

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 September 30, 2022  
OR

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

For the transition period from to

Commission file number: 1-08325

**MYR GROUP INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**36-3158643**  
(I.R.S. Employer Identification No.)

**12150 East 112th Avenue**  
**Henderson, CO**  
(Address of principal executive offices)

**80640**  
(Zip Code)

**(303) 286-8000**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name, former address and former fiscal year, if changed since last report)

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, \$0.01 par value	MYRG	The Nasdaq Stock Market, LLC
		(Nasdaq Global 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 x 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 x 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 x

As of October 21, 2022, there were 16,600,754 outstanding shares of the registrant's \$0.01 par value common stock.

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Throughout this report, references to “MYR Group,” the “Company,” “we,” “us” and “our” refer to MYR Group Inc. and its consolidated subsidiaries, except as otherwise indicated or as the context otherwise requires.

**PART I - FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**
**MYR GROUP INC.**
**CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)	September 30, 2022 (unaudited)	December 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 35,767	\$ 82,092
Accounts receivable, net of allowances of \$2,393 and \$2,441, respectively	443,414	375,353
Contract assets, net of allowances of \$486 and \$385, respectively	310,429	225,075
Current portion of receivable for insurance claims in excess of deductibles	8,927	11,078
Refundable income taxes	3,572	9,228
Prepaid expenses and other current assets	32,749	45,564
<b>Total current assets</b>	<b>834,858</b>	<b>748,390</b>
Property and equipment, net of accumulated depreciation of \$341,461 and \$322,128, respectively	217,840	196,092
Operating lease right-of-use assets	31,405	20,971
Goodwill	115,151	66,065
Intangible assets, net of accumulated amortization of \$23,208 and \$16,779, respectively	89,124	49,054
Receivable for insurance claims in excess of deductibles	34,865	32,443
Investment in joint ventures	3,138	3,978
Other assets	3,575	4,099
<b>Total assets</b>	<b>\$ 1,329,956</b>	<b>\$ 1,121,092</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 5,060	\$ 1,039
Current portion of operating lease obligations	9,819	7,765
Current portion of finance lease obligations	1,161	—
Accounts payable	281,708	200,744
Contract liabilities	174,626	167,931
Current portion of accrued self-insurance	24,046	24,242
Accrued income taxes	1,084	2,021
Other current liabilities	87,510	94,857
<b>Total current liabilities</b>	<b>585,014</b>	<b>498,599</b>
Deferred income tax liabilities	37,304	24,620
Long-term debt	80,852	3,464
Accrued self-insurance	52,449	50,816
Operating lease obligations, net of current maturities	21,606	13,230
Finance lease obligations, net of current maturities	2,551	—
Other liabilities	14,303	11,261
<b>Total liabilities</b>	<b>794,079</b>	<b>601,990</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock—\$0.01 par value per share; 4,000,000 authorized shares; none issued and outstanding at September 30, 2022 and December 31, 2021	—	—
Common stock—\$0.01 par value per share; 100,000,000 authorized shares; 16,607,373 and 16,870,636 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	166	168
Additional paid-in capital	159,784	163,754
Accumulated other comprehensive income (loss)	(7,599)	173
Retained earnings	383,526	355,007
<b>Total stockholders' equity</b>	<b>535,877</b>	<b>519,102</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,329,956</b>	<b>\$ 1,121,092</b>

The accompanying notes are an integral part of these consolidated financial statements.

**MYR GROUP INC.**
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Contract revenues	\$ 799,848	\$ 610,182	\$ 2,144,586	\$ 1,852,241
Contract costs	713,502	526,259	1,896,893	1,610,343
Gross profit	86,346	83,923	247,693	241,898
Selling, general and administrative expenses	58,891	53,072	164,471	154,609
Amortization of intangible assets	827	578	6,847	1,734
Gain on sale of property and equipment	(347)	(679)	(1,747)	(2,473)
Income from operations	26,975	30,952	78,122	88,028
Other income (expense):				
Interest income	44	23	58	51
Interest expense	(1,134)	(305)	(2,235)	(1,458)
Other income, net	223	69	2,485	190
Income before provision for income taxes	26,108	30,739	78,430	86,811
Income tax expense	7,672	7,568	19,622	22,493
Net income	\$ 18,436	\$ 23,171	\$ 58,808	\$ 64,318
Income per common share:				
—Basic	\$ 1.11	\$ 1.37	\$ 3.50	\$ 3.82
—Diluted	\$ 1.09	\$ 1.35	\$ 3.45	\$ 3.75
Weighted average number of common shares and potential common shares outstanding:				
—Basic	16,659	16,868	16,822	16,828
—Diluted	16,853	17,167	17,044	17,132
Net income	\$ 18,436	\$ 23,171	\$ 58,808	\$ 64,318
Other comprehensive income (loss):				
Foreign currency translation adjustment	(5,946)	(589)	(7,772)	77
Other comprehensive income (loss)	(5,946)	(589)	(7,772)	77
Total comprehensive income	\$ 12,490	\$ 22,582	\$ 51,036	\$ 64,395

The accompanying notes are an integral part of these consolidated financial statements.

**MYR GROUP INC.**
**UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(in thousands)	Preferred Stock	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	MYR Group Inc. Stockholders' Equity	Noncontrolling Interest	Total
		Shares	Amount						
<b>Balance at December 31, 2020</b>	\$ —	16,734	\$ 167	\$ 158,618	\$ 23	\$ 270,480	\$ 429,288	\$ 4	\$ 429,292
Net income	—	—	—	—	—	19,928	19,928	—	19,928
Stock issued under compensation plans, net	—	123	1	109	—	—	110	—	110
Stock-based compensation expense	—	—	—	1,487	—	—	1,487	—	1,487
Shares repurchased related to tax withholding for stock-based compensation	—	(41)	—	(2,231)	—	(387)	(2,618)	—	(2,618)
Other comprehensive income	—	—	—	—	253	—	253	—	253
Stock issued - other	—	1	—	12	—	—	12	—	12
<b>Balance at March 31, 2021</b>	—	16,817	168	157,995	276	290,021	448,460	4	448,464
Net income	—	—	—	—	—	21,219	21,219	—	21,219
Stock issued under compensation plans, net	—	60	1	318	—	—	319	—	319
Stock-based compensation expense	—	—	—	1,948	—	—	1,948	—	1,948
Shares repurchased related to tax withholding for stock-based compensation	—	(10)	(1)	(637)	—	(96)	(734)	—	(734)
Other comprehensive income	—	—	—	—	413	—	413	—	413
<b>Balance at June 30, 2021</b>	—	16,867	168	159,624	689	311,144	471,625	4	471,629
Net income	—	—	—	—	—	23,171	23,171	—	23,171
Stock issued under compensation plans, net	—	3	—	54	—	—	54	—	54
Stock-based compensation expense	—	—	—	1,915	—	—	1,915	—	1,915
Other comprehensive loss	—	—	—	—	(589)	—	(589)	—	(589)
<b>Balance at September 30, 2021</b>	\$ —	16,870	\$ 168	\$ 161,593	\$ 100	\$ 334,315	\$ 496,176	\$ 4	\$ 496,180
<b>Balance at December 31, 2021</b>	\$ —	16,871	\$ 168	\$ 163,754	\$ 173	\$ 355,007	\$ 519,102	\$ —	\$ 519,102
Net income	—	—	—	—	—	20,688	20,688	—	20,688
Stock issued under compensation plans, net	—	193	2	2	—	—	4	—	4
Stock-based compensation expense	—	—	—	1,624	—	—	1,624	—	1,624
Shares repurchased related to tax withholding for stock-based compensation	—	(69)	—	(6,124)	—	(667)	(6,791)	—	(6,791)
Other comprehensive income	—	—	—	—	1,651	—	1,651	—	1,651
<b>Balance at March 31, 2022</b>	—	16,995	170	159,256	1,824	375,028	536,278	—	536,278
Net income	—	—	—	—	—	19,684	19,684	—	19,684
Stock issued under compensation plans, net	—	9	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	2,064	—	—	2,064	—	2,064
Settlement of stock repurchase program	—	(280)	(3)	(2,629)	—	(20,835)	(23,467)	—	(23,467)
Other comprehensive loss	—	—	—	—	(3,477)	—	(3,477)	—	(3,477)
<b>Balance at June 30, 2022</b>	—	16,724	167	158,691	(1,653)	373,877	531,082	—	531,082
Net income	—	—	—	—	—	18,436	18,436	—	18,436
Stock issued under compensation plans, net	—	—	—	26	—	—	26	—	26
Stock-based compensation expense	—	—	—	2,178	—	—	2,178	—	2,178
Settlement of stock repurchase program	—	(117)	(1)	(1,111)	—	(8,787)	(9,899)	—	(9,899)
Other comprehensive loss	—	—	—	—	(5,946)	—	(5,946)	—	(5,946)
<b>Balance at September 30, 2022</b>	\$ —	16,607	\$ 166	\$ 159,784	\$ (7,599)	\$ 383,526	\$ 535,877	\$ —	\$ 535,877

The accompanying notes are an integral part of these consolidated financial statements.

**MYR GROUP INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	Nine months ended September 30,	
	2022	2021
<b>Cash flows from operating activities:</b>		
Net income	\$ 58,808	\$ 64,318
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization of property and equipment	36,317	32,884
Amortization of intangible assets	6,847	1,734
Stock-based compensation expense	5,866	5,350
Deferred income taxes	(1)	1,364
Gain on sale of property and equipment	(1,747)	(2,473)
Other non-cash items	3,230	1,171
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable, net	(56,125)	23,929
Contract assets, net	(74,775)	(33,642)
Receivable for insurance claims in excess of deductibles	(271)	(5,273)
Other assets	23,326	(5,786)
Accounts payable	71,758	29,874
Contract liabilities	5,582	(8,515)
Accrued self-insurance	1,462	5,571
Other liabilities	(6,551)	(2,291)
Net cash flows provided by operating activities	73,726	108,215
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property and equipment	1,649	2,489
Cash paid for acquired business, net of cash acquired	(110,660)	—
Purchases of property and equipment	(48,522)	(32,701)
Net cash flows used in investing activities	(157,533)	(30,212)
<b>Cash flows from financing activities:</b>		
Net borrowings under revolving lines of credit	57,748	—
Borrowings under equipment notes	24,187	—
Payment of principal obligations under equipment notes	(522)	(24,409)
Payment of principal obligations under finance leases	(1,272)	(336)
Proceeds from exercise of stock options	30	483
Repurchase of common stock	(31,654)	—
Payments related to tax withholding for stock-based compensation	(6,791)	(3,352)
Other financing activities	—	11
Net cash flows provided by (used in) financing activities	41,726	(27,603)
Effect of exchange rate changes on cash	(4,244)	(62)
Net increase (decrease) in cash and cash equivalents	(46,325)	50,338
<b>Cash and cash equivalents:</b>		
Beginning of period	82,092	22,668
End of period	\$ 35,767	\$ 73,006
<b>Supplemental cash flow information:</b>		
Noncash financing activities:		
Share repurchases not settled	\$ 1,712	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

**MYR GROUP INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization, Business and Basis of Presentation**

**Organization and Business**

MYR Group Inc. (the "Company") is a holding company of specialty electrical construction service providers and is currently conducting operations through wholly owned subsidiaries. The Company performs construction services in two business segments: Transmission and Distribution ("T&D"), and Commercial and Industrial ("C&I"). T&D customers include investor-owned utilities, cooperatives, private developers, government-funded utilities, independent power producers, independent transmission companies, industrial facility owners and other contractors. T&D provides a broad range of services on electric transmission, distribution networks, substation facilities and clean energy projects include design, engineering, procurement, construction, upgrade, maintenance and repair services. C&I customers include general contractors, commercial and industrial facility owners, government agencies and developers. C&I provides a broad range of services, which include the design, installation, maintenance and repair of commercial and industrial wiring. Typical C&I contracts cover electrical contracting services for airports, hospitals, data centers, hotels, stadiums, commercial and industrial facilities, clean energy projects, manufacturing plants, processing facilities, water/waste-water treatment facilities, mining facilities, intelligent transportation systems, roadway lighting and signalization.

**Basis of Presentation**

***Interim Consolidated Financial Information***

The accompanying unaudited consolidated financial statements of the Company were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial reporting pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. The Company believes that the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the financial position, results of operations, comprehensive income, stockholders' equity and cash flows with respect to the interim consolidated financial statements, have been included. Certain reclassifications were made to prior year amounts to conform to the current year presentation. The consolidated balance sheet as of December 31, 2021 has been derived from the audited financial statements as of that date. The results of operations and comprehensive income are not necessarily indicative of the results for the full year or the results for any future periods. These financial statements should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2021, included in the Company's Annual Report on Form 10-K, which was filed with the SEC on February 23, 2022 (the "2021 Annual Report").

***Joint Ventures and Noncontrolling Interests***

The Company accounts for investments in joint ventures using the proportionate consolidation method for income statement reporting and under the equity method for balance sheet reporting, unless the Company has a controlling interest causing the joint venture to be consolidated with equity owned by other joint venture partners recorded as noncontrolling interests. Under the proportionate consolidation method, joint venture activity is allocated to the appropriate line items found on the consolidated statements of operations in proportion to the percentage of participation the Company has in the joint venture. Under the equity method the net investment in joint ventures is stated as a single item on the Company's consolidated balance sheets. If an investment in a joint venture contains a recourse or unfunded commitments to provide additional equity, distributions and/or losses in excess of the investment, a liability is recorded in other current liabilities on the Company's consolidated balance sheets.

For joint ventures in which the Company does not have a controlling interest, the Company's share of any profits and assets and its share of any losses and liabilities are recognized based on the Company's stated percentage partnership interest in the joint venture, and are normally recorded by the Company one month in arrears. The investments in joint ventures are recorded at cost and the carrying amounts are adjusted to recognize the Company's proportionate share of cumulative income or loss, additional contributions made and dividends and capital distributions received. The Company records the effect of any impairment or any other-than-temporary decrease in the value of the joint venture investment as incurred, which may or may not be one month in arrears, depending on when the Company obtains the joint venture activity information. Additionally, the Company continually assesses the fair value of its investment in unconsolidated joint ventures despite using information that is one month in arrears for regular reporting purposes. The Company includes only its percentage ownership of each joint venture in its backlog.

### ***Foreign Currency***

The functional currency for the Company's Canadian operations is the Canadian dollar. Assets and liabilities denominated in Canadian dollars are translated into U.S. dollars at the end-of-period exchange rate. Revenues and expenses are translated using average exchange rates for the periods reported. Equity accounts are translated at historical rates. Cumulative translation adjustments are included as a separate component of accumulated other comprehensive income (loss) in shareholders' equity. Foreign currency transaction gains and losses, arising primarily from changes in exchange rates on short-term monetary assets and liabilities, and ineffective long-term monetary assets and liabilities are recorded in the "other income (expense), net" line on the Company's consolidated statements of operations. Foreign currency losses, recorded in other income, net, for the nine months ended September 30, 2022 were not significant. Foreign currency losses, recorded in other income, net, for the nine months ended September 30, 2021 were \$0.1 million. Effective foreign currency transaction gains and losses, arising primarily from long-term monetary assets and liabilities, are recorded in the foreign currency translation adjustment line on the Company's consolidated statements of comprehensive income.

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates.

The most significant estimates are related to estimates of costs to complete contracts, pending change orders and claims, shared savings, insurance reserves, income tax reserves, estimates surrounding stock-based compensation, acquisition-related contingent earn-out consideration liabilities, the recoverability of goodwill and intangibles and allowance for doubtful accounts. The Company estimates a cost accrual every quarter that represents costs incurred but not invoiced for services performed or goods delivered during the period, and estimates revenue from the contract cost portion of these accruals based on current gross margin rates to be consistent with its cost method of revenue recognition.

As of September 30, 2022 and 2021, the Company had recognized revenues of \$23.9 million and \$4.0 million, respectively, related to large change orders and/or claims that had been included as contract price adjustments on certain contracts, some of which are multi-year projects. These change orders and/or claims are in the process of being negotiated in the normal course of business, and a portion of these recognized revenues had been included in multiple periods.

The cost-to-cost method of accounting requires the Company to make estimates about the expected revenue and gross profit on each of its contracts in process. During the three months ended September 30, 2022, changes in estimates pertaining to certain projects decreased consolidated gross margin by 0.3%, which resulted in decreases in operating income of \$2.4 million, net income of \$1.7 million and diluted earnings per common share of \$0.10. During the nine months ended September 30, 2022, changes in estimates pertaining to certain projects did not have a significant impact on gross margin and resulted in increases in operating income of \$0.3 million, net income of \$0.1 million and diluted earnings per common share of \$0.01.

During the three months ended September 30, 2021, changes in estimates pertaining to certain projects increased consolidated gross margin by 1.4%, which resulted in increases in operating income of \$8.2 million, net income of \$5.9 million and diluted earnings per common share of \$0.35. During the nine months ended September 30, 2021, changes in estimates pertaining to certain projects increased consolidated gross margin by 0.4%, which resulted in increases in operating income of \$7.2 million, net income of \$5.2 million and diluted earnings per common share of \$0.30.

## Recent Accounting Pronouncements

Changes to U.S. GAAP are typically established by the Financial Accounting Standards Board (“FASB”) in the form of accounting standards updates (“ASUs”) to the FASB’s Accounting Standards Codification (“ASC”). The Company considers the applicability and impact of all ASUs. The Company, based on its assessment, determined that any recently issued or proposed ASUs not listed below are either not applicable to the Company or adoption will have minimal impact on its consolidated financial statements.

### *Recently Issued Accounting Pronouncements*

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. Under the new guidance the acquirer is required to recognize contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 as if the acquirer had originated the contracts. The update is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including in an interim period, for any period for which financial statements have not yet been issued. However, adoption in an interim period other than the first fiscal quarter requires an entity to apply the new guidance to all prior business combinations that have occurred since the beginning of the annual period in which the new guidance is adopted. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements or disclosures.

## 2. Acquisition

### *Powerline Plus Ltd*

On January 4, 2022, the Company acquired all issued and outstanding shares of capital stock of Powerline Plus Ltd. and its affiliate PLP Redimix Ltd. (collectively, the “Powerline Plus Companies”), a full-service electrical distribution construction company based in Toronto, Ontario. Consideration paid, funded through a combination of cash on hand and borrowings under the Facility (as defined below), including \$0.1 million of net asset and other adjustments, was \$110.7 million, net of cash acquired.

Additionally, the acquisition includes contingent earn-out consideration that may be payable if the Powerline Plus Companies achieve certain performance targets over a three-year post-acquisition period. As of the acquisition date, the fair value of the contingent earn-out consideration was \$0.9 million. The future payout of the contingent earn-out consideration, if any, is unlimited and could be significantly higher than the acquisition date fair value. If the minimum thresholds of the performance targets are achieved the contingent earn-out consideration payment will be approximately \$16.4 million. Changes in contingent earn-out consideration, subsequent to the acquisition, of approximately \$0.5 million were recorded in other income, for the three and nine months ended September 30, 2022. The results of the Powerline Plus Companies are included in the Company’s consolidated financial statements beginning on the transaction date. During the three and nine months ended September 30, 2022, the Company recognized approximately \$0.2 million and \$0.4 million, respectively, of acquisition-related costs associated with this acquisition.

The purchase agreement also includes contingent consideration provisions for down-side margin guarantee adjustments based upon certain contract performance subsequent to the acquisition. The contracts were valued at fair value at the acquisition date, causing no margin guarantee estimate or adjustments for fair value. Unfavorable changes in contract estimates, such as modified costs to complete or change order recognition, will result in changes to these margin guarantee estimates. Changes in margin guarantee adjustments on contracts, subsequent to the acquisition, were recorded in other income and were not significant for the three and nine months ended September 30, 2022. Future margin guarantee adjustments, if any, are expected to be recognized through 2022 and possibly in early 2023.

The following table summarizes the preliminary allocation of the opening balance sheet as of the date of the Powerline Plus Companies acquisition through September 30, 2022:

(in thousands)	January 4, 2022 acquisition date (initial estimates)	Measurement Period Adjustments	January 4, 2022 acquisition date (as adjusted through September 30, 2022)
Cash paid	\$ 114,429	\$ —	\$ 114,429
Contingent consideration - fair value at acquisition date	10,608	(9,743)	865
Net asset and other adjustments	563	(479)	84
Total consideration, net of estimated net asset adjustments	125,600	(10,222)	115,378
Less: Acquired cash	(3,853)	—	(3,853)
Total consideration less cash acquired, net of net asset and other adjustments	\$ 121,747	\$ (10,222)	\$ 111,525
Cash and cash equivalents	\$ 3,853	\$ —	\$ 3,853
Accounts receivable	12,131	(52)	12,079
Contract assets, net	12,443	148	12,591
Refundable income taxes	394	482	876
Prepaid expenses and other current assets	1,233	(121)	1,112
Property and equipment	10,366	1,577	11,943
Operating lease right-of-use assets	6,631	—	6,631
Intangible assets	—	49,735	49,735
Accounts payable	(8,095)	(466)	(8,561)
Contract liabilities	(1,597)	(95)	(1,692)
Current portion of operating lease obligations	(1,224)	—	(1,224)
Current portion of finance lease obligations	(1,492)	—	(1,492)
Deferred income tax liabilities	(1,358)	(13,991)	(15,349)
Operating lease obligations, net of current maturities	(4,897)	—	(4,897)
Finance lease obligations, net of current maturities	(3,243)	—	(3,243)
Net identifiable assets and liabilities	25,145	37,217	62,362
Unallocated intangible assets	56,650	(56,650)	—
Total acquired assets and liabilities	81,795	(19,433)	62,362
Goodwill	\$ 43,805	\$ 9,211	\$ 53,016

The following table summarizes the estimated fair values of identifiable intangible assets and the related weighted average amortization periods as of the acquisition date of the Powerline Plus Companies.

	Estimated Fair Value at Acquisition Date (in thousands)	Weighted Average Amortization Period at Acquisition Date (in years)
<b>Amortizable Intangible Assets</b>		
Customer relationships	\$ 39,757	15.0
Backlog	4,007	1.0
Total amortizable intangible assets	43,764	14.9
<b>Indefinite-lived Intangible Assets</b>		
Trade name	5,971	Indefinite
Total intangible assets	\$ 49,735	

The Company has developed preliminary estimates of fair value of the assets acquired and liabilities assumed for the purposes of allocating the purchase price. During the nine months ended September 30, 2022, the Company recorded certain measurement period adjustments related to various working capital, property and equipment, intangible asset and deferred tax accounts determined during our purchase price allocation procedures. The goodwill to be recognized, which represents the excess of the purchase price over the net amount of the fair values assigned to assets acquired and liabilities assumed, is primarily attributable to the value of an assembled workforce and other non-identifiable assets. No synergies were anticipated in the acquisition as the Powerline Plus Companies will function as an individual business within the Company's operating structure. The Company will finalize the allocation of the purchase price once the final review of third-party valuations is completed. A portion of the goodwill will be tax deductible per applicable Canadian Revenue Authority regulations.

### 3. Contract Assets and Liabilities

Contracts with customers usually stipulate the timing of payment, which is defined by the terms found within the various contracts under which work was performed during the period. Therefore, contract assets and liabilities are created when the timing of costs incurred on work performed does not coincide with the billing terms, which frequently include retention provisions contained in each contract.

The Company's consolidated balance sheets present contract assets, which contain unbilled revenue and contract retainages associated with contract work that has been completed and billed but not paid by customers, pursuant to retainage provisions, that are generally due once the job is completed and approved. The allowance for doubtful accounts associated with contract assets was \$0.5 million as of September 30, 2022 and \$0.4 million as of December 31, 2021.

Contract assets consisted of the following:

(in thousands)	September 30, 2022	December 31, 2021	Change
Unbilled revenue, net	\$ 185,707	\$ 134,187	\$ 51,520
Contract retainages, net	124,722	90,888	33,834
Contract assets, net	<u>\$ 310,429</u>	<u>\$ 225,075</u>	<u>\$ 85,354</u>

The Company's consolidated balance sheets present contract liabilities which contain deferred revenue and an accrual for contracts in a loss provision.

Contract liabilities consisted of the following:

(in thousands)	September 30, 2022	December 31, 2021	Change
Deferred revenue	\$ 172,356	\$ 165,699	\$ 6,657
Accrued loss provision	2,270	2,232	38
Contract liabilities	<u>\$ 174,626</u>	<u>\$ 167,931</u>	<u>\$ 6,695</u>

The following table provides information about contract assets and contract liabilities from contracts with customers:

(in thousands)	September 30, 2022	December 31, 2021	Change
Contract assets, net	\$ 310,429	\$ 225,075	\$ 85,354
Contract liabilities	(174,626)	(167,931)	(6,695)
Net contract assets (liabilities)	<u>\$ 135,803</u>	<u>\$ 57,144</u>	<u>\$ 78,659</u>

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing of the Company's billings in relation to its performance of work. The amounts of revenue recognized in the period that were included in the opening contract liability balances were \$42.1 million and \$101.1 million for the three and nine months ended September 30, 2022, respectively. The amounts of revenue recognized in the period that were included in the opening contract liability balances were \$13.8 million and \$98.0 million for the three and nine months ended September 30, 2021, respectively.

The net asset position for contracts in process consisted of the following:

(in thousands)	September 30, 2022	December 31, 2021
Costs and estimated earnings on uncompleted contracts	\$ 4,850,508	\$ 4,130,621
Less: billings to date	4,837,157	4,162,133
	<u>\$ 13,351</u>	<u>\$ (31,512)</u>

The net asset position for contracts in process is included within the contract asset and contract liability in the accompanying consolidated balance sheets as follows:

(in thousands)	September 30, 2022	December 31, 2021
Unbilled revenue	\$ 185,707	\$ 134,187
Deferred revenue	(172,356)	(165,699)
	<u>\$ 13,351</u>	<u>\$ (31,512)</u>

#### 4. Lease Obligations

From time-to-time, the Company enters into non-cancelable leases for some of our facility, vehicle and equipment needs. These leases allow the Company to conserve cash by paying a monthly lease rental fee for the use of facilities, vehicles and equipment rather than purchasing them. The Company's leases have remaining terms ranging from one to seven years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the leases within one year. Currently, all the Company's leases contain fixed payment terms. The Company may decide to cancel or terminate a lease before the end of its term, in which case we are typically liable to the lessor for the remaining lease payments under the term of the lease. Additionally, all of the Company's month-to-month leases are cancelable, by the Company or the lessor, at any time and are not included in our right-of-use asset or liability. At September 30, 2022, the Company had several leases with residual value guarantees. Typically, the Company has purchase options on the equipment underlying its long-term leases and many of its short-term rental arrangements. The Company may exercise some of these purchase options when the need for equipment is on-going and the purchase option price is attractive. Leases are accounted for as operating or finance leases, depending on the terms of the lease.

The following is a summary of the lease-related assets and liabilities recorded:

(in thousands)	Classification on the Consolidated Balance Sheet	September 30, 2022	December 31, 2021
<b>Assets</b>			
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 31,405	\$ 20,971
Finance lease right-of-use assets	Property and equipment, net of accumulated depreciation	3,457	—
Total right-of-use lease assets		<u>\$ 34,862</u>	<u>\$ 20,971</u>
<b>Liabilities</b>			
Current			
Operating lease obligations	Current portion of operating lease obligations	\$ 9,819	\$ 7,765
Finance lease obligations	Current portion of finance lease obligations	1,161	—
Total current obligations		10,980	7,765
Non-current			
Operating lease obligations	Operating lease obligations, net of current maturities	21,606	13,230
Finance lease obligations	Finance lease obligations, net of current maturities	2,551	—
Total non-current obligations		<u>24,157</u>	<u>13,230</u>
Total lease obligations		<u>\$ 35,137</u>	<u>\$ 20,995</u>

The following is a summary of the lease terms and discount rates:

	September 30, 2022	December 31, 2021
Weighted-average remaining lease term - finance leases	2.1 years	0.0 years
Weighted-average remaining lease term - operating leases	3.7 years	2.9 years
Weighted-average discount rate - finance leases	3.0 %	— %
Weighted-average discount rate - operating leases	3.9 %	3.9 %

The following is a summary of certain information related to the lease costs for finance and operating leases:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Lease cost:</b>				
Finance lease cost:				
Amortization of right-of-use assets	\$ 107	\$ 11	\$ 841	\$ 386
Interest on lease liabilities	30	—	105	—
Operating lease cost	3,488	2,515	9,898	7,474
Variable lease costs	102	78	313	233
Total lease cost	<u>\$ 3,727</u>	<u>\$ 2,604</u>	<u>\$ 11,157</u>	<u>\$ 8,093</u>

The following is a summary of other information and supplemental cash flow information related to finance and operating leases:

(in thousands)	Nine months ended September 30,	
	2022	2021
<b>Other information:</b>		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 9,779	\$ 7,635
Right-of-use asset obtained in exchange for new operating lease obligations	\$ 19,596	\$ 5,687
Right-of-use asset obtained in exchange for new finance lease obligations	\$ 510	\$ —

The future undiscounted minimum lease payments, as reconciled to the discounted minimum lease obligation indicated on the Company's consolidated balance sheets, under financial leases, less interest, and under operating leases, less imputed interest, as of September 30, 2022 were as follows:

(in thousands)	Finance Lease Obligations	Operating Lease Obligations	Total Lease Obligations
Remainder of 2022	\$ 346	\$ 3,392	\$ 3,738
2023	1,195	12,057	13,252
2024	2,013	8,561	10,574
2025	311	6,130	6,441
2026	—	4,765	4,765
2027	—	1,344	1,344
Thereafter	—	2,723	2,723
Total minimum lease payments	3,865	38,972	42,837
Financing component	(153)	(7,547)	(7,700)
Net present value of minimum lease payments	3,712	31,425	35,137
Less: current portion of finance and operating lease obligations	(1,161)	(9,819)	(10,980)
Long-term finance and operating lease obligations	\$ 2,551	\$ 21,606	\$ 24,157

The financing component for operating lease obligations represents the effect of discounting the lease payments to their present value.

Certain subsidiaries of the Company have operating leases for facilities from third party companies that are owned, in whole or part, by employees of the subsidiaries. The terms and rental rates of these leases are at or below market rental rates. As of September 30, 2022, the minimum lease payments required under these leases totaled \$7.7 million, which are due over the next 4.3 years.

## 5. Fair Value Measurements

The Company uses the three-tier hierarchy of fair value measurement, which prioritizes the inputs used in measuring fair value based upon their degree of availability in external active markets. These tiers include: Level 1 (the highest priority), defined as observable inputs, such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 (the lowest priority), defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of September 30, 2022 and December 31, 2021, the Company determined that the carrying value of cash and cash equivalents approximated fair value based on Level 1 inputs. As of September 30, 2022 and December 31, 2021, the fair values of the Company's long-term debt and finance lease obligations were based on Level 2 inputs. The Company's long-term debt was based on variable and fixed interest rates at September 30, 2022 and December 31, 2021, for new issues with similar remaining maturities, and approximated carrying value. In addition, based on borrowing rates currently available to the Company for borrowings with similar terms, the carrying values of the Company's finance lease obligations also approximated fair value.

As of September 30, 2022, the fair values of the Company's contingent earn-out consideration liability associated with the acquisition of the Powerline Plus Companies was based on Level 3 inputs. The contingent earn-out consideration recorded represents the estimated fair values of future amounts potentially payable to the former owners of the acquired Powerline Plus Companies and was initially determined using a Monte Carlo simulation valuation methodology based on probability-weighted performance projections and other inputs, including a discount rate and an expected volatility factor. The fair value of this contingent earn-out consideration liability will be evaluated on an ongoing basis by management. Accordingly, the level of inputs used for these fair value measurements is the lowest level (Level 3). Significant changes in any of these assumptions could result in a significantly higher or lower potential liability.

## 6. Debt

The table below reflects the Company's total debt, including borrowings under its credit agreement and master loan agreements for equipment notes:

(dollar amounts in thousands)	Inception Date	Stated Interest Rate (per annum)	Payment Frequency	Term (years)	Outstanding Balance as of September 30, 2022	Outstanding Balance as of December 31, 2021
<i>Credit Agreement</i>						
Revolving loans	9/13/2019	Variable	Variable	5	\$ 57,748	\$ —
<i>Equipment Notes</i>						
Equipment Note 8	12/27/2019	2.75%	Semi-annual	5	3,987	4,503
Equipment Note 10	8/26/2022	4.32%	Semi-annual	5	24,119	—
Other equipment note	4/11/2022	4.55%	Monthly	5	58	—
					<u>28,164</u>	<u>4,503</u>
<b>Total debt</b>					<u>85,912</u>	<u>4,503</u>
Less: current portion of long-term debt					(5,060)	(1,039)
<b>Long-term debt</b>					<u>\$ 80,852</u>	<u>\$ 3,464</u>

### *Credit Agreement*

On September 13, 2019, the Company entered into a five-year amended and restated credit agreement (the "Credit Agreement") with a syndicate of banks led by JPMorgan Chase Bank, N.A. and Bank of America, N.A, that provides for a \$375 million facility (the "Facility"), subject to certain financial covenants as defined in the Credit Agreement, that may be used for revolving loans of which \$150 million may be used for letters of credit. The Facility also allows for revolving loans and letters of credit in Canadian dollars and other currencies, up to the U.S. dollar equivalent of \$75 million. The Company has an expansion option to increase the commitments under the Facility or enter into incremental term loans, subject to certain conditions, by up to an additional \$200 million upon receipt of additional commitments from new or existing lenders. Subject to certain exceptions, the Facility is secured by substantially all of the assets of the Company and its domestic subsidiaries, and by a pledge of substantially all of the capital stock of the Company's domestic subsidiaries and 65% of the capital stock of the direct foreign subsidiaries of the Company. Additionally, subject to certain exceptions, the Company's domestic subsidiaries also guarantee the repayment of all amounts due under the Credit Agreement. If an event of default occurs and is continuing, on the terms and subject to the conditions set forth in the Credit Agreement, amounts outstanding under the Facility may be accelerated and may become or be declared immediately due and payable. Borrowings under the Credit Agreement are used for refinancing existing indebtedness, working capital, capital expenditures, acquisitions, share repurchases, and other general corporate purposes.

Amounts borrowed under the Credit Agreement bear interest, at the Company's option, at a rate equal to either (1) the Alternate Base Rate (as defined in the Credit Agreement), plus an applicable margin ranging from 0.00% to 0.75%; or (2) Adjusted LIBO Rate (as defined in the Credit Agreement) plus an applicable margin ranging from 1.00% to 1.75%. The applicable margin is determined based on the Company's consolidated leverage ratio (the "Leverage Ratio") which is defined in the Credit Agreement as Consolidated Total Indebtedness (as defined in the Credit Agreement) divided by Consolidated EBITDA (as defined in the Credit Agreement). Letters of credit issued under the Facility are subject to a letter of credit fee of 1.00% to 1.75% for non-performance letters of credit or 0.50% to 0.875% for performance letters of credit, based on the Company's consolidated Leverage Ratio. The Company is subject to a commitment fee of 0.15% to 0.25%, based on the Company's consolidated Leverage Ratio, on any unused portion of the Facility. The Credit Agreement restricts certain types of payments when the Company's consolidated Leverage Ratio exceeds 2.50 or the Company's consolidated Liquidity (as defined in the Credit Agreement) is less than \$50 million. The weighted average interest rate on borrowings outstanding on the Facility for the nine months ended September 30, 2022 was 2.45% per annum.

Under the Credit Agreement, the Company is subject to certain financial covenants and is limited to a maximum consolidated Leverage Ratio of 3.0 and a minimum interest coverage ratio of 3.0, which is defined in the Credit Agreement as Consolidated EBITDA (as defined in the Credit Agreement) divided by interest expense (as defined in the Credit Agreement). The Credit Agreement also contains covenants including limitations on asset sales, investments, indebtedness and liens. The Company was in compliance with all of its financial covenants under the Credit Agreement as of September 30, 2022.

As of September 30, 2022, the Company had \$57.7 million of debt outstanding under the Facility and letters of credit outstanding under the Facility of approximately \$13.3 million, which are almost entirely related to the Company's payment obligation under its insurance programs.

As of December 31, 2021, the Company had no debt outstanding under the Facility and letters of credit outstanding under the Facility of approximately \$12.3 million, which are almost entirely related to the Company's payment obligation under its insurance programs.

The Company had remaining deferred debt issuance costs totaling \$0.6 million as of September 30, 2022, related to the line of credit. As permitted, debt issuance costs have been deferred and are presented as an asset within other assets, which is amortized as interest expense over the term of the line of credit.

### ***Equipment Notes***

The Company has entered into Master Equipment Loan and Security Agreements (the "Master Loan Agreements") with multiple finance companies. The Master Loan Agreements may be used for the financing of equipment between the Company and the lenders pursuant to one or more equipment notes ("Equipment Note"). Each Equipment Note executed under the Master Loan Agreements constitutes a separate, distinct and independent financing of equipment and a contractual obligation of the Company, which may contain prepayment clauses.

As of September 30, 2022, the Company had two Equipment Notes outstanding under the Master Loan Agreements that are collateralized by equipment and vehicles owned by the Company. As of September 30, 2022, the Company had one other equipment note outstanding that is collateralized by a vehicle owned by the Company. The following table sets forth our remaining principal payments for all of the Company's outstanding equipment notes as of September 30, 2022:

<b>(in thousands)</b>	<b>Future Equipment Notes Principal Payments</b>
Remainder of 2022	\$ 526
2023	5,074
2024	6,577
2025	4,364
2026	4,554
2027	7,069
Total future principal payments	28,164
Less: current portion of equipment notes	(5,060)
Long-term principal obligations	\$ 23,104

## **7. Revenue Recognition**

### ***Disaggregation of Revenue***

A majority of the Company's revenues are earned through contracts with customers that normally provide for payment upon completion of specified work or units of work as identified in the contract. Although there is considerable variation in the terms of these contracts, they are primarily structured as fixed-price contracts, under which the Company agrees to perform a defined scope of a project for a fixed amount, or unit-price contracts, under which the Company agrees to do the work at a fixed price per unit of work as specified in the contract. The Company also enters into time-and-equipment and time-and-materials contracts under which the Company is paid for labor and equipment at negotiated hourly billing rates and for other expenses, including materials, as incurred at rates agreed to in the contract. Finally, the Company sometimes enters into cost-plus contracts, where the Company is paid for costs plus a negotiated margin. On occasion, time-and-equipment, time-and-materials and cost-plus contracts require the Company to include a guaranteed not-to-exceed maximum price.

Historically, fixed-price and unit-price contracts have had the highest potential margins; however, they have had a greater risk in terms of profitability because cost overruns may not be recoverable. Time-and-equipment, time-and-materials and cost-plus contracts have historically had less margin upside, but generally have had a lower risk of cost overruns. The Company also provides services under master service agreements (“MSAs”) and other variable-term service agreements. MSAs normally cover maintenance, upgrade and extension services, as well as new construction. Work performed under MSAs is typically billed on a unit-price, time-and-materials or time-and-equipment basis. MSAs are typically one to three years in duration; however, most of the Company’s contracts, including MSAs, may be terminated by the customer on short notice, typically 30 to 90 days, even if the Company is not in default under the contract. Under MSAs, customers generally agree to use the Company for certain services in a specified geographic region. Most MSAs include no obligation for the contract counterparty to assign specific volumes of work to the Company and do not require the counterparty to use the Company exclusively, although in some cases the MSA contract gives the Company a right of first refusal for certain work. Additional information related to the Company’s market types is provided in Note 11–Segment Information.

The components of the Company’s revenue by contract type for the three months ended September 30, 2022 and 2021 were as follows:

(dollars in thousands)	Three months ended September 30, 2022					
	T&D		C&I		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Fixed price	\$ 216,082	47.8 %	\$ 290,078	83.4 %	\$ 506,160	63.3 %
Unit price	127,121	28.1	27,597	7.9	154,718	19.3
T&E	108,811	24.1	30,159	8.7	138,970	17.4
	<u>\$ 452,014</u>	<u>100.0 %</u>	<u>\$ 347,834</u>	<u>100.0 %</u>	<u>\$ 799,848</u>	<u>100.0 %</u>
(dollars in thousands)	Three months ended September 30, 2021					
	T&D		C&I		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Fixed price	\$ 122,185	39.9 %	\$ 246,803	81.3 %	\$ 368,988	60.5 %
Unit price	83,200	27.1	21,567	7.1	104,767	17.2
T&E	101,161	33.0	35,266	11.6	136,427	22.3
	<u>\$ 306,546</u>	<u>100.0 %</u>	<u>\$ 303,636</u>	<u>100.0 %</u>	<u>\$ 610,182</u>	<u>100.0 %</u>

The components of the Company’s revenue by contract type for the nine months ended September 30, 2022 and 2021 were as follows:

(dollars in thousands)	Nine months ended September 30, 2022					
	T&D		C&I		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Fixed price	\$ 559,920	45.5 %	\$ 752,337	82.5 %	\$ 1,312,257	61.2 %
Unit price	349,051	28.3	60,332	6.6	409,383	19.1
T&E	323,134	26.2	99,812	10.9	422,946	19.7
	<u>\$ 1,232,105</u>	<u>100.0 %</u>	<u>\$ 912,481</u>	<u>100.0 %</u>	<u>\$ 2,144,586</u>	<u>100.0 %</u>
(dollars in thousands)	Nine months ended September 30, 2021					
	T&D		C&I		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Fixed price	\$ 431,673	45.5 %	\$ 733,686	81.2 %	\$ 1,165,359	62.9 %
Unit price	258,489	27.3	58,477	6.5	316,966	17.1
T&E	258,123	27.2	111,793	12.3	369,916	20.0
	<u>\$ 948,285</u>	<u>100.0 %</u>	<u>\$ 903,956</u>	<u>100.0 %</u>	<u>\$ 1,852,241</u>	<u>100.0 %</u>

The components of the Company's revenue by market type for the three months ended September 30, 2022 and 2021 were as follows:

(dollars in thousands)	Three months ended September 30, 2022			Three months ended September 30, 2021		
	Amount	Percent	Segment	Amount	Percent	Segment
Transmission	\$ 264,022	33.0 %	T&D	\$ 165,953	27.2 %	T&D
Distribution	187,992	23.5	T&D	140,593	23.0	T&D
Electrical construction	347,834	43.5	C&I	303,636	49.8	C&I
Total revenue	<u>\$ 799,848</u>	<u>100.0 %</u>		<u>\$ 610,182</u>	<u>100.0 %</u>	

The components of the Company's revenue by market type for the nine months ended September 30, 2022 and 2021 were as follows:

(dollars in thousands)	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Amount	Percent	Segment	Amount	Percent	Segment
Transmission	\$ 735,707	34.3 %	T&D	\$ 588,126	31.8 %	T&D
Distribution	496,398	23.2	T&D	360,159	19.4	T&D
Electrical construction	912,481	42.5	C&I	903,956	48.8	C&I
Total revenue	<u>\$ 2,144,586</u>	<u>100.0 %</u>		<u>\$ 1,852,241</u>	<u>100.0 %</u>	

### Remaining Performance Obligations

As of September 30, 2022, the Company had \$2.29 billion of remaining performance obligations. The Company's remaining performance obligations include projects that have a written award, a letter of intent, a notice to proceed or an agreed upon work order to perform work on mutually accepted terms and conditions.

The following table summarizes the amount of remaining performance obligations as of September 30, 2022 that the Company expects to be realized and the amount of the remaining performance obligations that the Company reasonably estimates will not be recognized within the next twelve months.

(in thousands)	Remaining Performance Obligations at September 30, 2022			Total at December 31, 2021
	Total	Amount estimated to not be recognized within 12 months		
T&D	\$ 840,458	\$ 82,767	\$	572,032
C&I	1,445,006	346,235		1,105,866
Total	<u>\$ 2,285,464</u>	<u>\$ 429,002</u>	<u>\$</u>	<u>1,677,898</u>

The Company expects the vast majority of the remaining performance obligations to be recognized within twenty-four months, although the timing of the Company's performance is not always under its control. Additionally, the difference between the remaining performance obligations and backlog is due to the exclusion of a portion of the Company's MSAs under certain contract types from the Company's remaining performance obligations as these contracts can be canceled for convenience at any time by the Company or the customer without considerable cost incurred by the customer. Additional information related to backlog is provided in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

### 8. Income Taxes

The U.S. federal statutory tax rate was 21% for each of the three and nine months ended September 30, 2022 and 2021. The Company's effective tax rate for the three and nine months ended September 30, 2022 was 29.4% and 25.0%, respectively, of pretax income compared to the effective tax rate for the three and nine months ended September 30, 2021 of 24.6% and 25.9%, respectively.

The difference between the U.S. federal statutory tax rate and the Company's effective tax rate for the three months ended September 30, 2022, was primarily due to state income taxes, foreign earnings and other permanent difference items.

The difference between the U.S. federal statutory tax rate and the Company's effective tax rate for the nine months ended September 30, 2022, was primarily due to state income taxes, foreign earnings and other permanent difference items partially offset by a favorable impact from stock compensation excess tax benefits.

The difference between the U.S. federal statutory tax rate and the Company's effective tax rate for the three and nine months ended September 30, 2021, was primarily due to state income taxes, foreign earnings and other permanent difference items, partially offset by a favorable impact from stock compensation excess tax benefits. The Company's effective tax rate for the three months ended September 30, 2021 also benefited from a reversal of the global intangible low tax income ("GILTI").

The Company had unrecognized tax benefits of approximately \$0.5 million and \$0.4 million as of September 30, 2022 and December 31, 2021, respectively, which were included in other liabilities in the accompanying consolidated balance sheets.

The Company's policy is to recognize interest and penalties related to income tax liabilities as a component of income tax expense in the consolidated statements of operations. The amount of interest and penalties charged to income tax expense related to unrecognized tax benefits was not significant for the three and nine months ended September 30, 2022 and 2021.

The Company is subject to taxation in various jurisdictions. The Company's 2018 through 2020 tax returns are subject to examination by U.S. federal authorities. The Company's tax returns are subject to examination by various state authorities for the years 2017 through 2020.

## **9. Commitments and Contingencies**

### ***Purchase Commitments***

As of September 30, 2022, the Company had approximately \$26.2 million in outstanding purchase orders for certain construction equipment, with cash payments scheduled to occur over the next seven months.

### ***Insurance and Claims Accruals***

The Company carries insurance policies, which are subject to certain deductibles and limits, for workers' compensation, general liability, automobile liability and other insurance coverage. The deductible per occurrence for each line of coverage is up to \$1.0 million, except for wildfire coverage which has a deductible of \$2.0 million. The Company also maintains excess umbrella coverage providing higher layers of insurance coverage for losses that exhaust the limits of underlying coverage. A layer of this umbrella coverage requires the Company to pay a portion of any loss within a certain loss range and our potential exposure for such losses is up to approximately \$3.8 million. The Company's health benefit plans are subject to stop-loss limits of up to \$0.2 million for qualified individuals. Losses up to the deductible and stop-loss amounts are accrued based upon the Company's estimates of the ultimate liability for claims reported and an estimate of claims incurred but not yet reported.

The insurance and claims accruals are based on known facts, actuarial estimates and historical trends. While recorded accruals are based on the ultimate liability, which includes amounts in excess of the deductible, a corresponding receivable for amounts in excess of the deductible is included in current and long-term assets in the Company's consolidated balance sheets.

### ***Performance and Payment Bonds and Parent Guarantees***

In certain circumstances, the Company is required to provide performance and payment bonds in connection with its future performance on certain contractual commitments. The Company has indemnified its sureties for any expenses paid out under these bonds. As of September 30, 2022, an aggregate of approximately \$1.78 billion in original face amount of bonds issued by the Company's sureties were outstanding. The Company estimated the remaining cost to complete these bonded projects was approximately \$861.1 million as of September 30, 2022.

From time to time, the Company guarantees the obligations of wholly owned subsidiaries, including obligations under certain contracts with customers, certain lease agreements, and, in some states, obligations in connection with obtaining contractors' licenses. Additionally, from time to time the Company is required to post letters of credit to guarantee the obligations of wholly owned subsidiaries, which reduces the borrowing availability under the Facility.

### ***Indemnities***

From time to time, pursuant to its service arrangements, the Company indemnifies its customers for claims related to the services it provides under those service arrangements. These indemnification obligations may subject the Company to indemnity claims and liabilities and related litigation. The Company is not aware of any material unrecorded liabilities for asserted claims in connection with these indemnification obligations.

### ***Collective Bargaining Agreements***

Most of the Company's subsidiaries' craft labor employees are covered by collective bargaining agreements. The agreements require the subsidiaries to pay specified wages, provide certain benefits and contribute certain amounts to multi-employer pension plans. If a subsidiary withdraws from any of the multi-employer pension plans or if the plans were to otherwise become underfunded, the subsidiary could incur liabilities for additional contributions related to these plans. Although the Company has been informed that the underfunding status of some of the multi-employer pension plans to which its subsidiaries contribute have been classified as "critical" status, the Company is not currently aware of any potential liabilities related to this issue.

### ***Litigation and Other Legal Matters***

The Company is from time-to-time party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief.

The Company is routinely subject to other civil claims, litigation and arbitration, and regulatory investigations arising in the ordinary course of our business, as well as in respect of our divested businesses. These claims, lawsuits and other proceedings include claims related to the Company's current services and operations, as well as our historic operations.

With respect to all such lawsuits, claims and proceedings, the Company records reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe that any of these proceedings, separately or in the aggregate, would be expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

## **10. Stock-Based Compensation**

The Company maintains two equity compensation plans under which stock-based compensation has been granted: the 2017 Long-Term Incentive Plan (which was amended and restated as of April 23, 2020) (the "LTIP") and the 2007 Long-Term Incentive Plan (as amended) (the "2007 Plan"). Upon the adoption of the original LTIP in 2017, awards were no longer granted under the 2007 Plan. The LTIP provides for grants of (a) incentive stock options qualified as such under U.S. federal income tax laws, (b) stock options that do not qualify as incentive stock options, (c) stock appreciation rights, (d) restricted stock awards, (e) restricted stock units, (f) performance share awards, (g) phantom stock units, (h) stock bonuses, (i) dividend equivalents, and (j) any combination of such grants. The Company has outstanding grants of non-qualified stock options, time-vested stock awards in the form of restricted stock units and internal metric-based and market-based performance stock units.

During the nine months ended September 30, 2022, the Company granted time-vested stock awards covering 45,992 shares of common stock under the LTIP, which vest ratably over three years for employee awards and after one year for non-employee director awards, at a weighted average grant date fair value of \$76.93. During the nine months ended September 30, 2022, time-vested stock awards covering 73,373 shares of common stock vested at a weighted average grant date fair value of \$42.47.

During the nine months ended September 30, 2022, the Company granted 31,603 performance share awards under the LTIP at target, which will cliff vest, if earned, on December 31, 2024, at a weighted average grant date fair value of \$118.82. The number of shares ultimately earned under a performance award may vary from zero to 200% of the target shares granted, based upon the Company's performance compared to certain metrics. The metrics used were determined at the time of the grant by the Compensation Committee of the Board of Directors and were either based on internal measures, such as the Company's financial performance compared to targets, or on a market-based metric, such as the Company's stock performance compared to a peer group. Performance awards granted cliff vest following the performance period if the stated performance targets and minimum service requirements are attained and are paid in shares of the Company's common stock.

During the nine months ended September 30, 2022, plan participants exercised options to purchase 1,271 shares of the Company's common stock with a weighted average exercise price of \$23.34.

The Company recognizes stock-based compensation expense related to restricted stock units based on the grant date fair value, which was the closing price of the Company's stock on the date of grant. The fair value is expensed over the service period, which is generally three years.

For performance awards, the Company recognizes stock-based compensation expense based on the grant date fair value of the award. The fair value of internal metric-based performance awards is determined by the closing stock price of the Company's common stock on the date of the grant. The fair value of market-based performance awards is computed using a Monte Carlo simulation. Performance awards are expensed over the service period of approximately 2.8 years, and the Company adjusts the stock-based compensation expense related to internal metric-based performance awards according to its determination of the shares expected to vest at each reporting date.

## **11. Segment Information**

MYR Group is a holding company of specialty contractors serving electrical utility infrastructure and commercial construction markets in the United States and Canada. The Company has two reporting segments, each a separate operating segment, which are referred to as T&D and C&I. Performance measurement and resource allocation for the reporting segments are based on many factors. The primary financial measures used to evaluate the segment information are contract revenues and income from operations, excluding general corporate expenses. General corporate expenses include corporate facility and staffing costs, which include safety costs, professional fees, IT expenses and management fees. The accounting policies of the segments are the same as those described in the Note 1—Organization, Business and Significant Accounting Policies to the 2021 Annual Report.

**Transmission and Distribution:** The T&D segment provides a broad range of services on electric transmission and distribution networks and substation facilities which include design, engineering, procurement, construction, upgrade, maintenance and repair services with a particular focus on construction, maintenance and repair. T&D services include the construction and maintenance of high voltage transmission lines, substations and lower voltage underground and overhead distribution systems and clean energy projects. The T&D segment also provides emergency restoration services in response to hurricane, ice or other storm-related damage. T&D customers include investor-owned utilities, cooperatives, private developers, government-funded utilities, independent power producers, independent transmission companies, industrial facility owners and other contractors.

**Commercial and Industrial:** The C&I segment provides services such as the design, installation, maintenance and repair of commercial and industrial wiring, the installation of intelligent transportation systems, roadway lighting and signalization. Typical C&I contracts cover electrical contracting services for airports, hospitals, data centers, hotels, stadiums, commercial and industrial facilities, clean energy projects, manufacturing plants, processing facilities, water/waste-water treatment facilities, mining facilities and transportation control and management systems. The C&I segment generally provides electric construction and maintenance services as a subcontractor to general contractors in the C&I industry, but also contracts directly with facility owners. The C&I segment has a diverse customer base with many long-standing relationships.

The information in the following table is derived from the segment's internal financial reports used for corporate management purposes:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Contract revenues:</b>				
T&D	\$ 452,014	\$ 306,546	\$ 1,232,105	\$ 948,285
C&I	347,834	303,636	912,481	903,956
	\$ 799,848	\$ 610,182	\$ 2,144,586	\$ 1,852,241
<b>Income from operations:</b>				
T&D	\$ 34,315	\$ 35,301	\$ 97,555	\$ 96,737
C&I	10,876	14,139	30,478	42,935
General Corporate	(18,216)	(18,488)	(49,911)	(51,644)
	\$ 26,975	\$ 30,952	\$ 78,122	\$ 88,028

## 12. Earnings Per Share

The Company computes earnings per share using the treasury stock method. Under the treasury stock method, basic earnings per share are computed by dividing net income available to stockholders by the weighted average number of common shares outstanding during the period, and diluted earnings per share are computed by dividing net income available to stockholders by the weighted average number of common shares outstanding during the period plus all potentially dilutive common stock equivalents, except in cases where the effect of the common stock equivalent would be anti-dilutive.

Net income and the weighted average number of common shares used to compute basic and diluted earnings per share were as follows:

(in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Numerator:</b>				
Net income	\$ 18,436	\$ 23,171	\$ 58,808	\$ 64,318
<b>Denominator:</b>				
Weighted average common shares outstanding	16,659	16,868	16,822	16,828
Weighted average dilutive securities	194	299	222	304
Weighted average common shares outstanding, diluted	16,853	17,167	17,044	17,132
<b>Income per common share:</b>				
Basic	\$ 1.11	\$ 1.37	\$ 3.50	\$ 3.82
Diluted	\$ 1.09	\$ 1.35	\$ 3.45	\$ 3.75

For the three and nine months ended September 30, 2022 and 2021, certain common stock equivalents were excluded from the calculation of dilutive securities because their inclusion would either have been anti-dilutive or, for stock options, the exercise prices of those stock options were greater than the average market price of the Company's common stock for the period. All of the Company's unvested time-vested stock awards were included in the computation of weighted average dilutive securities.

The following table summarizes the shares of common stock underlying the Company's unvested performance awards that were excluded from the calculation of dilutive securities:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Performance awards	13	—	13	17

### *Share Repurchases*

On May 4, 2022, the Company announced that its Board of Directors had authorized a new \$75.0 million share repurchase program (the "Repurchase Program"). The Repurchase Program was authorized by the Board of Directors on May 3, 2022 and became effective on May 5, 2022. The Repurchase Program will expire on November 7, 2022, or when the authorized funds are exhausted, whichever is earlier.

During the nine months ended September 30, 2022, the Company repurchased 398,152 shares of its common stock under the Repurchase Program at a weighted-average price of \$83.81 per share. Additionally, during the nine months ended September 30, 2022 the Company repurchased 68,675 shares of stock, for approximately \$6.8 million, from its employees to satisfy tax obligations on shares vested under the LTIP. All of the shares repurchased were retired. The shares repurchased resulted in no change to authorized shares and an increase to unissued shares. As of September 30, 2022, the Company had \$41.6 million of remaining availability to repurchase shares of the Company's common stock under the Repurchase Program.

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

*This management's discussion and analysis provides a narrative on the Company's financial performance and condition that should be read in conjunction with the accompanying unaudited consolidated financial statements and with our Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Annual Report"). In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed herein under the captions "Cautionary Statement Concerning Forward-Looking Statements and Information" and "Risk Factors," as well as in the 2021 Annual Report. We assume no obligation to update any of these forward-looking statements.*

### Overview and Outlook

We are a holding company of specialty electrical construction service providers that was established through the merger of long-standing specialty contractors. Through our subsidiaries, we serve the electric utility infrastructure, commercial and industrial construction markets. We manage and report our operations through two electrical contracting service segments: Transmission and Distribution ("T&D") and Commercial and Industrial ("C&I").

We have operated in the transmission and distribution industry since 1891. We are one of the largest U.S. contractors servicing the T&D sector of the electric utility industry and provide T&D services throughout the United States and in Ontario, Canada. Our T&D customers include many of the leading companies in the electric utility industry. We have provided electrical contracting services for commercial and industrial construction since 1912. Our C&I segment provides services in the United States and in western Canada. Our C&I customers include facility owners and general contractors.

We believe that we have a number of competitive advantages in both of our segments, including our skilled workforce, extensive centralized fleet, proven safety performance and reputation for timely completion of quality work that allows us to compete favorably in our markets. In addition, we believe that we are better capitalized than some of our competitors, which provides us with valuable flexibility to take on additional and more complex projects.

We believe legislative actions aimed at supporting infrastructure improvements in the United States may positively impact long-term demand, particularly in connection with electric power infrastructure, transportation and clean energy spending. We believe the legislative actions are likely to provide greater long-term opportunity in both of our reporting segments. However both of our segments and supporting operations may be subject to delays and cost volatility due to supply chain disruptions, inflationary pressures, tariffs, regulatory slowdowns and the continued market disruption from the COVID-19 pandemic, which may result in decelerations in project opportunities and awards.

We had consolidated revenues for the nine months ended September 30, 2022 of \$2.14 billion, of which 57.5% was attributable to our T&D customers and 42.5% was attributable to our C&I customers. Our consolidated revenues for the nine months ended September 30, 2021 were \$1.85 billion. For the nine months ended September 30, 2022, our net income and EBITDA<sup>(1)</sup> were \$58.8 million and \$123.8 million, respectively, compared to \$64.3 million and \$122.8 million, respectively, for the nine months ended September 30, 2021.

We believe there is an ongoing need for utilities to sustain investment in their transmission systems to improve reliability, reduce congestion and connect to new clean energy sources. Consequently, we anticipate that we will continue to see significant bidding activity on large transmission projects going forward. The timing of multi-year transmission project awards and substantial construction activity is difficult to predict due to regulatory requirements and the permitting needed to commence construction. Significant construction on any large, multi-year projects awarded in the remainder of 2022 will not likely begin until 2023. Bidding and construction activity for small to medium-size transmission projects and upgrades remain active, and we expect this trend to continue.

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<sup>(1)</sup> EBITDA is a non-GAAP measure. Refer to "Non-GAAP Measure—EBITDA" for a discussion of this measure.

As a result of reduced spending by United States utilities on their distribution systems for several years, we believe there is a need for sustained investment by utilities on their distribution systems to properly maintain or meet reliability requirements. We continue to see increased bidding activity in some of our electric distribution markets, as economic conditions improved in those areas. We believe the increased storm activity and destruction caused by wildfires will cause a push to strengthen utility distribution systems against catastrophic damage. Several industry and market trends are also prompting customers in the electric utility industry to seek outsourcing partners rather than performing projects internally. These trends include an aging electric utility workforce, increasing costs and staffing constraints. We believe electric utility employee retirements could increase, which may result in an increase in outsourcing opportunities. We expect to see an incremental increase in distribution opportunities in the markets we serve during the rest of 2022.

We expect C&I bidding opportunities to be impacted by continued market disruptions, and as a result, the growth of our C&I market will be heavily dependent on the timing and pace of the overall market recovery. We believe that the primary markets we serve may be somewhat less vulnerable to economic slowing, such as health care, transportation, data centers, warehousing, clean energy and water projects.

In addition, the United States has experienced decades of underfunded economic expansion and aging infrastructure which has challenged the capacity of public water and transportation infrastructure forcing states and municipalities to seek creative means to fund needed expansion and repair. We believe the need for expanding public infrastructure will offer opportunity in our C&I segment for several years. We expect the long-term growth in our C&I segment to generally track the overall growth of the regions we serve.

We strive to maintain our status as a preferred provider to our T&D and C&I customers. In an effort to support our growth strategy and maximize stockholder returns, we seek to efficiently manage our capital. We continue to implement strategies that further expand our capabilities and allow opportunities to provide prudent capital returns. During the nine months ended September 30, 2022, the Company repurchased 398,152 shares of its common stock under our current repurchase program at a weighted-average price of \$83.81 per share. As of September 30, 2022, we had \$41.6 million of remaining availability to purchase shares under the program, which continues in effect until November 7, 2022, or until the authorized funds are exhausted. Additionally, on January 4, 2022, we acquired all issued and outstanding shares of capital stock of Powerline Plus Ltd. and its affiliate (collectively, the "Powerline Plus Companies"), which expanded our distribution operations in Ontario, Canada.

We continue to manage our increasing costs for supporting our operations, including increasing insurance, equipment, labor and material costs. We believe that our financial position, positive cash flows and other operational strengths will enable us to manage our markets and give us the flexibility to successfully execute our strategies. We continue to invest in developing key management and craft personnel in both our T&D and C&I markets and in procuring the specific specialty equipment and tooling needed to win and execute projects of all sizes and complexity.

## **Backlog**

We refer to our estimated revenue on uncompleted contracts, including the amount of revenue on contracts for which work has not begun, less the revenue we have recognized under such contracts, as "backlog." A customer's intention to award us work under a fixed-price contract is not included in backlog unless there is an actual written award to perform a specific scope of work at specific terms and pricing. For many of our unit-price, time-and-equipment, time-and-materials and cost plus contracts, we only include projected revenue for a three-month period in the calculation of backlog, although these types of contracts are generally awarded as part of master service agreements that typically have a one-year to three-year duration from execution. Backlog may not accurately represent the revenues that we expect to realize during any particular period. Several factors, such as the timing of contract awards, the type and duration of contracts, and the mix of subcontractor and material costs in our projects, can impact our backlog at any point in time. Some of our revenue does not appear in our periodic backlog reporting because the award of the project, as well as the execution of the work, may all take place within the period. Our backlog includes projects that have a written award, a letter of intent, a notice to proceed or an agreed upon work order to perform work on mutually accepted terms and conditions. Backlog should not be relied upon as a stand-alone indicator of future events.

The difference between our backlog and remaining performance obligations is due to the exclusion of a portion of our master service agreements under certain contract types from our remaining performance obligations as these contracts can be canceled for convenience at any time by us or the customer without considerable cost incurred by the customer. Our estimated backlog also includes our proportionate share of unconsolidated joint venture contracts. Additional information related to our remaining performance obligations is provided in Note 7—Revenue Recognition in the accompanying notes to our Consolidated Financial Statements.

Our backlog was \$2.48 billion at September 30, 2022, compared to \$1.79 billion at December 31, 2021 and \$1.63 billion at September 30, 2021. Our backlog at September 30, 2022 increased \$31.4 million from June 30, 2022. Backlog in the T&D segment decreased \$40.6 million and C&I backlog increased \$72.0 million compared to June 30, 2022. Our backlog as of September 30, 2022 included our proportionate share of joint venture backlog totaling \$23.6 million, compared to \$3.7 million at June 30, 2022.

The following table summarizes that amount of our backlog that we believe to be firm as of the dates shown and the amount of our current backlog that we reasonably estimate will not be recognized within the next twelve months:

(in thousands)	Backlog at September 30, 2022			Total backlog at December 31, 2021
	Total	Amount estimated to not be recognized within 12 months		
T&D	\$ 1,021,795	\$ 82,767		\$ 676,130
C&I	1,454,462	346,235		1,113,014
Total	\$ 2,476,257	\$ 429,002		\$ 1,789,144

## Consolidated Results of Operations

The following table sets forth selected consolidated statements of operations data and such data as a percentage of revenues for the periods indicated:

(dollars in thousands)	Three months ended September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Contract revenues	\$ 799,848	100.0 %	\$ 610,182	100.0 %	\$ 2,144,586	100.0 %	\$ 1,852,241	100.0 %
Contract costs	713,502	89.2	526,259	86.2	1,896,893	88.5	1,610,343	86.9
Gross profit	86,346	10.8	83,923	13.8	247,693	11.5	241,898	13.1
Selling, general and administrative expenses	58,891	7.4	53,072	8.7	164,471	7.7	154,609	8.3
Amortization of intangible assets	827	0.1	578	0.1	6,847	0.3	1,734	0.1
Gain on sale of property and equipment	(347)	—	(679)	(0.1)	(1,747)	(0.1)	(2,473)	(0.1)
Income from operations	26,975	3.3	30,952	5.1	78,122	3.6	88,028	4.8
Other income (expense):								
Interest income	44	—	23	—	58	—	51	—
Interest expense	(1,134)	(0.1)	(305)	—	(2,235)	(0.1)	(1,458)	(0.1)
Other income, net	223	—	69	—	2,485	0.1	190	—
Income before provision for income taxes	26,108	3.2	30,739	5.1	78,430	3.6	86,811	4.7
Income tax expense	7,672	0.9	7,568	1.3	19,622	0.9	22,493	1.2
Net income	\$ 18,436	2.3 %	\$ 23,171	3.8 %	\$ 58,808	2.7 %	\$ 64,318	3.5 %

### Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021

**Revenues.** Revenues were \$799.8 million for the three months ended September 30, 2022 compared to \$610.2 million for the three months ended September 30, 2021. The increase of \$189.6 million, or 31.1%, was primarily due to an increase in revenue on transmission projects, an increase in revenues on distribution projects, including incremental distribution revenues from the Powerline Plus Companies, and an increase in C&I revenue in certain geographical areas.

**Gross margin.** Gross margin was 10.8% for the three months ended September 30, 2022 compared to 13.8% for the three months ended September 30, 2021. The decrease in gross margin was primarily due to overall cost increases mainly associated with supply chain disruptions and inflation. Gross margin was also negatively impacted by labor inefficiencies and inclement weather experienced on certain projects. These margin decreases were partially offset by a favorable change order adjustment and better-than-anticipated productivity on certain projects. Changes in estimates of gross profit on certain projects resulted in a gross margin decrease of 0.3% and an increase of 1.4% for the three months ended September 30, 2022 and 2021, respectively.

*Gross profit.* Gross profit was \$86.3 million for the three months ended September 30, 2022 compared to \$83.9 million for the three months ended September 30, 2021. The increase of \$2.4 million, or 2.9%, was due to higher revenues, partially offset by lower margins.

*Selling, general and administrative expenses.* Selling, general and administrative expenses ("SG&A") were \$58.9 million for the three months ended September 30, 2022 compared to \$53.1 million for the three months ended September 30, 2021. The period-over-period increase of \$5.8 million was primarily due to an increase in employee-related expenses to support the growth in our operations and the acquisition of the Powerline Plus Companies, partially offset by a decrease in employee incentive compensation costs.

*Gain on sale of property and equipment.* Gains from the sale of property and equipment for the three months ended September 30, 2022 were \$0.3 million compared to \$0.7 million for the three months ended September 30, 2021. Gains from the sale of property and equipment are attributable to routine sales of property and equipment no longer useful or valuable to our ongoing operations.

*Interest expense.* Interest expense was \$1.1 million for three months ended September 30, 2022 compared to \$0.3 million for the three months ended September 30, 2021. This increase was primarily attributable to higher outstanding debt and interest rates during the three months ended September 30, 2022 as compared to the three months ended September 30, 2021.

*Income tax expense.* Income tax expense was \$7.7 million for the three months ended September 30, 2022, with an effective tax rate of 29.4%, compared to the expense of \$7.6 million for the three months ended September 30, 2021, with an effective tax rate of 24.6%. The increase in the tax rate for the three months ended September 30, 2022 was primarily due to an increase in permanent difference items and a tax benefit associated with the reversal of the global intangible low tax income ("GILTI") during the three months ended September 30, 2021.

*Net income.* Net income was \$18.4 million for the three months ended September 30, 2022 compared to \$23.2 million for the three months ended September 30, 2021. The decrease was primarily due to the reasons stated earlier.

## Segment Results

The following table sets forth, for the periods indicated, statements of operations data by segment, segment net sales as percentage of total net sales and segment operating income as a percentage of segment net sales:

(dollars in thousands)	Three months ended September 30,			
	2022		2021	
	Amount	Percent	Amount	Percent
<b>Contract revenues:</b>				
Transmission & Distribution	\$ 452,014	56.5 %	\$ 306,546	50.2 %
Commercial & Industrial	347,834	43.5	303,636	49.8
Total	\$ 799,848	100.0 %	\$ 610,182	100.0 %
<b>Operating income (loss):</b>				
Transmission & Distribution	\$ 34,315	7.6 %	\$ 35,301	11.5 %
Commercial & Industrial	10,876	3.1	14,139	4.7
Total	45,191	5.7	49,440	8.1
General Corporate	(18,216)	(2.3)	(18,488)	(3.0)
Consolidated	\$ 26,975	3.4 %	\$ 30,952	5.1 %

### Transmission & Distribution

Revenues for our T&D segment for the three months ended September 30, 2022 were \$452.0 million compared to \$306.5 million for the three months ended September 30, 2021, an increase of \$145.5 million, or 47.5%. The increase in revenue was primarily related to an increase in revenue on transmission projects, an increase in revenues on distribution projects, including incremental distribution revenues from the Powerline Plus Companies. Revenues from transmission projects represented 58.4% and 54.1% of T&D segment revenue for the three months ended September 30, 2022 and 2021, respectively.

Operating income for our T&D segment for the three months ended September 30, 2022 was \$34.3 million, a decrease of \$1.0 million, or 2.8%, from the three months ended September 30, 2021. The decrease in T&D operating income from the prior year was primarily due to labor inefficiencies on a project and overall cost increases from supply chain disruptions, inflation and inclement weather experienced on certain projects. These decreases were partially offset by higher revenues. As a percentage of revenues, operating income for our T&D segment was 7.6% for the three months ended September 30, 2022 compared to 11.5% for the three months ended September 30, 2021.

#### *Commercial & Industrial*

Revenues for our C&I segment for the three months ended September 30, 2022 were \$347.8 million compared to \$303.6 million for the three months ended September 30, 2021, an increase of \$44.2 million, or 14.6%, primarily due to higher revenue in certain geographical areas.

Operating income for our C&I segment for the three months ended September 30, 2022 was \$10.9 million, a decrease of \$3.3 million, over the three months ended September 30, 2021. The period-over-period decrease in operating income was primarily due to overall cost increases mainly associated with supply chain disruptions and inflation. Operating income was also negatively impacted by labor inefficiencies on certain projects. The decrease in operating income was partially offset by a favorable change order adjustment and better-than-anticipated productivity on certain projects. As a percentage of revenues, operating income for our C&I segment was 3.1% for the three months ended September 30, 2022 compared to 4.7% for the three months ended September 30, 2021.

#### **Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021**

*Revenues.* Revenues were \$2.14 billion for the nine months ended September 30, 2022 compared to \$1.85 billion for the nine months ended September 30, 2021. The increase of \$292.4 million, or 15.8%, was primarily due to an increase in revenue on transmission projects, an increase in revenues on distribution projects, including incremental distribution revenues from the Powerline Plus Companies, and an increase in C&I revenue in certain geographical areas.

*Gross margin.* Gross margin was 11.5% for the nine months ended September 30, 2022 compared to 13.1% for the nine months ended September 30, 2021. The decrease in gross margin was primarily due to overall cost increases mainly associated with supply chain disruptions, inflation and continued impacts from the COVID-19 pandemic, some of which also caused labor and material inefficiencies on certain projects. Gross margin was also negatively impacted by an unfavorable change order adjustment on a project and inclement weather experienced on certain projects. These margin decreases were partially offset by better-than-anticipated productivity, favorable job close outs and favorable change order adjustments on certain projects. Changes in estimates of gross profit on certain projects were not significant for the nine months ended September 30, 2022 and resulted in gross margin increase of 0.4% for the nine months ended September 30, 2021.

*Gross profit.* Gross profit was \$247.7 million for the nine months ended September 30, 2022 compared to \$241.9 million for the nine months ended September 30, 2021, the increase of \$5.8 million, or 2.4% was due to higher revenues, partially offset by lower margins.

*Selling, general and administrative expenses.* SG&A was \$164.5 million for the nine months ended September 30, 2022 compared to \$154.6 million for the nine months ended September 30, 2021. The period-over-period increase of \$9.9 million was primarily due to the acquisition of Powerline Plus Companies and an increase in employee-related expenses to support the growth in our operations, partially offset by a decrease in employee incentive compensation costs.

*Amortization of intangible assets.* Amortization of intangible assets was \$6.8 million for the nine months ended September 30, 2022 compared to \$1.7 million for the nine months ended September 30, 2021. The period-over-period increase of \$5.1 million was primarily due to amortization related to certain intangibles acquired with the Powerline Plus Companies.

*Gain on sale of property and equipment.* Gains from the sale of property and equipment for the nine months ended September 30, 2022 were \$1.7 million compared to \$2.5 million for the nine months ended September 30, 2021. Gains from the sale of property and equipment are attributable to routine sales of property and equipment no longer useful or valuable to our ongoing operations.

*Interest expense.* Interest expense was \$2.2 million for the nine months ended September 30, 2022 compared to \$1.5 million for the nine months ended September 30, 2021. This increase was primarily attributable to higher outstanding debt and interest rates during the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

*Other income, net.* Other income was \$2.5 million for the nine months ended September 30, 2022 compared to other income of \$0.2 million for the nine months ended September 30, 2021. The change was largely due to funds received under the Canadian Emergency Wage Subsidy program, which were attributable to a C&I segment company.

*Income tax expense.* Income tax expense was \$19.6 million for the nine months ended September 30, 2022, with an effective tax rate of 25.0%, compared to the expense of \$22.5 million for the nine months ended September 30, 2021, with an effective tax rate of 25.9%. The decrease in the tax rate for the nine months ended September 30, 2022 was primarily due to a favorable impact from stock compensation excess tax benefits, partially offset by an increase in other permanent difference items.

*Net income.* Net income was \$58.8 million for the nine months ended September 30, 2022 compared to \$64.3 million for the nine months ended September 30, 2021. The decrease was primarily due to the reasons stated earlier.

## Segment Results

The following table sets forth, for the periods indicated, statements of operations data by segment, segment net sales as percentage of total net sales and segment operating income as a percentage of segment net sales:

(dollars in thousands)	Nine months ended September 30,			
	2022		2021	
	Amount	Percent	Amount	Percent
<b>Contract revenues:</b>				
Transmission & Distribution	\$ 1,232,105	57.5 %	\$ 948,285	51.2 %
Commercial & Industrial	912,481	42.5	903,956	48.8
Total	\$ 2,144,586	100.0 %	\$ 1,852,241	100.0 %
<b>Operating income (loss):</b>				
Transmission & Distribution	\$ 97,555	7.9 %	\$ 96,737	10.2 %
Commercial & Industrial	30,478	3.3	42,935	4.7
Total	128,033	5.9	139,672	7.5
General Corporate	(49,911)	(2.3)	(51,644)	(2.8)
Consolidated	\$ 78,122	3.6 %	\$ 88,028	4.7 %

### Transmission & Distribution

Revenues for our T&D segment for the nine months ended September 30, 2022 were \$1.23 billion compared to \$948.3 million for the nine months ended September 30, 2021, an increase of \$283.8 million, or 29.9%. The increase in revenue was primarily related to an increase in revenue on transmission projects, an increase in revenues on distribution projects, including incremental distribution revenues from the Powerline Plus Companies. Revenues from transmission projects represented 59.7% and 62.0% of T&D segment revenue for the nine months ended September 30, 2022 and 2021, respectively.

Operating income for our T&D segment for the nine months ended September 30, 2022 was \$97.6 million, an increase of \$0.9 million, or 0.8%, from the nine months ended September 30, 2021. The increase in T&D operating income from the prior year was primarily due to higher revenues and a favorable job close-out. These increases were partially offset by the additional \$5.1 million of amortization related to certain intangibles acquired with the Powerline Plus Companies and an unfavorable change order adjustment on a project. Operating income was also negatively impacted by overall cost increases from supply chain disruptions, labor inefficiencies, inflation and inclement weather experienced on certain projects. As a percentage of revenues, operating income for our T&D segment was 7.9% for the nine months ended September 30, 2022 compared to 10.2% for the nine months ended September 30, 2021.

### Commercial & Industrial

Revenues for our C&I segment for the nine months ended September 30, 2022 were \$912.5 million compared to \$904.0 million for the nine months ended September 30, 2021, an increase of \$8.5 million, or 0.9%, primarily due to higher revenue in certain geographical areas.

Operating income for our C&I segment for the nine months ended September 30, 2022 was \$30.5 million, a decrease of \$12.4 million over the nine months ended September 30, 2021. The period-over-period decrease in operating income was primarily due to overall cost increases mainly associated with supply chain disruptions, inflation and continued impacts from the COVID-19 pandemic some of which also caused labor and material inefficiencies on certain projects. The decrease in operating income was partially offset by better-than-anticipated productivity on various projects, favorable change order adjustments on certain projects and a favorable job close out. As a percentage of revenues, operating income for our C&I segment was 3.3% for the nine months ended September 30, 2022 compared to 4.7% for the nine months ended September 30, 2021.

#### **Non-GAAP Measure—EBITDA**

We define EBITDA, a performance measure used by management, as net income plus interest expense net of interest income, provision for income taxes and depreciation and amortization. EBITDA, a non-GAAP financial measure, does not purport to be an alternative to net income as a measure of operating performance or to net cash flows provided by operating activities as a measure of liquidity. We believe that EBITDA is useful to investors and other external users of our Consolidated Financial Statements in evaluating our operating performance and cash flow because EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, useful lives placed on assets, capital structure and the method by which assets were acquired. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly-titled measures of other companies. We use, and we believe investors benefit from, the presentation of EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations.

Using EBITDA as a performance measure has material limitations as compared to net income, or other financial measures as defined under accounting principles generally accepted in the United States of America ("U.S. GAAP"), as it excludes certain recurring items, which may be meaningful to investors. EBITDA excludes interest expense net of interest income; however, as we have borrowed money to finance transactions and operations, or invested available cash to generate interest income, interest expense and interest income are elements of our cost structure and can affect our ability to generate revenue and returns for our stockholders. Further, EBITDA excludes depreciation and amortization; however, as we use capital and intangible assets to generate revenues, depreciation and amortization are a necessary element of our costs and ability to generate revenue. Finally, EBITDA excludes income taxes; however, as we are organized as a corporation, the payment of taxes is a necessary element of our operations. As a result of these exclusions from EBITDA, any measure that excludes interest expense net of interest income, depreciation and amortization and income taxes has material limitations as compared to net income. When using EBITDA as a performance measure, management compensates for these limitations by comparing EBITDA to net income in each period, to allow for the comparison of the performance of the underlying core operations with the overall performance of the company on a full-cost, after-tax basis. Using both EBITDA and net income to evaluate the business allows management and investors to (a) assess our relative performance against our competitors and (b) monitor our capacity to generate returns for our stockholders.

The following table provides a reconciliation of net income to EBITDA:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income	\$ 18,436	\$ 23,171	\$ 58,808	\$ 64,318
<i>Add:</i>				
Interest expense, net	1,090	282	2,177	1,407
Income tax expense	7,672	7,568	19,622	22,493
Depreciation & amortization	13,101	11,290	43,164	34,618
EBITDA	\$ 40,299	\$ 42,311	\$ 123,771	\$ 122,836

We also use EBITDA as a liquidity measure. Certain material covenants contained within our credit agreement (the “Credit Agreement”) are based on EBITDA with certain additional adjustments. Non-compliance with these financial covenants under the Credit Agreement — our interest coverage ratio which is defined in the Credit Agreement as Consolidated EBITDA (as defined in the Credit Agreement) divided by interest expense (as defined in the Credit Agreement) and our leverage ratio, which is defined in the Credit Agreement as Consolidated Total Indebtedness (as defined in the Credit Agreement), divided by Consolidated EBITDA (as defined in the Credit Agreement) — could result in our lenders requiring us to immediately repay all amounts borrowed. If we anticipated a potential covenant violation, we would seek relief from our lenders, likely causing us to incur additional cost, and such relief might not be available, or if available, might not be on terms as favorable as those in the Credit Agreement. In addition, if we cannot satisfy these financial covenants, we would be prohibited under the Credit Agreement from engaging in certain activities, such as incurring additional indebtedness, making certain payments, and acquiring or disposing of assets. Based on the information above, management believes that the presentation of EBITDA as a liquidity measure is useful to investors and relevant to their assessment of our capacity to service or incur debt, fund capital expenditures, finance acquisitions and expand our operations.

The following table provides a reconciliation of net cash flows provided by operating activities to EBITDA:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Provided by Operating Activities:</b>				
Net cash flows provided by operating activities	\$ 13,607	\$ 19,653	\$ 73,726	\$ 108,215
<i>Add/(subtract):</i>				
Changes in operating assets and liabilities	22,410	16,728	35,594	(3,867)
Adjustments to reconcile net income to net cash flows provided by operating activities	(17,581)	(13,210)	(50,512)	(40,030)
Depreciation & amortization	13,101	11,290	43,164	34,618
Income tax expense	7,672	7,568	19,622	22,493
Interest expense, net	1,090	282	2,177	1,407
EBITDA	\$ 40,299	\$ 42,311	\$ 123,771	\$ 122,836

## **Liquidity, Capital Resources and Material Cash Requirements**

As of September 30, 2022, we had working capital of \$249.8 million. We define working capital as current assets less current liabilities. During the nine months ended September 30, 2022, operating activities of our business provided net cash of \$73.7 million, compared to \$108.2 million of cash provided for the nine months ended September 30, 2021. Cash flow from operations is primarily influenced by operating margins, timing of contract performance and the type of services we provide to our customers. The \$34.5 million year-over-year decrease in cash provided by operating activities was primarily due to unfavorable net changes in operating assets and liabilities of \$39.5 million, partially offset by an increase in depreciation and amortization of \$8.5 million. The unfavorable change in operating assets and liabilities was primarily due to the net unfavorable year-over-year changes in various working capital accounts that relate primarily to construction activities (accounts receivable, contract assets, accounts payable and contract liabilities) of \$65.2 million, partially offset by the net favorable change of \$29.1 million in other assets. The unfavorable changes in cash provided by working capital accounts, mainly related to construction activities, was primarily due to unfavorable changes in accounts receivable due to the timing of billings and payments under our contracts. The favorable change in other assets was primarily due to the timing of insurance payments partially offset by incremental prepayment of materials required for certain projects.

In the nine months ended September 30, 2022, we used net cash of \$157.5 million in investing activities consisting of \$110.7 million to acquire the Powerline Plus Companies and \$48.5 million for capital expenditures, partially offset by \$1.6 million of proceeds from the sale of equipment.

In the nine months ended September 30, 2022, financing activities provided net cash of \$41.7 million, consisting primarily of \$57.7 million of borrowing under our revolving line of credit and \$24.2 million of borrowing under our equipment notes. The impact of these borrowing was partially offset by share repurchases of \$31.7 million under our share repurchase program and \$6.8 million of shares repurchased to satisfy tax obligations under our stock compensation programs.

We believe that our \$303.9 million borrowing availability under our revolving line of credit at September 30, 2022, future cash flow from operations and our ability to utilize short- and long-term leases will provide sufficient liquidity for our short- and long-term needs. Our primary short-term liquidity needs include cash for operations, debt service requirements, capital expenditures, acquisition and joint venture opportunities, share repurchases and \$9.8 million of remaining payroll tax deferrals provided under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which are expected to be paid by the end of 2022. We believe that we have adequate sources of liquidity to meet our long-term liquidity needs and foreseeable material cash requirements. We continue to invest in developing key management and craft personnel in both our T&D and C&I markets and in procuring the specific specialty equipment and tooling needed to win and execute projects of all sizes and complexity.

We have not historically paid dividends and currently do not expect to pay dividends.

## ***Debt Instruments***

### ***Credit Agreement***

On September 13, 2019, we entered into a five-year amended and restated credit agreement (the "Credit Agreement") with a syndicate of banks led by JPMorgan Chase Bank, N.A. and Bank of America, N.A. The Credit Agreement provides for a facility of \$375 million (the "Facility"), subject to certain financial covenants as defined in the Credit Agreement, that may be used for revolving loans of which \$150 million may be used for letters of credit. The Facility also allows for revolving loans and letters of credit in Canadian dollars and other currencies, up to the U.S. dollar equivalent of \$75 million. We have an expansion option to increase the commitments under the Facility or enter into incremental term loans, subject to certain conditions, by up to an additional \$200 million upon receipt of additional commitments from new or existing lenders. Subject to certain exceptions, the Facility is secured by substantially all of our assets and the assets of our domestic subsidiaries and by a pledge of substantially all of the capital stock of our domestic subsidiaries and 65% of the capital stock of our direct foreign subsidiaries. Additionally, subject to certain exceptions, our domestic subsidiaries also guarantee the repayment of all amounts due under the Credit Agreement. If an event of default occurs and is continuing, on the terms and subject to the conditions set forth in the Credit Agreement, amounts outstanding under the Facility may be accelerated and may become or be declared immediately due and payable. Borrowings under the Facility are used for refinancing existing debt, working capital, capital expenditures, acquisitions and other general corporate purposes.

Amounts borrowed under the Credit Agreement bear interest, at our option, at a rate equal to either (1) the Alternate Base Rate (as defined in the Credit Agreement), plus an applicable margin ranging from 0.00% to 0.75%; or (2) Adjusted LIBO Rate (as defined in the Credit Agreement) plus an applicable margin ranging from 1.00% to 1.75%. The applicable margin is determined based on our consolidated leverage ratio ("Leverage Ratio") which is defined in the Credit Agreement as Consolidated Total Indebtedness (as defined in the Credit Agreement) divided by Consolidated EBITDA (as defined in the Credit Agreement). Letters of credit issued under the Facility are subject to a letter of credit fee of 1.00% to 1.75% for non-performance letters of credit or 0.50% to 0.875% for performance letters of credit, based on our consolidated Leverage Ratio. We are subject to a commitment fee of 0.15% to 0.25%, based on our consolidated Leverage Ratio, on any unused portion of the Facility. The Credit Agreement restricts certain types of payments when our consolidated Leverage Ratio exceeds 2.50 or our consolidated Liquidity (as defined in the Credit Agreement) is less than \$50.0 million.

Under the Credit Agreement, we are subject to certain financial covenants and are limited to a maximum consolidated Leverage Ratio of 3.0 and a minimum interest coverage ratio of 3.0, which is defined in the Credit Agreement as Consolidated EBITDA (as defined in the Credit Agreement) divided by interest expense (as defined in the Credit Agreement). The Credit Agreement also contains a number of covenants, including limitations on asset sales, investments, indebtedness and liens. We were in compliance with all of the financial covenants under the Credit Agreement as of September 30, 2022.

We had \$57.7 million of debt outstanding under the Facility as of September 30, 2022. We had no debt outstanding under the Facility as of December 31, 2021.

#### *Letters of Credit*

Some of our vendors require letters of credit to ensure reimbursement for amounts they are disbursing on our behalf, such as to beneficiaries under our insurance programs. In addition, from time-to-time certain customers require us to post letters of credit to ensure payment to our subcontractors and vendors under those contracts and to guarantee performance under our contracts. Such letters of credit are generally issued by a bank or similar financial institution. The letter of credit commits the issuer to pay specified amounts to the holder of the letter of credit if the holder claims that we have failed to perform specified actions in accordance with the terms of the letter of credit. If this were to occur, we would be required to reimburse the issuer of the letter of credit. Depending on the circumstances of such a reimbursement, we may also have to record a charge to earnings for the reimbursement. Currently, we do not believe that it is likely that any claims will be made under any letter of credit.

As of September 30, 2022 and December 31, 2021, we had \$13.3 million and \$12.3 million, respectively, in letters of credit outstanding under our Credit Agreement, which are almost entirely related to the Company's payment obligation under its insurance programs.

#### *Equipment Notes*

We have entered into multiple Master Loan Agreements with multiple finance companies. The Master Loan Agreements may be used for financing of equipment between us and the lenders pursuant to one or more equipment notes ("Equipment Notes"). Each Equipment Note constitutes a separate, distinct and independent financing of equipment and contractual obligation.

As of September 30, 2022, we had two outstanding Equipment Notes collateralized by equipment and vehicles owned by us. As of December 31, 2021, we had one outstanding Equipment Note collateralized by equipment and vehicles owned by us. As of September 30, 2022, we also had one other equipment note outstanding collateralized by a vehicle owned by us. The outstanding balance of all equipment notes was \$28.2 million as of September 30, 2022 and \$4.5 million as of December 31, 2021. As of September 30, 2022 we had outstanding short-term and long-term equipment notes of approximately \$5.1 million and \$23.1 million, respectively. As of December 31, 2021, we had an outstanding short-term and long-term Equipment Notes of approximately \$1.0 million and \$3.5 million, respectively.

### *Lease Obligations*

From time-to-time, the Company enters into non-cancelable leases for some of our facility, vehicle and equipment needs. These leases allow the Company to conserve cash by paying a monthly lease rental fee for the use of facilities, vehicles and equipment rather than purchasing them. The Company's leases have remaining terms ranging from one to seven years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the leases within one year. Typically, the Company has purchase options on the equipment underlying its long-term leases and many of its short-term rental arrangements. The Company may exercise some of these purchase options when the need for equipment is on-going and the purchase option price is attractive.

The outstanding balance of operating lease obligations was \$31.4 million as of September 30, 2022, consisting of short-term and long-term operating lease obligations of approximately \$9.8 million and \$21.6 million, respectively. The outstanding balance of operating lease obligations was \$21.0 million as of December 31, 2021, consisting of short-term and long-term operating lease obligations of approximately \$7.8 million and \$13.2 million, respectively.

The outstanding balance of finance lease obligations was \$3.7 million as of September 30, 2022, consisting of short-term and long-term finance lease obligations of approximately \$1.2 million and \$2.6 million, respectively. As of December 31, 2021 we had no outstanding finance lease obligations.

### *Purchase Commitments for Construction Equipment*

As of September 30, 2022, we had approximately \$26.2 million in outstanding purchase obligations for certain construction equipment to be paid with cash outlays scheduled to occur over the next seven months.

### *Performance and Payment Bonds and Parent Guarantees*

Many customers, particularly in connection with new construction, require us to post performance and payment bonds issued by a financial institution known as a surety. These bonds provide a guarantee to the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. If we fail to perform under a contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. We must reimburse our sureties for any expenses or outlays they incur. Under our continuing indemnity and security agreements with our sureties, with the consent of our lenders under the Credit Agreement, we have granted security interests in certain of our assets to collateralize our obligations to the surety. We may be required to post letters of credit or other collateral in favor of the surety or our customers. Posting letters of credit in favor of the surety or our customers reduces the borrowing availability under the Credit Agreement. To date, we have not been required to make any reimbursements to any of our sureties for bond-related costs. We believe that it is unlikely that we will have to fund significant claims under our surety arrangements. As of September 30, 2022, an aggregate of approximately \$1.78 billion in original face amount of bonds issued by our sureties were outstanding. Our estimated remaining cost to complete these bonded projects was approximately \$861.1 million as of September 30, 2022.

From time to time we guarantee the obligations of our wholly owned subsidiaries, including obligations under certain contracts with customers, certain lease agreements, and, in some states, obligations in connection with obtaining contractors' licenses. Additionally, from time to time we are required to post letters of credit to guarantee the obligations of our wholly owned subsidiaries, which reduces the borrowing availability under our credit facility.

### **Concentration of Credit Risk**

We grant trade credit under normal payment terms, generally without collateral, to our customers, which include high credit quality electric utilities, governmental entities, general contractors and builders, owners and managers of commercial and industrial properties located in the United States. Consequently, we are subject to potential credit risk related to changes in business and economic factors throughout the United States. However, we generally have certain statutory lien rights with respect to services provided. Under certain circumstances such as foreclosures or negotiated settlements, we may take title to the underlying assets in lieu of cash in settlement of receivables. As of September 30, 2022 and 2021, none of our customers individually exceeded 10% of consolidated accounts receivable. Management believes the terms and conditions in its contracts, billing and collection policies are adequate to minimize the potential credit risk.

### **New Accounting Pronouncements**

For a discussion regarding new accounting pronouncements, please refer to Note 1—Organization, Business and Basis of Presentation—Recent Accounting Pronouncements in the accompanying notes to our Consolidated Financial Statements.

## Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis, based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates. For further information regarding our critical accounting policies and estimates, please refer to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies” included in our 2021 Annual Report.

## Cautionary Statement Concerning Forward-Looking Statements and Information

We are including the following discussion to inform you of some of the risks and uncertainties that can affect our company and to take advantage of the protections for forward-looking statements that applicable federal securities law affords.

Statements in this Quarterly Report on Form 10-Q contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), which represent our management’s beliefs and assumptions concerning future events. When used in this document and in documents incorporated by reference, forward-looking statements include, without limitation, statements regarding financial forecasts or projections, and our expectations, beliefs, intentions or future strategies that are signified by the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “likely,” “may,” “objective,” “outlook,” “plan,” “project,” “possible,” “potential,” “should,” “unlikely,” or other words that convey the uncertainty of future events or outcomes. The forward-looking statements in this Quarterly Report on Form 10-Q speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to update these statements (unless required by securities laws), and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict, and many of which are beyond our control. In addition, many of these risks, contingencies and uncertainties are currently amplified by, and may continue to be amplified by, the COVID-19 pandemic. These and other important factors, including those discussed under the caption “Forward-Looking Statements” and in Item 1A. “Risk Factors” in our 2021 Annual Report, and in any risk factors or cautionary statements contained in our other filings with the Securities and Exchange Commission, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

These risks, contingencies and uncertainties include, but are not limited to, the following:

- Our operating results may vary significantly from period to period.
- Our industry is highly competitive.
- Negative economic and market conditions including tariffs on materials and recessionary conditions may adversely impact our customers’ future spending and, as a result, our operations and growth.
- We may be unsuccessful in generating internal growth, which could impact the projects available to the Company.
- Our inability to successfully execute or integrate acquisitions or joint ventures may have an adverse impact on our growth strategy and business.
- Project performance issues, including those caused by third parties, or certain contractual obligations may result in additional costs to us, reductions or delays in revenues or the payment of penalties, including liquidated damages.
- We may be unable to attract and retain qualified personnel.
- The timing of new contracts and termination of existing contracts may result in unpredictable fluctuations in our cash flows and financial results.
- During the ordinary course of our business, we may become subject to lawsuits or indemnity claims.
- Backlog may not be realized or may not result in profits and may not accurately represent future revenue.
- Our insurance has limits and exclusions that may not fully indemnify us against certain claims or losses, including claims resulting from wildfires or other natural disasters and an increase in cost, or the unavailability or cancellation of third party insurance coverages would increase our overall risk exposure and could disrupt our operations and reduce our profitability.

- Risks associated with operating in the Canadian market could restrict our ability to expand and harm our business and prospects.
- Changes in tax laws or our interpretations of tax laws could materially impact our income tax liabilities.
- The nature of our business exposes us to potential liability for warranty claims and faulty engineering, which may reduce our profitability.
- Health outbreaks such as the COVID-19 pandemic may have an adverse impact on our business, employees, liquidity, financial condition, results of operations and cash flows.
- Our dependence on suppliers, subcontractors and equipment manufacturers could expose us to the risk of loss in our operations.
- Our participation in joint ventures and other projects with third parties may expose us to liability for failures of our partners.
- Legislative or regulatory actions relating to electricity transmission and renewable energy may impact demand for our services.
- We may incur liabilities and suffer negative financial or reputational impacts relating to occupational health and safety matters, including those related to environmental hazards such as wildfires and other natural disasters.
- Our failure to comply with environmental and other laws and regulations could result in significant liabilities.
- Our business may be affected by seasonal and other variations, including severe weather conditions and the nature of our work environment.
- Opportunities associated with government contracts could lead to increased governmental regulation applicable to us.
- We are subject to risks associated with climate change including financial risks and physical risks such as an increase in extreme weather events (such as floods, wildfires or hurricanes), rising sea levels and limitations on water availability and quality.
- Our use of percentage-of-completion accounting could result in a reduction or reversal of previously recognized revenues and profits.
- Our financial results are based upon estimates and assumptions that may differ from actual results.
- Our actual costs may be greater than expected in performing our fixed-price and unit-price contracts.
- An increase in the cost or availability for items such as materials, parts, commodities, equipment and tooling may also be impacted by trade regulations, tariffs, global relations, taxes, transportation costs and inflation which could adversely affect our business.
- We may not be able to compete for, or work on, certain projects if we are not able to obtain necessary bonds, letters of credit, bank guarantees or other financial assurances.
- Work stoppages or other labor issues with our unionized workforce could adversely affect our business, and we may be subject to unionization attempts.
- Multi-employer pension plan obligations related to our unionized workforce could adversely impact our earnings.
- We rely on information, communications and data systems in our operations and we or our business partners may be subject to failures, interruptions or breaches of such systems, which could affect our operations or our competitive position, expose sensitive information or damage our reputation.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As of September 30, 2022, we were not party to any derivative instruments. We did not use any material derivative financial instruments during the nine months ended September 30, 2022 and 2021, including instruments for trading, hedging or speculating on changes in interest rates or commodity prices of materials used in our business.

As of September 30, 2022, we had \$57.7 million of borrowings under our Facility. Any borrowings under our Facility are based upon interest rates that will vary depending upon the prime rate, Canadian prime rate, federal funds effective rate, the NYFRB overnight bank funding rate, CDOR, and LIBOR (or any interest rate replacing LIBOR). If the prime rate, Canadian prime rate, federal funds effective rate, the NYFRB overnight bank funding rate, CDOR, or LIBOR (or any interest rate replacing LIBOR) rises, any interest payment obligations would increase and have a negative effect on our cash flow and financial condition. We currently do not maintain any hedging contracts that would limit our exposure to variable rates of interest when we have outstanding borrowings. If market rates of interest on all our revolving debt as of September 30, 2022, which is subject to variable rates, permanently increased by 1%, the increase in interest expense on all revolving debt would decrease future income before provision for income taxes and cash flows by approximately \$0.6 million annually. If market rates of interest on all our revolving debt, which is subject to variable rates as of September 30, 2022, permanently decreased by 1%, the decrease in interest expense on all debt would increase future income before provision for income taxes and cash flows by approximately \$0.6 million annually.

Borrowings under our equipment notes are at fixed rates established on the date the respective equipment note was executed.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### ***Disclosure Controls and Procedures***

Under the supervision, and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures, as defined under Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2022.

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

During the period covered by this report, there were no changes in our internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

**PART II—OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

For discussion regarding legal proceedings, please refer to Note 9—Commitments and Contingencies—Litigation and Other Legal Matters in the accompanying notes to our Consolidated Financial Statements.

**ITEM 1A. RISK FACTORS**

We face a number of risks that could materially and adversely affect our business, employees, liquidity, financial condition, results of operations and cash flows. A discussion of our risk factors can be found in Item 1A. “Risk Factors” in our 2021 Annual Report. As of the date of this filing, there have been no material changes to the risk factors previously discussed in Item 1A. “Risk Factors” in our 2021 Annual Report. An investment in our common stock involves various risks. When considering an investment in our company, you should carefully consider all of the risk factors described in our 2021 Annual Report. These risks and uncertainties are not the only ones facing us and there may be additional matters that are not known to us or that we currently consider immaterial. These risks and uncertainties could adversely affect our business, employees, liquidity, financial condition, results of operations or cash flows and, thus, the value of our common stock and any investment in our company.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Purchases of Common Stock.** The following table includes all of the Company’s repurchases of common stock for the periods shown. Repurchased shares are retired and returned to authorized but unissued common stock.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
July 1, 2022 - July 31, 2022	66,885	\$ 84.08	66,885	\$ 45,909,270
August 1, 2022 - August 31, 2022	—	\$ —	—	\$ 45,909,270
September 1, 2022 - September 30, 2022	50,360	\$ 84.92	50,360	\$ 41,632,614
Total	117,245	\$ 84.44	117,245	

(1) On May 4, 2022, the Company announced that its Board of Directors had authorized a new \$75.0 million share repurchase program (the "Repurchase Program"). The Repurchase Program was authorized by the Board of Directors on May 3, 2022 and became effective on May 5, 2022. The Repurchase Program will expire on November 7, 2022, or when the authorized funds are exhausted, whichever is earlier. As of September 30, 2022, the Company had \$41.6 million of remaining availability to repurchase shares of the Company’s common stock under the Repurchase Program.

**ITEM 6. EXHIBITS**

<b>Number</b>	<b>Description</b>
<a href="#">31.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)†</a>
<a href="#">31.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)†</a>
<a href="#">32.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350†</a>
<a href="#">32.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350†</a>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

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† Filed herewith

\* Electronically filed

**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.

October 26, 2022

MYR GROUP INC.  
(Registrant)

/s/ BETTY R. JOHNSON

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Betty R. Johnson  
Senior Vice President and Chief Financial Officer

## CERTIFICATIONS

## Certification of Principal Executive Officer

I, Richard S. Swartz, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of MYR Group Inc.;
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.

October 26, 2022

/s/ RICHARD S. SWARTZ, JR.

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(Principal Executive Officer)  
Chief Executive Officer and President

## CERTIFICATIONS

**Certification of Principal Financial Officer**

I, Betty R. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MYR Group Inc.;
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.

October 26, 2022

/s/ BETTY R. JOHNSON

(Principal Financial Officer)

Senior Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER,  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard S. Swartz, Jr., Chief Executive Officer and President of MYR Group Inc. (the “Company”), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Quarterly Report on Form 10-Q for the quarter and nine months ended September 30, 2022 of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 26, 2022

/s/ RICHARD S. SWARTZ, JR.

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*Chief Executive Officer and President*

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Betty R. Johnson, Senior Vice President and Chief Financial Officer of MYR Group, Inc. (the “Company”), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Quarterly Report on Form 10-Q for the quarter and nine months ended September 30, 2022 of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 26, 2022

/s/ BETTY R. JOHNSON

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*Senior Vice President and Chief Financial Officer*