Ceco Environmental Annual Report 2021

Form 10-K (NASDAQ:CECE)

Published: March 3rd, 2021
CECO ENVIRONMENTAL CORP.

Delaware
(State or other jurisdiction of incorporation or organization)
14651 North Dallas Parkway
Suite 900
Dallas, Texas
(Address of principal executive offices)

13-2566064
(I.R.S. Employer Identification No.)

75254
(Zip Code)

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

Common Stock, par value $0.01 per share
CECE
The NASDAQ Stock Market LLC

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

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

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

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

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

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

Large Accelerated Filer ☐ Accelerated Filer ☒
Non-Accelerated Filer ☐ Smaller reporting company ☐
Emerging growth company ☐

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

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

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

The aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant was $166.2 million based upon the closing market price and shares of common stock outstanding as of June 30, 2020, the last business day of our most recently completed second fiscal quarter. For the purpose of the foregoing calculation only, all directors and executive officers of the registrant and owners of more than 10% of the registrant’s common stock are assumed to be affiliates of the registrant. This determination of affiliate status is not necessarily conclusive for any other purpose.

As of February 25, 2021, the registrant had 35,350,727 shares of common stock, par value $0.01 per share, outstanding.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, which is to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2020, are incorporated by reference into Part III of this Annual Report to the extent described herein.
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**SIGNATURES**
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of the Securities Act of 1933 (the “Securities Act”) and the Securities Exchange Act of 1934 (the “Exchange Act”) which are intended to be covered by the safe harbor for “forward-looking statements” provided by the Private Securities Litigation Reform Act of 1995. Any statements contained in this Annual Report on Form 10-K, other than statements of historical fact, including statements about management’s beliefs and expectations, are forward-looking statements and should be evaluated as such. These statements are made on the basis of management’s views and assumptions regarding future events and business performance. We use words such as “believe,” “expect,” “anticipate,” “intends,” ”estimate,” “forecast,” “project,” “will,” “plan,” “should” and similar expressions to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from any future results, performance or achievements expressed or implied by such statements. Potential risks and uncertainties, among others, that could cause actual results to differ materially are discussed under “Part I – Item 1A. Risk Factors” of this Annual Report on Form 10-K and include, but are not limited to:

- the sensitivity of our business to economic and financial market conditions generally and economic conditions in CECO’s service areas;
- dependence on fixed price contracts and the risks associated therewith, including actual costs exceeding estimates and method of accounting for revenue;
- the effect of growth on CECO’s infrastructure, resources, and existing sales;
- the ability to expand operations in both new and existing markets;
- the potential for contract delay or cancellation; liabilities arising from faulty services or products that could result in significant professional or product liability, warranty, or other claims; changes in or developments with respect to any litigation or investigation;
- failure to meet timely completion or performance standards that could result in higher cost and reduced profits or, in some cases, losses on projects;
- the potential for fluctuations in prices for manufactured components and raw materials, including as a result of tariffs and surcharges;
- the substantial amount of debt incurred in connection with our strategic transactions and our ability to repay or refinance it or incur additional debt in the future; the impact of federal, state or local government regulations;
- economic and political conditions generally; our ability to successfully realize the expected benefits of our restructuring program;
- our ability to successfully integrate acquired businesses and realize the synergies from strategic transactions; unpredictability and severity of catastrophic events, including cyber security threats, acts of terrorism or outbreak of war or hostilities or public health crises, such as uncertainties regarding the extent and duration of impacts of matters associated with the novel coronavirus (“COVID-19”), as well as management’s response to any of the aforementioned factors.

Many of these risks are beyond management’s ability to control or predict. Should one or more of these risks or uncertainties materialize, or should the assumptions prove incorrect, actual results may vary in material aspects from those currently anticipated. Investors are cautioned not to place undue reliance on such forward-looking statements as they speak only to our views as of the date the statement is made. Furthermore, forward-looking statements speak only as of the date they are made. Except as required under the federal securities laws or the rules and regulations of the Securities and Exchange Commission (the “SEC”), we undertake no obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise.
CECO Environmental Corp. ("CECO," "we," "us," or the "Company") is a global leader in industrial air quality and fluid handling serving the energy, industrial and other niche markets through an attractive asset-light business model. We focus on engineering, designing, building, and installing systems that capture, clean and destroy airborne contaminants from industrial facilities as well as equipment that controls emissions from such facilities, as well as fluid handling and filtration systems. CECO provides innovative technology and application expertise that helps companies grow their businesses with safe, clean, and more efficient solutions to help protect our shared environment.

CECO serves diverse industries globally by working to improve air quality, optimize the energy value chain, and provide customized engineered solutions in our customers’ mission critical applications. The industries CECO serves include power generation, petrochemical processing, general industrial, refining, oil & gas, electric vehicle production, poly silicon fabrication, battery recycling, and wastewater treatment, along with a wide range of other industries.

CECO has over $6 billion of installed equipment with end users, which we target to expand and grow a higher recurring revenue of aftermarket products and services.

Our customers include some of the largest natural gas processors, transmission and distribution companies, refineries, power generators, industrial manufacturing, engineering and construction companies, semiconductor manufacturers, compressor manufacturers, metals and minerals, and electric vehicle producers in the world.

We believe our value differentiators include, but are not limited to, our product quality, reliability, on-time delivery and safety, supported by advanced engineering and operational excellence. We believe these are critical in maintaining our competitive position and have adopted a spirit of continuous improvement to ensure we maintain our market leadership position.

**Industry Overview**

We serve a growing $5 billion dollar global market that is highly fragmented and serves various end markets including power generation, natural gas power plants, petrochemical processing, general industrial, refining, oil & gas and wastewater treatment.

We believe demand for our products and services will continue to be driven by the following factors:

- **Global Focus on Environment.** Increased demand for efficient solutions and reduced emissions for clean air remains at the forefront of sustainable production. As our customers and end markets navigate this changing landscape, we are making production cleaner, more efficient and flexible, and workplaces safer, using the same high manufacturing standards our customers expect. Increasingly, society, along with government regulation, call for corporations to commit to the preservation and protection of the environment. We believe that through our air quality and emissions control initiatives, companies want to work with us to protect people and our planet from the harmful effects of industrial processes.

- **Global Economic Conditions.** The Company’s businesses are impacted by economic conditions around the globe. Higher economic growth and other factors that would increase industrial gross domestic product and capital expenditures are projected to impact the markets the Company serves and could affect the Company’s businesses by increasing demand for the Company’s products and services.

- **Worldwide Industrialization.** Global trade has increased significantly over the last decade and is driven by growth in emerging markets, including China and India, as well as other developing nations in Asia and the Europe, Middle East, and Africa ("EMEA") region. As a result of globalization, manufacturing that was historically performed domestically continues to migrate to lower cost countries. This movement of the manufacture of goods throughout the world increases demand for industrial ventilation products as new construction continues. We expect that more rigorous environmental regulations will be introduced to create a cleaner working environment and reduce environmental emissions as these economies evolve.

- **Natural Gas Infrastructure.** The natural gas industry consists of the exploration, production, processing, transportation, storage and distribution of natural gas. The International Energy Association ("IEA") projects a pronounced shift in Organization for Economic Cooperation and Development ("OECD") countries away from oil and coal towards natural gas and renewables. Natural gas continues to be the fuel of choice for the electrical power and industrial sectors in many countries.
of the world’s regions, in part because of its lower carbon intensity compared with coal and oil, which makes it an attractive fuel source in countries where governments are implementing policies to reduce greenhouse gas emissions.

- **Power Generation.** Power generation encompasses a broad range of activities related to the production of electricity. The primary types of fossil fuels used to generate electricity are coal, natural gas and nuclear. In the United States, concerns about potential environmental regulations enhance the attractiveness of natural gas-fired power plants compared with coal-fired power plants, which generally have higher pollutant emission rates than natural gas-powered plants. Natural gas-fired power plants have lower initial capital needs and are more flexible in terms of operating times than coal plants.

- **Refining, Oil Production and Petrochemical Processing.** Refining, oil production and petrochemical processing involves the producing, refining and processing of fuels and chemicals for use in a variety of applications, such as gasoline, fertilizers and plastics. In response to increasing international demand for petrochemicals and refined products, companies are producing more products from new sources, constructing new refineries and petrochemical processing facilities as well as expanding existing facilities. In many cases, these new and expanded facilities must comply with stricter environmental regulations, which influence both choice of fuel and demand for systems to control exhaust emissions.

- **Stringent Regulatory Environment.** The adoption of increasingly stringent environmental regulations globally requires businesses to pay strict attention to environmental protection. Businesses and industries of all types from refineries, power, chemical processes, metals and minerals, energy market and industrial manufacturing must comply with these various international, federal, state and local government regulations or potentially face substantial fines or be forced to suspend production or alter their production processes. These increasingly stringent environmental regulations are a principal factor that drives our business.

These factors, individually or collectively, tend to cause increases in industrial capital spending that are not directly impacted by general economic conditions, expansion, or capacity increases. In contrast, favorable conditions in the economy generally lead to plant expansions and the construction of new industrial sites. However, in a weak economy, customers tend to lengthen the time from their initial inquiry to the purchase order or defer purchases.

**Mission and Strategy**

Our mission is to help companies grow their business with safe, clean and more efficient solutions that help protect people and our shared environment.

We seek to fulfill this mission through established global leadership in air quality and fluid handling solutions focused on serving the energy, industrial, and other niche markets around the world. We will continue to leverage our innovative technology and application expertise to customers around the world. We work to improve air quality, optimize the energy value chain, and provide custom engineered solutions for applications including power generation, petrochemical processing, general industrial, refining, oil & gas, electric vehicle production, poly silicon fabrication, battery recycling, and wastewater treatment along with a wide range of other applications.

Our strategy to become the global leader in air quality and fluid handling solutions is to drive an operating environment of performance excellence across the Company with a near term focus on targeted value creation enablers, and growth-oriented business segment performance.

We constantly look for opportunities to gain new customers and penetrate geographic locations and end markets with existing products and services or acquire new product or service opportunities. We intend to continue to expand our customer base and end markets and have continued to pursue potential attractive growth opportunities both domestically and internationally. In the past few years, we have expanded our international presence with new sales & engineering hubs in the United Kingdom, Shanghai, Singapore, Pune India, and Dubai.

**Four Value Creation Enablers Driving Growth**

All four of these are inter-connected and critical to achieving our objectives.

- **Outside-In Leadership** is all about an increased attention on our customers and the trends affecting the world around us as we make decisions that enable CECO to be responsive and prepared for growth.

- **Innovation** is about us finding better ways to help our customers get their jobs done – whether that is a new product and technology or the way we serve and work with them.
Simplification involves aligning and streamlining our operational practices and metrics to match our customers’ key performance indicators (“KPIs”) for success and removing complexity from our systems and structure.

Active Portfolio Management dictates a regular evaluation of our business units for market attractiveness and profitability together with scanning the market for attractive potential additions that strengthen the long-term outlook of the Company.

Three Business Segments:

The Company operates and reports in three reportable segments focused on attractive end markets. Each segment is aligned to generate profitable growth for the Company across a targeted industry with a compelling technology and solution set to benefit customers.

- **Energy Solutions segment**: Our Energy Solutions segment serves the Energy market, where we are a key part of helping meet the global demand for clean energy and lower emissions through our highly engineered and tailored emissions management, silencers and separation solutions and services. Our offerings improve air quality and solves fluid handling needs with market leading technologies, efficiently designed, and customized solutions for the power generation, oil & gas, and petrochemical industries.

- **Industrial Solutions segment**: Our Industrial Solutions segment serves the Air Pollution Control market where our aim is to address the growing need to protect the air we breathe and help our customers’ desires for sustainability upgrades beyond carbon footprint issues. Our offerings in clean air pollution control, collection and ventilation technologies improve air quality with a compelling solution that enable our customers in the semiconductor manufacturing, electric vehicle production, battery recycling, and wood manufacturing industries to reduce their carbon footprint, lower energy consumption, minimize waste and meet compliance targets for toxic emissions, fumes, volatile organic compounds, and industrial odors.

- **Fluid Handling Solutions segment**: Our Fluid Handling Solutions segment offers unique pump and filtration solutions that maintain safe and clean operations in some of the most harsh and toxic environments. In this market, we provide solutions for mission-critical applications to a wide variety of industries including, but not limited to, plating and metal finishing, automotive, food and beverage, chemical, petrochemical, pharmaceutical, wastewater treatment, desalination and the aquarium & aquaculture markets.

**Competitive Strengths**

**Leading market position as a complete solution provider.** We believe we are a leading provider of critical solutions in industrial air quality and fluid handling. The multi-billion dollar global market is highly fragmented with numerous small and regional contracting firms separately supplying engineering services, fabrication, installation, testing and monitoring, products and spare parts. We offer our customers a complete end-to-end solution, including engineering and project management services, procurement and fabrication, construction and installation, aftermarket support, and sale of consumables, which allows our customers to avoid dealing with multiple vendors when managing projects.

**Long-standing experience and customer relationships in growing industry.** We have serviced the needs of our target markets for over 50 years. Our extensive experience and expertise in providing diversified solutions enhances our overall customer relationships, and provides us with a competitive advantage in our markets relative to other companies in the industry. We believe this is evidenced by strong relationships with many of our world-class customers. We believe no single competitor has the resources to offer a similar portfolio of product and service capabilities. We offer the depth of a large organization, while our lean organizational structure keeps us close to our customers and markets, allowing us to offer rapid and complete solutions in each unique situation.

**Global diversification and broad customer base.** The global diversity of our operations and customer base provides us with multiple growth opportunities. As of December 31, 2020, we had a diversified customer base of approximately 5,000 active customers across a range of industries. We believe that the diversity of our customers and end markets mitigates our risk of a potential fluctuation or downturn in demand from any individual industry or particular customer. We believe we have the resources and capabilities to meet the needs of our customers as they upgrade and expand domestically as well as into new international markets. Once systems have been installed and a relationship has been established with the customer, we are often awarded repetitive service and maintenance business as the customers’ processes change and modifications or additions to their systems become necessary.

**Experienced management and engineering team.** Our senior management team has substantial experience in industrial air quality and fluid handling solutions. The business experience of our management team enables us to pursue our strategy. Our workforce includes
approximately 400 engineers, designers, solution experts, and project managers whose significant specialized industry experience and technical expertise enables them to have a deep understanding of the solutions that will best suit the needs of our customers. The experience and stability of our management, operating and engineering teams have been crucial to our growth, developing and maintaining customer relationships, and increasing our market share.

**Develop innovative solutions.** We leverage our engineering and manufacturing expertise and strong customer relationships to develop new customized products to address the identified needs of our customers or a particular end market. We thoroughly analyze new product opportunities by considering projected demand for the product or service, price point, and expected operating costs, and only pursue those opportunities that we believe will contribute to earnings growth in the near-term. In addition, we continually improve our traditional technologies and adapt them to new industries and processes.

**Disciplined acquisition program with successful integration.** We believe that we have demonstrated an ability to successfully acquire and integrate companies with complementary product or service offerings. We will continue to seek and execute additional strategic acquisitions and focus on expanding our product service and breadth, as well as entering into new adjacent markets. We believe that the breadth and diversity of our products and services and our ability to deliver full solutions to various end markets provides us with multiple sources of stable growth and a competitive advantage relative to other players in the industry.

**Products and Services**

We provide a wide spectrum of products and services including dampers and diverters, selective catalytic reduction and selective non-catalytic reduction systems, cyclonic technology, thermal oxidizers, filtration systems, scrubbers, fluid handling equipment and plant engineering services and engineered design build fabrication. Our products primarily compete on the basis of price, performance, speed of delivery, quality, customer support and single source.

**Project Design and Research and Development**

We seek to achieve our Outside-In Leadership by understanding our customers’ needs and delivering better outcomes for them by focusing new product development efforts that help protect our shared environment while working to improve a variety of operational outcomes including, but not limited to, facility uptime, production quality, employee safety, equipment protection and process performance. We produce specialized products that are often tailored to the specifications of a customer or application.

We continually collaborate with our customers on their projects to develop the proper solution and ensure customer satisfaction. The project development cycle may follow many different paths depending on the specifics of the job and end market. The cycle can take from one to more than twelve months from concept and design to production but may vary significantly depending on developments that occur during the process, including among others, the emergence of new environmental demands, changes in design specifications and ability to obtain necessary approvals.

**Sales, Marketing and Support**

Our global selling strategy is to provide a solutions-based approach by being a single source provider of technology products and services. The strategy involves expanding our scope of products and services through selective acquisitions and the formation and integration of new business units. We believe this strategy provides a discernible competitive advantage. We execute this strategy by utilizing our portfolio of in-house technologies and those of third-party equipment suppliers. Many of these have been long-standing relationships, which have evolved from pure supplier roles to value-added business partnerships. This enables us to leverage existing business with selective alliances of suppliers and application specific engineering expertise. Our products primarily compete on the basis of price, performance, speed of delivery, quality, customer support, and single source. Our value proposition to customers is to provide competitively priced, customized solutions. Our industry-specific knowledge, accompanied by our product and service offerings, provides valuable synergies for design innovation.

We sell and market our products and services with our own direct sales force, including employees in the United States, the Netherlands, United Kingdom, Canada, United Arab Emirates, India, Mexico, China, and Singapore, in conjunction with outside sales representatives in North America, South America, Europe, Middle East, Asia, and India. We expect to continue expanding our sales and support capabilities and our network of outside sales representatives in key regions domestically and internationally.

We market our offerings to our customers through a variety of channels including, but not limited to, digital, web, social media, email campaigns, individual customer visits, product announcements, brochures, magazine articles, advertisements and cover or article features in trade journals and other publications. We also participate in public relations and promotional events, including industry tradeshows and technical conferences.
Our customer service organization or sales force provides our customers with technical assistance, use and maintenance information as well as other key information regarding their purchase. We also actively provide our customers with access to key information regarding changes and pending changes in environmental regulations as well as new product or service developments. We believe that maintaining a close relationship with our customers and providing them with the support they request improves their level of satisfaction and enables us to foresee their potential future product needs or service demands. Moreover, this approach can lead to sales of annual service and support contracts as well as consumables. Our website also provides our customers with online tools and technical resources.

**Quality Assurance**

In engineered systems, quality is defined as system performance. We review with our customers, before the contract is signed, the technical specification and the efficiency of the equipment that will be customized to meet their specific needs. We then review these same parameters internally to assure that warranties will be met. Standard project management and production management tools are used to help ensure that all work is done to specification and that project schedules are met. Equipment is tested at the site to ensure it is functioning properly.

**Customers**

We are not dependent upon any single customer, and no customer comprised 10% or more of our consolidated revenues for 2020.

**Suppliers and Subcontractors**

We purchase our raw materials and supplies from a variety of global sources. When possible, we directly secure angle iron and sheet plate products from steel mills, whereas other materials are purchased from a variety of steel service centers. Steel prices have traditionally been volatile, but we typically mitigate the risk of higher prices by including a “surcharge” on our standard products. On contract work, we mitigate the risk of higher prices by including the current price in our estimate and generally include price inflation clauses for protection.

We believe we have a good relationship with our suppliers and do not anticipate any difficulty in continuing to purchase such items on terms acceptable to us. We have not experienced difficulty in procuring a sufficient supply of materials in the past. To the extent that our current suppliers are unable or unwilling to continue to supply us with materials, we believe that we would be able to obtain such materials from other suppliers on acceptable terms.

Typically, on turnkey projects, we subcontract manufacturing, electrical work, concrete work, controls, conveyors and insulation. We use subcontractors with whom we have good working relationships and review each project at the beginning and on an ongoing basis to help ensure that all work is being done according to our specifications. Subcontractors are generally paid when we are paid by our customers according to the terms of our contract with the customer. The Company’s asset-light business model focuses on effective management of subcontractors, which allows the Company to achieve targeted working capital levels through reduction in certain assets and reduced capital expenditures.

**Backlog**

Backlog (i.e., unfulfilled or remaining performance obligations) represents the sales we expect to recognize for our products and services for which control has not yet transferred to the customer. Backlog was $183.1 million as of December 31, 2020 as compared to $216.6 million as of December 31, 2019, $9.8 million of backlog in total was acquired from the Environmental Integrated Solutions (“EIS”) acquisition and the Mader Holding L.P. (“Mader”) joint venture. In addition, the Company removed $9.2 million of orders in 2020 that were previously disclosed as backlog in prior periods, due to cancellations by industrial customers with exposure to aerospace end markets. Backlog is adjusted on a quarterly basis for adjustments in foreign currency exchange rates. Substantially all backlog is expected to be delivered within 12 to 18 months. Backlog is not defined by United States generally accepted accounting principles (“GAAP”) and our methodology for calculating backlog may not be consistent with methodologies used by other companies.

**Competition**

The markets we serve are highly fragmented with numerous small and regional participants. We believe no single company competes with us across the full range of our systems and products. Competition in the markets we serve is based on a number of considerations, including timeliness of delivery, technology, applications experience, know-how, reputation, product warranties, service and price. Demand for our product can vary period over period depending on conditions in the markets we serve. We believe our product quality,
reliability, on-time delivery and safety supported by advanced engineering and operational excellence differentiate us from many of our competitors, including those competitors who often offer products at a lower price.

Due to the size and shipping weight of many of our projects, localized manufacturing/fabrication capabilities are very important to our customers. As a result, competition varies widely by region and industry. The market for our engineered products is reasonably competitive and is characterized by technological change, continuously changing environmental regulations, and evolving customer requirements. We believe that the additional competitive factors in our markets include:

- performance track record;
- comprehensive portfolio of products with leading technology;
- brand recognition;
- high design standard;
- quality and reliable solutions;
- on-time delivery;
- quality customer service and support; and
- financial and operational stability, including reputation.

We believe we compete favorably with respect to these factors.

**Government Regulations**

We believe our operations are in compliance with applicable environmental laws and regulations. We believe that changes in environmental laws and regulations create opportunity given the nature of our business.

Our business is subject to numerous laws and regulations. We expect that the change in administration at the federal level will result in an increase in federal regulations applicable to our business. While there are not currently regulations proposed or pending that we believe will result in material capital, operating or other costs to the business at this time, such regulations could be proposed and/or passed into law in 2021 or beyond. Other regulations currently in place could be withdrawn and replaced with more stringent requirements in 2021 or beyond. New laws and regulations and the costs of compliance with such new laws and regulations can only be broadly appraised until their implementation becomes more defined through regulatory guidance and enforcement.

**Intellectual Property**

We rely on a combination of patent, trademark, copyright and trade secret laws, employee and third-party nondisclosure/confidentiality agreements and license agreements to protect our intellectual property. We sell most of our products under a number of registered trade names, brand names and registered trademarks, which we believe are widely recognized in the industry. While we hold patents within a number of our businesses, we do not view our patents to be material to our business.

**Commitment to Values and Ethics**

At CECO, we act in accordance with our Code of Business Conduct and Ethics ("Code of Conduct"), which sets forth expectations and guidance for employees to make appropriate decisions. Our Code of Conduct covers topics such as anti-corruption, discrimination, harassment, data privacy, appropriate use of company assets, protecting confidential information, and reporting Code of Conduct violations. The Code of Conduct reflects our commitment to operating in a fair, honest, responsible and ethical manner and also provides direction for reporting complaints in the event of alleged violations of our policies, including through an anonymous helpline. Our executive officers and managers maintain an “open door” policy, and any form of retaliation is strictly prohibited.

**Human Capital Management**

CECO recognizes that in order to drive innovation and operational excellence, we must identify, attract, retain and motivate world-class talent. As of December 31, 2020, CECO has approximately 730 employees, across seven countries. One-hundred and fifty of our US employees are unionized in our Pennsylvania, Tennessee and North Carolina facilities.