

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

**FORM 10-Q**

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

For the quarterly period ended July 3, 2021

**OR**

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

Commission file number 0-21835

**HELIOS TECHNOLOGIES, INC.**

(Exact Name of Registration as Specified in its Charter)

**FLORIDA**  
(State or Other Jurisdiction of  
Incorporation or Organization)

7456 16th St E  
**SARASOTA, FLORIDA**  
(Address of Principal Executive Offices)

59-2754337  
(I.R.S. Employer  
Identification No.)

34243  
(Zip Code)

(941)362-1200  
(Registrant's Telephone Number, Including Area Code)

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 \$.001 Par Value	HLIO	The NASDAQ Global Select Market

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

The registrant had 32,390,154 shares of common stock, par value \$.001, outstanding as of July 30, 2021.

Helios Technologies, Inc.  
INDEX  
For the quarter ended  
July 3, 2021

Page

PART I. FINANCIAL INFORMATION

Item 1.	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets as of July 3, 2021 (unaudited) and January 2, 2021</u>	4
	<u>Consolidated Statements of Operations for the Three Months Ended July 3, 2021 (unaudited) and June 27, 2020 (unaudited)</u>	5
	<u>Consolidated Statements of Operations for the Six Months Ended July 3, 2021 (unaudited) and June 27, 2020 (unaudited)</u>	6
	<u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended July 3, 2021 (unaudited) and June 27, 2020 (unaudited)</u>	7
	<u>Consolidated Statements of Shareholders' Equity for the Three Months Ended July 3, 2021 (unaudited) and June 27, 2020 (unaudited)</u>	8
	<u>Consolidated Statements of Shareholders' Equity for the Six Months Ended July 3, 2021 (unaudited) and June 27, 2020 (unaudited)</u>	9
	<u>Consolidated Statements of Cash Flows for the Six Months Ended July 3, 2021 (unaudited) and June 27, 2020 (unaudited)</u>	10
	<u>Condensed Notes to the Consolidated, Unaudited Financial Statements</u>	11
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	32
Item 4.	<u>Controls and Procedures</u>	32

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	33
Item 1A.	<u>Risk Factors</u>	33
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
Item 3.	<u>Defaults Upon Senior Securities</u>	33
Item 4.	<u>Mine Safety Disclosures</u>	33
Item 5.	<u>Other Information</u>	33
Item 6.	<u>Exhibits</u>	34

PART I: FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

Helios Technologies, Inc.

Consolidated Balance Sheets

(in thousands, except per share data)

	July 3, 2021 (unaudited)	January 2, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 34,371	\$ 25,216
Restricted cash	41	41
Accounts receivable, net of allowance for credit losses of \$1,319 and \$1,493	134,018	97,623
Inventories, net	132,318	110,372
Income taxes receivable	1,916	1,103
Other current assets	21,761	19,664
Total current assets	324,425	254,019
Property, plant and equipment, net	163,201	163,177
Deferred income taxes	3,551	6,645
Goodwill	436,233	443,533
Other intangible assets, net	401,483	419,375
Other assets	11,499	10,230
<b>Total assets</b>	<b>\$ 1,340,392</b>	<b>\$ 1,296,979</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 74,553	\$ 59,477
Accrued compensation and benefits	23,706	22,985
Other accrued expenses and current liabilities	27,299	24,941
Current portion of long-term non-revolving debt, net	15,662	16,229
Dividends payable	2,902	2,891
Income taxes payable	6,868	1,489
Total current liabilities	150,990	128,012
Revolving line of credit	238,777	255,909
Long-term non-revolving debt, net	182,272	189,932
Deferred income taxes	76,417	78,864
Other noncurrent liabilities	33,591	36,472
Total liabilities	682,047	689,189
Commitments and contingencies	—	—
Shareholders' equity:		
Preferred stock, par value \$0.001, 2,000 shares authorized, no shares issued or outstanding	—	—
Common stock, par value \$0.001, 100,000 shares authorized, 32,249 and 32,121 shares issued and outstanding	32	32
Capital in excess of par value	379,299	371,778
Retained earnings	317,799	270,320
Accumulated other comprehensive loss	(38,785)	(34,340)
Total shareholders' equity	658,345	607,790
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,340,392</b>	<b>\$ 1,296,979</b>

The accompanying Condensed Notes to the Consolidated, Unaudited Financial Statements are an integral part of these financial statements.

**Helios Technologies, Inc.**  
**Consolidated Statements of Operations**  
(in thousands, except per share data)

	Three Months Ended	
	July 3, 2021 (unaudited)	June 27, 2020 (unaudited)
<b>Net sales</b>	<b>\$ 223,413</b>	<b>\$ 119,294</b>
Cost of sales	141,261	74,575
<b>Gross profit</b>	<b>82,152</b>	<b>44,719</b>
Selling, engineering and administrative expenses	32,410	23,600
Amortization of intangible assets	7,680	4,417
<b>Operating income</b>	<b>42,062</b>	<b>16,702</b>
Interest expense, net	4,400	2,891
Foreign currency transaction loss, net	503	283
Other non-operating income, net	(110)	(16)
<b>Income before income taxes</b>	<b>37,269</b>	<b>13,544</b>
Income tax provision	6,575	636
<b>Net income</b>	<b>\$ 30,694</b>	<b>\$ 12,908</b>
<b>Basic and diluted net income per common share</b>	<b>\$ 0.95</b>	<b>\$ 0.40</b>
Basic and diluted weighted average shares outstanding	32,237	32,081
<b>Dividends declared per share</b>	<b>\$ 0.09</b>	<b>\$ 0.09</b>

The accompanying Condensed Notes to the Consolidated, Unaudited Financial Statements are an integral part of these financial statements.

**Helios Technologies, Inc.**  
**Consolidated Statements of Operations**  
(in thousands, except per share data)

	Six Months Ended	
	July 3, 2021 (unaudited)	June 27, 2020 (unaudited)
<b>Net sales</b>	<b>\$ 428,258</b>	<b>\$ 248,777</b>
Cost of sales	270,738	152,208
<b>Gross profit</b>	<b>157,520</b>	<b>96,569</b>
Selling, engineering and administrative expenses	62,971	49,264
Amortization of intangible assets	17,878	8,765
Goodwill impairment	—	31,871
<b>Operating income</b>	<b>76,671</b>	<b>6,669</b>
Interest expense, net	9,151	5,842
Foreign currency transaction loss, net	967	408
Other non-operating income, net	(111)	(110)
<b>Income before income taxes</b>	<b>66,664</b>	<b>529</b>
Income tax provision	13,382	4,844
<b>Net income (loss)</b>	<b>\$ 53,282</b>	<b>\$ (4,315)</b>
<b>Basic and diluted net income (loss) per common share</b>	<b>\$ 1.65</b>	<b>\$ (0.13)</b>
Basic and diluted weighted average shares outstanding	32,215	32,071
<b>Dividends declared per share</b>	<b>\$ 0.18</b>	<b>\$ 0.18</b>

The accompanying Condensed Notes to the Consolidated, Unaudited Financial Statements are an integral part of these financial statements.

**Helios Technologies, Inc.**  
**Consolidated Statements of Comprehensive Income**  
**(in thousands)**

	Three Months Ended		Six Months Ended	
	July 3, 2021 (unaudited)	June 27, 2020 (unaudited)	July 3, 2021 (unaudited)	June 27, 2020 (unaudited)
<b>Net income (loss)</b>	<b>\$ 30,694</b>	<b>\$ 12,908</b>	<b>\$ 53,282</b>	<b>\$ (4,315)</b>
Other comprehensive income (loss)				
Foreign currency translation adjustments, net of tax	2,431	3,562	(6,687)	(1,338)
Unrealized gain (loss) on interest rate swap, net of tax	537	227	2,242	(1,975)
Total other comprehensive income (loss)	2,968	3,789	(4,445)	(3,313)
<b>Comprehensive income (loss)</b>	<b>\$ 33,662</b>	<b>\$ 16,697</b>	<b>\$ 48,837</b>	<b>\$ (7,628)</b>

The accompanying Condensed Notes to the Consolidated, Unaudited Financial Statements are an integral part of these financial statements.

**Helios Technologies, Inc.**  
**Consolidated Statements of Shareholders' Equity (unaudited)**  
**Three Months Ended**  
**(in thousands)**

	Preferred shares	Preferred stock	Common shares	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Total
<b>Balance at April 3, 2021</b>	—	\$ —	32,226	\$ 32	\$ 376,994	\$ 290,007	\$ (41,753)	\$ 625,280
Shares issued, restricted stock			1		18			18
Shares issued, other compensation			7					—
Shares issued, ESPP			15		463			463
Stock-based compensation					2,076			2,076
Cancellation of shares for payment of employee tax withholding					(252)			(252)
Dividends declared						(2,902)		(2,902)
Net income						30,694		30,694
Other comprehensive income							2,968	2,968
<b>Balance at July 3, 2021</b>	<u>—</u>	<u>\$ —</u>	<u>32,249</u>	<u>\$ 32</u>	<u>\$ 379,299</u>	<u>\$ 317,799</u>	<u>\$ (38,785)</u>	<u>\$ 658,345</u>
<b>Balance at March 28, 2020</b>	—	\$ —	32,075	\$ 32	\$ 366,521	\$ 247,548	\$ (62,466)	\$ 551,635
Shares issued, restricted stock			(6)					—
Shares issued, ESPP			11		368			368
Shares issued, discretionary contribution			1		45			45
Stock-based compensation					914			914
Cancellation of shares for payment of employee tax withholding					(7)			(7)
Dividends declared						(2,888)		(2,888)
Net income						12,908		12,908
Other comprehensive income							3,789	3,789
<b>Balance at June 27, 2020</b>	<u>—</u>	<u>\$ —</u>	<u>32,081</u>	<u>\$ 32</u>	<u>\$ 367,841</u>	<u>\$ 257,568</u>	<u>\$ (58,677)</u>	<u>\$ 566,764</u>

The accompanying Condensed Notes to the Consolidated, Unaudited Financial Statements are an integral part of these financial statements.



**Helios Technologies, Inc.**  
**Consolidated Statements of Shareholders' Equity (unaudited)**  
**Six Months Ended**  
**(in thousands)**

	Preferred shares	Preferred stock	Common shares	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Total
<b>Balance at January 2, 2021</b>	—	\$ —	32,120	\$ 32	\$ 371,778	\$ 270,320	\$ (34,340)	\$ 607,790
Shares issued, restricted stock			31		18			18
Shares issued, other compensation			14					—
Shares issued, ESPP			25		796			796
Shares issued, acquisition			63		3,624			3,624
Stock-based compensation					4,183			4,183
Cancellation of shares for payment of employee tax withholding			(4)		(1,100)			(1,100)
Dividends declared						(5,803)		(5,803)
Net income						53,282		53,282
Other comprehensive loss							(4,445)	(4,445)
<b>Balance at July 3, 2021</b>	<u>—</u>	<u>\$ —</u>	<u>32,249</u>	<u>\$ 32</u>	<u>\$ 379,299</u>	<u>\$ 317,799</u>	<u>\$ (38,785)</u>	<u>\$ 658,345</u>
<b>Balance at December 28, 2019</b>	—	\$ —	32,047	\$ 32	\$ 365,310	\$ 267,658	\$ (55,364)	\$ 577,636
Shares issued, restricted stock			15					—
Shares issued, other compensation			5					—
Shares issued, ESPP			23		723			723
Shares issued, discretionary contribution			1		45			45
Stock-based compensation					2,447			2,447
Cancellation of shares for payment of employee tax withholding			(10)		(684)			(684)
Dividends declared						(5,775)		(5,775)
Net loss						(4,315)		(4,315)
Other comprehensive loss							(3,313)	(3,313)
<b>Balance at June 27, 2020</b>	<u>—</u>	<u>\$ —</u>	<u>32,081</u>	<u>\$ 32</u>	<u>\$ 367,841</u>	<u>\$ 257,568</u>	<u>\$ (58,677)</u>	<u>\$ 566,764</u>

The accompanying Condensed Notes to the Consolidated, Unaudited Financial Statements are an integral part of these financial statements.

**Helios Technologies, Inc.**  
**Consolidated Statements of Cash Flows**  
(in thousands)

	Six Months Ended	
	July 3, 2021 (unaudited)	June 27, 2020 (unaudited)
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 53,282	\$ (4,315)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	28,142	17,021
Goodwill impairment	—	31,871
Stock-based compensation expense	4,183	2,447
Amortization of debt issuance costs	249	358
Provision (benefit) for deferred income taxes	3,249	(2,370)
Forward contract gains, net	(1,909)	(41)
Other, net	(173)	625
(Increase) decrease in:		
Accounts receivable	(37,386)	(7,040)
Inventories	(22,917)	(724)
Income taxes receivable	(808)	327
Other current assets	(2,247)	(1,736)
Other assets	2,921	1,855
Increase (decrease) in:		
Accounts payable	15,530	(18)
Accrued expenses and other liabilities	6,058	(1,424)
Income taxes payable	5,284	4,885
Other noncurrent liabilities	(3,925)	(1,390)
<b>Net cash provided by operating activities</b>	<b>49,533</b>	<b>40,331</b>
<b>Cash flows from investing activities:</b>		
Acquisition of a business, net of cash acquired	(1,000)	—
Amounts paid for net assets acquired	(2,400)	—
Capital expenditures	(10,305)	(5,215)
Proceeds from dispositions of equipment	62	67
Cash settlement of forward contracts	947	(357)
Software development costs	(1,490)	—
<b>Net cash used in investing activities</b>	<b>(14,186)</b>	<b>(5,505)</b>
<b>Cash flows from financing activities:</b>		
Borrowings on revolving credit facilities	9,602	11,000
Repayment of borrowings on revolving credit facilities	(23,500)	(26,359)
Borrowings on long-term non-revolving debt	—	5,714
Repayment of borrowings on long-term non-revolving debt	(8,163)	(4,001)
Proceeds from stock issued	814	723
Dividends to shareholders	(5,791)	(5,772)
Other financing activities	(1,686)	(960)
<b>Net cash used in financing activities</b>	<b>(28,724)</b>	<b>(19,655)</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,532	(331)
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>9,155</b>	<b>14,840</b>
Cash, cash equivalents and restricted cash, beginning of period	25,257	22,162
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 34,412</b>	<b>\$ 37,002</b>

The accompanying Condensed Notes to the Consolidated, Unaudited Financial Statements are an integral part of these financial statements.

HELIOS TECHNOLOGIES, INC.  
CONDENSED NOTES TO THE CONSOLIDATED, UNAUDITED FINANCIAL STATEMENTS  
(Currencies in thousands, except per share data)

## 1. COMPANY BACKGROUND

Helios Technologies, Inc. (“Helios,” or the “Company”) together with its wholly owned subsidiaries, is a global leader in highly engineered motion control and electronic controls technology for diverse end markets, including construction, material handling, agriculture, energy, recreational vehicles, marine, health, and wellness. Helios sells its products to customers in over 90 countries around the world. The Company’s strategy for growth is to be the leading provider in niche markets, with premier products and solutions through innovative product development and acquisitions.

The Company operates in two business segments: Hydraulics and Electronics. There are three key technologies within the Hydraulics segment: cartridge valve technology (“CVT”), quick-release hydraulic coupling solutions (“QRC”) and hydraulic system design (“Systems”). CVT products provide functions important to a hydraulic system: to control rates and direction of fluid flow and to regulate and control pressures. QRC products allow users to connect and disconnect quickly from any hydraulic circuit without leakage and ensure high-performance under high temperature and pressure using one or multiple couplers. Systems provide engineered solutions for machine users, manufacturers or designers to fulfill complete system design requirements including electro-hydraulic, remote control, electronic control and programmable logic controller systems, as well as automation of existing equipment. The Electronics segment provides complete, fully-tailored display and control solutions for engines, engine-driven equipment, specialty vehicles and therapy baths and spas. This broad range of products is complemented by extensive application expertise and unparalleled depth of software, embedded programming, hardware and sustaining engineering teams. This technology is referred to as Electronic Controls (“EC”).

On November 6, 2020, the Company completed the acquisition of BWG Holdings I Corp. (hereinafter referred to as “Balboa Water Group” or “Balboa”), an innovative market leader of electronic controls for the health and wellness industry. The results of Balboa’s operations are reported in the Company’s Electronics segment and have been included in the Consolidated Financial Statements since the acquisition date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Presentation*

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) for complete financial statements are not included herein. The financial statements are prepared on a consistent basis (including normal recurring adjustments) and should be read in conjunction with the consolidated financial statements and related notes contained in the Annual Report on Form 10-K for the fiscal year ended January 2, 2021 (“Form 10-K”), filed by Helios with the Securities and Exchange Commission on March 2, 2021. In management’s opinion, all adjustments necessary for a fair presentation of the Company’s financial statements are reflected in the interim periods presented.

The Company faces various risks related to health epidemics, pandemics and similar outbreaks, including the global outbreak of COVID-19. The current COVID-19 pandemic has had an impact on markets the Company serves and its operations. The Company cannot at this time predict the future impact of the COVID-19 pandemic on its business or economic conditions as a whole, but it could have a material adverse effect on the business, financial position, results of operations and/or cash flows. Operating results for the six months ended July 3, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ended January 1, 2022.

### Contract Assets and Liabilities

Contract assets are recognized when the Company has a conditional right to consideration for performance completed on contracts. Contract asset balances totaled \$2,398 and \$2,776 at July 3, 2021 and January 2, 2021, respectively, and are presented in Other current assets in the Consolidated Balance Sheets. Accounts receivable balances represent unconditional rights to consideration from customers and are presented separate from contract assets in the Consolidated Balance Sheets.

Contract liabilities are recognized when payment is received from customers prior to satisfying the underlying performance obligation. Contract liabilities totaled \$6,112 and \$4,208 at July 3, 2021 and January 2, 2021, respectively, and are presented in Other accrued expenses and current liabilities in the Consolidated Balance Sheets.

### Research and Development

The Company conducts research and development (“R&D”) to create new products and to make improvements to products currently in use. R&D costs are charged to expense as incurred and totaled \$8,428, and \$7,989 for the six months ended July 3, 2021 and June 27, 2020, respectively.

### Earnings Per Share

The following table presents the computation of basic and diluted earnings per common share (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net income (loss)	\$ 30,694	\$ 12,908	\$ 53,282	\$ (4,315)
Basic and diluted weighted average shares outstanding	32,237	32,081	32,215	32,071
Basic and diluted net income (loss) per common share	\$ 0.95	\$ 0.40	\$ 1.65	\$ (0.13)

### Recently Adopted Accounting Standards

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This update simplifies accounting for income taxes by eliminating some exceptions to the general approach in ASC 740, Income Taxes, related to intraperiod tax allocation, the methodology for calculating income tax in an interim period and the recognition of deferred tax liabilities for outside basis differences. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The amendments in this update should be applied on either a retrospective basis, a modified retrospective basis or prospectively, depending on the provision within the amendment. The Company adopted the standard for the fiscal year beginning January 3, 2021. Adoption of the standard did not have a material impact on the Consolidated, Unaudited Financial Statements.

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables provide information regarding the Company’s assets and liabilities measured at fair value on a recurring basis at July 3, 2021 and January 2, 2021.

	July 3, 2021			
	Total	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Interest rate swap contract	\$ 612	\$ —	\$ 612	\$ —
Forward foreign exchange contracts	198	—	198	—
Total	\$ 810	\$ —	\$ 810	\$ —
<b>Liabilities</b>				
Interest rate swap contract	\$ 5,389	\$ —	\$ 5,389	\$ —
Forward foreign exchange contracts	575	—	575	—
Contingent consideration	1,459	—	—	1,459
Total	\$ 7,423	\$ —	\$ 5,964	\$ 1,459

	January 2, 2021			
	Total	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Forward foreign exchange contracts	\$ 211	\$ —	\$ 211	\$ —
Total	<u>\$ 211</u>	<u>\$ —</u>	<u>\$ 211</u>	<u>\$ —</u>
<b>Liabilities</b>				
Interest rate swap contract	\$ 7,679	\$ —	\$ 7,679	\$ —
Forward foreign exchange contracts	1,551	—	1,551	—
Contingent consideration	1,919	—	—	1,919
Total	<u>\$ 11,149</u>	<u>\$ —</u>	<u>\$ 9,230</u>	<u>\$ 1,919</u>

A summary of the changes in the estimated fair value of contingent consideration at July 3, 2021 is as follows:

Balance at January 2, 2021	\$ 1,919
Change in estimated fair value	(460)
Balance at July 3, 2021	<u>\$ 1,459</u>

#### 4. INVENTORIES

At July 3, 2021 and January 2, 2021, inventory consisted of the following:

	July 3, 2021	January 2, 2021
Raw materials	\$ 65,876	\$ 49,361
Work in process	35,384	30,675
Finished goods	40,807	39,332
Provision for obsolete and slow moving inventory	(9,749)	(8,996)
Total	<u>\$ 132,318</u>	<u>\$ 110,372</u>

#### 5. OPERATING LEASES

The Company leases machinery, equipment, vehicles, buildings and office space, throughout its locations, that are classified as operating leases. Remaining terms on these leases range from less than one year to nine years. For the six months ended July 3, 2021 and June 27, 2020, operating lease costs totaled \$2,820 and \$1,833, respectively.

Supplemental balance sheet information related to operating leases is as follows:

	July 3, 2021	January 2, 2021
Right-of-use assets	\$ 16,075	\$ 16,616
Lease liabilities:		
Current lease liabilities	\$ 4,187	\$ 4,736
Non-current lease liabilities	12,700	12,728
Total lease liabilities	<u>\$ 16,887</u>	<u>\$ 17,464</u>
Weighted average remaining lease term (in years):	5.0	
Weighted average discount rate:	4.9%	

Supplemental cash flow information related to leases is as follows:

	Six Months Ended	
	July 3, 2021	June 27, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 2,783	\$ 1,841
Non-cash impact of new leases and lease modifications	\$ 2,022	\$ 256

Maturities of lease liabilities are as follows:

2021 Remaining	\$	2,864
2022		3,888
2023		3,563
2024		2,930
2025		2,322
2026		1,818
Thereafter		1,594
Total lease payments		18,979
Less: Imputed interest		(2,092)
Total lease obligations		16,887
Less: Current lease liabilities		(4,187)
Non-current lease liabilities	\$	12,700

## 6. GOODWILL AND INTANGIBLE ASSETS

### Goodwill

A summary of changes in goodwill by segment for the six months ended July 3, 2021, is as follows:

	Hydraulics	Electronics	Total
Balance at January 2, 2021	\$ 261,129	\$ 182,404	\$ 443,533
Measurement period adjustment, Balboa Water Group acquisition	—	90	90
Currency translation	(7,390)	—	(7,390)
Balance at July 3, 2021	\$ 253,739	\$ 182,494	\$ 436,233

### Intangible Assets

At July 3, 2021, and January 2, 2021, intangible assets consisted of the following:

	July 3, 2021			January 2, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangibles:						
Trade names and brands	\$ 79,629	\$ (13,217)	\$ 66,412	\$ 80,402	\$ (11,188)	\$ 69,214
Non-compete agreements	950	(871)	79	950	(776)	174
Technology	45,548	(14,681)	30,867	45,955	(12,368)	33,587
Supply agreement	21,000	(9,625)	11,375	21,000	(8,575)	12,425
Customer relationships	324,576	(37,499)	287,077	330,406	(31,431)	298,975
Sales order backlog	—	—	—	8,000	(3,000)	5,000
Workforce	6,077	(404)	5,673	—	—	—
	\$ 477,780	\$ (76,297)	\$ 401,483	\$ 486,713	\$ (67,338)	\$ 419,375

Amortization expense for the six months ended July 3, 2021, and June 27, 2020, was \$ 17,878 and \$ 8,765, respectively. Future estimated amortization expense is presented below.

### Year:

2021 Remaining	\$	12,869
2022		25,602
2023		25,543
2024		24,888
2025		24,821
2026		23,435
Thereafter		264,325
Total	\$	401,483

## 7. DERIVATIVE INSTRUMENTS & HEDGING ACTIVITIES

The Company addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments and hedging activities.

The fair value of the Company's derivative financial instruments included in the Consolidated Balance Sheets is presented as follows:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value (1) July 3, 2021	Fair Value (1) January 2, 2021	Balance Sheet Location	Fair Value (1) July 3, 2021	Fair Value (1) January 2, 2021
<b>Derivatives designated as hedging instruments:</b>						
Interest rate swap contracts	Other assets	\$ 612	\$ —	Other non-current liabilities	\$ 5,389	\$ 7,679
<b>Derivatives not designated as hedging instruments:</b>						
Forward foreign exchange contracts	Other current assets	169	169	Other current liabilities	555	1,413
Forward foreign exchange contracts	Other assets	29	42	Other non-current liabilities	20	138
<b>Total derivatives</b>		<b>\$ 810</b>	<b>\$ 211</b>		<b>\$ 5,964</b>	<b>\$ 9,230</b>

(1) See Note 3 for information regarding the inputs used in determining the fair value of derivative assets and liabilities.

The amount of gains and losses related to the Company's derivative financial instruments for the six months ended July 3, 2021 and June 27, 2020, are presented as follows:

	Amount of Gain or (Loss) Recognized in Other Comprehensive Income on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Earnings (Effective Portion)	
	July 3, 2021	June 27, 2020		July 3, 2021	June 27, 2020
<b>Derivatives in cash flow hedging relationships:</b>					
Interest rate swap contracts	\$ 2,906	\$ (3,731)	Interest expense, net	\$ (2,170)	\$ (1,558)

Interest expense presented in the Consolidated Statements of Operations, in which the effects of cash flow hedges are recorded, totaled \$ 9,151 and \$5,842 for the six months ended July 3, 2021 and June 27, 2020, respectively.

	Amount of Gain or (Loss) Recognized in Earnings on Derivatives		Location of Gain or (Loss) Recognized in Earnings on Derivatives
	July 3, 2021	June 27, 2020	
<b>Derivatives not designated as hedging instruments:</b>			
Forward foreign exchange contracts	\$ 41	\$ 1,909	Foreign currency transaction gain loss, net

### Interest Rate Swap Contracts

The Company has entered into interest rate swap transactions to hedge the variable interest rate payments on its credit facilities. In connection with these transactions, the Company pays interest based upon a fixed rate as agreed upon with the respective counterparties and receives variable rate interest payments based on the one-month LIBOR. The interest rate swaps are designated as hedging instruments and are accounted for as cash flow hedges. The aggregate notional amount of the swaps was \$195,000 as of July 3, 2021. The notional amount decreases periodically through the dates of expiration in April 2023 and October 2025. The contracts are settled with the respective counterparties on a net basis at each settlement date.

### Forward Foreign Exchange Contracts

The Company has entered into forward contracts to economically hedge translational and transactional exposure associated with various business units whose local currency differs from the Company's reporting currency. The Company's forward contracts are not designated as hedging instruments for accounting purposes.

At July 3, 2021, the Company had nine forward foreign exchange contracts with an aggregate notional value of €52,112, maturing at various dates through December 2022.

### Net Investment Hedge

The Company utilizes foreign currency denominated debt to hedge currency exposure in foreign operations. The Company has designated €90,000 of borrowings on the revolving credit facility as a net investment hedge of a portion of the Company's European operations. The carrying value of the euro denominated debt totaled \$106,777 as of July 3, 2021 and is included in the Revolving line of credit line item in the Consolidated Balance Sheets. The gain on the net investment hedge recorded in accumulated other comprehensive income ("AOCI") as part of the currency translation adjustment was \$2,416, net of tax, for the six months ended July 3, 2021.

## 8. CREDIT FACILITIES

Total long-term non-revolving debt consists of the following:

	<u>Maturity Date</u>	<u>July 3, 2021</u>		<u>January 2, 2021</u>	
Long-term non-revolving debt:					
Term loan with PNC Bank	Oct 2025	\$	195,000	\$	200,000
Term loan with Intesa Sanpaolo S.p.A	Dec 2021		2,975		6,106
Term loan with Citibank	May 2023		323		400
Other long-term debt	Various		183		264
Total long-term non-revolving debt			198,481		206,770
Less: current portion of long-term non-revolving debt			15,662		16,229
Less: unamortized debt issuance costs			547		609
Total long-term non-revolving debt, net		\$	182,272	\$	189,932

Information on the Company's revolving credit facilities is as follows:

	<u>Maturity Date</u>	<u>Balance</u>		<u>Available Credit</u>	
		<u>July 3, 2021</u>	<u>January 2, 2021</u>	<u>July 3, 2021</u>	<u>January 2, 2021</u>
Revolving line of credit with PNC Bank	Oct 2025	\$ 238,777	\$ 255,909	\$ 159,525	\$ 144,045
Revolving line of credit with Citibank	Nov 2021	421	315	1,897	1,982
		<u>\$ 239,198</u>	<u>\$ 256,224</u>	<u>\$ 161,422</u>	<u>\$ 146,027</u>

Future maturities of total debt are as follows:

<u>Year:</u>	
2021 Remaining	\$ 8,464
2022	15,353
2023	15,085
2024	20,000
2025	378,777
Total	<u>\$ 437,679</u>



#### Term Loan and Line of Credit with PNC Bank

The Company has a credit agreement that includes a revolving line of credit and term loan credit facility with PNC Bank, National Association, as administrative agent, and the lenders party thereto. The revolving line of credit allows for borrowings up to an aggregate maximum principal amount of \$400,000.

The Company has exchanged a portion of the USD denominated borrowings on the line of credit for €90,000 in order to hedge currency exposure in foreign operations. The borrowings have been designated as a net investment hedge, see additional information in Note 7.

The effective interest rate on the credit agreement at July 3, 2021 was 2.43%. Interest expense recognized on the credit agreement during the six months ended July 3, 2021 and June 27, 2020, totaled \$6,842 and \$4,250, respectively. As of the date of this filing, the Company was in compliance with all debt covenants related to the credit agreement.

#### Term Loan with Intesa Sanpaolo S.p.A.

The Company has an agreement with Intesa Sanpaolo S.p.A. that provides an unsecured term loan of € 5,000. The facility bears interest at 1.25%. Repayment of the facility began in January 2021 and is due in 12 monthly installments. The loan bears a guarantee from SACE S.p.A. – the Italian export public credit agency operating in the insurance and financial services sectors – pursuant to the Law Decree No. 23 of April 8, 2020, converted (with amendments) into Law No. 40 of June 5, 2020.

#### Term Loan and Line of Credit with Citibank

The Company has an uncommitted fixed asset facility agreement (the “Fixed Asset Facility”) and short-term revolving facility agreement (the “Working Capital Facility”) with Citibank (China) Co., Ltd. Shanghai Branch, as lender.

Under the Fixed Asset Facility, the Company may, from time-to-time, borrow amounts on a secured basis up to a total of RMB 50,000. The proceeds of such loans may be used for purchases of certain equipment. Outstanding borrowings under the Fixed Asset Facility accrue interest at a rate equal to the National Interbank Funding Center 1-year loan prime rate plus 1.50%, to be repaid on a specified schedule. Currently drawn funds have a final payment due date of May 2023.

Under the Working Capital Facility, the Company may from time to time borrow amounts on an unsecured revolving facility of up to a total of RMB 15,000. Proceeds may only be used for expenditures related to production at the Company’s facility located in Kunshan City, China. Outstanding borrowings under the Working Capital Facility accrue interest at a rate equal to the National Interbank Funding Center 1-year loan prime rate plus 0.50%. All outstanding balances will be due in November 2021.

As of the date of this filing, the Company was in compliance with all debt covenants related to the Fixed Asset Facility and Working Capital Facility.

## 9. INCOME TAXES

The provision for income taxes for the three months ended July 3, 2021 and June 27, 2020 was 17.6% and 4.7% of pretax income, respectively. The provision for income taxes for the six months ended July 3, 2021 and June 27, 2020 was 20.1% and 15.0% of pretax income, respectively, after adjusting the prior year for the impact of the goodwill impairment charge.

At July 3, 2021, the Company had an unrecognized tax benefit of \$ 10,484 including accrued interest. If recognized, \$ 3,371 of unrecognized tax benefit would reduce the effective tax rate in future periods. The Company recognizes interest and penalties related to income tax matters in income tax expense. Interest accrued as of July 3, 2021 is not considered material to the Company’s consolidated financial statements.

The Company remains subject to income tax examinations in the U.S. and various state and foreign jurisdictions for tax years 2009-2020. Although the Company is not currently under examination in most jurisdictions, limited transfer pricing disputes exist for years dating back to 2008. The Company estimates a net benefit ranging from \$0 to \$974 could be recognized within the next 12 months due to the expiration of statutes of limitation.

## 10. STOCK-BASED COMPENSATION

### *Equity Incentive Plan*

The Company's 2019 Equity Incentive Plan and its predecessor equity plan provide for the grant of shares of restricted stock, restricted share units, stock options, stock appreciation rights, dividend or dividend equivalent rights, stock awards and other awards valued in whole or in part by reference to or otherwise based on the Company's common stock, to officers, employees and directors of the Company.

### *Restricted Stock and Restricted Stock Units*

The Company grants restricted shares of common stock and restricted stock units ("RSUs") in connection with a long-term incentive plan. Awards with time-based vesting requirements primarily vest ratably over a three-year period. Awards with performance-based vesting requirements cliff vest after a three-year performance cycle and only after the achievement of certain performance criteria over that cycle. The number of shares ultimately issued for the performance-based units may vary from 0% to 200% of their target amount based on the achievement of defined performance targets.

Compensation expense recognized for restricted stock and RSUs totaled \$ 2,796 and \$2,072, respectively, for the six months ended July 3, 2021 and June 27, 2020.

The following table summarizes restricted stock and RSU activity for the six months ended July 3, 2021:

	Number of Shares / Units (in thousands)	Weighted Average Grant-Date Fair Value per Share
Nonvested balance at January 2, 2021	239	\$ 38.95
Granted	101	54.59
Vested	(69)	41.87
Forfeited	(17)	45.02
Nonvested balance at July 3, 2021 <sup>(1)</sup>	<u>254</u>	<u>\$ 43.97</u>

<sup>(1)</sup> Includes 107,749 unvested performance-based RSUs.

The Company had \$8,555 of total unrecognized compensation cost related to the restricted stock and RSU awards as of July 3, 2021. That cost is expected to be recognized over a weighted average period of 2.0 years.

### *Stock Options*

The following table summarizes stock options the Company has granted to its officers (in thousands, except per share data):

Date of Grant	Options Granted	Option Exercise (Strike) Price	July 3, 2021		
			Options Forfeited	Options Outstanding	Options Exercisable
February 28, 2020	18	\$ 39.75	11	5	2
July 1, 2020	5	35.04	—	3	2
January 28, 2021	18	55.30	1	17	—
Total	<u>41</u>		<u>12</u>	<u>25</u>	<u>4</u>

The exercise prices per share are equal to the market price of Helios stock on the respective grant dates. The options vest ratably over a three-year period and have a 10-year expiration. The grant date fair value of the options was estimated using a Black Scholes valuation model. At July 3, 2021, the Company had \$400 of unrecognized compensation cost related to the options which is expected to be recognized over a weighted average period of 2.4 years.

#### Employee Stock Purchase Plans

The Company maintains an Employee Stock Purchase Plan (“ESPP”) in which U.S. employees are eligible to participate. Employees who choose to participate are granted an opportunity to purchase common stock at 85 percent of market value on the first or last day of the quarterly purchase period, whichever is lower. Employees in the United Kingdom (“UK”), under a separate plan, are granted an opportunity to purchase the Company’s common stock at market value, on the first or last day of the quarterly purchase period, whichever is lower, with the Company issuing one additional free share of common stock for each six shares purchased by the employee under the plan. Employees purchased 14,918 shares at a weighted average price of \$ 53.37, and 23,364 shares at a weighted average price of \$ 30.94, under the ESPP and UK plans during the six months ended July 3, 2021 and June 27, 2020, respectively. The Company recognized \$311 and \$ 155 of compensation expense during the six months ended July 3, 2021 and June 27, 2020, respectively.

#### Nonemployee Director Fees Plan

The Company’s 2012 Nonemployee Director Fees Plan compensates nonemployee directors for their board service with shares of common stock. Directors were granted 14,250 and 5,500 shares for the six months ended July 3, 2021 and June 27, 2020, respectively. The Company recognized director stock compensation expense of \$1,043 and \$235 for the six months ended July 3, 2021 and June 27, 2020, respectively.

### 11. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables present changes in accumulated other comprehensive loss by component:

	Unrealized Gains and (Losses) on Derivative Instruments	Foreign Currency Items	Total
Balance at January 2, 2021	\$ (5,922)	\$ (28,418)	\$ (34,340)
Other comprehensive income (loss) before reclassifications	4,534	(8,447)	(3,913)
Amounts reclassified from accumulated other comprehensive loss, net of tax	(1,628)	—	(1,628)
Tax effect	(664)	1,760	1,096
Net current period other comprehensive income (loss)	<u>2,242</u>	<u>(6,687)</u>	<u>(4,445)</u>
Balance at July 3, 2021	<u>\$ (3,680)</u>	<u>\$ (35,105)</u>	<u>\$ (38,785)</u>

	Unrealized Gains and (Losses) on Derivative Instruments	Foreign Currency Items	Total
Balance at December 28, 2019	\$ (5,372)	\$ (49,992)	\$ (55,364)
Other comprehensive loss before reclassifications	(4,901)	(1,467)	(6,368)
Amounts reclassified from accumulated other comprehensive loss, net of tax	1,170	—	1,170
Tax effect	1,756	129	1,885
Net current period other comprehensive loss	<u>(1,975)</u>	<u>(1,338)</u>	<u>(3,313)</u>
Balance at June 27, 2020	<u>\$ (7,347)</u>	<u>\$ (51,330)</u>	<u>\$ (58,677)</u>

## 12. SEGMENT REPORTING

The Company has two reportable segments: Hydraulics and Electronics. These segments are organized primarily based on the similar nature of products offered for sale, the types of customers served and the methods of distribution and are consistent with how the segments are managed, how resources are allocated and how information is used by the chief operating decision makers.

The Company evaluates performance and allocates resources based primarily on segment operating income. Certain costs were not allocated to the business segments as they are not used in evaluating the results of, or in allocating resources to the Company's segments. These costs are presented in the Corporate and other line item. For the six months ended July 3, 2021, the unallocated costs totaled \$21,609 and included certain corporate costs not deemed to be allocable to either business segment of \$600, acquisition and integration related expenses of \$3,131 and amortization of acquisition-related intangible assets of \$17,878. The accounting policies of the Company's operating segments are the same as those used to prepare the accompanying Consolidated, Unaudited Financial Statements.

The following table presents financial information by reportable segment:

	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
<b>Net sales</b>				
Hydraulics	\$ 133,039	\$ 102,089	\$ 252,145	\$ 205,907
Electronics	90,374	17,205	176,113	42,870
<b>Total</b>	<b>\$ 223,413</b>	<b>\$ 119,294</b>	<b>\$ 428,258</b>	<b>\$ 248,777</b>
<b>Operating income</b>				
Hydraulics	\$ 32,328	\$ 21,989	\$ 60,401	\$ 43,471
Electronics	19,599	939	37,879	5,717
Corporate and other	(9,865)	(6,226)	(21,609)	(42,519)
<b>Total</b>	<b>\$ 42,062</b>	<b>\$ 16,702</b>	<b>\$ 76,671</b>	<b>\$ 6,669</b>
<b>Capital expenditures</b>				
Hydraulics	\$ 3,383	\$ 1,923	\$ 6,018	\$ 4,317
Electronics	1,886	355	4,287	898
<b>Total</b>	<b>\$ 5,269</b>	<b>\$ 2,278</b>	<b>\$ 10,305</b>	<b>\$ 5,215</b>
		<b>July 3, 2021</b>		<b>January 2, 2021</b>
<b>Total assets</b>				
Hydraulics		\$ 781,052	\$ 765,155	
Electronics		548,302	523,502	
Corporate		11,038	8,322	
<b>Total</b>		<b>\$ 1,340,392</b>	<b>\$ 1,296,979</b>	

### Geographic Region Information

Net sales are measured based on the geographic destination of sales. Tangible long-lived assets are shown based on the physical location of the assets and primarily include net property, plant and equipment and exclude right-of-use assets.

	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
<b>Net sales</b>				
Americas	\$ 105,762	\$ 47,623	\$ 205,104	\$ 106,573
EMEA	57,629	33,081	110,231	69,052
APAC	60,022	38,590	112,923	73,152
<b>Total</b>	<b>\$ 223,413</b>	<b>\$ 119,294</b>	<b>\$ 428,258</b>	<b>\$ 248,777</b>

	July 3, 2021	January 2, 2021
<b>Tangible long-lived assets</b>		
Americas	\$ 96,525	\$ 96,752
EMEA	32,515	31,091
APAC	18,086	18,718
<b>Total</b>	<u>\$ 147,126</u>	<u>\$ 146,561</u>

### 13. RELATED PARTY TRANSACTIONS

The Company purchases from, and sells inventory to, entities partially owned or managed by directors of Helios. For the six months ended July 3, 2021 and June 27, 2020, inventory sales to the entities totaled \$1,502 and \$1,807, respectively, and inventory purchases from the entities totaled \$3,229 and \$2,315, respectively.

At July 3, 2021 and January 2, 2021, amounts due from the entities totaled \$ 557 and \$528, respectively, and amounts due to the entities totaled \$ 232 and \$421, respectively.

### 14. COMMITMENTS AND CONTINGENCIES

#### *Legal Proceedings*

The Company is not a party to any legal proceedings other than routine litigation incidental to its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the results of operations, financial position or cash flows of the Company.

### 15. SUBSEQUENT EVENTS

On July 9, 2021, the Company acquired all of the outstanding equity interests of HE-DI S.r.l., an Italian limited liability company, the owner of 100% of the share capital of NEM S.r.l. (“NEM”), an Italian limited liability. The acquisition was completed pursuant to a Sale and Purchase Agreement among the Company and the shareholders of NEM.

Initial consideration paid at closing, net of cash acquired, totaled € 48,860, or \$57,933, and included 134,621 shares of the Company’s common stock and cash of €39,974, or \$47,397. In accordance with the terms of the Sale and Purchase Agreement, the sellers are eligible for an additional cash earn-out potential of €5,400, or \$6,403, based on defined performance targets. The cash consideration was funded with borrowings on the Company’s credit facility.

NEM is an innovative hydraulic solutions company providing customized material handling, construction, industrial vehicle, and agricultural applications to its global customer base, predominantly in Europe and Asia. NEM is ideally located in northern Italy’s Emilia Romagna region, one of the world’s most innovative and technology-friendly areas in the hydraulics industry.

The Company determined the acquisition of NEM was not a significant acquisition under Rule 3-05 of Regulation S-X.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. The words "expects," "anticipates," "believes," "intends," "plans," "will" and similar expressions identify forward-looking statements. In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. We undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this Form 10-Q with the Securities and Exchange Commission. These forward-looking statements are subject to risks and uncertainties, including, without limitation, those discussed in this report and those identified in Part I, Item 1A, "Risk Factors" included in our Form 10-K. In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Accordingly, our future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

### OVERVIEW

We are a global industrial technology leader that develops and manufactures solutions for both the hydraulics and electronics markets. We were originally founded in 1970 as Sun Hydraulics Corporation, which designed and manufactured cartridge valves for hydraulics systems. We changed the Company's legal name on June 13, 2019, from Sun Hydraulics Corporation to Helios Technologies, Inc.

Today we operate under two business segments: Hydraulics and Electronics. These businesses design and manufacture hydraulic cartridge valves, hydraulic quick release couplings and customized electronic controls systems and displays for a variety of end markets, as well as design complete hydraulic systems.

#### *Strategic Vision*

Our strategic goals are to achieve \$1 billion in sales by the end of 2023 through a combination of organic growth and acquisitions, while remaining a technology leader and delivering superior profitability, with adjusted EBITDA margins of approximately 25%. We are augmenting our strategy with value streams that we expect to help us to execute our goals and potentially accelerate the achievement of our strategic vision by reaching the \$1 billion revenue target two years ahead of our original plan.

We believe the value streams will deliver growth, diversification and market leading financial performance as we develop into a more sophisticated, globally oriented, customer centric and learning organization. These are:

1. Protect the business through customer centricity and drive cash generation through the launch of new products and leveraging existing products;
2. Think and act globally to better leverage our assets, accelerate innovation and diversify end markets by driving intra- and inter-company initiatives and by building in the region for the region;
3. Diversify our markets and sources of revenue by swarming commercial opportunities that leverage our products and technologies' value in industries in which we currently do not operate, such as defense and commercial food service, thereby creating greater opportunities for growth while reducing risk and cyclicity; and
4. Develop our talent, our most critical resource, through a culture of customer-centricity through the embracement of diversity, engagement of the team, focus on shared, deeply rooted values and promotion of a learning organization. We provide training, development, educational, and mentoring opportunities to our existing employees as well as seek to attract and retain top talent throughout our global workforce.

Our strategy is underpinned by the execution of acquisitions, which we expect to include bolt-on, flywheel type acquisitions (up to \$100 million in enterprise value) and the evaluation of more transformative type acquisitions (\$100 million to \$1 billion in enterprise value). The objective of our acquisition strategy is to enhance Helios by:

- Growing our current product portfolio or adding new technologies and capabilities that complement our current offerings;

- Expanding geographic presence; and
- Bringing new customers or markets.

To support the execution of our strategy, our financial strategy is oriented on delivering industry leading margins, a strong balance sheet and sufficient financial flexibility to support organic and acquisitive growth.

We align our internal key performance indicators with our strategy to ensure our short-term actions will deliver long-term expectations.

### ***Recent Acquisitions***

In November 2020, we acquired Balboa Water Group, further diversifying the markets we serve and also expanding our technological capabilities in electronics. Balboa is an innovative market leader of electronic controls for the health and wellness industry with proprietary and patented technology that enables end-to-end electronic control systems for therapy baths and spas. Headquartered in Costa Mesa, California, Balboa has manufacturing operations that support the business in Mexico, with sales and warehouse operations in Denmark. This acquisition expanded our electronic control technology with complementary AC (alternating current) capabilities and enabled further diversification of end markets. The results of Balboa's operations are reported in our Electronics segment and have been included in the Consolidated Financial Statements since the acquisition date.

In January 2021, we acquired the assets of BJN Technologies, LLC, an innovative engineering solutions provider that was founded in 2014. With the acquisition, we formed the Helios Center of Engineering Excellence to centralize our technology advancements and new product development and better leverage existing talents across the electronics segment initially, and then throughout all of Helios.

In July 2021, we acquired NEM, an innovative hydraulic solutions company providing customized material handling, construction, industrial vehicle and agricultural applications to its global customer base, predominantly in Europe and Asia. NEM enhances our electro-hydraulic product offering, further develops our presence in original equipment manufacturer ("OEM") markets, provides geographic expansion and adds scale to address new markets.

In May 2021, we entered into a definitive agreement to acquire the assets of Shenzhen Joyonway Electronics & Technology Co., Ltd and its related entities (collectively "Joyonway"). A fast-growing developer of control panels, software, systems and accessories for the health and wellness industry, Joyonway operates in two cities, Shenzhen and Dongguan, which are in the hub of electronics and software development in China. The acquisition is subject to certain pre-closing requirements and is expected to close in the third quarter of 2021 or as soon as practicable.

### ***Global Economic Conditions***

#### *COVID-19 Update*

During the first half of 2021, we experienced limited disruption to our operations from the pandemic. Many of our customers and end markets are recovering from the substantial impacts experienced during 2020. Demand in the first six months of 2021 for our products exceeded our expectations as end market recovery occurred sooner and was stronger than we projected. Demand in the health and wellness and recreational marine markets has been favorably impacted by the pandemic as consumers are investing in leisure products and activities. We face constraints on our ability to source certain electronic components which originated from the high demand for these products caused by the pandemic; however, we have been able to mitigate the majority of the impact with our procurement efforts and production schedule adjustments.

Our outlook for the remainder of the 2021 fiscal year assumes the global economy continues to recover; however, we cannot at this time predict any future impacts. With the spread of new strains and variants of the coronavirus, the Company continues to monitor developments, including government requirements and recommendations at the national, state, and local level to evaluate whether to reinstate and/or extend certain initiatives it implemented to help contain the spread of COVID-19. Refer to Part I, Item 1A, "Risk Factors" of our Form 10-K for additional COVID-19 related discussion.

## *Brexit Update*

In January 2020, the UK exited the EU. During the transition period, which ended on December 31, 2020, existing arrangements between the UK and the EU remained in place while the UK and the EU negotiated a free trade agreement. This was entered into on December 24, 2020 and went into effect on January 1, 2021. The Company continues to monitor the situation and plan for potential impact. The ultimate impact of Brexit on the Company's financial results is uncertain. However, we do not expect the effects of Brexit to have a material impact on our results of operations or financial position. For additional information, refer to Part I, Item 1A, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Form 10-K.

## *Industry Conditions*

Market demand for our products is dependent on demand for the industrial goods in which the products are incorporated. The capital goods industries in general, and the Hydraulics and Electronics segments specifically, are subject to economic cycles. We utilize industry trend reports from various sources, as well as feedback from customers and distributors, to evaluate economic trends. We also rely on global government statistics such as Gross Domestic Product and Purchasing Managers Index to understand macro-economic conditions.

### *Hydraulics*

According to the National Fluid Power Association (the fluid power industry's trade association in the U.S.), the U.S. index of shipments of hydraulic products increased 12% during the first six months of 2021, after decreasing 17% in 2020. In Europe, the CEMA Business Barometer reports that in June 2021, the general business climate index for the European agricultural machinery industry rose to its highest level since 2008. The favorable index peaked in June 2021 and declined slightly in July 2021. The report further noted that uncertainty exists related to the ability to realize incoming orders due to extreme price increases and supplier shortages. The Committee for European Construction Equipment (CECE) business climate index reports that the boom of the European construction equipment sector continues and the index remains at extremely high levels. Consistent with the CEMA Business Barometer, the CECE business climate index reported that the strong demand has not been fully realized due to supply side bottlenecks.

### *Electronics*

The Federal Reserve's Industrial Production Index, which measures the real output of all relevant establishments located in the U.S., reports sales of semiconductors and other electronics components increased slightly during the second quarter of 2021, after decreasing in the first quarter of 2021. The index continues to exceed fourth quarter 2019 levels and surpassed fourth quarter 2020 levels late in the second quarter 2021. The Institute of Printed Circuits Association ("IPC") reported that total North American printed circuit board ("PCB") shipments increased 6.3% in June 2021 compared with the same month last year; compared with May 2021, June shipments grew 17.3%. The IPC also reported that North American electronics manufacturing services ("EMS") shipments were up 14.3% in June compared to June 2020; compared with May 2021, June shipments grew 31.3%. While the IPC reported that demand for both PCB and EMS production is high, supply remains constrained. However, the report further indicated that the strong pick up in shipments during the month of June suggests some disruptions are starting to improve.



**2021 Second Quarter Results and Comparison of the Three and Six Months Ended July 3, 2021 and June 27, 2020**

(in millions except per share data)

	Three Months Ended			
	July 3, 2021	June 27, 2020	\$ Change	% Change
Net sales	\$ 223.4	\$ 119.3	\$ 104.1	87.3 %
Gross profit	\$ 82.2	\$ 44.7	\$ 37.5	83.9 %
<i>Gross profit %</i>	<i>36.8 %</i>	<i>37.5 %</i>		
Operating income	\$ 42.1	\$ 16.7	\$ 25.4	152.1 %
<i>Operating income %</i>	<i>18.8 %</i>	<i>14.0 %</i>		
Net income	\$ 30.7	\$ 12.9	\$ 17.8	138.0 %
Basic and diluted net income per common share	\$ 0.95	\$ 0.40	\$ 0.55	137.5 %

	Six Months Ended			
	July 3, 2021	June 27, 2020	\$ Change	% Change
Net sales	\$ 428.3	\$ 248.8	\$ 179.5	72.1 %
Gross profit	\$ 157.5	\$ 96.6	\$ 60.9	63.0 %
<i>Gross profit %</i>	<i>36.8 %</i>	<i>38.8 %</i>		
Operating income	\$ 76.7	\$ 6.7	\$ 70.0	1,044.8 %
<i>Operating income %</i>	<i>17.9 %</i>	<i>2.7 %</i>		
Net income (loss)	\$ 53.3	\$ (4.3 )	\$ 57.6	NM*
Basic and diluted net income (loss) per common share	\$ 1.65	\$ (0.13 )	\$ 1.78	NM*

\* Not Meaningful

Second quarter consolidated net sales increased \$104.1 million, 87.3%, compared with the prior-year period. Changes in foreign currency exchange rates favorably impacted sales for the quarter by \$6.9 million, 3.1%, and earnings per share by \$0.03. Pricing changes had minimal impact on the 2021 second quarter organic sales compared with the prior-year period. Acquisitive growth accounted for a large portion of the increase in sales, \$60.2 million, 57.8%, over the prior-year period. In addition, we experienced strong organic growth of \$43.9 million, 36.8%, compared with the prior-year period, which resulted from improved demand in all regions as our markets recover from the impacts of the COVID-19 pandemic. In the second quarter of 2020, we experienced a considerable negative impact on sales due to facility closures, customer shut-downs and regulatory restrictions imposed on shipments.

Consolidated net sales for the year-to-date period increased \$179.5 million, 72.1%, compared with the prior-year period. Changes in foreign currency exchange rates favorably impacted sales for the first six months of 2021 by \$12.7 million, 3.0%, and earnings per share by \$0.05. The effect of pricing changes had minimal impact on organic sales for the six months ended July 3, 2021, compared to the prior-year period. Acquisition related sales for the six-month period totaled \$116.5 million and we experienced significant organic growth of \$63.0 million, 25.3%, when compared with the six months ended June 27, 2020. The organic growth was attributable to relaxing COVID-19 restrictions and improved demand in all regions and most end markets, primarily the European agriculture and construction equipment markets and the U.S. recreational marine market.

Gross profit trended upward in the second quarter compared with the second quarter of 2020, due to increased sales volume and a favorable impact from changes in foreign currency exchange rates of \$2.1 million. Second quarter gross margin declined by 0.7 percentage points compared with the prior-year period, as manufacturing labor efficiencies and improved leverage of our fixed cost base on the higher sales were offset by increases in freight and raw material costs and the addition of sales from our recently acquired businesses, which have different margin profiles compared to our historical businesses (higher material and production costs and lower selling, engineering and administrative (“SEA”) costs). Material costs as a percentage of sales, excluding acquisition related sales, increased in the second quarter by 3.8 percentage points compared to the prior year second quarter primarily driven by supply shortages, freight costs and general increases in raw material prices as well as a change in sales mix. We have passed on certain material cost increases to customers by implementing price increases, some of which will primarily be realized in future quarters.

Gross profit for the first six months of 2021 increased \$60.9 million, 63.0%, compared with the same period of 2020, primarily due to increased sales volume and a favorable impact from changes in foreign currency exchange rates totaling \$4.0 million. Gross margin declined 2.0 percentage points over the prior-year period due to material and freight cost increases and the different margin profile of our recently acquired businesses. Material costs as a percentage of sales, excluding acquisition related sales, increased in the year-to-date period by 4.2 percentage points compared to the prior year-to-date period, primarily a result of the supply shortages, higher freight costs and general increases in raw material prices as well as a change in sales mix.

Operating income as a percentage of sales increased 4.8 percentage points to 18.8% in the second quarter of 2021 compared to 14.0%, as a percentage of sales, in the prior-year period, primarily from improved leverage of our fixed cost base on the higher sales volume. This positive impact was reduced by the gross margin level impacts and an increase in intangible amortization of \$3.3 million from our recent acquisitions and \$1.6 million of costs incurred for acquisition and integration related activities. Additionally, non-recurring costs totaling \$1.6 million were incurred in the second quarter of 2020 related to the separation of our former Chief Executive Officer (“CEO”) and placement of our current CEO.

For the first six months of 2021, operating income as a percentage of sales increased 15.2 percentage points to 17.9%. During the first quarter of 2020, current and expected economic impacts from the COVID-19 pandemic led to a goodwill impairment charge of \$31.9 million. Excluding the impairment charge in 2020, operating income as a percentage of sales for the first six months of 2021 improved 2.4 percentage points, up from 15.5%, as a result of improved leverage of our fixed cost base on higher sales volume, offset by an increase in intangible amortization of \$9.1 million from our recent acquisitions and \$3.1 million incurred for acquisition and integration related activities.

## SEGMENT RESULTS

### Hydraulics

The following table sets forth the results of operations for the Hydraulics segment (in millions):

	Three Months Ended		\$ Change	% Change
	July 3, 2021	June 27, 2020		
Net sales	\$ 133.0	\$ 102.1	\$ 30.9	30.3 %
Gross profit	\$ 50.9	\$ 37.5	\$ 13.4	35.7 %
<i>Gross profit %</i>	<i>38.3 %</i>	<i>36.7 %</i>		
Operating income	\$ 32.3	\$ 22.0	\$ 10.3	46.8 %
<i>Operating income %</i>	<i>24.3 %</i>	<i>21.5 %</i>		

  

	Six Months Ended		\$ Change	% Change
	July 3, 2021	June 27, 2020		
Net sales	\$ 252.1	\$ 205.9	\$ 46.2	22.4 %
Gross profit	\$ 96.3	\$ 77.1	\$ 19.2	24.9 %
<i>Gross profit %</i>	<i>38.2 %</i>	<i>37.5 %</i>		
Operating income	\$ 60.4	\$ 43.5	\$ 16.9	38.9 %
<i>Operating income %</i>	<i>24.0 %</i>	<i>21.1 %</i>		

Second quarter net sales for the Hydraulics segment totaled \$133.0 million, an increase of \$30.9 million, 30.3%, compared with the prior-year period. The 2021 second quarter benefited from improved demand in all regions and many of our end markets including U.S. and European agriculture and construction equipment markets as well as mobile and industrial equipment markets. The second quarter of 2020 was impacted by reduced end market demand, facility closures and regulatory restrictions imposed on shipments, resulting from the COVID-19 pandemic. Changes in foreign currency exchange rates favorably impacted sales for the quarter by \$6.7 million. Pricing changes had minimal impact on second quarter sales compared with the prior-year quarter.

Year-to-date net sales totaled \$252.1 million, an increase of \$46.2 million, 22.4%, compared with the first six months of 2020 due to end market recovery from the pandemic. Changes in foreign currency exchange rates favorably impacted sales for the first half of 2021 by \$12.5 million.

The following table presents net sales based on the geographic region of the sale for the Hydraulics segment (in millions):

	Three Months Ended					
	July 3, 2021		June 27, 2020		\$ Change	% Change
Americas	\$	41.7	\$	34.2		
EMEA		46.6		31.2	15.4	49.4%
APAC		44.7		36.7	8.0	21.8%
<b>Total</b>	\$	<u>133.0</u>	\$	<u>102.1</u>		

  

	Six Months Ended					
	July 3, 2021		June 27, 2020		\$ Change	% Change
Americas	\$	76.0	\$	71.6		
EMEA		89.9		64.7	25.2	38.9%
APAC		86.2		69.6	16.6	23.9%
<b>Total</b>	\$	<u>252.1</u>	\$	<u>205.9</u>		

Demand in the Americas region improved during the second quarter of 2021 compared to the prior-year second quarter as sales increased \$7.5 million, 21.9%. Increased demand, primarily in the agriculture and construction equipment end markets, generated an increase in sales to the EMEA region of 36.5% compared with the 2020 second quarter, excluding positive impacts from foreign currency fluctuations totaling \$4.0 million. Sales to the APAC region grew 14.4% compared with the second quarter of 2020, excluding positive impacts from foreign currency exchange rate fluctuations totaling \$2.7 million. The APAC growth primarily resulted from increased demand in Korea and Australia.

During the 2021 year-to-date period we experienced significant sales growth in the EMEA and APAC regions of \$17.6 million, 27.2%, and \$11.7 million, 16.8%, respectively, after adjusting for positive impacts from foreign currency exchange rate fluctuations totaling \$7.6 million and \$4.9 million, respectively. The increase in the EMEA region was driven by demand in the European agriculture and construction equipment end markets. Demand in China, Korea and Australia were the primarily contributors to growth in the APAC region.

In the second quarter of 2021, gross profit increased \$13.4 million, 35.7%, compared with the second quarter of the prior year due to higher sales volume, and a favorable impact from changes in foreign currency rates of \$2.1 million. Gross profit margin improved compared with the second quarter of 2020, increasing 1.6 percentage point to 38.3%. Fixed cost leverage on the higher sales and production labor efficiencies led to the improvement. During the 2020 second quarter we experienced production labor inefficiencies caused by the COVID-19 pandemic. Increases in the cost of freight totaling \$1.1 million negatively impacted second quarter gross margin compared to the prior year second quarter. Material costs as a percentage of sales increased in the second quarter by 3.5 percentage points compared to the prior year second quarter, a result of a change in sales mix, the higher freight costs and general increases in raw material prices.

During the year-to-date period we experienced a \$19.2 million, 24.9%, increase in gross profit over the comparable prior-year period due to sales volume and a favorable impact from changes in foreign currency rates of \$3.9 million. Gross margin for the first half of 2021 increased 0.7 percentage points to 38.2% as we benefited from improved leverage of our fixed manufacturing costs from higher sales volume, which was offset by increased material and freight costs. Increases in the cost of freight totaling \$2.1 million negatively impacted gross margin for the year-to-date period compared to the prior-year period. Material costs as a percentage of sales increased in the first six months of 2021 by 3.9 percentage points compared to the prior-year period, a result of a change in sales mix, the higher freight costs and general increases in raw material prices.

SEA expenses increased \$3.1 million, 20.0%, in the second quarter of 2021 compared with the same period of the prior year. During the 2020 second quarter, we instituted strict cost control measures in light of the COVID-19 pandemic and its expected impacts on the world economies and our operations. While costs related to travel and marketing continue to be low, 2021 SEA costs represent a return to a more normalized level. Personnel costs are increasing as we scale up to support increased demand and expect higher payout of performance-based incentive compensation. In addition to these factors, increased leverage of our fixed cost base on higher sales and our cost management efforts led to SEA as a percent of sales decreasing 1.2 percentage points during the quarter to 14.0%, compared to the 2020 second quarter.

Year-to-date SEA expenses increased \$2.3 million, 6.8%, in 2021 compared with the prior-year period and SEA as a percent of sales decreased 2.1 percentage points to 14.2% in 2021 from 16.3% in 2020. The margin improvement resulted from improved leverage of fixed costs, continued cost management efforts including our restructuring activities and reductions in travel and marketing costs.

As a result of the impacts to gross profit and SEA noted above, second quarter operating income increased \$10.3 million, 46.8%, compared with the second quarter of the prior year, and operating margin improved 2.8 percentage points to 24.3%. Operating income for the year-to-date period increased \$16.9 million, 38.9%, with operating margin strengthening 2.9 percentage points to 24.0% compared to the same period in the prior year.

## **Electronics**

The following table sets forth the results of operations for the Electronics segment (in millions):

	Three Months Ended		\$ Change	% Change
	July 3, 2021	June 27, 2020		
Net sales	\$ 90.4	\$ 17.2	\$ 73.2	425.6%
Gross profit	\$ 31.2	\$ 7.2	\$ 24.0	333.3%
<i>Gross profit %</i>	<i>34.5 %</i>	<i>42.1 %</i>		
Operating income	\$ 19.6	\$ 0.9	\$ 18.7	2,077.8%
<i>Operating income %</i>	<i>21.7 %</i>	<i>5.5 %</i>		

	Six Months Ended		\$ Change	% Change
	July 3, 2021	June 27, 2020		
Net sales	\$ 176.1	\$ 42.9	\$ 133.2	310.5%
Gross profit	\$ 61.2	\$ 19.4	\$ 41.8	215.5%
<i>Gross profit %</i>	<i>34.8 %</i>	<i>45.3 %</i>		
Operating income	\$ 37.9	\$ 5.7	\$ 32.2	564.9%
<i>Operating income %</i>	<i>21.5 %</i>	<i>13.3 %</i>		

Second quarter net sales for the Electronics segment totaled \$90.4 million, an increase of \$73.2 million compared with the prior-year period. Sales totaling \$60.2 million were contributed by our recently acquired businesses. The segment also realized solid organic growth of \$13.0 million, 75.6%, compared with the prior year second quarter, which experienced significant demand reductions caused by the COVID-19 pandemic as many of our customers shut down operations for a period of time and several of our large OEM customers requested to adjust the timing of order request dates into later quarters. Pricing changes had minimal impact on the 2021 second quarter organic sales compared with the prior-year period.

Year-to-date net sales for the Electronics segment totaled \$176.1 million, an increase of \$133.2 million compared with the prior-year period. Sales totaling \$116.5 million were contributed by our recently acquired businesses. The segment also realized considerable organic growth in the first half of 2021 totaling \$16.7 million, 38.9%, compared with the first half of 2020. There was no significant impact from price increases on organic sales during the first six months of 2021 compared with the prior-year period.

Demand in the health and wellness industries has been strengthened by the pandemic as consumers invest in health and home improvements. The same trend is occurring in the U.S. recreational vehicle and recreational marine markets, in which demand continues to be strong. We have taken swift and successful actions to expand production capacity in an effort to fulfill the high incoming order levels for our products. The segments' supply chain is experiencing constraints on its ability to source certain electronic components. While the effect on sales has been mitigated by our increased procurement efforts and production schedule adjustments, we estimate that approximately \$4.9 million of sales were delayed into future quarters due to the supply shortage. Changes in exchange rates had a minimal impact on second quarter sales.

The following table presents net sales based on the geographic region of the sale for the Electronics segment (in millions):

	Three Months Ended				\$ Change	% Change	
	July 3, 2021		June 27, 2020				
Americas	\$	64.1	\$	13.4	\$	50.7	378.4%
EMEA		11.0		1.9		9.1	478.9%
APAC		15.3		1.9		13.4	705.3%
<b>Total</b>	<b>\$</b>	<b>90.4</b>	<b>\$</b>	<b>17.2</b>			

  

	Six Months Ended				\$ Change	% Change	
	July 3, 2021		June 27, 2020				
Americas	\$	129.1	\$	35.0	\$	94.1	268.9%
EMEA		20.4		4.4		16.0	363.6%
APAC		26.6		3.5		23.1	660.0%
<b>Total</b>	<b>\$</b>	<b>176.1</b>	<b>\$</b>	<b>42.9</b>			

During the second quarter and year-to-date period of 2021, we experienced robust growth in all regions which was primarily attributable to our recent acquisitions. Second quarter sales to the Americas accounted for 70.9% of total segment sales, a decrease from 77.9% in the prior comparable period, which is primarily from a variation in the regional footprint of our acquisitions. Similarly, sales to EMEA and APAC increased to 12.2% and 16.9% of total segment sales, respectively.

Second quarter gross profit increased \$24.0 million compared with the second quarter of the prior year due to the increased sales volume. Gross profit margin for the same period decreased by 7.6 percentage points, primarily due to the addition of sales from our acquired businesses, which have a different margin profile compared to our historical business (higher material and production costs and lower SEA costs). Additionally, the segment experienced an increase in raw material and freight and logistics costs during the quarter due to the high demand and materials shortages in the market for electronic components used in our products. During the year-to-date period, we experienced an increase in gross profit of \$41.8 million compared with the first six months of 2020. Gross profit margin for the same period decreased 10.5 percentage points driven by our recent acquisitions, which have a different margin profile from our historical business and the increase raw material and freight and logistic costs.

SEA expenses increased by \$5.3 million in the second quarter of 2021 compared with the second quarter of 2020 and were primarily impacted by the addition of our recently acquired companies and an increase in corporate operating costs allocated to the segment. SEA costs as a percentage of sales decreased to 12.8% in the second quarter of 2021 compared to 36.6% in the prior-year second quarter. SEA margin was favorably impacted by the margin profiles of products sold by our recently acquired businesses. SEA expenses increased by \$9.6 million in the first half of 2021 compared with the first half of 2020. SEA costs as a percentage of sales decreased to 13.2% in the current year-to-date period compared to 31.9% in the prior-year period. The improvement in SEA as a percentage of sales is due largely to the cost structures of our recent acquisitions as well as increased leverage on our fixed costs due to higher sales in our legacy businesses, partially offset by increased corporate operating costs and continued investments in engineering and R&D necessary to support new product development that will drive future revenue growth.

As a result of the impacts to gross profit and SEA costs noted above, operating income increased \$18.7 million and \$32.2 million during the second quarter of 2021 and the first half of 2021, respectively, compared to the prior-year periods.

#### **Corporate and Other**

Certain costs are excluded from business segment results as they are not used in evaluating the results of, or in allocating resources to, our operating segments. For the second quarter of 2021, these costs totaled \$9.9 million, of which \$7.7 million was amortization of acquisition-related intangible assets, \$1.6 million was for other acquisition and integration related costs and \$0.6 million was for the costs associated with the separation of a corporate officer. Year-to-date, corporate and other costs totaled \$21.6 million, of which \$17.9 million was amortization of acquisition-related intangible assets, \$3.1 million was for other acquisition and integration related costs and \$0.6 million for the separation of a corporate officer.

### Interest Expense, net

Net interest expense increased to \$4.4 million for the second quarter of 2021 compared with \$2.9 million for the prior-year quarter. The change is attributable to increased borrowings used to fund the acquisition of Balboa in November 2020. Average net debt increased to \$414.5 million compared with \$258.8 million during the second quarter of 2020. Year-to-date net interest expense was up to \$9.2 million compared with \$5.8 million during the comparable 2020 period. Average net debt for the 2021 year-to-date period totaled \$420.0 million compared with \$264.4 million in the corresponding period of 2020. The increase is due to borrowings used to fund the acquisition of Balboa.

### Income Taxes

The provision for income taxes for the second quarter of 2021 was 17.6% of pretax income compared to 4.7% for the prior-year second quarter. The 2020 tax rate was impacted by favorable one-time benefits in Italy. The 2021 tax rate includes the settlement of a transfer pricing dispute resolved through competent authority between the United States and Germany. These effective rates fluctuate relative to the levels of income and different tax rates in effect among the countries in which we sell our products.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted into law in response to the COVID-19 pandemic. The Company has evaluated the various income and payroll tax provisions and expects little or no impact to income tax expense. However, the Company is taking advantage of the various payment deferrals allowed and employee retention credits afforded by the CARES Act and other similar state and/or foreign liquidity measures. The CARES Act allows employers to defer the deposit and payment of the employer's share of Social Security taxes. We deferred the payment of \$1.5 million of payroll taxes normally due between March 27, 2020 and December 31, 2020. The company expects to pay these payroll taxes during the third quarter of 2021, and they are included in Accrued compensation and benefits in the accompanying Consolidated Balance Sheet as of July 3, 2021.

## LIQUIDITY AND CAPITAL RESOURCES

Historically, our primary source of capital has been cash generated from operations. In recent years, we have used borrowings on our credit facilities to fund acquisitions. During the first six months of 2021, cash provided by operating activities totaled \$49.5 million. At the end of the second quarter, we had \$34.4 million of available cash and cash equivalents on hand and \$161.4 million of available credit on our revolving credit facilities. We also have a \$300.0 million accordion feature available on our credit facility, subject to certain pro forma compliance requirements, intended to support potential future acquisitions.

Our principal uses of cash have been paying operating expenses, making capital expenditures, servicing debt, making acquisition-related payments and paying dividends to shareholders.

We believe that cash generated from operations and our borrowing availability under our credit facilities will be sufficient to satisfy our operating expenses. In the event that economic conditions were to severely worsen for a protracted period of time, we would have several options available to ensure liquidity in addition to increased borrowings. Capital expenditures could be postponed since they primarily pertain to long-term improvements in operations. Additional operating expense reductions also could be made. Finally, the dividend to shareholders could be reduced or suspended.

### *Cash Flows*

The following table summarizes our cash flows for the periods (in millions):

	Six Months Ended		\$ Change
	July 3, 2021	June 27, 2020	
Net cash provided by operating activities	\$ 49.5	\$ 40.3	\$ 9.2
Net cash used in investing activities	(14.2)	(5.5)	(8.7)
Net cash used in financing activities	(28.7)	(19.7)	(9.0)
Effect of exchange rate changes on cash	2.5	(0.3)	2.8
Net increase in cash	\$ 9.1	\$ 14.8	\$ (5.7)

Cash on hand increased \$9.1 million from \$25.3 million at the end of 2020 to \$34.4 million at July 3, 2021. Changes in exchange rates during the six months ended July 3, 2021 favorably impacted cash and cash equivalents by \$2.5 million. Cash balances on hand are a result of our cash management strategy which focuses on maintaining sufficient cash to fund operations while reinvesting cash in the Company and paying down borrowings on our credit facilities.

#### *Operating activities*

Cash from operations totaled \$49.5 million during the first two quarters of 2021, an increase of \$9.2 million compared to the prior-year period. Year-to-date cash earnings increased by \$41.4 million over the prior-year period; however, increases in net operating assets and liabilities grew by \$32.2 million, compared to the prior-year period, in order to support our considerable increase in operations. Changes in inventory reduced cash by \$22.9 million and \$0.7 million in the first six months of 2021 and 2020, respectively. Days of inventory on hand decreased to 81 days as of July 3, 2021, compared with 105 days as of June 27, 2020, positively impacted by the higher sales levels, the addition of Balboa's operations and improved demand planning and supply chain management during the year. Changes in accounts receivable reduced cash by \$37.4 million and \$7.0 million in the first six months of 2021 and 2020, respectively. Days sales outstanding improved slightly to 55 days as of July 3, 2021 from 56 days as of June 27, 2020, as our collection patterns remain consistent with the prior period.

#### *Investing activities*

Capital expenditures totaled \$10.3 million for the first six months of 2021, an increase of \$5.1 million over the prior-year comparable period. Capital expenditures for 2021 are forecasted to be approximately \$30.0 to \$32.0 million, primarily for investments in machinery and equipment for capacity expansion projects, improvements to manufacturing technology and maintaining/replacing existing machine capabilities.

Cash used for acquisition related activities in the first half of 2021 totaled \$3.4 million. The cash outflows consisted of the acquired assets of BJB Technologies, LLC and a contractual purchase price adjustment related to the Balboa acquisition.

#### *Financing activities*

Cash used in financing activities totaled \$28.7 million during the first six months of 2021, compared with cash used of \$19.7 million in the prior-year period. The additional cash used this quarter was due to higher debt repayments, net of additional borrowings which totaled \$22.1 million for the year-to-date period.

During the second quarter of 2021, we declared a quarterly cash dividends of \$0.09 per share payable on July 20, 2021, to shareholders of record as of July 5, 2021. The declaration and payment of future dividends is subject to the sole discretion of the Board of Directors, and any determination as to the payment of future dividends will depend upon our profitability, financial condition, capital needs, future prospects and other factors deemed pertinent by the Board of Directors.

#### ***Off Balance Sheet Arrangements***

We do not engage in any off-balance sheet financing arrangements. In particular, we do not have any material interest in variable interest entities, which include special purpose entities and structured finance entities.

#### ***Inflation***

We do not believe that inflation has had a material effect on our business to date. However, as more fully described in Item 2 above, we are experiencing supply shortages and increasing material and logistics costs. Continued increases in the global demand for the materials used in our products could result in significant increases in the costs of the components we purchase, and we may not be able to fully offset such higher costs through price increases. There is no assurance that our business will not be materially affected by inflation in the future.

#### ***Critical Accounting Policies and Estimates***

We currently apply judgment and estimates which may have a material effect on the eventual outcome of assets, liabilities, revenues and expenses for impairment of long-lived assets, inventory, goodwill, accruals, income taxes and fair value measurements. Our critical accounting policies and estimates are included in our Form 10-K, and any changes made during the first six months of 2021, are disclosed in Note 2 to the Consolidated, Unaudited Financial Statements.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See “Item 7A – Quantitative and Qualitative Disclosures about Market Risk” in our Form 10-K. There were no material changes during the six months ended July 3, 2021.

**Item 4. CONTROLS AND PROCEDURES.**

The Company’s management, with the participation of the Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company’s “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report, have concluded that our disclosure controls and procedures are effective and are designed to ensure that the information we are required to disclose is recorded, processed, summarized and reported within the necessary time periods. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit pursuant to the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Securities Exchange Act of 1934, as amended, during the period covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II: OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS.

None.

### Item 1A. RISK FACTORS.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors that affect our business and financial results that are discussed in Part I, Item 1A, "Risk Factors" of our Form 10-K. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by the forward-looking statements contained in this report. There have been no material changes to such risk factors.

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

### Item 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

### Item 5. OTHER INFORMATION.

None.

**Item 6. EXHIBITS.**

Exhibits:

<b>Exhibit Number</b>	<b>Exhibit Description</b>
3.1	<a href="#"><u>Fourth Amended and Restated Bylaws dated June 4, 2021 (previously filed as Exhibit 3.1 to the Company's Report on Form 8-K filed on June 7, 2021, and incorporated herein by reference).</u></a>
10.1+	<a href="#"><u>Separation Agreement between Jinger McPeak and Helios Technologies, Inc., dated April 30, 2021 (filed herewith). The form of Executive Officer Severance Agreement was previously filed as Exhibit 10.2+ to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on June 18, 2019, and is incorporated herein by reference.</u></a>
10.2+	<a href="#"><u>Amended and Restated Executive Officer Severance Agreement, dated as of June 4, 2021, by and between Helios Technologies, Inc. and Josef Matosevic (previously filed as Exhibit 10.4+ to the Company's Report on Form 8-K filed on June 7, 2021, and incorporated herein by reference).</u></a>
10.3	<a href="#"><u>First amendment to Second Amended and Restated Credit Agreement, dated July 1, 2021, by and among Helios Technologies, Inc. as Borrower, the Guarantor parties thereto, the financial institutions party thereto from time to time as lenders, and PNC Bank, National Association, as Administrative Agent (filed herewith).</u></a>
31.1	<a href="#"><u>CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1	<a href="#"><u>CEO Certification pursuant to 18 U.S.C. § 1350.</u></a>
32.2	<a href="#"><u>CFO Certification pursuant to 18 U.S.C. § 1350.</u></a>
101.INS	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	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2021, has been formatted in Inline XBRL.
+	Executive management contract or compensatory plan or arrangement.

SIGNATURES

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

Date: August 10, 2021

HELIOS TECHNOLOGIES, INC.

By: /s/ Tricia L. Fulton  
Tricia L. Fulton  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**SEPARATION AGREEMENT**

This SEPARATION AGREEMENT (the “**Agreement**”) is entered into as of April 30, 2021 (the “**Effective Date**”), by and between **JINGER MCPEAK**, an individual residing in Broken Arrow, Oklahoma (“**McPeak**”), and **HELIOS TECHNOLOGIES, INC.** (together with its subsidiaries, the “**Company**”), a Florida corporation.

**WITNESSETH:**

**WHEREAS**, the Company and McPeak have agreed to McPeak’s resignation from the Company and the Board of Directors has determined that she will be afforded the separation benefits as set forth in the Executive Officer Severance Agreement dated June 14, 2019 (“**Severance Agreement**”); and

**WHEREAS**, the Company and McPeak have agreed upon the terms for an orderly transition and the continuation of certain services by McPeak, as hereinafter set forth;

**NOW, THEREFORE**, in consideration of the mutual agreements contained herein, McPeak and the Company (individually, each a “**Party**” and collectively, the “**Parties**”), intending to be legally bound hereby, agree as follows:

1. **Separation from Service.**

a. On June 1, 2021 (“**Separation Date**”), McPeak’s employment shall terminate as the President, Electronic Controls and McPeak shall submit to the Company’s Secretary her resignation, in the form provided by the Company, from all positions with the Company and its Affiliates, including any and all positions held at subsidiaries of the Company.

b. As required by Section 3(b) of the Severance Agreement, promptly after the Separation Date, McPeak shall return to the Company all copies, whether in written, electronic or other form or media, of the Company’s Proprietary Information, or destroy (at McPeak’s option) all such copies and promptly confirm in writing to the Company that such Proprietary Information has been destroyed. In addition, McPeak shall also return or destroy all copies of any notes, analyses, compilations, reports, forecasts, studies, samples, data, statistics, summaries, interpretations and other materials prepared by or for McPeak that contain, are based on, or otherwise reflect or are derived from, in whole or in part, the Company’s Proprietary Information, and promptly confirm in writing to the Company that such copies have been destroyed. Additionally, promptly after the Separation Date, McPeak shall return to the Company all property belonging to the Company.

2. **Transition Period.** From the Separation Date until the first anniversary thereof, McPeak shall perform transition services as requested by the Company’s Board or its Chief Executive Officer. Without limiting the foregoing, during such one-year period, McPeak shall cooperate with the Company in the transition of her responsibilities to other officers and shall undertake all actions in connection therewith reasonably requested by the Company. The Parties agree that such services shall be nominal and primarily require information exchanges, introductions to third parties and responses to other requests that can generally be handled remotely by McPeak. McPeak agrees and covenants that, she shall, to the extent reasonably

---

requested in writing by the Company, cooperate in good faith with and assist the Company in the pursuit or defense of any claim, administrative charge, or cause of action by or against the Company or any of its subsidiaries or affiliates as to which McPeak, by virtue of her employment with the Company, has relevant knowledge or information, including by acting as the Company's representative in any such proceeding and, without the necessity of a subpoena, providing truthful testimony in any jurisdiction or forum. The Company shall reimburse McPeak for her reasonable out-of-pocket expenses in complying with this Section.

a. **Compensation.** Upon receipt of McPeak's resignations as required by **Section 1(a)**, and subject to the terms of this Agreement, including but not limited to the satisfaction of the requirements in **Section 3**, the Company shall be obligated to timely pay all compensation and benefits as outlined in Paragraph 5 of the Severance Agreement and as further set forth in Exhibit A attached hereto and incorporated by reference herein. The Severance Agreement is attached hereto as Exhibit B and incorporated by reference herein. In the event the company intends to cease any payments to McPeak under this Agreement, the Company shall inform McPeak of such intent and provide McPeak seven (7) calendar days to cure any breach that would result in the Company suspending any payments under the Agreement. The Company shall have all rights and remedies available to it in the event McPeak fails to cure within the seven (7) day period.

3. **Restrictive and Other Affirmative Covenants.**

a. McPeak acknowledges and reaffirms the restrictive covenants set forth in the Restricted Stock Unit (and Stock Option) Agreements dated February 22, 2019, February 28, 2020, and January 28, 2021 ("**RSU Agreements**") which shall remain in full force and effect. For the avoidance of doubt, the Restricted Period as defined in the RSU Agreements shall commence on June 2, 2021 and terminate on June 1, 2022.

4. **Independent Obligations.** It is understood by and between the Parties hereto that the foregoing covenants by McPeak contained in **Section 3** of this Agreement shall be construed to be agreements independent of any other element of McPeak's employment with the Company. The existence of any claim or cause of action, whether predicated on any other provision in this Agreement, or otherwise, as a result of the relationship between the Parties shall not constitute a defense to the enforcement of the covenants in this Agreement against McPeak, and the Company's breach of any term of this Agreement or any other obligation does not waive or release McPeak from the restrictions contained in **Section 3**.

5. **Remedies.**

a. McPeak acknowledges and agrees that the Company's remedy at law for a breach or threatened breach of any of the provisions of **Section 3** herein would be inadequate and the breach shall be *per se* deemed as causing irreparable harm to the Company. In recognition of this fact, in the event of a breach by McPeak of any of the provisions of **Section 3**, McPeak agrees that, in addition to any remedy at law available to the Company, including, but not limited to monetary damages, the Company, without posting any bond, shall be entitled to obtain, and McPeak agrees not to oppose the Company's request for equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available to the Company.

---

b. In addition to other remedies described in this Agreement, if at any time McPeak breaches **Section 3**, the Company may cease making that payments contemplated by **Section 2(a)** that remain unpaid and McPeak shall promptly refund to the Company all amounts previously paid to McPeak pursuant to **Section 2**.

c. Nothing herein contained shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach. The Company agrees to provide McPeak with written notice of any alleged breach and, in the event McPeak is unable to cure any alleged breach within seven (7) calendar days, the Company shall have all rights and remedies available to it with respect to the alleged breach.

d. Nothing herein contained shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach.

6. **General Release.** McPeak's entitlement to the benefits set forth in this Agreement shall be contingent upon McPeak's execution and return to the Company on the Separation Date of a General Release, in the form of **Exhibit C** attached hereto and incorporated herein by reference.

7. **Indemnification Agreement.** The Indemnification Agreement between the Company and McPeak dated as of April 20, 2020, shall survive the entry of this Agreement and, pursuant to Section 17 of the Indemnification Agreement, the Indemnification Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer of the Company or of any other enterprise at the Company's request.

8. **8-K.** McPeak acknowledges the Company's obligation to disclose her separation of employment by filing a Form 8-K with the SEC within four days of the date hereof, and McPeak agrees to such filing and disclosure. Furthermore, McPeak acknowledges that the Company is required to file a copy of this Agreement with the SEC and make disclosure of its terms in accordance with the regulations of the SEC, which the Company shall file and make in its Form 10-Q for the period ending July 3, 2021, and McPeak agrees to such filing and disclosure.

9. **Non-Disparagement.** Except as otherwise required by law, (i) McPeak shall not make, publish, or disseminate any derogatory statements or comments about the Company or any of its Affiliates, or any of their past or present officers, directors, employees, vendors, partners, suppliers or customers, or take any action which a reasonable person would expect would impair the good will, business reputation, or good name of any of them; and (ii) the Board of Directors and the Company's Section 16 officers shall not make, publish, or disseminate any derogatory statements or comments about McPeak, or take any action which a reasonable person would expect would impair her good will, business reputation, or good name.

10. **Assumption of Agreement.** The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree in writing to perform this Agreement. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and, provided that McPeak has complied with and is not in breach of her obligations under this Agreement, (i) McPeak shall be entitled to immediate payment in an amount equal to the amounts that remain unpaid pursuant to **Section 2(a)**. As used in this **Section 10**, "**Company**" shall mean the Company as herein above defined and any successor to its business and/or assets as aforesaid which assumes

---

and agrees to perform this Agreement by operation of law or otherwise; and the date on which any such succession becomes effective shall be deemed to be the date on which McPeak shall receive the compensation and benefits described herein from the successor.

11. **Waiver.** Unless agreed in writing, the failure of either Party, at any time, to require performance by the other of any provisions hereunder shall not affect its right thereafter to enforce the same, nor shall a waiver by either Party of any breach of any provision hereof be taken or held to be a waiver of any other preceding or succeeding breach of any term or provision of this Agreement. No extension of time for the performance of any obligation or act shall be deemed to be an extension of time for the performance of any other obligation or act hereunder.

12. **Mediation and Arbitration.**

a. **Mediation.** Except as provided in **Section 5**, if there is any dispute or disagreement between the Parties as to the interpretation of any provision of, or the performance of obligations under, this Agreement or any other agreement entered into in connection herewith (a “**Dispute**”), then the Parties shall attempt in good faith to resolve their dispute through mediation (“**Mediation**”) in Sarasota County, Florida, before a single mediator selected by the Party asserting the claim, subject to the reasonable consent of the Party against whom the claim is asserted. The Company shall be represented at the Mediation by an officer of the Company with full authority to agree to the resolution of the dispute. Florida law shall be used for purposes of determining the obligations of the Parties and interpreting this Agreement at the Mediation. The mediator’s fees, and any costs and expenses of the mediator, shall be borne equally by the Company and McPeak. All negotiations pursuant to this **Section 12** shall be considered confidential settlement discussions, and neither Party may offer into evidence, mention or otherwise use statements made in connection with such negotiations in any subsequent alternative dispute resolution proceeding or litigation. If, after the thirtieth (30th) day after the above-referenced meeting to resolve the Dispute, either McPeak or the Company believes that the Dispute cannot be resolved through negotiation, then such Party may submit the Dispute to arbitration under **Section 12(b)** by filing a request for arbitration with the American Arbitration Association, or such other nationally recognized alternative dispute resolution firm upon which McPeak and the Company mutually agree in writing (the “**ADR Firm**”), and delivering a copy of such request for arbitration to the other.

b. **Arbitration.**

- i. **Rules.** Any Dispute that is not resolved by negotiation shall exclusively be resolved by binding arbitration administered by the ADR Firm under the Commercial Arbitration Rules of the ADR Firm in effect as of the date hereof (the “**Arbitration Rules**”), except to the extent otherwise expressly set forth in this **Section 12**. All proceedings related to such arbitration shall be held in Sarasota, Florida, unless the Parties otherwise agree in writing.
  - ii. **Arbitrators.** The arbitration proceedings shall be conducted by a single arbitrator (the “**Arbitrator**”), whom shall be an attorney experienced in commercial disputes. If the Parties cannot agree upon the identity of the arbitrator within ten (10) business days after the date on which a request for arbitration is filed with the ADR Firm, then the arbitrator shall be selected by the ADR Firm in accordance with the Arbitration Rules. If the
-

Parties disagree as to whether an arbitrator meets the criteria for arbitrators under this **Section 12**, then the ADR Firm shall determine whether such criteria are met.

- iii. Procedures; No Appeal. The Arbitrator shall allow such discovery as it determines appropriate under the circumstances and shall resolve the Dispute as expeditiously as practicable, and if reasonably practicable, within one hundred twenty (120) days after the selection of the Arbitrator. The Arbitrator shall give the Parties written notice of the decision, with the legal and factual reasons therefor set out, and shall have thirty (30) days thereafter to reconsider and modify such decision if any Party so requests within ten (10) days after the decision. Thereafter, the decision of the Arbitrator shall be final, binding and nonappealable with respect to all Parties, including Parties who failed or refused to participate in the arbitration process.
- iv. Entry of Judgment. Judgment upon the decision and award rendered by the Arbitrator may be entered in any court of competent jurisdiction. Each Party agrees to take or cause to be taken all actions necessary to implement the decision and award rendered by the ADR Firm.
- v. Confidentiality. All proceedings under this **Section 12** and all evidence given or discovered pursuant hereto, shall be maintained in confidence by all Parties and by the ADR Firm.
- vi. Equitable Relief. The Company may, in its discretion, apply to a court of competent jurisdiction for equitable relief as contemplated by **Section 5**, including to enforce the provisions of **Section 3**.
- c. Nothing in this Agreement is intended to prevent McPeak from defending herself in a lawsuit brought against her.

13. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision, or part thereof, of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law, rule, public policy or court determination in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. If any court determines that any provision of **Section 3** hereof is unenforceable because of the duration or scope of such provision, such court shall have the power to reduce the scope or duration of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable.

14. Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

---



15. **Notices.** All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand, (b) when received by the addressee if sent by a nationally recognized overnight courier, (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient, or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section):

If to McPeak: Jinger McPeak  
8405 S. 6th Street  
Broken Arrow, OK 74011

If to the Company: Helios Technologies, Inc.  
1500 West University Parkway  
Sarasota, Florida 34243  
Attention: Melanie Nealis, Esq.  
Chief Legal and Compliance Officer and Secretary

16. **General Terms and Conditions.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same agreement. Electronic or facsimile copies of this Agreement fully executed shall be deemed an original for all purposes, and the Parties waive the “best evidence” rule or any similar law or rule in any proceeding in which this Agreement shall be presented as evidence. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Florida, without regard to its conflicts of laws provision. If any legal action or proceeding is commenced to enforce the terms, policies, representations or warranties herein, the prevailing Party shall be entitled to recover its attorneys’ fees and costs from the other Party. The U.S. District for the Middle District of Florida, or if such court lacks jurisdiction, the Twelfth Judicial Circuit (or its successor) in and for Sarasota County Florida, shall be the venue and exclusive proper forum in which to adjudicate any case or controversy arising either, directly or indirectly, under or in connection with this Agreement. This Agreement constitutes the entire understanding between the Parties with respect to the subject matter hereof. This Agreement may not be changed, altered, modified or amended except in writing signed by both Parties. Any termination of this Agreement shall not, however, affect the ongoing provisions of this Agreement which shall survive such termination in accordance with their terms.

---

17. **Older Workers' Benefit Protection Act Provisions.** In accordance with the requirements of the Older Workers' Benefits Protection Act, McPeak expressly acknowledges the following:

a. **Consideration.** The consideration provided pursuant to this Agreement is in addition to any consideration that she would otherwise be entitled.

b. **Independent Legal Counsel.** McPeak has been advised and encouraged to consult with an attorney before signing this Agreement. McPeak acknowledges that if she desired to, McPeak had an adequate opportunity to do so.

c. **Consideration Period.** McPeak has 21 calendar days from the date the original Agreement was given to her, to consider this Agreement before signing it. McPeak may use as much or as little of this 21-day period as McPeak wishes before signing. If McPeak does not sign and return this Agreement within this 21-day period, it shall not become effective or enforceable and McPeak shall not receive all of the benefits described in this Agreement.

d. **Revocation Period and Effective Date.** McPeak has seven (7) calendar days after signing this Agreement to revoke it. To revoke this Agreement after signing it, McPeak must deliver a written notice of revocation to the Company before the seven (7) day period expires. This Agreement shall not become effective until the eighth (8<sup>th</sup>) calendar day after McPeak signs it ("**Revocation Expiration Date**"). If McPeak revokes this Agreement, it shall not become effective or enforceable and McPeak shall not receive the benefits described in this Agreement.

*[Remainder of this page intentionally left blank; signatures to follow]*

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be executed as of the date and year first above written.

**HELIOS TECHNOLOGIES, INC.**

By: \_\_\_\_\_

**JINGER MCPEAK**

By: \_\_\_\_\_

Josef Matosevic, President & Chief Executive Officer

---

## EXHIBIT A

### COMPENSATION AND BENEFITS

Provided that McPeak submits her resignation as President, Electronic Controls as required by **Section 1(a)**, and subject to the terms of this Agreement, including but not limited to the satisfaction of the requirements in **Section 3** and following the revocation period set forth in Section 17(d), McPeak shall be entitled to receive the following payments and benefits:

- i. continuation of McPeak's annual base salary at the time of termination for the twelve (12) month period following the date of the Effective Date, payable bi-weekly according to the Company's normal payroll cycle (\$306,000 for 12 months), paid through June 30, 2022;
  - ii. the target value at the time of grant of the annual short-term incentive compensation award to McPeak granted during the current fiscal year (2021 target at 45% of \$306,000, awarded as if earned is \$137,700), payable within fifteen (15) days following the expiration of the period in which McPeak has the right to revoke the Release described in **Section 6**;
  - iii. the vesting of 5,418 Restricted Stock Units awarded on April 27, 2020 to occur in accordance with the terms of the Special Retention Restricted Stock Unit Agreement, dated as of April 27, 2020, by and between the Company and McPeak on April 27, 2022.; and
  - iv. continuation of medical, dental, life, disability and hospitalization benefits after termination pursuant to the Consolidated Omnibus Budget Reconciliation Act, for a period of twelve (12) months following the Separation Date.
-

**EXHIBIT B**

**EXECUTIVE OFFICER SEVERANCE AGREEMENT**

---

## EXHIBIT C

### GENERAL RELEASE

In consideration of the payments made and to be made to McPeak under the Separation Agreement dated as of June 1, 2021 (the "Separation Agreement"), and the mutual promises contained in that Agreement, McPeak, individually, and on behalf of, as applicable, McPeak's current, former, and successor agents, representatives, guardians, heirs, assigns, successors, executors, administrators and insurers does hereby irrevocably release, acquit, and discharge HELIOS TECHNOLOGIES, INC. (the "Company") and the Other Released Parties (as defined below), from any and all Claims and Controversies (as defined below); provided, however, that this Release will not limit or release (i) McPeak's rights under this Separation Agreement or McPeak's rights under the Executive Officer Severance Agreement dated June 14, 2019 that survive the Effective Date, (ii) McPeak's rights to indemnification from any Other Released Party in respect of her services as an officer or employee of any Other Released Party (or of any entity for which McPeak has served in any such capacity or a similar capacity at the request of the Company) as provided by law, that certain Indemnification Agreement dated as of April 20, 2020, by and between the Company and McPeak (the "Indemnification Agreement"), the certificates of incorporation or bylaws (or like constitutive documents) of any Other Released Party or McPeak's rights to payment under any director's and officer's liability insurance carried by the Company or the Other Released Parties from time to time, (iii) McPeak's rights under the Restricted Stock Unit Agreement dated February 22, 2019, the Restricted Stock Unit and Stock Option Agreements dated February 28, 2020 and January 28, 2021, and Special Retention Restricted Stock Unit Agreement dated April 27, 2020, (collectively the "RSU Agreements"), any incentive, savings, stock option, equity-based, profit sharing and retirement plans, practices, policies and programs in which McPeak participated prior to the Effective Date (collectively, "Investment Plans") or any agreement entered into in order to evidence rights granted pursuant to an Investment Plan, (iv) McPeak's entitlement, if any, to continued medical and dental insurance coverage under and pursuant to COBRA, or (v) any rights of McPeak under any welfare benefit plan, practice or program provided by the Company (including medical, prescription, dental, short-term and long-term disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) in which McPeak participated prior to the Effective Date.

1) **Certain Definitions.**

a) "Other Released Parties" means the Company and its Affiliates, each of their respective predecessors and successors, and each of their past, present and future employees, officers, directors, shareholders, trustees, owners, partners, members, representatives, administrators, assigns, attorneys, agents, insurers, employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs).

b) "Claims and Controversies" means any and all claims, debts, damages, demands, liabilities, benefits, suits in equity, complaints, grievances, obligations, promises, agreements, rights, controversies, costs, losses, remedies, attorneys' fees and expenses, back pay, front pay, severance pay, percentage recovery, injunctive relief, lost profits, emotional distress, mental anguish, personal injuries, liquidated damages, punitive damages, disability benefits, interest, expert fees and expenses, reinstatement, other compensation, suits, appeals, actions, and

---

causes of action, of whatever kind or character, including without limitation, any dispute, claim, charge, or cause of action arising under the Civil Rights Act of 1964, Title VII (including the Civil Rights Act of 1991 and the Pregnancy Discrimination Act of 1979), the Civil Rights Act of 1866, 42 U.S.C. §§ 1981, the Equal Pay Act of 1963, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act of 1990, the Rehabilitation Act of 1973, the Employee Retirement Income Security Act, the Consolidated Budget and Reconciliation Act of 1985, the Fair Labor Standards Act, the Family and Medical Leave Act, the Labor Management Relations Act, the Employee Polygraph Protection Act, the Racketeer Influenced and Corrupt Organizations Act, the Occupational Safety and Health Act, the Electronic Communications Privacy Act, the Uniform Services Employment and Re-Employment Rights Act, the Sarbanes-Oxley Act, the Oklahoma Anti-Discrimination Act, including 25 Okla. Stat. §§ 1201 *et seq.*, and Oklahoma Administrative Code § 335, Ch. 15, Subchapter 3, the Genetic Information Non-Discrimination Act, all other applicable state and federal fair employment laws, state and federal equal employment opportunity laws, and state and federal labor statutes and regulations, and all other constitutional, federal, state, local, and municipal law claims, whether statutory, regulatory, or common law, other breach of express or implied contract, wrongful discharge in violation of public policy, breach of covenant of good faith and fair dealing, promissory estoppel, quantum meruit, fraud, fraud in the inducement, fraud in the factum, statutory fraud, negligent misrepresentation, defamation, libel, slander, slander per se, retaliation, tortious interference with prospective contract, tortious interference with business relationship, tortious interference with contract, invasion of privacy, intentional infliction of emotional distress, and any other common law theory of recovery, whether legal or equitable, negligent or intentional), or otherwise, whether known or unknown to McPeak or the Company, foreseen or unforeseen, fixed or contingent, liquidated or unliquidated, directly or indirectly arising out of or relating to any and all disputes now existing between McPeak on the one hand, and the Company or the Other Released Parties on the other hand, whether related to or in any way growing out of, resulting from or to result from McPeak's employment with and/or termination from the Company, for or because of any matter or thing done, omitted, or allowed to be done by the Company or the Other Released Parties, as applicable, for any incidents, including those past and present, which existed or may have existed at any time prior to and/or contemporaneously with the execution of this Release, including all past, present, and future damages, injuries, costs, expenses, attorney's fees, other fees, effects and results in any way related to or connected with such incidents.

c) Other capitalized terms contained herein that are not defined herein shall have the meaning assigned to them in the Separation Agreement.

2) McPeak understands that McPeak is releasing Claims and Controversies of which McPeak may not be aware. This is McPeak's knowing and voluntary intent, even though McPeak recognizes that someday McPeak might learn that some or all of the facts that McPeak currently believes to be true are untrue and even though McPeak might then regret having signed this Release. Nevertheless, McPeak is assuming that risk and McPeak agrees that this Release shall remain effective in all respects in any such case. It is further understood and agreed that McPeak is waiving all rights under any statute or common law principle which otherwise limits application of a general release to claims which the releasing party does not know or suspect to exist in her favor at the time of signing the release which, if known by her, would have materially affected her settlement with the Person being released and McPeak understands the significance of doing so.

---

3) McPeak warrants that she has not filed any complaints, charges or claims for relief against the Company with any local, state or federal court or administrative agency that are currently outstanding. McPeak further agrees and covenants not to sue, or to bring any claims or charges against, the Company with respect to any matter arising at the time of McPeak's execution of this Agreement or covered by the release set forth above, and not to assert against the Company in any action, suit, litigation or proceeding any matter arising before McPeak's execution of this Agreement or covered by the release set forth above.

Nothing in this Agreement (i) limits or affects McPeak's right to challenge the validity of this Agreement; (ii) prevents or precludes McPeak from filing a charge or complaint with or from participating in an investigation or proceeding conducted by the EEOC, the National Labor Relations Board, the Securities and Exchange Commission, or any other federal, state or local agency charged with the enforcement of any laws, including providing documents or other information; or (iii) prevents Employee from exercising her rights under Section 7 of the National Labor Relations Act ("NLRA") to engage in protected, concerted activity with other employees, although by signing this Agreement McPeak waives any right to recover any individual relief (including back pay, front pay, reinstatement or other legal or equitable relief) in any charge, complaint, or lawsuit or other proceeding brought by McPeak or on her behalf by any third party, either individually, or as part of any class or collective action, except for any right McPeak may have to receive a payment from a government agency (and not the Company) for information provided to the government agency.

4) Participation in Litigation, Governmental Proceedings and Protected Activity. No provision of this Agreement shall be construed or enforced in a manner that would prevent McPeak from testifying fully and truthfully under oath in any court, arbitration, governmental or administrative agency proceeding, or from providing complete and truthful information in the course of any government investigation. No provision of this Agreement shall be construed or enforced in a manner that would interfere with McPeak's rights under the NLRA to discuss or comment on terms and conditions of employment.

5) McPeak agrees that she has been paid and/or has received from the Company all compensation, wages, bonuses, commissions, leave (paid or unpaid) and/or benefits to which she may be entitled and that no other compensation, wages, bonuses, commissions, leave (paid or unpaid) and/or benefits are or shall be due to her, except as provided for in the Separation Agreement. McPeak furthermore affirms that she has no known workplace injuries or occupational disease and has been provided and/or has not been denied any leave requested under the Family Medical Leave Act.

Date: June 1, 2021

---

JINGER MCPEAK



**FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT**

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (the "Amendment"), dated as of July 1, 2021 (the "First Amendment Effective Date"), is made by HELIOS TECHNOLOGIES, INC., a Florida corporation (the "Borrower"), the Guarantors (as defined in the Credit Agreement (as hereinafter defined)), each of the Lenders (as defined in the Credit Agreement), and PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent").

## WITNESSETH:

WHEREAS, the Borrower, the Guarantors party thereto, the Lenders party thereto and the Administrative Agent are parties to that certain Second Amended and Restated Credit Agreement dated as of October 28, 2020 (as further amended, restated, modified or supplemented, the "Credit Agreement"; except as otherwise defined in this Amendment, defined terms used herein shall have the meanings given to them in the Credit Agreement);

WHEREAS, the Borrower has requested that, as of the First Amendment Effective Date, the Lenders amend certain terms of the Credit Agreement as set forth herein; and the Lenders are willing to do so upon and subject to the terms and conditions of this Amendment.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. Amendments to Credit Agreement.

(a) The definitions of "Available Currencies," "Benchmark Replacement," "Benchmark Replacement Adjustment," "Benchmark Replacement Conforming Changes," "Benchmark Replacement Date," "Benchmark Replacement Floor," "Benchmark Transition Event," "Benchmark Unavailability Period," "Early Opt-in Event," and "Relevant Governmental Body" in Section 1.1 of the Credit Agreement are hereby deleted in their entirety.

(b) The definition of "Daily LIBOR Rate" in Section 1.1 of the Credit Agreement is hereby amended by deleting the proviso in the second sentence of such definition in its entirety.

(c) The following new definitions are hereby inserted in Section 1.1 of the Credit Agreement in alphabetical order:

"Erroneous Payment" shall have the meaning assigned to it in Section 11.17.1.

"Erroneous Payment Deficiency Assignment" shall have the meaning assigned to it in Section 11.17.4.

---

“Erroneous Payment Impacted Class” shall have the meaning assigned to it in Section 11.17.4.

“Erroneous Payment Return Deficiency” shall have the meaning assigned to it in Section 11.17.4.

“Erroneous Payment Subrogation Rights” shall have the meaning assigned to it in Section 11.17.4.

“Euro Rate Loan” shall mean a Loan that bears interest at a rate based on the Euro Rate.

“Payment Recipient” shall have the meaning assigned to it in Section 11.17.1.

“Permitted Project Cardinal Intercompany Investments” shall mean Investments by any Loan Party in any Subsidiary that is not a Loan Party used solely and exclusively for the purposes of consummating the Project Cardinal Acquisition and to pay fees and expenses in connection therewith in an aggregate amount of all such Investments not to exceed \$50,000,000 *plus* the fair market value of any such Investments consisting solely of the contribution of the Capital Stock of the Borrower to any such Subsidiary that is not a Loan Party.

“Project Cardinal Acquisition” shall mean the acquisition of all of the equity interests of the Project Cardinal Target pursuant to the terms of the Project Cardinal Acquisition Agreement.

“Project Cardinal Acquisition Agreement” shall mean that certain Sale and Purchase Agreement, dated June 10, 2021, by and among Faster S.R.L., Silvia Venturelli and Ralf Torchalla, as amended, modified or supplemented.

“Project Cardinal Target” shall mean HE-DI S.R.L., an Italian società a responsabilità limitata, individually and/or collectively with its subsidiaries.

(d) The definition of “Euro Rate” in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and replaced with the following new definition, to be inserted in Section 1.1 of the Credit Agreement in alphabetical order:

“Euro Rate” shall mean the following:

(a) with respect to the Dollar Loans comprising any Borrowing Tranche to which the Euro Rate Option applies for any Interest Period, the interest rate per annum determined by the Administrative Agent as the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which U.S. Dollar deposits are offered by leading banks in the London interbank deposit market), rounded upwards, if necessary, to the nearest 1/100th of 1% per annum, or the rate which is quoted by another source selected by

the Administrative Agent as an authorized information vendor for the purpose of displaying rates at which U.S. Dollar deposits are offered by leading banks in the London interbank deposit market at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period as the Relevant Interbank Market offered rate for U.S. Dollars for an amount comparable to such Borrowing Tranche and having a borrowing date and a maturity comparable to such Interest Period. The Administrative Agent shall give prompt notice to the Borrower of the Euro Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

(b) with respect to Optional Currency Loans in Euros or British Pounds Sterling comprising any Borrowing Tranche for any Interest Period, the interest rate per annum determined by the Administrative Agent as the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which the relevant Optional Currency is offered by leading banks in the London interbank deposit market), rounded upwards, if necessary, to the nearest 1/100th of 1% per annum, or the rate which is quoted by another source selected by the Administrative Agent as an authorized information vendor for the purpose of displaying rates at which such applicable Optional Currencies are offered by leading banks in the London interbank deposit market at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period as the Relevant Interbank Market offered rate for deposits in the Euros or British Pounds Sterling, for an amount comparable to the principal amount of such Borrowing Tranche and having a borrowing date and a maturity comparable to such Interest Period. The Administrative Agent shall give prompt notice to the Borrower of the Euro Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

(c) with respect to Optional Currency Loans denominated in Canadian Dollars comprising any Borrowing Tranche, the interest rate per annum (the “**CDOR Rate**”) as determined by the Administrative Agent, equal to the arithmetic average rate applicable to Canadian Dollar bankers’ acceptances (C\$BAs) for the applicable Interest Period appearing on the Bloomberg page BTMM CA, rounded to the nearest 1/100th of 1% per annum, at approximately 11:00 a.m. Eastern Time, two Business Days prior to the commencement of such Interest Period, or if such day is not a Business Day, then on the immediately preceding Business Day, provided that if such rate does not appear on the Bloomberg page BTMM CA on such day the CDOR Rate on such day shall be the rate for such period applicable to Canadian Dollar bankers’ acceptances quoted by a bank listed in Schedule I of the Bank Act (Canada), as selected by the Administrative Agent, as of 11:00 a.m. Eastern Time on such day or, if such day is not a Business Day, then on the immediately preceding Business Day.

(d) with respect to Optional Currency Loans denominated in Australian Dollars comprising any Borrowing Tranche for any Interest Period, the

rate per annum equal to the Australian Bank Bill Swap Bid Rate or the successor thereto as approved by the Administrative Agent as published by Bloomberg (or on any successor or substitute service providing rate quotations comparable to those currently provided by such service, as determined by the Administrative Agent from time to time), rounded to the nearest 1/100<sup>th</sup> of 1% per annum at approximately 10:00 a.m., Sydney, Australia time, two (2) Business Days prior to the commencement of such Interest Period, as the rate for deposits in Australian Dollars with a maturity comparable to such Interest Period.

(e) Notwithstanding the foregoing, if the Euro Rate as determined under any method above would be less than zero (0.00), such rate shall be deemed to be zero (0.00) for purposes of this Agreement.

(e) Section 4.4.2 [Successor Euro Rate Index] of the Credit Agreement is hereby amended and restated in its entirety as follows:

Section 4.4.2      Successor Euro Rate Index.

(i) Announcements Related to the LIBOR Rate. On March 5, 2021, the ICE Benchmark Administration, the administrator of the LIBOR Rate (the “**IBA**”) and the U.K. Financial Conduct Authority, the regulatory supervisor for the IBA, announced in a public statement the future cessation or loss of representativeness of overnight/Spot Next, 1-week, 1-month, 2-month, 3-month, 6-month and 12-month Euro-Rate tenor settings (collectively, the “**Cessation Announcements**”). The parties hereto acknowledge that, as a result of the Cessation Announcements, a Benchmark Transition Event occurred on March 5, 2021 with respect to the Euro-Rate under clauses (1) and (2) of the definition of Benchmark Transition Event below; provided however, no related Benchmark Replacement Date occurred as of such date.

(ii) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document (and any agreement executed in connection with an Interest Rate Hedge shall be deemed not to be a “Loan Document” for purposes of this Section 4.4.2 [Successor Euro Rate Index]), if a Benchmark Transition Event, an Early Opt-in Election or an Other Benchmark Rate Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark for any Currency, then (x) if a Benchmark Replacement is determined in accordance with clause (a)(1) or (a)(2) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document and (y) if a Benchmark Replacement is determined in accordance with clause (a)(3) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace

such Benchmark for all purposes hereunder and under any Loan Document in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document so long as the Administrative Agent has not received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders.

(iii) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.

(iv) Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Borrower and the Lenders of (i) any occurrence of a Benchmark Transition Event, a Term SOFR Transition Event, an Early Opt-in Election or an Other Benchmark Rate Election, as applicable, and its related Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes, (iv) the removal or reinstatement of any tenor of a Benchmark pursuant to paragraph (iv) below and (v) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section 4.4.2 [Successor Euro Rate Index] including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this Section 4.4.2 [Successor Euro Rate Index].

(v) Unavailability of Tenor Benchmark. Notwithstanding anything to the contrary herein or in any other Loan Document, at any time (including in connection with the implementation of a Benchmark Replacement) and for Euro Rate Loans in any Currency, (i) if the then-current Benchmark is a term rate (including Term SOFR or the Applicable Reference Rate) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is or will be no longer representative, then the Administrative Agent may modify the definition of

“Interest Period” (or any similar or analogous definition) for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is or will no longer be representative for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of “Interest Period” (or any similar or analogous definition) for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(vi) Benchmark Unavailability Period. Upon the Borrower’s receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a Loan bearing interest based on the Euro Rate, conversion to or continuation of Loans bearing interest based on the Euro Rate to be made, converted or continued during any Benchmark Unavailability Period and, failing that, (i) (A) in the case of any request for a Euro Rate Loan in Dollars, the Borrower will be deemed to have converted any such request into a request for a Loan or conversion to Loans bearing interest under the Base Rate Option and (B) in the case of any request for a Euro Rate Loan in an Optional Currency, then such request shall be ineffective and (ii) (A) any outstanding affected Euro Rate Loans denominated in Dollars will be deemed to have been converted into Loans bearing interest under the Base Rate Option at the end of the applicable Interest Period and (B) any outstanding affected Euro Rate Loans denominated in an Optional Currency, at the Borrower’s election, shall either (1) be converted into Loans bearing interest under the Base Rate Option denominated in Dollars (in an amount equal to the Dollar Equivalent of such Optional Currency) at the end of the applicable Interest Period or (2) be prepaid at the end of the applicable Interest Period in full; provided that if no election is made by the Borrower by the earlier of (x) the date that is three Business Days after receipt by the Borrower of such notice and (y) the last day of the current Interest Period for the applicable Euro-Rate Loan, the Borrower shall be deemed to have elected clause (1) above. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

(vii) Term SOFR Transition Event. Notwithstanding anything to the contrary herein or in any other Loan Document and subject to the proviso below in this paragraph, if a Term SOFR Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (i) the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder or under any Loan Document in respect of such Benchmark setting (the “**Secondary Term SOFR Conversion Date**”) and subsequent Benchmark settings, without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document; and (ii) Loans denominated in

Dollars outstanding on the Secondary Term SOFR Conversion Date bearing interest based on the then-current Benchmark shall be deemed to have been converted to Loans denominated in Dollars bearing interest at the Benchmark Replacement with a tenor approximately the same length as the interest payment period of the then-current Benchmark; provided that, this paragraph (g) shall not be effective unless the Administrative Agent has delivered to the Lenders and the Borrower a Term SOFR Notice. For the avoidance of doubt, the Administrative Agent shall not be required to deliver a Term SOFR Notice after a Term SOFR Transition Event and may do so in its sole discretion.

(viii) Certain Defined Terms. As used in this Section 4.4.2 [Successor Euro Rate Index]:

(A) “Applicable Reference Rate” means, (i) for any Euro Rate Loan denominated in Dollars, Euros, Sterling, Yen and Swiss Francs, the LIBOR Rate and (ii) for any Euro Rate Loan denominated in any other Optional Currency, the reference interest rate applicable thereto pursuant to the definition of “Euro Rate.”

(B) “Available Tenor” means, as of any date of determination and with respect to the then-current Benchmark for any Currency, as applicable, (x) if the then current Benchmark for such Currency is a term rate or is based on a term rate, any tenor for such Benchmark that is or may be used for determining the length of an Interest Period pursuant to this Agreement as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to paragraph (e) of this Section 4.4.2 [Successor Euro Rate Index] or (y) if the then current Benchmark for such Currency is not a term rate nor based on a term rate, any payment period for interest calculated with reference to such Benchmark pursuant to this Agreement as of such date.

(C) “Benchmark” means, initially, with respect to any Euro Rate Loan in any Currency, the Applicable Reference Rate; provided that if a Benchmark Transition Event, a Term SOFR Transition Event, an Early Opt-in Election or an Other Benchmark Rate Election, as applicable, and its related Benchmark Replacement Date have occurred with respect to the Applicable Reference Rate or the then-current Benchmark for such Currency, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to paragraph (ii) of this Section 4.4.2 [Successor Euro Rate Index].

(D) “Benchmark Replacement” means, for any Available Tenor:

(a) for any Loan denominated in Dollars, the first alternative set forth in the order below that can be determined by the Administrative Agent for the applicable Benchmark Replacement Date:

(1) the sum of: (A) Term SOFR and (B) the related Benchmark Replacement Adjustment;

(2) the sum of: (A) Daily Simple SOFR and (B) the related Benchmark Replacement Adjustment;

(3) the sum of: (A) the alternate benchmark rate that has been selected by the Administrative Agent and the Borrower as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for syndicated credit facilities denominated in the applicable Currency at such time and (B) the related Benchmark Replacement Adjustment; and

(b) for any Loan denominated in an Optional Currency or in the case of an Other Benchmark Rate Election, the “Benchmark Replacement” shall mean the alternative set forth in clause (a)(3) above.

provided that, in the case of clause (a)(1), such Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; provided further that, in the case of clause (a)(3), when such clause is used to determine the Benchmark Replacement in connection with the occurrence of an Other Benchmark Rate Election, the alternate benchmark rate selected by the Administrative Agent and the Borrower shall be the term benchmark rate that is used in lieu of a LIBOR Rate-based rate in relevant other Dollar-denominated syndicated credit facilities; provided, further, that, with respect to a Term SOFR Transition Event, on the applicable Benchmark Replacement Date, the “Benchmark Replacement” shall revert to and shall be determined as set forth in clause (a)(1) of this definition. If the Benchmark Replacement as determined pursuant to clause (a)(1), (a)(2) or (a)(3) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

(E) “Benchmark Replacement Adjustment” means, with respect to any replacement of the then-current Benchmark for any Currency with an Unadjusted Benchmark Replacement for such Currency and any applicable Available Tenor for any setting of such Unadjusted Benchmark Replacement:

(1) for purposes of clauses (a)(1) and (a)(2) of the definition of “Benchmark Replacement,” the applicable amount(s) set forth below :



<b>Available Tenor</b>	<b>Benchmark Replacement Adjustment for Euro-Rate Loans denominated in Dollars*</b>
One-Week	0.03839% (3.839 basis points)
One-Month	0.11448% (11.448 basis points)
Two-Months	0.18456% (18.456 basis points)
Three-Months	0.26161% (26.161 basis points)
Six-Months	0.42826% (42.826 basis points)
* These values represent the ARRC/ISDA recommended spread adjustment values available here: <a href="https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks-LIBOR-Cessation_Announcement_20210305.pdf">https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks-LIBOR-Cessation_Announcement_20210305.pdf</a> .	

(2) for purposes of clause (a)(3) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower for the applicable Corresponding Tenor and Currency giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body on the applicable Benchmark Replacement Date or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for syndicated credit facilities denominated in the applicable Currency;

provided that, if the then-current Benchmark is a term rate, more than one tenor of such Benchmark is available as of the applicable Benchmark Replacement Date and the applicable Unadjusted Benchmark Replacement will not be a term rate, the Available Tenor of such Benchmark for purposes of this definition of “Benchmark Replacement Adjustment” shall be deemed to be the Available Tenor that has approximately the same length (disregarding business day adjustments) as the payment period for interest calculated with reference to such Unadjusted Benchmark Replacement.

(F) “Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement for any Currency, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Business Day,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, length of

lookback periods, the applicability of breakage provisions, and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement for such Currency and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice in the United States (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice in the United States for the administration of such Benchmark Replacement for such Currency exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents.

(G) “Benchmark Replacement Date” means, with respect to any Benchmark for any Currency, the earliest to occur of the following events with respect to the then-current Benchmark for such Currency:

(1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark for such Currency (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof);

(2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date determined by the Administrative Agent, which date shall promptly follow the date of the public statement or publication of information referenced therein;

(3) in the case of a Term SOFR Transition Event, the date that is set forth in the Term SOFR Notice provided to the Lenders and the Borrower pursuant to this Section 4.4.2 [Successor Euro Rate Index], which date shall be at least 30 days from the date of the Term SOFR Notice; or

(4) in the case of an Early Opt-in Election or an Other Benchmark Rate Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election or an Other Benchmark Rate Election, as applicable, is provided to the Lenders, so long as the Administrative Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election or an Other Benchmark Rate Election, as applicable, is provided to the Lenders, written notice of objection to such Early Opt-in Election or an Other Benchmark Rate Election, as applicable, from Lenders comprising the Required Lenders.

For the avoidance of doubt, (i) if the event giving rise to the Benchmark Replacement Date for any Currency occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such Currency for such determination and (ii) the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1) or (2) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

(H) “Benchmark Transition Event” means, with respect to any Benchmark for any Currency, the occurrence of one or more of the following events with respect to the then-current Benchmark for such Currency:

(1) a public statement or publication of information by or on behalf of the administrator of such Benchmark for such Currency (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark for such Currency (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark for such Currency (or such component thereof);

(2) a public statement or publication of information by an Official Body having jurisdiction over the Administrative Agent, the regulatory supervisor for the administrator of such Benchmark for such Currency (or the published component used in the calculation thereof), the Federal Reserve Board, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark for such Currency (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark for such Currency (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark for such Currency (or such component), which states that the administrator of such Benchmark for such Currency (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark for such Currency (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark for such Currency (or such component thereof); or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark for such Currency (or the published component used in the calculation thereof) or an Official Body having jurisdiction over the Administrative Agent announcing that all Available Tenors of

such Benchmark for such Currency (or such component thereof) are no longer representative.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark for any Currency if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark for such Currency (or the published component used in the calculation thereof).

(I) “Benchmark Unavailability Period” means, with respect to any Benchmark and with respect to any Currency, the period (if any) (x) beginning at the time that a Benchmark Replacement Date pursuant to clauses (1) or (2) of that definition has occurred if, at such time, no Benchmark Replacement for such Currency has replaced the then-current Benchmark for such Currency for all purposes hereunder and under any Loan Document in accordance with this Section 4.4.2 [Successor Euro Rate Index] and (y) ending at the time that a Benchmark Replacement for such Currency has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with this Section 4.4.2 [Successor Euro Rate Index].

(J) “Corresponding Tenor” with respect to any Available Tenor means, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

(K) “Currency” means Dollars and each Optional Currency.

(L) “Daily Simple SOFR” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Administrative Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for business loans; provided, that if the Administrative Agent decides that any such convention is not administratively feasible for the Administrative Agent, then the Administrative Agent may establish another convention in its reasonable discretion.

(M) “Early Opt-in Election” means, if the then-current Benchmark is the LIBOR Rate, the occurrence of:

(1) a notification by the Administrative Agent to (or the request by the Borrower to the Administrative Agent to notify) each of the other parties hereto that (x) with respect to Loans denominated in Dollars, at least five currently outstanding Dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed) a SOFR-based rate (including SOFR, a term SOFR or any other rate based upon SOFR) as a benchmark rate (and such syndicated credit facilities are identified in such notice and are publicly

available for review) or (y) with respect to Loans denominated in an Optional Currency, U.S. credit facilities providing for loans in such Optional Currency, being executed at such time, or that include language similar to that contained in this Section 4.4.2 [Successor Euro Rate Index] with respect to such Optional Currency, are being executed or amended, as applicable, to incorporate or adopt a new Benchmark to replace the LIBOR Rate for loans in such Optional Currency; and

(2) the joint election by the Administrative Agent and the Borrower to trigger a fallback from the LIBOR Rate and the provision by the Administrative Agent of written notice of such election to the Lenders

(N) “Floor” means the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to the Applicable Reference Rate or, if no floor is specified, zero.

(O) “ISDA Definitions” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

(P) “LIBOR Rate” shall mean the London interbank offered rate for the applicable Currency.

(Q) “Other Benchmark Rate Election” shall mean, with respect to any Loan denominated in Dollars, if the then-current Benchmark is the LIBOR Rate, the occurrence of: (a) either (x) a request by the Borrower to the Administrative Agent, or (y) notice by the Administrative Agent to the Borrower, that, at the determination of the Borrower or the Administrative Agent, as applicable, Dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed), in lieu of a LIBOR Rate-based rate, a term benchmark rate as a benchmark rate, and (b) the Administrative Agent, in its sole discretion, and the Borrower jointly elect to trigger a fallback from the LIBOR Rate and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Lenders

(R) “Reference Time” with respect to any setting of the then-current Benchmark for any Currency means (1) if such Benchmark is the LIBOR Rate, 11:00 a.m. (London time) on the day that is two London Banking Days preceding the date of such setting, and (2) if such Benchmark is not the LIBOR Rate, the time determined by the Administrative Agent in its reasonable discretion.

(S) “Relevant Governmental Body” means (a) with respect to a Benchmark Replacement in respect of Loans denominated in Dollars, the Federal Reserve Board or the Federal Reserve Bank of New York, or a committee officially

endorsed or convened by the Federal Reserve Board or the Federal Reserve Bank of New York, or any successor thereto, and (b) with respect to a Benchmark Replacement in respect of Loans denominated in any Optional Currency, (1) the central bank for the Currency in which such Benchmark Replacement is denominated or any central bank or other supervisor which is responsible for supervising either (A) such Benchmark Replacement or (B) the administrator of such Benchmark Replacement or (2) any working group or committee officially endorsed or convened by (A) the central bank for the Currency in which such Benchmark Replacement is denominated, (B) any central bank or other supervisor that is responsible for supervising either (i) such Benchmark Replacement or (ii) the administrator of such Benchmark Replacement, (C) a group of those central banks or other supervisors or (D) the Financial Stability Board or any part thereof.

(T) “SOFR” means, with respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately succeeding Business Day.

(U) “SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate.

(V) “SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

(W) “Term SOFR” means, for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

(X) “Term SOFR Notice” means a notification by the Administrative Agent to the Lenders and the Borrower of the occurrence of a Term SOFR Transition Event.

(Y) “Term SOFR Transition Event” means, with respect to any Loans denominated in Dollars, the determination by the Administrative Agent that (a) Term SOFR has been recommended for use by the Relevant Governmental Body, and is determinable for each Available Tenor, (b) the administration of Term SOFR is administratively feasible for the Administrative Agent and (c) a Benchmark Transition Event or an Early Opt-in Election, as applicable, (and, for the avoidance of doubt, not in the case of an Other Benchmark Rate Election) has previously occurred resulting in a Benchmark Replacement in accordance with this Section 4.4.2 [Successor Euro Rate Index] that is not Term SOFR.

(Z) “Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

(f) Section 5.7.4 of the Credit Agreement is hereby amended and restated in its entirety as follows:

5.7.4 Certain Foreign Subsidiary Debt Issuances. Upon the incurrence or issuance by any Foreign Subsidiary of any Indebtedness pursuant to Section 8.2.1(vii)(B), the Borrower shall prepay (subject to Borrower’s indemnity obligations under Sections 5.8 [Increased Costs] and 5.10 [Indemnity]) Revolving Credit Loans (without a permanent reduction in the Revolving Credit Commitments) in an amount equal to the lesser of (x) one hundred percent (100%) of the Net Cash Proceeds of such debt issuance and (y) the aggregate outstanding principal amount of Revolving Credit Loans as of the date of receipt of such proceeds, such prepayment to be effected within five (5) Business Days following receipt of the proceeds of such debt issuance.

(g) Clause (vii) of Section 8.2.1 [Indebtedness] of the Credit Agreement is hereby amended and restated in its entirety as follows:

(vii) (A) Other Indebtedness entered into by any Loan Party or any Subsidiary of any Loan Party in an amount not to exceed \$50,000,000 at any one time outstanding and (B) other Indebtedness entered into by FASTER S.r.L. and its non-Loan Party Subsidiaries in an aggregate principal amount not to exceed \$50,000,000 and incurred for the general purpose (as determined by the Borrower and its Subsidiaries) of making direct or indirect repayments or distributions to the Borrower on account of the Permitted Project Cardinal Intercompany Investments; provided that, with respect to the Indebtedness incurred pursuant to this clause (B), (1) 100% of the Net Cash Proceeds of such Indebtedness are distributed to the Borrower concurrently with the incurrence of such Indebtedness, (2) the Borrower shall comply with any prepayment obligations pursuant to Section 5.7.4, and (3) no assets of any Loan Party shall be security for such Indebtedness.

(h) Section 8.2.4 [Investments] of the Credit Agreement is hereby amended by deleting clause (viii) thereof in its entirety and inserting the following new clauses (viii) and (ix):

(viii) Permitted Project Cardinal Intercompany Investments; and

(ix) other Investments in an aggregate amount outstanding not to exceed \$20,000,000.

(i) Clause (G) of Section 8.2.18 [Limitation of Negative Pledges] of the Credit Agreement is hereby amended and restated in its entirety as follows:

(G) any restrictions under any Indebtedness permitted under Section 8.2.1 [Indebtedness]; provided that, either (1) such restrictions are no more restrictive than

those contained under this Agreement or (2) such restrictions relate only to Foreign Subsidiaries obligated on such Indebtedness and the assets of such Foreign Subsidiaries; and

(j) A new Section 11.17 is hereby added to the Credit Agreement as follows:

11.17 Erroneous Payments.

11.17.1 If the Administrative Agent notifies a Lender, Issuing Lender or Secured Party, or any Person who has received funds on behalf of a Lender, Issuing Lender or Secured Party such Lender or Issuing Lender (any such Lender, Issuing Lender, Secured Party or other recipient, a “**Payment Recipient**”) that the Administrative Agent has determined in its sole discretion (whether or not after receipt of any notice under immediately succeeding Section 11.17.2) that any funds received by such Payment Recipient from the Administrative Agent or any of its Affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Lender, Issuing Lender, Secured Party or other Payment Recipient on its behalf) (any such funds, whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise, individually and collectively, an “**Erroneous Payment**”) and demands the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of the Administrative Agent and shall be segregated by the Payment Recipient and held in trust for the benefit of the Administrative Agent, and such Lender, Issuing Lender or Secured Party shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than two Business Days thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent in same day funds at the greater of the Overnight Bank Funding Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect. A notice of the Administrative Agent to any Payment Recipient under this Section 11.7.1 shall be conclusive, absent manifest error.

11.17.2 Without limiting immediately preceding Section 11.7.1, each Lender, Issuing Lender or Secured Party, or any Person who has received funds on behalf of a Lender, Issuing Lender or Secured Party, hereby further agrees that if it receives a payment, prepayment or repayment (whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise) from the Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect



to such payment, prepayment or repayment, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates), or (z) that such Lender, Issuing Lender or Secured Party, or other such recipient, otherwise becomes aware was transmitted, or received, in error or by mistake (in whole or in part) in each case:

(i) (A) in the case of immediately preceding clauses (x) or (y), an error shall be presumed to have been made (absent written confirmation from the Administrative Agent to the contrary) or (B) an error has been made (in the case of immediately preceding clause (z)), in each case, with respect to such payment, prepayment or repayment; and

(ii) such Lender, Issuing Lender or Secured Party shall (and shall cause any other recipient that receives funds on its respective behalf to) promptly (and, in all events, within one Business Day of its knowledge of such error) notify the Administrative Agent of its receipt of such payment, prepayment or repayment, the details thereof (in reasonable detail) and that it is so notifying the Administrative Agent pursuant to this Section 11.17.2.

11.17.3 Each Lender, Issuing Lender or Secured Party hereby authorizes the Administrative Agent to set off, net and apply any and all amounts at any time owing to such Lender, Issuing Lender or Secured Party under any Loan Document, or otherwise payable or distributable by the Administrative Agent to such Lender, Issuing Lender or Secured Party from any source, against any amount due to the Administrative Agent under immediately preceding Section 11.17.1 or under the indemnification provisions of this Agreement.

11.17.4 In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor by the Administrative Agent in accordance with immediately preceding clause (a), from any Lender or Issuing Lender that has received such Erroneous Payment (or portion thereof) (and/or from any Payment Recipient who received such Erroneous Payment (or portion thereof) on its respective behalf) (such unrecovered amount, an “**Erroneous Payment Return Deficiency**”), upon the Administrative Agent’s notice to such Lender or Issuing Lender at any time, (i) such Lender or Issuing Lender shall be deemed to have assigned its Loans (but not its Commitments) of the relevant class with respect to which such Erroneous Payment was made (the “**Erroneous Payment Impacted Class**”) in an amount equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not Commitments) of the Erroneous Payment Impacted Class, the “**Erroneous Payment Deficiency Assignment**”) at par plus any accrued and unpaid interest (with the assignment fee to be waived by the Administrative Agent in such instance), and is hereby (together with the Borrower) deemed to execute and deliver an Assignment and Assumption with respect to such Erroneous Payment Deficiency Assignment, and such Lender or Issuing Lender shall deliver any Notes evidencing such Loans to the Borrower

or the Administrative Agent, (ii) the Administrative Agent as the assignee Lender shall be deemed to acquire the Erroneous Payment Deficiency Assignment, (iii) upon such deemed acquisition, the Administrative Agent as the assignee Lender shall become a Lender or Issuing Lender, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment and the assigning Lender or assigning Issuing Lender shall cease to be a Lender or Issuing Lender, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment, excluding, for the avoidance of doubt, its obligations under the indemnification provisions of this Agreement and its applicable Commitments which shall survive as to such assigning Lender or assigning Issuing Lender and (iv) the Administrative Agent may reflect in the Register its ownership interest in the Loans subject to the Erroneous Payment Deficiency Assignment. The Administrative Agent may, in its discretion, but subject to Section 11.8, sell any Loans acquired pursuant to an Erroneous Payment Deficiency Assignment and upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by the applicable Lender or Issuing Lender shall be reduced by the net proceeds of the sale of such Loan (or portion thereof), and the Administrative Agent shall retain all other rights, remedies and claims against such Lender or Issuing Lender (and/or against any recipient that receives funds on its respective behalf). For the avoidance of doubt, no Erroneous Payment Deficiency Assignment will reduce the Commitments of any Lender or Issuing Lender and such Commitments shall remain available in accordance with the terms of this Agreement. In addition, each party hereto agrees that, except to the extent that the Administrative Agent has sold a Loan (or portion thereof) acquired pursuant to an Erroneous Payment Deficiency Assignment, and irrespective of whether the Administrative Agent may be equitably subrogated, the Administrative Agent shall be contractually subrogated to all the rights and interests of the applicable Lender, Issuing Lender or Secured Party under the Loan Documents with respect to each Erroneous Payment Return Deficiency (the **“Erroneous Payment Subrogation Rights”**).

11.17.5 The parties hereto agree that an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by the Borrower or any other Loan Party, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower or any other Loan Party for the purpose of making such Erroneous Payment.

11.17.6 To the extent permitted by applicable Law, no Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payment received, including without limitation waiver of any defense based on “discharge for value” or any similar doctrine.

11.17.7 Each party’s obligations, agreements and waivers under this Section 11.17 shall survive the resignation or replacement of the Administrative

Agent, the termination of the Commitments and/or the repayment, satisfaction or discharge of all Obligations (or any portion thereof) under any Loan Document.

2. General.

(a) Conditions Precedent. The Loan Parties, the Administrative Agent and the Lenders acknowledge and agree that the amendments set forth herein shall only be effective upon the occurrence of all the following conditions precedent:

(i) Amendment. The Loan Parties, the Administrative Agent and the Required Lenders shall have executed and delivered this Amendment to the Administrative Agent.

(ii) USA Patriot Act Diligence. Administrative Agent and each Lender shall have received, in form and substance acceptable to Administrative Agent and each Lender, such documentation and other information requested in connection with applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act. If the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, the Borrower shall have delivered to Administrative Agent and each Lender that so requests, a Beneficial Ownership Certification in relation to the Borrower.

(iii) Fees and Expenses. The Borrower shall have paid to the Administrative Agent all fees due and payable on or before the date hereof and any documented out-of-pocket costs and expenses of the Administrative Agent, including without limitation, the reasonable and invoiced out-of-pocket fees of the Administrative Agent's outside counsel in connection with this Amendment.

(b) Representations, Warranties and Covenants. The Borrower and each Guarantor covenants and agrees with and represents and warrants to the Administrative Agent and the Lenders as follows:

(i) the Obligations under the Credit Agreement are and shall remain secured by the Collateral, pursuant to the terms of the Credit Agreement and the other Loan Documents;

(ii) the Borrower and each of the Guarantors possess all of the powers requisite to enter into and carry out the transactions of the Borrower and such Guarantor referred to herein and to execute, enter into and perform the terms and conditions of this Amendment, the Credit Agreement and the other Loan Documents to which it is a party and any other documents contemplated herein that are to be performed by the Borrower or such Guarantor; any and all actions required or necessary pursuant to the Borrower's or such Guarantor's organizational documents or otherwise have been taken to authorize the due execution, delivery and performance by the Borrower and such Guarantor of the terms and conditions of this Amendment; the officers of the Borrower and each Guarantor executing this Amendment are the duly elected, qualified, acting and incumbent officers of such Loan Party and hold the titles set forth below their names on the signature lines of this Amendment; and such execution, delivery and performance will not conflict with, constitute a default under or result in a breach of (i) any applicable law, (ii) except

as would not reasonably be expected to result in a Material Adverse Change, any material agreement or instrument or (iii) any order, writ, judgment, injunction or decree to which the Borrower or such Guarantor is a party or by which the Borrower or such Guarantor or any of its properties is bound, except, in the case of this clause (ii), and that all consents, authorizations and/or approvals required or necessary from any third parties in connection with the entry into, delivery and performance by the Borrower and such Guarantor of the terms and conditions of this Amendment, the Credit Agreement, the other Loan Documents and the transactions contemplated hereby have been obtained by the Borrower or such Guarantor, as applicable, and are full force and effect;

(iii) this Amendment, the Credit Agreement, and the other Loan Documents constitute valid and legally binding obligations of the Borrower and each Guarantor, enforceable against the Borrower and each Guarantor in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws and by general equitable principles, whether enforcement is sought by proceedings at law or in equity;

(iv) all representations and warranties made by the Borrower and each Guarantor in the Credit Agreement and the other Loan Documents are true and correct in all material respects (or in the case of any such representation and warranty that is qualified by materiality or reference to Material Adverse Change, in all respects), except for representations and warranties which (i) specifically refer to an earlier date which shall have been true and correct in all material respects as of such earlier date referred to therein, and (ii) are qualified by materiality which will be true and correct in all respects and the Borrower and each Guarantor has complied with all covenants and undertakings in the Credit Agreement and the other Loan Documents;

(v) this Amendment is not a substitution, novation, discharge or release of the Borrower's or any Guarantor's obligations under the Credit Agreement or any of the other Loan Documents, all of which shall and are intended to remain in full force and effect;

(vi) no Event of Default or Potential Default has occurred and is continuing under the Credit Agreement or the other Loan Documents; there exist no defenses, offsets, counterclaims or other claims with respect to the Borrower's or any Guarantor's obligations and liabilities under the Credit Agreement or any of the other Loan Documents;

(vii) no Material Adverse Change has occurred since January 2, 2021; and

(viii) the Borrower and each Guarantor hereby ratify and confirm in full its duties and obligations under the Credit Agreement and the other Loan Documents applicable to it, each as modified hereby.

(c) Incorporation into the Credit Agreement and other Loan Documents. This Amendment shall be incorporated into the Credit Agreement by this reference and each reference to the Credit Agreement that is made in the Credit Agreement or any other document executed or to be executed in connection therewith shall hereafter be construed as a reference to the Credit

Agreement as amended hereby. The term "Loan Documents" as defined in the Credit Agreement shall include this Amendment.

(d) Severability. If any one or more of the provisions contained in this Amendment, the Credit Agreement, or the other Loan Documents shall be held invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained in this Amendment, the Credit Agreement or the other Loan Documents shall not in any way be affected or impaired thereby, and this Amendment shall otherwise remain in full force and effect.

(e) Successors and Assigns. This Amendment shall apply to and be binding upon the Borrower and each Guarantor in all respects and shall inure to the benefit of each of the Administrative Agent and the Lenders and their respective successors and assigns, provided that neither the Borrower nor any Guarantor may assign, transfer or delegate its duties and obligations hereunder. Nothing expressed or referred to in this Amendment is intended or shall be construed to give any person or entity other than the parties hereto a legal or equitable right, remedy or claim under or with respect to this Amendment, the Credit Agreement or any of the other Loan Documents, it being the intention of the parties hereto that this Amendment and all of its provisions and conditions are for the sole and exclusive benefit of the Borrower, the Guarantors, the Administrative Agent and the Lenders.

(f) Reimbursement of Expenses. The Borrower unconditionally agrees to pay and reimburse the Administrative Agent and save the Administrative Agent harmless against liability for the payment of reasonable out-of-pocket costs, expenses and disbursements, including without limitation, the reasonable fees and expenses of counsel actually incurred by the Administrative Agent in connection with the development, preparation, execution, administration, interpretation or performance of this Amendment and all other documents or instruments to be delivered in connection herewith.

(g) Counterparts. This Amendment may be executed by different parties hereto in any number of separate counterparts, each of which, when so executed and delivered shall be an original and all such counterparts shall together constitute one and the same instrument.

(h) Entire Agreement. This Amendment sets forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersedes all prior understandings and agreements, whether written or oral, between the parties hereto relating to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any party which is not embodied in this Amendment, and no party shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not set forth herein.

(i) Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof.

(j) No Novation. This Amendment amends the Credit Agreement, but is not intended to constitute, and does not constitute, a novation of the Obligations of the Borrower and/or the Guarantors under the Credit Agreement or any other Loan Document.

(k) Construction. The rules of construction set forth in Section 1.2 [Construction] of the Credit Agreement shall apply to this Amendment.

(l) Governing Law. This Amendment shall be deemed to be a contract under the laws of the State of New York and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the State of New York without regard to its conflict of laws principles.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]  
[SIGNATURE PAGES FOLLOW]**

## CERTIFICATION

I, Josef Matosevic, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended July 3, 2021, of Helios Technologies;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2021

/s/ Josef Matosevic

Josef Matosevic

President, Chief Executive Officer

## CERTIFICATION

I, Tricia L. Fulton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended July 3, 2021, of Helios Technologies;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2021

/s/ Tricia L. Fulton

Tricia L. Fulton  
Chief Financial Officer  
(Principle Financial and Accounting Officer)



**CERTIFICATION PURSUANT TO 18 U.S.C. § 1350**

I, Josef Matosevic, the Chief Executive Officer of Helios Technologies (the "Company"), certify that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended July 3, 2021 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2021

/s/ Josef Matosevic

Josef Matosevic

President, Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. § 1350**

I, Tricia L. Fulton, the Chief Financial Officer of Helios Technologies (the “Company”), certify that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended July 3, 2021 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2021

/s/ Tricia L. Fulton

Tricia L. Fulton

Chief Financial Officer

(Principle Financial and Accounting Officer)