0.2)                     | (0.3)            | 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, 2020 and 2019:

|                                | Domestic Pension Plans |          | Foreign Pension Plans |         |
|--------------------------------|------------------------|----------|-----------------------|---------|
|                                | 2020                   | 2019     | 2020                  | 2019    |
| Projected benefit obligation   | \$ 357.9               | \$ 341.2 | \$ 50.9               | \$ 47.8 |
| Accumulated benefit obligation | 357.9                  | 341.2    | 50.9                  | 47.8    |
| Fair value of plan assets      | 270.4                  | 254.3    | 48.4                  | 44.7    |

The accumulated benefit obligation for all domestic and foreign pension plans was \$364.7 and \$192.2, respectively, at December 31, 2020 and \$348.2 and \$175.0, respectively, at December 31, 2019.

*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, |        |        |
|--|-------------------------|--------|--------|
|  | 2020                    | 2019   | 2018   |
| Service cost   | \$ —                    | \$ —   | \$ —   |
| Interest cost  | 10.8                    | 13.3   | 12.3   |
| Expected return on plan assets                         | (9.5)                   | (9.8)  | (10.3) |
| Amortization of unrecognized prior service credits     | (0.1)                   | (0.1)  | (0.2)  |
| Recognized net actuarial (gains) losses <sup>(1)</sup> | 4.7                     | 6.5    | (0.2)  |
| Total net periodic pension benefit expense             | \$ 5.9                  | \$ 9.9 | \$ 1.6 |

<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, |          |        |
|---|-------------------------|----------|--------|
|   | 2020                    | 2019     | 2018   |
| Service cost  | \$ —                    | \$ —     | \$ —   |
| Interest cost                                       | 3.8                     | 4.8      | 4.7    |
| Expected return on plan assets                      | (5.7)                   | (6.7)    | (7.5)  |
| Recognized net actuarial losses <sup>(1)</sup>      | 0.2                     | 1.0      | 9.1    |
| Total net periodic pension benefit (income) expense | \$ (1.7)                | \$ (0.9) | \$ 6.3 |

<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, |        |        |
|--|-------------------------|--------|--------|
|  | 2020                    | 2019   | 2018   |
| <i>Domestic Pension Plans</i>  |                         |        |        |
| Weighted-average actuarial assumptions used in determining net periodic pension expense: |                         |        |        |
| Discount rate  | 3.16 %                  | 4.29 % | 3.57 % |
| Rate of increase in compensation levels  | N/A                     | N/A    | N/A    |
| Expected long-term rate of return on assets  | 3.75 %                  | 4.25 % | 4.00 % |
| Weighted-average actuarial assumptions used in determining year-end benefit obligations: |                         |        |        |
| Discount rate  | 2.35 %                  | 3.16 % | 4.29 % |
| Rate of increase in compensation levels  | N/A                     | N/A    | N/A    |
| <i>Foreign Pension Plans</i>   |                         |        |        |
| Weighted-average actuarial assumptions used in determining net periodic pension expense: |                         |        |        |
| Discount rate  | 2.27 %                  | 3.02 % | 2.76 % |
| Rate of increase in compensation levels  | N/A                     | N/A    | N/A    |
| Expected long-term rate of return on assets  | 3.81 %                  | 4.69 % | 4.50 % |
| Weighted-average actuarial assumptions used in determining year-end benefit obligations: |                         |        |        |
| Discount rate  | 1.76 %                  | 2.27 % | 3.02 % |
| 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 2020, we made benefit payments of \$6.6 to our postretirement benefit plans. Following is a summary, as of December 31, 2020, 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, 2020 to measure our obligations and include benefits attributable to estimated future employee service.

|                       | Postretirement Payments |
|-----------------------|-------------------------|
| 2021                  | \$ 6.8                  |
| 2022                  | 6.2                     |
| 2023                  | 5.6                     |
| 2024                  | 5.0                     |
| 2025                  | 4.6                     |
| Subsequent five years | 17.0                    |

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

|   | Postretirement<br>Plans |                  |
|---|-------------------------|------------------|
|   | 2020                    | 2019             |
| Change in projected postretirement benefit obligation:  |                         |                  |
| Projected postretirement benefit obligation — beginning of year   | \$ 63.6                 | \$ 68.8          |
| Interest cost   | 1.6                     | 2.4              |
| Actuarial losses  | 1.9                     | 2.5              |
| Benefits paid   | (6.6)                   | (8.1)            |
| Plan amendment  | —                       | (1.8)            |
| Other   | —                       | (0.2)            |
| Projected postretirement benefit obligation — end of year   | <u>\$ 60.5</u>          | <u>\$ 63.6</u>   |
| Funded status at year-end   | <u>\$ (60.5)</u>        | <u>\$ (63.6)</u> |
| Amounts recognized in the consolidated balance sheets consist of:   |                         |                  |
| Accrued expenses  | \$ (6.7)                | \$ (7.2)         |
| Other long-term liabilities   | (53.8)                  | (56.4)           |
| Net amount recognized   | <u>\$ (60.5)</u>        | <u>\$ (63.6)</u> |
| Amount recognized in accumulated other comprehensive income (pre-tax) consists of — net prior service credits | \$ (20.2)               | \$ (24.9)        |

The actuarial losses for our postretirement benefit plans in 2020 and 2019 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, |               |                 |
|--|-------------------------|---------------|-----------------|
|  | 2020                    | 2019          | 2018            |
| Service cost   | \$ —                    | \$ —          | \$ —            |
| Interest cost  | 1.6                     | 2.4           | 2.3             |
| Amortization of unrecognized prior service credits   | (4.7)                   | (4.0)         | (4.0)           |
| Recognized net actuarial (gains) losses              | 1.9                     | 2.5           | (2.3)           |
| Net periodic postretirement benefit (income) expense | <u>\$ (1.2)</u>         | <u>\$ 0.9</u> | <u>\$ (4.0)</u> |

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

|   | Year ended December 31, |        |        |
|---|-------------------------|--------|--------|
|   | 2020                    | 2019   | 2018   |
| Assumed health care cost trend rates:   |                         |        |        |
| Health care cost trend rate for next year   | 6.50 %                  | 6.75 % | 7.00 % |
| 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     | 2.97 %                  | 4.09 % | 3.34 % |
| Discount rate used in determining year-end postretirement benefit obligation      | 2.00 %                  | 2.97 % | 4.09 % |

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 0.276, 0.287 and 0.279 shares of our common stock to employee accounts in 2020, 2019 and 2018, respectively. Compensation expense is recorded based on the market value of shares as the shares are contributed to employee accounts. We recorded \$11.3 in 2020, \$10.3 in 2019 and \$9.4 in 2018 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 \$20.9 and \$20.4 at December 31, 2020 and 2019, 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 2020, 2019 and 2018, we recorded compensation expense of \$0.2, \$0.2 and \$0.3, 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, |                  |                 |
|--|-------------------------|------------------|-----------------|
|  | 2020                    | 2019             | 2018            |
| Income from continuing operations:         |                         |                  |                 |
| United States                              | \$ 89.5                 | \$ 89.4          | \$ 74.5         |
| Foreign                                    | 27.0                    | (4.4)            | 10.0            |
|  | <u>\$ 116.5</u>         | <u>\$ 85.0</u>   | <u>\$ 84.5</u>  |
| (Provision for) benefit from income taxes: |                         |                  |                 |
| Current:                                   |                         |                  |                 |
| United States                              | \$ (0.7)                | \$ 6.8           | \$ 1.5          |
| Foreign                                    | (3.8)                   | (5.5)            | (3.2)           |
| Total current                              | <u>(4.5)</u>            | <u>1.3</u>       | <u>(1.7)</u>    |
| Deferred and other:                        |                         |                  |                 |
| United States                              | (11.3)                  | (14.2)           | (0.6)           |
| Foreign                                    | —                       | (1.0)            | (0.3)           |
| Total deferred and other                   | <u>(11.3)</u>           | <u>(15.2)</u>    | <u>(0.9)</u>    |
| Total provision                            | <u>\$ (15.8)</u>        | <u>\$ (13.9)</u> | <u>\$ (2.6)</u> |

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

|  | Year ended December 31, |               |              |
|--|-------------------------|---------------|--------------|
|  | 2020                    | 2019          | 2018         |
| Tax at U.S. federal statutory rate                 | 21.0 %                  | 21.0 %        | 21.0 %       |
| State and local taxes, net of U.S. federal benefit | 3.2 %                   | 3.2 %         | 2.9 %        |
| U.S. credits and exemptions                        | (3.7)%                  | (4.9)%        | (3.8)%       |
| Foreign earnings/losses taxed at different rates   | (3.1)%                  | (7.6)%        | (1.1)%       |
| Nondeductible expenses                             | 1.5 %                   | 2.6 %         | 2.4 %        |
| Adjustments to uncertain tax positions             | (3.0)%                  | (0.5)%        | (8.4)%       |
| Changes in valuation allowance                     | 1.0 %                   | 5.4 %         | (8.0)%       |
| Share-based compensation                           | (2.5)%                  | (2.2)%        | (2.2)%       |
| U.S. tax reform                                    | — %                     | — %           | (0.8)%       |
| Other  | (0.8)%                  | (0.6)%        | 1.1 %        |
|  | <u>13.6 %</u>           | <u>16.4 %</u> | <u>3.1 %</u> |

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

|   | As of December 31, |                |
|---|--------------------|----------------|
|   | 2020               | 2019           |
| Deferred tax assets:                                      |                    |                |
| NOL and credit carryforwards                              | \$ 142.0           | \$ 145.7       |
| Pension, other postretirement and postemployment benefits | 36.5               | 36.4           |
| Payroll and compensation                                  | 17.1               | 19.0           |
| Legal, environmental and self-insurance accruals          | 22.6               | 21.3           |
| Working capital accruals                                  | 13.9               | 11.5           |
| Other   | 7.9                | 7.1            |
| Total deferred tax assets                                 | 240.0              | 241.0          |
| Valuation allowance                                       | (92.0)             | (93.6)         |
| Net deferred tax assets                                   | 148.0              | 147.4          |
| Deferred tax liabilities:                                 |                    |                |
| Intangible assets recorded in acquisitions                | 74.9               | 75.1           |
| Basis difference in affiliates                            | 16.3               | 14.0           |
| Accelerated depreciation                                  | 25.7               | 22.4           |
| Deferred income   | 29.4               | 23.0           |
| Other   | 4.2                | 1.6            |
| Total deferred tax liabilities                            | 150.5              | 136.1          |
|   | <u>\$ (2.5)</u>    | <u>\$ 11.3</u> |

## 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, 2020, we had \$483.2 of state and \$321.3 of foreign tax loss carryforwards available. We also had federal and state tax credit carryforwards of \$27.6. Of these amounts, \$23.8 expire in 2021 and \$482.1 expire at various times between 2022 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. The valuation allowance decreased by \$1.6 in 2020 and increased by \$4.3 in 2019. The 2020 decrease was primarily driven by the impact of foreign exchange rates on our foreign losses.

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, 2020, we have \$158.0 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, 2020, we had gross and net unrecognized tax benefits of \$13.6 and \$11.0, respectively. Of these net unrecognized tax benefits, \$7.0 would impact our effective tax rate from continuing operations if recognized. Similarly, at December 31, 2019 and 2018, we had gross unrecognized tax benefits of \$17.2 (net unrecognized tax benefits of \$13.9) and \$20.3 (net unrecognized tax benefits of \$13.8), respectively.

We classify interest and penalties related to unrecognized tax benefits as a component of our income tax (provision) benefit. As of December 31, 2020, gross accrued interest totaled \$3.8 (net accrued interest of \$3.0), while the related amounts as of December 31, 2019 and 2018 were \$4.1 (net accrued interest of \$3.2) and \$3.8 (net accrued interest of \$2.9), respectively. Our income tax (provision) benefit for the years ended December 31, 2020, 2019 and 2018 included gross interest income (expense) of \$0.2, \$(0.5), and \$0.1, respectively, resulting from adjustments to our liability for uncertain tax positions. As of December 31, 2020, 2019 and 2018, 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, 2020, 2019 and 2018 were as follows:

|   | Year ended December 31, |                |                |
|---|-------------------------|----------------|----------------|
|   | 2020                    | 2019           | 2018           |
| Unrecognized tax benefit — opening balance        | \$ 17.2                 | \$ 20.3        | \$ 31.3        |
| Gross increases — tax positions in prior period   | 0.3                     | 1.1            | 0.6            |
| Gross decreases — tax positions in prior period   | (2.2)                   | (0.8)          | (2.4)          |
| Gross increases — tax positions in current period | 0.2                     | 0.2            | 0.7            |
| Settlements                                       | (0.3)                   | (2.1)          | —              |
| Lapse of statute of limitations                   | (1.7)                   | (1.5)          | (9.8)          |
| Change due to foreign currency exchange rates     | 0.1                     | —              | (0.1)          |
| Unrecognized tax benefit — ending balance         | <u>\$ 13.6</u>          | <u>\$ 17.2</u> | <u>\$ 20.3</u> |

## Other Tax Matters

During 2020, our income tax provision was impacted most significantly by (i) \$4.2 of tax benefits related to various audit settlements, statute expirations, and other adjustments to liabilities for uncertain tax positions and (ii) \$2.9 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) \$1.9 of excess tax benefits resulting from stock-based compensation awards that vested and/or were exercised during the year, (ii) a \$1.9 tax benefit associated with an adjustment to the taxation of foreign earnings, (iii) \$1.3 of tax benefits related to our U.S. tax credits and incentives, and (iv) \$1.2 of tax benefits related to various audit settlements, statute expirations, and other adjustments to liabilities for uncertain tax positions, partially offset by \$3.8 of tax expense related to various valuation allowance adjustments, primarily due to foreign losses generated during the year for which no foreign tax benefit was recognized as future realization of any such tax benefit is considered unlikely.

During 2018, our income tax provision was impacted most significantly by (i) the utilization of \$33.0 of prior years' losses generated in foreign jurisdictions in which no tax benefit was previously recognized, (ii) \$7.0 of tax benefits related to various audit settlements, statute expirations, and other adjustments to liabilities for uncertain tax positions, and (iii) \$2.2 of excess tax benefits resulting from stock-based compensation awards that vested during the year.

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") currently is performing an audit of our 2013, 2014, 2015, 2016 and 2017 federal income tax returns. With regard to all open tax years, we believe any contingencies are adequately provided for.

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, 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 \$10.8 as of December 31, 2020. One-half of the deferred amount is required to be paid in 2021, with the remainder to be paid in 2022.

### (13) Indebtedness

The following summarizes our debt activity (both current and non-current) for the year ended December 31, 2020:

|  | December 31,<br>2019 | Borrowings | Repayments | Other <sup>(5)</sup> | December 31,<br>2020 |
|--|----------------------|------------|------------|----------------------|----------------------|
| Revolving loans <sup>(1)</sup>                         | \$ 140.0             | \$ 197.6   | \$ (207.8) | \$ —                 | \$ 129.8             |
| Term loan <sup>(2)</sup>                               | 248.2                | —          | —          | 0.4                  | 248.6                |
| Trade receivables financing arrangement <sup>(3)</sup> | —                    | 134.4      | (106.4)    | —                    | 28.0                 |
| Other indebtedness <sup>(4)</sup>                      | 5.3                  | —          | (2.2)      | 2.9                  | 6.0                  |
| Total debt   | 393.5                | \$ 332.0   | \$ (316.4) | \$ 3.3               | 412.4                |
| Less: short-term debt                                  | 142.6                |            |            |                      | 101.2                |
| Less: current maturities of long-term debt             | 1.0                  |            |            |                      | 7.2                  |
| Total long-term debt                                   | \$ 249.9             |            |            |                      | \$ 304.0             |

<sup>(1)</sup> While not due for repayment until December 2024 under the terms of our senior credit agreement, we have classified 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.

<sup>(2)</sup> 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 \$1.4 and \$1.8 at December 31, 2020 and December 31, 2019, respectively.

<sup>(3)</sup> Under this arrangement, we can borrow, on a continuous basis, up to \$50.0, as available. At December 31, 2020, we had \$11.5 of available borrowing capacity under this facility. Borrowings under this arrangement are collateralized by eligible trade receivables of certain of our businesses.

<sup>(4)</sup> Primarily includes balances under a purchase card program of \$1.7 and \$2.6 and finance lease obligations of \$2.6 and \$2.7 at December 31, 2020 and 2019, 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.

<sup>(5)</sup> “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, 2020 are \$7.2, \$13.3, \$13.0, \$279.0, and \$0.1, 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, consisting of the following (each with a final maturity of December 17, 2024):

- A new term loan facility in the aggregate principal amount of \$250.0;
- 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 \$55.0; 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 \$45.0.

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 1.6% at December 31, 2020.

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, 2020, we had \$302.9 of available borrowing capacity under our revolving credit facilities after giving effect to borrowings under the domestic revolving loan facility of \$129.8 and \$17.3 reserved for outstanding letters of credit. In addition, at December 31, 2020, we had \$11.0 of available issuance capacity under our foreign credit instrument facilities after giving effect to \$89.0 reserved for outstanding letters of credit.

As of December 31, 2020, except as discussed in Notes 15 and 17 to our consolidated financial statements, we did not have any material guarantees, off-balance sheet arrangements or purchase commitments other than the following: (i) \$29.2 of certain standby letters of credit outstanding, all of which relate to self-insurance or environmental matters and \$17.3 of which reduce the available borrowing capacity on our domestic revolving credit facility; (ii) \$89.0 of letters of credit outstanding, all of which reduce the available borrowing capacity on our foreign trade facilities; and (iii) \$168.8 of surety bonds.

At December 31, 2020, 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, 2020 and 2019, the participating businesses had \$1.7 and \$2.6, 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 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 line of credit facilities in China and South Africa available to fund operations in these regions, when necessary. At December 31, 2020, 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*

In March 2018, we entered into interest rate swap agreements (“Initial Swaps”) that had an initial notional amount of \$260.0 and maturities through March 2021 and effectively convert a portion of the borrowings under our senior credit facilities to a fixed rate of 2.535%, plus the applicable margin. As of December 31, 2020, the aggregate notional amount of the Initial Swaps was \$234.0.

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 (“Additional Swaps”). The Additional Swaps have a notional amount of \$248.4, cover the period from March 2021 to November 2024, and will 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, 2020 and 2019, the unrealized loss, net of tax, recorded in AOCI was \$5.9 and \$1.9 as of December 31, 2020 and 2019, respectively. In addition, as of December 31, 2020, the fair value of our interest rate swap agreements totaled \$7.8, with \$1.4 recorded as a current liability and the remainder in long-term liabilities, and \$2.5 at December 31, 2019 (all of which is recorded 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 \$6.3 and \$26.0 outstanding as of December 31, 2020 and 2019, respectively, with all of the \$6.3 scheduled to mature in 2021.

##### *Commodity Contracts*

From time to time, we enter into commodity contracts to manage the exposure on forecasted purchases of commodity raw materials. The outstanding notional amounts of commodity contracts were 3.2 and 3.4 pounds of copper at December 31, 2020 and 2019, respectively. We designate and account for these contracts as cash flow hedges and, to the extent these commodity contracts are effective in offsetting the variability of the forecasted purchases, the change in fair value is included in AOCI. We reclassify AOCI associated with our commodity contracts to cost of products sold when the forecasted transaction impacts earnings. As of December 31, 2020 and 2019, the fair values of these contracts were current assets of \$2.4 and \$0.4, respectively. The unrealized gains, net of taxes, recorded in AOCI were \$1.5 and \$0.3 as of December 31, 2020 and 2019, respectively. We anticipate reclassifying the unrealized gain as of December 31, 2020 to income over the next 12 months.

##### *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, foreign currency forward, and commodity 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**

### **Spin-Off of SPX FLOW**

In connection with the Spin-Off, we entered into definitive agreements with SPX FLOW that, among other matters, set forth the terms and conditions of the Spin-Off and provide a framework for our relationship with SPX FLOW after the Spin-Off, including the following:

- Separation and Distribution Agreement;
- Tax Matters Agreement;
- Employee Matters Agreement; and
- Trademark License Agreement.

Pursuant to the Separation and Distribution Agreement, the Employee Matters Agreement and the Tax Matters Agreement, SPX FLOW has agreed to indemnify us for certain liabilities, and we have agreed to indemnify SPX FLOW for certain liabilities, in each case for uncapped amounts. As of December 31, 2020, no material indemnification claims have been initiated.

The financial activity governed by these agreements between SPX FLOW and us was not material to our consolidated financial results for the years ended December 31, 2020, 2019 and 2018.

We also entered into a five-year agreement with SPX FLOW to lease office space for our corporate headquarters. Annual lease costs associated with the agreement were \$2.1. This agreement expired in September 2020 and we entered into an agreement for office space in a new corporate headquarters with a third-party lessor.

### **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 \$575.7 and \$592.4 at December 31, 2020 and 2019, respectively. Of these amounts, \$499.8 and \$517.6 are included in "Other long-term liabilities" within our consolidated balance sheets at December 31, 2020 and 2019, 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, 2020 and 2019:

|  | December 31, |          |
|--|--------------|----------|
|  | 2020         | 2019     |
| Insurance recovery assets <sup>(1)</sup> | \$ 496.4     | \$ 509.6 |
| Liabilities for claims <sup>(2)</sup>    | 535.2        | 552.2    |

<sup>(1)</sup> Of these amounts \$446.4 and \$459.6 are included in “Other assets” at December 31, 2020 and 2019, respectively, while the remainder is included in “Other current assets.”

<sup>(2)</sup> Of these amounts \$479.9 and \$498.1 are included in “Other long-term liabilities” at December 31, 2020 and 2019, 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, 2020, 2019 and 2018:

|                                   | Year ended December 31 |               |               |
|-----------------------------------|------------------------|---------------|---------------|
|                                   | 2020                   | 2019          | 2018          |
| Pending claims, beginning of year | 11,079                 | 13,767        | 17,359        |
| Claims filed                      | 2,449                  | 3,607         | 3,857         |
| Claims resolved                   | (3,746)                | (6,295)       | (7,449)       |
| Pending claims, end of year       | <u>9,782</u>           | <u>11,079</u> | <u>13,767</u> |

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, 2020, 2019 and 2018, our payments for asbestos-related claims, net of respective insurance recoveries of \$35.4, \$47.1, and \$45.3, were \$19.3, \$13.1 and \$9.7, respectively. 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, 2020, 2019, and 2018, we recorded charges of \$21.3, \$10.1, and \$4.8, respectively, as a result of changes in estimates associated with the liabilities and assets related to asbestos-related claims. Of these charges, \$19.2, \$6.3 and \$4.4 were reflected in “Income from continuing operations before income taxes” for the years ended December 31, 2020, 2019, and 2018, respectively, and \$2.1, \$3.8, and \$0.4, respectively, were reflected in “Gain (loss) on disposition of discontinued operations, net of tax.”



## Large Power Projects in South Africa

*Overview* - Since 2008, DBT has been executing contracts on two large power projects in South Africa (Kusile and Medupi). Over such time, the business environment surrounding these projects has been difficult, as DBT, along with many other contractors on the projects, have 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 has substantially completed its scope of work, with its remaining responsibilities related 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 1,100.0 (or \$75.0). As we prepare these claims for dispute resolution processes, the amounts, along with the characterization, of the claims could change. Of these claims, South African Rand 372.1 (or \$25.3) are currently proceeding through contractual dispute resolution processes and DBT is likely to initiate additional dispute resolution processes in 2021. 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 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. The panel ruled that MHI is obligated to pay DBT South African Rand 116.4 (or \$7.8 at the time of the ruling). This ruling is subject to MHI’s rights to seek further arbitration in the matter. No amount has been reflected in the consolidated financial statements for this matter.

*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. We believe the notification is unsubstantiated and the vast majority of the claimed damages are prohibited under the relevant contracts. Therefore, we believe any loss for the majority of these claimed damages is remote. For the remainder of the claims, which largely appear to be direct in nature (approximately South African Rand 948.0 or \$64.5), DBT has numerous defenses 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. 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. 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 \$27.7) 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 \$12.0). 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.

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 \$4.0 of bonds upon the completion of certain administrative milestones; and (iv) ordered MHI to pay South African Rand 18.4 (or \$1.1) in incentive payments for work performed by DBT (which MHI has subsequently paid), and 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 statement of operations for the year ended December 31, 2020.

*Bonds Issued in Favor of MHI* - We are 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, which we funded as required under the terms of the bonds and our senior credit agreement. In its demand, MHI purported that DBT failed to carry out its obligations to rectify certain alleged product defects identified in its February 2019 interim claims notice (see above). DBT denies liability for such alleged product defects and, thus, fully intends to seek, and believes it is legally entitled to, reimbursement of the South African Rand 239.6 (or \$16.3) that has been paid. However, given the extent and complexities of the claims between DBT and MHI, reimbursement of the South African Rand 239.6 (or \$16.3) is unlikely to occur over the next twelve months. As such, we have reflected the South African Rand 239.6 (or \$16.3) as a non-current asset within our consolidated balance sheet as of December 31, 2020.

The remaining amount of outstanding bonds that have been issued in favor of MHI include (i) \$16.2 of performance and retention money guarantees, which could be exercised by MHI for alleged defects or other alleged breaches of DBT's obligations, and (ii) a \$22.3 bond that can be exercised by MHI only in the event that (a) it receives a favorable judgment on a certain matter and (b) DBT fails to pay any money damages awarded in such judgment. In the event that MHI were to receive payment on a portion, or all, of the remaining bonds, we would be required to reimburse the respective issuing bank.

In addition to these bonds, SPX Corporation has guaranteed DBT's performance on these projects to the prime contractors.

*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 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). 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 shareholders" 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, 2020, we had liabilities for site investigation and/or remediation at 25 sites (29 sites at December 31, 2019) 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 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. 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, 2020, we have been notified that we are potentially responsible and have received other notices of potential liability pursuant to various environmental laws at 11 sites (14 sites at December 31, 2019) 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 is 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 seven 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) Shareholders' 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, |                 |                 |
|--|-------------------------|-----------------|-----------------|
|  | 2020                    | 2019            | 2018            |
| Numerator:   |                         |                 |                 |
| Income from continuing operations  | \$ 100.7                | \$ 71.1         | \$ 81.9         |
| Adjustment related to redeemable noncontrolling interest (Note 15)   | —                       | 5.6             | —               |
| Income from continuing operations attributable to SPX Corporation common shareholders for calculating basic and diluted income per share | <u>\$ 100.7</u>         | <u>\$ 76.7</u>  | <u>\$ 81.9</u>  |
| Loss from discontinued operations, net of tax  | \$ (3.5)                | \$ (5.8)        | \$ (0.7)        |
| Less: Net loss attributable to noncontrolling interest   | —                       | —               | —               |
| Loss from discontinued operations attributable to SPX Corporation common shareholders for calculating basic and diluted income per share | <u>\$ (3.5)</u>         | <u>\$ (5.8)</u> | <u>\$ (0.7)</u> |
| Denominator:   |                         |                 |                 |
| Weighted-average number of common shares used in basic income (loss) per share   | 44.628                  | 43.942          | 43.054          |
| Dilutive securities — Employee stock options, restricted stock shares and restricted stock units   | 1.138                   | 1.015           | 1.606           |
| Weighted-average number of common shares and dilutive securities used in diluted income (loss) per share                                 | <u>45.766</u>           | <u>44.957</u>   | <u>44.660</u>   |

For the years ended December 31, 2020, 2019, and 2018, 0.300, 0.319, and 0.234, 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, 2020, 2019, and 2018, 0.793, 0.942, and 0.875, 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, 2020, 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<br>Issued | Treasury<br>Stock | Shares<br>Outstanding |
|------------------------------|------------------------|-------------------|-----------------------|
| Balance at December 31, 2017 | 51.186                 | (8.535)           | 42.651                |
| Restricted stock units       | —                      | 0.457             | 0.457                 |
| Other                        | 0.343                  | —                 | 0.343                 |
| 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 | <u>52.705</u>          | <u>(7.673)</u>    | <u>45.032</u>         |

### 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 4.407 shares of our common stock were available for grant at December 31, 2020 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, 2020. The 2020, 2019 and 2018 grants to non-employee directors generally vest over a one-year period, with the 2020 grants scheduled to vest in their entirety immediately prior to the annual meeting of stockholders in May 2021.

Stock options may be granted to key employees in the form of incentive stock options or nonqualified 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 \$12.8, \$10.8 and \$11.6 for the years ended December 31, 2020, 2019 and 2018, respectively, with the related tax benefit being \$2.2, \$2.6 and \$2.8 for the years ended December 31, 2020, 2019 and 2018, 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 2020, 2019, and 2018 included \$1.2, \$2.8 and \$3.9, 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 February 20, 2020, February 21, 2019 and February 22, 2018. We used the following assumptions in determining the fair value of these awards:

|   | Annual<br>Expected<br>Stock Price<br>Volatility | Annual<br>Expected<br>Dividend Yield | Risk-Free<br>Interest Rate | Correlation<br>Between Total<br>Shareholder<br>Return for SPX<br>and the<br>Applicable<br>S&P Index |
|---|---|--------------------------------------|----------------------------|---|
| <b>February 20, 2020</b>                      |   |                                      |                            |   |
| SPX Corporation                               | 29.47 %   | — %                                  | 1.35 %                     | 35.47 %   |
| Peer group within S&P 600 Capital Goods Index | 34.93 %   | n/a                                  | 1.35 %                     |   |
| <b>February 21, 2019</b>                      |   |                                      |                            |   |
| SPX Corporation                               | 32.70 %   | — %                                  | 2.53 %                     | 38.75 %   |
| Peer group within S&P 600 Capital Goods Index | 34.75 %   | n/a                                  | 2.48 %                     |   |
| <b>February 22, 2018</b>                      |   |                                      |                            |   |
| SPX Corporation                               | 42.25 %   | — %                                  | 2.38 %                     | 32.67 %   |
| Peer group within S&P 600 Capital Goods Index | 34.99 %   | n/a                                  | 2.38 %                     |   |

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, 2017 through December 31, 2020:

|                   | Unvested<br>PSU's, RSU's,<br>and RS's | Weighted-<br>Average<br>Grant-Date<br>Fair<br>Value Per<br>Share |
|-------------------|---------------------------------------|--|
| December 31, 2017 | 1.230                                 | \$ 17.41   |
| Granted           | 0.211                                 | 33.69  |
| Vested            | (0.753)                               | 15.39  |
| Forfeited         | (0.036)                               | 22.35  |
| 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 | <u>0.644</u>                          | <u>\$ 42.32</u>  |

As of December 31, 2020, there was \$10.7 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 February 20, 2020, February 21, 2019 and February 22, 2018, we granted stock options totaling 0.125, 0.186 and 0.184, respectively. The exercise price per share of these options is \$50.09, \$36.51 and \$32.69, respectively, and the maximum contractual term of these options is ten years.

The fair value of each stock option granted on February 20, 2020, February 21, 2019 and February 22, 2018 was \$17.40, \$13.31 and \$11.66, respectively. The fair value of each option grant was estimated using a Black-Scholes option-pricing model with the following assumptions:

|  | February 20, 2020 | February 21, 2019 | February 22, 2018 |
|--|-------------------|-------------------|-------------------|
| Annual expected stock price volatility   | 33.48 %           | 32.70 %           | 31.14 %           |
| Annual expected dividend yield           | — %               | — %               | — %               |
| Risk-free interest rate                  | 1.41 %            | 2.53 %            | 2.75 %            |
| Expected life of stock option (in years) | 6.0               | 6.0               | 6.0               |

Annual expected stock price volatility for the February 20, 2020, February 21, 2019 and February 22, 2018 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, 2017 through December 31, 2020.

|  | Shares       | Weighted-Average Exercise Price |
|--|--------------|---------------------------------|
| Options outstanding at December 31, 2017 | 1.608        | \$ 14.67                        |
| Exercised                                | (0.064)      | 13.89                           |
| Forfeited                                | (0.010)      | 23.17                           |
| Granted                                  | 0.184        | 32.69                           |
| 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 | <u>1.419</u> | <u>\$ 23.21</u>                 |

As of December 31, 2020, 1.100 of the above stock options were exercisable and there was \$1.5 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, 2020 were as follows:

|   | Foreign Currency Translation Adjustment | Net Unrealized Losses on Qualifying Cash Flow Hedges <sup>(1)</sup> | Pension and Postretirement Liability Adjustment <sup>(2)</sup> | 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  | <u>\$ 238.6</u>                         | <u>\$ (4.4)</u>   | <u>\$ 14.3</u>   | <u>\$ 248.5</u> |

<sup>(1)</sup> Net of tax benefit of \$1.4 and \$0.5 as of December 31, 2020 and 2019, respectively.

<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 changes in the components of accumulated other comprehensive income, net of tax, for the year ended December 31, 2019 were as follows:

|  | Foreign<br>Currency<br>Translation<br>Adjustment | Net Unrealized<br>Losses on<br>Qualifying<br>Cash<br>Flow<br>Hedges (1) | Pension and<br>Postretirement<br>Liability<br>Adjustment and<br>Other (2) | Total           |
|--|--|---|---|-----------------|
| Balance at December 31, 2018   | \$ 225.8   | \$ (0.6)  | \$ 19.7   | \$ 244.9        |
| Other comprehensive income (loss) before reclassifications               | 2.2  | (2.1)   | 1.2   | 1.3             |
| Amounts reclassified from accumulated other comprehensive income (loss): | —  | 1.1   | (3.0)   | (1.9)           |
| Current-period other comprehensive income (loss)                         | 2.2  | (1.0)   | (1.8)   | (0.6)           |
| Balance at December 31, 2019   | <u>\$ 228.0</u>                                  | <u>\$ (1.6)</u>   | <u>\$ 17.9</u>  | <u>\$ 244.3</u> |

<sup>(1)</sup> Net of tax benefit of \$0.5 and \$0.2 as of December 31, 2019 and 2018, respectively.

<sup>(2)</sup> Net of tax provision of \$6.1 and \$6.6 as of December 31, 2019 and 2018, respectively. The balances as of December 31, 2019 and 2018 include unamortized prior service credits.

The following summarizes amounts reclassified from each component of accumulated comprehensive income for the years ended December 31, 2020 and 2019:

|  | Amount<br>Reclassified<br>from<br>AOCI |                 | Affected<br>Line Items<br>in the<br>Consolidated Statements of<br>Operations |
|--|--|-----------------|--|
|  | Year ended<br>December 31,             |                 |  |
|  | 2020                                   | 2019            |  |
| <b>(Gains) losses on qualifying cash flow hedges:</b>        |  |                 |  |
| Commodity contracts  | \$ (0.9)                               | \$ 0.8          | Cost of products sold  |
| Swaps  | 4.7                                    | 0.7             | Interest expense   |
| Pre-tax  | 3.8                                    | 1.5             |  |
| Income taxes   | (0.9)                                  | (0.4)           |  |
|  | <u>\$ 2.9</u>                          | <u>\$ 1.1</u>   |  |
| <b>Pension and postretirement items:</b>                     |  |                 |  |
| Amortization of unrecognized prior service credits - Pre-tax | \$ (4.8)                               | \$ (4.1)        | Other income (expense), net  |
| Income taxes   | 1.2                                    | 1.1             |  |
|  | <u>\$ (3.6)</u>                        | <u>\$ (3.0)</u> |  |

### Common Stock in Treasury

During the years ended December 31, 2020, 2019 and 2018, “Common stock in treasury” was decreased by the settlement of restricted stock units issued from treasury stock of \$8.4, \$15.8 and \$27.6, respectively.

### Preferred Stock

None of our 3.0 shares of authorized no par value preferred stock was outstanding at December 31, 2020, 2019 or 2018.



## (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 Methodologies Used to Measure Fair Value on a Non-Recurring Basis**

*Parent Guarantees and Bonds Associated with Balcke Dürr* — In connection with the sale of Balcke Dürr, 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 (and Euro 0.0 and Euro 2.9, respectively, at December 31, 2020), will remain in place through each instrument's expiration date, with such expiration dates occurring through 2022. These guarantees and bonds provide 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 relate to lease obligations and foreign tax matters in existence at the time of sale. Balcke Dürr and the buyer have provided us an indemnity in the event that any of these bonds are called. 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 1.0, respectively, at December 31, 2020). 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 2020, 2019, and 2018.

|  | Year ended                                    |                                       |   |                                       |   |                                       |
|--|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|
|  | December 31, 2020                             |                                       | December 31, 2019                             |                                       | December 31, 2018                             |                                       |
|  | Guarantees and Bonds Liability <sup>(1)</sup> | Indemnification Assets <sup>(1)</sup> | Guarantees and Bonds Liability <sup>(1)</sup> | Indemnification Assets <sup>(1)</sup> | Guarantees and Bonds Liability <sup>(1)</sup> | Indemnification Assets <sup>(1)</sup> |
| Balance at beginning of year                         | \$ 2.0  | \$ 0.3                                | \$ 4.4  | \$ 1.2                                | \$ 8.7  | \$ 2.8                                |
| Reduction/Amortization for the period <sup>(2)</sup> | (0.4)   | (0.3)                                 | (2.3)   | (0.9)                                 | (4.1)   | (1.5)                                 |
| Impact of changes in foreign currency rates          | 0.2   | —                                     | (0.1)   | —                                     | (0.2)   | (0.1)                                 |
| Balance at end of period <sup>(3)</sup>              | <u>\$ 1.8</u>                                 | <u>\$ —</u>                           | <u>\$ 2.0</u>                                 | <u>\$ 0.3</u>                         | <u>\$ 4.4</u>                                 | <u>\$ 1.2</u>                         |

<sup>(1)</sup> 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).

<sup>(2)</sup> We reduce the liability generally at the earlier of the completion of the related underlying project milestones or the expiration of the guarantees or bonds. We amortize the asset based on the expiration terms of each of the securities. We record the reduction of the liability and the amortization of the asset to “Other income (expense), net.”

<sup>(3)</sup> Balance associated with the guarantees and bonds is reflected within “Other long-term liabilities,” while the balance associated with the indemnification assets is reflected within “Other assets.”

*Contingent Consideration for ULC and Sensors & Software Acquisitions* — In connection with acquisitions of ULC and Sensors & Software, the respective sellers are eligible for additional cash consideration of \$45.0 and \$3.9, respectively, with payment of such contingent consideration dependent upon the achievement of certain milestones. The estimated fair value of such contingent consideration is \$24.3 and \$0.7, respectively, with such amounts reflected as liabilities within our consolidated balance sheet as of December 31, 2020. We estimated the fair value of the contingent consideration for these acquisitions based on the probability of ULC and Sensors & Software achieving these 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 Methodologies Used to Measure Fair Value on a Recurring Basis

*Derivative Financial Instruments* — Our financial derivative assets and liabilities include interest rate swaps, FX forward contracts, and commodity contracts, valued using valuation 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, 2020, 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* - As indicated in Note 3, during 2018, we adopted an amendment to guidance that requires, among other things, equity securities (excluding equity method investments) to be measured at fair value. We have an equity security that we account for in accordance with this amended guidance. Specifically, we estimate the fair value of this equity security utilizing a practical expedient under the amended 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, 2020 and 2019, we recorded gains of \$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, 2020 and 2019, the equity security had an estimated fair value of \$27.0 and \$21.9, 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, 2020 and December 31, 2019 approximated the related carrying values due primarily to the variable market-based interest rates for such instruments.

## **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, 2020. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

#### **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 and concluded that, as of December 31, 2020, such internal control was effective 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).

Management excluded from its assessment of internal control over financial reporting as of December 31, 2020, the internal control over financial reporting of ULC and Sensors & Software, which were acquired on September 2, 2020, and November 11, 2020 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 represented approximately 6% of our consolidated total assets as of December 31, 2020 and their aggregate revenues represented approximately 1% of our consolidated revenues for the year ended December 31, 2020. 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, 2020 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report included in this Form 10-K.

#### **Changes in Internal Control Over Financial Reporting**

In connection with the evaluation by SPX management, including the Chief Executive Officer and Chief Financial Officer, of our internal control over financial reporting, pursuant to Exchange Act Rule 13a-15(d), no changes during the quarter ended December 31, 2020 were identified that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders 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, 2020, 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, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, 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, 2020, of the Company and our report dated February 25, 2021, 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 ULC Robotics and Sensors & Software Inc., which were acquired on September 2, 2020 and November 11, 2020, respectively, and whose financial statements constitute approximately 6% of consolidated total assets and approximately 1% of consolidated revenues as of and for the year ended December 31, 2020. Accordingly, our audit did not include the internal control over financial reporting at ULC Robotics and Sensors & Software Inc.

### 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.

/s/ Deloitte & Touche LLP  
Charlotte, North Carolina  
February 25, 2021

**ITEM 9B. Other Information**

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 2021 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**, 52, 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**, 58, 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**, 55, 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.

**Brian G. Mason**, 55, President, Transformer Solutions since January 2015 and was appointed an officer of the company in January 2017. Prior to joining SPX, Mr. Mason spent over 14 years with Emerson Electric. Most recently, he was President, Emerson Connectivity Solutions, from March 2004 to July 2014, and President, Cinch Connectivity Solutions, from July 2014 to December 2014, having led the divestiture of Emerson Connectivity Solutions and its integration with Cinch Connectors/Bel Fuse. While at Emerson Electric, Mr. Mason held leadership positions in various technology-oriented businesses. He has also held leadership roles at General Cable, Winegard, and General Electric.

**John W. Nurkin**, 51, 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**, 50, 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**, 49, 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**, 47, 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 2021 Annual Meeting of Stockholders under the heading “Section 16(a) Beneficial Ownership Reporting Compliance” and is incorporated herein by reference.

d) Code of Ethics.

This information is included in our definitive proxy statement for the 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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 49 of this Form 10-K.
2. Financial Statement Schedules. None required. See page 49 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, 2021.

SPX CORPORATION  
(Registrant)

By    /s/ JAMES E. HARRIS

James E. Harris  
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, 2021.

|   |  |
|---|--|
| /s/ EUGENE J. LOWE, III<br>Eugene J. Lowe, III<br>President and Chief Executive Officer | /s/ JAMES E. HARRIS<br>James E. Harris<br>Vice President, Chief Financial Officer and Treasurer                              |
| /s/ PATRICK J. O'LEARY<br>Patrick J. O'Leary<br>Director                                | /s/ RICKY D. PUCKETT<br>Ricky D. Puckett<br>Director   |
| /s/ DAVID A. ROBERTS<br>David A. Roberts<br>Director                                    | /s/ RUTH G. SHAW<br>Ruth G. Shaw<br>Director   |
| /s/ ROBERT B. TOTH<br>Robert B. Toth<br>Director  | /s/ TANA L. UTLEY<br>Tana L. Utley<br>Director   |
| /s/ MEENAL A. SETHNA<br>Meenal A. Sethna<br>Director                                    | /s/ MICHAEL A. REILLY<br>Michael A. Reilly<br>Chief Accounting Officer, Vice President,<br>Finance, and Corporate Controller |

## INDEX TO EXHIBITS

| Item No. | Description  |
|----------|--|
| 2.1      | — <u>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).</u>  |
| 3.1      | — <u>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).</u>   |
| 3.2      | — <u>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).</u>  |
| 3.3      | — <u>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).</u>   |
| 4.1      | — <u>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).</u>   |
| 10.1     | — <u>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).</u>  |
| 10.2     | — <u>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).</u>  |
| 10.3     | — <u>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).</u>  |
| 10.4     | — <u>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).</u>  |
| 10.5     | — <u>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).</u>   |
| 10.6     | — <u>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).</u>  |
| 10.7     | — <u>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).</u>   |
| 10.8     | — <u>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).</u>  |
| 10.9     | — <u>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).</u> |
| 10.10    | — <u>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).</u>  |
| 10.11    | — <u>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).</u>   |
| 10.12    | — <u>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).</u>   |

- 10.13 — 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).
  
- 21.1 — Subsidiaries.
- 23.1 — Consent of Independent Registered Public Accounting Firm — Deloitte & Touche LLP. 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.
- 101.1 — SPX Corporation financial information from its Form 10-K for the fiscal year ended December 31, 2020, formatted in Inline XBRL, including: (i) Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018; (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018; (iii) Consolidated Balance Sheets as of December 31, 2020 and 2019; (iv) Consolidated Statements of Equity for the years ended December 31, 2020, 2019 and 2018; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018; and (vi) Notes to Consolidated Financial Statements.
- 104.1 — Cover Page Interactive Data File (formatted as Inline XBRL and contained in the Interactive Data File submitted as (Exhibit 101.1)

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\* Denotes management contract or compensatory plan or arrangement.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 33-24043, 333-29843, 333-38443, 333-29857, 333-29851, 333-29855, 333-61766, 333-69250, 333-69252, 333-70245, 333-82645, 333-82647, 333-106897, 333-109112, 333-139351, 333-139352, 333-186817, 333-206695, and 333-231324 all on Form S-8 of our reports dated February 25, 2021, relating to the consolidated financial statements of SPX Corporation and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina  
February 25, 2021



**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a),  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eugene J. Lowe, III, certify that:

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

Date: February 25, 2021

/s/ EUGENE J. LOWE, III

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Eugene J. Lowe, III  
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a),  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James E. Harris, certify that:

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

Date: February 25, 2021

/s/ JAMES E. HARRIS

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James E. Harris  
Vice President, Chief Financial Officer  
and Treasurer

The following statement is being made to the U.S. Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Securities and Exchange Commission  
100 F. Street N.E.  
Washington, DC 20549

Re: SPX Corporation

Ladies and Gentlemen:

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), each of the undersigned hereby certifies that:

- (i) this Annual Report on Form 10-K, for the year ended December 31, 2020, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (ii) the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of SPX Corporation.

Dated as of this 25th day of February, 2021.

          /s/ EUGENE J. LOWE, III            
Eugene J. Lowe, III  
President and Chief Executive Officer

          /s/ JAMES E. HARRIS            
James E. Harris  
Vice President, Chief Financial Officer  
and Treasurer

## NON-GAAP RECONCILIATION—ADJUSTED REVENUE, SEGMENT INCOME, NET INCOME AND EARNINGS PER SHARE

(Dollars in millions, except per share data)

|  | 2020      | 2019      | 2018      |
|--|-----------|-----------|-----------|
| <b>REVENUE</b>   |           |           |           |
| U.S. GAAP revenue                                      | \$1,559.5 | \$1,520.9 | \$1,512.6 |
| Exclude:   |           |           |           |
| South Africa and other <sup>(1)</sup>                  | 4.0       | (6.1)     | 72.1      |
| Adjusted revenue                                       | \$1,555.5 | \$1,527.0 | \$1,440.5 |
| <b>SEGMENT INCOME</b>                                  |           |           |           |
| U.S. GAAP segment income                               | \$ 203.7  | \$ 176.5  | \$ 181.4  |
| Exclude:   |           |           |           |
| South Africa and Other <sup>(2)</sup>                  | (20.6)    | (45.6)    | (21.1)    |
| Amortization expense <sup>(3)</sup>                    | (14.0)    | (8.9)     | (4.1)     |
| Adjusted segment income                                | \$ 238.3  | \$ 231.0  | \$ 206.6  |
| <b>NET INCOME AND EPS</b>                              |           |           |           |
| U.S. GAAP net income from continuing operations        | \$ 100.7  | \$ 76.7   | \$ 81.9   |
| U.S. GAAP EPS from continuing operations               | \$ 2.20   | \$ 1.71   | \$ 1.83   |
| Exclude:   |           |           |           |
| South Africa and Other <sup>(2)</sup>                  | (16.3)    | (40.6)    | (16.1)    |
| Amortization expense <sup>(3)</sup>                    | (11.0)    | (6.8)     | (3.2)     |
| Adjusted net income from continuing operations         | \$ 128.0  | \$ 124.1  | \$ 101.2  |
| Adjusted earnings per share from continuing operations | \$ 2.80   | \$ 2.76   | \$ 2.27   |
| Weighted average diluted shares outstanding            | 45.766    | 44.957    | 44.660    |

## SEGMENT INCOME—HVAC AND DETECTION & MEASUREMENT REPORTABLE SEGMENTS

### HVAC REPORTABLE SEGMENT:

|  |         |
|--|---------|
| Segment income                               | \$ 93.4 |
| Exclude: One-time acquisition related costs  | (0.6)   |
| Exclude: Amortization expense <sup>(3)</sup> | (2.9)   |
| HVAC adjusted segment income                 | \$ 96.9 |
| as a percent of adjusted segment income      | 41%     |

### DETECTION & MEASUREMENT REPORTABLE SEGMENT:

|  |         |
|--|---------|
| Segment income   | \$ 69.1 |
| Exclude: One-time acquisition related costs <sup>(4)</sup> | (0.7)   |
| Exclude: Amortization expense <sup>(3)</sup>               | (11.1)  |
| Detection & Measurement adjusted segment income            | \$ 80.9 |
| as a percent of adjusted segment income                    | 34%     |

(1) Adjustment primarily represents removal of financial results of our South Africa business, which is being reported as an "Other" operating segment for U.S. GAAP purposes due to certain wind-down activities that are occurring within the business.

(2) Adjustment represents, among other non-recurring items, (i) the removal of financial results of our South Africa business, which is being reported as an "Other" operating segment for U.S. GAAP purposes due to certain wind-down activities that are occurring within the business, and (ii) the removal of acquisition-related costs, along with the income tax impact of such adjustments, as applicable.

(3) Represents removal of amortization expense associated with acquired intangible assets, along with the income tax impact of such adjustments, as applicable.

(4) Represents removal of acquisition-related costs, and additional "Cost of products sold" related to the step-up of inventory to fair value acquired in connection with the Sensors & Software acquisition.

# CORPORATE INFORMATION

## OFFICERS



**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



**Ankush Kumar**  
President,  
SPX Global Cooling



**Brian G. Mason**  
President,  
Transformer Solutions



**John W. Nurkin**  
Vice President,  
General Counsel  
and Secretary



**John W. Swann, III**  
President,  
Heating and Location  
& Inspection



**NaTausha H. White**  
Vice President  
and Chief Human  
Resources Officer

## DIRECTORS



**Patrick J. O'Leary**  
*Chairman*  
Retired Executive  
Vice President, Finance,  
Treasurer and Chief  
Financial Officer,  
SPX Corporation



**Eugene J. Lowe, III**  
President and  
Chief Executive Officer,  
SPX Corporation



**Ricky D. Puckett**  
*Audit Committee Chair*  
Retired Executive Vice  
President, Chief Financial  
Officer, Treasurer and  
Chief Administrative Officer,  
Snyder's-Lance, Inc.



**David A. Roberts**  
*Compensation  
Committee Chair*  
Chairman of the Board  
and Retired Executive  
Chairman, President and  
Chief Executive Officer,  
Carlisle Companies, Inc.



**Meenal A. Sethna**  
Executive Vice  
President  
and Chief Financial  
Officer, Littelfuse, Inc.



**Dr. Ruth G. Shaw**  
*Nominating and  
Governance  
Committee Chair*  
Former President and  
Chief Executive Officer,  
Duke Power



**Robert B. Toth**  
Former Chairman,  
Chief Executive Officer  
and President,  
Polypore International, Inc.



**Tana L. Utley**  
Vice President of Large  
Power Systems Division,  
Caterpillar Inc.

## ANNUAL MEETING

SPX Corporation's Annual  
Meeting of Stockholders  
Tuesday, 8 a.m. ET\*  
May 11, 2021  
Virtual Meeting

## CORPORATE OFFICE

SPX Corporation  
6325 Ardrey Kell Road, Suite 400  
Charlotte, NC 28227  
980-474-3700 | [www.spx.com](http://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](http://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



6325 ARDREY KELL ROAD, SUITE 400, CHARLOTTE, NC 28277  
980-474-3700 • [WWW.SPX.COM](http://WWW.SPX.COM)