EVOQUA
WATER TECHNOLOGIES

Transforming Water.
Enriching Life.®

As a leading provider of mission-critical water and wastewater treatment solutions, our employees are united by a common purpose:

TRANSFORMING WATER – ENRICHING – LIFE

2022 Highlights*

Team Members

4,500+

Locations

150+

Customers

38K+

Installations

200K+

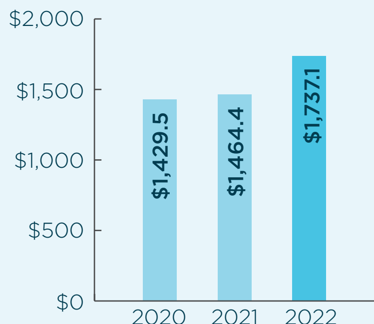
*as of September 30, 2022.

- Continued business resiliency
- Organic revenue growth
- Navigated supply chain constraints
- Enhanced digital enablement
- Strong project backlog
- Favorable regulatory tailwinds
- Strengthened balance sheet
- Positive price/cost
- Expanded sustainability handprint

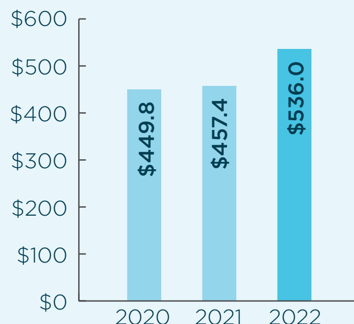
Our Performance

Year Ended September 30, 2022

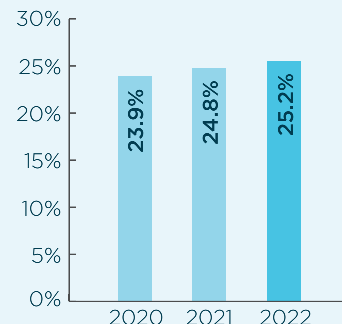
Revenue
in millions



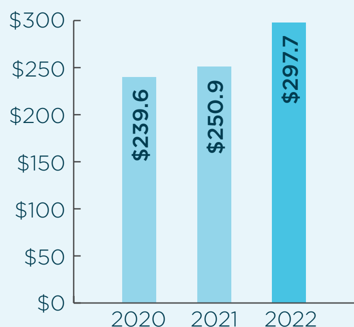
Gross Profit
in millions



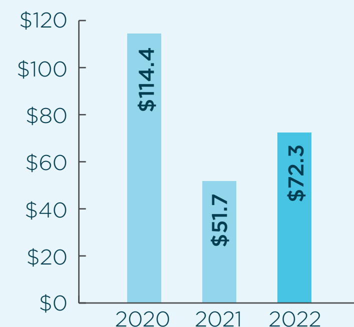
Total Operating Expenses
as % of revenue



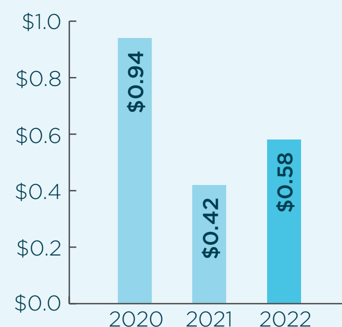
Adjusted EBITDA*
in millions



Net Income
in millions



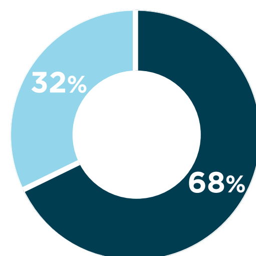
Earnings per Share
diluted



REVENUE BY SEGMENT

Integrated Solutions and Services

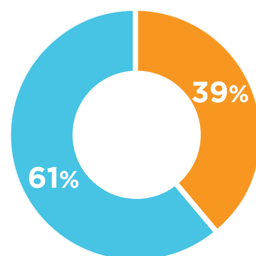
Applied Product Technologies



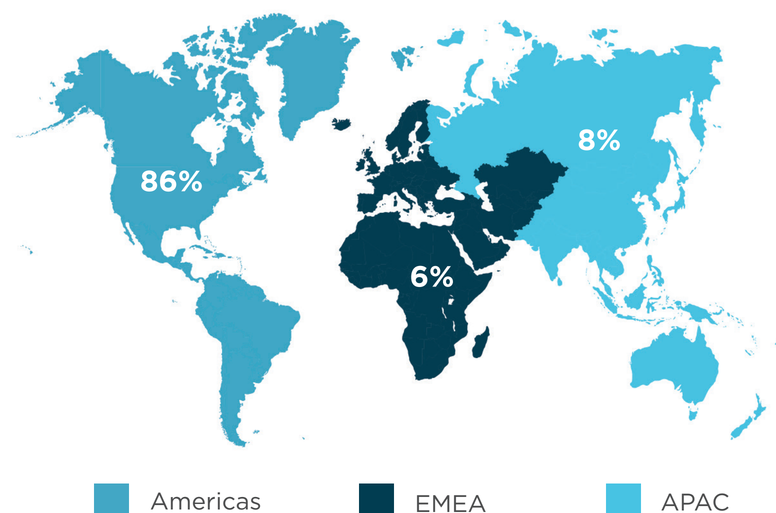
REVENUE BY TYPE

Products

Services



WHERE WE SELL



Americas EMEA APAC

*Adjusted EBITDA is a non-GAAP financial measure. For more information and a reconciliation to net income, the most directly comparable GAAP financial measure, please see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Reconciliations" in our 10-K for the fiscal year ended September 30, 2022, included with this Annual Report.

As I reflect on the past year, I am incredibly proud of our team as we continue to perform and grow. Material availability, inflationary pressures, and skilled labor access continue as challenges; however, we navigated these constraints and successfully served our customers and delivered on a record year.

For the second year, our backlog of projects has reached record levels, and our sales pipeline is strong as demand increases across our customer base and target end markets. Overall, the company's resiliency is shown through our results for the fiscal year ending September 30, 2022. Revenues were $1.74 billion, an increase of 18.6% compared to the prior year, and adjusted EBITDA was $297.7 million, an increase of 18.7% compared to the prior year. These results demonstrate the strength of our business model and focused execution.

Water scarcity and emerging contaminants are rapidly growing as global concerns impacting individuals, enterprises, and communities worldwide. The need for clean and available water sources has never been more in demand.

Evoqua is uniquely positioned to address these challenges and to help our customers mitigate water risks by delivering technologies and full service solutions that are connected, efficient, and resilient.

CUSTOMER-CENTRIC STRATEGY

We are organized into a two-segment structure designed to serve the needs of our customers worldwide. Our structure has created a customer-facing systems and service organization called Integrated Solutions and Services (ISS) and a product technology group, Applied Product Technologies (APT), focused primarily on delivering to the market through indirect product channels.

The ISS segment provides application-specific solutions and full lifecycle services for critical water and wastewater applications across a diversified set of attractive vertical markets, primarily in North America. ISS is focused on growth through deploying outsourced water solutions and digitally enabled capabilities that deliver steady, stable, and profitable revenues.

Our APT segment provides highly differentiated and scalable products that can be used stand-alone or as components in integrated solutions across a diverse set of system integrators, applications, and end-users. We expect to drive growth in our APT segment by pursuing market share gains in core markets, domestically and internationally, and by developing innovative offerings that further expand our portfolio of sustainable technologies.

INVESTING FOR GROWTH

In addition to our organic growth strategy, we continue to pursue accretive tuck-in acquisitions that further expand our reach into attractive geographic regions, penetrate targeted end markets, and add new technologies. In fiscal 2022, we completed four strategic acquisitions, including the purchase of the Mar Cor® brand of products and services, a leading manufacturer and servicer of medical water treatment equipment. We purchased the remaining equity of Frontier Water Systems, LLC, adding to our advanced industrial wastewater treatment

Water scarcity and emerging contaminants are rapidly growing as global concerns impacting individuals, enterprises, and communities worldwide. The need for clean and available water sources has never been more in demand.

technologies portfolio. We also acquired Smith Engineering, Inc., enhancing our portfolio of high-purity water systems and expanding our service footprint in North America, and Epicor, Inc., a leading manufacturer of high-quality powdered ion exchange resins for the power industry. We have an active pipeline and expect to supplement our organic growth through M&A in the coming year.

OUR SUSTAINABILITY IMPACT

Sustainability is core to Evoqua. We work daily to deliver solutions to protect and preserve one of our planet's most valuable resources, water. Our Sustainability and Innovation Hub, which opened in October 2021, is advancing our research and development capabilities and enabling further development of water treatment technologies for our customers.

As we continue our sustainability journey, we have set goals to address water risks related to climate change, seeking to reuse more water than we withdraw from source by 2035. Utilizing the science-based target-setting methodology, we are evaluating our scope 1, 2, and 3 emissions, which will enable us to develop greenhouse gas emission reduction targets. This is an important next step towards reaching our goal of net-zero greenhouse gas emissions by 2050.

LOOKING AHEAD

As we enter the new fiscal year, we are encouraged by the strong global organic growth across both segments realized in fiscal 2022. Our pipeline remains robust as demand is solid across many of our end markets. The team remains focused on pursuing growth opportunities through deeper penetration into targeted end markets and global geographical expansion to deliver water solutions to our customers.

Thank you for your support and commitment as we continue to deliver on our purpose: **Transforming Water. Enriching Life.®**

Sincerely,

RON C. KEATING
PRESIDENT, CHIEF EXECUTIVE OFFICER, MEMBER OF THE BOARD OF DIRECTORS

Sustainability at Evoqua

Overview

Few industries can thrive without a stable water supply, whether it is used to power the enterprise, required to feed its supply chain, or instrumental in creating a product itself. The availability of water that meets the specifications required by various industries is critical to our global economic landscape. Water scarcity, due to climate change and other factors, along with emerging contaminants in water, are growing concerns worldwide, impacting individuals, enterprises, communities, governments, and the environment.

At Evoqua, sustainability is a core value driven by our culture and brought to life in our work. Many of our innovative products and services are aligned with the UN Sustainable Development Goals (SDGs), helping our customers solve their most complex water and wastewater treatment challenges.

Sustainability is core to what we do every day – providing solutions to protect and preserve one of our planet's most valuable resources, water.

Ron C. Keating
CHIEF EXECUTIVE OFFICER

Recognition

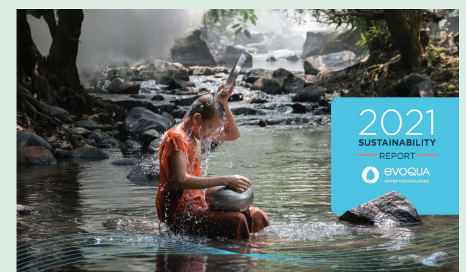
Ranked #19 on Corporate Knights' 100 Most Sustainable Corporations in the World.

CLEAN200™

Selected by As You Sow and Corporate Knights as one of the 200 largest public companies, ranked by clean energy revenues.

FROST & SULLIVAN

Recognized by Frost & Sullivan as the Global Company of the Year for our leadership in sustainability in the water technology market.



For more information, download our 2021 Sustainability Report.

*The use of the SDG nomenclature does not imply the endorsement of the United Nations. Learn more at https://www.un.org/sustainabledevelopment.
Learn more about Global 100, Clean200™, and Frost & Sullivan's Global Company of the Year awards.

Defining Our Impact

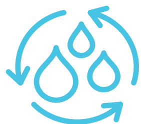
HANDPRINT

We transform approximately 100 billion gallons of water every day with our products and services. This is over 4.5 times the amount of water flowing over Niagara Falls every single day.

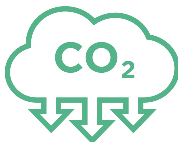
Our Sustainability and Innovation Hub, which opened in October 2021, is advancing our research and development capabilities and enabling further development of water treatment solutions.

FOOTPRINT

We are continuing to work toward achieving our goals set in fiscal 2022, which include:



Seeking to recycle and reuse more water than withdrawn at our facilities by 2035.



Setting science-based targets by 2023 that will assist us with our goal of reaching net-zero greenhouse gas emissions by 2050.

Environmental and safety metrics are included in our employee annual compensation program, and performance share units measured on select performance metrics have been incorporated into our long-term compensation strategy.

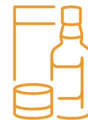
Enhancing Our Strategy

In fiscal 2022, we updated our materiality assessment by gaining feedback from internal and external stakeholders to ensure our ESG strategy aligns with stakeholders' needs. Learn more in our upcoming sustainability report, released annually in the spring.

Integrated Solutions and Services

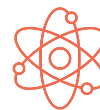
Overview

The Integrated Solutions and Services (ISS) segment provides application-specific solutions and full lifecycle services for critical water and wastewater applications across a diversified set of attractive vertical markets, primarily in North America. Key offerings within this segment include outsourced water services and capital systems, including related service and aftermarket consumables, to improve operational reliability and performance while promoting environmental compliance.

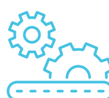


Food & Beverage

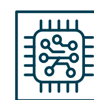
Government



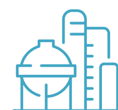
Life Sciences



Light & General Manufacturing

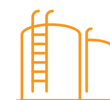


Microelectronics

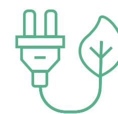


Municipal

Power



Refining & Chemicals



Renewable Energy

Market Expansion: Life Sciences

Evoqua's broad offering in the life sciences vertical market, which includes healthcare, renal care, pharmaceutical, and laboratory, unlocks powerful value creation by deepening existing relationships while adding new customers. With the acquisition of the Mar Cor® brand of products and services earlier this year, we have more than doubled our presence in the market, making it our largest end market served. We continue to prioritize our growth in this market through our digitally connected, outcome-based solutions, ease of aftermarket support and service, and product innovation to ensure maximized uptime and reliability.

*Markets are displayed in alphabetical order.

Revenue Growth Year-Over-Year

23.4%

2022 Segment Revenue

$1,184.5M

Digital Water Management Solutions

Evoqua's digitally connected and outsourced water service model uniquely combines our water expertise, extensive installation base, proactive service, proven technology, and data intelligence to continually improve our customers' water operation management. Our remote monitoring capabilities enable us to optimize our routine service calls through predictive analytics to provide customers with a more reliable, cost-efficient water solution. We offer water on-demand services, mobile solutions, and smart water systems that leverage our extensive branch network, AQUA pro service professionals, and technology portfolio.

Emerging Contaminants

Emerging contaminants, including PFAS, continue to drive complexity in global water treatment. The U.S. Infrastructure Investment and Jobs Act includes significant funding for municipal water treatment upgrades, as well as requirements to set maximum contaminant levels for PFOA and PFOS in drinking water. As a single-source solutions provider for contaminant removal, we are well-positioned with the expertise and proven solutions to help combat these water challenges, creating meaningful growth opportunities in the future.

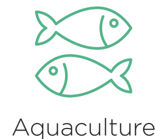
Wastewater Reuse & Resource Recovery

Our water and wastewater technologies are helping industrial customers worldwide recover on-site resources to become more environmentally responsible. With our proven treatment technologies, biogas, water, and nutrients can all be harnessed from the wastewater treatment process, optimizing the use of otherwise wasted resources. This results in lower freshwater costs, reduced energy costs, and improved overall footprint.

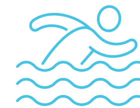
Applied Product Technologies

Overview

The Applied Product Technologies (APT) segment provides an advanced portfolio of products to a diverse set of water treatment system designers, integrators, and end-users globally. These products are sold as stand-alone offerings or components in integrated solutions. Key capabilities within this segment include filtration and separation, disinfection, wastewater treatment, and anodes used worldwide across municipal, industrial, and aquatics markets.

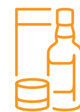


Aquaculture

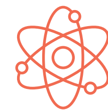


Aquatics

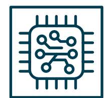
Commercial



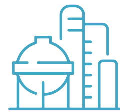
Food & Beverage



Life Sciences

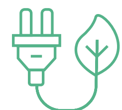


Microelectronics



Municipal

Power



Renewable Energy

Attractive Market Expansion

Growth in the APT segment is driven by focused initiatives in key areas. We understand the value of water to our customers and are responsive to trends driving market needs. Our expertise and incumbent advantage in core markets contribute to our growth globally, along with expanding our capabilities into attractive vertical markets such as microelectronics and life sciences. Our innovative water solutions position us to accelerate opportunities in areas like energy transformation, emerging contaminants, and water reuse.

*Markets are displayed in alphabetical order.

Revenue Growth Year-Over-Year

9.5%

2022 Segment Revenue

$552.6M

Centers of Excellence Enhance Customer Experience

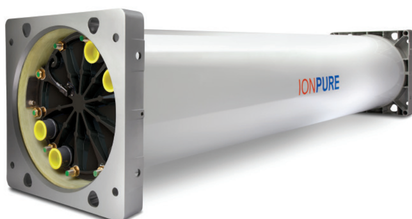
We are committed to best-in-class operations to meet our customers' needs locally and globally in strategic regions with our centers of excellence. In fiscal 2022, we opened two new manufacturing facilities to support growth in the Europe, Middle East, Africa (EMEA), and Asia-Pacific (APAC) regions. Our expanded presence globally allows us to meet the growing needs of the market, strengthening our commitment to helping our customers address their critical water treatment needs.

Warrington, United Kingdom Facility: Our state-of-the-art operation serves as Evoqua's global center of excellence for developing leading-edge UV disinfection solutions.

Singapore Facility: Produces Evoqua's Ionpure® Continuous Electrodeionization (CEDI) products, supporting our efforts to localize production to better serve the increasing demand for ultrapure water solutions in the region.

Market Demand Drives Innovation

The increasing demand for ultrapure water in manufacturing processes for critical industries like semiconductors and pharmaceuticals is driving the need for advanced water treatment technologies to enable them to meet the highest possible product standards as well as improve water use efficiency. We are focused on next-generation products to meet these demands, with an emphasis on market expansion of key technologies to drive accelerated growth.



Product innovation highlight:

The VNX Ultra electrodeionization module is optimized for superior boron removal to produce ultra-high purity water to meet the critical water demands of the microelectronics industry.

Our Commitments

PURPOSE

TRANSFORMING
WATER
ENRICHING
LIFE

VISION

THE WORLD'S
FIRST CHOICE
FOR
WATER
SOLUTIONS

VALUES

Integrity

Do what's right

- We work safely
- We are honest and keep our word
- We lead by example and are good corporate citizens
- We respect our employees, business partners and environment

Customers

The foundation of our success

- We are responsive and reliable
- We provide high quality solutions
- We add value as a trusted partner

Sustainable

Our commitment to today and tomorrow

- We transform water for our customers, communities and planet
- We embrace inclusion and diversity as a primary catalyst for innovation
- We are stewards of environmental health through our actions and conduct

Performance

Deliver on promises

- We will be even better tomorrow than today
- We collaborate to win together
- We meet or exceed expectations

ABOUT US

Evoqua Water Technologies is a leading provider of mission-critical water and wastewater treatment solutions, offering a broad portfolio of products, services, and expertise to support industrial, municipal, and recreational customers who value water. Evoqua has worked to protect water, the environment, and its employees for more than 100 years, earning a reputation for quality, safety, and reliability around the world. Headquartered in Pittsburgh, Pennsylvania, the company operates in more than 150 locations across nine countries. Serving more than 38,000 customers and 200,000 installations worldwide, our employees are united by a common purpose: **Transforming Water. Enriching Life.®**

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 September 30, 2022
or

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

For the transition period from __________ to _________

Commission file number: 001-38272

EVOQUA WATER TECHNOLOGIES CORP.
(Exact name of registrant as specified in its charter)

Delaware	**46-4132761**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
210 Sixth Avenue **Pittsburgh, Pennsylvania**	**15222**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(724) 772-0044**

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

Title of each class:	Trading Symbol(s):	Name of each exchange on which registered:
Common Stock, par value $0.01 per share	AQUA	New York Stock Exchange

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the outstanding common stock, par value $0.01 per share, of the registrant other than shares held by persons who may be deemed affiliates of the registrant, as of March 31, 2022, the last business day of the registrant’s most recently completed second fiscal quarter, was approximately $5.6 billion.

There were 121,812,049 shares of the registrant’s common stock, par value $0.01 per share, outstanding as of October 31, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement (the “Proxy Statement”) for its annual meeting of shareholders to be held in February 2023, are incorporated by reference into Part III of this Report. The Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

EVOQUA WATER TECHNOLOGIES CORP.
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For the Fiscal Year Ended September 30, 2022

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Annual Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You can generally identify forward-looking statements by our use of forward-looking terminology such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "goal," "intend," "may," "might," "plan," "progress," "potential," "predict," "projection," "seek," "should," "will," or "would," or the negative thereof or other variations thereon or comparable terminology. In particular, statements about the markets in which we operate, including growth of our various markets, our expectations, beliefs, plans, strategies, objectives, prospects, assumptions, or future events or performance, statements regarding our restructuring actions and expected restructuring charges and cost savings, statements regarding our cash requirements, working capital needs and expected capital expenditures, statements regarding our expectations for fiscal 2023, customer demand, supply chain challenges, material availability, price/cost, labor availability, inflation, and general macroeconomic conditions, and statements related to the impact of these variables on our business contained in this Annual Report are forward-looking statements.

All of these forward-looking statements are based on our current expectations, assumptions, estimates, and projections. While we believe these expectations, assumptions, estimates, and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. These and other important factors, including those discussed in Part I, Item 1, "Business," Part I, Item 1A, "Risk Factors," and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Annual Report may cause our actual results, performance, or achievements to differ materially from any future results, performance, or achievements expressed or implied by these forward-looking statements, or could affect our share price. Some of the factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, among other things:

- material, freight, and labor inflation, commodity and component availability constraints, and disruptions in global supply chains and transportation services;
- general global economic and business conditions, including the impacts of rising interest rates, recessionary conditions, geopolitical conflicts, such as the conflict between Russia and Ukraine and tensions between China and the U.S., and the COVID-19 pandemic;
- our ability to execute projects on budget and on schedule;
- the potential for us to incur liabilities to customers as a result of warranty claims or failure to meet performance guarantees;
- our ability to meet our own and our customers' safety standards;
- failure to effectively treat emerging contaminants;
- our ability to continue to develop or acquire new products, services, and solutions that allow us to compete successfully in our markets;
- our ability to implement our growth strategy, including acquisitions, and our ability to identify suitable acquisition targets;
- our ability to operate or integrate any acquired businesses, assets, or product lines profitably;
- our ability to achieve the expected benefits of our restructuring actions;
- delays in enactment or repeals of environmental laws and regulations;
- the potential for us to become subject to claims relating to handling, storage, release, or disposal of hazardous materials;
- our ability to retain our senior management, skilled technical, engineering, sales, and other key personnel and to attract and retain key talent in increasingly competitive labor markets;

- risks associated with international sales and operations;
- our ability to adequately protect our intellectual property from third-party infringement;
- risks related to our contracts with federal, state, and local governments, including risk of termination or modification prior to completion;
- risks associated with product defects and unanticipated or improper use of our products;
- our ability to accurately predict the timing of contract awards;
- risks related to our substantial indebtedness;
- our increasing dependence on the continuous and reliable operation of our information technology systems;
- risks related to foreign, federal, state, and local environmental, health, and safety laws and other applicable laws and regulations and the costs associated therewith;
- our ability to execute on our strategies related to environmental, social, and governance matters, and achieve related goals and targets, including as a result of evolving standards, laws, regulations, processes, and assumptions, delayed scientific and technological developments, increased costs, and changes in carbon markets; and
- other risks and uncertainties, including those listed under Part I, Item 1A, "Risk Factors."

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements contained in this Annual Report are not guarantees of future performance and our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from the forward-looking statements contained in this Annual Report. In addition, even if our results of operations, financial condition and liquidity, and events in the industry in which we operate, are consistent with the forward-looking statements contained in this Annual Report, they may not be predictive of results or developments in future periods.

Any forward-looking statement that we make in this Annual Report speaks only as of the date of such statement. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Annual Report.

Part I

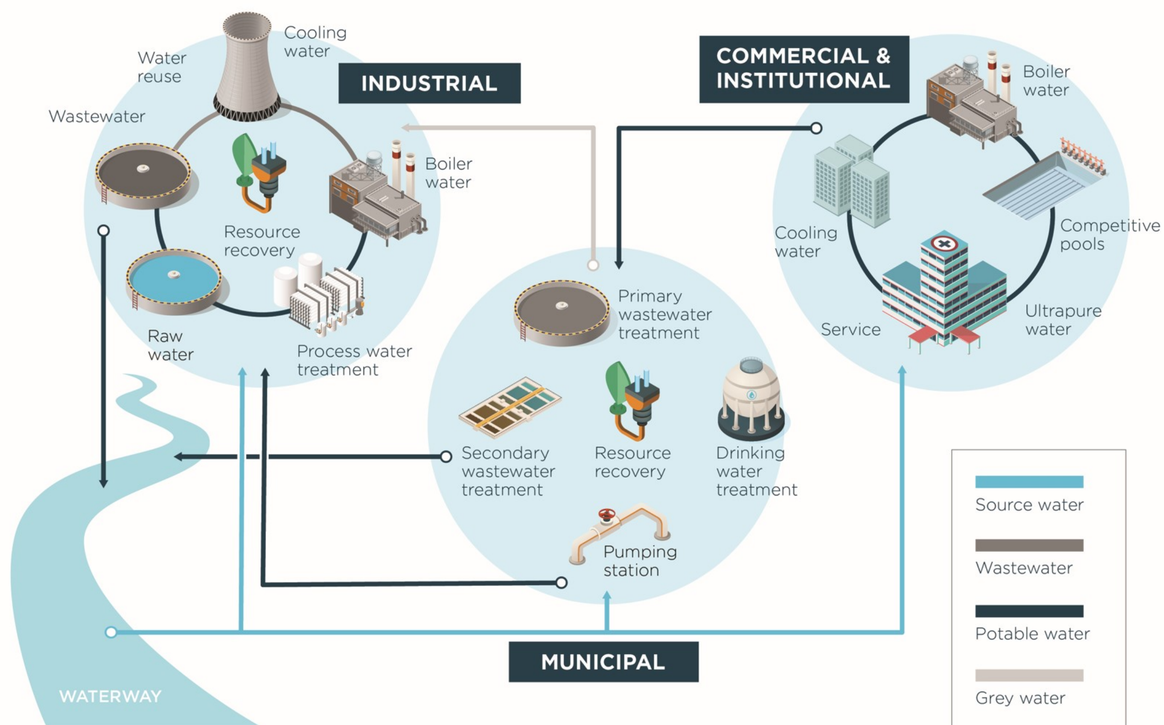
Item 1. Business

Company Overview

Evoqua Water Technologies Corp. is a holding company and does not conduct any business operations of its own. The company was incorporated on October 7, 2013. On November 6, 2017, we completed our initial public offering (“IPO”).

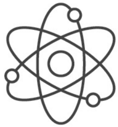
Through our operating subsidiaries (collectively referred to herein as “the Company,” “Evoqua,” “we,” “us,” or “our”), Evoqua provides a wide range of product brands and advanced water and wastewater treatment systems and technologies, as well as mobile and emergency water supply solutions and service contract options through our branch network. We are headquartered in Pittsburgh, Pennsylvania and have operations in the United States (“U.S.”), Canada, the United Kingdom (“UK”), the Netherlands, Germany, Australia, the People’s Republic of China, Singapore and India.

We provide solutions across the entire water cycle. The water cycle begins with influent water, which is sourced from rivers, lakes, and other sources. We treat influent water for use in a wide variety of industrial, commercial, and municipal applications, including use as process water in manufacturing, power generation, and other industrial applications, use as ingredient water in the production of food, beverage, and other goods, use in laboratory testing, use by commercial aquatic facilities, and to produce safe drinking water. After the water is used it is considered effluent water, and we treat it to remove impurities so that it can be discharged safely back into the environment or reused for industrial, commercial, or municipal applications.



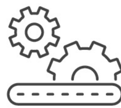
We target attractive global end markets that utilize and treat water as a critical part of their operations or production processes, including life sciences, light and general industry, power, microelectronics, chemical processing, food and beverage, municipal drinking water and wastewater, aquatics, refining and marine end markets. While a decline in general global and economic conditions could adversely affect us, our business is highly diversified across these key end markets, and we believe that no single end market drives the overall results of our business.

Primary End Markets



LIFE SCIENCES

Meets stringent process water and wastewater requirements in both RD&E and manufacturing



LIGHT & GENERAL INDUSTRY

Delivers full service process water and wastewater treatment services to light manufacturing and commercial facilities guaranteeing maximum uptime

MUNICIPAL WASTEWATER

Develops efficient and reliable waste treatment systems to handle specific performance requirements

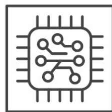
Offers comprehensive and customizable odor control solutions and services

CHEMICAL PROCESSING

Provides equipment and support for process water, utility water, boiler feedwater and the treatment of steam condensate

POWER

Supplies solutions for raw water intake, process water and wastewater treatment, dewatering, and bacteria control, to ensure compliance with evolving regulatory requirements



MICRO-ELECTRONICS

Delivers water and wastewater solutions for chip manufacturing and supporting infrastructure. Enables high volumes and shrinking geometries with point-of-use solutions

REFINING & MARINE

Supplies solutions and services for wastewater treatment, utility water, boiler feedwater, steam condensate and heavy metal removal for refining applications

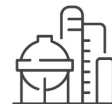
Offers solutions and services for maritime growth prevention, biological fouling protection and ballast water treatment

AQUATICS

Meets the rigorous treatment demands across aquatic applications for leisure facilities, fountains and theme parks

FOOD & BEVERAGE

Equips water and wastewater solutions and services to ensure peak operational performance while enabling resource recovery



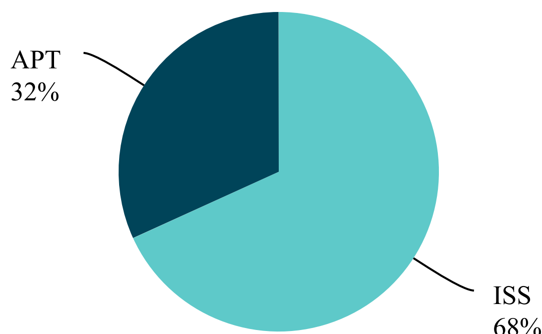
MUNICIPAL DRINKING WATER

Provides reliably clean drinking water to the largest cities in the world through integrated membrane systems and disinfection products

Our Business Segments

Our business is organized into two reportable segments: a customer-facing service organization called Integrated Solutions and Services (“ISS”) and a product technology group called Applied Product Technologies (“APT”) focused on sales primarily through indirect channels.

As further described below, our ISS segment provides application-specific solutions and full lifecycle services for critical water and wastewater applications across numerous end markets, and our APT segment provides highly differentiated and scalable water and wastewater products and technologies as stand-alone offerings or components in integrated solutions. The chart below reflects revenue by segment for the year ended September 30, 2022:



The table below provides an overview of our two segments, including their sales channels and a summary of their key offerings as of September 30, 2022.

<table>
<tr><td rowspan="3">Integrated Solutions and Services</td><td>Overview</td><td>Provides application-specific solutions and full lifecycle services across numerous end markets
North America focused; extensive service branch footprint and fleet of mobile response equipment</td></tr>
<tr><td>Channel</td><td>Direct sales, organized geographically and by end market</td></tr>
<tr><td>Key Offerings</td><td>Outsourced water services, including digitally connected Water One® service platform
Capital equipment for process water and wastewater treatment; related service and aftermarket consumables
Preventative maintenance service contracts; emergency response services
Municipal services, including odor and corrosion control services and drinking water treatment systems</td></tr>
<tr><td rowspan="3">Applied Product Technologies</td><td>Overview</td><td>Provides highly differentiated and scalable products and technologies
Global geographic reach serving North America, EMEA, and Asia Pacific</td></tr>
<tr><td>Channel</td><td>Primarily indirect sales through original equipment manufacturers (“OEMs”), system integrators, including our ISS segment, third party sales representatives, regional distributors, and engineering firms</td></tr>
<tr><td>Key Offerings</td><td>Filtration and separation
Disinfection
Wastewater technologies
Anode and electrochlorination technology</td></tr>
</table>

Integrated Solutions and Services Segment

Our ISS segment provides application-specific solutions and full lifecycle services to treat process water, utility water, and wastewater for customers in end markets including life sciences, light manufacturing, power, microelectronics, chemical processing, food and beverage, and refining. ISS also provides odor and corrosion control services and drinking water treatment systems for municipalities. ISS offers customers outsourced water service contracts, capital systems and related recurring aftermarket services, parts and consumables, and emergency services. Our outsourced water service contracts include short-term service deionization contracts, averaging one to two years in duration, longer-term build-own-operate contracts, averaging eight to ten years in duration, and event driven mobile fleet deployments, including a growing portfolio of digitally connected technologies encompassed in our Water One® service platform. Key capital and related aftermarket service and product offerings include filtration, reverse osmosis, ion exchange and continuous deionization.

ISS supports service and aftermarket sales through what we believe to be the largest integrated industrial service branch network in North America, which is comprised of approximately 1,060 highly qualified professionals in field service and application engineering roles and our extensive fleet of mobile reverse osmosis and deionization water treatment systems. This is complemented by our digitally connected Water One® service platform, which uniquely combines our water expertise, proactive service, proven technology, and data intelligence to continually improve customers' water operation management. Our remote monitoring capabilities enable us to optimize our routine service calls through predictive analytics and provide customers a more predictable, cost-efficient water solution.

ISS partners with customers through our direct sales and service team, which is organized geographically and by end market and is complemented by an inside sales force, field sales engineers, and a growing ecommerce platform. ISS primarily targets four broad categories of customers, principally based on their end markets and main applications.

- **Light Industry –** Offerings include our digitally connected, usage-based Water One® deionized water service, ultra-pure water capabilities, preventative maintenance service contracts, integrated process and wastewater systems, aftermarket consumables, and spare parts, primarily targeting customers in the life sciences, light manufacturing, microelectronics, and food and beverage end markets.
- **Heavy Industry –** Offerings include mobile, rapidly deployable services based on short-term operating contracts, outsourced water services and accompanying technological support, integrated process and wastewater systems, aftermarket consumables, and spare parts, primarily targeting customers in the power, chemical processing, and refining end markets.
- **Environmental Solutions –** Offerings include activated carbon, wastewater ion exchange, hydrostatic water testing, degassing services, and groundwater remediation solutions, primarily targeting customers in the power, chemical processing, and refining end markets.
- **Municipal Services –** Offerings include odor and corrosion control and disinfection capabilities, including digitally connected, remote monitoring and automated control solutions and multi-product liquid and vapor phase product combinations for wastewater collection. We also provide municipal service solutions for drinking water treatment and distribution.

On January 3, 2022, we acquired the renal business historically operated by Mar Cor Purification, Inc. and Cantel Medical LLC, subsidiaries of Steris plc (the "Mar Cor Business"). Headquartered in Plymouth, Minnesota, the Mar Cor Business' offerings include hemodialysis water treatment equipment and services, commercial and industrial water treatment equipment and services, manufactured hollow fiber filters, distributed pleated fiber filters, hemodialysis liquid and powder concentrates, filter reprocessing equipment, and other ancillary supplies and equipment for use in the hemodialysis market. The addition of the Mar Cor Business expands our service footprint in North America and furthers our reach into the healthcare end market. This business is part of our ISS segment.

Applied Product Technologies Segment

Our APT segment sells differentiated and scalable products and technologies to a diverse set of water treatment system integrators and end users globally. The portfolio of technologies offered by APT includes filtration, separation, disinfection, wastewater treatment, electrochlorination, and anodes.

APT sells these products and technologies as stand-alone offerings and components in integrated solutions to our global customer base comprised of OEMs, system integrators, including our ISS segment, regional distributors, engineering firms, and various other end users that we reach through multiple established sales and aftermarket channels. APT targets customers principally based on their end markets and primary application.

- **Advanced Filtration and Separation** – Offerings include VAF self-cleaning filters, Ionpure® electrodeionization systems, Vortisand® filtration systems, filter presses, and related consumables and aftermarket products, primarily targeting customers in the microelectronics, pharmaceutical, and power end markets.
- **Disinfection** – Offerings include a wide range of chemical and non-chemical disinfection technologies, including low and medium pressure ultraviolet (UV), ozone, onsite hypochlorite generation, chlorine and chlorine dioxide systems, primarily targeting municipal drinking water, industrial, light manufacturing, commercial, and aquatics customers worldwide.
- **Wastewater Technologies –** Offerings include advanced biological treatment, clarification, filtration, nutrient removal, biosolid, and field-erected biological wastewater treatment plant solutions. We also provide aftermarket and retrofit solutions to our extensive installed base. We sell primarily through a network of municipal sales representatives across the U.S.
- **Aquatics –** Offerings include our Defender® regenerative media filters, sand filters, analyzers, controllers, and related accessories, primarily targeting commercial aquatics designers, municipal and recreational pools and leisure facilities, fountains, water features, and recreational waterparks.
- **Electrochlorination –** Offerings include onsite sodium hypochlorite generating systems for maritime, oil and gas, power, and military customers, maritime growth prevention systems used on military and commercial ships and in offshore oil and gas applications, and anodes used in mining, chemical processing, light industrial, microelectronics, metal finishing, electroplating, and swimming pool chlorination applications.

Customers

Our customers span a diverse range of end markets, including life sciences, light and general industry, power, microelectronics, chemical processing, food and beverage, municipal drinking water and wastewater, aquatics, refining and marine end markets. We sell directly to end users in these end markets and also to intermediaries, such as OEMs, system integrators, regional distributors, and engineering firms. Our business is not dependent on any single customer or end market. During the year ended September 30, 2022, no single customer accounted for more than 1.8% of our revenue, and our top ten customers accounted for approximately 9.7% of our revenue.

We provide products, services, and solutions to federal, state and local government customers both directly and indirectly as a supplier to general contractors. Many of our government contracts contain a termination for convenience clause, regardless of whether we are the prime contractor or a subcontractor. Upon a termination for convenience, we are generally able to recover the purchase price for delivered items and reimbursement of allowable work in process costs.

Suppliers

We maintain a cost-effective and diversified procurement program focused on supply chain continuity and customer fulfillment, utilizing strong relationships with strategic suppliers across key commodities. Our diversified supply base spans across multiple suppliers and geographies, which we believe enables us to be cost-effective and responsive. The

top materials in our supply chain include chemicals, membranes, resin, metal fabrications, carbon, and electrical components.

Procurement strategy within the project environment is focused on enhancing our ability to meet individual customer needs, with particular focus on more complex installation projects. We seek to create products that align with our existing manufacturing core competencies and that enable us to provide our customers with the highest level of value.

During fiscal 2022, we experienced increases in the cost of, and lead times for, certain materials used in our operations, and we expect these supply chain challenges to continue in fiscal 2023. We have undertaken significant efforts to maintain supply chain continuity, customer fulfillment and mitigate the impact of inflation, such as bolstering inventory to include safety stock. These challenges did not have a material adverse effect on our consolidated financial results for fiscal 2022. Long term supply chain planning continues to be a focus across the company in order to mitigate future potential supply chain issues.

Seasonality

Our business may exhibit seasonality resulting from our customers' increasing demand for our products and services during the spring and summer months as compared to the fall and winter months. For example, we experience increased demand for our odor control product lines and services in the warmer months which, together with other factors, typically results in improved performance in the second half of our fiscal year. Inclement weather and extreme weather events, such as hurricanes, winter storms, droughts, and floods, can also have varying impacts on our business. Certain events may cause customer shutdowns that prevent or defer our performance of services or sale of equipment, while other events may drive increased demand for our products and services, particularly emergency response services. As a result, our results from operations may vary from period to period.

Sales and Marketing

Our ISS segment markets its offerings through a direct sales and service team, which is organized geographically and by end market and is complemented by an inside sales force, field sales engineers, and a growing e-commerce platform. Our key end markets served by our ISS segment are light manufacturing, healthcare, pharmaceuticals, biotech, power, microelectronics, chemical processing, food and beverage, and refining.

Our APT segment markets its offerings primarily through indirect channels to serve the global market or through our ISS segment's sales organization as part of broader solutions. APT maintains relationships with OEMs, system integrators, third party sales representatives, regional distributors, engineering firms, and various other end users through our direct technical sales force to drive adoption of our offerings. APT maintains a comprehensive municipal representative network in the U.S., providing us with an opportunity to influence specifications and the basis of design for new treatment facilities.

Growth Opportunities

Despite the potential for an economic recession in the near term, we believe the global water market is positioned to grow over the long term, supported by a variety of anticipated secular trends that will drive demand for clean water across a multitude of industrial, commercial, and municipal applications. These secular trends include water and climate risk, health and safety, connectivity, population growth, and overall economic growth. Less predictable water availability and increased water scarcity are among the anticipated effects of climate change. Accessing water from current sources is becoming increasingly challenging, so the development of non-traditional sources of water and recycle and reuse technologies will be required.

The supply of clean water could be further impacted by factors including aging water infrastructure within North America and increased levels of water stress from seasonal rainfall, inadequate water storage options or treatment technologies. As global consumption patterns evolve and water shortages persist, we expect demand for solutions and services will continue to increase. Additionally, a decrease in the supply of clean water, as well as a heightened focus on environmental sustainability across various end markets, may increase the demand for closed-loop solutions that allow

recycling and reuse of effluent water for certain applications. In order to position the company to meet this demand, key elements of our growth strategy include:

Provide a higher value-add service-based business model to our customers. Many of our customers require water that meets a particular specification to facilitate the operation of their own businesses. Our goal is to provide reliable water treatment solutions by combining our products and technologies with our extensive service and distribution capabilities, enabling our customers to outsource their water treatment needs to us and focus on their core businesses. Our outsourced water offerings are high value add solutions utilizing our owned assets to generate service revenue. An example is our Water One® service platform, which uses digitally connected remote monitoring technology to provide customers with predictive and proactive service, usage-based pricing, and simplified billing. Our recycle and reuse offerings allow our customers to reduce their overall water consumption, consistent with many of our customers' own sustainability goals and initiatives.

Drive margin expansion and cash flow improvements through continued focus on strategic pricing, operational excellence, execution and cost savings initiatives. During fiscal 2022, we continued deployment of our robust strategic pricing program to focus on efficient and effective price increase implementation with the objective of recovering increased supply chain costs and capturing appropriate value for our innovations. Dedicated resources and systems have been put in place to institutionalize these practices. Although we were able to offset increased material costs through our pricing initiatives during fiscal 2022, inflationary pressures have limited, and may continue to limit, our ability to achieve margin expansion. In parallel, we are pursuing several discrete initiatives that, if successful, we expect could result in additional cost savings over the next two years. These initiatives include our continuing supply chain improvement program to consolidate and manage global spending, capturing benefits of our Water One® service platform as well as expanding our digital and connected solutions offerings, evaluating potential facility consolidations, and further optimizing our engineering cost structure, our global shared services organization, and our sales, inventory and operations planning.

Continue to expand our capabilities for the treatment of increasingly complex emerging contaminants. Emerging contaminants such as PFAS, PFOA, selenium, micro-plastics and many others, may present global health risks if not properly removed from drinking water, process water and wastewater. Our portfolio of water treatment products and solutions includes multiple technologies for removal of emerging contaminants from water, such as granular activated carbon, ion exchange resin, reverse osmosis, and advanced oxidation processes. In addition, we have an extensive service branch network, located predominantly in the United States, as well as a large fleet of mobile assets to respond quickly to customers' water treatment needs.

Continue to evaluate and pursue accretive acquisitions to add new technologies, attractive geographic regions and end markets. As a complement to our organic growth initiatives, we view acquisitions as a key element of our overall growth strategy. We target acquisitions that we believe will enable us to accelerate our growth in our current addressable market, new geographies, and new end market verticals. Our existing customer relationships, channels to market and ability to rapidly commercialize technologies provide a strong platform to drive growth in the businesses we acquire. To capitalize on these opportunities, we have built an experienced team dedicated to mergers and acquisitions that has helped us expand our vertical markets and geographic reach and enhance our portfolio of technologies.

During the year ended September 30, 2022, we completed the following acquisitions:

- On January 3, 2022, we acquired the Mar Cor Business. Headquartered in Plymouth, Minnesota, the Mar Cor Business' offerings include hemodialysis water treatment equipment and services, commercial and industrial water treatment equipment and services, manufactured hollow fiber filters, distributed pleated fiber filters, hemodialysis liquid and powder concentrates, filter reprocessing equipment, and other ancillary supplies and equipment for use in the hemodialysis market. The addition of the Mar Cor Business expands our service footprint in North America and furthers our reach into the healthcare end market. This business is part of our ISS segment.
- On April 1, 2022, we acquired the remaining 32% equity interest in Frontier Water Systems, LLC ("Frontier"), following our initial acquisition of a 60% equity interest in Frontier in October 2019 and our

acquisition of an additional 8% equity interest in Frontier in April 2021. San Diego-based Frontier is a leading supplier of engineered equipment packages for high-rate treatment of selenium, nitrate, and metals in water and wastewater. The business adds to our portfolio of advanced wastewater treatment technologies and is part of our ISS segment.

- On July 1, 2022, we acquired Smith Engineering, Inc. ("Smith Engineering"), a leader in the design, manufacturing, and service of custom high purity water treatment equipment serving the biotech/ pharmaceutical, data center, food and beverage, healthcare, medical device, and microelectronics markets. Smith Engineering offers a variety of water treatment products and services, including filtration, UV, reverse osmosis, and deionization and is part of our ISS segment.
- On July 15, 2022, we acquired Epicor, Inc. ("Epicor"), a supplier of specialty resins for power steam system treatment for fifty years. The resins provide a cost-effective and efficient method for creating and maintaining a continual supply of ultra-pure water for power plants. Epicor is part of our ISS segment.

Research, Development, and Engineering

We utilize a disciplined, stage-gate process consisting of development, field test, commercialization, supply chain and sourcing decisions to identify and develop new technologies for commercialization. We also partner with leading universities, research centers and other outside agencies to explore potential developments.

As of September 30, 2022, our global research, development, and engineering footprint included twelve facilities located in the U.S., the United Kingdom, the Netherlands, Germany and India, staffed with managers, scientists, researchers, engineers, and technicians. This includes the new Sustainability and Innovation Hub that we opened in October 2021 in Pittsburgh, Pennsylvania. This 18,000 square-foot facility houses a hands-on demonstration and training area, a pilot testing environment, and a laboratory to grow our analytical and feasibility study capacity. We expect this facility to advance our research and development capabilities and enable further development of water treatment technologies. Our total expected investment in this facility is approximately $5.6 million, of which $5.3 million has been recognized as of September 30, 2022.

Intellectual Property

Our intellectual property and proprietary rights are important to our business, but we do not believe our business as a whole to be materially dependent on any single patent, trade secret or trademark. As of September 30, 2022, we had approximately 1,750 granted or pending patents (after giving effect to patents transferred as a result of acquisitions and dispositions to date). We undertake to strategically and proactively develop our intellectual property portfolio by pursuing patent protection, obtaining copyrights and registering our trademarks in the U.S. and in foreign countries. We currently rely primarily on patent, trademark, copyright and trade secret laws, and control access to our intellectual property through license agreements, confidentiality procedures, nondisclosure agreements with third parties, employment agreements and other contractual rights, to protect our intellectual property rights.

Competition

Our industry is highly fragmented and includes a number of regional and niche offering focused competitors. Competition is largely based on product performance and reliability, pricing of products and services, ability to provide service and support, application expertise and process knowledge, brand reputation, energy and water efficiency, product compliance with regulatory and environmental requirements, product lifecycle cost, scalability, timeliness of delivery, the proximity of service centers to customers, and the effectiveness of distribution channels. Within each of our segments and the various businesses that comprise them, we compete with a variety of companies, but we do not consider any single company to be a key competitor to our business as a whole.

Backlog

Backlog represents the expected future revenue for unfulfilled and remaining performance obligations for capital projects where neither Evoqua nor the customer can terminate the contract without penalty. As of September 30, 2022, our backlog was approximately $377.1 million.

Human Capital Resources

We believe our talent within the organization is key to our long-term success. Our human capital management philosophy and objectives focus on creating a high-performance culture in which employees are enabled, empowered, and accountable to deliver results. As of September 30, 2022, we had approximately 4,500 employees. Of these employees, approximately 58% were full-time salaried staff, and the remaining employees consisted of a mix of full-time and part-time hourly workers. Approximately 76% of our employees worked in our U.S.-based operations, and approximately 24% worked in non U.S.-based operations as of September 30, 2022. None of our facilities in the U.S. or Canada are covered by collective bargaining agreements. As is common in Germany and the Netherlands, our employee populations there are represented by works councils.

In fiscal 2022, we gathered feedback from our employees through stay interviews, pulse surveys, and focus groups, as well as information from prospective employees, about what attracts them to an employer. This data helped us refine our attraction, retention, and development strategies. Based on the feedback we received, we have aligned our attraction, retention, and development strategies and objectives to focus primarily on safety, professional development, inclusion and diversity ("I&D"), health, wellbeing, and flexibility, recognition, and purpose. These strategies and objectives are incorporated into our overall business management process through the programs, policies, and initiatives discussed below.

Safety

The health and safety of our employees is our top priority. Fostering a safe working environment is critical to our ability to attract and retain talent and to earn and keep the trust of our customers. Evoqua has a robust Environmental, Health, and Safety ("EHS") management system that includes programs, policies, and tools to manage our EHS risks for the enterprise. Our operating divisions conduct monthly safety reviews with all organizational levels. At the executive level, each recordable accident is reviewed with our CEO and leadership team, and we conduct quarterly safety performance reviews with our Board of Directors. We routinely review key performance indicators and conduct regular facility audits, and every employee is empowered to use our Stop Work program when he or she has a concern or sees the potential for injury.

In fiscal 2022, Evoqua emphasized zero incident safety culture training to our leaders and our manufacturing and field service employees, which includes training on how to observe and provide feedback to employees with a focus on positive interactions – for example, recognizing and thanking employees for demonstrating safety best practices. Our employees use mobile devices and applications to enter and track observations in real time.

Professional Development

Leveraging the strength of our existing team is critical to meeting the needs of our customers. As such, we are continuing to invest in our talent through the development and broadening of skills and perspectives. In fiscal 2022, we launched our Intentional Leadership program, which is a sixteen-week course focused on the development of our leaders throughout the organization. In addition, we launched an enterprise sales orientation program, which is intended to develop the skills sales employees need to support our customers.

We continue to emphasize the development of our employees, and we had in place documented career paths for approximately 63% of our employees at the end of fiscal 2022. Career paths are intended to show employees how their career can evolve at Evoqua. A key factor in our overall success has been internal development. We have seen a large increase in internal, cross-functional moves and have implemented a career lattice to aid employees in navigating their careers across different disciplines within the organization.

Our Leadership Development Program ("LDP") continues to grow through enhanced rotational opportunities, and we are recruiting our largest LDP class to date for the 2023 cohort. We expanded our reach to more schools and universities and put additional focus on schools with I&D initiatives that are aligned to our own. Over the last six years of the program, the LDP has had a retention rate of approximately 81%. In fiscal 2022, we had 12 individuals in LDP roles with approximately 42% female representation.

Inclusion and Diversity

Our I&D strategy is critical to the success of our business. We believe that inclusion enables diversity to thrive and that our differences make us better together. In fiscal 2022, we evolved our internal communications strategy to include I&D celebrations, educational awareness of I&D holidays and awareness days, and we launched robust I&D intranet sites for our employees to learn more about these topics. One of our largest I&D communication campaigns was our "I Am Evoqua" campaign, which highlighted how our differences as individual employees make us better and stronger together. To aid us in enhancing our inclusive environment, we conducted stay interviews with women at Evoqua during fiscal 2022, and we are creating action plans from the findings of these conversations. In addition, we launched a pulse survey with an Inclusion Index to develop a baseline from which to measure future inclusion efforts.

In fiscal 2022, we performed additional targeted outreach to underrepresented candidates through partnerships with outreach vendors, Historically Black Colleges and Universities, and other diverse organizations. This outreach has resulted in an increase in the number of women globally and minorities in our U.S. self-identified workforce. As of September 30, 2022, women made up approximately 21% of our global workforce, and U.S. minorities made up approximately 25% of our U.S. self-identified workforce. As of September 30, 2022, women made up approximately 22% of our senior leadership globally, and U.S. veterans made up approximately 6% of our U.S. workforce. We have evolved our talent programs to support I&D in our internal talent movement across the organization with a heavy focus on increasing diversity in succession pipelines and development programs.

In order to attract diverse talent into the organization we have enhanced hiring manager training and coaching, implemented diverse interview panels and candidate slate processes, and evaluated job profiles with the objective of eliminating gender bias from postings. We have created an I&D scorecard to identify additional areas of improvement and enhanced our I&D governance by including metrics and action areas in regular business reviews.

We embrace I&D not only in our employment practices but also in our director selection. Since October 2018, our Corporate Governance Guidelines have provided that diverse candidates, including women and minorities, must be included in each pool of candidates from which we select new directors, otherwise known as the "Rooney Rule." Our current Board of Directors is 33% gender diverse and 33% racially or ethnically diverse, and four of the five directors who have joined our Board since our initial public offering self-identify as diverse by reason of race, ethnicity, and/or gender.

Health, Wellbeing, and Flexibility

In fiscal 2022, we held workshops to educate our managers on our flexible work arrangements program to support them in helping our employees work effectively. To accelerate adoption of our flexible work arrangements program, we held onsite events to welcome employees into the location and enhance employee connection in a hybrid environment. We understand that, no matter their role in the organization, employees generally prefer some type of flexibility. Therefore, we launched a pilot for flexible work schedules at one of our production facilities to allow for a creative way to support flexibility for onsite roles. In fiscal 2023, we plan to review this pilot and broaden the efforts.

Certain offerings intended to support employee wellbeing include our expanded employee benefits offerings, financial education webinars and coaching, and our employee assistance program, which offers confidential help for a wide array of concerns such as relationships, family issues, general stress, personal loss, financial hardship and parenting.

Recognition

Recognition continues to be a vital part of our organizational high-performance culture. In fiscal 2022, we implemented a global recognition platform, allowing for new ways to recognize and reward at Evoqua, enabling all employees to post and recognize each other's contributions. Additionally, we held onsite "Better Together" global employee appreciation events, thanking employees for delivering results no matter their work location and celebrating successes.

Government Regulation and Environmental Matters

We are subject to extensive and varied laws and regulations in the jurisdictions in which we operate, including those relating to anti-corruption and trade, anti-money laundering, import and export compliance, antitrust, data security and privacy, employment, workplace safety, product safety and regulation, including, with respect to certain of our products, regulation of medical devices, public health and safety, environmental compliance, intellectual property, transportation, zoning, and fire codes. Our policies mandate compliance with all applicable laws and regulations, and we operate our business in accordance with standards and procedures designed to comply with these laws and regulations.

The geographic breadth of our facilities and the nature of our operations subject our operations and products to extensive environmental, health and safety laws, regulations, and permits, domestically and internationally, at national, state, and local levels throughout the world. Such laws, regulations and permits relate to, among other things, air emissions, potable and non-potable water and wastewater treatment, wastewater discharge, the generation, handling, storage, use, transport, treatment and disposal of non-hazardous and hazardous materials and wastes, product safety and workplace health and safety. These laws and regulations impose a variety of requirements and restrictions on our operations and the products we distribute, and they could increase our cost of producing certain products or make certain products obsolete or less attractive in the marketplace. The failure by us to comply with these laws and regulations could result in fines, penalties, enforcement actions, product recalls, third party claims, damage to property or natural resources, personal injury claims, requirements to investigate or cleanup property or to pay for the costs of investigation or cleanup or regulatory or judicial orders requiring corrective measures, including the installation of pollution control equipment, remedial actions or the pulling of products from the market, and could negatively impact our reputation with customers.

Many of the customers that we serve are subject to the same or similar environmental, health and safety laws and regulations. Compliance with these laws by our customers could result in either increased or decreased demand for our products and services.

Specific laws and regulations that may affect our operations or demand for our products and services include, among others, the following.

- The federal Clean Water Act (the "CWA") and comparable state, local and foreign laws that regulate the discharge of pollutants into streams and other waters. These laws may limit the quantity of pollutants in water discharges and require persons to apply for and obtain permits and conduct sampling and monitoring, and in some cases, treat the water. Changes in limits on the quantity of pollutants and the types of pollutants under the CWA and comparable state, local or foreign laws could affect demand for our products or services or create liability for us as the result of contamination in water we treat.
- The federal Safe Drinking Water Act (the "SDWA") and comparable state, local and foreign laws that set standards for drinking water quality and protect sources of public drinking water. The U.S. Environmental Protection Agency (the "EPA") has issued standards for microorganisms, disinfectants, disinfection byproducts, inorganic chemicals, organic chemicals, and radionuclides. Changes in the SDWA or comparable state, local or foreign standards, including the addition of newly-regulated contaminants such as certain PFAS, could affect demand for our products and services and/or result in the obsolescence of our products or lead to an interruption or suspension of our operations. Additionally, increased public awareness of the presence and human health impacts of manmade chemicals and naturally occurring contaminants in drinking water may increase demand for our municipal service offerings. Correspondingly, if stringent laws or regulations are delayed or are not enacted, or repealed or amended to be less stringent, or enacted with prolonged phase-in periods, or not enforced, then demand for our products and services may also be reduced.

- The Resource Conservation and Recovery Act ("RCRA") and comparable state, local and foreign laws that regulate substances designated as hazardous waste. Our operations involve the generation, handling, storage, use, transport, treatment and disposal of non-hazardous and hazardous materials and wastes. Changes in materials covered or treatment, storage, and disposal requirements under RCRA and comparable state, local or foreign standards could result in increased operating costs or require additional investment in our covered facilities.
- The Comprehensive, Environmental Response, Compensation, and Liability Act ("CERCLA") and comparable state, local and foreign laws. The Company has been subject to claims under CERCLA, which can impose joint and several liability on "potentially responsible parties" for costs of investigation and remediation and for natural resource damages, without regard to fault or the legality of the original conduct, on certain classes of persons with respect to the release into the environment of specified substances, including, under CERCLA, those designated as "hazardous substances."
- The Toxic Substances Control Act (the "TSCA"), the Federal Insecticide, Fungicide and Rodenticide Act (the "FIFRA"), and comparable state, local and foreign laws that regulate the manufacture and/or distribution of certain chemical substances and/or disinfection equipment. These laws may require one-time or ongoing submissions to the EPA or state environmental agencies, including, but not limited to, information on the chemistry and toxicology of the chemical substance or products, registrations, notification, and other requirements before such products can be manufactured, distributed, or sold. Changes in these laws could affect demand for our products and services, increase our cost of operations, result in the obsolescence of our products or lead to an interruption or suspension of our operations.

We believe that we are in compliance with such laws and regulations in all material respects and do not expect that continued compliance with such regulations will have a material effect upon capital expenditures, earnings, or our competitive position.

Available Information

Our internet address is www.evoqua.com. We are subject to the informational requirements of the Exchange Act, and in accordance therewith, we file reports, proxy and information statements and other information with the U.S. Securities and Exchange Commission (the "SEC"). Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available free of charge through the "Investors" section of our website. These materials are generally made available on our website as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The information contained on our website is not incorporated by reference into this Annual Report. In addition to our website, you may read our reports, proxy and information statements, and other information that we file electronically with the SEC at www.sec.gov.

We intend to make future announcements regarding Company developments and financial performance on the "Investors" section of our website, www.evoqua.com, as well as through press releases, filings with the SEC, conference calls, and webcasts.

Item 1A. Risk Factors

The following risks and uncertainties could materially adversely affect our business, financial condition, results of operations or prospects. Although the risks are organized by headings and each risk is described separately, many of the risks are interrelated. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, financial condition, results of operations or prospects in the future. Any one or more of such factors could directly or indirectly cause our actual results of operations and financial condition to vary materially from past or anticipated future results of operations and financial condition.

Business and Operational Risks

Inflation has increased our operating costs, and we expect to continue to experience inflationary conditions.

During fiscal 2022, the cost of certain commodities and materials used in our operations, including resins, metals, and electronic components, and the cost of labor, energy, fuel, transportation, and other resources necessary to operate our business, increased significantly. We expect to continue experiencing inflationary conditions in fiscal 2023. Volatility in the market price and availability of raw materials and other inputs directly impacts the cost of operating our business. We have taken actions to mitigate the impact of these cost increases through price increases, cost savings projects, and sourcing decisions. Although we were able to offset increased material costs through our pricing initiatives during fiscal 2022, inflationary pressures have limited, and are expected to continue to limit, our ability to achieve margin expansion. Failure to offset cost increases adversely impacts our gross profit, gross margin, and operating profit. Although price increases did not materially decrease demand in fiscal 2022, continued price increases to offset these costs could cause our customers to defer procurement of our products, solutions, and services or to buy from lower priced competitors, which could have an adverse impact on our revenues. In addition, many of our contracts are long-term in nature, and our failure to accurately project operating costs or negotiate or enforce price escalation provisions in our long-term contracts could have an adverse impact on our business, financial condition, and results of operations.

We rely on a large network of third party suppliers and transportation providers. Constraints on the availability of materials and transportation have impacted and may continue to impact our ability to execute projects on time and within budget.

Our products and solutions typically incorporate a wide variety of third party products, component parts, and materials. During fiscal 2022, we experienced significant increases in lead times for certain of these inputs due to availability constraints, and we expect these supply chain challenges to continue in fiscal 2023. We also rely upon various means of transportation through third parties, including shipments by air, sea, rail, and truck, to deliver products from our suppliers to our facilities and from our facilities to our customers, as well as for direct shipments from our suppliers to our customers. Factors beyond our control, many of which have been caused or exacerbated by the COVID-19 pandemic, including labor shortages and capacity constraints, container shortages, port congestion, disruptions to the national and international transportation infrastructure, fuel shortages, and transportation cost increases (such as increases in fuel costs or port fees), have impacted and could further impact our ability to execute projects or ship products to our customers on time and within budget, which could harm our reputation and have a material adverse effect on our business, financial condition, and results of operations. Generally, we have been able to pass on a portion of shipping and related costs to our customers, but there can be no assurance that we will be able to do so into the future. Failure to do so may adversely impact our gross profit and gross margin.

Deteriorating economic conditions and the potential for an economic recession may have a material adverse impact on our business and financial condition.

Economic conditions in the United States and globally have recently been deteriorating, and financial markets have experienced significant volatility. Central banks have raised interest rates to slow inflationary conditions. If these market conditions persist, we may see diminished liquidity and credit availability, inability to access capital markets, and the bankruptcy, failure, collapse, or sale of various entities, including certain of our customers and suppliers. Although we cannot predict the impacts these conditions may have on us, they could materially and adversely affect our business and financial condition. For example, the demand for our products may decline due to the deteriorating economic conditions which could negatively impact revenues, margins, and profitability of our business, the tightening of credit or lack of credit availability to our customers could adversely affect our ability to collect our receivables, and our ability to access the capital markets may be restricted. The impact of deteriorating economic conditions and a global recession may also have the effect of heightening many of the other risks and uncertainties described in this “Risk Factors” section.

The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our business, financial condition, results of operations and prospects.

The COVID-19 pandemic, the resulting global economic slowdown, and the reopening of global economies that has followed have created a number of macroeconomic challenges that have impacted our business, including volatility and uncertainty in business planning, disruptions in global supply chains, material, freight and labor inflation, shortages of and delays in obtaining certain materials and component parts, and labor shortages. The COVID-19 pandemic has also heightened risks associated with our operations. Our service technicians enter high-risk areas such as hospitals and testing laboratories, putting them at greater risk of exposure to the virus. An outbreak among our service technician population or an outbreak among employees at any of our manufacturing facilities, which may require us to suspend or reduce operations at that facility, could have a material adverse effect on our business, financial condition, results of operations and prospects. Additionally, a large number of our employees continue to work remotely, resulting in increased cyber-security risk.

New variants of COVID-19 and other future public health crises and pandemics may affect our operating and financial results in a manner that is not presently known to us or not presently considered to be a significant risk to our operations. The impact of the COVID-19 pandemic and other future public health crises and pandemics may also have the effect of heightening many of the other risks and uncertainties described in this “Risk Factors” section.

Our financial results depend on successful project execution and may be adversely affected by cost overruns, failure to meet customer schedules, failure of our subcontractors to fulfill their obligations to us, or other execution issues.

A portion of our revenue is derived from large projects that are technically complex and may occur over multiple years. These projects are subject to a number of significant risks, including project delays, cost overruns, changes in scope, unanticipated site conditions, design and engineering issues, incorrect cost assumptions, increases in the cost of materials and labor, health and safety hazards, third party performance issues, weather issues and changes in laws or permitting requirements. If we are unable to manage these risks, we may incur higher costs, liquidated damages, and other liabilities to our customers, which may decrease our profitability and harm our reputation. Many of these projects require us to contract with engineering, procurement, and construction firms (“EPCs”) and other subcontractors. If an EPC or other subcontractor that we have contracted fails to fulfill its contractual obligations to us, we could face significant delays, cost overruns, and liabilities. Our continued growth will depend in part on executing a greater volume of large projects, which will require us to expand and retain our project management and execution personnel and resources.

We may incur liabilities to customers as a result of warranty claims or failure to meet performance guarantees, which could reduce our profitability.

Our customers typically require product warranties as to the proper operation and conformance to specifications of the products we manufacture or install, and performance guarantees as to any effluent water produced by our equipment and services. Failure of our products to operate properly or to meet specifications of our customers or our failure to meet our performance guarantees may increase costs by requiring additional engineering resources and services, replacement of parts and equipment and frequent replacement of consumables or monetary reimbursement to a customer or could otherwise result in liability to our customers. We have in the past received warranty claims, and we expect to continue to receive them in the future. There are significant uncertainties and judgments involved in estimating warranty and performance guarantee obligations, including changing product designs, differences in customer installation processes and failure to identify or disclaim certain variables in a customer’s influent. To the extent that we incur substantial warranty or performance guarantee claims in any period, our reputation, earnings, and ability to obtain future business could be materially adversely affected.

Our inability to meet our own and our customers’ safety standards could have a material adverse effect on our sales and profitability.

Maintaining a strong and reliable reputation for safety is critical to our business. Many of our customers actively monitor and review our company-wide safety record. Risks arising from unsafe products or unsafe performance by our

employees include, among other things, personal injury or death caused by our products or occurring in our facilities, the destruction of customer or third-party property during the execution of a service arrangement or due to the malfunction of our products, delays in or suspension of service or the failure to timely deliver our products. Workplace accidents or near-accidents, product-related accidents, or the failure to follow our own or our customers' safety policies could damage our reputation or our customers' perception of our safety record, which could have a material adverse impact on demand for our products and services, result in additional costs to our business or the loss of customers, result in litigation against us or increase government or regulatory oversight over us.

Failure to effectively treat emerging contaminants could result in material liabilities.

A number of emerging contaminants might be found in water that we treat, including PFAS, PFOA, selenium, micro-plastics, hazardous chemicals, or pathogens that may cause a number of illnesses, including cholera, typhoid fever, cancer, giardiasis, cryptosporidiosis, amoebiasis and free-living amoebic infections. Such contaminants or pathogens may be found in the environment, and, as a result, there is a risk that they could be present in water treated using our systems or products. In applications where treated water enters the human body, illness and death may result if contaminants or pathogens are not eliminated during the treatment process. In particular, contamination could result from failing to properly treat reusable products before they are distributed to our customers, or from actions taken by our customers or other third parties using our products, which could result in material liability. The potential impact of contamination of water treated using our products, services or solutions is difficult to predict and could lead to an increased risk of exposure to product liability claims, increased scrutiny by federal and state regulatory agencies and negative publicity. Additionally, regulatory bodies such as the EPA may issue new and onerous testing and permitting requirements relating to the treatment and destruction of certain contaminants such as PFAS and PFOA. If we are unable to comply with any such requirements or our products are unable to comply with any such requirements, we may incur fines and penalties and our ability to offer services relating to the treatment of these contaminants may be restricted, which could adversely impact our revenues.

Our future growth is dependent upon our ability to continue to develop or acquire new products, services and solutions that allow us to compete successfully in our markets.

We offer our products, services, and solutions in highly competitive markets. Our future growth depends upon our ability to (i) identify customer preferences and emerging trends in our target end markets, (ii) develop and maintain a wide range of competitive and appropriately priced products, services and solutions, (iii) enhance and differentiate our products from those of our competitors, (iv) develop and drive commercial acceptance of new products quickly and cost-effectively, (v) keep our products, services, and solutions cost-competitive, even when faced with rising commodity costs, (vi) attract, develop and retain individuals with the requisite technical expertise and understanding of customers' needs to develop and sell new technologies and products, and (vii) execute projects in a cost-effective manner according to the schedules required by our customers.

Our growth strategy includes growth through acquisitions, and we may not be able to identify suitable acquisition targets.

Acquisitions have historically been a significant part of our growth strategy, and we expect to continue to grow through acquisitions in the future. We may not be able to identify suitable candidates, negotiate appropriate or favorable acquisition terms, obtain financing that may be needed to consummate such transactions or complete proposed acquisitions. There is significant competition for acquisition and expansion opportunities in our businesses.

Acquisitions require significant time and attention from management and other key personnel, which may result in attention being diverted from the operation of our existing business. Other risks associated with our acquisition strategy include ineffective integration of an acquisition, as further described below, inaccurately estimating a target's financial condition or risk profile, failure to achieve planned synergies, litigation relating to an acquisition, failure to receive required regulatory approvals or such approvals being delayed or restrictively conditional, potentially insufficient internal controls over financial activities or financial reporting at an acquired entity that could impact our existing business on a combined basis, and an adverse impact on our existing business resulting from an acquired business that historically had a higher risk tolerance or whose personnel fail to comply with our existing policies.

We may have difficulty operating or integrating any acquired businesses, assets, or product lines profitably, or in successfully implementing our growth strategy.

The anticipated benefits from any acquisition may not be achieved unless the operations of the acquired business assets or product lines are successfully integrated in an efficient, effective, and timely manner. The integration of an acquisition generally requires substantial attention from management and operating personnel to prevent the acquisition from disrupting any existing operations or affecting our customers' opinions and perceptions of our services, products, or customer support. Risks associated with integration of an acquisition include failure of an acquired business to perform to our expectations, our failure to integrate an acquired business appropriately and on a timely basis, our failure to realize anticipated synergies and cost savings, our failure to preserve the customer relationships and retain key employees of an acquired business and difficulties, inefficiencies or cost overruns in integrating and assimilating the organizational cultures, operations, technologies, data, services and products of an acquired business with ours.

The process of integrating acquired businesses, assets and product lines could cause the interruption of, or delays in, the operation of our existing business, which could have a material adverse effect on our business, financial condition, results of operations or prospects. Acquisitions also place a burden on our information, financial and operating systems and our employees and management. If we are unable to manage our growth effectively, we may spend time and resources on such acquisitions that do not ultimately increase our profitability or that cause loss of, or harm to, relationships with employees and customers.

We may not achieve some or all of the expected benefits of our restructuring actions.

We have taken a number of restructuring actions in recent years in an effort to better serve the needs of our customers worldwide, achieve cost savings and operational efficiencies, and position ourselves for improved long-term growth and profitability. Achieving the expected cost savings and efficiencies will be subject to significant economic, competitive, and other uncertainties, some of which are beyond our control, and we may not be able to obtain the cost savings and benefits that we anticipate at the outset or that we currently anticipate in connection with these restructuring actions. Our assumptions may not be accurate, and we may not be able to operate in accordance with our plans, which may cause us to incur additional restructuring charges. These types of initiatives could yield unintended consequences such as distraction of our management and employees, business disruption and unforeseen costs, attrition beyond any planned reduction in workforce, inability to attract or retain key personnel and reduced employee productivity, which could materially adversely affect our business, financial condition, and results of operations. The successful implementation and execution of our restructuring actions are critical to achieving our expected cost savings as well as effectively competing in the marketplace and positioning us for future growth. If our restructuring actions are not executed successfully, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Delays in enactment or repeals of environmental laws and regulations may make our products, services, and solutions unnecessary or less economically beneficial to our customers, adversely affecting demand for our products, services, and solutions.

Certain of our products, services and solutions assist various industries and municipalities in meeting stringent environmental and safety requirements enacted for the purpose of making water cleaner and safer. Our future growth is dependent in part on the impact and timing of potential new water laws and regulations, as well as potential changes to existing laws and regulations. If stricter laws or regulations are delayed or are not enacted, or repealed or amended to be less strict, or enacted with prolonged phase-in periods, or not enforced, demand for our products and services may be reduced. We are currently unable to predict whether changes to statutes and rules will affect demand for our products and services. To the extent that such changes have a negative impact on us, including as a result of related uncertainty, these changes may materially and adversely impact our business, financial condition, results of operations or prospects.

If we become subject to claims relating to handling, storage, release, or disposal of hazardous materials, we could incur significant costs and experience delays in our business due to our efforts to comply.

Our business activities, including our manufacturing processes and waste recycling and treatment processes, currently involve the use, treatment, storage, transfer, handling and/or disposal of hazardous materials, chemicals, and wastes. These activities create a risk of significant environmental liabilities and reputational damage. Under applicable environmental laws and regulations, including RCRA and CERCLA, we could be strictly, jointly, and severally liable for releases of regulated substances by us at our current or former properties or the properties of others or by other businesses that previously owned or used our current or former properties. We could also be liable or incur reputational damage if we merely generate hazardous materials or wastes, or arrange for their transportation, disposal, or treatment, or we transport such materials, and they are subsequently released or cause harm. Our business activities also create a risk of contamination or injury to our employees, customers or third parties, from the use, treatment, storage, transfer, handling and/or disposal of these materials, and these activities could result in accidental contamination or injury to the general public, as end-users of our industrial and municipal customers' products and services.

In the event that our business activities result in environmental liabilities, such as those described above, we could incur significant costs or reputational damage in connection with the investigation and remediation of environmental contamination, and we could be liable for any resulting damages including natural resource damages. Such liabilities could exceed our available liquidity or any applicable insurance coverage we may have. Additionally, we are subject to, on an ongoing basis, federal, state, and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of compliance with these laws and regulations may become significant and could have a material adverse effect on our business, financial condition, results of operations or prospects.

Failure to retain our existing senior management, skilled technical, engineering, sales and other key personnel or the inability to attract and retain new qualified personnel could materially and adversely impact our ability to operate or grow our business.

Our success depends to a significant extent on our ability to attract and retain talent, specifically in senior management and skilled technical, engineering, sales, project management, and other key roles. Macroeconomic conditions, specifically labor shortages, increased competition for employees, and wage inflation, could have a material impact on our ability to attract and retain talent, our turnover rate, and the cost of operating our business. If we are unable to attract and retain sufficient talent, minimize employee turnover, or manage wage inflation, it could have a material adverse effect on our business, financial condition, results of operations, or prospects.

Wastewater operations may result in contamination or pose other significant risks that could cause us to incur significant costs.

Wastewater treatment involves various unique risks. If our treatment systems fail or do not operate properly, or if there is a spill, untreated or partially treated wastewater could discharge onto property or into nearby streams, rivers, and groundwater, causing various damages and injuries, including environmental damage. These risks are most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damages and injuries could materially adversely affect our business, financial condition, results of operations or prospects.

Weather conditions, climate change, and legislation or regulations addressing climate change may adversely impact our business, financial condition, results of operations and prospects.

The physical impacts of climate change are highly uncertain and vary depending on geographical location, but could include changing temperatures, droughts, water shortages, wildfires, changes in weather and rainfall patterns, changes in sea levels, and changing storm patterns and intensities. These impacts present several potential challenges to water and wastewater service providers, such as potential degradation of water quality and changes in demand for water services, particularly during periods of increased precipitation, flooding, or water shortages. Inclement weather and extreme weather events may have varying impacts on our business. Certain events may disrupt the operations of our customers,

creating customer shutdowns that prevent or defer our performance of services or sale of equipment, while other events may drive increased demand for our products and services, particularly emergency response services, which may create volatility in our financial results. Additionally, these events may disrupt our own operations and the operations of our suppliers, including the operation of manufacturing plants, the transportation of raw materials from our suppliers, and the transportation of products to our customers, any of which may increase our costs, reduce our productivity and adversely affect our business, financial condition, results of operations and prospects.

Additionally, concern over climate change may result in new or increased legal and regulatory requirements to reduce or mitigate the effects of climate change, including limitations on greenhouse gas emissions, which could increase our costs or require additional investments in our facilities and equipment, and require us to make significant new disclosures regarding the climate-related impacts of our business. New legislation and regulatory requirements may also impact our customers and suppliers, which could affect demand for our products or our ability to source key materials. In addition, our customers and suppliers may impose their own requirements with respect to climate change and greenhouse gas emissions that may require us to incur additional costs to comply with such requirements. Any failure to comply with those requirements may also affect demand for our products or our ability to source key materials. From time to time, we establish strategies and expectations related to climate change and other environmental matters. Our ability to achieve any such strategies or expectations is subject to numerous factors and conditions, many of which are outside of our control. Examples of such factors include, but are not limited to, evolving legal, regulatory, and other standards, processes, and assumptions, the pace of scientific and technological developments, increased costs, the availability of requisite financing, and changes in carbon markets. Failures or delays (whether actual or perceived) in achieving our strategies or expectations related to climate change and other environmental matters could adversely affect our business, operations, and reputation, and increase risk of litigation.

Our business may be materially adversely affected by risks associated with international sales and operations.

Our international sales and operations are subject, in varying degrees, to risks inherent to doing business outside the U.S. These risks include tariffs and other trade restrictions, import and export requirements, foreign taxation policies, limitations on our ability to repatriate funds, unanticipated regulatory changes, geopolitical risks, political instability, currency fluctuations, varying levels of protection of intellectual property, difficulty enforcing agreements, disruptions in global supply chains, labor disruptions, and potential violations of anti-corruption laws.

Our international sales and operations are denominated in various foreign currencies, and we are subject to currency translation risk associated with converting the financial statements reflecting our international operations into U.S. dollars. The U.S. dollar strengthened as compared to many foreign currencies, including the Euro, during fiscal 2022, which adversely affected reported revenues of our international subsidiaries. Continued fluctuation in foreign currency exchange rates could result in continued adverse effects on our revenues.

We currently have operations and source and manufacture certain of our materials and products for global distribution from third-party suppliers and manufacturers in the People's Republic of China. Operating in China exposes us to political, legal, and economic risks. Our ability to operate in China may be adversely affected by geopolitical conflicts involving China and changes in U.S. and Chinese relations, laws and regulations, such as those related to, among other things, taxation, import and export tariffs, environmental regulations, energy use, land use rights, intellectual property, currency controls, network security, employee benefits and other matters, and we may not obtain or retain the requisite legal permits to continue to operate in China, or we may become subject to costs or operational limitations imposed in connection with obtaining and complying with such permits. We may also experience difficulty in managing relations with our employees, distributors, suppliers, or customers, with whom disagreements or conflicts of interest could materially adversely affect our operations or our ability to source and manufacture certain of our materials and products in China.

We have no operations in Russia or Ukraine, and our sales into these regions are minimal. However, the conflict in Ukraine has exacerbated material inflation and availability challenges, particularly with respect to the impact it has had on energy and fuel prices and the price of steel and other precious metals that we procure in our supply chain. If the inflationary impact on energy, fuel and steel prices continues throughout fiscal 2023 and these factors are sustained, or if

the duration of the conflict is extended or the conflict spreads into a larger geographic portion of Europe, our results of operations in future periods could be materially and adversely impacted.

If we do not adequately protect our intellectual property, or if third parties infringe our intellectual property rights or claim that we are infringing their intellectual property rights, we may suffer competitive injury, expend significant resources enforcing our rights or defending against such claims, or be prevented from selling products or services.

We own numerous patents, trademarks, service marks, copyrights, trade secrets and other intellectual property and hold licenses to intellectual property owned by others, which in aggregate are important to our business. The intellectual property rights that we have and may obtain, however, may not provide our products and services with a significant competitive advantage because our rights may not be sufficiently broad or may be challenged or invalidated. Our failure to obtain or maintain intellectual property rights that convey competitive advantage, adequately protect our intellectual property, or detect or prevent circumvention or unauthorized use of such property and the cost of enforcing our intellectual property rights could materially adversely impact our business, financial condition, results of operations or prospects. Any dispute or litigation regarding intellectual property could be costly and time consuming due to the complexity and the uncertainty of intellectual property litigation. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of infringement or misappropriation. We may incur significant costs and diversion of management attention and resources as a result of such claims of infringement or misappropriation, and we or our suppliers or subcontractors could lose rights to significant or disruptive technologies, be unable to license technology, provide or sell products or services, or be required to pay substantial damages or license fees with respect to the infringed rights or be required to redesign, rework, reprogram, or replace our or our customers' products, subcomponents, software, or systems, or recast our valuable brands at substantial cost, any of which could materially adversely impact our competitive position, financial condition and results of operations even if we successfully defend against such claims of infringement or misappropriation.

Our industry is highly fragmented and localized.

We operate in markets that are characterized by customer demand that is often broad in scope but localized in delivery. We compete with companies that may be better positioned to capitalize on highly localized relationships and knowledge that are difficult for us to replicate. Our potential customers may prefer local suppliers, in some cases because of existing relationships and in other cases because of local legal restrictions or incentives that favor local businesses. Smaller regional suppliers may also have lower cost structures. As a result, efforts to expand or support our service network may not improve our ability to penetrate new local markets or expand our footprint in existing markets.

Our contracts with federal, state, and local governments involve unique risks and may be terminated or adversely modified prior to completion, which could adversely affect our business.

We derive, and expect to continue to derive in the future, a portion of our revenue from government customers, including municipalities. Sales to governments and related entities present unique risks, including potential disruption due to appropriation and spending patterns, delays in the adoption of new technologies due to political, fiscal or bureaucratic processes, delays in approving budgets, long purchase and payment cycles, competitive bidding requirements, qualification requirements, extensive specification development and price negotiations, milestone requirements and the potential unenforceability of limitations on liability or other contractual provisions. Government contracts may contain provisions not typically found in commercial contracts, including provisions permitting the government to terminate for convenience, reduce scope and potential future revenue, modify certain terms and conditions of existing contracts, suspend performance, impose fines or penalties, subject us to criminal prosecution or debarment, subject awarded contracts to protests or challenges by competitors, or claim rights in technologies developed by us. Exercise of any of these rights could cause us to recognize lower revenue or margin than anticipated under our government contracts. Additionally, because our water treatment projects and solutions for municipal customers often include fixed-price contracts with milestone billings and liquidated damages for our delay, our performance under such contracts involves risks such as not receiving payments, not receiving payments in a timely manner or incurring significant damages if certain milestones are not met or not met on schedule. As a result, we could experience a material adverse effect on our business, financial condition, results of operations or prospects.

We rely, in part, on third-party sales representatives to assist in selling our products, services and solutions, and the failure of these representatives to perform as expected could reduce our future sales.

Sales of our products, services, and solutions to some of our customers are accomplished, in part, through the efforts of third-party sales representatives. We are unable to predict the extent to which these third-party sales representatives will be successful in marketing and selling our products. Moreover, many of these third-party sales representatives also market and sell competing products and may more aggressively pursue sales of our competitors' products. Our third-party sales representatives may terminate their relationships with us at any time on short or no notice. Our future performance may also depend, in part, on our ability to attract, incentivize and retain additional third-party sales representatives that will be able to market and support our products effectively, especially in markets in which we have not previously sold our products. If we cannot retain our current third-party sales representatives or recruit additional or replacement third-party sales representatives or if these sales representatives are not effective, it could have a material adverse effect on our business, financial condition, results of operations or prospects.

Product defects and unanticipated or improper use of our products could adversely affect our business, reputation, and financial statements.

Manufacturing or design defects in our products or unanticipated or improper use of our products by our customers could create product safety, regulatory or other risks, including personal injury, death, or property damage. These events could lead to recalls or safety alerts relating to our products, result in the removal of a product from the market or result in product liability claims being brought against us. Recalls, removals, and product liability claims can result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products and have a material adverse effect on our business, financial condition, results of operations or prospects.

Further, it is generally our responsibility to service the equipment we provide our customers throughout the duration of our contract with such customers, and our customers may be required to maintain insurance covering loss, damage or injury caused by our equipment. However, we are not able to monitor our customers' use or maintenance of their water systems or their compliance with our contracts or usage instructions. Customers' failure to properly use, maintain or safeguard their equipment or customers' noncompliance with insurance requirements may reflect poorly on us as the provider of such equipment and, as a result, damage our reputation.

Our operations are subject to various hazards that may cause personal injury or property damage and increase our operating costs, and which may exceed the coverage of our insurance or for which we are not insured.

There are inherent risks to our operations. We are exposed to risks posed by severe weather and other natural disasters, such as hurricanes and earthquakes. In addition to natural risks, hazards (such as fire, explosion, collapse, or machinery failure) are inherent risks in our operations which may occur as a result of inadequate internal processes, technological flaws, human error, or certain events beyond our control. We also utilize approximately 940 vehicles in connection with our offsite services and distribution operations and, from time to time, these drivers are involved in accidents which may cause injuries, spills, or uncontrolled discharges and in which goods carried by these drivers may be lost or damaged. The hazards described above can cause significant personal injury or loss of life, severe damage to or destruction of property, plants, and equipment, including customer or third-party property, contamination of, or damage to, the environment and suspension of operations. The occurrence of any of these events may subject us to investigations, require us to perform remediation, or result in us being named as a defendant in lawsuits asserting claims for substantial damages, environmental cleanup costs, personal injury, natural resource damages and fines or penalties. As a result, we may from time to time become exposed to significant liabilities for which we may not have adequate insurance coverage. We may also become exposed to certain claims that are excluded from our insurance coverage, such as claims of fraud or for punitive damages. Although we have liability insurance, we cannot be certain that this insurance coverage will continue to be available to us at a reasonable cost or will be adequate to cover any product liability claims. In addition, such events may affect the availability of personnel, proper functioning of our information technology infrastructure and availability of third parties on whom we rely, any of which consequences could have a material adverse effect on our business, financial condition, results of operations or prospects.

Financial and Credit-Related Risks

Our financial results may fluctuate from period to period and can be difficult to predict.

Our financial results may be impacted by large projects, which often have lower margins and greater risk from both a timing and execution standpoint than standard product sales. The timing of these project awards is often unpredictable and outside of our control. If we fail to accurately estimate our operating costs to complete these projects or if we fail to execute these projects efficiently and timely, our margins on these projects could be further eroded. The timing of these project awards is often unpredictable and can change based upon customer requirements due to a number of factors affecting the project that are outside of our control, such as funding, readiness of the project and regulatory approvals. If any of these large projects get delayed or canceled, our results during the periods in which these projects were scheduled to occur could be adversely affected and the delay or failure could have a material adverse effect on our business, financial condition, results of operations or prospects. In addition, our contracts for large capital water treatment projects, systems and solutions for municipal and industrial applications are generally fixed-price contracts with milestone billings. Additionally, competitive-bid processes impose significant uncertainty with respect to our prospects for success, and our failure to properly predict our win rate could reduce our margins. Accordingly, our financial results for any given period may fluctuate and can be difficult to predict.

Our substantial indebtedness could adversely affect our financial condition and limit our ability to raise additional capital to fund our operations.

We have a significant amount of indebtedness. As of September 30, 2022, we had total indebtedness of $890.7 million, including $469.1 million of borrowings under our term loan facility, $151.3 million borrowings under our revolving credit facility, $150.2 million of borrowings related to our Securitization Facility (as defined below) which includes $0.2 million of accrued interest, $120.2 million in borrowings related to equipment financings. We also had $9.3 million of letters of credit issued under our $350.0 million revolving credit facility. We cannot provide any assurance that our business will generate sufficient cash flow from operations in amounts sufficient to enable us to fund our debt service obligations and other liquidity needs. Our inability to generate sufficient cash flow to satisfy our debt obligations could materially adversely affect our business, financial condition, results of operations, or prospects.

Our high level of indebtedness could, among other things, limit our ability to obtain additional financing in the future, reduce the amount of cash available for working capital, capital expenditures and other business needs, increase our vulnerability to adverse changes in the economy, expose us to greater interest rate risk, restrict us from making strategic acquisitions, force us to make non-strategic divestitures, place us at a disadvantage compared to less leveraged competitors, and increase our costs of borrowing. Any one of these impacts could have a material effect on our business, financial condition, results of operations, prospects, and our ability to satisfy our obligations in respect of our outstanding debt.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our senior secured credit facilities are at variable rates of interest and expose us to interest rate risk. Interest rates have increased meaningfully during fiscal 2022 and are projected to continue rising in the future. As interest rates rise, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed may remain the same, and our net income and cash flows will correspondingly decrease. Assuming no prepayments of the term loan facility (which had $469.1 million outstanding as of September 30, 2022) and that our revolving credit facility was fully drawn, each 0.125% change in interest rates would result in an approximate change of $1.0 million in annual interest expense on the indebtedness under our senior secured credit facilities. We entered into an interest rate swap during the third quarter of fiscal 2020 to mitigate risks associated with variable rate debt. The interest rate swap became effective June 30, 2020, has a term of five years to hedge the variability of interest payments on the first $500.0 million of the Company's senior secured debt and fixes the floating LIBOR rate at 0.61%.

The covenants in our senior secured credit facilities impose restrictions that may limit our operating and financial flexibility.

Our senior secured credit facilities contain a number of significant restrictions and covenants that limit our ability, among other things, to incur additional indebtedness, pay dividends on or repurchase our outstanding capital stock, prepay certain indebtedness, create certain liens, divest certain assets, make certain investments, and enter into new lines of business. In addition, our senior secured credit facilities contain a financial covenant requiring us to comply with a 5.55 to 1.00 first lien net leverage ratio test. This financial covenant is solely for the benefit of the lenders under our revolving credit facility and is tested as of the last day of a quarter on which the aggregate amount of revolving loans and letters of credit outstanding under the revolving credit facility (net of cash collateralized letters of credit and undrawn outstanding letters of credit in an amount of up to 50% of the revolving credit facility) exceeds 12.5% of the total commitments thereunder. These covenants could materially adversely affect our ability to finance our future operations or capital needs. Furthermore, they may restrict our ability to expand and pursue our business strategies and otherwise conduct our business. These restrictions also limit our ability to obtain future financings to withstand a future downturn in our business or the economy in general. In addition, complying with these covenants may also cause us to take actions that may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

Seasonality of sales and weather conditions may adversely affect, or cause volatility in, our financial results.

We experience seasonal demand in a number of our end markets, as demand for infrastructure and municipal products and projects generally follows warm weather trends. Seasonal effects may vary from year to year and are impacted by weather patterns, particularly by temperatures, heavy flooding, and droughts. Our operating results and financial condition could be materially and adversely affected by severe weather, natural disasters, or other environmental factors. Repercussions of these catastrophic events may include shutting down operations, a need to obtain additional equipment or supplies on an emergency basis, evacuation of or injury to personnel, damage to equipment or property, loss of productivity and harm to our reputation, any of which may result in a decrease in our revenue or decreased profitability.

We may incur impairment charges for our goodwill and other indefinite-lived intangible assets which would negatively impact our operating results.

We have a significant amount of goodwill and purchased intangible assets on our balance sheet. As of September 30, 2022, the net carrying value of our goodwill and other indefinite-lived intangible assets totaled approximately $507.8 million. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of indefinite-lived intangible assets represents the federal hazardous waste treatment management permits obtained for locations operated by the Company. We do not amortize goodwill and indefinite-lived intangible assets that we expect to contribute indefinitely to our cash flows, but instead we evaluate these assets for impairment at least annually, or more frequently if changes in circumstances indicate that a potential impairment could exist. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes, or planned changes in use of the assets, divestitures and market capitalization declines may impair our goodwill and other indefinite-lived intangible assets. Any charges relating to such impairments could materially adversely affect our financial condition and results of operations.

Our ability to use our net operating loss carryforwards may be limited.

As of September 30, 2022, we had approximately $235.2 million of U.S. federal and state net operating loss carryforwards (“NOLs”). Our federal NOLs begin to expire in 2035, while certain state NOLs begin to expire in 2023. Utilization of these NOLs depends on many factors, including our future income, which cannot be assured. As of September 30, 2022, we no longer maintain a valuation allowance against these NOLs.

We may be unable to bid on or enter into significant long-term agreements if we are not able to obtain letters of credit, bank guarantees or surety bonds, and our liquidity may be adversely affected by bonding requirements.

A portion of our business, including our water treatment projects and solutions, requires us to provide letters of credit, bank guarantees or surety bonds in support of our commitments and as part of the terms and conditions on water treatment projects. In addition, we are required to provide letters of credit or surety bonds to the department of environmental protection or equivalent in some states in order to maintain our licenses to handle hazardous waste at certain of our regeneration facilities. We have in the past been, and may in the future be, required to provide bid bonds or performance bonds to secure our performance on certain projects or, in some cases, as a pre-requisite to submit a bid on a potential project. Our inability to obtain adequate bonding or letters of credit to meet bid requirements or enter into significant long-term agreements could have a material adverse effect on our business, financial condition, results of operations or prospects.

Information Technology and Cybersecurity Risks

We are increasingly dependent on the continuous and reliable operation of our information technology systems, including third party systems and solutions, and a disruption of these systems could materially and adversely affect our business.

We rely on our information technology systems in connection with various aspects of the operation of our business, including customer relationship management, customer service, purchasing, inventory management, project management, human resource management, billing, and accounting. We also rely on digitally connected systems for monitoring and operation of certain of our water treatment installations. Many of these systems are provided and operated by third parties, including cloud-based service providers. Our business and many of the products, services, and solutions that we offer depend on the integrity of these information technology systems, including our remote monitoring and data analytics features and our automated control solutions. These systems are inherently susceptible to a number of threats, including, but not limited to, viruses, ransomware, malware, malicious codes, hacking, phishing, denial of service actions, human error, network failures, electronic loss of data, and other electronic security breaches. Although we have experienced attempts by unauthorized external parties to access our networks and systems and the third party networks and systems upon which we rely, these attempts have not resulted in any material breaches, disruptions, or loss of information to date. A successful material cyber-attack may result in the loss or compromise of customer, financial or operational data, theft of intellectual property, disruption of billing, collections or normal field service activities, disruption of data analytics and electronic monitoring and control of operational systems, loss of revenue, ransomware payments, remediation costs related to lost, stolen, or compromised data, repairs to infrastructure, physical systems or data processing systems, increased cybersecurity protection costs, or violation of U.S. and international privacy laws, which may result in litigation. Any of these occurrences could harm our reputation or have a material adverse effect on our business, financial condition, results of operation and prospects.

We have adopted measures to mitigate potential risks associated with information technology disruptions and cybersecurity threats; however, there is no assurance that these measures will prevent cyber-attacks or security breaches. We also have a concentration of operations on certain sites, such as production and shared services centers, where business interruptions could cause material damage and costs. Although we continue to assess these risks, implement controls and perform business continuity and disaster recovery planning, we cannot be sure that interruptions with material adverse effects will not occur.

Our Water One® services are provided using remote monitoring technology that is connected to the "Internet of Things" (IoT), which is inherently susceptible to cyber-attacks and outages. A successful attack may result in inappropriate access to our or our customers' information or systems or cause our products to function improperly. We have experienced outages due to disruptions in service by cellular providers. Although these outages have not had a material impact on our business to date, if outages occur with greater frequency or for extended durations, it could materially adversely affect our ability to monitor our assets, which could harm our reputation or result in a material loss of revenue, failure to fulfill contractual obligations and additional costs to repair damages.

If we experience a significant data security breach or fail to detect and appropriately respond to a significant data security breach, our business and reputation could suffer.

The nature of our business involves the receipt and storage of information about our customers, suppliers, employees, operations and financial performance. Further, we rely on various information technology systems to capture, process, store, and report data in connection with the products, services, and solutions that we provide to our customers, such as our Water One® services. We have procedures in place to detect and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable, or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly and materially compromise information security. We outsource administration of certain functions to vendors that could be targets of cyber attacks. Any significant theft, loss and/or fraudulent use of customer, employee, or proprietary data as a result of a cyber attack targeting us or one of our third-party service providers could subject us to significant litigation, liability, and costs, as well as materially adversely impact our reputation with customers and regulators, among others. Unauthorized external parties have attempted, and may continue to attempt, to gain access to our systems or facilities and to our proprietary business information. If our efforts to protect the security of information about our customers, suppliers and employees are unsuccessful, a significant data security breach may result in costly government enforcement actions, private litigation and negative publicity resulting in reputation or brand damage with customers, and our business, financial condition, results of operations or prospects could materially and adversely suffer. While we maintain insurance coverage that is designed to address certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise in the event we experience a cybersecurity incident, data breach or disruption, unauthorized access, or failure of systems.

We are subject to laws, rules, and regulations in the United States (such as the California Consumer Protection Act ("CCPA")), and other countries relating to the collection, use and security of employee and other data. Our ability to execute transactions and to possess and use personal information and data in conducting our business subjects us to legislative and regulatory burdens that may require us to notify regulators and customers, employees, and other individuals of a data security breach, including in the European Union under the EU General Data Protection Regulation, or the GDPR. Evolving compliance and operational requirements under the GDPR, the CCPA, and the privacy laws of other jurisdictions in which we operate impose significant costs that are likely to increase over time.

Legal and Regulatory Risks

The cost of complying with complex governmental regulations applicable to our business, sanctions resulting from non-compliance or reduced demand resulting from certain changes in regulations could increase our operating costs and reduce our profit.

Our operations and certain of our products are subject to various licensing, permitting, approval, and reporting requirements imposed by federal, state, local, and foreign laws. Our operations and certain of our products are subject to inspection and regulation by various governmental agencies, including the U.S. Environmental Protection Agency, the U.S. Food and Drug Administration (FDA), the Occupational Safety and Health Administration, and equivalent state and local agencies, as well as their counterparts in various states and foreign countries. A major risk inherent in our operations is the need to obtain and renew permits from federal, state, and local authorities. Delays in obtaining permits, the failure to obtain a permit or a renewal permit for a project, challenges to our permits by local communities, citizen groups, landowners, or others opposed to their issuance, or the issuance of a permit with unreasonable conditions or costs could limit our ability to effectively provide our services. We are also required to secure and maintain licenses required by several states which can take a significant amount of time and result in our inability or delays in our ability to bid on and execute certain projects. If we fail to secure or maintain any such licenses or if states place burdensome restrictions or limitations on our ability to obtain or maintain such licenses, we may not be able to operate in such states and our business, financial condition, results of operations or prospects may be materially adversely affected as a result.

Our newly acquired Mar Cor product line provides FDA 510(k) cleared water purification systems to the dialysis industry. Government regulation applies to nearly all aspects of testing, manufacturing, safety, labeling, storing,

recordkeeping, reporting, promoting, distributing, and importing or exporting of these products. Modifications to existing products or the marketing of new uses for existing products also may require regulatory approvals, approval supplements or clearances. If we are unable to obtain any required approvals, approval supplements or clearances for any modification to a previously cleared or approved product, we may be required to cease manufacturing and sale, or recall or restrict the use of such modified product, pay fines, or take other action until such time as appropriate clearance or approval is obtained. Ongoing reporting regulations require that we report to appropriate governmental authorities in the United States and/or other countries when our products cause or contribute to a death or serious injury or malfunction in a way that would be reasonably likely to contribute to a death or serious injury if the malfunction were to recur. Governmental authorities can require product recalls or impose restrictions for product design, manufacturing, labeling, clearance, or other issues. For the same reasons, we may voluntarily elect to recall or restrict the use of a product. Any recall or restriction could divert managerial and financial resources and might harm our reputation among our customers and other healthcare professionals who use or recommend our products and services.

Our business may be further impacted by changes in federal, state, and local requirements that set forth air and wastewater discharge parameters, constrain water availability and set quality and treatment standards. Our failure or inability to comply with the stringent standards set forth by regulating entities or to provide cost-effective and compliant design and construction solutions could result in fines or other penalties, and could have a material adverse effect on our business, financial condition, results of operations or prospects.

Foreign, federal, state, and local environmental, health and safety laws and regulations impose substantial compliance requirements on our operations. Our operating costs could be significantly increased in order to comply with new or stricter regulatory standards imposed by foreign, federal, and state environmental agencies.

Our operations, products and services are governed by various foreign, federal, state and local environmental protection and health and safety laws and regulations, including, without limitation, the federal Safe Drinking Water Act, the Clean Water Act, the Clean Air Act, the Resource Conservation and Recovery Act, the Occupational Safety and Health Act, the Toxic Substances Control Act, the Federal Insecticide, Fungicide, and Rodenticide Act in the U.S., the Restriction of Hazardous Substances (RoHS) Directive, and the Registration, Evaluation and Authorization of Chemicals (REACH) Directive in Europe, and similar foreign, federal, state and local laws and regulations and permits issued under these laws by the foreign, federal, state and local environmental and health and safety regulatory agencies. These laws and regulations establish, among other things, criteria and standards for drinking water and for discharges into the waters of the U.S. and its states, for the proper management of hazardous and non-hazardous solid waste and for protection of public and worker health and safety. Pursuant to these laws, we are required to obtain various environmental permits from environmental regulatory agencies for our operations. We cannot provide any assurance that our operations, products, or services will be at all times in total compliance with these laws, regulations and permits or that we will be able to obtain or renew all required permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators and be subject to lawsuits, civil or criminal, seeking enforcement and/or injunctive relief. We may also be subject to civil claims by citizens groups seeking to enforce environmental laws. In the event of an accident or if we otherwise fail to comply with applicable regulations, we could lose our permits or approvals and/or be held liable for damages and monetary penalties.

Environmental laws and regulations are complex and change frequently. These laws, and the enforcement thereof, have tended to become more stringent over time. It is possible that new standards could be imposed, either stricter or more lenient, that could result in the obsolescence of our products or lead to an interruption or suspension of our operations and have a material adverse effect on the productivity and profitability of a particular manufacturing facility, service, or product or on us as a whole.

Failure to comply with applicable anti-corruption and trade laws, regulations, and policies, including the U.S. Foreign Corrupt Practices Act, could result in fines and criminal penalties, causing a material adverse effect on our business, financial condition, results of operations or prospects.

Due to our global operations, we are subject to regulation under a wide variety of U.S. federal and state and non-U.S. laws, regulations and policies related to anti-corruption and trade, including those related to export and import compliance, anti-trust and money laundering. The U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and

similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. We operate in parts of the world that are recognized as high-risk regions for corruption. Our operations in these regions include sales to government and non-government customers and may include the use of third-party intermediaries. In certain circumstances, strict compliance with anti-bribery and trade laws, regulations and policies may conflict with local customs and practices in these regions.

The International Traffic in Arms Regulations generally require export licenses from the U.S. Department of State for goods, technical data and services sent outside the U.S. that have military or strategic applications. The Export Administration Regulations regulate the export of certain "dual use" goods, software, and technologies, and in some cases require export licenses from the U.S. Department of Commerce. Office of Foreign Asset Control regulations implement various sanctions programs that include prohibitions of restrictions on dealings with certain sanctioned countries, governments, entities, and individuals. Our policies mandate compliance with these trade laws, regulations, and policies, and we have established procedures designed to assist us and our personnel in compliance with applicable U.S. and international laws and regulations. However, we cannot provide any assurance that our internal control policies and procedures will always protect us from improper conduct of our employees or business partners.

In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable laws, including anti-corruption and trade laws, regulations, and policies, we may be required to investigate or engage outside counsel to investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, imprisonment, disgorgement of profits, debarment from government contracts and curtailment of operations in certain jurisdictions, and might materially adversely affect our business, financial condition, results of operations or prospects. In addition, actual or alleged violations could damage our reputation and diminish our ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of September 30, 2022, we operated 181 locations located in the United States, Canada, the United Kingdom, the Netherlands, Germany, Australia, China, Singapore, and India, including 11 manufacturing facilities, 12 research, development, and engineering facilities, and 119 service branches. We own 22 of these properties and lease the remaining 159 properties. The manufacturing and research and development facilities support both our ISS and APT segments globally. The service branches primarily support our ISS segment throughout North America.

Item 3. Legal Proceedings

From time to time, we are subject to various claims, charges, and litigation matters that arise in the ordinary course of business. We believe these actions are a normal incident of the nature and kind of business in which we are engaged. While it is not feasible to predict the outcome of these matters with certainty, we do not believe that any asserted or unasserted legal claims or proceedings, individually or in the aggregate, will have a material adverse effect on our business, financial condition, results of operations, or prospects.

In October 2020, the Company learned that the SEC and the United States Attorney's Office for the District of Massachusetts are investigating whether financial misstatements were made in the Company's public filings and earnings announcements prior to October 2018, similar to what was alleged in a class action lawsuit filed in November 2018 captioned In re Evoqua Water Technologies Corp. Securities Litigation (the "Securities Litigation"), which was dismissed in November 2021 following Court approval of a settlement in the amount of $16.65 million, all of which was paid by insurance. The Company is cooperating with those investigations. Although the Company is unable to predict the

outcome or reasonably estimate any potential loss from the ongoing investigations, we currently believe that this matter will not have a material adverse effect on our business, financial condition, results of operations, or prospects.

Item 4. Mine Safety Disclosures

None.

Part II

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

Market Information

The Company’s common stock is traded on the New York Stock Exchange under the symbol “AQUA.”

As of October 31, 2022, there were 33 holders of record of the Company’s common stock, which does not reflect individual holders of shares held beneficially or shares held in “street” name. Accordingly, the number of beneficial owners of our common stock exceeds this number.

Dividend Policy

No dividends were paid to shareholders during the fiscal years ended September 30, 2022, 2021 or 2020. The Company currently intends to retain all of its future earnings, if any, to finance operations, development and growth of its business and repay indebtedness. Most of the Company’s indebtedness contains restrictions on the Company’s activities, including paying dividends on its capital stock. See Note 12, “Debt” in Part II, Item 8 of this Annual Report on Form 10-K. Any future determination relating to our dividend policy will be made at the discretion of the Company’s board of directors and will depend on a number of factors, including future earnings, capital requirements, financial and market conditions, future prospects, contractual restrictions and covenants and other factors that the board of directors may deem relevant.

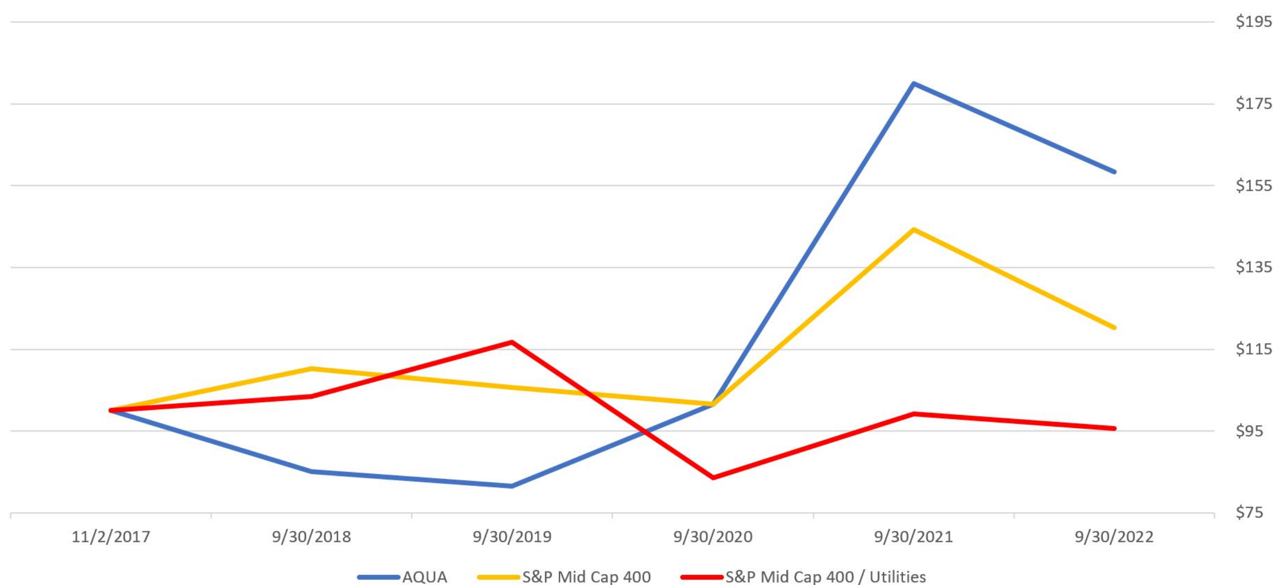
Unregistered Sales of Equity Securities and Use of Proceeds

None.

Stock Performance Graph

The following graph shows a comparison of cumulative total return to holders of shares of Evoqua's common stock against the cumulative total return of the S&P Mid Cap 400 Index and the S&P Mid Cap 400 / Utility Index from market close on November 2, 2017 (the first day of trading of our common stock) through September 30, 2022. The comparison of the cumulative total returns for each investment assumes that $100 was invested in Evoqua common stock and the respective indices on November 2, 2017 through September 30, 2022, including reinvestment of any dividends (although no dividends have been declared on our common stock to date). Historical share price performance should not be relied upon as an indication of future share price performance, and we do not make or endorse any predications as to future shareholder returns.

This performance graph and related information shall not be deemed "soliciting material" or be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that section, and shall not be deemed to be incorporated by reference into any future filing under the Securities Act or Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.



	11/2/2017	9/30/2018	9/30/2019	9/30/2020	9/30/2021	9/30/2022
AQUA	$ 100	$ 85	$ 82	$ 102	$ 180	$ 158
S&P Mid Cap 400	$ 100	$ 110	$ 106	$ 102	$ 144	$ 120
S&P Mid Cap 400 / Utilities	$ 100	$ 103	$ 117	$ 84	$ 99	$ 96

Item 6. [Reserved]

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

The following discussion and analysis of our financial condition and results of our operations should be read in conjunction with Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in the section titled "Cautionary Note Regarding Forward-Looking Statements" and in Part I, Item 1A, "Risk Factors" in this Annual Report. Unless otherwise indicated or the context otherwise requires, all references to the "Company," "Evoqua," "Evoqua Water Technologies Corp.," "we," "us," "our," and similar terms refer to Evoqua Water Technologies Corp., together with its consolidated subsidiaries. Unless otherwise specified, all dollar amounts in this section are referred to in millions. Our fiscal year ends on September 30 of each year and references in this section to a year refer to our fiscal year. As such, references to: 2022 relates to the fiscal year ended September 30, 2022, 2021 relates to the fiscal year ended September 30, 2021, and 2020 relates to the fiscal year ended September 30, 2020.

Overview and Background

We are a leading provider of mission-critical water and wastewater treatment solutions, offering a broad portfolio of products, services, and expertise to support customers across various end markets. We are headquartered in Pittsburgh, Pennsylvania, with locations across nine countries. We have a comprehensive portfolio of differentiated, proprietary technologies offered under market-leading and well-established brands. Our core technologies are primarily focused on removing impurities from water, rather than neutralizing them through the addition of chemicals.

Our solutions are designed to provide our customers with the quantity and quality of water necessary to meet their unique specifications. We enable our customers to achieve lower costs through greater uptime, throughput and efficiency in their operations while supporting their regulatory compliance and environmental requirements. We deliver and maintain these mission critical solutions through our extensive North American service network, providing our customers continuous uptime with 119 service branches as of September 30, 2022. In addition, we sell our products and technologies internationally through direct and indirect sales channels. We have worked to protect water, the environment, and our employees for more than 100 years. As a result, we have earned a reputation for quality, safety, and reliability around the world. Our employees are united by a common purpose: Transforming water. Enriching life.®

Our vision "to be the world's first choice for water solutions" and our values of "integrity, customers, sustainable, and performance" foster a culture that is focused on establishing a workforce that is enabled, empowered, and accountable, creating a highly dynamic work environment.

We serve our customers through the following two reportable segments:

- **Integrated Solutions and Services** segment, which provides application-specific solutions and full lifecycle services for critical water and wastewater applications across numerous end markets, including outsourced water service contracts, capital systems and related recurring aftermarket services, parts and consumables, and emergency services to enable recycle and reuse, improve operational reliability and performance, and promote environmental compliance; and
- **Applied Product Technologies** segment, which provides highly differentiated and scalable water and wastewater products and technologies as stand-alone offerings or components in integrated solutions to a diverse set of system integrators and end-users globally.

Our segments draw from the same reservoir of leading technologies, shared manufacturing infrastructure, common business processes, and corporate philosophies. The key factors used to identify these reportable operating segments are the organization and alignment of our internal operations, the nature of the products and services and customer type.

For the years ended September 30, 2022 and 2021, our segments accounted for the following percentage of our revenue:

	2022	2021
Integrated Solutions and Services segment	68.2 %	65.5 %
Applied Product Technologies segment	31.8 %	34.5 %

Recent Developments, Key Factors, and Trends Affecting Our Business and Financial Statements

The following recent developments have affected our business and operating results during the year ended September 30, 2022:

Macroeconomic conditions. Material, freight, and labor inflation resulted in increased costs in fiscal 2022, and we expect this trend will continue into fiscal 2023. Although we have offset a portion of these increased costs through price increases and operational efficiencies to date, our margin percentage has been negatively impacted. There can be no assurance that we will be able to continue to offset all or any portion of these increased costs. If we are unable to manage commodity fluctuations through pricing actions, cost savings projects, and sourcing decisions as well as through consistent productivity improvements, it may adversely impact our gross profit and gross margin in future periods. Additionally, supply chain disruptions and labor shortages have restricted and could further restrict availability of certain commodities and materials, which may result in delays in our execution of projects in fiscal 2023 and negatively impact revenues. Tight labor markets have resulted in longer times to fill open positions and labor inflation. Continued delays in filling open positions, particularly among our service technician population, could impact our ability to provide timely service to our customers. Although these factors did not have a material adverse effect on our results of operations for the year ended September 30, 2022, if sustained, they could have a material adverse effect on our results of operations going forward.

In an effort to combat inflation, central banks began raising interest rates in the latter half of fiscal 2022, and interest rates are expected to continue to increase in fiscal 2023. We do not believe that our exposure to rising interest rates in the near term will have a material impact on our business, financial condition, results of operations, or prospects, but if sustained over longer periods, this could have a material adverse effect on our results of operations. We plan to continue to evaluate aspects of our spending, including capital expenditures, discretionary spending, and strategic investments in fiscal 2023.

Impact of the COVID-19 pandemic. We continue to monitor the ongoing effects of the COVID-19 pandemic, particularly as shutdowns and restrictions in parts of China have continued in response to the spread of COVID-19 variants. These shutdowns and restrictions did not have a material adverse effect on our operations or financial results for the year ended September 30, 2022. However, if the duration of these shutdowns and restrictions extends, or if similar shutdowns and restrictions are imposed in other regions, it could impact our sales into those regions and our ability to source materials from those regions.

Russia-Ukraine war. We have no operations in Russia or Ukraine, and our sales into these regions are minimal. However, the conflict in Ukraine has exacerbated the material inflation and availability challenges described above, particularly with respect to the impact it has had on energy and fuel prices and the price of steel and other precious metals that we procure in our supply chain. Although these factors did not have a material adverse effect on our results of operations for the year ended September 30, 2022, we expect the inflationary impact on energy, fuel and steel prices to continue throughout fiscal 2023. If these factors are sustained, or if the duration of the conflict is extended or the conflict spreads into a larger geographic portion of Europe, our results of operations in future periods could be materially and adversely impacted.

Acquisitions and divestitures. On January 3, 2022, we acquired the Mar Cor Business for approximately $195.0 million paid in cash at closing, following adjustments. We utilized cash on hand and borrowed an additional $160.0 million under our 2021 Revolving Credit Facility (a multi-currency senior secured revolving credit facility in an aggregate principal amount not to exceed the U.S. dollar equivalent of $350.0 million) to fund the acquisition. The purchase price included a $12.3 million earn out, which is being held in escrow and will be paid, pro rata, to the sellers if the Mar Cor Business meets certain sales performance goals (the "Earn Out"). Any portion of the Earn Out not paid to the sellers during the first year following closing of the transaction will be returned to us. The Mar Cor Business is a leading manufacturer and servicer of medical water, commercial and industrial solutions in North America. Headquartered in Plymouth, Minnesota, the Mar Cor Business offers significant technical expertise in designing, building, and servicing high-purity water treatment systems. The addition of this business expands our service footprint in North America, furthering our reach into the healthcare vertical market. During the year ended September 30, 2022, we incurred approximately $4.9 million in acquisition costs, which are included in General and administrative expense on the Consolidated Statements of Operations. Additionally, we expect to incur between $18.0 million to $20.0 million in one-time integration costs within the next 18 to 24 months. The Mar Cor Business is included within the Integrated Solutions and Services segment.

On January 31, 2022, we completed the divestiture of certain resin regeneration assets in Germany (the "Germany Regen Business") for approximately $0.4 million in cash at closing, resulting in a gain of $0.2 million recognized on the sale. The Germany Regen Business was a part of the Applied Product Technologies segment.

On April 1, 2022, we acquired the remaining 32% equity interest in Frontier Water Systems, LLC ("Frontier") for an aggregate purchase price of approximately $10.4 million, making Frontier a wholly-owned subsidiary of the Company. This followed our initial acquisition of a 60% equity interest in Frontier in October 2019 and our acquisition of an additional 8% equity interest in Frontier in April 2021. San Diego-based Frontier is a leading supplier of engineered equipment packages for high-rate treatment of selenium, nitrate, and metals in water and wastewater. The business adds to Evoqua's portfolio of advanced wastewater treatment technologies and is part of our Integrated Solutions and Services segment.

Also on April 1, 2022, we acquired the remaining 50% partnership interest in Treated Water Outsourcing, a joint venture between the Company and Nalco Water, an Ecolab company ("Nalco"), from Nalco for an aggregate purchase price of approximately $1.1 million.

On July 1, 2022, we completed the acquisition of Smith Engineering, Inc. ("Smith Engineering") for approximately $18.9 million cash paid at closing. Smith Engineering is a leader in the design, manufacturing, and service of custom high purity water treatment equipment serving the biotech/pharmaceutical, data center, food and beverage, healthcare, medical device, and microelectronics markets. With over 1,200 customers in North America, Smith Engineering offers a variety of water treatment products and services, including filtration, UV, reverse osmosis, and deionization. Smith Engineering is part of our Integrated Solutions and Services segment.

On July 15, 2022, we completed the acquisition of Epicor, Inc. ("Epicor") for $4.3 million cash paid at closing. Epicor has supplied specialty resins for power steam system treatment for fifty years. The resins provide a cost-effective and efficient method for creating and maintaining a continual supply of ultra-pure water for power plants. Epicor is part of our Integrated Solutions and Services segment.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures. The key indicators of the financial condition and operating performance of our consolidated business are revenue, gross profit, gross margin, and net income (loss). Management utilizes these financial measures prepared in accordance with accounting principles generally accepted in the United States ("GAAP") when reviewing the Company's performance and making financial, operational, and strategic decisions, and believes they are useful metrics for investors that help with performance comparability period over period. In addition, we consider certain non-GAAP financial measures such as adjusted EBITDA, as described more fully below. We evaluate our business segments' operating results based on revenue, income from operations ("operating profit") and adjusted EBITDA on a segment basis. We believe these

financial measures are helpful in understanding and evaluating the segments' core operating results and facilitates comparison of our performance on a consistent basis period over period.

Revenue

Our revenue is a function of sales volumes and selling prices. We report revenue by segment and by source which includes revenue from product sales (capital and aftermarket) and revenue from service. Revenue is used by management to evaluate the performance of our business. Revenue growth is primarily related to organic and inorganic factors. Organic revenue growth, as a component of revenue growth, is defined as period over period revenue growth excluding (i) the impact from acquisitions and divestitures during the first 12 months following the closing of the acquisition or divestiture, which we refer to as inorganic impact, and (ii) the impact of foreign currency translation. Divestitures include sales of insignificant portions of our business that did not meet the criteria for classification as a discontinued operation. We exclude the effect of foreign currency translation from organic revenue growth because foreign currency translation is not under management's control, is subject to volatility and can obscure underlying business trends. We exclude the effect of acquisitions and divestitures during the first 12 months following the closing of the acquisition or divestiture because they can obscure underlying business trends and make comparisons of long-term performance difficult between the Company and its peers due to the varying nature, size, and number of transactions from period to period.

EBITDA and Adjusted EBITDA

EBITDA, which is a non-GAAP financial measure, is defined as earnings before interest, taxes, depreciation and amortization expense. Adjusted EBITDA, which is a non-GAAP financial measure, is one of the primary metrics used by management to evaluate the strength and financial performance of our core business. Adjusted EBITDA is defined as net income (loss) before interest expense, income tax benefit (expense) and depreciation and amortization, adjusted for the impact of certain other items, including restructuring and related business transformation costs, share-based compensation, transaction costs, and other gains, losses, and expenses that we believe do not directly reflect our underlying business operations. We present adjusted EBITDA because we believe it is frequently used by analysts, investors, and other interested parties to evaluate and compare operating performance and value companies within our industry. Further, we believe it is helpful in highlighting trends in our operating results and provides greater clarity and comparability period over period to management and our investors regarding the operational impact of long-term strategic decisions regarding capital structure, the tax jurisdictions in which we operate, and capital investments. In addition, adjusted EBITDA highlights true business performance by removing the impact of certain items that management believes do not directly reflect our underlying operations and provides investors with greater visibility into the ongoing drivers of our business performance.

Management uses adjusted EBITDA to supplement GAAP measures of performance as follows:

- to assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance;
- in our management incentive compensation, which is based in part on components of adjusted EBITDA;
- in certain calculations under our senior secured credit facilities, which use components of adjusted EBITDA;
- to evaluate the effectiveness of our business strategies;
- to make budgeting decisions; and
- to compare our performance against that of other peer companies using similar measures.

In addition to the above, our chief operating decision maker uses adjusted EBITDA of each reportable operating segment as a supplement to segment income from operations and segment revenue to evaluate the operating performance of such segments. Adjusted EBITDA on a segment basis is defined as earnings before depreciation and amortization, adjusted for the impact of certain other items that have been reflected at the segment level. Adjusted EBITDA of the reportable operating segments do not include certain charges that are presented within corporate activities. These charges include

certain restructuring and other business transformation charges that have been incurred to align and reposition the Company to the current reporting structure, acquisition related costs (including transaction costs and integration costs) and share-based compensation charges.

EBITDA and Adjusted EBITDA should not be considered substitutes for, or superior to, financial measures prepared in accordance with GAAP. The financial results prepared in accordance with GAAP and the reconciliations from these results should be carefully evaluated. See "Non-GAAP Reconciliations" in this Item 7 for a reconciliation of EBITDA and adjusted EBITDA to net income. You are encouraged to evaluate each adjustment and the reasons we consider it appropriate for supplemental analysis. In addition, in evaluating adjusted EBITDA, you should be aware that in the future, we may incur expenses similar to the adjustments in the presentation of adjusted EBITDA. Our presentation of adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. In addition, other companies in our industry or across different industries may calculate adjusted EBITDA differently.

Basis of Presentation

The discussion that follows includes a comparison of our results of operations and liquidity and capital resources for the fiscal years ended September 30, 2022 and 2021. For a discussion of changes from the fiscal year ended September 30, 2021 to the fiscal year ended September 30, 2020, refer to Management's Discussion and Analysis of Financial Condition and Results of Operation in Part II, Item 7 of our Annual Report on Form 10-K for the year ended September 30, 2021 (filed November 17, 2021).

Results of Operations

The following tables summarize key components of our results of operations for the periods indicated:

	Year Ended September 30,				
	2022		2021		
(In millions, except per share amounts)		% of Revenue		% of Revenue	% Variance
Revenue from product sales and services	$ 1,737.1	100.0 %	$ 1,464.4	100.0 %	18.6 %
Gross profit	$ 536.0	30.9 %	$ 457.4	31.2 %	17.2 %
Total operating expenses	$ (437.3)	(25.2)%	$ (363.0)	(24.8)%	20.5 %
Other operating income, net	$ 5.3	0.3 %	$ 4.9	0.3 %	8.2 %
Interest expense	$ (34.7)	(2.0)%	$ (37.5)	(2.6)%	(7.5)%
Income before income taxes	$ 69.3	4.0 %	$ 61.8	4.2 %	12.1 %
Income tax benefit (expense)	$ 3.0	0.2 %	$ (10.1)	(0.7)%	(129.7)%
Net income	$ 72.3	4.2 %	$ 51.7	3.5 %	39.8 %
Net income attributable to non-controlling interest	$ 0.1	— %	$ 0.2	— %	(50.0)%
Net income attributable to Evoqua Water Technologies Corp.	$ 72.2	4.2 %	$ 51.5	3.5 %	40.2 %
Weighted average shares outstanding					
Basic	121.1		119.6		
Diluted	124.9		122.9		
Earnings per share					
Basic	$ 0.60		$ 0.43		
Diluted	$ 0.58		$ 0.42		
Other financial data:					
Adjusted EBITDA[1]	$ 297.7	17.1%	$ 250.9	17.1 %	18.7 %

(1) Adjusted EBITDA is a non-GAAP financial measure. For the definition of Adjusted EBITDA and a reconciliation to net income (loss), its most directly comparable financial measure presented in accordance with GAAP, see “Non-GAAP Reconciliations” in this Item 7.

Years Ended September 30, 2022 and September 30, 2021

Consolidated Results

Revenue-Revenue increased $272.7 million, or 18.6%, to $1,737.1 million in the year ended September 30, 2022, from $1,464.4 million in the prior year. Revenue from product sales increased $191.5 million, or 22.2%, to $1,052.5 million in the year ended September 30, 2022, from $861.0 million in the prior year. Revenue from services increased $81.2 million, or 13.5%, to $684.6 million in the year ended September 30, 2022, from $603.4 million in the prior year.

The following tables provide the change in revenue by offering and the components that contributed to revenue growth during the years ended September 30, 2022 and 2021:

	Year Ended September 30,					
	2022		2021			
(In millions)		% of Revenue		% of Revenue	$ Variance	% Variance
Revenue from product sales:	$ 1,052.5	60.6 %	$ 861.0	58.8 %	$ 191.5	22.2 %
Capital	688.4	39.6 %	616.0	42.1 %	72.4	11.8 %
Aftermarket	364.1	21.0 %	245.0	16.7 %	119.1	48.6 %
Revenue from services	684.6	39.4 %	603.4	41.2 %	81.2	13.5 %
	$ 1,737.1	100.0 %	$ 1,464.4	100.0 %	$ 272.7	18.6 %

(In millions)	$ Change	% Change
Year ended September 30, 2021 total revenue	$ 1,464.4	n/a
Organic	149.4	10.2 %
Inorganic	137.1	9.4 %
Foreign currency translation	(13.8)	(1.0)%
Year ended September 30, 2022 total revenue	$ 1,737.1	18.6 %

Revenue growth due to organic revenue related primarily to improved price realization and higher volume for products and services across most product lines and all regions. The North America and Asia Pacific regions contributed to strong organic revenue growth in service, capital, and aftermarket across most end markets.

Revenue in future periods could be negatively impacted by commodity and material availability constraints caused by global supply chain disruptions, skilled labor shortages, and the timing of projects based on potential deferrals of orders due to rising interest rates or recessionary conditions.

Cost of Sales and Gross Margin-Total gross margin decreased to 30.9% in the year ended September 30, 2022, from 31.2% in the prior year. The following table provides the change in cost of product sales and cost of services, respectively, along with related gross margins:

	Year Ended September 30,			
	2022		2021	
		Gross Margin %		Gross Margin %
Cost of product sales	$ (740.5)	29.6 %	$ (607.7)	29.4 %
Cost of services	(460.6)	32.7 %	(399.3)	33.8 %
	$ (1,201.1)	30.9 %	$ (1,007.0)	31.2 %

Gross margin from product sales increased by 20 bps to 29.6% in the year ended September 30, 2022, from 29.4% in the prior year. The increase in gross margin was primarily driven by favorable price realization and product mix. These factors were partially offset by labor, material and freight inflation.

Gross margin from services decreased by 110 bps to 32.7% in the year ended September 30, 2022, from 33.8% in the prior year. This decrease was driven by increased labor costs and resource constraints.

We expect continued pressure on gross margin in future periods due to material, freight and labor inflation. Although we expect to continue to partially offset those increasing costs with positive price realization, there can be no assurance that we will be able to do so.

Operating Expenses-Operating expenses increased $74.3 million, or 20.5%, to $437.3 million in year ended September 30, 2022 from $363.0 million in the prior year. Operating expenses are comprised of the following:

	Year Ended September 30,				
	2022		2021		
(In millions)		% of Revenue		% of Revenue	% Variance
General and administrative expense	$ (260.6)	(15.0)%	$ (206.5)	(14.1)%	26.2 %
Sales and marketing expense	(161.3)	(9.3)%	(143.1)	(9.8)%	12.7 %
Research and development expense	(15.4)	(0.9)%	(13.4)	(0.9)%	14.9 %
Total operating expenses	$ (437.3)	(25.2)%	$ (363.0)	(24.8)%	20.5 %

The increase period over period in operating expenses was primarily due to higher employee related costs associated with acquisitions, share-based compensation, and wage inflation. Additionally, non-cash foreign currency translation losses of $18.7 million in the current year, compared to foreign currency translation gains of $0.9 million in the prior year, mostly related to intercompany loans contributed to this increase. In addition, there were increased consulting, marketing and travel expenses, and increased amortization expense due to acquisitions in the current period compared to the prior period. The above increases were partially offset by a decrease in external legal fees compared to the prior period, as well as a benefit in the current period related to changes in the estimate of the Mar Cor Business achieving the earn-out target.

Fluctuations in foreign currency translation and inflation could impact operating expenses in future periods.

Other Operating Income, Net-Other operating income, net, increased $0.3 million, to $5.3 million in the year ended September 30, 2022, from $5.0 million in the prior year. This increase was driven by income from precious metal sales, mainly from scrapped anodes in China, as well as gains on the disposal of fixed assets compared to the prior period. Additionally, we received a refund from the Chinese government in the current period of certain taxes paid, which partially offset COVID-19 pandemic subsidies received from the Canadian government in the prior period, which did not reoccur in the current period.

Interest Expense-Interest expense decreased $2.8 million, or 7.5%, to $34.7 million in the year ended September 30, 2022, from $37.5 million in the prior year. The decrease in interest expense was primarily driven by a $100.0 million debt prepayment in conjunction with the April 2021 refinancing of our senior credit facility. As a result of the April 2021 refinancing, an additional $3.1 million of fees and a write off of $1.3 million of deferred financing fees were incurred in the prior period. This decrease was partially offset by a charge to interest expense of $2.1 million from a fair value increase in the purchase right liability to acquire the remaining equity interest of Frontier in the current period, as well as an increase in interest expense associated with higher outstanding debt that had a higher interest rate spread and LIBOR year over year.

Fluctuations in interest rates could impact interest expense in future periods.

Income Tax Expense-Income tax benefit was $3.0 million for the year ended September 30, 2022, compared to expense of $10.1 million in the prior year. The decrease in tax expense was primarily attributable to a reversal of the U.S. valuation allowance, a benefit of $17.3 million, which was partially offset by an increase in foreign tax expense due to improved profitability in certain countries.

Net Income-Net income increased by $20.6 million, or 39.8%, to net income of $72.3 million for the year ended September 30, 2022, from $51.7 million in the prior year, as a result of the variances noted above.

Adjusted EBITDA-Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA increased $46.8 million, or 18.7%, to $297.7 million for the year ended September 30, 2022, from $250.9 million for the prior year, primarily driven by sales volume and related gross profit. See "Non-GAAP Reconciliations" in this Item 7 for a reconciliation of adjusted EBITDA to net income.

Segment Results

	Year Ended September 30,				
	2022		2021		
(In millions)		% of Total		% of Total	% Variance
Revenue					
Integrated Solutions and Services	$ 1,184.5	68.2 %	$ 959.9	65.5 %	23.4 %
Applied Product Technologies	552.6	31.8 %	504.5	34.5 %	9.5 %
Total Consolidated	$ 1,737.1	100.0 %	$ 1,464.4	100.0 %	18.6 %
Operating profit (loss)					
Integrated Solutions and Services	$ 165.6	159.2 %	$ 147.3	148.3 %	12.4 %
Applied Product Technologies	103.1	99.1 %	82.9	83.5 %	24.4 %
Corporate	(164.7)	(158.3)%	(130.9)	(131.8)%	25.8 %
Total Consolidated	$ 104.0	100.0 %	$ 99.3	100.0 %	4.7 %
Adjusted EBITDA[(1)]					
Integrated Solutions and Services	$ 259.0	87.0 %	$ 219.3	87.4 %	18.1 %
Applied Product Technologies	119.7	40.2 %	105.7	42.1 %	13.2 %
Corporate	(81.0)	(27.2)%	(74.1)	(29.5)%	9.3 %
Total Consolidated	$ 297.7	100.0 %	$ 250.9	100.0 %	18.7 %

(1) Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation of segment adjusted EBITDA to segment operating profit (loss), its most directly comparable financial measure presented in accordance with GAAP, see "Non-GAAP Reconciliations" in this, Item 7.

Integrated Solutions and Services

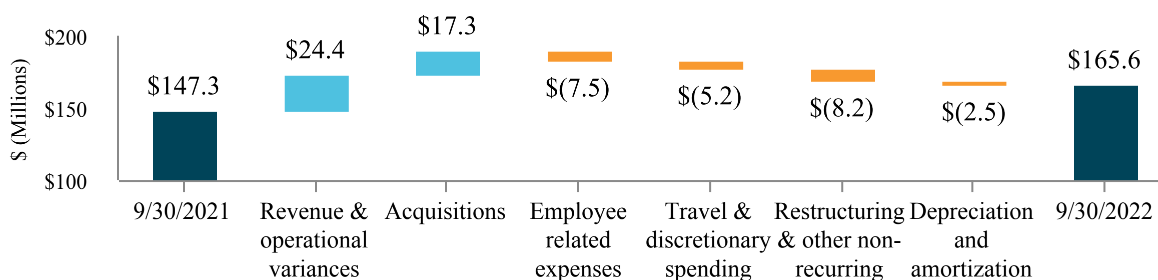
Revenue in the Integrated Solutions and Services segment increased $224.6 million, or 23.4%, to $1,184.5 million in the year ended September 30, 2022, from $959.9 million in the year ended September 30, 2021. The following tables provide the change in revenue by offering and the components that contributed to revenue growth during the years ended September 30, 2022 and 2021 for the Integrated Solutions and Services segment:

	Year Ended September 30,					
	2022		2021			
(In millions)		% of Revenue		% of Revenue	$ Variance	% Variance
Revenue from product sales:	$ 520.9	44.0 %	$ 378.8	39.5 %	$ 142.1	37.5 %
Capital	304.9	25.8 %	250.2	26.1 %	54.7	21.9 %
Aftermarket	216.0	18.2 %	128.6	13.4 %	87.4	68.0 %
Revenue from services	663.6	56.0 %	581.1	60.5 %	82.5	14.2 %
	$ 1,184.5	100.0 %	$ 959.9	100.0 %	$ 224.6	23.4 %

(In millions)	$ Change	% Change
Year ended September 30, 2021 total revenue	$ 959.9	n/a
Organic	88.4	9.2 %
Inorganic	137.1	14.3 %
Foreign currency translation	(0.9)	(0.1)%
Year ended September 30, 2022 total revenue	$ 1,184.5	23.4 %

Revenue growth due to organic revenue related to positive price realization and higher sales volume across service, capital and aftermarket in a variety of end markets. Service revenue was the largest contributor to organic revenue growth, with the largest growth coming from price realization, primarily in the light and general industry, chemical processing and mining, and life sciences end markets.

Operating profit in the Integrated Solutions and Services segment increased $18.3 million, or 12.4%, to $165.6 million in the year ended September 30, 2022, from $147.3 million in the year ended September 30, 2021.



Operating profit growth was driven by favorable price realization and sales volume. These increases were partially offset by operational variances, including material, fuel, and freight inflation, and labor inflation. Also, COVID-19 pandemic

subsidies received from the Canadian government in the prior year did not reoccur in the current year. Employee related expenses increased due to inflation and sales incentive compensation.

Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA in the Integrated Solutions and Services segment increased $39.7 million, or 18.1%, to $259.0 million in the year ended September 30, 2022, compared to $219.3 million in the year ended September 30, 2021. The increase was driven by the same factors that impacted operating profit, other than the change in depreciation and amortization, and also excludes restructuring and other non-recurring activity. See “Non-GAAP Reconciliations” in this Item 7 for a reconciliation of segment adjusted EBITDA to segment operating profit.

Applied Product Technologies

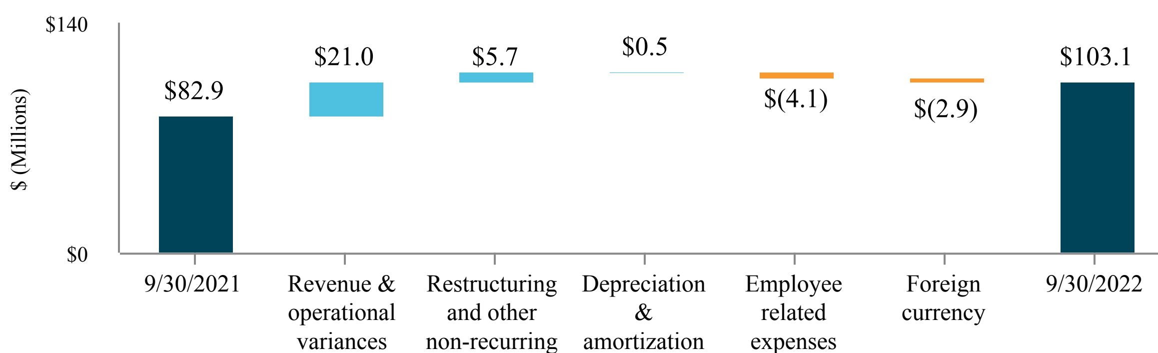
Revenue in the Applied Product Technologies segment increased $48.1 million, or 9.5%, to $552.6 million in the year ended September 30, 2022, from $504.5 million in the year ended September 30, 2021. The following tables provide the change in revenue by offering and the components that contributed to revenue growth during the years ended September 30, 2022 and 2021 for the Applied Product Technologies segment:

	Year Ended September 30,					
	2022		2021			
(In millions)		% of Revenue		% of Revenue	$ Variance	% Variance
Revenue from product sales:	$ 531.6	96.2 %	$ 482.2	95.6 %	$ 49.4	10.2 %
Capital	383.5	69.4 %	365.8	72.5 %	17.7	4.8 %
Aftermarket	148.1	26.8 %	116.4	23.1 %	31.7	27.2 %
Revenue from services	21.0	3.8 %	22.3	4.4 %	(1.3)	(5.8)%
	$ 552.6	100.0 %	$ 504.5	100.0 %	$ 48.1	9.5 %

(In millions)	$ Change	% Change
Year ended September 30, 2021 total revenue	$ 504.5	n/a
Organic	61.0	12.1 %
Inorganic	—	— %
Foreign currency translation	(12.9)	(2.6)%
Year ended September 30, 2022 total revenue	$ 552.6	9.5 %

Revenue growth due to organic revenue related to improved price realization and higher volume, across all regions, particularly in the North America and Asia Pacific regions. Unfavorable foreign currency translation primarily affected the Europe, Middle East, and Africa region.

Operating profit in the Applied Product Technologies segment increased $20.2 million, or 24.4%, to $103.1 million in the year ended September 30, 2022, from $82.9 million in the year ended September 30, 2021.



The increase in operating profit was driven by price realization, higher sales volumes, and favorable mix across all regions and multiple product lines. These benefits were partially offset by unfavorable operational variances, including increased costs associated with logistics, labor, and material inflation and availability. Employee related expenses increased due to inflation and sales incentive compensation.

Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA in the Applied Product Technologies segment increased $14.0 million, or 13.2%, to $119.7 million in the year ended September 30, 2022, compared to $105.7 million in the year ended September 30, 2021. The increase was driven by the same factors that impacted operating profit, other than the change in depreciation and amortization, and also excludes restructuring and other non-recurring activity. See "Non-GAAP Reconciliations" in this Item 7 for a reconciliation of segment adjusted EBITDA to segment operating profit.

Corporate

Operating loss in Corporate increased $33.8 million, or 25.8%, to $164.7 million in the year ended September 30, 2022, from $130.9 million in the year ended September 30, 2021. The increase was primarily due to foreign currency translation losses in the current period, compared to foreign currency translation gains in the prior period, most of which is related to intercompany loans. Additionally, there were increased employment expenses, including share-based compensation. These were partially offset by lower costs associated with legal matters in the current year.

Non-GAAP Reconciliations

The following is a reconciliation of our Net income to EBITDA and adjusted EBITDA. See "How We Assess the Performance of Our Business" in this Item 7 for discussion on management's definition and use of this non-GAAP financial measure.

	Year Ended September 30,		
(In millions)	2022	2021	% Variance
Net income	$ 72.3	$ 51.7	39.8 %
Income tax (benefit) expense	(3.0)	10.1	(129.7)%
Interest expense	34.7	37.5	(7.5)%
Operating profit	$ 104.0	$ 99.3	4.7 %
Depreciation and amortization	127.6	113.7	12.2 %
EBITDA	$ 231.6	$ 213.0	8.7 %
Restructuring and related business transformation costs[a]	6.4	11.3	(43.4)%
Purchase accounting adjustment costs[b]	4.2	—	n/a
Share-based compensation[c]	23.5	17.7	32.8 %
Transaction costs[d]	8.1	1.6	406.3 %
Other losses (gains) and expenses[e]	23.9	7.3	227.4 %
Adjusted EBITDA	$ 297.7	$ 250.9	18.7 %

(a) ***Restructuring and related business transformation costs***

Adjusted EBITDA is calculated prior to considering certain restructuring or business transformation events. These events may occur over extended periods of time and in some cases, it is reasonably possible that events of a similar nature could reoccur in future periods based on reorganizations of the business, cost reduction or productivity improvement needs, or in response to economic conditions. For the periods presented such events include the following:

(i) Certain costs and expenses in connection with various restructuring initiatives, including severance and other employee-related costs, relocation and facility consolidation costs, and third-party consultant costs to assist with these initiatives. This includes:

(A) amounts related to the Company's restructuring initiatives to reduce the cost structure and rationalize location footprint following the sale of the Memcor product line;

(B) amounts related to the Company's transition from a three-segment structure to a two-segment operating model designed to better serve the needs of customers worldwide; and

(C) amounts related to various other initiatives implemented to restructure and reorganize our business with the appropriate management team and cost structure.

(ii) Legal settlement costs and intellectual property related fees, including fees and settlement costs associated with legacy matters related to product warranty litigation on MEMCOR® products and certain discontinued products.

(iii) Expenses associated with our information technology and functional infrastructure transformation, including activities to optimize information technology systems and functional infrastructure processes.

(iv) Costs associated with the secondary public offering of common stock held by certain shareholders of the Company, as well as costs incurred by us in connection with establishment of our public company compliance structure and processes, including consultant costs.

(b) ***Purchase accounting adjustment costs***

Adjusted EBITDA is calculated prior to considering adjustments for the effect of the purchase accounting step-up in the value of inventory to fair value recognized in cost of goods sold as a result of the acquisition of the Mar Cor Business. See Note 4, "Acquisitions," in Part II, Item 8 of this Report for further detail.

(c) ***Share-based compensation***

Adjusted EBITDA is calculated prior to considering share-based compensation expenses related to equity awards. See Note 18, "Share-Based Compensation" in Part II, Item 8 of this Annual Report for further detail.

(d) ***Transaction related costs***

Adjusted EBITDA is calculated prior to considering transaction, integration and restructuring costs associated with business combinations because these costs are unique to each transaction and represent costs that were incurred as a result of the transaction decision. Integration and restructuring costs associated with a business combination may occur over several years and include, but are not limited to, consulting fees, legal fees, certain employee-related costs, facility consolidation and product rationalization costs, and fair value changes associated with contingent consideration.

(e) ***Other losses, (gains) and expenses***

Adjusted EBITDA is calculated prior to considering certain other significant losses, (gains), and expenses. For the periods presented such events include the following:

(i) impact of foreign exchange gains and losses;

(ii) charges incurred by the Company related to product rationalization in its electrochlorination business;

(iii) amounts related to the sale of the Memcor product line;

(iv) expenses incurred by the Company as a result of the COVID-19 pandemic, including additional charges for personal protective equipment, increased costs for facility sanitization and one-time payments to certain employees;

(v) legal fees incurred in excess of amounts covered by the Company's insurance related to securities litigation and SEC investigation matters; and

(vi) loss on divestiture of the Lange Product Line.

We do not present net income on a segment basis because we do not allocate interest expense or income tax benefit (expense) to our segments, making operating profit the most comparable GAAP metric. The following is a reconciliation of our segment EBITDA and segment adjusted EBITDA to segment operating profit, their most directly comparable financial measure presented in accordance with GAAP:

	Year Ended September 30,				$ Variance		% Variance	
	2022		2021					
	Integrated Solutions and Services	Applied Product Technologies	Integrated Solutions and Services	Applied Product Technologies	Integrated Solutions and Services	Applied Product Technologies	Integrated Solutions and Services	Applied Product Technologies
Operating profit	$ 165.6	$ 103.1	$ 147.3	$ 82.9	$ 18.3	$ 20.2	12.4 %	24.4 %
Depreciation and amortization	83.8	13.9	70.6	14.4	13.2	(0.5)	18.7 %	(3.5)%
EBITDA	249.4	117.0	217.9	97.3	$ 31.5	$ 19.7	14.5 %	20.2 %
Restructuring and related business transformation costs (a)	2.6	2.7	1.8	5.9	0.8	(3.2)	44.4 %	(54.2)%
Purchase accounting adjustment costs (b)	4.2	—	—	—	4.2	—	n/a	n/a
Transaction costs (c)	2.8	—	(0.6)	(0.1)	3.4	0.1	(566.7)%	(100.0)%
Other (gains) losses and expenses (d)	—	—	0.2	2.6	(0.2)	(2.6)	(100.0)%	(100.0)%
Segment adjusted EBITDA	$ 259.0	$ 119.7	$ 219.3	$ 105.7	$ 39.7	$ 14.0	18.1 %	13.2 %

(a) Represents costs and expenses in connection with restructuring initiatives. Such expenses are primarily composed of severance, relocation, and facility consolidation costs.

(b) Represents adjustments for the effect of the purchase accounting step-up in the value of inventory to fair value recognized in cost of goods sold as a result of the acquisition of the Mar Cor Business, as well as other transaction related costs for acquisitions made in the current period.

(c) Represents costs associated with a change in the current estimate of certain acquisitions achieving their earn-out targets as well as other costs associated with acquisitions completed during the period.

(d) Other losses, (gains) and expenses as discussed above, distinct to our Integrated Solutions and Services and Applied Product Technologies segments include the following:

 (i) trailing costs from the sale of the Memcor product line;

 (ii) charges incurred by the Company related to product rationalization in its electro-chlorination business; and

 (iii) loss on divestiture of the Lange product line.

Liquidity and Capital Resources

Liquidity describes the ability of a company to borrow or generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, other commitments, and contractual obligations. Our principal sources of liquidity are cash generated by our operating activities, borrowings under the 2021 Revolving Credit Facility and financing arrangements related to capital expenditures for equipment used to provide services to our customers. Historically, we have financed our operations primarily from these sources. Our primary cash needs are for day-to-day operations, to pay interest and principal on our indebtedness, to fund working capital requirements and to make capital expenditures.

Our ability to fund our capital needs depends on our ongoing ability to generate cash from operations and access bank financing and the capital markets. In support of international operations, portions of our cash balances are held in various

currencies and may be subject to foreign currency translation and other costs associated with repatriation, if necessary. Neither moderate increases in net working capital nor macroeconomic conditions have materially impacted our liquidity to date. In addition, we do not believe that our exposure to rising interest rates will have a material impact on our business, financial condition, results of operations, or prospects, and we plan to continue to evaluate aspects of our spending, including capital expenditures, discretionary spending, and strategic investments in fiscal 2023. We believe we are currently well-positioned to manage our business and have the ability and sufficient capacity to meet our cash requirements by using available cash, internally generated funds, and borrowing under the 2021 Revolving Credit Facility.

As part of our ongoing efforts to improve our cash flow and related liquidity, we work with suppliers to optimize our terms and conditions, including occasionally extending payment terms. We also facilitate a voluntary supply chain finance program (the "program") to provide certain of our suppliers with the opportunity to sell receivables due from us to participating financial institutions at the sole discretion of both the suppliers and the financial institutions. A third party administers the program; our responsibility is limited to making payments on the terms originally negotiated with our supplier, regardless of whether the supplier sells its receivable to a financial institution. We do not enter into agreements with any of the participating financial institutions in connection with the program. The range of payment terms we negotiate with our suppliers is consistent, irrespective of whether a supplier participates in the program. The amounts settled through the program and paid to participating financial institutions were $92.9 million and $42.0 million in the year ended September 30, 2022 and 2021, respectively. A downgrade in our credit rating or changes in the financial markets could limit the financial institutions' willingness to commit to participating in the program.

We expect to continue to finance our liquidity requirements through internally generated funds and borrowings under the 2021 Revolving Credit Facility. We believe that our projected cash flows generated from operations, together with borrowings under the 2021 Revolving Credit Facility and other financing arrangements are sufficient to fund our short-term and long-term principal debt payments, interest expense, working capital needs, and expected capital expenditures. Our capital expenditures for the year ended September 30, 2022 and 2021 were $82.0 million and $75.3 million, respectively. However, our budgeted capital expenditures can vary from period to period based on the nature of capital intensive project awards. Our focus on customer outsourced water projects will continue to be a driver of capital expenditures. From time to time, we may enter into financing arrangements related to capital expenditures for equipment used to provide services to our customers. During the years ended September 30, 2022 and 2021, we entered into equipment financing arrangements totaling $36.4 million and $37.5 million, respectively. In addition, we may draw on the 2021 Revolving Credit Facility from time to time to fund or partially fund an acquisition.

As of September 30, 2022, we had total indebtedness of $890.7 million, including $469.1 million of term loan borrowings under the 2021 Credit Agreement, $151.3 million outstanding under the 2021 Revolving Credit Facility, $150.2 million outstanding under the Securitization Facility which includes $0.2 million of accrued interest and $120.2 million in borrowings related to equipment financing. We also had $9.3 million of letters of credit issued under our 2021 Revolving Credit Facility as of September 30, 2022.

As of September 30, 2022 and September 30, 2021, we were in compliance with the covenants contained in the 2021 Credit Agreement, including the 2021 Revolving Credit Facility.

2021 Credit Agreement

On April 1, 2021, EWT III entered into a Credit Agreement (the “2021 Credit Agreement”) among EWT III, as borrower, EWT II, as parent guarantor, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and ING Capital, LLC, as sustainability coordinator. The 2021 Credit Agreement provides for a multi-currency senior secured revolving credit facility in an aggregate principal amount not to exceed the U.S. dollar equivalent of $350.0 million (the “2021 Revolving Credit Facility”) and a discounted senior secured term loan (the “2021 Term Loan”) in the amount of $475.0 million (together with the 2021 Revolving Credit Facility, the “Senior Facilities”). The 2021 Credit Agreement also provides for a letter of credit sub-facility not to exceed $60.0 million.

The 2021 Credit Agreement contains customary representations, warranties, affirmative covenants, and negative covenants, including, among other things, a springing maximum first lien leverage ratio of 5.55 to 1.00. The Company did not exceed this ratio during the year ended September 30, 2022, does not anticipate exceeding this ratio during the year ending September 30, 2023, and therefore does not anticipate any additional repayments during the year ending September 30, 2023.

Receivables Securitization Program

On April 1, 2021, Evoqua Finance LLC (“Evoqua Finance”), an indirect wholly-owned subsidiary of the Company, entered into an accounts receivable securitization program (the “Receivables Securitization Program”) consisting of, among other agreements, (i) a Receivables Financing Agreement (the “Receivables Financing Agreement”) among Evoqua Finance, as the borrower, the lenders from time to time party thereto (the “Receivables Financing Lenders”), PNC Bank, National Association (“PNC Bank”), as administrative agent, EWT LLC, as initial servicer, and PNC Capital Markets LLC (“PNC Markets”), as structuring agent, pursuant to which the lenders have made available to Evoqua Finance a receivables finance facility (the “Securitization Facility”) in an amount up to $150.0 million and (ii) a Sale and Contribution Agreement (the “Sale Agreement”) among Evoqua Finance, as purchaser, EWT LLC, as initial servicer and as an originator, and Neptune Benson, Inc., an indirectly wholly-owned subsidiary of the Company, as an originator (together with EWT LLC, the “Originators”). Under the Receivables Securitization Program, the Originators, pursuant to the Sale Agreement, are required to sell substantially all of their domestic trade receivables and certain related rights to payment and obligations of the Originators with respect to such receivables (the “Receivables”) to Evoqua Finance, which, in turn, will obtain loans secured by the Receivables from the Receivables Financing Lenders pursuant to the Receivables Financing Agreement. The Receivables underlying any borrowings will continue to be included in Accounts receivable, net, in the Consolidated Balance Sheets of the Company.

The Receivables Securitization Program contains certain customary representations, warranties, affirmative covenants, and negative covenants, subject to certain cure periods in some cases, including the eligibility of the Receivables being sold by the Originators and securing the loans made by the Receivables Financing Lenders, as well as customary reserve requirements, events of default, termination events, and servicer defaults. The Company was in compliance with all covenants during the year ended September 30, 2022, does not anticipate becoming noncompliant during fiscal 2023, and therefore, subject to collateral availability, does not anticipate any additional repayments during fiscal 2023.

Contractual Obligations

We enter into long-term obligations and commitments in the normal course of business, primarily debt obligations and non-cancelable operating leases. As of September 30, 2022, our contractual cash obligations over the next several periods were as follows:

(In millions)	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Long-term debt obligations[a]	$ 890.7	$ 19.1	$ 187.4	$ 194.8	$ 489.4
Interest payments on long-term debt obligations	139.8	33.7	55.5	39.1	11.5
Operating lease commitments[b]	64.4	17.0	27.5	15.1	4.8
Finance lease commitments[c]	41.8	14.2	20.4	7.0	0.2
Total	$ 1,136.7	$ 84.0	$ 290.8	$ 256.0	$ 505.9

(a) The amounts shown in this table do not include any net reductions for deferred financing fees. The amounts for current and long-term debt shown on the Consolidated Balance Sheets are net of deferred financing fees.

(b) We occupy certain facilities and operate certain equipment and vehicles under non-cancelable lease arrangements. Lease agreements may contain lease escalation clauses and purchase and renewal options. We recognize scheduled lease escalation clauses over the course of the applicable lease term on a straight-line basis.

(c) We lease certain equipment classified as finance leases. The leased equipment is depreciated on a straight line basis over the life of the lease and is included in depreciation expense.

Evoqua Water Technologies Corp. is a holding company and does not conduct any business operations of its own. As a result, our ability to pay cash dividends on our common stock, if any, is dependent upon cash dividends and distributions and other transfers from our operating subsidiaries. Under the terms of the 2021 Credit Agreement, our operating subsidiaries are currently limited in their ability to pay cash dividends to us, and we expect these limitations to continue in the future under the terms of any future credit agreement or any future debt or preferred equity securities of ours or of our subsidiaries.

Our indebtedness could adversely affect our ability to raise additional capital, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk and prevent us from meeting our obligations. See Part I, Item 1A, “Risk Factors-Our substantial indebtedness could adversely affect our financial condition and limit our ability to raise additional capital to fund our operations.”

Cash Flows

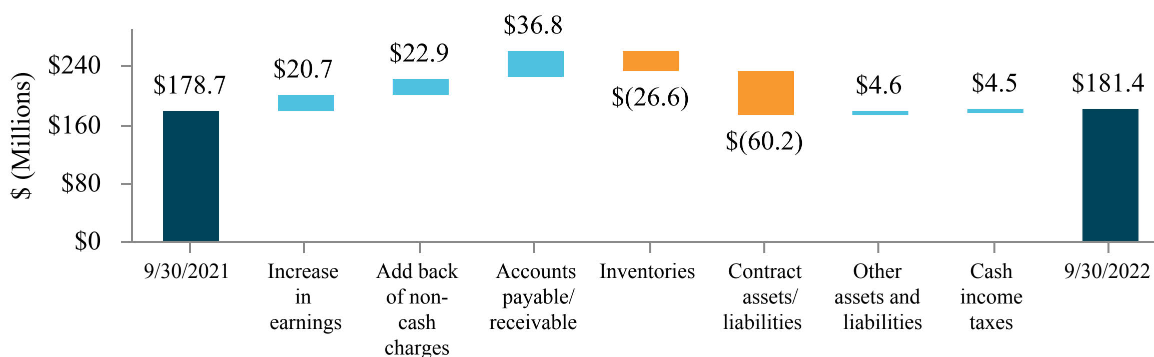
The following table summarizes the changes to our cash flows for the periods presented:

	Year Ended September 30,		
(In millions)	2022	2021	2020
Statement of Cash Flows Data			
Net cash provided by operating activities	$ 181.4	$ 178.7	$ 177.0
Net cash (used in) provided by investing activities	(310.7)	(97.2)	12.0
Net cash provided by (used in) financing activities	125.5	(130.3)	(108.1)
Effect of exchange rate changes on cash	(8.4)	2.0	2.2
Change in cash and cash equivalents	$ (12.2)	$ (46.8)	$ 83.1

Operating Activities

Cash flows from operating activities can fluctuate significantly from period-to-period as working capital needs and the timing of payments for restructuring activities and other items impact reported cash flows.

Net cash provided by operating activities increased to $181.4 million in the year ended September 30, 2022 from $178.7 million in the year ended September 30, 2021.



- Operating cash flows in the year ended September 30, 2022 reflect an increase in net income of $20.7 million from the year ended September 30, 2021.
- The add back of non-cash charges increased operating cash flows by $153.4 million for the year ended September 30, 2022 as compared to an increase to operating cash flows of $130.5 million for the year ended September 30, 2021, resulting in an increase of $22.9 million. This increase was primarily related to the add back of foreign currency losses in the current period, compared to the deduction of foreign currency gains in the prior period, as well as an increase in depreciation and amortization and share-based compensation expenses in the current period. This was partially offset by a reversal of the U.S. valuation allowance in the current period, which resulted in a decrease in add backs associated with deferred income taxes compared to the prior period. Non-cash changes also include amortization of deferred financing fees, gains and losses on sale of businesses, and gains and losses on sale of property, plant, and equipment.
- The aggregate of receivables, inventories, contract assets, accounts payable and contract billings used $32.6 million in operating cash flows in the year ended September 30, 2022 compared to the providing of $17.4 million in the prior year.

  The amount of cash flow generated from or used by the above mentioned accounts depends upon how effectively we manage our cash conversion cycle, which is a representation of the number of days that elapse from the date of purchase of raw materials and components to the collection of cash from customers. Our cash conversion cycle can be significantly impacted by the timing of collections and payments in a period.
- The aggregate of the remaining assets and liabilities used $14.2 million in operating cash flows in the year ended September 30, 2022 compared to the use of $18.8 million in operating cash flows in the prior year, resulting in an increase to cash flows of $4.6 million. This is mainly due to timing of cash receipts on long-term receivables.
- Cash income taxes provided $2.4 million for the year end September 30, 2022, as compared to the use of $2.1 million during the prior year.

Investing Activities

Net cash used in investing activities was $310.7 million in the year ended September 30, 2022, as compared to net cash used in investing activities of $97.2 million in the year ended September 30, 2021, resulting in a net decrease to cash flow of $213.5 million as compared to the prior year period. This decrease was largely driven by cash outflow associated with the acquisitions of the Mar Cor Business, Smith Engineering, and Epicor, as well as the acquisitions of the remaining interest of Frontier and TWO in the current period as compared to the Ultrapure and WCSI acquisitions that occurred in the prior period. This decrease was also driven by higher cash outflow associated with purchase of capital assets compared to the prior period. Other activity related to purchases of intangible assets, proceeds from the sale of businesses, and proceeds from the sale of property, plant and equipment remained relatively consistent with the prior period.

Financing Activities

Net cash provided by financing activities increased $255.8 million to $125.5 million in the year ended September 30, 2022 from net cash used in financing activities of $130.3 million in the year ended September 30, 2021. The increase was primarily due to the debt refinancing activities that occurred in the prior period, as well as an increased issuance of debt compared to the prior period. This increase was partially offset by an increase of taxes paid related to net share settlements of share-based compensation awards compared to the prior period. Lastly, cash received from the issuance of common stock in connection with the exercise of stock options declined compared to the prior period.

Seasonality

For more information regarding how seasonality may impact our business, results of operations and financial condition, see Part I, Item 1A. "Risk Factors-Seasonality of sales and weather conditions may adversely affect, or cause volatility in, our financial results."

Seasonal trends historically displayed by our business could be impacted by macroeconomic conditions, including supply chain disruption or recessionary conditions , and past performance should not be considered indicative of future results.

Off-Balance Sheet Arrangements

We had the following outstanding under our credit arrangements at September 30, 2022 and September 30, 2021:

(In millions)	**September 30, 2022**	**September 30, 2021**
Letters of credit	$ 9.3	$ 10.1
Surety bonds	$ 134.0	$ 147.8

The longest maturity date of the letters of credit and surety bonds in effect as of September 30, 2022 was March 20, 2030.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions about future events that affect amounts reported in our Consolidated Financial Statements and related notes, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Management evaluates its accounting policies, estimates and judgments on an on-going basis. Management bases its estimates and judgments on historical experience, current trends and various other factors that are believed to be relevant at the time Consolidated Financial Statements are prepared. Actual results may differ from these estimates under different assumptions and conditions.

Management evaluated the development and selection of its critical accounting policies and estimates and believes that the following involve a higher degree of judgment, complexity or uncertainty and are most significant to reporting our results of operations and financial position, and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our Consolidated Financial Statements. More information on all of our significant accounting policies can be found in Note 2, "Summary of Significant Accounting Policies*"* in Part II, Item 8 of this Annual Report.

Acquisitions and Purchase Price Allocation

We evaluate the inputs, processes and outputs of each asset acquired to determine if the transaction meets the definition of a business in accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"). Acquisitions that do not meet the definition of a business are accounted for as an asset acquisition. In asset acquisitions, we allocate the purchase price as well as other costs of acquisition, such as transaction costs, to tangible and identifiable intangible assets or liabilities based on the basis of relative fair values. No goodwill is recognized in an asset acquisition.

We record acquisitions that meet the definition of a business using the acquisition method of accounting in accordance with ASC 805, which requires that the assets acquired and liabilities assumed, including contingent consideration, be recorded at their respective fair values at the acquisition date. The excess of the purchase price over the estimated fair values of the net tangible and intangible assets acquired is recorded as goodwill. The application of the acquisition method of accounting requires management to make significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed, in order to properly allocate purchase price consideration. These assumptions and estimates include a market participant's use of the asset and the appropriate discount rates for a market participant. Our estimates are based on historical experience, information obtained from members of management of the acquired companies and with the assistance of independent third-party appraisal firms. Significant assumptions and estimates include quoted market prices, carrying values, and expected future cash flows, which includes consideration of future growth rates and margins, attrition rates, future changes in technology and brand awareness, loyalty, and the appropriate weighted-average cost of capital and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unanticipated events and circumstances may occur which could affect the accuracy or validity of estimates used in purchase accounting. The purchase price allocation recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

We record contingent consideration arrangements at fair value on a recurring basis as earn-outs related to acquisitions. The fair value of earn-outs related to acquisitions is based on significant unobservable inputs including the achievement of certain performance metrics. Significant changes in these inputs would result in corresponding increases or decreases in the fair value of the earn-out each period until the related contingency has been resolved. Changes in the fair value of the contingent consideration obligations can result from adjustments in the probability of achieving future development steps, sales targets and profitability and are recorded in General and administrative expenses in the Consolidated Statements of Operations.

Goodwill Impairment Review

We review goodwill to determine potential impairment annually during the fourth quarter of our fiscal year, or more frequently if events and circumstances indicate that the asset might be impaired. Impairment testing for goodwill is performed at a reporting unit level. A reporting unit is defined as an operating segment or one level below the operating segment. We have determined that we have three reporting units.

The fair values of reporting units are determined using a combination of two methods, one utilizing market revenue and earnings multiples derived from stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market applied to the corresponding measure of our reporting unit's financial performance (the market approach - guideline public company ("GPC") method), and the other derived from discounted cash flow models with estimated cash flows based on internal forecasts of revenue and expenses over a specified period plus a terminal value (the income approach discounted cash flows ("DCF") method). In estimating the fair value of the reporting unit utilizing a DCF valuation technique, we incorporate our judgment and estimates of future cash flows,

future revenue and gross profit growth rates, terminal value amount, capital expenditures and applicable weighted-average cost of capital used to discount these estimated cash flows. The estimates and projections used in the estimate of fair value are consistent with our current budget and long-range plans, including anticipated change in market conditions, industry trends, growth rates and planned capital expenditures, among other considerations.

We believe these two approaches are appropriate valuation techniques and we generally weight the two resulting values equally as an estimate of a reporting unit's fair value for the purposes of our impairment testing. However, we may weigh one value more heavily than the other when conditions merit doing so. If market conditions change compared to those used in our market approach, or if actual future results of operations fall below the projections used in the DCF method, our goodwill could become impaired in the future. As a result of our goodwill impairment assessment, we have concluded that none of our goodwill was impaired as of September 30, 2022, and we do not believe the risk of impairment is significant at this time.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of an asset based on indicators of reduced profits or losses generated by the asset or asset group, a product recall, or an adverse action by a regulator, such as a successful challenge of patent rights.

When necessary, we record charges for impairments of long-lived assets for the amount by which the fair value is less than the carrying value of the asset or asset group. Fair value of long-lived assets is determined using an appraised value (obtained with the assistance of independent third-party appraisal firms) or using an income approach, specifically the discounted cash flow method. Starting with a forecast of the expected future net cash flows associated with an asset or group of assets, we then apply an asset-specific discount rate to arrive at a net present value amount. There were no material impairments of long-lived assets recorded in the current year.

We amortize long-lived assets with finite lives over their estimated useful lives on a straight-line basis. This amortization methodology best matches the pattern of economic benefit that is expected from definite-lived assets.

Revenue Recognition

For sales of aftermarket parts or products with a low level of customization and engineering time, the Company recognizes revenue at the time risks and rewards of ownership pass, which is generally when products are shipped or delivered to the customer as the Company has no obligation for installation. The Company considers shipping and handling services to be fulfillment activities and as such they do not represent separate performance obligations for revenue recognition. Sales of short-term service arrangements are recognized as the services are performed, and sales of long-term service arrangements are typically recognized on a straight-line basis over the life of the agreement.

For certain arrangements where there is significant customization to the product and for long-term construction-type sales contracts, revenue may be recognized over time as performance is completed. In these instances, revenue is recognized using a measure of progress that applies an input method based on costs incurred in relation to total estimated costs at completion (the percentage-of-completion method). These arrangements include large water treatment projects, systems, and solutions for municipal and industrial applications. The nature of the contracts is generally fixed price with milestone billings. In order for revenue to be recognized over a period of time, the product must have no alternative use and the Company must have an enforceable right to payment for the performance completed to date, including a normal profit margin, in the event of termination for convenience. If these two criteria are not met, revenue from these contracts will not be recognized until construction is complete. Contract costs include all direct materials, labor, subcontractors costs and indirect costs related to contract performance. We believe this is the most accurate measure of contract performance because it directly measures the value of the goods and services transferred to the customer.

The percentage-of-completion method of revenue recognition requires us to prepare estimates of cost to complete for contracts in progress. Due to the nature of the work performed on many of our performance obligations, the estimates of total revenue and cost at completion is complex, subject to many variables and may require significant judgment. In making such estimates, judgments are required to evaluate contingencies such as weather, potential variances in schedule and the cost of materials, labor cost and productivity, the impact of change orders, liability claims, contract disputes and achievement of contractual performance standards. As a significant change in one or more of these estimates could affect the profitability of our contracts, we routinely review and update our significant contract estimates through a disciplined project review process in which management reviews the progress and execution of our performance obligations and estimates at completion. Contract revenue and cost estimates are reviewed and revised monthly and the cumulative effect of such adjustments are recognized in current operations. Such changes in contract estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in a prior period. Changes in contract estimates may also result in the reversal of previously recognized revenue if the current estimate differs from the previous estimate. The amount of such adjustments has not been material.

For contracts with multiple performance obligations, we allocate the transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. In cases where we do not provide the distinct good or service on a standalone basis, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service. Our contracts are sometimes modified for changes in contract specifications and requirements. Judgment is required to determine if such modifications result in goods or services that are distinct from the existing contract. For customized products and long-term construction type contracts, most contract modifications are for goods and services that are not distinct due to the significant integration provided in the context of the contract and are accounted for as if they were part of the original contract on a cumulative catch-up basis. We account for contract modifications prospectively when it results in the promise to deliver additional goods and services that are distinct and the increase in price of the contract is for the same amount as the stand-alone selling price of the additional goods or services included in the modification.

Our contracts sometimes contain variable consideration in the form of incentive fees, performance bonuses, award fees, liquidated damages, or penalties. Other contract provisions also give rise to variable consideration such as claims and unpriced change orders that may either increase or decrease the transaction price. We estimate the amount of variable consideration at the most likely amount we expect to be entitled. Variable consideration is included in the transaction price when it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include such amounts in the transaction price are based largely on our assessment of legal enforceability, anticipated performance, and any other information (historical, current, or forecasted) that is reasonably available to us. Variable consideration associated with claims and unapproved change orders is included in the transaction price only to the extent of costs incurred.

Product Warranties

Accruals for estimated expenses related to warranties are made at the time products are sold and are recorded as a component of cost of product sales in the Consolidated Statements of Operations in our Consolidated Financial Statements included elsewhere in this Annual Report. The estimated warranty obligation is based on product warranty terms offered to customers, ongoing product failure rates, material usage and service delivery costs expected to be incurred in correcting a product failure, as well as specific obligations for known failures and other currently available evidence. We assess the adequacy of the recorded warranty liabilities on a regular basis and adjust amounts as necessary.

Deferred Taxes, Valuation Allowances, and Tax Contingencies

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in our Consolidated Financial Statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We record a valuation allowance to reduce certain deferred tax

assets to amounts that are more-likely-than-not to be realized within a reasonable period of time. The factors used to assess the likelihood of realization include our forecast of future taxable income exclusive of reversing temporary differences and carryforwards, future reversals of existing taxable temporary differences and available tax planning strategies that could be implemented to realize the net deferred tax assets.

We consider both positive and negative evidence when evaluating the need for a valuation allowance on our deferred tax assets in accordance with ASC 740, *Income Taxes*. Available evidence includes historical financial information supplemented by currently available information about future years. Generally, historical financial information is more objectively verifiable than projections of future income and is therefore given more weight in our assessment. We consider cumulative losses in the most recent twelve quarters to be significant negative evidence that is difficult to overcome in considering whether a valuation allowance is required. Conversely, we consider a cumulative income position over the most recent twelve quarters, to be significant positive evidence that a valuation allowance may not be required.

Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Uncertain tax positions are reviewed each balance sheet date. We recognize potential interest and penalties related to unrecognized tax benefits in income tax expense.

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies" in Item 8, included in this Annual Report for a complete discussion of recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We have market risk exposure arising from changes in interest rates on our senior secured credit facilities, which bear interest at rates that are benchmarked against LIBOR. Based on our overall interest rate exposure to variable rate debt outstanding as of September 30, 2022, a 1% increase or decrease in interest rates would decrease or increase income before income taxes by approximately $2.7 million, including the impact of interest rate swaps. By comparison, a 1% increase or decrease in interest rates would have decreased or increased income before income taxes by approximately $1.8 million, including the impact of interest rate swaps, as of September 30, 2021 based on our overall interest rate exposure to variable rate debt outstanding as of that date.

During the year ended September 30, 2022, the Company entered into two interest rate swaps to mitigate risk associated with variable rate equipment financings. The first of which has a notional amount of $31 million, an effective date of August 1, 2022 with a term of seven years and provides for a fixed rate of 5.25%. The second of which has a notional amount of $9 million, an effective date of January 3, 2023 with a term of seven years and provides for a fixed rate of 5.74%. As of September 30, 2022 and 2021 the total notional amount of interest rate swaps was $540 million and $500 million, respectively.

Impact of Inflation and Tariffs

Our results of operations and financial condition are presented based on historical cost. Our financial results can be expected to be directly impacted by substantial increases in costs due to commodity cost increases, general inflation, and tariffs, which could lead to a reduction in our revenue as well as decreased margins, as increased costs may not be able to be passed on to customers. We cannot provide any assurance that our results of operations and financial condition will not be materially impacted by inflation in the future. The Company engages in activities to adjust pricing practices with customers to attempt to mitigate the inflationary cost impact incurred. Additionally, while we have experienced supply

chain disruptions, to date we have managed restrictions in material availability, delays in shipments or disruptions associated with finding and qualifying alternate suppliers in order to maintain our ability to fulfill customer requirements.

Foreign Currency Risk

We have global operations and therefore enter into transactions denominated in various foreign currencies. While we believe we are not susceptible to any material cash impact on our results of operations caused by fluctuations in exchange rates because our operations are primarily conducted in the U.S., if we expand our foreign operations in the future, substantial increases or decreases in the value of the U.S. dollar relative to these other currencies could have a significant impact on our results of operations.

To mitigate cross-currency transaction risk, we analyze significant exposures where we have receipts or payments in a currency other than the functional currency of our operations, and from time to time we may strategically enter into short-term foreign currency forward contracts to lock in some or all of the cash flows associated with these transactions. We use short-term foreign currency forward contracts and swaps to mitigate the impact of foreign exchange fluctuations on consolidated earnings. We use foreign currency derivative contracts in order to manage the effect of exchange fluctuations on forecasted sales, purchases, acquisitions, inventory, capital expenditures and certain intercompany transactions that are denominated in foreign currencies. We do not use derivative financial instruments for trading or speculative purposes.

Additionally, we are subject to foreign exchange translation risk due to changes in the value of foreign currencies in relation to our reporting currency, the U.S. Dollar. At this time the Company's translation risk is primarily concentrated in the exchange rate between the U.S. Dollar and the Euro due to intercompany loans denominated in Euro used to facilitate the capital requirements of our non-U.S. subsidiaries. As the U.S. Dollar strengthens against the Euro, income will generally be negatively impacted, and as the U.S. Dollar weakens, income will generally be positively impacted. At this time these are non-cash impacts. We manage our worldwide cash requirements in accordance with availability in multiple jurisdictions and effectiveness with which those funds can be accessed. As a result, we may access cash from among international subsidiaries and the U.S. when it is cost effective to do so. We continually review our domestic and foreign cash profile, expected future cash generation and investment opportunities and reassess whether there is a need to repatriate funds held internationally to support our U.S. operations. Accordingly, we do not expect translation risk to have a material economic impact on our financial positions or results of operations. Based on our overall foreign currency translation risk exposure related to intercompany loans denominated in Euro as of September 30, 2022, a 1% increase or decrease in the Euro to U.S. Dollar exchange rate would decrease or increase income (loss) before income taxes by approximately $0.9 million. By comparison, a 1% increase or decrease in the Euro to U.S. Dollar exchange rate would have decreased or increased income (loss) before income taxes by approximately $1.0 million as of September 30, 2021.

Equity Price Risk

We are exposed to variability in compensation charges related to certain deferred compensation obligations to employees. Equity price movements affect the compensation expense as certain investments made by our employees in the deferred compensation plan are revalued. Although not designated as accounting hedges, we utilize derivatives such as total return swaps to economically hedge a portion of this exposure and offset the related compensation expense. As of September 30, 2022 and 2021, the notional amount of the total return swaps was $5.6 million and $4.5 million, respectively.

Item 8. Financial Statements and Supplementary Data

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Evoqua Water Technologies Corp.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Evoqua Water Technologies Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Evoqua Water Technologies Corp. (the Company) as of September 30, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), changes in equity and changes in cash flows for each of the three years in the period ended September 30, 2022, and the related notes and the financial statement schedule listed in the Index at Item 15(a)1 to the consolidated financial statements (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 16, 2022 expressed an unqualified opinion thereon.

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 consolidated 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.

Revenue recognition - contract cost estimates

Description of the Matter	As explained in Notes 2 and 5 to the consolidated financial statements, when there is significant customization to the products associated with large water treatment projects for municipal and industrial applications, the Company recognizes revenue as performance is completed, using a measure of progress based on costs incurred in relation to estimated costs at completion. Because these estimates are subject to change during the performance of the contract, significant changes in estimates could have a material effect on the Company's results of operations. Auditing the total cost estimates for projects where there is significant customization requires complex auditor judgment because of the significant management judgment necessary to develop the estimated total materials and labor costs at completion due to the size, uniqueness of and identified risks for each contract.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of relevant internal controls over the Company's process relating to the determination of cost estimates for projects involving significant customer customization. For example, we evaluated the design and tested the operating effectiveness of controls over management's review of the assumptions and data utilized to estimate costs to complete and the accumulation of actual costs incurred. To test the total cost estimation for projects, our audit procedures included, among others, obtaining an understanding of the contract, assessing management's initial total cost estimate, including the materials and labor inputs for a sample of projects, as well as testing the detail of updates made to cost estimates. We analyzed cost estimates, including management's evaluation of contract clauses and inputs used in cost calculations and assessed the measurement of project completion by performing a physical or virtual site inspection for a sample of in-progress contracts to assess estimates of project progress. Further, we tested cost accumulation for a sample of projects through performing physical and virtual site inspections to assess estimates of project progress, which included performing inquiries of project managers and controllers, as well as through agreement to contract summary data and testing of a sample of costs incurred by comparing amounts recorded to source documents and contracts. We also performed a retrospective review of management's cost estimates for a sample of completed contracts by comparing initial estimates with the actual historical data to assess management's ability to estimate.

Valuation of customer relationships intangible assets in the acquisition of the Mar Cor Business

Description of the Matter	As more fully described in Note 4 to the consolidated financial statements, on January 3, 2022 the Company completed its acquisition of the Mar Cor Business for a total purchase price of $196.3 million. The acquisition of the Mar Cor Business was accounted for using the acquisition method of accounting which requires the assets acquired and liabilities assumed to be recognized at their respective fair values as of the acquisition date. Auditing the Company’s accounting for its acquisition of the Mar Cor Business was complex due to the higher estimation uncertainty involved in estimating the fair value of certain customer relationships intangible assets. The Company used the income approach through a discounted cash flow analysis to value the customer relationships intangible assets. The significant assumptions used to estimate the fair value of the customer relationships intangible assets were revenue growth and EBITDA margin. These significant assumptions are forward-looking and could be affected by future economic and market conditions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company’s controls over its accounting for the acquisition of the Mar Cor Business. For example, we tested controls that address the risks of material misstatement relating to the valuation of the customer relationships intangible assets, including management’s review of the method and significant assumptions used to develop such estimates. To test the estimated fair value of the acquired customer relationships intangible assets, our audit procedures included, among others, evaluating the valuation methodology used, evaluating the significant assumptions discussed above, and evaluating the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. For the revenue growth and EBITDA margin assumptions, we compared the financial projections to current industry and economic trends, the historical and post-acquisition financial performance of the Mar Cor Business and the Company’s history with projections. We also performed sensitivity analyses to evaluate the changes in the fair value of the customer relationships intangible assets that would result from changes in the significant assumptions. We involved our valuation specialist to assist in evaluating the methodology used to estimate the fair value of the customer relationships intangible assets.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2013.

Pittsburgh, Pennsylvania

November 16, 2022

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Evoqua Water Technologies Corp.

Opinion on Internal Control over Financial Reporting

We have audited Evoqua Water Technologies Corp.'s internal control over financial reporting as of September 30, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Evoqua Water Technologies Corp. (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the Mar Cor Business and Smith Engineering, which are included in the 2022 consolidated financial statements of the Company and constituted 11% of total assets as of September 30, 2022 and 7.7% of net sales for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of the Mar Cor Business and Smith Engineering.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 30, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), changes in equity and changes in cash flows for each of the three years in the period ended September 30, 2022, and the related notes and the financial statement schedule listed in the Index at Item 15(a)1 to the consolidated financial statements and our report dated November 16, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying 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/ Ernst & Young LLP

Pittsburgh, Pennsylvania

November 16, 2022

Evoqua Water Technologies Corp.
Consolidated Balance Sheets

(In thousands)

	September 30, 2022	September 30, 2021
ASSETS		
Current assets	$ 831,389	$ 678,458
Cash and cash equivalents	134,005	146,244
Receivables, net	305,712	277,995
Inventories, net	229,351	158,503
Contract assets	102,123	72,746
Prepaid and other current assets	59,971	21,871
Income tax receivable	227	1,099
Property, plant, and equipment, net	405,289	374,988
Goodwill	473,572	407,376
Intangible assets, net	317,733	290,075
Deferred income taxes, net of valuation allowance	5,841	8,285
Operating lease right-of-use assets, net	53,540	45,521
Other non-current assets	103,499	64,188
Total assets	**$ 2,190,863**	**$ 1,868,891**
LIABILITIES AND EQUITY		
Current liabilities	$ 483,716	$ 405,989
Accounts payable	213,518	164,535
Current portion of debt, net of deferred financing fees and discounts	17,266	12,775
Contract liabilities	62,439	55,883
Product warranties	6,740	8,138
Accrued expenses and other liabilities	178,272	160,367
Income tax payable	5,481	4,291
Non-current liabilities	$ 997,054	$ 880,683
Long-term debt, net of deferred financing fees and discounts	863,534	730,430
Product warranties	3,465	2,966
Obligation under operating leases	43,961	37,935
Other non-current liabilities	69,889	92,909
Deferred income taxes	16,205	16,443
Total liabilities	**$ 1,480,770**	**$ 1,286,672**
Commitments and Contingent Liabilities (Note 22)		
Shareholders' equity		
Common stock, par value $0.01: authorized 1,000,000 shares; issued 123,411 shares, outstanding 121,747 at September 30, 2022; issued 122,173 shares, outstanding 120,509 at September 30, 2021	1,235	1,223
Treasury stock: 1,664 shares at September 30, 2022 and 1,664 shares at September 30, 2021	(2,837)	(2,837)
Additional paid-in capital	607,748	582,052
Retained earnings (deficit)	61,016	(11,182)
Accumulated other comprehensive income, net of tax	42,931	11,415
Total Evoqua Water Technologies Corp. equity	**$ 710,093**	**$ 580,671**
Non-controlling interest	—	1,548
Total shareholders' equity	**$ 710,093**	**$ 582,219**
Total liabilities and shareholders' equity	**$ 2,190,863**	**$ 1,868,891**

See accompanying notes to these Consolidated Financial Statements

Evoqua Water Technologies Corp.
Consolidated Statements of Operations

(In thousands except per share data)

	Year Ended September 30,		
	2022	**2021**	**2020**
Revenue from product sales	$ 1,052,488	$ 861,026	$ 839,857
Revenue from services	684,588	603,403	589,599
Revenue from product sales and services	$ 1,737,076	$ 1,464,429	$ 1,429,456
Cost of product sales	(740,464)	(607,693)	(588,264)
Cost of services	(460,633)	(399,384)	(391,389)
Cost of product sales and services	$(1,201,097)	$(1,007,077)	$ (979,653)
Gross profit	**$ 535,979**	**$ 457,352**	**$ 449,803**
General and administrative expense	(260,550)	(206,455)	(192,597)
Sales and marketing expense	(161,303)	(143,110)	(136,167)
Research and development expense	(15,442)	(13,445)	(13,198)
Total operating expenses	$ (437,295)	$ (363,010)	$ (341,962)
Other operating income	5,726	5,743	61,662
Other operating expense	(417)	(768)	(1,055)
Income before interest expense and income taxes	$ 103,993	$ 99,317	$ 168,448
Interest expense	(34,680)	(37,575)	(46,682)
Income before income taxes	**$ 69,313**	**$ 61,742**	**$ 121,766**
Income tax benefit (expense)	3,030	(10,080)	(7,371)
Net income	**$ 72,343**	**$ 51,662**	**$ 114,395**
Net income attributable to non-controlling interest	**145**	**180**	**746**
Net income attributable to Evoqua Water Technologies Corp.	**$ 72,198**	**$ 51,482**	**$ 113,649**
Basic income per common share	$ 0.60	$ 0.43	$ 0.97
Diluted income per common share	$ 0.58	$ 0.42	$ 0.94

See accompanying notes to these Consolidated Financial Statements

Evoqua Water Technologies Corp.
Consolidated Statements of Comprehensive Income

(In thousands)

	Year Ended September 30,		
	2022	**2021**	**2020**
Net income	$ 72,343	$ 51,662	$ 114,395
Other comprehensive income (loss)			
Foreign currency translation adjustments	(9,370)	21,672	(2,830)
Unrealized derivative gain (loss) on cash flow hedges, net of tax	35,188	7,293	(4,717)
Change in pension liability, net of tax	5,698	2,922	79
Total other comprehensive income (loss)	$ 31,516	$ 31,887	$ (7,468)
Less: Comprehensive income attributable to non-controlling interest	(145)	(180)	(746)
Comprehensive income attributable to Evoqua Water Technologies Corp.	$ 103,714	$ 83,369	$ 106,181

See accompanying notes to these Consolidated Financial Statements

Evoqua Water Technologies Corp.
Consolidated Statements of Changes in Equity
(In thousands)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interest	Total
	Shares	Cost	Shares	Cost					
Balance at September 30, 2019	116,008	$ 1,154	1,664	$ (2,837)	$ 552,422	$(174,976)	$ (13,004)	$ 3,063	$ 365,822
Cumulative effect of adoption of new accounting standards	—	—	—	—	—	(1,337)	—	—	(1,337)
Equity based compensation expense	—	—	—	—	10,509	—	—	—	10,509
Issuance of common stock, net	3,478	35	531	—	18,892	—	—	—	18,927
Stock repurchases	—	—	—	—	—	—	—	—	—
Dividends paid to non-controlling interest	—	—	—	—	—	—	—	(1,890)	(1,890)
Divestiture of Memcor product line	—	—	—	—	(16,895)	—	—	—	(16,895)
Net income	—	—	—	—	—	113,649	—	746	114,395
Other comprehensive loss	—	—	—	—	—	—	(7,468)	—	(7,468)
Balance at September 30, 2020	119,486	$ 1,189	2,195	$ (2,837)	$ 564,928	$ (62,664)	$ (20,472)	$ 1,919	$ 482,063
Equity based compensation expense	—	—	—	—	15,524	—	—	—	15,524
Issuance of common stock, net	2,687	34	(531)	—	1,600	—	—	—	1,634
Stock repurchases	—	—	—	—	—	—	—	—	—
Dividends paid to non-controlling interest	—	—	—	—	—	—	—	(551)	(551)
Net income	—	—	—	—	—	51,482	—	180	51,662
Other comprehensive income	—	—	—	—	—	—	31,887	—	31,887
Balance at September 30, 2021	122,173	$ 1,223	1,664	$ (2,837)	$ 582,052	$ (11,182)	$ 11,415	$ 1,548	$ 582,219
Equity based compensation expense	—	—	—	—	22,104	—	—	—	22,104
Issuance of common stock, net	1,238	12	—	—	3,592	—	—	—	3,604
Dividends paid to non-controlling interest	—	—	—	—	—	—	—	(100)	(100)
Acquisition of non-controlling interest	—	—	—	—	—	—	—	(1,593)	(1,593)
Net income	—	—	—	—	—	72,198	—	145	72,343
Other comprehensive income	—	—	—	—	—	—	31,516	—	31,516
Balance at Balance at September 30, 2022	123,411	$ 1,235	1,664	$ (2,837)	$ 607,748	$ 61,016	$ 42,931	$ —	$ 710,093

See accompanying notes to these Consolidated Financial Statements

Evoqua Water Technologies Corp.
Consolidated Statements of Cash Flows

(In thousands)

	Year Ended September 30,		
	2022	**2021**	**2020**
Operating activities			
Net income	$ 72,343	$ 51,662	$ 114,395
Reconciliation of net income to cash flows provided by operating activities:			
Depreciation and amortization	127,570	113,664	107,268
Amortization of deferred financing fees (includes $0, $1,333, and $1,795 write off of deferred financing fees)	1,866	3,280	4,026
Deferred income taxes	(15,018)	(2,363)	(1,234)
Share-based compensation	22,104	15,524	10,509
(Gain) loss on sale of property, plant, and equipment	(1,681)	1,287	950
(Gain) loss on sale of business	(193)	193	(68,051)
Foreign currency exchange losses (gains) on intercompany loans and other non-cash items	18,778	(1,094)	(8,202)
Changes in assets and liabilities			
Accounts receivable	(9,821)	(13,281)	(6,844)
Inventories	(42,560)	(15,985)	(7,604)
Contract assets	(30,857)	8,426	(4,136)
Prepaids and other current assets	(13,173)	260	2,088
Accounts payable	43,132	9,824	8,017
Accrued expenses and other liabilities	13,943	21,881	22,078
Contract liabilities	7,497	28,447	(12,556)
Income taxes	2,440	(2,091)	592
Other non-current assets and liabilities	(14,968)	(40,929)	15,730
Net cash provided by operating activities	$ 181,402	$ 178,705	$ 177,026
Investing activities			
Purchase of property, plant, and equipment	$ (82,045)	$ (75,293)	$ (88,456)
Purchase of intangibles	(3,281)	(3,780)	(6,529)
Proceeds from sale of property, plant, and equipment	3,553	2,041	1,191
Proceeds from sale of business, net of cash of $0, $0, and $12,117	356	897	118,894
Acquisitions, net of cash received $411, $0, and $0	(229,277)	(21,037)	(13,108)
Net cash (used in) provided by investing activities	$ (310,694)	$ (97,172)	$ 11,992
Financing activities			
Issuance of debt, net of deferred issuance costs	$ 263,396	$ 761,915	$ 21,959
Borrowings under credit facility	—	—	2,597
Repayment of debt	(127,667)	(898,024)	(117,131)
Repayment of finance lease obligation	(13,356)	(13,396)	(13,441)
Payment of earn-out related to previous acquisitions	—	(170)	(470)
Proceeds from issuance of common stock	9,556	21,205	10,091
Taxes paid related to net share settlements of share-based compensation awards	(6,281)	(1,323)	(9,832)
Distribution to non-controlling interest	(100)	(551)	(1,890)
Net cash provided by (used in) financing activities	$ 125,548	$ (130,344)	$ (108,117)
Effect of exchange rate changes on cash	(8,495)	2,054	2,219
Change in cash and cash equivalents	$ (12,239)	$ (46,757)	$ 83,120
Cash and cash equivalents			
Beginning of period	146,244	193,001	109,881
End of period	$ 134,005	$ 146,244	$ 193,001

See accompanying notes to these Consolidated Financial Statements

Evoqua Water Technologies Corp.
Supplemental Disclosure of Cash Flow Information

(In thousands)

	Year Ended September 30,		
	2022	**2021**	**2020**
Supplemental disclosure of cash flow information			
Cash paid for taxes	$ 9,883	$ 14,194	$ 8,427
Cash paid for interest	$ 27,562	$ 26,502	$ 38,680
Non-cash investing and financing activities			
Accrued earn-out related to acquisitions	$ —	$ —	$ 204
Finance lease transactions	$ 14,531	$ 14,351	$ 12,600
Operating lease transactions	$ 22,864	$ 12,894	$ 23,727
Option and Purchase Right	$ —	$ 8,305	$ 7,739

See accompanying notes to these Consolidated Financial Statements

Evoqua Water Technologies Corp.

Notes to Audited Consolidated Financial Statements

(In thousands)

1. Description of the Company and Basis of Presentation

Background

Evoqua Water Technologies Corp. (referred to herein as the "Company" or "EWT") is a holding company and does not conduct any business operations of its own. The Company was incorporated on October 7, 2013. On November 6, 2017, the Company completed its initial public offering ("IPO").

The Business

EWT provides a wide range of product brands and advanced water and wastewater treatment systems and technologies, as well as mobile and emergency water supply solutions and service contract options through its branch network. Headquartered in Pittsburgh, Pennsylvania, EWT is a multinational corporation with operations in the United States ("U.S."), Canada, the United Kingdom ("UK"), the Netherlands, Germany, Australia, the People's Republic of China, Singapore, and India.

The Company is organizationally structured into two reportable operating segments for the purpose of making operational decisions and assessing financial performance: (i) Integrated Solutions and Services and (ii) Applied Product Technologies.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") from the accounting records of the Company and reflect the consolidated financial position and results of operations for the fiscal years ended September 30, 2022, 2021 and 2020. Unless otherwise specified, references in this section to a year refer to its fiscal year. All intercompany transactions have been eliminated. Unless otherwise specified, all dollar and share amounts in this section are referred to in thousands. Certain prior period amounts have been reclassified to conform to the current period presentation. The Company's fiscal year ends on September 30 of each year and references in this section to a year refer to the Company's fiscal year. As such, references to: 2022 relates to the fiscal year ended September 30, 2022, 2021 relates to the fiscal year ended September 30, 2021 and 2020 relates to the fiscal year ended September 30, 2020.

2. Summary of Significant Accounting Policies

Fiscal Year

The Company's fiscal year ends on September 30.

Use of Estimates

The Consolidated Financial Statements have been prepared in conformity with GAAP and require management to make estimates and assumptions. These assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the audited Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used for, but not limited to: (i) revenue recognition; (ii) allowance for credit losses; (iii) inventory valuation, asset valuations, impairment, and recoverability assessments; (iv) depreciable lives of assets; (v) useful lives of intangible assets; (vi) income tax reserves and valuation allowances; and (vii) product warranty and litigation reserves. Estimates are revised as additional information becomes available. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents are liquid investments with an original maturity of three or fewer months when purchased.

Accounts Receivable

Receivables are primarily comprised of uncollected amounts owed to the Company from transactions with customers and are reported on the Consolidated Balance Sheets at the outstanding principal amount adjusted for any allowance for credit losses and any charge offs. The Company provides an allowance for credit losses to reduce trade receivables to their estimated net realizable value equal to the amount that is expected to be collected. This allowance is estimated based on historical collection experience, the aging of receivables, specific current and expected future macroeconomic and market conditions, and assessments of the current creditworthiness and economic status of customers. The Company considers a receivable delinquent if it is unpaid after the term of the related invoice has expired. Write-offs are recorded at the time all collection efforts have been exhausted. The Company reviews its allowance for credit losses on a quarterly basis.

Inventories

Inventories are stated at the lower of cost or net realizable value, where cost is generally determined on the basis of an average or first-in, first-out ("FIFO") method. Production costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges. The Company regularly reviews inventory quantities on hand and writes off excess or obsolete inventory based on estimated forecasts of product demand and production requirements. Manufacturing operations recognize cost of product sales using standard costing rates with overhead absorption which generally approximates actual cost.

Property, Plant, and Equipment

Property, plant, and equipment is valued at cost less accumulated depreciation. Depreciation expense is recognized using the straight-line method. Useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly. Estimated useful lives for major classes of depreciable assets are as follows:

Asset Class	Estimated Useful Life
Machinery and equipment	3 to 20 years
Buildings and improvements	10 to 40 years

Leasehold improvements are depreciated over the shorter of their estimated useful life or the term of the lease. Costs related to maintenance and repairs that do not extend the assets' useful life are expensed as incurred.

Acquisitions

The Company evaluates the inputs, processes and outputs of each asset acquired to determine if the transaction meets the definition of a business in accordance with Accounting Standards Codification ("ASC") Topic No. 805, *Business Combinations* ("ASC 805"). Acquisitions that do not meet the definition of a business are accounted for as an asset acquisition. In asset acquisitions, the Company allocates the purchase price as well as other costs of acquisition, such as transaction costs, to tangible and identifiable intangible assets or liabilities based on the basis of relative fair values. This cost accumulation model is unique to asset acquisitions and differs from business combinations as there is no goodwill recognized.

Acquisitions that meet the definition of a business are recorded using the acquisition method of accounting. The purchase price of acquisitions is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair value at the acquisition date. The excess of the acquisition price over those estimated fair values is recorded as goodwill. Changes to the acquisition date preliminary fair values prior to the expiration of the measurement period, a period not to exceed 12 months from date of acquisition, are recorded as an adjustment to the associated goodwill. Contingent consideration resulting from acquisitions is recorded at its estimated fair value on the acquisition date. These obligations are revalued during each subsequent reporting period and changes in the fair value of the contingent consideration obligations can result from adjustments in the probability of achieving future development steps, sales targets and profitability and are recorded in General and administrative expenses in the Consolidated Statements of Operations. Acquisition-related expenses and restructuring costs, if any, are recognized separately from the business combination and are expensed as incurred.

Goodwill and Intangible Assets

Goodwill represents purchase consideration paid in a business combination that exceeds the value assigned to the net assets of acquired businesses. Intangible assets consist of customer-related intangibles, proprietary technology, software, trademarks, and other intangible assets. The Company amortizes intangible assets with definite useful lives on a straight-line basis over their respective estimated economic lives which range from 1 to 26 years.

The Company reviews goodwill and indefinite-lived intangible assets to determine potential impairment annually during the fourth quarter of its fiscal year, or more frequently if events and circumstances indicate that the asset might be impaired. Impairment testing for goodwill is performed at a reporting unit level and the Company has determined that it has three reporting units. The quantitative impairment testing for goodwill utilizes both a market (guideline public company) and income (discounted cash flows) method for determining fair value. In estimating the fair value of the reporting unit utilizing a discounted cash flow ("DCF") valuation technique, the Company incorporates its judgment and estimates of future cash flows, future revenue and gross profit growth rates, terminal value amount, capital expenditures and applicable weighted-average cost of capital used to discount these estimated cash flows. The estimates and projections used in the estimate of fair value are consistent with the Company's current budget and long-range plans, including anticipated change in market conditions, industry trend, growth rates and planned capital expenditures, among other considerations.

The impairment test for indefinite-lived intangibles consists of a comparison of the asset's fair value with its carrying value. The fair value is calculated using the income approach DCF method. Impairment is determined to exist when the fair value is less than the carrying value of the assets being tested.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, purchased intangibles and lease right-of-use assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of the asset or asset group is measured by comparison of its carrying amount to undiscounted future net cash flows the asset or asset group is expected to generate. If the carrying amount of an asset or asset group is not recoverable, the Company recognizes an impairment loss based on the excess of the carrying amount of the asset or asset group over its respective fair value which is generally determined as the present value of estimated future cash flows or as the appraised value.

Debt Issuance Costs and Debt Discounts

Debt issuance costs are capitalized and amortized over the contractual term of the underlying debt using the effective interest method. Debt discounts and lender arrangement fees deducted from the proceeds have been included as a component of the carrying value of debt and are being amortized to interest expense using the effective interest method.

Revenue Recognition

The Company recognizes sales of products and services based on the five-step analysis of transactions as provided in Topic 606, *Revenue from Contracts with Customers.*

For sales of aftermarket parts or products with a low level of customization and engineering time, the Company recognizes revenue at the time risks and rewards of ownership pass, which is generally when products are shipped or delivered to the customer as the Company has no obligation for installation. The Company considers shipping and handling services to be fulfillment activities and as such they do not represent separate performance obligations for revenue recognition. Sales of short-term service arrangements are recognized as the services are performed, and sales of long-term service arrangements are typically recognized on a straight-line basis over the life of the agreement.

For certain arrangements where there is significant customization to the product and for long-term construction-type sales contracts, revenue may be recognized over time. These arrangements include large capital water treatment projects, systems, and solutions for municipal and industrial applications. The nature of the contracts is generally fixed price with milestone billings. Contract revenue and cost estimates are reviewed and revised quarterly at a minimum and the cumulative effect of such adjustments are recognized in current operations. The amount of such adjustments has not been

material. Contract assets relate to costs incurred to perform in advance of scheduled billings. Contract liabilities relate to payments received in advance of performance under the contracts. Change in contract assets and liabilities are due to the Company's performance under the contract.

The Company has made accounting policy elections to exclude all taxes by governmental authorities from the measurement of the transaction price and that long-term construction-type sales contracts, or those contracts for products with significant customization that the total contract price is less than $100 will be recorded at the point in time when the construction is complete.

The recording of assets recognized from the costs to obtain and fulfill customer contracts primarily relate to the deferral of sales commissions. The Company's costs incurred to obtain or fulfill a contract with a customer are classified as non-current assets and amortized to expense over the period of benefit of the related revenue. These costs are recorded within Cost of product sales and services. The amount of contract costs was insignificant at September 30, 2022.

The Company offers standard warranties that generally do not represent a separate performance obligation. In certain instances, a warranty is obtained separately from the original equipment sale or the warranty provides incremental services and as such is treated as a separate performance obligation.

Variable consideration in contracts for the years ended September 30, 2022 and 2021 was insignificant.

Product Warranties

Accruals for estimated expenses related to warranties are made at the time products are sold and are recorded as a component of Cost of product sales in the Consolidated Statements of Operations. The estimated warranty obligation is based on product warranty terms offered to customers, ongoing product failure rates, material usage and service delivery costs expected to be incurred in correcting a product failure, as well as specific obligations for known failures and other currently available evidence. The Company assesses the adequacy of the recorded warranty liabilities on a regular basis and adjusts amounts as necessary.

The Company accrues warranty obligations associated with certain products as revenue is recognized. Provisions for the warranty obligations are based upon historical experience of costs incurred for such obligations, adjusted for site-specific risk factors, and, as necessary, for current conditions and factors. There are significant uncertainties and judgments involved in estimating warranty obligations, including changing product designs, differences in customer installation processes and future claims experience which may vary from historical claims experience.

Leases

The Company accounts for leases in accordance with ASC Topic No. 842, *Leases*.

Lessee Accounting

The Company leases office space, buildings, vehicles, forklifts, computers, copiers and other assets under non-cancelable operating and finance leases. The Company determines whether an arrangement is or contains a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the Company has the right to control the asset. If the arrangement contains a lease, the Company recognizes a right-of-use ("ROU") asset and an operating lease liability as of the lease commencement date. Any lease arrangements with a term of 12 months or less are not recorded on the Consolidated Balance Sheets, and lease costs for these arrangements are recognized on a straight-line basis over the lease term. Many of the Company's lease arrangements provide for an option to exercise one or more renewal terms or to terminate the lease arrangement. The Company includes these options when the Company is reasonably certain to exercise them in the leased term used to establish the ROU asset and lease liabilities. The discount rate utilized in calculating the lease liability is the rate implicit in the lease, if known, otherwise, the incremental borrowing rate ("IBR") for the expected lease term is used.

Operating lease assets and finance lease assets are included in Operating lease right-of-use assets, net and Property, plant, and equipment, net, respectively, on the Consolidated Balance Sheets. The corresponding operating lease liabilities are included in Accrued expenses and other liabilities and Obligation under operating leases on the Consolidated Balance Sheets. The corresponding finance lease liabilities are included in Accrued expenses and other liabilities and Other non-current liabilities on the Consolidated Balance Sheets.

Lessor Accounting

The Company generates revenue through the lease of its water treatment equipment and systems to customers. In certain instances, the Company enters into a contract with a customer but must construct the underlying asset prior to its lease. At the time of contract inception, the Company determines if an arrangement is or contains a lease. These contracts generally contain both lease and non-lease components, including installation, maintenance, and monitoring services of the Company-owned equipment, in addition to sale of certain constructed assets. In situations where arrangements contain multiple elements, contract consideration is allocated based on relative standalone selling price. Lease components associated with underlying assets that have an alternative use are classified as operating leases with revenue recognized over time throughout the lease term. Lease components associated with underlying assets that have no alternative are classified as sales-type leases, with point in time revenue recognition at the on-set of the lease, or classified as financing transactions, with over time revenue recognition at the on-set of the construction of the underlying assets. In order for a component to be separate, the customer would be able to benefit from the right of use of the component separately or with other resources readily available to the customer and the right of the use is not highly dependent or highly interrelated with the other rights to use the other underlying assets or components.

Shipping and Handling Cost

Shipping and handling costs are included as a component of Cost of product sales.

Derivative Financial Instruments

The Company's risk-management strategy uses derivative financial instruments to manage interest rate risk, foreign currency exchange rate risk, equity price risk and commodity price risk. The Company does not enter into derivatives for trading or speculative purposes.

The Company accounts for derivatives and hedging activities in accordance with ASC Topic No. 815, *Derivatives and Hedging* ("Topic No. 815"). As required by Topic No. 815, the Company records all derivatives on the Consolidated Balance Sheets at fair value and adjusts to market on a quarterly basis. Changes in the fair value of derivatives are recorded in earnings or Accumulated other comprehensive income, net of tax ("AOCI"), based on whether the instrument is designated and effective as a hedge transaction. Gains and losses on derivative instruments recorded to AOCI are reclassified to earnings in the period the hedged item affects earnings.

The Company's interest rate swaps are valued based on readily-observable market inputs, such as quotations on interest rates and LIBOR yield curves at the reporting date. The Company's foreign currency forward contracts are valued based on quoted forward foreign exchange prices and spot rates at the reporting date. The Company's total return swaps are valued using closing stock prices at the reporting date.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are provided against deferred tax assets when it is considered more likely than not that some portion or all of the deferred tax asset will not be realized within a reasonable time period. The Company assesses tax positions using a two-step process. A tax position is recognized if it meets a more-likely-than-not threshold and is measured at the largest amount of benefit that has a greater than 50% percent likelihood of being realized. Uncertain tax positions are reviewed each balance sheet date.

Foreign Currency Translation and Transactions

The functional currency for the international subsidiaries is the local currency. Assets and liabilities are translated into U.S. dollars using current rates of exchange, with the resulting translation adjustments recorded in Accumulated other comprehensive income, net of tax within shareholders' equity. Revenue and expenses are translated at the weighted-average exchange rate for the period, with the resulting translation adjustments recorded in the Consolidated Statements of Operations.

Foreign currency translation losses (gains), mainly related to intercompany loans, which aggregated $18,712, $(927) and $(8,216) for the years ended September 30, 2022, 2021 and 2020, respectively, are primarily included in General and administrative expenses in the Consolidated Statements of Operations.

Research and Development Costs

Research and development costs are expensed as incurred.

Equity-based Compensation

The Company measures the cost of awards of equity instruments to employees based on the grant-date fair value of the award. The grant-date fair value of a non-qualified stock option is determined using the Black-Scholes model. The grant-date fair value of restricted stock unit awards is determined using the closing price of the Company's common stock on date of grant. For performance share units, performance metrics are valued using the grant-date fair value and the market conditions are valued using a Monte Carlo simulation. Compensation costs resulting from equity-based payment transactions are recognized primarily within General and administrative expenses, at fair value over the requisite vesting period on a straight-line basis.

Earnings (Loss) Per Share

Basic earnings (loss) per common share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed based on the weighted average number of shares of common stock, plus the effect of diluted common shares outstanding during the period using the treasury stock method. Diluted potential common shares include outstanding stock options.

Retirement Benefits

The Company applies ASC Topic 715, *Compensation—Retirement Benefits*, which requires the recognition in pension obligations and accumulated other comprehensive income of actuarial gains or losses, prior service costs or credits and transition assets or obligations that have previously been deferred. The determination of retirement benefit pension obligations and associated costs requires the use of actuarial computations to estimate participant plan benefits to which the employees will be entitled. The significant assumptions primarily relate to discount rates, expected long-term rates of return on plan assets, rate of future compensation increases, mortality, years of service, and other factors. The Company develops each assumption using relevant experience in conjunction with market-related data for each individual country in which such plans exist. All actuarial assumptions are reviewed annually with third-party consultants and adjusted as necessary. For the recognition of net periodic postretirement cost, the calculation of the expected return on plan assets is generally derived by applying the expected long-term rate of return on the market-related value of plan assets. The fair value of plan assets is determined based on actual market prices or estimated fair value at the measurement date.

Recent Accounting Pronouncements

Accounting Pronouncements Not Yet Adopted

In September 2022, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which enhances transparency about an entity's use of supplier finance programs by requiring quarterly and annual disclosures about the key terms of the program, outstanding confirmed amounts as of the end of the period, a rollforward of such amounts annually, and a description of where in the financial statements outstanding amounts are presented. The guidance is effective for fiscal years beginning after December 15, 2022. The Company is currently assessing the impact of adoption on the Company's Consolidated Financial Statements and related disclosures.

In October 2021, the "FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which amends Accounting Standards Codification ("ASC") 805 to require an acquirer to, at the date of acquisition, recognize and measure contract assets and contract liabilities acquired in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Topic 606"), as if the entity had originated the contracts, rather than adjust them to fair value at the acquisition date. The guidance is effective for fiscal years beginning after December 15, 2022 and is to be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company is currently assessing the impact of adoption on the Company's Consolidated Financial Statements and related disclosures.

Accounting Pronouncements Recently Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and also issued subsequent amendments to the initial guidance (collectively, "Topic 848"). Topic 848 became effective immediately and expires on December 31, 2022. Topic 848 allows eligible contracts that are modified to be accounted for as a continuation of those contracts, permits companies to preserve their hedge accounting during the transition period and enables companies to make a one-time election to transfer or sell held-to-maturity debt securities that are affected by rate reform. Topic 848 provides optional expedients and exceptions for contracts, hedging relationships and other transactions that reference the London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform if certain criteria are met. The Company adopted Topic 848 during the year ended September 30, 2022 and the adoption did not have a material impact on the Company's Consolidated Financial Statements and related disclosures.

3. Variable Interest Entities

Treated Water Outsourcing ("TWO") was a joint venture between the Company and Nalco Water, an Ecolab company, in which the Company held a 50% partnership interest. The Company acquired the remaining partnership interest in TWO from Nalco Water on April 1, 2022. See Note 4, "Acquisitions and Divestitures" for further discussion. Prior to acquisition, the Company was obligated to absorb all risk of loss up to 100% of the joint venture partner's equity. As such, the Company fully consolidated TWO as a variable interest entity ("VIE") under ASC Topic No. 810, *Consolidation*.

The following provides a summary of TWO's balance sheet as of September 30, 2021 and summarized financial information for the fiscal years ended September 30, 2022, 2021 and 2020. As a result of the acquisition of the remaining partnership interest in TWO on April 1, 2022, there is no summarized balance sheet as of September 30, 2022.

	September 30, 2021
Current assets (includes cash of $1,380)	$ 3,202
Property, plant, and equipment	903
Goodwill	2,206
Total liabilities	(1,009)

	Year Ended September 30,		
	2022	2021	2020
Total revenue	$ 1,641	$ 3,315	$ 5,944
Total operating expenses	(1,440)	(2,922)	(4,519)
Income from operations	$ 201	$ 393	$ 1,425

On October 1, 2019, the Company acquired a 60% investment position in San Diego-based Frontier Water Systems, LLC (“Frontier”). The Frontier acquisition was a VIE because it had insufficient equity to finance its activities due to key assets being assigned to the Company upon acquisition. The Company was the primary beneficiary of Frontier because the Company had the power to direct the activities that most significantly affect Frontier’s economic performance.

In addition, the Company entered into an agreement to purchase the remaining 40% interest in Frontier on or prior to March 30, 2024. This agreement (a) gave holders of the remaining 40% interest in Frontier (the “Minority Owners”) the right to sell to Evoqua up to approximately 10% of the outstanding equity in Frontier at a predetermined price, which right was exercisable by the Minority Owners between January 1, 2021 and February 28, 2021 (the “Option”), and (b) obligated the Company to purchase and the Minority Owners to sell all of the Minority Owners’ remaining interest in Frontier at the fair market value at the time of sale on or prior to March 30, 2024 (the “Purchase Right”). The Company acquired an additional 8% equity interest in Frontier in April 2021. On April 1, 2022, the Company purchased the remaining 32% outstanding equity in Frontier. See Note 4, “Acquisitions and Divestitures” for further discussion.

The following provides a summary of Frontier’s balance sheet as of September 30, 2021, and summarized financial information for the fiscal years ended September 30, 2022, 2021 and 2020. As a result of the acquisition of the remaining equity interest in Frontier on April 1, 2022, there is no summarized balance sheet as of September 30, 2022.

	September 30, 2021
Current assets (includes cash of $2,095)	$ 12,495
Property, plant, and equipment	2,113
Goodwill	1,798
Intangible assets, net	8,265
Total liabilities	(9,425)

	Year Ended September 30,		
	2022	2021	2020
Total revenue	$ 13,363	$ 14,340	$ 5,365
Total operating expenses	(12,135)	(14,362)	(8,219)
Income (loss) from operations	$ 1,228	$ (22)	$ (2,854)

4. Acquisitions and Divestitures

Acquisitions support the Company’s strategy of delivering a broad solutions portfolio with robust technology across multiple geographies and end markets. The Company continues to evaluate potential strategic acquisitions of businesses, assets and product lines and believes that capex-like, tuck-in acquisitions present a key opportunity within its overall growth strategy.

2022 Acquisitions

On July 15, 2022, the Company completed the acquisition of Epicor, Inc. (“Epicor”) for $4,339 cash paid at closing. Epicor has supplied specialty resins for power steam system treatment for fifty years. The resins provide a cost-effective and efficient method for creating and maintaining a continual supply of ultra-pure water for power plants. The acquisition of Epicor did not meet the definition of a business under ASC 805, and as such was accounted for as an asset

acquisition. During the year ended September 30, 2022, the Company incurred approximately $172 in acquisition costs, which due to the inconsequential amount, the Company elected to include in General and administrative expense on the Consolidated Statements of Operations. Epicor is included within the Integrated Solutions and Services segment. The table below summarizes the Company’s allocation of the purchase price to the individual assets acquired based on their relative fair values using the cost accumulation and allocation model.

Other current assets	$	40
Property, plant, and equipment, net		116
Intangible assets, net		4,281
Other non-current assets		472
Total assets acquired	$	4,909
Current liabilities		(456)
Non-current liabilities		(114)
Total liabilities assumed	$	(570)
Net assets acquired	$	4,339

On July 1, 2022, the Company completed the acquisition of Smith Engineering, Inc. (“Smith Engineering”) for $18,878 cash paid at closing, of which $2,895 was paid into an escrow account. Smith Engineering is a leader in the design, manufacturing, and service of custom high purity water treatment equipment serving the biotech/pharmaceutical, data center, food and beverage, healthcare, medical device, and microelectronics markets. With over 1,200 customers in North America, Smith Engineering offers a variety of water treatment products and services, including filtration, UV, reverse osmosis, and deionization. During the year ended September 30, 2022, the Company incurred approximately $421 in acquisition costs, which are included in General and administrative expense on the Consolidated Statements of Operations. Smith Engineering is included within the Integrated Solutions and Services segment.

The acquisition of Smith Engineering has been accounted for using the acquisition method of accounting which requires the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. Due to the timing of the business combination and the nature of the net assets acquired, at September 30, 2022, the valuation process to determine fair values is not complete and further adjustments are expected in fiscal year 2023. Smith Engineering business's assets and liabilities were measured at estimated fair values at September 30, 2022 primarily using Level 3 inputs. Estimates of fair value represent the Company’s best estimate of assumptions about future events and uncertainties, including significant judgments related to future cash flows, discount rates, margin and revenue growth assumptions including customer attrition rates and others. Inputs used were generally obtained from historical data supplemented by current and anticipated market conditions and growth rates expected as of the acquisition date. As the Company finalizes the fair value of assets acquired and liabilities assumed, additional purchase price allocation adjustments will be recorded during the measurement period, but no later than one year from the date of the acquisition.

The preliminary fair value of assets acquired and liabilities assumed were as follows:

Receivables, net	$	2,501
Inventories, net		1,345
Other current assets		937
Property, plant, and equipment, net		532
Goodwill		7,820
Intangible assets, net		9,815
Other non-current assets		796
Total assets acquired	$	23,746
Current liabilities		(1,834)
Non-current liabilities		(3,034)
Total liabilities assumed	$	(4,868)
Net assets acquired	$	18,878

On April 1, 2022, the Company acquired the remaining 32% interest in Frontier from the Minority Owners for a purchase price of $10,396 making Frontier a wholly-owned subsidiary of the Company. This followed the Company's initial acquisition of a 60% equity interest in Frontier in October 2019 and the Company's acquisition of an additional 8% equity interest in Frontier in April 2021. The total amount paid for the acquisition of Frontier, including those amounts paid in prior periods, was $22,771.

Also on April 1, 2022, the Company acquired the remaining 50% partnership interest in TWO from Nalco for a purchase price of $1,099.

On December 20, 2021, the Company and its indirect wholly-owned subsidiaries Evoqua Water Technologies LLC ("EWT LLC") and Evoqua Water Technologies Ltd. (together with EWT LLC, the "Buyer") entered into an Asset Purchase Agreement (the "Agreement") with Cantel Medical LLC, Mar Cor Purification, Inc., and certain of their affiliates (collectively, the "Sellers"), each wholly-owned subsidiaries of Steris plc, pursuant to which the Buyer agreed to acquire certain assets of the Sellers and assume certain liabilities of the Sellers that are owned or used or arise in connection with the global operation of the Sellers' renal business (the "Mar Cor Business") for an aggregate purchase price of $196,300 in cash at closing (the "Purchase Price"), subject to customary adjustments, including for working capital (the "Transaction"). On January 3, 2022, the Company completed the Transaction to acquire the Mar Cor Business for $194,976 paid in cash at closing, following adjustments. The Company utilized cash on hand and borrowed an additional $160,000 under the 2021 Revolving Credit Facility (as defined below) to fund the Transaction. The Mar Cor Business is included within the Integrated Solutions and Services segment.

The Purchase Price includes a $12,300 earn out, which is being held in escrow and will be paid, pro rata, to the Sellers if the Mar Cor Business meets certain sales performance goals through December 31, 2022 (the "Earn Out"). Any portion of the Earn Out not paid to the Sellers during the first year following closing of the Transaction will be returned to the Buyer. A Monte Carlo simulation was performed to determine the fair value of an Earn Out asset for the amount expected to be received back from escrow based on the forecasted achievement of the sales performance goals associated with the Earn Out as of the acquisition date. See Note 6, Fair Value Measurements, for further discussion. In addition, approximately $12,965 of the Purchase Price was placed into an escrow account, of which $9,815 is to secure general indemnification claims against the Sellers and $3,150 is for net working capital adjustments. During the year ended September 30, 2022, the Company incurred approximately $4,865 in acquisition costs, which are included in General and administrative expense on the Consolidated Statements of Operations.

The acquisition of the Mar Cor Business has been accounted for using the acquisition method of accounting which requires the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. The preliminary purchase price allocation included $57,094 of acquired intangible assets, of which $42,181 was assigned to customer relationships and $14,913 was assigned to trade name, developed technology and know-how. The preliminary fair value of the identifiable intangible assets has been estimated using the income approach through a discounted cash flow analysis. The cash flows are based on estimates used to price the Mar Cor Business acquisition, and the discount rates applied were benchmarked with reference to the implied rate of return to the Company's pricing model and the weighted-average cost of capital. Additionally, the significant assumptions used to determine the fair value of the customer relationships intangible assets were revenue growth and EBITDA margin. These significant assumptions are forward-looking and could be affected by future economic and market conditions. The customer relationship intangible assets are subject to useful lives ranging from 3 to 9 years, and trade name, developed technology and know-how intangible assets are subject to useful lives of 15, 4 and 9 years, respectively. The table below summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed as of the acquisition date. These preliminary estimates are subject to revision during the measurement period as additional analyses are performed and third-party valuations are finalized, and these differences could have a material impact on the accounting for the business combination.

Receivables, net	$	21,275
Inventories, net		32,350
Earn Out asset		7,824
Other current assets		1,844
Property, plant, and equipment, net		19,150
Goodwill		68,754
Intangible assets, net		57,094
Other non-current assets		7,694
Total assets acquired	$	215,985
Current liabilities		(15,467)
Non-current liabilities		(5,542)
Total liabilities assumed	$	(21,009)
Net assets acquired	$	194,976

2022 Divestitures

On January 31, 2022, the Company completed the divestiture of the resin regeneration assets in Germany (the "Germany Regen Business") for $356 in cash at closing, resulting in a gain of $193 recognized on the sale, which is included in Other operating income on the Consolidated Statements of Operations. The Germany Regen Business was a part of the Applied Product Technologies segment.

2021 Acquisitions

On April 1, 2021, the Company acquired the assets of Water Consulting Specialists, Inc. ("WCSI") for $12,025 cash paid at closing. In addition, the Company recorded a liability of $761 at closing associated with an earn-out related to the WCSI acquisition, which was subsequently revalued to $150 and is included in Accrued expenses and other liabilities on the Consolidated Balance Sheets. During the year ended September 30, 2021, the Company received cash of $21 from the seller as a result of net working capital adjustments. WCSI is a leader in the design, manufacturing, and service of industrial high-purity water treatment systems. The acquisition strengthens the Company's portfolio of high-purity water treatment systems and provides the opportunity to further expand its digitally enabled solutions and services in key industrial markets. WCSI is a part of the Integrated Solutions and Services segment. During the year ended September 30, 2021, the Company incurred approximately $83 in acquisition costs, which are included in General and administrative expense on the Consolidated Statements of Operations.

The opening balance sheet for WCSI is summarized as follows:

Current assets	$	1,813
Property, plant, and equipment		221
Goodwill		4,340
Intangible assets, net		7,336
Other non-current assets		86
Total assets acquired	$	13,796
Liabilities assumed	$	(1,792)
Net assets acquired	$	12,004

On December 17, 2020, the Company acquired the industrial water business of Ultrapure & Industrial Services, LLC ("Ultrapure") for $8,743 cash paid at closing. On April 1, 2021, the Company paid an additional $290 as a result of net working capital adjustments. Ultrapure, based out of Texas, provides customers across multiple end markets with a variety of water treatment products and services, including service deionization, reverse osmosis, UV, and ozonation. Ultrapure will strengthen the Company's service capabilities in the Houston and Dallas markets and is a part of the Integrated Solutions and Services segment. During the year ended September 30, 2021, the Company incurred approximately $230 in acquisition costs, which are included in General and administrative expense on the Consolidated Statements of Operations.

The opening balance sheet for Ultrapure is summarized as follows:

Current assets	$	2,366
Property, plant, and equipment		963
Goodwill		2,836
Intangible assets, net		3,751
Other non-current assets		21
Total assets acquired	$	9,937
Liabilities assumed	$	(904)
Net assets acquired	$	9,033

2021 Divestitures

On March 1, 2021, the Company completed the divestiture of the Lange containment system, geomembrane and geosynthetic liner product line (the "Lange Product Line") for $897 in cash at closing. The Lange Product Line was a part of the Integrated Solutions and Services segment. During the year ended September 30, 2021, the Company recognized a loss of $193 on the divestiture, which is included in Other operating expense on the Consolidated Statements of Operations.

5. Revenue

Disaggregation of Revenue

In accordance with Topic 606, the Company disaggregates revenue from contracts with customers into source of revenue, reportable operating segment, and geographical regions. The Company determined that disaggregating revenue into these categories meets the disclosure objective in Topic 606 which is to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Information regarding the source of revenue:

	Year Ended September 30,		
	2022	2021	2020
Revenue from contracts with customers recognized under Topic 606	$ 1,555,565	$ 1,274,096	$ 1,279,772
Other[(1)]	181,511	190,333	149,684
Total	$ 1,737,076	$ 1,464,429	$ 1,429,456

(1) Other revenue relates to revenue recognized pursuant to ASU 2016-02, *Leases (Topic 842)*, primarily attributable to long term rentals.

Information regarding revenue disaggregated by segment and source of revenue is as follows:

	Year Ended September 30,		
	2022	2021	2020
Integrated Solutions and Services			
Revenue from capital projects	$ 304,925	$ 250,187	$ 257,528
Revenue from aftermarket	215,972	128,585	119,051
Revenue from service	663,580	581,114	567,603
Total	$ 1,184,477	$ 959,886	$ 944,182
Applied Product Technologies			
Revenue from capital projects	$ 383,473	$ 365,791	$ 335,227
Revenue from aftermarket	148,118	116,463	128,051
Revenue from service	21,008	22,289	21,996
Total	$ 552,599	$ 504,543	$ 485,274
Total Revenue			
Revenue from capital projects	$ 688,398	$ 615,978	$ 592,755
Revenue from aftermarket	364,090	245,048	247,102
Revenue from service	684,588	603,403	589,599
Total	$ 1,737,076	$ 1,464,429	$ 1,429,456

Information regarding revenue disaggregated by geographic area is as follows:

	Year Ended September 30,		
	2022	2021	2020
United States	$ 1,431,095	$ 1,174,474	$ 1,164,634
Asia	129,981	113,316	77,253
Europe	108,271	113,559	108,139
Canada	54,935	49,952	65,223
Australia	12,794	13,128	14,207
Total	$ 1,737,076	$ 1,464,429	$ 1,429,456

Performance Obligations

The Company elects to apply the practical expedient to exclude from this disclosure revenue related to performance obligations if the product has an alternative use and the Company does not have an enforceable right to payment for the performance completed to date, including a normal profit margin, in the event of termination for convenience. The Company maintains a backlog of confirmed orders of approximately $377,091 at September 30, 2022. This backlog represents the aggregate amount of the transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as of the end of the reporting period. The Company estimates that the majority of these performance obligations will be satisfied within the next twelve to twenty-four months.

Contract Balances

The tables below provide a roll-forward of contract assets and contract liabilities balances for the periods presented:

	Year Ended September 30,	
Contract assets[(a)]	2022	2021
Balance at beginning of period	$ 72,746	$ 80,759
Recognized in current period	401,825	316,864
Reclassified to accounts receivable	(368,936)	(325,405)
Foreign currency	(3,512)	528
Balance at end of period	$ 102,123	$ 72,746

(a) Excludes receivable balances which are disclosed on the Consolidated Balance Sheets.

	Year Ended September 30,	
Contract Liabilities	2022	2021
Balance at beginning of period	$ 55,883	$ 26,259
Recognized in current period	370,375	349,046
Amounts in beginning balance reclassified to revenue	(44,313)	(25,523)
Current period amounts reclassified to revenue	(319,513)	(294,033)
Foreign currency	7	134
Balance at end of period	$ 62,439	$ 55,883

6. Fair Value Measurements

As of September 30, 2022 and 2021, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated carrying values due to the short maturity of these items.

The Company measures the fair value of pension plan assets and liabilities, deferred compensation and plan assets and liabilities on a recurring basis pursuant to ASC Topic 820. ASC Topic 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

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 driver is observable.

Level 3: Unobservable inputs in which little or no market data is available, therefore requiring an entity to develop its own assumptions.

The following table presents the Company's financial assets and liabilities at fair value. The fair values related to the pension assets are determined using net asset value ("NAV") as a practical expedient, or by information categorized in the fair value hierarchy level based on the inputs used to determine fair value. The reported carrying amounts of deferred compensation assets and liabilities and debt approximate their fair values. The Company uses interest rates and other relevant information generated by market transactions involving similar instruments to measure the fair value of these assets and liabilities, therefore, all are classified as Level 2 within the valuation hierarchy.

	Net Asset Value	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2022				
Assets:				
Pension plan				
Cash	$ —	$ 40	$ —	$ —
Global Multi-Asset Fund	11,632	—	—	—
Government Securities	3,343	—	—	—
Liability Driven Investment	928	—	—	—
Guernsey Unit Trust	2,048	—	—	—
Global Absolute Return	1,299	—	—	—
Deferred compensation plan assets				
Cash	—	902	—	—
Mutual Funds	—	12,330	—	—
Earn-out assets related to acquisitions	—	—	—	11,597
Interest rate swaps	—	—	49,952	—
Foreign currency forward contracts	—	—	507	—
Liabilities:				
Pension plan	—	—	(26,654)	—
Deferred compensation plan liabilities	—	—	(20,081)	—
Total return swaps—deferred compensation	—	—	(632)	—
Long-term debt	—	—	(884,517)	—
Foreign currency forward contracts	—	—	(872)	—
Commodity swaps	—	—	(7)	—
As of September 30, 2021				
Assets:				
Pension plan				
Cash	$ —	$ 831	$ —	$ —
Global Multi-Asset Fund	15,244	—	—	—
Government Securities	5,158	—	—	—
Liability Driven Investment	2,793	—	—	—
Guernsey Unit Trust	2,387	—	—	—
Global Absolute Return	2,225	—	—	—
Deferred compensation plan assets				
Cash	—	1,251	—	—
Mutual Funds	—	17,806	—	—
Interest rate swaps	—	—	3,127	—
Foreign currency forward contracts	—	—	24	—
Liabilities:				
Pension plan	—	—	(46,013)	—
Deferred compensation plan liabilities	—	—	(24,382)	—
Total return swaps—deferred compensation	—	—	(130)	—
Long-term debt	—	—	(752,988)	—
Interest rate swaps	—	—	(303)	—
Foreign currency forward contracts	—	—	(102)	—
Commodity swaps	—	—	(19)	—
Earn-out liabilities related to acquisitions	—	—	—	(150)
Purchase Right	—	—	—	(8,305)

The pension plan assets and liabilities and deferred compensation assets and liabilities are included in other non-current assets and other non-current liabilities on the Consolidated Balance Sheets at September 30, 2022 and 2021. The unrealized loss on mutual funds was $2,537 at September 30, 2022.

The Company records contingent consideration arrangements at fair value on a recurring basis and the associated balances presented as of September 30, 2022 and 2021 are earn-outs related to acquisitions. See Note 4, “Acquisitions and Divestitures” for further discussion regarding the earn-outs recorded for specific acquisitions. The fair value of earn-outs related to acquisitions is based on significant unobservable inputs including the achievement of certain performance metrics. Significant changes in these inputs would result in corresponding increases or decreases in the fair value of the earn-out each period until the related contingency has been resolved. Changes in the fair value of the contingent consideration obligations and assets can result from adjustments in the probability of achieving future development steps, sales targets and profitability and are recorded in General and administrative expenses in the Consolidated Statements of Operations. During the year ended September 30, 2022, the Company recorded a decrease in the fair value of the earn-out liability related to the prior year acquisition of Water Consulting Specialists, Inc. (“WCSI”) of $150.

A rollforward of the activity in the Company’s fair value of earn-out liabilities related to acquisitions is as follows:

	Current Portion(1)	Long-term Portion(2)	Total
Balance at September 30, 2020	$ 295	$ —	$ 295
Acquisitions	761	—	761
Payments	(170)	—	(170)
Fair value adjustment	(736)	—	(736)
Balance at September 30, 2021	$ 150	$ —	$ 150
Fair value adjustment	(150)	—	(150)
Balance at September 30, 2022	$ —	$ —	$ —

(1) Included in Accrued expenses and other liabilities on the Consolidated Balance Sheets.

(2) Included in Other non-current liabilities on the Consolidated Balance Sheets.

As a result of the Mar Cor Business acquisition on January 3, 2022, the Company recorded an Earn Out asset for $7,824 which represented the fair value of amounts expected to be received back from escrow based on the forecasted achievement of certain sales performance goals at the acquisition date. During the year ended September 30, 2022, the Company recorded an increase in the fair value of the Earn Out asset of $3,773 based on updated forecast information. As of September 30, 2022 and September 30, 2021, earn-out assets related to acquisitions total $11,597 and $0, respectively, and are included in Prepaid and other current assets on the Consolidated Balance Sheets.

In addition, the Company had a liability recorded for the Purchase Right to purchase the remaining 32% interest of Frontier. During the year ended September 30, 2022, the Company recorded an increase in the fair value of the Purchase Right liability of $2,091, which was recorded to Interest expense on the Consolidated Statements of Operations. The Purchase Right was exercised by the Minority Owners on April 1, 2022 resulting in the purchase of the remaining interest of Frontier for $10,396 and the settlement of the Purchase Right liability recorded. As of September 30, 2022 and September 30, 2021, $0 and $8,305, respectively is included in Other non-current liabilities related to the Purchase Right on the Consolidated Balance Sheets.

7. Accounts Receivable

Accounts receivable are summarized as follows:

	September 30, 2022	September 30, 2021
Accounts Receivable	$ 312,600	$ 282,819
Allowance for Credit Losses	(6,888)	(4,824)
Receivables, net	$ 305,712	$ 277,995

The movement in the allowance for credit losses was as follows:

	Year Ended September 30,		
	2022	2021	2020
Balance at beginning of period	$ (4,824)	$ (4,057)	$ (4,906)
Charged to costs and expenses	(1,997)	(1,733)	(537)
Write-offs	473	780	1,277
Foreign currency and other	(540)	186	109
Balance at end of period	$ (6,888)	$ (4,824)	$ (4,057)

8. Inventories

The major classes of inventory, net are as follows:

	September 30, 2022	September 30, 2021
Raw materials and supplies	$ 120,532	$ 86,469
Work in progress	36,499	19,842
Finished goods and products held for resale	80,811	59,624
Costs of unbilled projects	2,309	2,277
Reserves for excess and obsolete	(10,800)	(9,709)
Inventories, net	$ 229,351	$ 158,503

The following is the activity in the reserves for excess and obsolete inventory:

	Year Ended September 30,		
	2022	2021	2020
Balance at beginning of period	$ (9,709)	$ (11,467)	$ (13,370)
Change to reserve requirement	(2,608)	265	(310)
Write-offs	684	1,516	2,197
Foreign currency and other	833	(23)	16
Balance at end of period	$ (10,800)	$ (9,709)	$ (11,467)

9. Property, Plant, and Equipment

Property, plant, and equipment consists of the following:

	September 30, 2022	September 30, 2021
Machinery and equipment	$ 401,334	$ 388,352
Rental equipment	267,345	246,257
Land and buildings	82,985	70,048
Construction in process	72,184	59,737
	$ 823,848	$ 764,394
Less: accumulated depreciation	(418,559)	(389,406)
Property, plant, and equipment, net	$ 405,289	$ 374,988

The Company entered into secured financing agreements that require providing a security interest in specified equipment. As of September 30, 2022 and September 30, 2021, the gross and net amounts of those assets are as follows:

	September 30, 2022		September 30, 2021	
	Gross	Net	Gross	Net
Machinery and equipment	$ 86,294	$ 62,459	$ 73,632	$ 57,036
Construction in process	49,983	49,983	30,504	30,504
	$ 136,277	$ 112,442	$ 104,136	$ 87,540

Depreciation expense and maintenance and repairs expense for the years ended September 30, 2022, 2021 and 2020 were as follows:

	Year Ended September 30,		
	2022	2021	2020
Depreciation expense	$ 82,637	$ 76,279	$ 73,002
Maintenance and repair expense	$ 30,425	$ 22,354	$ 20,303

10. Goodwill

Changes in the carrying amount of goodwill are as follows:

	Integrated Solutions and Services	Applied Product Technologies	Total
Balance at September 30, 2020	$ 224,381	$ 172,824	$ 397,205
Business combinations and divestitures	10,349	—	10,349
Measurement period adjustments	(3,216)	—	(3,216)
Foreign currency translation	2,316	722	3,038
Balance at September 30, 2021	$ 233,830	$ 173,546	$ 407,376
Business combinations and divestitures	76,190	(34)	$ 76,156
Measurement period adjustments	379	—	379
Foreign currency translation	(3,464)	(6,875)	(10,339)
Balance at September 30, 2022	$ 306,935	$ 166,637	$ 473,572

As of September 30, 2022 and 2021, $250,636 and $159,730, respectively, of goodwill is deductible for tax purposes.

The Company reviewed the recoverability of the carrying value of goodwill of its reporting units. As the fair value of the Company's reporting units was determined to be in excess of the carrying values at the annual measurement dates of July 1, 2022 and 2021, no further analysis was performed. The Company has concluded that none of the goodwill was impaired as of September 30, 2022, and there are no indicators of impairment through September 30, 2022.

11. Other Intangible Assets

Intangible assets consist of the following:

		September 30, 2022		
	Estimated Life (years)	Carrying Amount	Accumulated Amortization	Net
Amortizing intangible assets				
Customer related	3 - 26	$ 346,128	$ (122,604)	$ 223,524
Proprietary technology	4 - 10	68,586	(44,532)	24,054
Trademark	3 - 15	32,711	(15,056)	17,655
Backlog	1	81,159	(81,159)	—
Other	3 - 10	57,719	(39,426)	18,293
Total amortizing intangible assets		$ 586,303	$ (302,777)	$ 283,526
Indefinite-lived intangible assets		34,207	—	34,207
Total intangible assets		$ 620,510	$ (302,777)	$ 317,733

		September 30, 2021		
	Estimated Life (years)	Carrying Amount	Accumulated Amortization	Net
Amortizing intangible assets				
Customer related	5 - 26	$ 300,963	$ (101,272)	$ 199,691
Proprietary technology	7 - 10	61,692	(36,921)	24,771
Trademark	5 - 15	27,195	(12,191)	15,004
Backlog	1	82,355	(82,355)	—
Other	3 - 10	47,903	(31,501)	16,402
Total amortizing intangible assets		$ 520,108	$ (264,240)	$ 255,868
Indefinite-lived intangible assets		34,207	—	34,207
Total intangible assets		$ 554,315	$ (264,240)	$ 290,075

The Company's indefinite-lived intangible asset relate to Federal hazardous waste treatment management permits obtained for locations operated by the Integrated Solutions and Services segment. The permits are considered perpetually renewable. The Company performs an indefinite-lived intangible asset impairment analysis on an annual basis during the fourth quarter of the year and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company assessed the carrying value of the permits at the Integrated Solutions and Services segment as of July 1, 2022, the annual measurement date, using a quantitative analysis outlined in ASU No. 2012-02 to determine whether the existence of events or circumstances would lead to the conclusion that it is more likely than not that the fair values of the permits are less than the carrying amounts. Events and circumstances considered in this review included macroeconomic conditions, new competition, financial performance of the entities which utilizes the permits and other financial and non-financial events. Based on these factors, the Company concluded the fair value of the permits were not more likely than not less than the carrying amounts.

For the amortizing intangible assets, the remaining weighted-average amortization period at September 30, 2022 was as follows:

	Years
Customer-related intangibles	8
Proprietary technology	3
Trademarks	6
Other	3
Aggregate net intangible assets	6

Intangible asset amortization was $44,934, $37,385, and $34,266 for the years ended September 30, 2022, 2021 and 2020, respectively. The estimated future amortization expense is as follows:

2023	$ 44,421
2024	38,994
2025	33,960
2026	28,596
2027	24,070
Thereafter	113,485
Total	$ 283,526

12. Debt

Long-term debt consists of the following:

	September 30, 2022	September 30, 2021
2021 Term Loan, due April 1, 2028	$ 469,063	$ 473,837
2021 Revolving Credit Facility, due April 1, 2026	151,254	37,268
Securitization Facility, due April 1, 2024	150,201	150,061
Equipment Financing, due September 30, 2023 to September 30, 2032, interest rates ranging from 3.59% to 8.07%	120,155	93,375
Notes Payable, due July 31, 2023[(1)]	—	402
Total debt	$ 890,673	$ 754,943
Less unamortized deferred financing fees	(9,873)	(11,738)
Total net debt	$ 880,800	$ 743,205
Less current portion	(17,266)	(12,775)
Total long-term debt	$ 863,534	$ 730,430

(1) In March 2022, the outstanding balance of the Notes Payable due July 31, 2023, was repaid in conjunction with the Company's acquisition of TWO. See Note 4, "Acquisitions and Divestitures" for further discussion.

2021 Credit Agreement

On April 1, 2021, EWT III entered into a Credit Agreement (the "2021 Credit Agreement") among EWT III, as borrower, EWT II, as parent guarantor, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and ING Capital, LLC, as sustainability coordinator. The 2021 Credit Agreement provides for a multi-currency senior secured revolving credit facility in an aggregate principal amount not to

exceed the U.S. dollar equivalent of $350,000 (the “2021 Revolving Credit Facility”) and a discounted senior secured term loan (the “2021 Term Loan”) in the amount of $475,000 (together with the 2021 Revolving Credit Facility, the “Senior Facilities”). The 2021 Credit Agreement also provides for a letter of credit sub-facility not to exceed $60,000. The Senior Facilities are guaranteed by EWT II and certain existing and future direct or indirect wholly-owned domestic subsidiaries of EWT III (together with EWT III, collectively, the “Loan Parties”), and collateralized by a first lien on substantially all of the assets of the Loan Parties, with certain exceptions. In connection with entering into the 2021 Credit Agreement, on April 1, 2021, EWT III repaid all outstanding indebtedness under the 2014 Credit Agreement and terminated that facility.

The 2021 Credit Agreement contains customary representations, warranties, affirmative covenants, and negative covenants, including, among other things, a springing maximum first lien leverage ratio of 5.55 to 1.00. The Company did not exceed this ratio during the year ended September 30, 2022, does not anticipate exceeding this ratio during the fiscal year ending September 30, 2023, and therefore does not anticipate any additional repayments during the year ending September 30, 2023.

With respect to the 2021 Revolving Credit Facility, EWT III is required to pay a commitment fee based on the daily unused portion of the 2021 Revolving Credit Facility, as well as certain other fees to the agents and the arrangers under the Senior Facilities. Amounts outstanding under the Senior Facilities, at EWT III’s option, bear interest at either (i) a Base Rate determined in accordance with the terms of the 2021 Credit Agreement, (ii) with respect to any amounts denominated in U.S. dollars or Sterling, LIBOR, or replacement thereof, as determined in accordance with the terms of the 2021 Credit Agreement, or (iii) with respect to amounts denominated in Euros, the EURIBOR, or replacement thereof, as determined in accordance with the terms of the 2021 Credit Agreement. In the case of the 2021 Revolving Credit Facility, an applicable margin based on the consolidated total leverage of EWT III and its restricted subsidiaries, as calculated in accordance with the terms of the 2021 Credit Agreement, will be added to the interest rate elected by EWT III. During fiscal 2022, the spread on the 2021 Revolving Credit Facility was reduced to 2.20% from 2.25% as a result of a Sustainability Pricing Adjustment per the 2021 Credit Agreement. In the case of the 2021 Term Loan, a fixed applicable margin, calculated in accordance with the terms of the 2021 Credit Agreement, will be added to the interest rate elected by EWT III.

On April 1, 2021, EWT III borrowed the full amount of $475,000 under the 2021 Term Loan and $105,000 under the 2021 Revolving Credit Facility. The 2021 Term Loan was issued at a discount of $2,375, which is recorded as a contra-liability to the carrying amount of debt issued, and is being amortized to interest expense using the effective interest method. The net proceeds of these borrowings under the Senior Facilities, together with the net proceeds of the Receivables Securitization Program (as defined below) and cash on hand, were used to repay all outstanding indebtedness, in an aggregate principal amount of approximately $814,538, under the 2014 Credit Agreement. The proceeds of the 2021 Revolving Credit Facility may also be used to finance or refinance the working capital and capital expenditures needs of EWT III and certain of its subsidiaries and for general corporate purposes.

The 2021 Term Loan matures on April 1, 2028 and requires quarterly principal payments of $1,188 that started in the fourth quarter of 2021. Subject to the terms of the 2021 Credit Agreement, to the extent not previously paid, any amount owed under the 2021 Revolving Credit Facility will become due and payable in full on April 1, 2026.

At September 30, 2022, the Company had (a) $469,063 outstanding under the 2021 Term Loan at an interest rate of 5.06%, comprised of 2.56% LIBOR plus the 2.50% spread, and (b) $151,254 outstanding under the 2021 Revolving Credit Facility with an interest rate of 5.33%, comprised of 3.13% LIBOR plus a 2.20% spread. The 2021 Revolving Credit Facility includes $254 of accrued interest at September 30, 2022. At September 30, 2021 the Company had (a) $473,837 outstanding under the 2021 Term Loan at an interest rate of 2.63%, comprised of 0.13% LIBOR plus the 2.50% spread, and (b) 37,268 outstanding under the 2021 Revolving Credit Facility with an interest rate of 2.38%, comprised of 0.13% LIBOR plus a 2.25% spread. The 2021 Revolving Credit Facility includes $268 of accrued interest at September 30, 2021.

The following table summarizes the amount of the Company's outstanding borrowings and outstanding letters of credit under the 2021 Revolving Credit Facility as of September 30, 2022, and September 30, 2021.

	September 30, 2022	September 30, 2021
Borrowing availability	$ 350,000	$ 350,000
Outstanding borrowings	151,000	37,000
Outstanding letters of credit	9,317	10,112
Unused amounts	$ 189,683	$ 302,888

Receivables Securitization Program

On April 1, 2021, Evoqua Finance LLC ("Evoqua Finance"), an indirect wholly-owned subsidiary of the Company, entered into an accounts receivable securitization program (the "Receivables Securitization Program") consisting of, among other agreements, (i) a Receivables Financing Agreement (the "Receivables Financing Agreement") among Evoqua Finance, as the borrower, the lenders from time to time party thereto (the "Receivables Financing Lenders"), PNC Bank, National Association ("PNC Bank"), as administrative agent, Evoqua Water Technologies LLC ("EWT LLC"), an indirect wholly-owned subsidiary of the Company, as initial servicer, and PNC Capital Markets LLC ("PNC Markets"), as structuring agent, pursuant to which the lenders have made available to Evoqua Finance a receivables finance facility (the "Securitization Facility") in an amount up to $150,000 and (ii) a Sale and Contribution Agreement (the "Sale Agreement") among Evoqua Finance, as purchaser, EWT LLC, as initial servicer and as an originator, and Neptune Benson, Inc., an indirectly wholly-owned subsidiary of the Company, as an originator (together with EWT LLC, the "Originators"). Under the Receivables Securitization Program, the Originators, pursuant to the Sale Agreement, are required to sell substantially all of their domestic trade receivables and certain related rights to payment and obligations of the Originators with respect to such receivables (the "Receivables") to Evoqua Finance, which, in turn, will obtain loans secured by the Receivables from the Receivables Financing Lenders pursuant to the Receivables Financing Agreement. The Receivables underlying any borrowings will continue to be included in Accounts receivable, net, in the Consolidated Balance Sheets of the Company. On April 1, 2021, Evoqua Finance borrowed $142,200 under the Securitization Facility. During the year ended September 30, 2022, Evoqua Finance borrowed additional amounts under the Securitization Facility. As of September 30, 2022 Evoqua Finance had $150,201 outstanding under the Securitization Facility which included $201 of accrued interest. As of September 30, 2021 Evoqua Finance had $150,061 outstanding under the Securitization Facility which included $61 of accrued interest.

The Receivables Securitization Program contains certain customary representations, warranties, affirmative covenants, and negative covenants, subject to certain cure periods in some cases, including the eligibility of the Receivables being sold by the Originators and securing the loans made by the Receivables Financing Lenders, as well as customary reserve requirements, events of default, termination events, and servicer defaults. The Company was in compliance with all covenants during the fiscal year ended September 30, 2022, does not anticipate becoming noncompliant during the year ending September 30, 2023, and therefore does not anticipate any additional repayments during the year ending September 30, 2023.

The Receivables Financing Lenders under the Receivables Securitization Program receive interest at LIBOR or LMIR as selected by Evoqua Finance. The Receivables Financing Agreement contains customary LIBOR benchmark replacement language. The interest rate on the Securitization Facility was 4.39% as of September 30, 2022, comprised of 3.14% LIBOR plus the 1.25% spread. As of September 30, 2021 the interest rate on the Securitization Facility was 1.33%, comprised of 0.08% LIBOR plus the 1.25% spread The Receivables Securitization Program matures on April 1, 2024.

Equipment Financings

During the year ended September 30, 2022, the Company completed the following equipment financings:

Date Entered	Due	Interest Rate at September 30, 2022	Principal Amount
September 30, 2022	September 30, 2032	5.30 %	$ 3,811
September 29, 2022	May 31, 2029[1]	5.03 %	2,248
June 30, 2022	July 31, 2029[2]	6.31 %	12,356
June 30, 2022	May 31, 2029[1]	5.03 %	4,086
March 18, 2022	March 17, 2029	4.67 %	1,839
March 16, 2022	July 31, 2029[2]	6.31 %	1,317
March 15, 2022	April 1, 2029	4.67 %	4,788
December 30, 2021	December 30, 2028	3.94 %	2,207
December 23, 2021	July 31, 2029[2]	6.31 %	3,742
			$ 36,394

(1) Represents an advance received from the lender on a multiple draw term loan in which the Company is making interest only payments through December 30, 2022 based on a 2.28% Secured Overnight Financing Rate plus a 2.75% spread.

(2) Represents an advance received from the lender on a multiple draw term loan in which the Company is making interest only payments through August 1, 2022 based on an interest rate of 6.31% including a 2.56% LIBOR plus a 3.75% spread as of September 30, 2022. The Company entered into an interest rate swap with an effective date of August 1, 2022 to mitigate risk associated with this variable rate equipment financing, see Note 13, "Derivative Financial Instruments" for further discussion.

Deferred Financing Fees and Discounts

Deferred financing fees and discounts related to the Company's long-term debt were included as a contra liability to debt on the Consolidated Balance Sheets as follows:

	September 30, 2022	September 30, 2021
Current portion of deferred financing fees and discounts[1]	$ (1,899)	$ (1,866)
Long-term portion of deferred financing fees and discounts[2]	(7,974)	(9,872)
Total deferred financing fees and discounts	$ (9,873)	$ (11,738)

(1) Included in Current portion of debt, net of deferred financing fees and discounts on the Consolidated Balance Sheets.

(2) Included in Long-term debt, net of deferred financing fees and discounts on the Consolidated Balance Sheets.

During the year ended September 30, 2021, as a result of the refinancing on April 1, 2021, the Company wrote off approximately $1,333 of deferred financing fees related to the 2014 Term Loan. In addition, the Company incurred approximately $4,985 of fees, of which approximately $1,931 were recorded as deferred financing fees on the Consolidated Balance Sheets and approximately $3,054 were expensed. During the year ended September 30, 2021, the Company incurred approximately $822 of fees related to the Receivables Securitization Program and $453 of fees related to an equipment financing which were recorded as deferred financing fees on the Consolidated Balance Sheets.

Amortization of deferred financing fees and discounts included in interest expense were $1,866, $1,946, and $1,735 for the year ended September 30, 2022, 2021 and 2020, respectively.

Repayment Schedule

Aggregate maturities of all long-term debt, including current portion of long-term debt and excluding finance lease obligations as of September 30, 2022, are presented below:

Fiscal Year	
2023	$ 19,085
2024	167,870
2025	19,458
2026	173,775
2027	21,031
Thereafter	489,454
Total	$ 890,673

13. Derivative Financial Instruments

Interest Rate Risk Management

The Company is subject to market risk exposure arising from changes in interest rates on the senior secured credit facilities as well as variable rate equipment financings, which bear interest at rates that are indexed against LIBOR. The Company's objectives in using interest rate derivatives are to add stability to interest expense and to mitigate its exposure to rising interest rates. As of September 30, 2022, the notional amount of the Company's interest rate swaps was $540,000.

Foreign Currency Risk Management

The Company's functional currency is the U.S. dollar. By operating internationally, the Company is subject to foreign currency translation risk associated with converting the foreign operations' financial statements into U.S. dollars transactions denominated in currencies other than the U.S. dollar ("foreign currencies"). The Company is also subject to currency risk from transactions denominated in foreign currencies. To mitigate cross-currency transaction risk, the Company analyzes significant exposures where it has receipts or payments in a currency other than the functional currency of its operations, and from time to time may strategically enter into short-term foreign currency forward contracts to lock in some or all of the cash flows associated with these transactions. The Company uses foreign currency derivative contracts in order to manage the effect of exchange fluctuations on forecasted sales and purchases that are denominated in foreign currencies. To mitigate the impact of foreign exchange rate fluctuation risk, the Company entered into a series of forward contracts designated as cash flow hedges. As of September 30, 2022, the notional amount of the forward contracts was $26,106.

Equity Price Risk Management

The Company is exposed to variability in compensation charges related to certain deferred compensation obligations to employees. Equity price movements affect the compensation expense as certain investments made by the Company's employees in the deferred compensation plan are revalued. Although not designated as accounting hedges, the Company utilizes derivatives such as total return swaps to economically hedge a portion of this exposure and offset the related compensation expense. As of September 30, 2022, the notional amount of the total return swaps was $5,629.

Credit Risk Management

The counterparties to the Company's derivative contracts are highly rated financial institutions. The Company regularly reviews the creditworthiness of its financial counterparties and does not expect to incur a significant failure of any counterparties to perform under any agreements. The Company is not subject to any obligations to post collateral under derivative instrument contracts. The Company records all derivative instruments on a gross basis in the Consolidated Balance Sheets. Accordingly, there are no offsetting amounts that net assets against liabilities.

Derivatives Designated as Cash Flow Hedges

The following represents the fair value recorded for derivatives designated as cash flow hedges for the periods presented:

		Asset Derivatives	
	Balance Sheet Location	September 30, 2022	September 30, 2021
Interest rate swaps	Prepaid and other current assets	$ 19,186	$ 3,127
Foreign currency forward contracts	Prepaid and other current assets	467	6
Interest rate swaps	Other non-current assets	30,766	—

		Liability Derivatives	
	Balance Sheet Location	September 30, 2022	September 30, 2021
Foreign currency forward contracts	Accrued expenses and other current liabilities	$ 872	$ 102
Commodity swaps	Accrued expenses and other current liabilities	7	19
Interest rate swaps	Accrued expenses and other current liabilities	—	303

The following represents the amount of gain (loss) recognized in AOCI (net of tax) during the periods presented:

	Year Ended September 30,		
	2022	2021	2020
Interest rate swap	$ 36,550	$ 5,252	$ (5,155)
Foreign currency forward contracts	(583)	(324)	(201)
Commodity swaps	8	(19)	—
Interest rate cap	—	—	(19)
	$ 35,975	$ 4,909	$ (5,375)

The following represents the amount of (loss) gain reclassified from AOCI into earnings during the periods presented:

	Year Ended September 30,		
Location of (Loss) Gain	**2022**	**2021**	**2020**
Cost of product sales and services	$ (136)	$ (70)	$ (8)
General and administrative expense	(229)	(4)	(192)
Selling and marketing expense	—	(69)	28
Interest expense	1,152	(2,241)	(486)
	$ 787	$ (2,384)	$ (658)

Based on the fair value amounts of the Company's cash flow hedges at September 30, 2022, the Company expects that approximately $186 of pre-tax net losses will be reclassified from AOCI into earnings during the next twelve months. The amount ultimately realized, however, will differ as exchange rates vary and the underlying contracts settle.

Derivatives Not Designated as Hedging Instruments

The following represents the fair value recorded for derivatives not designated as hedges for the periods presented:

		Asset Derivatives	
	Balance Sheet Location	**September 30, 2022**	**September 30, 2021**
Foreign currency forward contracts	Prepaid and other current assets	$ 40	$ 18

		Liability Derivatives	
	Balance Sheet Location	**September 30, 2022**	**September 30, 2021**
Total return swaps—deferred compensation	Accrued expenses and other current liabilities	$ 632	$ 130

The following represents the amount of loss recognized in earnings for derivatives not designated as hedges during the periods presented:

	Year Ended September 30,		
Location of Loss	**2022**	**2021**	**2020**
General and administrative expense	$ (1,130)	$ (106)	$ —
	$ (1,130)	$ (106)	$ —

14. Product Warranties

A reconciliation of the activity related to the accrued warranty, including both the current and long-term portions, is as follows:

	Current Product Warranties			Non-Current Product Warranties		
	Year Ended September 30,			Year Ended September 30,		
	2022	2021	2020	2022	2021	2020
Balance at beginning of the period	$ 8,138	$ 6,115	$ 4,922	$ 2,966	$ 1,724	$ 2,332
Warranty provision for sales	6,732	6,939	4,738	2,835	2,065	701
Settlement of warranty claims	(7,206)	(4,720)	(4,890)	(2,022)	(830)	(1,170)
Foreign currency translation and other	(924)	(196)	550	(314)	7	(274)
Amounts related to sale of the Memcor product line	—	—	795	—	—	135
Balance at end of the period	$ 6,740	$ 8,138	$ 6,115	$ 3,465	$ 2,966	$ 1,724

15. Restructuring and Related Charges

To better align its resources with its growth strategies and reduce the cost structure, the Company commits to restructuring plans as necessary. The Company has undertaken various restructuring initiatives, including undertaking activities to reduce the cost structure and rationalize location footprint following the sale of the Memcor product line, transitioning from a three-segment structure to a two-segment operating model designed to better serve the needs of customers worldwide, and various initiatives within the Integrated Solutions and Services segment to drive efficiency and effectiveness in certain divisions.

The Company currently expects to incur approximately $8,400 to $9,400 of costs during fiscal 2023 related to restructuring charges initiated in prior periods.

The table below sets forth the amounts accrued for the restructuring components and related activity:

	Year Ended September 30,		
	2022	2021	2020
Balance at beginning of the period	$ 304	$ 970	$ 655
Restructuring charges following the sale of the Memcor product line	979	5,588	8,274
Restructuring charges related to two-segment realignment	390	1,060	2,092
Restructuring charges related to other initiatives	4,517	2,830	1,867
Release of prior reserves	(300)	(329)	(98)
Write-off charges	—	(1,340)	(2,461)
Cash payments	(5,222)	(8,484)	(9,367)
Other adjustments	(10)	9	8
Balance at end of the period	$ 658	$ 304	$ 970

The balances for accrued restructuring liabilities at September 30, 2022 and 2021, are recorded in Accrued expenses and other liabilities on the Consolidated Balance Sheets. Restructuring charges primarily represent severance charges and other employee costs, fixed asset write-offs and certain relocation expenses. The Company expects to pay the remaining amounts accrued as of September 30, 2022 during the first half of 2023.

The table below sets forth the location of amounts recorded above on the Consolidated Statements of Operations:

	Year Ended September 30,		
	2022	2021	2020
Cost of product sales and services	$ 2,217	$ 4,554	$ 8,305
General and administrative expense	2,574	3,199	3,053
Sales and marketing expense	83	348	305
Research and development expense	1	(16)	23
Other operating expense, net	711	1,064	449
	$ 5,586	$ 9,149	$ 12,135

The Company continues to evaluate restructuring activities that may result in additional charges in the future.

16. Employee Benefit Plans

Defined Benefit Plans

The Company maintains multiple employee benefit plans.

Certain of the Company’s employees in the UK were participants in a Siemen’s defined benefit plan established for employees of a UK-based operation acquired by Siemens in 2004. The plan was frozen with respect to future service credits for active employees, however the benefit formula recognized future compensation increases. The Company agreed to establish a replacement defined benefit plan, with the assets of the Siemens scheme transferring to the new scheme on April 1, 2015.

Certain of the Company’s employees in Germany also participate in a defined benefit plan. Assets equaling the plan’s accumulated benefit obligation were transferred to a German defined benefit plan sponsored by the Company upon the acquisition of EWT from Siemens. The German entity also sponsors a defined benefit plan for a small group of employees located in France.

The changes in projected benefit obligations, plan assets and the funded status of the UK and German defined benefit plans as of and for the years ended September 30, 2022 and 2021, respectively, are as follows:

	2022	2021
Change in projected benefit obligation		
Projected benefit obligation at prior year measurement date	$ 46,013	$ 47,389
Service cost	752	1,156
Interest cost	551	482
Actuarial gains	(13,069)	(2,312)
Benefits paid from company assets	(428)	(738)
Foreign currency exchange impact	(7,165)	36
Projected benefit obligation at measurement date	$ 26,654	$ 46,013
Change in plan assets		
Fair value of assets at prior year measurement date	28,638	27,530
Actual return on plan assets	(4,639)	971
Benefits paid	(109)	(515)
Employer contribution	—	258
Foreign currency exchange impact	(4,600)	394
Fair value of assets at measurement date	$ 19,290	$ 28,638
Funded status and amount recognized in assets and liabilities	$ (7,364)	$ (17,375)
Amount recognized in assets and liabilities		
Other non-current assets	$ 1,779	$ 2,960
Other non-current liabilities	$ (9,143)	$ (20,335)
Amount recognized in accumulated other comprehensive loss, before taxes		
Actuarial (gain) loss	$ (1,067)	$ 7,071

The following table provides summary information for the UK and German plans where the projected benefit obligation is in excess of plan assets:

	September 30, 2022	September 30, 2021
Projected benefit obligation	$ 26,654	$ 46,013
Accumulated benefit obligation	$ 14,621	$ 24,578
Fair value of plan assets	$ 19,290	$ 28,638

The weighted average assumptions in the following table represent the rates used to develop the actuarial present value of the projected benefit obligation for the year indicated as well as net periodic pension cost for the following year. The discount rate is based on settling the obligation with high grade, high yield corporate bonds, and the rate of compensation increase is based upon actual experience. The expected return on assets is based on historical performance as well as expected future rates of return on plan assets considering the current investment portfolio mix and the long-term investment strategy.

	2022	2021
Discount rate	2.03% - 4.97%	1.00% - 2.03%
Expected long-term rate of return on plan assets	2.82% - 5.74%	1.97% - 3.50%
Salary scale	2.25% - 4.54%	2.25% - 4.36%
Pension increases	1.00% - 3.42%	1.00% - 3.27%

The Plan trustees for the UK and German pension plans have established investment policies and strategies. The UK Pension Committee established and implemented a liability driven investment approach to take advantage of, and seeking to protect, its well-funded status. The German investment strategy is to close the current funding gap by taking a risk-balanced growth approach through investing assets in marketable securities.

Through a trust arrangement, the German plan assets are held in a global multi-asset fund.

The actual overall asset allocation for the UK pension plan as compared to the investment policy goals as of September 30, 2022 was as follows by asset category:

	2022 Actual	2022 Target
Equity	26.7 %	— %
Index-linked gilts	72.8 %	70 %
Cash	0.5 %	30 %

Pension expense for the German and UK plans were as follows:

	Year Ended September 30,		
	2022	2021	2020
Service cost	$ 752	$ 1,156	$ 1,125
Interest cost	551	482	492
Expected return on plan assets	(771)	(615)	(387)
Amortization of actuarial losses	584	1,042	1,006
Pension expense for defined benefit plans	$ 1,116	$ 2,065	$ 2,236

The components of pension expense, other than the service cost component, which is included in General and administrative expense, are included in the line item Other operating expense in the Consolidated Statements of Operations.

Benefits expected to be paid to participants of the plans are as follows:

Year Ended September 30,	
2023	$ 880
2024	561
2025	648
2026	898
2027	828
Five years thereafter	7,616
Total	$ 11,432

Defined Contribution Plans

The Company maintains a defined contribution 401(k) plan, which covers all U.S.-based employees who meet minimum age and length of service requirements. Plan participants can elect to defer pre-tax compensation through payroll deductions. These deferrals are regulated under Section 401(k) of the Internal Revenue Code. Prior to January 1, 2021, the Company matched 100% of eligible participants' deferrals that did not exceed 6% of their pay. Effective January 1, 2021, the Company matches 100% of eligible participants' deferrals that do not exceed 4% of their pay. Also, effective January 1, 2021, the Company may make a discretionary profit sharing contribution of up to 4% of each plan participant's compensation. All such contributions are subject to limitations imposed by the Internal Revenue Code. The Company's total contributions were $21,448, $16,559, and $14,243 for the years ended September 30, 2022, 2021 and 2020, respectively.

Employees in the UK and Germany also participate in a defined contribution plan maintained by the Company. For the years ended September 30, 2022, 2021 and 2020, contributions made to the Company's plan in the UK and Germany were $937, $919, and $1,021, respectively.

Deferred Compensation

On April 1, 2014, the Company adopted a non-qualified deferred compensation plan for certain highly compensated employees. The Plan matches, on a dollar-for-dollar basis, up to the first 6% of a participant's pay. The Company's obligation under the plan represents an unsecured promise to pay benefits in the future. In the event of bankruptcy or insolvency of the Company, assets of the plan would be available to satisfy the claims of general creditors. To increase the security of the participants' deferred compensation plan benefits, the Company has established and funded a grantor trust (known as a rabbi trust). The rabbi trust is specifically designed so that assets are available to pay plan benefits to participants in the event the Company is unwilling or unable to pay the plan benefits for any reason other than bankruptcy or insolvency. As a result, the Company is prevented from withdrawing or accessing assets for corporate needs. Plan participants choose to receive a return on their account balances equal to the return on the various investment options. The rabbi trust assets are primarily invested in mutual funds and insurance contracts of which the rabbi trust is the owner and beneficiary.

Health Benefit Plan

The Company maintains a qualified employee health benefit plan in the U.S. and is self-funded by the Company with respect to claims up to a certain amount. The plan requires contributions from eligible employees and their dependents.

17. Income Taxes

For financial reporting purposes, income (loss) before income taxes includes the following components:

	Year Ended September 30,		
	2022	2021	2020
Domestic	$ 23,245	$ 19,927	$ 81,276
Foreign	46,068	41,815	40,490
Income before income taxes	$ 69,313	$ 61,742	$ 121,766

The components of income tax (expense) benefit were as follows:

	Year Ended September 30,		
	2022	2021	2020
Current:			
Federal	$ —	$ —	$ —
State	(932)	(1,233)	(591)
Foreign	(11,056)	(11,210)	(8,014)
	$ (11,988)	$ (12,443)	$ (8,605)
Deferred:			
Federal	9,470	(2,153)	115
State	6,168	(630)	401
Foreign	(620)	5,146	718
	$ 15,018	$ 2,363	$ 1,234
Total income tax (expense) benefit	$ 3,030	$ (10,080)	$ (7,371)

For the years ended September 30, 2022, 2021 and 2020, the U.S. federal statutory rate was 21.0%.

A reconciliation of income tax (expense) benefit and the amount computed by applying the applicable statutory rate to income from operations before income taxes was as follows:

	Year Ended September 30,		
	2022	2021	2020
Income tax (expense) benefit at the federal statutory rate of 21%	$ (14,556)	$ (12,966)	$ (25,571)
State and local income taxes, net of federal tax benefit	989	(757)	(74)
Foreign tax rate differential	(1,897)	(3,009)	(1,129)
Nondeductible interest expense	(578)	(588)	(1,032)
Meals and entertainment expense	(36)	(176)	(760)
U.S. tax on foreign earnings	(2,683)	(5,687)	(8,438)
Other nondeductible expenses	(2,952)	(786)	(479)
Impact of tax rate changes	(24)	819	286
Valuation allowances	17,087	854	19,013
Share-based compensation	6,990	11,598	4,931
Non-taxable gain on sale of subsidiary	—	—	4,789
Return-to-provision adjustments	1,790	(44)	516
Non-controlling interest	31	30	(466)
Net benefit of foreign R&D expenses	—	—	18
Transaction related contingent liabilities	824	155	143
Deferred tax adjustments	(2,317)	87	491
Accrued tax adjustments	(138)	27	(6)
Other	500	363	397
Total	$ 3,030	$ (10,080)	$ (7,371)

Annual Tax (Expense) Benefit

For the year ended September 30, 2022, tax benefit was $3,030 as compared to tax expense based on the U.S. statutory rate of $14,556. The actual tax benefit was lower principally due to a one-time reversal of the U.S. federal and state valuation allowance which was partially offset by an increase in foreign tax expense due to improved profitability in certain jurisdictions with tax rates higher than the U.S. See the above reconciliation for more detail.

Tax expense decreased $13,110 to a benefit of $3,030 for the year ended September 30, 2022 as compared to tax expense of $10,080 in the prior year. The decrease in tax expense was primarily attributable to a one-time reversal of the U.S. federal and state valuation allowance which was partially offset by an increase in foreign tax expense due to improved profitability in certain jurisdictions with tax rates higher than the U.S.

Tax expense increased $2,709 to $10,080 for the year ended September 30, 2021 as compared to $7,371 in the prior year. The increase in tax expense was primarily attributable to an increase in foreign tax expense due to improved profitability in certain countries and the impact of a one-time state tax adjustment for prior periods. The increase in expense was partially offset by a one-time tax benefit for the reversal of the valuation allowance with respect to the Company's German operating company.

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

	September 30, 2022	September 30, 2021
Deferred Tax Assets		
Receivable allowances	$ 1,619	$ 885
Reserves and accruals	23,706	24,913
Inventory valuation and other assets	4,196	3,141
Investment in partnership	—	1,977
Unrealized foreign exchange gains (losses), including related hedges	8,573	4,468
Right of use liabilities	12,021	—
Other deferred tax assets	1,052	2,811
Net operating loss carryforwards	40,124	48,605
Gross deferred tax assets	$ 91,291	$ 86,800
Less: Valuation allowance	(3,740)	(21,299)
Deferred tax assets less valuation allowance	$ 87,551	$ 65,501
Deferred Tax Liabilities		
Goodwill	(8,162)	(9,849)
Fixed assets	(48,992)	(46,057)
Intangibles	(15,359)	(15,313)
Deferred tax liabilities in other comprehensive income	(12,360)	—
Right of use assets	(11,291)	—
Other deferred tax liabilities	(1,751)	(2,440)
Gross deferred tax liabilities	$ (97,915)	$ (73,659)
Net deferred tax liabilities	$ (10,364)	$ (8,158)

The Company performs an evaluation at the end of each reporting period to determine whether it is more likely than not that all or some portion of our deferred tax assets will not be realized in future years. In making such a determination, the Company considers available positive and negative evidence, including (i) future reversal of existing taxable temporary differences, (ii) tax planning strategies, (iii) the carryforward periods of tax losses, (vi) recent results of operations, and (v) projected future taxable income.

In performing this evaluation in prior periods, a full valuation allowance was recorded as a result of objective negative evidence which included losses generated in five of the six years ended September 30, 2014 to September 30, 2019 and the associated limitation on our ability to consider subjective evidence such as projections of future growth and profitability. As of September 30, 2022, the Company has generated profit each of the last three fiscal years while dealing with significant operational and worldwide economic challenges. As a result, we are able to take into consideration future projected income as part of our analysis.

Based upon the available positive and negative evidence and the weight accorded to that evidence on September 30, 2022, the Company has determined that the significant positive evidence outweighs the negative evidence. Therefore, the Company has concluded that it is more likely than not that the U.S. federal and state deferred tax assets will be realized and accordingly will no longer provide a valuation allowance against those deferred tax assets. The previously provided valuation allowances have been released. The valuation allowances that remain relate to certain foreign net operating losses and credits that are not expected to be realized.

A reconciliation of the valuation allowance on deferred tax assets is as follows:

	Year Ended September 30,		
	2022	2021	2020
Valuation allowance beginning of period	$ 21,299	$ 23,298	$ 41,084
Change in assessment	(17,305)	(6,140)	1,650
Current year operations	217	7,300	(19,856)
Foreign currency and other	(471)	(3,219)	3,012
Acquisitions / Dispositions	—	60	(2,592)
Valuation allowance end of period	$ 3,740	$ 21,299	$ 23,298

The Company does not anticipate that it will dispose any of its foreign subsidiaries in the foreseeable future and as such has not recorded a U.S. deferred tax asset where the tax basis exceeds the financial reporting basis of these investments. Additionally, the Company has not provided a U.S. deferred tax liability on the excess of financial reporting over tax basis of its investments.

As of September 30, 2022, 2021 and 2020, undistributed earnings of non-U.S. affiliates were approximately $119,524, $77,709, and $53,766, respectively, which are considered to be indefinitely reinvested. Upon distribution of these earnings the Company may be subject to U.S. income taxes and foreign withholding taxes. The amount of taxes that may be payable on remittance of these earnings is dependent on the tax laws and profile of the Company at that time and the availability of foreign tax credits in the year in which such earnings are remitted. Therefore, it is not practicable to estimate the amount of taxes that may be payable when these earnings are remitted in the future.

The Company utilizes the more-likely-than-not standard in recognizing a tax benefit in its financial statements. For the years ended September 30, 2022, 2021, and 2020, the Company had unrecognized tax benefits of $1,035, $1,123, and $1,050 respectively.

The following is a reconciliation of the Company's total gross unrecognized tax benefits:

	Year Ended September 30,		
	2022	2021	2020
Balance as of beginning of period	$ 1,123	$ 1,050	$ 1,075
Tax positions related to the current year			
Additions	—	—	—
Tax positions related to prior years			
Additions	—	73	—
Reductions	(88)	—	(25)
Expiration of statutes of limitations	—	—	—
Balance as of end of period	$ 1,035	$ 1,123	$ 1,050

At September 30, 2022, 2021, and 2020, the Company had $1,593, $1,599, and $1,288 classified as a current liability respectively. The amount of unrecognized tax benefits is not expected to change significantly during the next 12 months. At September 30, 2022, 2021, and 2020, if the Company's tax positions are sustained by the taxing authorities in favor of the Company, the amount that would affect the Company's effective tax rate would be approximately $1,593, $1,599, and $1,288 respectively.

The Company classifies interest expense and, if applicable, penalties which could be assessed related to unrecognized tax benefits as component of income tax (expense) benefit. For the years ended September 30, 2022, 2021, and 2020 the Company recognized approximately $(81), $(238), and $(143) of gross interest and penalties, respectively.

Tax attributes available to reduce future taxable income begin to expire as follows:

	September 30, 2022	Begin Expiring
Federal net operating loss	$ 156,887	September 30, 2035
State net operating loss	78,348	September 30, 2023
State tax credits	43	September 30, 2036
Foreign net operating loss	2,121	September 30, 2023
Foreign net operating loss	8,644	Indefinite

During the fourth quarter of the year ending September 30, 2020 the Company undertook a secondary offering. As a result of that offering, the Company experienced an ownership change for purposes of I.R.C. Section 382. There was no impact to current or deferred tax expense resulting from the ownership change for the years ending September 30, 2022, 2021 and 2020.

The Company may be subject to tax audits in the U.S. as well as various state and foreign jurisdictions. The following table summarizes the Company's open years by major jurisdiction as of September 30, 2022:

Jurisdiction	Open Tax Years
United States	2019-2022
Australia	2018-2022
Canada	2018-2022
China	2017-2022
Germany	2018-2022
Netherlands	2017-2022
Singapore	2018-2022
United Kingdom	2020-2022

18. Share-Based Compensation

The Company designs equity compensation plans to attract and retain employees while also aligning employees' interests with the interests of the Company's shareholders. In addition, members of the Company's Board of Directors (the "Board") participate in equity compensation plans in connection with their service on the Company's Board.

The Company established the Evoqua Water Technologies Corp. Stock Option Plan (the "Stock Option Plan") shortly after the acquisition date of January 16, 2014. The plan allows certain management employees and the Board to purchase shares in Evoqua Water Technologies Corp. Under the Stock Option Plan, the number of shares available for award was 11,083. As of September 30, 2022, there were approximately 2,177 shares available for future grants, however, the Company does not currently intend to make additional grants under the Stock Option Plan.

In connection with the IPO, the Board adopted and the Company's shareholders approved the Evoqua Water Technologies Corp. 2017 Equity Incentive Plan (or the "Equity Incentive Plan"), under which equity awards may be granted in the form of options, restricted stock, restricted stock units, stock appreciation rights, dividend equivalent rights, share awards and performance-based awards (including performance share units and performance-based restricted stock).

During the year ended September 30, 2022, the Company granted RSUs, stock appreciation rights, and performance share units under the Equity Incentive Plan to certain employees of the Company as well as its Board of Directors. The final number of performance share units that may be earned is dependent on the Company's achievement of performance goals related to cumulative revenue growth dollars and average adjusted EBITDA margin over a three-year measurement period ending September 30, 2024, in which the maximum payout cannot exceed 250% of the applicable target award, which also considers that the final number of performance share units that may be earned is subject to a total stockholder return ("TSR") modifier, which operates by increasing or decreasing the total number of shares earned by up to 25%

based on the Company's TSR relative to the TSR of the U.S. constituents of the S&P Global Water Index. In order to receive shares earned at the end of the performance period, the recipient must remain employed by the Company or its subsidiaries through the end of the three-year period (except in the event of retirement, death, disability or, in certain circumstances, related to change in control).

As of September 30, 2022, there were approximately 3,977 shares available for grants under the Equity Incentive Plan.

Option awards vest ratably at 25% per year, and are exercisable at the time of vesting. The options granted have a ten-year contractual term.

A summary of the stock option activity, including stock appreciation rights, for the years ended September 30, 2022 and 2021 is presented below:

(In thousands, except per share amounts)	Options	Weighted Average Exercise Price/ Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at September 30, 2020	7,430	$ 10.30	5.9 years	$ 83,152
Granted	612	$ 24.78		
Exercised	(2,884)	$ 6.81		
Forfeited	(67)	$ 21.25		
Cancelled	(1)	$ 16.63		
Outstanding at September 30, 2021	5,090	$ 13.87	5.9 years	$ 120,611
Granted	2	$ 46.75		
Exercised	(789)	$ 8.86		
Forfeited	(38)	$ 21.05		
Outstanding at September 30, 2022	4,265	$ 14.74	5.2 years	$ 78,218
Options exercisable at September 30, 2022	3,223	$ 12.51	4.4 years	$ 66,272
Options vested and expected to vest at September 30, 2022	4,253	$ 14.72	5.2 years	$ 78,093

The total intrinsic value of options exercised (which is the amount by which the stock price exceeded the exercise price of the options of the date of exercise) during the year ended September 30, 2022 was $24,919. During the year ended September 30, 2022, $9,556 was received from the exercise of stock options.

A summary of the status of the Company's nonvested stock options, including stock appreciation rights, as of and for the years ended September 30, 2022, 2021 and 2020 is presented below.

	2022		2021		2020	
(In thousands, except per share amounts)	Shares	Weighted Average Grant Date Fair Value/Share	Shares	Weighted Average Grant Date Fair Value/Share	Shares	Weighted Average Grant Date Fair Value/Share
Unvested at beginning of period	1,901	$ 6.69	2,166	$ 5.56	2,379	$ 4.96
Granted	2	$ 24.22	612	$ 9.00	823	$ 6.06
Vested	(823)	$ 6.54	(810)	$ 5.48	(864)	$ 4.52
Forfeited	(38)	$ 6.87	(67)	$ 6.82	(172)	$ 4.94
Unvested at end of period	1,042	$ 6.82	1,901	$ 6.69	2,166	$ 5.56

The total fair value of options vested during the year was $5,382, $4,434, and $3,906 for the years ended September 30, 2022, 2021 and 2020, respectively.

Restricted Stock Units

The following is a summary of the RSU activity for the years ended September 30, 2022 and 2021.

	Shares	Weighted Average Grant Date Fair Value/Share
Outstanding at September 30, 2020	750	$ 17.86
Granted	731	$ 25.98
Vested	(240)	$ 17.55
Forfeited	(25)	$ 20.31
Cancelled	(7)	$ 21.22
Outstanding at September 30, 2021	1,209	$ 22.77
Granted	328	$ 44.88
Vested	(507)	$ 22.23
Forfeited	(50)	$ 27.96
Outstanding at September 30, 2022	980	$ 30.18
Expected to vest at September 30, 2022	959	$ 30.05

Performance Share Units

The following is a summary of the PSU activity for the years ended September 30, 2022 and 2021.

(In thousands, except per share amounts)	Shares	Weighted Average Grant Date Fair Value/Share
Unvested at September 30, 2020	—	$ —
Granted	469	$ 16.92
Nonvested at September 30, 2021	469	$ 16.92
Granted	124	$ 52.50
Forfeited	(1)	$ 47.92
Nonvested at September 30, 2022	592	$ 23.36
Expected to vest at September 30, 2022	555	$ 23.25

Expense Measurement and Recognition

The Company recognizes share-based compensation for all current award grants and, in future periods, will recognize compensation costs for the unvested portion of previous award grants based on grant date fair values as well as expectations for achievement of performance goals. Total share-based compensation expense was $23,450, $17,703 and $10,535 during the year ended September 30, 2022, 2021 and 2020, respectively, of which $22,104, $15,524 and $10,509 was non-cash, respectively.

Reported non-cash share-based compensation expense was classified on the Consolidated Statements of Operations as shown in the following table:

	Year Ended September 30,		
	2022	2021	2020
Cost of services	$ 234	$ 143	$ 91
General and administrative	21,870	15,381	10,418
	$ 22,104	$ 15,524	$ 10,509

The unrecognized compensation expense related to stock options, RSUs, and and performance share units (measured at a target award level) was $4,655, $20,255 and $9,710, respectively at September 30, 2022, and is expected to be recognized over a weighted average period of 1.4 years, 1.7 years, and 1.8 years, respectively.

The Company estimates the fair value of each stock option and stock appreciation right awards on the grant date using the Black-Scholes valuation model incorporating the assumptions noted in the following table. Option valuation models require the input of highly subjective assumptions, and changes in assumptions used can materially affect the fair value estimate.

Valuation assumptions for options and stock appreciation rights granted are as follows for the years ended September 2022, 2021 and 2020, respectively:

	Year Ended September 30,		
	2022	**2021**	**2020**
Expected volatility	55.3%	38.3% - 56.7%	24.2% - 77.1%
Expected dividends	—	—	—
Expected term (in years)	5.9	5.3 - 6.0	5.4 - 6.0
Risk free rate	1.4%	0.4% - 0.9%	0.2% - 1.7%
Grant date fair value per share of options and stock appreciation rights granted	$24.22	$8.12 - $19.76	$5.33 - $8.56

The risk-free interest rate is based on the U.S. treasury security rate in effect as of the date of grant. Beginning in fiscal year 2021, the Company utilized historical realized volatility for expected volatility which is based on historical stock prices during a period of time. Prior to fiscal year 2021, the Company had little history with respect to volatility of share prices, and as such, the expected volatility was not based on realized volatility. The Company, as permitted under ASC 718, had identified guideline public companies who are participants in the Company's markets. The Company obtained share price trading data from the guideline companies and based their estimate of expected volatility on the implied volatility of the guideline companies in addition to the Company's own implied volatility. As the guideline companies were comparable in most significant respects, the Company believed they represent an appropriate basis for estimating expected volatility.

For performance share units, the performance metrics in the units are valued using the grant-date fair value. The market conditions in the units are valued using an estimated fair value on the grant date using a Monte Carlo simulation incorporating the assumptions noted in the following table.

	Year Ended September 30,	
	2022	2021
Expected volatility	56.0% - 56.2%	61.0%
Expected dividends	—	—
Expected term (in years)	3.0	3.0
Risk free rate	0.91% - 1.13%	0.34%
Grant date fair value per share of PSUs granted	$46.08 - $52.57	$16.92

The risk-free interest rate is based on the U.S. treasury security rate in effect as of the date of grant. The Company utilized historical realized volatility for expected volatility which is based on historical stock prices during a period of time.

Employee Stock Purchase Plan

Effective October 1, 2018, the Company implemented an employee stock purchase plan (the "ESPP") which allows employees to purchase shares of the Company's stock at 85% of the lower of the fair market value on the first or last business day of the applicable six-month offering period. These purchases are offered twice throughout each fiscal year, and are paid by employees through payroll deductions over the respective six month purchase period, at the end of which the stock is transferred to the employees. On December 21, 2018, the Company registered 11,297 shares of common stock, par value $0.01 per share, of which 5,000 are available for future issuance under the ESPP. During the years ended September 30, 2022, 2021 and 2020, the Company incurred compensation expense of $1,011, $887 and $392, respectively, in salaries and wages in respect of the ESPP, representing the fair value of the discounted price of the shares. These amounts are included in the total share-based compensation expense above. During the years ended September 30, 2022, 2021 and 2020, 108 shares, 182 shares and 58 shares, respectively, were issued under the ESPP plan.

19. Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) were:

	September 30, 2022	September 30, 2021
Foreign currency translation income	$ 6,767	$ 16,137
Pension benefit plans, net of tax expense of $2,790 and $403	(1,776)	(7,474)
Unrealized derivative gain on cash flow hedges, net of tax expense of $11,770 and $135	37,940	2,752
Total accumulated other comprehensive income	$ 42,931	$ 11,415

The (losses) gains in accumulated other comprehensive income (loss) by component, net of tax, for the years ended September 30, 2022, 2021 and 2020 are as follows:

	Foreign currency translation	Pension plans	Cash flow Hedges
Balance at September 30, 2019	$ (2,705)	$ (10,475)	$ 176
Other comprehensive loss before reclassifications	(2,830)	(927)	(5,375)
Amounts gains reclassified from accumulated other comprehensive loss into earnings	—	1,006	658
Balance at September 30, 2020	$ (5,535)	$ (10,396)	$ (4,541)
Other comprehensive income before reclassifications	21,672	1,880	4,909
Amounts gains reclassified from accumulated other comprehensive loss into earnings	—	1,042	2,384
Balance at September 30, 2021	$ 16,137	$ (7,474)	$ 2,752
Other comprehensive (loss) income before reclassifications	(9,370)	5,114	35,975
Amounts gains (losses) reclassified from accumulated other comprehensive loss (income) into earnings	—	584	(787)
Balance at September 30, 2022	$ 6,767	$ (1,776)	$ 37,940

Amounts reclassified out of other comprehensive income (loss) related to the amortization of actuarial losses are included in pension expense. Refer to Note 13, “Derivative Financial Instruments” for the location in the Consolidated Statements of Operations of amounts reclassified out of other comprehensive income (loss) related to cash flow hedges.

20. Concentration of Credit Risk

The Company’s cash and cash equivalents and accounts receivable are potentially subject to concentration of credit risk. Cash and cash equivalents are placed with financial institutions that management believes are of high credit quality. Accounts receivable is derived from revenue earned from customers located in the U.S. and internationally and generally do not require collateral. The Company’s trade receivables do not represent a significant concentration of credit risk at September 30, 2022 and 2021 due to the wide variety of customers and markets into which products are sold and their dispersion across geographic areas. The Company does perform ongoing credit evaluations of its customers and maintains an allowance for potential credit losses on trade receivables. As of and for the years ended September 30, 2022, 2021 and 2020, no customer accounted for more than 10% of net sales or net accounts receivable.

The Company operates predominantly in nine countries worldwide and provides a wide range of proven product brands and advanced water and wastewater treatment technologies, mobile and emergency water supply solutions and service contract options through its Integrated Solutions and Services and Applied Product Technologies segments. The Company is a multi-national business, but its sales and operations are primarily in the U.S. External sales to unaffiliated customers are transacted with the Company location that maintains the customer relationship.

The following tables set forth external net revenue, net of intercompany eliminations, and net asset information by region:

	Year Ended September 30,		
	2022	2021	2020
Sales to external customers			
United States	$ 1,431,095	$ 1,174,474	$ 1,164,634
Rest of World	305,981	289,955	264,822
Total	$ 1,737,076	$ 1,464,429	$ 1,429,456

	September 30, 2022	September 30, 2021
Net Assets		
United States	$ 558,512	$ 462,883
Rest of World	151,581	119,336
	$ 710,093	$ 582,219
Long Lived Assets		
United States	$ 388,591	$ 357,597
Rest of World	16,698	17,391
	$ 405,289	$ 374,988

21. Leases

Lessee Accounting

The following represents the components of lease cost for the years ended September 30, 2022, 2021, and 2020 and other information for both operating and finance leases for the years ended September 30, 2022, 2021, and 2020:

	Year Ended September 30,		
	2022	2021	2020
Lease cost			
Finance lease cost:			
Amortization of ROU assets	$ 13,461	$ 13,572	$ 13,738
Interest on lease liabilities	1,574	1,793	1,981
Operating lease cost	16,529	15,357	16,052
Short-term lease cost	875	2,935	4,970
Sublease income	—	(58)	(56)
Total lease cost	$ 32,439	$ 33,599	$ 36,685

Other information	Year Ended September 30, 2022	2021	2020
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from finance leases	$ 1,573	$ 1,810	$ 1,968
Operating cash flows from operating leases	$ 17,178	$ 15,758	$ 16,034
Financing cash flows from finance leases	$ 13,356	$ 13,373	$ 13,459
ROU assets obtained in exchange for new finance lease liabilities	$ 15,329	$ 14,257	$ 14,934
ROU assets obtained in exchange for new operating lease liabilities	$ 14,151	$ 4,839	$ 8,456
ROU asset remeasurement	$ 6,723	$ 8,177	$ (960)
Weighted average remaining lease term - finance leases	3.5 years	3.6 years	3.9 years
Weighted average remaining lease term - operating leases	4.6 years	4.8 years	5.2 years
Weighted average discount rate - finance leases	4.2 %	4.3 %	4.6 %
Weighted average discount rate - operating leases	4.2 %	4.0 %	4.2 %

The following table reconciles future minimum undiscounted rental commitments for operating leases to operating lease liabilities record on the Consolidated Balance Sheet as of September 30, 2022:

Fiscal Year	
2023	$ 16,995
2024	14,927
2025	12,585
2026	9,345
2027	5,815
Thereafter	4,788
Total undiscounted lease payments	$ 64,455
Present value adjustment	(5,562)
Operating lease liabilities	$ 58,893
Less current installments of obligations under operating leases	14,932
Obligations under operating leases, excluding current installments	$ 43,961

The gross and net carrying values of the equipment under finance leases as of September 30, 2022 and September 30, 2021 was as follows:

	September 30, 2022	September 30, 2021
Gross carrying amount	$ 85,217	$ 92,247
Net carrying amount	$ 37,715	$ 36,884

The following table reconciles future minimum undiscounted rental commitments for finance leases to the finance lease liabilities recorded on the Consolidated Balance Sheet as of September 30, 2022:

Fiscal Year		
2023	$	14,220
2024		11,669
2025		8,674
2026		5,132
2027		1,938
Thereafter		209
Total undiscounted lease payments	$	41,842
Present value adjustment		(2,779)
Finance lease liabilities	$	39,063
Less current installments of obligations under finance leases		12,875
Obligations under finance leases, excluding current installments	$	26,188

The current installments of obligations under finance leases are included in Accrued expenses and other liabilities. Obligations under finance leases, excluding current installments, are included in Other non-current liabilities.

Lessor Accounting

The following represents the components of lease revenue for the years ended September 30, 2022, 2021, and 2020:

	Year Ended September 30,		
	2022	2021	2020
Lease revenue: operating leases	$ 164,574	$ 152,435	$ 148,703
Lease revenue: sales-type leases	16,937	37,898	981
Total lease revenue	$ 181,511	$ 190,333	$ 149,684

As of September 30, 2022, future minimum lease payments receivable under operating leases are as follows:

Fiscal year		
2023	$	165,025
2024		99,403
2025		69,620
2026		46,650
2027		34,700
Thereafter		181,314
Future minimum lease payments	$	596,712

At September 30, 2022, the Company had current and long-term lease receivables of $3,001 and $51,482, respectively, recorded in Prepaid and other current assets and Other non-current assets, respectively, in the Consolidated Balance Sheets related to sales-type leases.

As of September 30, 2022, the maturities of the Company's sales type lease receivables are as follows:

Fiscal year	
2023	$ 3,001
2024	4,128
2025	4,128
2026	4,128
2027	4,128
Thereafter	34,970
Total	$ 54,483

22. Commitments and Contingencies

Guarantees

From time to time, the Company is required to provide letters of credit, bank guarantees, or surety bonds in support of its commitments and as part of the terms and conditions on water treatment projects. In addition, the Company is required to provide letters of credit or surety bonds to the department of environmental protection or equivalent in some states in order to maintain its licenses to handle toxic substances at certain of its water treatment facilities.

These financial instruments typically expire after all Company commitments have been met, a period typically ranging from twelve months to ten years, or more in some circumstances. The letters of credit, bank guarantees, or surety bonds are arranged through major banks or insurance companies. In the case of surety bonds, the Company generally indemnifies the issuer for all costs incurred if a claim is made against the bond.

The following summarizes the Company's outstanding letters of credit and surety bonds as of September 30, 2022 and September 30, 2021, respectively.

	September 30, 2022	September 30, 2021
Revolving credit capacity	$ 60,000	$ 60,000
Letters of credit outstanding	9,317	10,112
Remaining revolving credit capacity	$ 50,683	$ 49,888
Surety capacity	$ 261,959	$ 250,000
Surety issuances	134,037	147,845
Remaining surety available	$ 127,922	$ 102,155

The longest maturity date of letters of credit and surety bonds in effect as of September 30, 2022 was March 20, 2030.

Litigation

From time to time, as a normal incident of the nature and kind of business in which the Company is engaged, various claims or charges are asserted and litigation commenced against it arising from or related to product liability; personal injury; trademarks, trade secrets or other intellectual property; labor and employee disputes; commercial or contractual disputes; breach of warranty; or environmental matters. Claimed amounts may be substantial but may not bear any reasonable relationship to the merits of the claim or the extent of any real risk of court or arbitral awards. While it is not feasible to predict the outcome of these matters with certainty, and some lawsuits, claims or proceedings may be disposed or decided unfavorably, the Company does not expect that any asserted or un-asserted legal claims or proceedings, individually or in the aggregate, will have a material adverse effect on the results of operations, or financial condition.

23. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following:

	September 30, 2022	September 30, 2021
Salaries, wages, and other benefits	$ 83,618	$ 79,110
Obligation under operating leases	14,932	13,316
Obligation under finance leases	12,875	12,093
Third party commissions	10,341	10,031
Deferred revenue	9,692	5,241
Taxes, other than income	5,594	4,575
Insurance liabilities	3,456	3,720
Provisions for litigation	2,375	2,938
Fair value of liability derivatives	1,511	554
Severance payments	658	304
Earn-outs related to acquisitions	—	150
Other	33,220	28,335
	$ 178,272	$ 160,367

24. Business Segments

The Company's reportable operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance. The key factors used to identify these reportable operating segments are the organization and alignment of the Company's internal operations, the nature of the products and services, and customer type.

The Company has two reportable operating segments, Integrated Solutions and Services and Applied Product Technologies. The business segments are described as follows:

Integrated Solutions and Services is a group entirely focused on engaging directly with end users through direct sales with a market vertical focus. Integrated Solutions and Services provides tailored services and solutions in collaboration with the customers backed by life-cycle services including on-demand water, outsourced water, recycle / reuse, and emergency response service alternatives to improve operational reliability, performance, and environmental compliance. Key offerings within this segment also include equipment systems for industrial needs (influent water, boiler feed water, ultrahigh purity, process water, wastewater treatment and recycle / reuse), full-scale outsourcing of operations and maintenance, and municipal services, including odor and corrosion control services.

Applied Product Technologies is focused on developing product platforms to be sold primarily through third party channels. This segment primarily engages in indirect sales through independent sales representatives, distributors, and aftermarket channels. Applied Product Technologies provides a range of highly differentiated and scalable products and technologies specified by global water treatment designers, OEMs, engineering firms, and integrators. Key offerings within this segment include filtration and separation, disinfection, wastewater solutions, anode and electrochlorination technology, and aquatics technologies and solutions for the global recreational and commercial pool market.

Corporate activities include general corporate expenses, elimination of intersegment transactions, interest income and expense and certain other charges. Certain other charges may include restructuring and other business transformation charges that have been undertaken to align and reposition the Company to the current reporting structure, acquisition related costs (including transaction costs and certain integration costs), and share-based compensation charges.

Since certain administrative costs and other operating expenses have not been allocated to business segments, the results in the below table are not necessarily a measure computed in accordance with generally accepted accounting principles and may not be comparable to other companies.

The tables below provide segment information for the periods presented and a reconciliation to total consolidated information:

	Year Ended September 30,		
	2022	2021	2020
Total sales			
Integrated Solutions and Services	$ 1,222,165	$ 980,852	$ 954,542
Applied Product Technologies	653,245	588,080	559,635
Total sales	$ 1,875,410	$ 1,568,932	$ 1,514,177
Intersegment sales			
Integrated Solutions and Services	$ 37,688	$ 20,966	$ 10,360
Applied Product Technologies	100,646	83,537	74,361
Total intersegment sales	$ 138,334	$ 104,503	$ 84,721
Sales to external customers			
Integrated Solutions and Services	$ 1,184,477	$ 959,886	$ 944,182
Applied Product Technologies	552,599	504,543	485,274
Total sales	$ 1,737,076	$ 1,464,429	$ 1,429,456
Income from operations			
Integrated Solutions and Services	$ 165,562	$ 147,251	$ 145,655
Applied Product Technologies	103,087	82,891	134,258
Corporate	(164,656)	(130,825)	(111,465)
Total income from operations	$ 103,993	$ 99,317	$ 168,448
Interest expense	(34,680)	(37,575)	(46,682)
Income before income taxes	$ 69,313	$ 61,742	$ 121,766
Income tax benefit (expense)	3,030	(10,080)	(7,371)
Net income	$ 72,343	$ 51,662	$ 114,395
Depreciation and amortization			
Integrated Solutions and Services	$ 83,866	$ 70,585	$ 67,489
Applied Product Technologies	13,918	14,423	14,226
Corporate	29,786	28,656	25,553
Total depreciation and amortization	$ 127,570	$ 113,664	$ 107,268
Capital expenditures			
Integrated Solutions and Services	$ 66,897	$ 60,407	$ 75,551
Applied Product Technologies	6,704	6,955	6,237
Corporate	8,444	7,931	6,668
Total Capital expenditures	$ 82,045	$ 75,293	$ 88,456

	September 30, 2022	September 30, 2021
Assets		
Integrated Solutions and Services	$ 1,123,166	$ 887,265
Applied Product Technologies	653,244	656,362
Corporate	414,453	325,264
Total assets	$ 2,190,863	$ 1,868,891
Goodwill		
Integrated Solutions and Services	$ 306,935	$ 233,830
Applied Product Technologies	166,637	173,546
Total goodwill	$ 473,572	$ 407,376

25. Earnings Per Share

The following table sets forth the computation of basic and diluted income from continuing operations per common share:

	Year Ended September 30,		
(In thousands, except per share data)	2022	2021	2020
Numerator:			
Net income attributable to Evoqua Water Technologies Corp.	$ 72,198	$ 51,482	$ 113,649
Denominator:			
Denominator for basic net income per common share—weighted average shares	121,138	119,575	116,721
Effect of dilutive securities:			
Share-based compensation	3,744	3,368	4,342
Denominator for diluted net loss per common share—adjusted weighted average shares	124,882	122,943	121,063
Basic income per common share	$ 0.60	$ 0.43	$ 0.97
Diluted income per common share	$ 0.58	$ 0.42	$ 0.94

Because of their anti-dilutive effect, 474, 1,784, and 2,512 common share equivalents, comprised of employee stock options, have been excluded from the diluted EPS calculation for the years ended September 30, 2022, 2021, and 2020, respectively.

26. Subsequent Events

None.

Evoqua Water Technologies Corp.
Supplementary Financial Information

SCHEDULE I-Evoqua Water Technologies Corp.
(Parent company only)
Condensed Consolidated Balance Sheets

(In thousands)

	September 30, 2022	September 30, 2021
ASSETS		
Current assets	$ 67,403	$ 51,777
Due from affiliates	62,080	39,982
Cash and cash equivalents	5,202	11,681
Prepaid and other current assets	121	114
Investment in affiliate	600,064	517,479
Total assets	**$ 667,467**	**$ 569,256**
LIABILITIES AND EQUITY		
Other current liabilities	305	—
Total liabilities	**$ 305**	**$ —**
Common stock, par value $0.01: authorized 1,000,000 shares; issued 123,411 shares, outstanding 121,747 at September 30, 2022; issued 122,173 shares, outstanding 120,509 at September 30, 2021	1,235	1,223
Treasury stock: 1,664 shares at September 30, 2022 and 1,664 shares at September 30, 2021	(2,837)	(2,837)
Additional paid-in capital	607,748	582,052
Retained earnings (deficit)	61,016	(11,182)
Total shareholders' equity	**$ 667,162**	**$ 569,256**
Total liabilities and shareholder's equity	**$ 667,467**	**$ 569,256**

SCHEDULE I-Evoqua Water Technologies Corp.
(Parent company only)
Condensed Statements of Operations

(In thousands)

	Year Ended September 30,		
	2022	**2021**	**2020**
Other operating income (expense)	$ 8	$ (1,073)	$ 16
General and administrative expense	(454)	(426)	(476)
Net income of subsidiaries	72,644	52,981	114,109
Income before taxes	72,198	51,482	113,649
Benefit for income taxes	—	—	—
Net income	$ 72,198	$ 51,482	$ 113,649

SCHEDULE 1-Evoqua Water Technologies Corp.
Condensed Statements of Cash Flows
(Parent company only)

(In thousands)

	Year Ended September 30,		
	2022	2021	2020
Operating activities			
Net income	$ 72,198	$ 51,482	$ 113,649
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Net income of subsidiaries	(72,644)	(52,981)	(114,109)
Foreign currency exchange gains on intercompany loans	—	—	(15)
Changes in assets and liabilities			
Due from affiliates	(9,606)	(11,638)	5,842
Due to affiliates	—	—	(9,747)
Accrued expenses	305	—	160
Prepaids and other current assets	(7)	(36)	(24)
Net cash used in operating activities	$ (9,754)	$ (13,173)	$ (4,244)
Investing activities			
Contributed capital	$ —	$ —	$ —
Net cash used in investing activities	$ —	$ —	$ —
Financing activities			
Proceeds from issuance of common stock	$ 9,556	$ 21,205	$ 18,927
Taxes paid related to net share settlements of share-based compensation awards	(6,281)	(1,323)	(9,832)
Net cash provided by financing activities	$ 3,275	$ 19,882	$ 9,095
Change in cash and cash equivalents	$ (6,479)	$ 6,709	$ 4,851
Cash and cash equivalents			
Beginning of period	11,681	4,972	121
End of period	$ 5,202	$ 11,681	$ 4,972

SCHEDULE I-Evoqua Water Technologies Corp.
(Parent company only)
Notes to Financial Statements

(In thousands)

1. Basis of Presentation

Basis of Presentation

In the parent-company-only financial statements, the Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries. The Company's share of net income (loss) of its consolidated subsidiaries is included in consolidated income (loss) using the equity method. The parent-company-only financial statements should be read in conjunction with the Company's consolidated financial statements.

2. Guarantees and Restrictions

On April 1, 2021, EWT Holdings III Corp. ("EWT III"), a subsidiary of the Company, entered into a Credit Agreement (the "2021 Credit Agreement") among EWT III, as borrower, EWT Holdings II Corp. ("EWT II"), as parent guarantor, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and ING Capital, LLC, as sustainability coordinator. The 2021 Credit Agreement provides for a multi-currency senior secured revolving credit facility in an aggregate principal amount not to exceed the U.S. dollar equivalent of $350,000 (the "2021 Revolving Credit Facility") and a discounted senior secured term (the "2021 Term Loan") in the amount of $475,000 (together with the 2021 Revolving Credit Facility, the "Senior Facilities"). The Senior Facilities are guaranteed by EWT II and certain existing and future direct or indirect wholly-owned domestic subsidiaries of EWT III (together with EWT III, collectively, the "Loan Parties"), and collateralized by a first lien on substantially all of the assets of the Loan Parties, with certain exceptions. In connection with entering into the 2021 Credit Agreement, on April 1, 2021, EWT III repaid all outstanding indebtedness under the 2014 Credit Agreement and terminated that facility.

As of September 30, 2022 and September 30, 2021, EWT III had $620,317 and $511,105, respectively, of debt outstanding under the Senior Facilities. Under the terms of the credit agreements governing the Company's senior secured credit facilities, EWT II has guaranteed the payment of all principal and interest. In the event of a default under our senior secured credit facilities, certain of the Company's subsidiaries will be directly liable to the debt holders. The 2021 Term Loan matures on April 1, 2028. Subject to the terms of the 2021 Credit Agreement, to the extent not previously paid, any amount owed under the 2021 Revolving Credit Facility will become due and payable in full on April 1, 2026. The credit agreements governing the Company's senior secured credit facilities also include restrictions on the ability of the Company and its subsidiaries to (i) incur additional indebtedness and liens in connection therewith; (ii) pay dividends and make certain other restricted payments; (iii) effect mergers or consolidations; (iv) enter into transactions with affiliates; (v) sell or dispose of property or assets; and (vi) engage in unrelated lines of business.

3. Dividends from Subsidiaries

There were no cash dividends paid to Evoqua Water Technologies Corp. from the Company's consolidated subsidiaries of each of the periods ended September 30, 2022, 2021 and 2020.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15(e) and 15d-15(e), our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2022.

During the year ended September 30, 2022, the Company completed its acquisitions of the Mar Cor Business on January 3, 2022 and of Smith Engineering on July 1, 2022. The Company has not yet included the Mar Cor Business or Smith Engineering in its assessment of the effectiveness of its internal control over financial reporting. The Company is currently integrating the Mar Cor Business and Smith Engineering into its operations, compliance programs and internal control processes. Accordingly, pursuant to the SEC's general guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, the scope of our assessment of the effectiveness of our disclosure controls and procedures does not include the Mar Cor Business or Smith Engineering. These acquisitions constituted approximately 11.0% of the Company's total assets as of September 30, 2022, and approximately 7.7% of the Company's net sales for the fiscal year ended September 30, 2022.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management, and other personnel, 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 and 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 the assets of the company;
- 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
- 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. 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.

During the year ended September 30, 2022, the Company completed its acquisitions of the Mar Cor Business on January 3, 2022 and of Smith Engineering on July 1, 2022. The Company has not yet included the Mar Cor Business or Smith Engineering in its assessment of the effectiveness of its internal control over financial reporting. The Company is currently integrating the Mar Cor Business and Smith Engineering into its operations, compliance programs and internal control processes. Accordingly, pursuant to the SEC's general guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, the scope of our assessment of the effectiveness of our disclosure controls and procedures does not include the Mar Cor Business or Smith Engineering.

These acquisitions constituted approximately 11.0% of the Company's total assets as of September 30, 2022, and approximately 7.7% of the Company's net sales for the fiscal year ended September 30, 2022.

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO) in Internal Control-Integrated Framework. Management has concluded that the Company's internal control over financial reporting was effective as of September 30, 2022.

Management has concluded that our consolidated financial statements included in this Annual Report fairly represent, in all material respects, the financial position, results of operations and cash flows as of, and for, the periods presented in this Annual Report, in conformity with U.S. generally accepted accounting principles. Ernst & Young LLP, the registered public accounting firm that audited the financial statements included in this Annual Report, has issued an attestation report on the effectiveness of our internal control over financial reporting and an unqualified opinion on our financial statements, which is included in Item 8 of this Annual Report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is set forth under the headings “Our Board of Directors,” “Our Executive Officers,” and “Corporate Governance—Standing Board Committees—Role of the Audit Committee” in the Company’s Proxy Statement, which will be filed with the SEC within 120 days after September 30, 2022 and is incorporated herein by reference.

Evoqua has adopted a code of ethics applicable to all of our directors, officers (including our principal executive officer, principal financial officer, and principal accounting officer) and employees, known as the Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct is available on our website at https://aqua.evoqua.com/governance/governance-documents/default.aspx. In the event that we amend or waive certain provisions of the Code of Ethics and Business Conduct applicable to our principal executive officer, principal financial officer or principal accounting officer that requires disclosure under applicable SEC rules, we will disclose the same on our website.

Item 11. Executive Compensation

The information required by this Item is set forth under the headings “Non-Employee Director Compensation,” “Executive Compensation,” and “Corporate Governance—Standing Board Committees—Compensation Committee Interlocks and Insider Participation” in the Company’s Proxy Statement, which will be filed with the SEC within 120 days after September 30, 2022 and is incorporated herein by reference. The information incorporated herein by reference to the section “Compensation Committee Report” under the heading “Executive Compensation” is deemed furnished hereunder.

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

The information required by this Item is set forth under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Securities Authorized for Issuance Under Equity Compensation Plans” in the Company’s Proxy Statement, which will be filed with the SEC within 120 days after September 30, 2022 and is incorporated herein by reference.

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

The information required by this Item is set forth under the headings “Board Composition and Board Development-Director Independence,” “Corporate Governance-Standing Board Committees,” and “Certain Relationships and Related Party Transactions” in the Company’s Proxy Statement, which will be filed with the SEC within 120 days after September 30, 2022 and is incorporated herein by reference.\

Item 14. Principal Accountant Fees and Services

The information required by this Item is set forth under the headings “Independent Registered Public Accounting Firm’s Fees and Services” in the Company’s Proxy Statement, which will be filed with the SEC within 120 days after September 30, 2022 and is incorporated herein by reference.

Part IV

Item 15. Exhibit and Financial Statement Schedules

(a) 1. Financial Statements:

The following items are included in Part II, Item 8:

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Consolidated Balance Sheets as of September 30, 2022 and 2021	64
Consolidated Statements of Operations for the Years Ended September 30, 2022, 2021 and 2020	65
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended September 30, 2022, 2021 and 2020	66
Consolidated Statements of Changes in Equity for the Years Ended September 30, 2022, 2021 and 2020	67
Consolidated Statements of Cash Flows for the Years Ended September 30, 2022, 2021 and 2020	68
Supplemental Disclosure of Cash Flow Information for the Years Ended September 30, 2022, 2021 and 2020	69
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2. Schedules.

Schedules other than those listed below have been omitted from this Annual Report because they are not required, are not applicable or the required information is included in the financial statements or the notes thereto in Part II, Item 8.

3. Exhibits:

The following exhibits are filed or furnished as a part of this report:

Exhibit No.	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of Evoqua Water Technologies Corp. (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
3.2	Third Amended and Restated Bylaws of Evoqua Water Technologies Corp. (incorporated by reference to Exhibit 3.2 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
4.1	Specimen Common Stock Certificate of Evoqua Water Technologies Corp. (incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
4.2	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2020 (File No. 001-38272)).
10.1	Credit Agreement among EWT Holdings III Corp., as the borrower, EWT Holdings II Corp., as parent guarantor, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and ING Capital, LLC, as sustainability coordinator, dated April 1, 2021 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on April 1, 2021 (File No. 001-38272)).

10.2		Receivables Financing Agreement among Evoqua Finance LLC, as the borrower, the lenders from time to time party thereto, PNC Bank, National Association, as administrative agent, Evoqua Water Technologies LLC, as initial servicer, and PNC Capital Markets LLC, as structuring agent, dated April 1, 2021 (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on April 1, 2021 (File No. 001-38272)).
10.3		First Amendment to the Receivables Financing Agreement among Evoqua Finance LLC, as borrower, Evoqua Water Technologies LLC, as initial servicer, and PNC Bank, National Association, as lender and administrative agent (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-K filed on November 17, 2021 (File No. 001-38272)).
10.4		Second Amendment to the Receivables Financing Agreement among Evoqua Finance LLC, as borrower, Evoqua Water Technologies LLC, as initial servicer, and PNC Bank, National Association, as lender and administrative agent (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-K filed on November 17, 2021 (File No. 001-38272)).
10.5		Third Amendment to the Receivables Financing Agreement among Evoqua Finance LLC, as borrower, Evoqua Water Technologies LLC, as initial servicer, and PNC Bank, National Association, as lender and administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on August 11, 2021 (File No. 001-38272)).
10.6		Sale and Contribution Agreement among Evoqua Finance LLC, as the purchaser, Evoqua Water Technologies LLC, as initial servicer and as an originator, and Neptune Benson, Inc., as an originator, dated April 1, 2021 (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on April 1, 2021 (File No. 001-38272)).
10.7		First Amendment to the Sale and Contribution Agreement among Evoqua Finance LLC, as buyer, Evoqua Water Technologies LLC, as initial servicer and an originator, and Neptune Benson, Inc., as an originator (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on August 11, 2021 (File No. 001-38272)).
10.8		Second Amended and Restated Stockholders' Agreement, among EWT Holdings I Corp., AEA Investors Fund V LP, AEA Investors Fund V-A LP, AEA Investors Fund V-B LP, AEA Investors Participant Fund V LP, AEA Investors QP Participant Fund V LP and the additional investors party thereto, dated December 11, 2014 (incorporated by reference to Exhibit 10.6 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.9		Second Amended and Restated Registration Rights Agreement, among Evoqua Water Technologies Corp., AEA Investors Fund V LP, AEA Investors Fund V-A LP, AEA Investors Fund V-B LP, AEA Investors Participant Fund V LP, AEA Investors QP Participant Fund V LP and the additional investors party thereto, dated October 16, 2017 (incorporated by reference to Exhibit 10.7 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.10		Amendment No. 1 to the Second Amended and Restated Registration Rights Agreement, among Evoqua Water Technologies Corp., AEA Investors Fund V LP, AEA Investors Fund V-A LP, AEA Investors Fund V-B LP, AEA Investors Participant Fund V LP, AEA Investors QP Participant Fund V LP and the additional investors party thereto, dated November 22, 2019 (incorporated by reference to Exhibit 10.10 to the Registrant's Form 10-K filed on November 25, 2019 (File No. 001-38272)).
10.11	†	Amended & Restated Employment Agreement, by and between Ronald Keating and the Company, dated November 25, 2019 (incorporated by reference to Exhibit 10.14 to the Registrant's Form 10-K filed on November 25, 2019 (File No. 001-38272)).
10.12	†	Amended & Restated Employment Agreement, by and between Benedict J. Stas and the Company, dated November 25, 2019 (incorporated by reference to Exhibit 10.17 to the Registrant's Form 10-K filed on November 25, 2019 (File No. 001-38272)).
10.13	†	Employment Agreement, by and between Rodney Aulick and the Company, dated April 14, 2014 (incorporated by reference to Exhibit 10.15 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.14	†	Amendment, dated September 6, 2017, to Employment Agreement, by and between Rodney Aulick and the Company, dated April 14, 2014 (incorporated by reference to Exhibit 10.16 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.15	†	EWT Holdings I Corp. Stock Option Plan (incorporated by reference to Exhibit 10.17 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.16	†	Employment Agreement, by and between Anthony Webster and the Company, dated January 20, 2016 (incorporated by reference to Exhibit 10.22 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).

10.17	†	Amended and Restated Amendment, dated October 13, 2017, to Employment Agreement, by and between Anthony Webster and the Company, dated January 20, 2016 (incorporated by reference to Exhibit 10.23 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.18	†	Employment Agreement, by and between Vincent Grieco and the Company, dated September 6, 2017 (incorporated by reference to Exhibit 10.27 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.19	†	Employment Agreement, by and between James M. Kohosek and the Company, dated September 6, 2017 (incorporated by reference to Exhibit 10.28 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.20	†	Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.29 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.21	†	Form of 2017 Annual Incentive Plan (incorporated by reference to Exhibit 10.31 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.22	†	Employment Agreement, by and between Snehal Desai and the Company, dated January 15, 2018 (incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form S-1 filed on March 12, 2018 (File No. 333-223583)).
10.23	†	Employment Agreement, by and between Hervé Fages and the Company, dated January 31, 2019 (incorporated by reference to Exhibit 10.31 to the Registrant's Form 10-K filed on November 25, 2019 (File No. 001-38272)).
10.24		Form of Indemnification Agreement (incorporated by reference to Exhibit 10.33 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed on October 17, 2017 (File No. 333-220785)).
10.25	†	Form of Nonqualified Stock Option Agreement under the Evoqua Water Technologies Corp. 2017 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on April 4, 2018 (File No. 001-38272)).
10.26	†	Form of Restricted Stock Unit Agreement under the Evoqua Water Technologies Corp. 2017 Equity Incentive Plan (Employee Form) (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on April 4, 2018 (File No. 001-38272)).
10.27	†	Form of Amendment to Employment Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 22, 2018 (File No. 001-38272)).
10.28	†*	Evoqua Water Technologies Corp. Amended and Restated Non-Employee Director Compensation Policy.
10.29	†	Form of Nonqualified Stock Option Award Agreement under Evoqua Water Technologies Corp. 2017 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on May 10, 2019 (File No. 001-38272)).
10.30	†	Form of Restricted Stock Unit Award Agreement under the Evoqua Water Technologies Corp. 2017 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q filed on May 10, 2019 (File No. 001-38272)).
10.31	†	Form of Restricted Stock Unit Award Agreement under the Evoqua Water Technologies Corp. 2017 Equity Incentive Plan (RSUs Received in Connection with AIP Payment) (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on August 6, 2019 (File No. 001-38272)).
10.32	†	Amended and Restated Evoqua Water Technologies Corp. 2017 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on May 6, 2020 (File No. 001-38272)).
10.33	†	Form of Non-Employee Director Restricted Stock Unit Award Agreement under the Evoqua Water Technologies Corp. 2017 Equity Incentive Plan (incorporated by reference to Exhibit 10.33 to the Registrant's Form 10-K filed on November 17, 2021 (File No. 001-38272)).
10.34	†	Form of Special Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on May 19, 2021 (File No. 001-38272)).
10.35	†	Form of Special Performance Share Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on May 19, 2021 (File No. 001-38272)).
10.36	†	Form of Restricted Stock Unit Award-Notice of Grant under the Amended and Restated Evoqua Water Technologies Corp. 2017 Equity Incentive Plan (for awards made after fiscal 2021) (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q filed on February 1, 2022 (File No. 001-38272)).

10.37	†	Form of Performance Share Unit Award-Notice of Grant under the Amended and Restated Evoqua Water Technologies Corp. 2017 Equity Incentive Plan (for awards made after fiscal 2021) (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q filed on February 1, 2022 (File No. 001-38272)).
10.38	†*	Evoqua Water Technologies Corp. Deferred Compensation Plan for Non-Employee Directors.
10.39	†*	Evoqua Water Technologies LLC Deferred Compensation Plan (Amended and Restated effective January 1, 2021).
10.40		Asset Purchase Agreement by and among Cantel Medical LLC, Cantel (Canada) Inc., Medivators Inc., Mar Cor Purification, Inc., Evoqua Water Technologies LLC, Evoqua Water Technologies Ltd., and, solely for purposes of Section 10.16, Evoqua Water Technologies Corp., dated December 20, 2021 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on February 1, 2022 (File No. 001-38272)).
21.1	*	List of subsidiaries of Evoqua Water Technologies Corp.
23.1	*	Consent of Ernst & Young.
31.1	*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1	**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104		Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 10.1)

† Indicates a management contract or compensatory plan or arrangement.

* Filed herewith.

** Furnished herewith.

Item 16. Form 10-K Summary

None.

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.

EVOQUA WATER TECHNOLOGIES CORP.

November 16, 2022 /s/ RONALD C. KEATING

By: Ronald C. Keating
Chief Executive Officer (Principal Executive Officer)

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 and on the dates indicated.

Signature	Title	Date
/s/ Ronald C. Keating Ronald C. Keating	Chief Executive Officer and Director (Principal Executive Officer)	November 16, 2022
/s/ Benedict J. Stas Benedict J. Stas	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	November 16, 2022
/s/ Gary A. Cappeline Gary A. Cappeline	Chairman of the Board and Director	November 16, 2022
/s/ Nick Bhambri Nick Bhambri	Director	November 16, 2022
/s/ Sherrese Clarke Soares Sherrese Clarke Soares	Director	November 16, 2022
/s/ Lisa Glatch Lisa Glatch	Director	November 16, 2022
/s/ Martin J. Lamb Martin J. Lamb	Director	November 16, 2022
/s/ Julia A. Sloat Julia A. Sloat	Director	November 16, 2022

Signature	Title	Date
/s/ Lynn C. Swann Lynn C. Swann	Director	November 16, 2022
/s/ Peter M. Wilver Peter M. Wilver	Director	November 16, 2022

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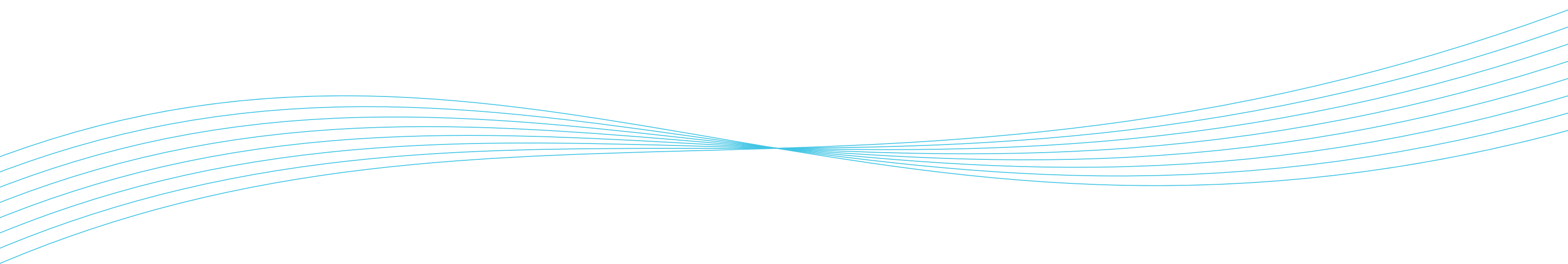
WATER TECHNOLOGIES



Leadership Team

Ron Keating
President, Chief Executive Officer and Director

Benedict Stas
Executive Vice President, Chief Financial Officer and Treasurer

Rodney Aulick
Executive Vice President, Integrated Solutions and Services Segment President

Snehal Desai
Executive Vice President, Chief Growth and Sustainability Officer

Hervé Fages
Executive Vice President, Applied Product Technologies Segment President

Vincent Grieco
Executive Vice President, General Counsel and Secretary

James Kohosek
Executive Vice President, Chief Administrative Officer

Anthony Webster
Executive Vice President, Chief Human Resources Officer

Board of Directors

As of December 1, 2022

Gary Cappeline, Board Chairperson

Nick Bhambri

Lisa Glatch

Ron Keating, CEO

Martin Lamb

Julia Sloat

Sherrese Clarke Soares

Lynn Swann

Peter Wilver

Corporate Information

CORPORATE HEADQUARTERS

210 Sixth Avenue
Pittsburgh, PA 15222 USA
+1-724-772-0044
evoqua.com

STOCK LISTING

Evoqua Water Technologies Corp. common stock is listed on the New York Stock Exchange under the symbol AQUA.

ANNUAL MEETING OF SHAREHOLDERS

February 7, 2023, 1:00 p.m. (Eastern Time)
Virtual Meeting

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP

TRANSFER AGENT & REGISTRAR

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219 USA
1-800-937-5449
help@astfinancial.com
astfinancial.com

SHAREHOLDER INFORMATION

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and statements of changes in beneficial ownership and amendments to those reports are available for free on our investor relations website at aqua.evoqua.com.

To obtain copies of these reports, you may email, call or write us:

Attention: Investor Relations
Evoqua Water Technologies
210 Sixth Avenue
Pittsburgh, PA 15222 USA
+1-724-772-0044
ir@evoqua.com

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we intend to make future announcements regarding developments and financial performance through the investor relations section of our website, aqua.evoqua.com, as well as through press releases, filings with the Securities and Exchange Commission, conference calls, and webcasts. Investors and others can receive notifications of new information posted on our investor relations website in real-time by subscribing to email alerts. We also make certain corporate governance documents available on our investor relations website, including our corporate governance guidelines, board committee charters, code of conduct and ethics, as well as certain company policies.

TRANSFORMING
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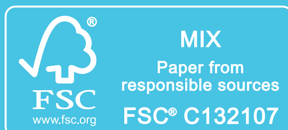

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