

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, 2024
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.)

12121 Grant Street, Suite 610

Thornton, CO

(Address of principal executive offices)

80241

(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 No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of October 25, 2024, there were 16,121,901 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, 2024 (unaudited)	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,569	\$ 24,899
Accounts receivable, net of allowances of \$977 and \$1,987, respectively	571,342	521,893
Contract assets, net of allowances of \$582 and \$610, respectively	411,843	420,616
Current portion of receivable for insurance claims in excess of deductibles	9,056	8,267
Refundable income taxes	6,280	4,034
Prepaid expenses and other current assets	25,532	46,535
Total current assets	1,031,622	1,026,244
Property and equipment, net of accumulated depreciation of \$388,180 and \$380,465, respectively	279,634	268,978
Operating lease right-of-use assets	40,665	35,012
Goodwill	115,970	116,953
Intangible assets, net of accumulated amortization of \$34,036 and \$30,534, respectively	79,077	83,516
Receivable for insurance claims in excess of deductibles	34,925	33,739
Investment in joint ventures	5,835	8,707
Other assets	5,331	5,597
Total assets	\$ 1,593,059	\$ 1,578,746
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 4,364	\$ 7,053
Current portion of operating lease obligations	11,136	9,237
Current portion of finance lease obligations	1,168	2,039
Accounts payable	329,971	359,363
Contract liabilities	262,557	240,411
Current portion of accrued self-insurance	25,394	28,269
Accrued income taxes	—	237
Other current liabilities	127,846	100,593
Total current liabilities	762,436	747,202
Deferred income tax liabilities	47,722	48,230
Long-term debt	88,822	29,188
Accrued self-insurance	54,262	51,796
Operating lease obligations, net of current maturities	29,529	25,775
Finance lease obligations, net of current maturities	2,312	314
Other liabilities	19,467	25,039
Total liabilities	1,004,550	927,544
Commitments and contingencies		
Shareholders' equity:		
Preferred stock—\$0.01 par value per share; 4,000,000 authorized shares; none issued and outstanding at September 30, 2024 and December 31, 2023	—	—
Common stock—\$0.01 par value per share; 100,000,000 authorized shares; 16,121,901 and 16,684,492 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	161	167
Additional paid-in capital	156,799	162,386
Accumulated other comprehensive loss	(6,216)	(3,880)
Retained earnings	437,765	492,529
Total shareholders' equity	588,509	651,202
Total liabilities and shareholders' equity	\$ 1,593,059	\$ 1,578,746

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,	
	2024	2023	2024	2023
Contract revenues	\$ 888,043	\$ 939,476	\$ 2,532,495	\$ 2,639,708
Contract costs	810,755	847,093	2,328,121	2,372,806
Gross profit	77,288	92,383	204,374	266,902
Selling, general and administrative expenses	57,456	59,879	181,528	174,618
Amortization of intangible assets	1,221	1,231	3,666	3,686
Gain on sale of property and equipment	(1,750)	(754)	(4,745)	(3,293)
Income from operations	20,361	32,027	23,925	91,891
Other income (expense):				
Interest income	73	226	296	740
Interest expense	(2,016)	(1,319)	(4,311)	(3,059)
Other income (expense), net	112	(91)	(421)	(61)
Income before provision for income taxes	18,530	30,843	19,489	89,511
Income tax expense	7,881	9,331	5,178	22,563
Net income	\$ 10,649	\$ 21,512	\$ 14,311	\$ 66,948
Income per common share:				
—Basic	\$ 0.65	\$ 1.29	\$ 0.86	\$ 4.01
—Diluted	\$ 0.65	\$ 1.28	\$ 0.86	\$ 3.98
Weighted average number of common shares and potential common shares outstanding:				
—Basic	16,283	16,710	16,582	16,678
—Diluted	16,324	16,829	16,647	16,821
Net income	\$ 10,649	\$ 21,512	\$ 14,311	\$ 66,948
Other comprehensive income (loss):				
Foreign currency translation adjustment	1,309	(2,611)	(2,336)	(335)
Other comprehensive income (loss)	1,309	(2,611)	(2,336)	(335)
Total comprehensive income	\$ 11,958	\$ 18,901	\$ 11,975	\$ 66,613

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

MYR GROUP INC.
UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)	Preferred Stock	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
		Shares	Amount				
Balance at December 31, 2022	\$ —	16,564	\$ 165	\$ 161,427	\$ (6,300)	\$ 404,908	\$ 560,200
Net income	—	—	—	—	—	23,163	23,163
Stock issued under compensation plans, net	—	211	2	18	—	—	20
Stock-based compensation expense	—	—	—	1,982	—	—	1,982
Shares repurchased related to tax withholding for stock-based compensation	—	(76)	—	(7,194)	—	(742)	(7,936)
Other comprehensive income	—	—	—	—	136	—	136
Balance at March 31, 2023	—	16,699	167	156,233	(6,164)	427,329	577,565
Net income	—	—	—	—	—	22,273	22,273
Stock issued under compensation plans, net	—	11	—	—	—	—	—
Stock-based compensation expense	—	—	—	2,322	—	—	2,322
Other comprehensive income	—	—	—	—	2,140	—	2,140
Balance at June 30, 2023	—	16,710	167	158,555	(4,024)	449,602	604,300
Net income	—	—	—	—	—	21,512	21,512
Stock-based compensation expense	—	—	—	2,258	—	—	2,258
Other comprehensive loss	—	—	—	—	(2,611)	—	(2,611)
Balance at September 30, 2023	\$ —	16,710	\$ 167	\$ 160,813	\$ (6,635)	\$ 471,114	\$ 625,459
Balance at December 31, 2023	\$ —	16,684	\$ 167	\$ 162,386	\$ (3,880)	\$ 492,529	\$ 651,202
Net income	—	—	—	—	—	18,939	18,939
Stock issued under compensation plans, net	—	114	1	(1)	—	—	—
Stock-based compensation expense	—	—	—	1,917	—	—	1,917
Shares repurchased related to tax withholding for stock-based compensation	—	(36)	(1)	(5,511)	—	(354)	(5,866)
Other comprehensive loss	—	—	—	—	(2,472)	—	(2,472)
Balance at March 31, 2024	—	16,762	167	158,791	(6,352)	511,114	663,720
Net loss	—	—	—	—	—	(15,277)	(15,277)
Stock issued under compensation plans, net	—	3	—	—	—	—	—
Stock-based compensation expense	—	—	—	2,331	—	—	2,331
Share repurchases under share repurchase program	—	(117)	(1)	(1,121)	—	(15,137)	(16,259)
Other comprehensive loss	—	—	—	—	(1,173)	—	(1,173)
Balance at June 30, 2024	—	16,648	166	160,001	(7,525)	480,700	633,342
Net income	—	—	—	—	—	10,649	10,649
Stock-based compensation expense	—	—	—	1,950	—	—	1,950
Share repurchases under share repurchase program	—	(526)	(5)	(5,152)	—	(53,584)	(58,741)
Other comprehensive income	—	—	—	—	1,309	—	1,309
Balance at September 30, 2024	\$ —	16,122	\$ 161	\$ 156,799	\$ (6,216)	\$ 437,765	\$ 588,509

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,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 14,311	\$ 66,948
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization of property and equipment	45,131	39,848
Amortization of intangible assets	3,666	3,686
Stock-based compensation expense	6,198	6,562
Deferred income taxes	(144)	—
Gain on sale of property and equipment	(4,745)	(3,293)
Other non-cash items	1,044	564
Changes in operating assets and liabilities:		
Accounts receivable, net	(50,193)	(76,349)
Contract assets, net	8,212	(109,803)
Receivable for insurance claims in excess of deductibles	(1,975)	1,558
Other assets	21,687	21,503
Accounts payable	(20,607)	62,276
Contract liabilities	22,294	3,941
Accrued self-insurance	(402)	(1,119)
Other liabilities	21,519	12,070
Net cash flows provided by operating activities	65,996	28,392
Cash flows from investing activities:		
Proceeds from sale of property and equipment	6,815	3,998
Purchases of property and equipment	(63,634)	(63,791)
Net cash flows used in investing activities	(56,819)	(59,793)
Cash flows from financing activities:		
Borrowings under revolving lines of credit	584,070	354,467
Repayments under revolving lines of credit	(520,076)	(328,085)
Payment of principal obligations under equipment notes	(7,049)	(4,597)
Payment of principal obligations under finance leases	(2,083)	(872)
Proceeds from exercise of stock options	—	20
Repurchase of common stock	(75,000)	—
Debt refinancing costs	(34)	(2,129)
Payments related to tax withholding for stock-based compensation	(5,866)	(7,936)
Net cash flows provided by (used in) financing activities	(26,038)	10,868
Effect of exchange rate changes on cash	(469)	(36)
Net decrease in cash and cash equivalents	(17,330)	(20,569)
Cash and cash equivalents:		
Beginning of period	24,899	51,040
End of period	\$ 7,569	\$ 30,471

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 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, clean energy projects and electric vehicle charging infrastructure. T&D services 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, signalization and electric vehicle charging infrastructure.

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 (loss), shareholders' equity and cash flows with respect to the interim consolidated financial statements, have been included. The consolidated balance sheet as of December 31, 2023 has been derived from the audited financial statements as of that date. The results of operations and comprehensive income (loss) 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, 2023, included in the Company's Annual Report on Form 10-K, which was filed with the SEC on February 28, 2024 (the "2023 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. As of September 30, 2024, the Company did not have a controlling interest in any current joint venture partnerships. 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 typically 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 intercompany loans that are not deemed long-term investment accounts are recorded in the "other income (expense), net" line on the Company's consolidated statements of operations. Foreign currency losses, recorded in other income (expense), net, for the nine months ended September 30, 2024 and 2023 were not significant. Foreign currency translation gains and losses, arising from intercompany loans that are deemed long-term investment accounts, 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, 2024 and December 31, 2023, the Company had recognized revenues of \$80.4 million and \$76.5 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, 2024, changes in estimates pertaining to certain projects decreased consolidated gross margin by 3.9%, which resulted in decreases in operating income of \$34.9 million, net income of \$22.3 million and diluted earnings per common share of \$1.37. During the nine months ended September 30, 2024, changes in estimates pertaining to certain projects decreased consolidated gross margin by 4.4% and resulted in decreases in operating income of \$112.7 million, net income of \$70.5 million and diluted earnings per common share of \$4.24. Additional discussion on the impact of these estimate changes can be found in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Consolidated Results of Operations."

During the three months ended September 30, 2023, changes in estimates pertaining to certain projects decreased consolidated gross margin by 1.3%, which resulted in decreases in operating income of \$11.5 million, net income of \$8.0 million and diluted earnings per common share of \$0.47. During the nine months ended September 30, 2023, changes in estimates pertaining to certain projects decreased consolidated gross margin by 1.2% and resulted in decreases in operating income of \$32.2 million, net income of \$22.4 million and diluted earnings per common share of \$1.33.

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 will have minimal impact on its financial statements when adopted.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant reportable segment expenses and other disclosure requirements. The update is effective for annual reporting periods beginning after December 15, 2023, with early adoption permitted. The guidance requires application on a retrospective basis. The Company is currently evaluating the impact of the new standard on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. The guidance also includes certain other amendments intended to improve the effectiveness of income tax disclosures. The update is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted. The amendments in this pronouncement should be applied on a prospective basis, with the option to apply them retrospectively. The Company is currently evaluating the impact of the new standard on the Company’s income tax disclosures.

2. 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. These contracts 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 \$0.6 million as of September 30, 2024 and December 31, 2023.

Contract assets consisted of the following:

(in thousands)	September 30, 2024	December 31, 2023	Change
Unbilled revenue, net	\$ 216,515	\$ 217,083	\$ (568)
Contract retainages, net	195,328	203,533	(8,205)
Contract assets, net	<u>\$ 411,843</u>	<u>\$ 420,616</u>	<u>\$ (8,773)</u>

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

Contract liabilities consisted of the following:

(in thousands)	September 30, 2024	December 31, 2023	Change
Deferred revenue	\$ 250,615	\$ 231,604	\$ 19,011
Accrued loss provision	11,942	8,807	3,135
Contract liabilities	<u>\$ 262,557</u>	<u>\$ 240,411</u>	<u>\$ 22,146</u>

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

(in thousands)	September 30, 2024	December 31, 2023	Change
Contract assets, net	\$ 411,843	\$ 420,616	\$ (8,773)
Contract liabilities	(262,557)	(240,411)	(22,146)
Net contract assets	<u>\$ 149,286</u>	<u>\$ 180,205</u>	<u>\$ (30,919)</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 \$60.4 million and \$137.0 million for the three and nine months ended September 30, 2024. The amounts of revenue recognized in the period that were included in the opening contract liability balances were \$16.3 million and \$114.0 million for the three and nine months ended September 30, 2023, respectively. This revenue consists primarily of work performed on previous billings to customers.

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

(in thousands)	September 30, 2024	December 31, 2023
Costs and estimated earnings on uncompleted contracts	\$ 7,301,084	\$ 6,716,990
Less: billings to date	7,335,184	6,731,511
	<u>\$ (34,100)</u>	<u>\$ (14,521)</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, 2024	December 31, 2023
Unbilled revenue	\$ 216,515	\$ 217,083
Deferred revenue	(250,615)	(231,604)
	<u>\$ (34,100)</u>	<u>\$ (14,521)</u>

3. 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 nine years, some of which may include options to extend the leases for up to ten 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, 2024, 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 ongoing 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, 2024	December 31, 2023
Assets			
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 40,665	\$ 35,012
Finance lease right-of-use assets	Property and equipment, net of accumulated depreciation	3,730	2,363
Total right-of-use lease assets		\$ 44,395	\$ 37,375
Liabilities			
Current			
Operating lease obligations	Current portion of operating lease obligations	\$ 11,136	\$ 9,237
Finance lease obligations	Current portion of finance lease obligations	1,168	2,039
Total current obligations		12,304	11,276
Non-current			
Operating lease obligations	Operating lease obligations, net of current maturities	29,529	25,775
Finance lease obligations	Finance lease obligations, net of current maturities	2,312	314
Total non-current obligations		31,841	26,089
Total lease obligations		\$ 44,145	\$ 37,365

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

	September 30, 2024	December 31, 2023
Weighted-average remaining lease term - finance leases	3.4 years	0.9 years
Weighted-average remaining lease term - operating leases	3.8 years	4.0 years
Weighted-average discount rate - finance leases	3.9 %	3.1 %
Weighted-average discount rate - operating leases	4.0 %	4.0 %

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,	
	2024	2023	2024	2023
Lease cost:				
Finance lease cost:				
Amortization of right-of-use assets	\$ 335	\$ 199	\$ 653	\$ 595
Interest on lease liabilities	30	20	69	65
Operating lease cost	3,956	3,638	11,446	10,764
Variable lease costs	95	89	279	262
Total lease cost	\$ 4,416	\$ 3,946	\$ 12,447	\$ 11,686

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,	
	2024	2023
Other information:		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 10,969	\$ 10,989
Right-of-use asset obtained in exchange for new operating lease obligations	\$ 13,458	\$ 7,763
Right-of-use asset obtained in exchange for new finance lease obligations	\$ 3,595	\$ —

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, 2024 were as follows:

(in thousands)	Finance Lease Obligations	Operating Lease Obligations	Total Lease Obligations
Remainder of 2024	\$ 367	\$ 3,964	\$ 4,331
2025	1,195	14,771	15,966
2026	881	12,048	12,929
2027	881	7,098	7,979
2028	393	5,550	5,943
2029	—	3,291	3,291
Thereafter	—	894	894
Total minimum lease payments	3,717	47,616	51,333
Financing component	(237)	(6,951)	(7,188)
Net present value of minimum lease payments	3,480	40,665	44,145
Less: current portion of finance and operating lease obligations	(1,168)	(11,136)	(12,304)
Long-term finance and operating lease obligations	\$ 2,312	\$ 29,529	\$ 31,841

The financing component for finance lease obligations represents the interest component of finance leases that will be recognized as interest expense in future periods. 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. Lease expense associated with these leases was \$0.6 million and \$1.9 million for the three and nine months ended September 30, 2024 and \$0.6 million and \$1.8 million for the three and nine months ended 2023. As of September 30, 2024, the minimum lease payments required under these leases totaled \$10.9 million, which are due over the next 4.9 years.

4. 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, 2024 and December 31, 2023, the Company determined that the carrying value of cash and cash equivalents approximated fair value based on Level 1 inputs. As of September 30, 2024 and December 31, 2023, the fair value of the Company's long-term debt and finance lease obligations was based on Level 2 inputs. The Company's long-term debt was based on variable and fixed interest rates at September 30, 2024 and December 31, 2023, 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 value of the Company's finance lease obligations also approximated fair value.

As of September 30, 2024, the fair value of the Company's contingent earn-out consideration liability associated with the acquisition of Powerline Plus Ltd. and its affiliate PLP Redimix Ltd. (collectively, the "Powerline Plus Companies") on January 4, 2022, was based on Level 3 inputs. The contingent earn-out consideration recorded represents the estimated fair value of future amounts potentially payable to the former owners of the acquired Powerline Plus Companies, if the Powerline Plus Companies achieve certain performance targets over a three-year post-acquisition period. The fair value 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. As of the acquisition date, the fair value of the contingent earn-out consideration was \$0.9 million. As of September 30, 2024 and December 31, 2023, the fair value of the contingent earn-out consideration was zero. 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 \$16.6 million. There were no changes in contingent earn-out consideration during the three and nine months ended September 30, 2024 and 2023. Any changes in contingent earn-out consideration are recorded in other income.

5. 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, 2024	Outstanding Balance as of December 31, 2023
<i>Credit Agreement</i>						
Revolving loans	5/31/2023	Variable	Variable	5	\$ 77,195	\$ 13,201
<i>Equipment Notes</i>						
Equipment Note 8	12/27/2019	2.75%	Semi-annual	5	—	2,871
Equipment Note 10	8/26/2022	4.32%	Semi-annual	5	15,957	20,125
Other equipment note	4/11/2022	4.55%	Monthly	5	34	44
					15,991	23,040
Total debt					93,186	36,241
Less: current portion of long-term debt					(4,364)	(7,053)
Long-term debt					\$ 88,822	\$ 29,188

Credit Agreement

On May 31, 2023, the Company entered into a five-year third 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 \$490 million revolving credit facility (the “Facility”), subject to certain financial covenants as defined in the Credit Agreement. The Facility allows for revolving loans in Canadian dollars and other non-US currencies, up to the U.S. dollar equivalent of \$150 million. Up to \$75 million of the Facility may be used for letters of credit, with an additional \$75 million available for letters of credit, subject to the sole discretion of each issuing bank. The Facility also allows for \$15 million to be used for swingline loans. 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. The Credit Agreement provides for customary events of default. 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 to refinance existing indebtedness, and to provide for future working capital, capital expenditures, acquisitions 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 0.25% to 1.00%; or (2) the Term Benchmark Rate (as defined in the Credit Agreement) plus an applicable margin ranging from 1.25% to 2.00%. The applicable margin is determined based on the Company’s Net Leverage Ratio (as defined in the Credit Agreement). Letters of credit issued under the Facility are subject to a letter of credit fee of 1.25% to 2.00% for non-performance letters of credit or 0.625% to 1.00% for performance letters of credit, based on the Company’s Net Leverage Ratio. The Company is subject to a commitment fee of 0.20% to 0.30%, based on the Company’s Net Leverage Ratio, on any unused portion of the Facility. The Credit Agreement restricts certain types of payments when the Company’s Net Leverage Ratio, after giving pro forma effect thereto, exceeds 2.75. The weighted average interest rate on borrowings outstanding on the Facility was 7.03% and 6.96%, per annum, for the nine months ended September 30, 2024 and 2023, respectively.

Under the Credit Agreement, the Company is subject to certain financial covenants including a maximum Net Leverage Ratio of 3.0 and a minimum Interest Coverage Ratio (as defined in the Credit Agreement) of 3.0. 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, 2024.

As of September 30, 2024, the Company had \$77.2 million of borrowings outstanding under the Facility and letters of credit outstanding under the Facility of \$37.3 million, including \$32.6 million related to the Company's payment obligation under its insurance programs and \$4.7 million related to contract performance obligations.

As of December 31, 2023, the Company had \$13.2 million of borrowings outstanding under the Facility and letters of credit outstanding under the Facility of \$34.4 million, including \$27.1 million related to the Company's payment obligation under its insurance programs and \$7.3 million related to contract performance obligations.

The Company had remaining deferred debt issuance costs related to the Facility totaling \$1.9 million and \$2.4 million as of September 30, 2024 and 2023, respectively. 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 Facility.

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, 2024, the Company had one Equipment Note outstanding under the Master Loan Agreements that is collateralized by equipment and vehicles owned by the Company. As of September 30, 2024, 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, 2024:

(in thousands)	Future Equipment Notes Principal Payments
Remainder of 2024	\$ 3
2025	4,364
2026	4,555
2027	7,069
2028	—
2029	—
Total future principal payments	15,991
Less: current portion of equipment notes	(4,364)
Long-term principal obligations	\$ 11,627

6. 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 guarantee not-to-exceed a 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 10—Segment Information.

The components of the Company's revenue by contract type for the three months ended September 30, 2024 and 2023 were as follows:

(dollars in thousands)	Three months ended September 30, 2024					
	T&D		C&I		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Fixed price	\$ 197,087	40.9 %	\$ 331,103	81.5 %	\$ 528,190	59.5 %
Unit price	169,337	35.1	23,849	5.9	193,186	21.7
T&E	115,452	24.0	51,215	12.6	166,667	18.8
	<u>\$ 481,876</u>	<u>100.0 %</u>	<u>\$ 406,167</u>	<u>100.0 %</u>	<u>\$ 888,043</u>	<u>100.0 %</u>

(dollars in thousands)	Three months ended September 30, 2023					
	T&D		C&I		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Fixed price	\$ 283,440	51.7 %	\$ 319,546	81.7 %	\$ 602,986	64.2 %
Unit price	143,218	26.1	26,899	6.9	170,117	18.1
T&E	121,937	22.2	44,436	11.4	166,373	17.7
	<u>\$ 548,595</u>	<u>100.0 %</u>	<u>\$ 390,881</u>	<u>100.0 %</u>	<u>\$ 939,476</u>	<u>100.0 %</u>

The components of the Company's revenue by contract type for the nine months ended September 30, 2024 and 2023 were as follows:

(dollars in thousands)	Nine months ended September 30, 2024					
	T&D		C&I		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Fixed price	\$ 654,969	45.8 %	\$ 902,582	81.9 %	\$ 1,557,551	61.5 %
Unit price	443,589	31.0	58,988	5.4	502,577	19.8
T&E	331,922	23.2	140,445	12.7	472,367	18.7
	<u>\$ 1,430,480</u>	<u>100.0 %</u>	<u>\$ 1,102,015</u>	<u>100.0 %</u>	<u>\$ 2,532,495</u>	<u>100.0 %</u>

(dollars in thousands)	Nine months ended September 30, 2023					
	T&D		C&I		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Fixed price	\$ 774,022	51.7 %	\$ 938,576	82.2 %	\$ 1,712,598	64.9 %
Unit price	396,855	26.5	68,099	6.0	464,954	17.6
T&E	326,778	21.8	135,378	11.8	462,156	17.5
	<u>\$ 1,497,655</u>	<u>100.0 %</u>	<u>\$ 1,142,053</u>	<u>100.0 %</u>	<u>\$ 2,639,708</u>	<u>100.0 %</u>

The components of the Company's revenue by market type for the three months ended September 30, 2024 and 2023 were as follows:

(dollars in thousands)	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Amount	Percent	Segment	Amount	Percent	Segment
Transmission	\$ 276,663	31.2 %	T&D	\$ 357,708	38.1 %	T&D
Distribution	205,213	23.1	T&D	190,887	20.3	T&D
Electrical construction	406,167	45.7	C&I	390,881	41.6	C&I
Total revenue	<u>\$ 888,043</u>	<u>100.0 %</u>		<u>\$ 939,476</u>	<u>100.0 %</u>	

The components of the Company's revenue by market type for the nine months ended September 30, 2024 and 2023 were as follows:

(dollars in thousands)	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Amount	Percent	Segment	Amount	Percent	Segment
Transmission	\$ 873,077	34.5 %	T&D	\$ 978,078	37.0 %	T&D
Distribution	557,403	22.0	T&D	519,577	19.7	T&D
Electrical construction	1,102,015	43.5	C&I	1,142,053	43.3	C&I
Total revenue	\$ 2,532,495	100.0 %		\$ 2,639,708	100.0 %	

Remaining Performance Obligations

As of September 30, 2024, the Company had \$2.36 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 timing of when remaining performance obligations are recognized is evaluated quarterly and is largely driven by the estimated start date and duration of the underlying projects.

The following table summarizes the amount of remaining performance obligations as of September 30, 2024 that the Company expects to be realized and the amount of the remaining performance obligations that the Company reasonably estimates will be recognized within the next twelve months, and the amount estimated to be recognized after the next twelve months.

(in thousands)	Remaining Performance Obligations at September 30, 2024		
	Total	Amount estimated to be recognized within 12 months	Amount estimated to be recognized after 12 months
T&D	\$ 582,030	\$ 576,179	\$ 5,851
C&I	1,776,724	1,263,534	513,190
Total	\$ 2,358,754	\$ 1,839,713	\$ 519,041

The Company estimates approximately 95% or more of the remaining performance obligations will be recognized within twenty-four months, including approximately 80% of the remaining performance obligations estimated to be recognized within twelve months, although the timing of the Company's performance is not always under its control. The timing of when remaining performance obligations are recognized by the Company can vary considerably and is impacted by multiple variables including, but not limited to: changes in the estimated versus actual start time of a project; the availability of labor, equipment and materials; changes in project workflow; weather; project delays and accelerations; and the timing of final contract settlements. 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."

7. Income Taxes

The U.S. federal statutory tax rate was 21% for each of the three and nine months ended September 30, 2024 and 2023. The Company's effective tax rate for the three and nine months ended September 30, 2024 was 42.5% and 26.6%, respectively, of pretax income compared to the effective tax rate for the three and nine months ended September 30, 2023 of 30.3% and 25.2%, respectively.

The difference between the U.S. federal statutory tax rate and the Company's effective tax rates for the three months ended September 30, 2024, was primarily due to permanent difference items, largely related to deductibility limits of certain compensation including contingent compensation associated with a prior acquisition and U.S. taxes on Canadian income, as well as state income taxes.

The difference between the U.S. federal statutory tax rate and the Company's effective tax rates for the three months ended September 30, 2023, was primarily due to state income taxes, Canadian taxes 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, 2024, was primarily due to permanent difference items, largely related to deductibility limits of certain compensation including contingent compensation associated with a prior acquisition and U.S. taxes on Canadian income, as well as state income taxes, 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 nine months ended September 30, 2023, was primarily due to state income taxes, Canadian taxes and other permanent difference items partially offset by a favorable impact from stock compensation excess tax benefits.

The Company has recorded a liability for unrecognized tax benefits of approximately \$0.4 million and \$0.5 million as of September 30, 2024 and December 31, 2023, 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, 2024 and 2023.

The Company is subject to taxation in various jurisdictions. The Company's 2020 through 2022 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 2019 through 2022.

8. Commitments and Contingencies

Purchase Commitments

As of September 30, 2024, the Company had approximately \$5.5 million in outstanding purchase orders for certain construction equipment, with cash payments scheduled to occur in 2024 and 2025.

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. 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, 2024, an aggregate of approximately \$2.83 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 \$741.6 million as of September 30, 2024.

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, 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 status of some multi-employer pension plans to which its subsidiaries contribute have been classified as "critical", 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 business. 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 condition, results of operations or cash flows.

9. Stock-Based Compensation

The Company maintains an equity compensation plan under which stock-based compensation has been granted: the 2017 Long-Term Incentive Plan (Amended and Restated as of April 24, 2024) (the "LTIP"). The LTIP was approved by our shareholders and 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 awards, (g) phantom stock, (h) stock bonuses, (i) dividend equivalents, or (j) any combination of such grants. The Company has outstanding grants of 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, 2024, the Company granted time-vested stock awards covering 40,723 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 \$171.55. During the nine months ended September 30, 2024, time-vested stock awards covering 42,554 shares of common stock vested at a weighted average grant date fair value of \$99.52.

During the nine months ended September 30, 2024, the Company granted 29,566 performance share awards under the LTIP at target, which will cliff vest, if earned, on December 31, 2026, at a weighted average grant date fair value of \$197.89. 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 financial and other 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.

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.

10. 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 2023 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, clean energy projects and electric vehicle charging infrastructure. The T&D segment also provides emergency restoration services. 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, signalization and electric vehicle charging infrastructure. 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,	
	2024	2023	2024	2023
Contract revenues:				
T&D	\$ 481,876	\$ 548,595	\$ 1,430,480	\$ 1,497,655
C&I	406,167	390,881	1,102,015	1,142,053
	<u>\$ 888,043</u>	<u>\$ 939,476</u>	<u>\$ 2,532,495</u>	<u>\$ 2,639,708</u>
Income from operations:				
T&D	\$ 17,568	\$ 36,262	\$ 39,104	\$ 106,817
C&I	20,309	13,932	33,340	37,182
General Corporate	(17,516)	(18,167)	(48,519)	(52,108)
	<u>\$ 20,361</u>	<u>\$ 32,027</u>	<u>\$ 23,925</u>	<u>\$ 91,891</u>

11. 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 by the weighted average number of common shares outstanding during the period, and diluted earnings per share are computed by dividing net income 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,	
	2024	2023	2024	2023
Numerator:				
Net income	\$ 10,649	\$ 21,512	\$ 14,311	\$ 66,948
Denominator:				
Weighted average common shares outstanding	16,283	16,710	16,582	16,678
Weighted average dilutive securities	41	119	65	143
Weighted average common shares outstanding, diluted	16,324	16,829	16,647	16,821
Income per common share:				
Basic	\$ 0.65	\$ 1.29	\$ 0.86	\$ 4.01
Diluted	\$ 0.65	\$ 1.28	\$ 0.86	\$ 3.98

For the three and nine months ended September 30, 2024 and 2023, certain common stock equivalents were excluded from the calculation of dilutive securities because their inclusion would have been anti-dilutive.

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

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Time-vested stock awards	36	—	36	—
Performance awards	30	—	30	14

Share Repurchases

During the nine months ended September 30, 2024 the Company repurchased 36,397 shares of stock, for approximately \$5.9 million, from its employees to satisfy tax obligations on shares vested under the LTIP. During the nine months ended September 30, 2023 the Company repurchased 76,150 shares of stock, for approximately \$7.9 million, from its employees to satisfy tax obligations on shares vested under the LTIP.

On May 6, 2024, the Company announced that its Board of Directors had authorized a new \$75.0 million share repurchase program (the "Repurchase Program"), which became effective on May 9, 2024. The Repurchase Program will expire on November 8, 2024, or when the authorized funds are exhausted, whichever is earlier. The Company's prior \$75.0 million repurchase program commenced on November 9, 2023 and expired on May 8, 2024. During the nine months ended September 30, 2024, the Company repurchased 643,549 shares of its common stock under the Repurchase Program at a weighted-average price of \$116.54 per share. As of September 30, 2024, the Company had exhausted substantially all of the funds available 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, 2023 (the "2023 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 2023 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 in 1995 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 strive to maintain our status as a preferred provider to our T&D and C&I customers.

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, we expect our financial results, in both of our segments, to continue to be affected by delays and cost volatility through 2024, due to supply chain disruptions, inflationary pressures, tariffs and regulatory slowdowns. These factors will cause us to carry impacted projects at lower margins until their completion and may result in decelerations in project opportunities and awards.

We had consolidated revenues for the nine months ended September 30, 2024 of \$2.53 billion, of which 56.5% was attributable to our T&D customers and 43.5% was attributable to our C&I customers. Our consolidated revenues for the nine months ended September 30, 2023 were \$2.64 billion. For the nine months ended September 30, 2024, our net income and EBITDA⁽¹⁾ were \$14.3 million and \$72.3 million, respectively, compared to \$66.9 million and \$135.4 million, respectively, for the nine months ended September 30, 2023.

We believe there is an ongoing need for utilities to sustain investment in their transmission systems to improve reliability, reduce congestion, connect to new clean energy sources and support future load growth. Consequently, we believe that we will continue to see continued 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 2024 will not likely begin until 2025. Bidding and construction activity for small to medium-size transmission projects and upgrades remain active, and we expect this trend to continue.

We believe there is a need for further investment by utilities on their distribution systems to properly maintain or meet reliability requirements. We continue to see strong bidding activity in some of our electric distribution markets. We believe the increased storm activity and destruction caused by wildfires will cause a push to strengthen utility distribution systems against catastrophic damage. Distribution systems may also require upgrades to accommodate additional distributed energy resources and increased electrification. We expect to see an increase in the distribution market opportunities during the rest of 2024.

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

Although our C&I bidding opportunities remain strong, we may see impacts due to continued market disruptions and overall market volatility which could result in slower growth of our C&I segment. We believe that the primary markets we serve such as transportation, data centers, health care, clean energy and warehousing, may be somewhat less vulnerable to an economic slowdown.

In addition, the United States has experienced decades of underfunded economic expansion and aging infrastructure that have 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 in both the United States and Canada will offer opportunity in our C&I segment for several years. Legislation and regulation that promotes domestic manufacturing could also create opportunity for our C&I segment. We expect the long-term growth in our C&I segment to generally track the overall growth of the regions we serve.

We continue to implement strategies that are designed to further expand our capabilities and effectively allocate capital. We have maintained a strong balance sheet, while also supporting our organic growth with capital expenditures and working capital and repurchasing our shares. During the nine months ended September 30, 2024, the Company repurchased 643,549 shares of its common stock under our repurchase program at a weighted-average price of \$116.54 per share, exhausting substantially all of the authorized funds under our share repurchase program. We believe the borrowing availability under our \$490 million revolving credit facility and future cash flow from operations will enable us to support the organic growth of our business, pursue acquisitions and opportunistically repurchase shares.

We continue to manage our increasing operating costs, 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 respond to challenges and uncertainties in the markets we serve and give us the flexibility to successfully execute our strategy. We continue to invest in developing key management and craft personnel in both our T&D and C&I segments 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 6—Revenue Recognition in the accompanying notes to our Consolidated Financial Statements.

Our backlog was \$2.60 billion at September 30, 2024, compared to \$2.51 billion at December 31, 2023 and \$2.62 billion at September 30, 2023. Our backlog at September 30, 2024 increased \$54.4 million from June 30, 2024. Backlog in the T&D segment decreased \$32.0 million and C&I backlog increased \$86.3 million compared to June 30, 2024. Our backlog as of September 30, 2024 included our proportionate share of joint venture backlog totaling \$186.2 million, compared to \$188.7 million at June 30, 2024.

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, and the amount estimated to be recognized after the next twelve months:

(in thousands)	Backlog at September 30, 2024			
	Total	Amount estimated to be recognized within 12 months	Amount estimated to be recognized after 12 months	Total backlog at December 31, 2023
T&D	\$ 798,741	\$ 792,890	\$ 5,851	\$ 959,553
C&I	1,799,452	1,286,262	513,190	1,552,846
Total	\$ 2,598,193	\$ 2,079,152	\$ 519,041	\$ 2,512,399

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,			
	2024		2023		2024		2023	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Contract revenues	\$ 888,043	100.0 %	\$ 939,476	100.0 %	\$ 2,532,495	100.0 %	\$ 2,639,708	100.0 %
Contract costs	810,755	91.3	847,093	90.2	2,328,121	91.9	2,372,806	89.9
Gross profit	77,288	8.7	92,383	9.8	204,374	8.1	266,902	10.1
Selling, general and administrative expenses	57,456	6.5	59,879	6.4	181,528	7.2	174,618	6.6
Amortization of intangible assets	1,221	0.1	1,231	0.1	3,666	0.1	3,686	0.1
Gain on sale of property and equipment	(1,750)	(0.2)	(754)	(0.1)	(4,745)	(0.2)	(3,293)	(0.1)
Income from operations	20,361	2.3	32,027	3.4	23,925	1.0	91,891	3.5
Other income (expense):								
Interest income	73	—	226	—	296	—	740	—
Interest expense	(2,016)	(0.2)	(1,319)	(0.1)	(4,311)	(0.2)	(3,059)	(0.1)
Other income (expense), net	112	—	(91)	—	(421)	—	(61)	—
Income before provision for income taxes	18,530	2.1	30,843	3.3	19,489	0.8	89,511	3.4
Income tax expense	7,881	0.9	9,331	1.0	5,178	0.2	22,563	0.9
Net income	\$ 10,649	1.2 %	\$ 21,512	2.3 %	\$ 14,311	0.6 %	\$ 66,948	2.5 %

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

Revenues. Revenues decreased \$51.5 million or 5.5%, to \$888.0 million for the three months ended September 30, 2024 from \$939.5 million for the three months ended September 30, 2023. The decrease was primarily due to a decrease of \$81.0 million in revenue on transmission projects, offset by an increase of \$15.3 million in C&I revenue, and an increase of \$14.3 million in revenue on distribution projects.

Gross margin. Gross margin for the three months ended September 30, 2024 decreased to 8.7% compared to 9.8% for the three months ended September 30, 2023. The decrease in gross margin was primarily impacted by significant changes in our estimated gross profit on certain projects resulting in a net gross margin decrease of 3.9% for the three months ended September 30, 2024, compared to a net decrease of 1.3% for the three months ended September 30, 2023. During the three months ended September 30, 2024, significant estimate changes negatively impacted gross margin by 4.7%, primarily related to clean energy projects in T&D, the unfavorable impact of a C&I project, as well as an increase in costs associated with unfavorable job closeouts, and labor and project inefficiencies. In addition, significant estimate changes in gross profit positively impacted gross margin by 0.8% and largely related to better-than-anticipated productivity and a favorable change order.

Gross profit. Gross profit was \$77.3 million for the three months ended September 30, 2024 compared to \$92.4 million for the three months ended September 30, 2023. The decrease of \$15.1 million, or 16.3%, was due to lower margin and lower revenues.

Selling, general and administrative expenses. Selling, general and administrative expenses (“SG&A”) were \$57.5 million for the three months ended September 30, 2024 compared to \$59.9 million for the three months ended September 30, 2023. The period-over-period decrease of \$2.4 million was primarily due to a decrease in employee incentive compensation costs and a decrease of \$1.1 million of contingent compensation expense related to a prior acquisition, partially offset by an increase in employee-related expenses to support future growth.

Gain on sale of property and equipment. Gains from the sale of property and equipment for the three months ended September 30, 2024 were \$1.8 million compared to \$0.8 million for the three months ended September 30, 2023. 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 \$2.0 million for three months ended September 30, 2024 compared to \$1.3 million for the three months ended September 30, 2023. This increase was attributable to higher average outstanding debt balances during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023.

Income tax expense. Income tax expense was \$7.9 million for the three months ended September 30, 2024, with an effective tax rate of 42.5%, compared to the expense of \$9.3 million for the three months ended September 30, 2023, with an effective tax rate of 30.3%. The increase in the tax rate for the three months ended September 30, 2024 was primarily due to higher permanent difference items mostly related to deductibility limits of contingent compensation, associated with a prior acquisition, which was successfully achieved during the third quarter of 2024, as well as higher U.S. taxes on Canadian income.

Net income. Net income was \$10.6 million for the three months ended September 30, 2024 compared to net income of \$21.5 million for the three months ended September 30, 2023. 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,			
	2024		2023	
	Amount	Percent	Amount	Percent
Contract revenues:				
Transmission & Distribution	\$ 481,876	54.3 %	\$ 548,595	58.4 %
Commercial & Industrial	406,167	45.7	390,881	41.6
Total	\$ 888,043	100.0 %	\$ 939,476	100.0 %
Operating income:				
Transmission & Distribution	\$ 17,568	3.6 %	\$ 36,262	6.6 %
Commercial & Industrial	20,309	5.0	13,932	3.6
Total	37,877	4.3	50,194	5.3
General Corporate	(17,516)	(2.0)	(18,167)	(1.9)
Consolidated	\$ 20,361	2.3 %	\$ 32,027	3.4 %

Transmission & Distribution

Revenues for our T&D segment for the three months ended September 30, 2024 were \$481.9 million compared to \$548.6 million for the three months ended September 30, 2023, a decrease of \$66.7 million, or 12.2%. The decrease in revenue was related to a decrease of \$81.0 million in revenue on transmission projects offset by an increase of \$14.3 million in revenue on distribution projects. Revenues from transmission projects represented 57.4% and 65.2% of T&D segment revenue for the three months ended September 30, 2024 and 2023, respectively.

Operating income for our T&D segment for the three months ended September 30, 2024 was \$17.6 million, a decrease of \$18.7 million, or 51.6%, from the three months ended September 30, 2023. As a percentage of revenues, operating income for our T&D segment was 3.6% for the three months ended September 30, 2024 compared to operating income of 6.6% for the three months ended September 30, 2023. Operating income margin was impacted by significant changes in our estimated gross profit on certain projects resulting in a net operating income margin decrease of 5.0% for the three months ended September 30, 2024, compared to a net decrease of 1.9% for the three months ended September 30, 2023. During the three months ended September 30, 2024, significant estimated gross profit changes negatively impacted operating income as a percentage of revenues by 5.8% with 5.5% of the impact related to losses on certain clean energy projects. Losses on these projects were primarily related to unfavorable weather conditions, labor and project inefficiencies, higher labor and contract related costs and contractual disputes. In addition, schedule extensions caused by owner-furnished panel delays led to increased costs on two clean energy projects. Many of these projects have reached mechanical completion and the remaining projects are anticipated to reach mechanical completion in the fourth quarter of 2024. Significant estimated gross profit changes were also negatively impacted by an unfavorable job closeout. These decreases were partially offset by positive significant estimated gross profit changes totaling 0.8% and largely related to better-than-anticipated productivity. Additionally, T&D operating income margin was negatively impacted by a decrease in work in progress.

Commercial & Industrial

Revenues for our C&I segment for the three months ended September 30, 2024 were \$406.2 million compared to \$390.9 million for the three months ended September 30, 2023, an increase of \$15.3 million, or 3.9%. The increase in revenue was related to an increase of \$11.6 million in revenue on fixed priced contracts, an increase of \$6.8 million on T&E contracts, offset by a decrease of \$3.1 million in revenues on unit price work.

Operating income for our C&I segment for the three months ended September 30, 2024 was \$20.3 million, an increase of \$6.4 million, over the three months ended September 30, 2023. As a percentage of revenues, operating income for our C&I segment was 5.0% for the three months ended September 30, 2024 compared to 3.6% for the three months ended September 30, 2023. Operating income margin was positively impacted during the three months ended September 30, 2024, by the continued benefit of higher margins on certain projects nearing completion, due to better-than-anticipated productivity and previous favorable change orders. Operating income margin was also impacted by significant changes in our estimated gross profit on certain projects resulting in a net operating income margin decrease of 2.6% for the three months ended September 30, 2024, compared to a net decrease of 0.3% for the three months ended September 30, 2023. Significant estimated gross profit changes negatively impacted operating income as a percentage of revenues by 3.5%, with 2.9% of the impact from a single project that is anticipated to reach substantial completion during the fourth quarter of 2024. The loss from this project was primarily due to scope additions, increased labor costs related to schedule compression and lower productivity due to access and workflow issues. Significant estimated gross profit changes were also negatively impacted by an unfavorable job closeout and labor and project inefficiencies. These decreases were partially offset by positive significant estimated gross profit changes totaling 0.9% and largely related to better-than-anticipated productivity and favorable change orders.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Revenues. Revenues decreased \$107.2 million or 4.1%, to \$2.53 billion for the nine months ended September 30, 2024 from \$2.64 billion for the nine months ended September 30, 2023. The decrease was primarily due to a decrease of \$105.0 million in revenue on transmission projects and a decrease of \$40.1 million in C&I revenue, partially offset by an increase of \$37.8 million in revenue on distribution projects.

Gross margin. Gross margin for the nine months ended September 30, 2024 decreased to 8.1% compared to 10.1% for the nine months ended September 30, 2023. The decrease in gross margin was primarily impacted by significant changes in our estimated gross profit on certain projects resulting in a net gross margin decrease of 4.4% for the nine months ended September 30, 2024, compared to a net decrease of 1.2% for the nine months ended September 30, 2023. During the nine months ended September 30, 2024, significant estimate changes negatively impacted gross margin by 5.7%, primarily related to clean energy projects in T&D, the unfavorable impact of a C&I project, labor and project inefficiencies, an increase in costs associated with schedule compression on certain projects, an unfavorable change order and an unfavorable job closeout. In addition, significant estimate changes in gross profit positively impacted gross margin by 1.3% and mainly related to better-than-anticipated productivity, favorable change orders and favorable job closeouts. Gross margin also benefited by approximately 0.2% from favorable joint venture results during the nine months ended September 30, 2024.

Gross profit. Gross profit was \$204.4 million for the nine months ended September 30, 2024 compared to \$266.9 million for the nine months ended September 30, 2023. The decrease of \$62.5 million, or 23.4% was due to lower margin and lower revenues.

Selling, general and administrative expenses. SG&A was \$181.5 million for the nine months ended September 30, 2024 compared to \$174.6 million for the nine months ended September 30, 2023. The period-over-period increase of \$6.9 million was primarily due to an increase of \$4.2 million of contingent compensation expense related to a prior acquisition and an increase in employee-related expenses to support future growth, 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 nine months ended September 30, 2024 were \$4.7 million compared to \$3.3 million for the nine months ended September 30, 2023. 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 \$4.3 million for the nine months ended September 30, 2024 compared to \$3.1 million for the nine months ended September 30, 2023. This increase was primarily attributable to higher average debt balances during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

Income tax expense. Income tax expense was \$5.2 million for the nine months ended September 30, 2024, with an effective tax rate of 26.6%, compared to the expense of \$22.6 million for the nine months ended September 30, 2023, with an effective tax rate of 25.2%. The change in the tax rate for the nine months ended September 30, 2024 was primarily due to lower pretax income and higher other permanent difference items, offset by lower stock compensation excess tax benefits. The increase in permanent difference items primarily related to deductibility limits of contingent compensation, associated with a prior acquisition, as well as higher U.S. taxes on Canadian income.

Net income. Net income was \$14.3 million for the nine months ended September 30, 2024 compared to \$66.9 million for the nine months ended September 30, 2023. 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,			
	2024		2023	
	Amount	Percent	Amount	Percent
Contract revenues:				
Transmission & Distribution	\$ 1,430,480	56.5 %	\$ 1,497,655	56.7 %
Commercial & Industrial	1,102,015	43.5	1,142,053	43.3
Total	\$ 2,532,495	100.0 %	\$ 2,639,708	100.0 %
Operating income:				
Transmission & Distribution	\$ 39,104	2.7 %	\$ 106,817	7.1 %
Commercial & Industrial	33,340	3.0	37,182	3.3
Total	72,444	2.9	143,999	5.5
General Corporate	(48,519)	(1.9)	(52,108)	(2.0)
Consolidated	\$ 23,925	1.0 %	\$ 91,891	3.5 %

Transmission & Distribution

Revenues for our T&D segment for the nine months ended September 30, 2024 were \$1.43 billion compared to \$1.50 billion for the nine months ended September 30, 2023, a decrease of \$67.2 million. The decrease in revenue was related to a decrease of \$105.0 million in revenue on transmission projects, offset by an increase of \$37.8 million in revenue on distribution projects. Revenues from transmission projects represented 61.0% and 65.3% of T&D segment revenue for the nine months ended September 30, 2024 and 2023, respectively.

Operating income for our T&D segment for the nine months ended September 30, 2024 was \$39.1 million, a decrease of \$67.7 million, or 63.4%, from the nine months ended September 30, 2023. As a percentage of revenues, operating income for our T&D segment was 2.7% for the nine months ended September 30, 2024 compared to 7.1% for the nine months ended September 30, 2023. Operating income margin was impacted by significant changes in our estimated gross profit on certain projects resulting in a net operating income margin decrease of 6.0% for the nine months ended September 30, 2024, compared to a net decrease of 1.1% for the nine months ended September 30, 2023. During the nine months ended September 30, 2024, significant estimated gross profit changes negatively impacted operating income as a percentage of revenues by 6.3% with 6.1% of the impact related to losses on certain clean energy projects. Losses on these projects were primarily related to contractual disputes, labor and project inefficiencies, higher labor and contract related costs and unfavorable weather conditions. In addition, schedule extensions caused by owner-furnished panel delays led to increased costs on two clean energy projects. Many of these projects have reached mechanical completion and the remaining projects are anticipated to reach mechanical completion in the fourth quarter of 2024. Significant estimated gross profit changes were also negatively impacted by an unfavorable job closeout and labor and project inefficiencies. These decreases were partially offset by positive significant estimated gross profit changes totaling 0.3% of revenues mostly related to better-than-anticipated productivity. Additionally, T&D operating income margin was negatively impacted by higher fleet depreciation and maintenance expenses.

Commercial & Industrial

Revenues for our C&I segment for the nine months ended September 30, 2024 were \$1.10 billion compared to \$1.14 billion for the nine months ended September 30, 2023, a decrease of \$40.1 million, or 3.5%, which was primarily due to the delayed start of certain projects in 2024. The decrease in revenue was related to a decrease of \$36.0 million in revenue on fixed priced contracts and a decrease of \$9.1 million in revenues on unit price work, offset by an increase of \$5.0 million on T&E contracts.

Operating income for our C&I segment for the nine months ended September 30, 2024 was \$33.3 million, a decrease of \$3.9 million, over the nine months ended September 30, 2023. As a percentage of revenues, operating income for our C&I segment was 3.0% for the nine months ended September 30, 2024, compared to 3.3% for the nine months ended September 30, 2023. Operating income margin was impacted by significant changes in our estimated gross profit on certain projects resulting in a net operating income margin decrease of 2.4% for the nine months ended September 30, 2024, compared to a net decrease of 1.4% for the nine months ended September 30, 2023. Significant estimated gross profit changes negatively impacted operating income as a percentage of revenues by 5.1% with 2.3% of the impact from a single project that is anticipated to reach substantial completion during the fourth quarter of 2024. The loss from this project was primarily due to scope additions, increased labor costs related to schedule compression and lower productivity due to access and workflow issues. Significant estimated gross profit changes were also negatively impacted by an increase in costs associated with labor and project inefficiencies, schedule compression on certain projects and an unfavorable change order. These decreases were partially offset by positive significant estimated gross profit changes totaling 2.7% and largely related to better-than-anticipated productivity, some of which related to clean energy projects, favorable change orders and favorable job closeouts. Additionally, C&I operating income margin was positively impacted by approximately 0.5% due to favorable joint venture results. This increase was partially offset by higher contingent compensation expense related to a prior acquisition, a decrease in work in progress and higher fleet depreciation and maintenance expenses.

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 shareholders. 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 shareholders.

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

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net income	\$ 10,649	\$ 21,512	\$ 14,311	\$ 66,948
<i>Add:</i>				
Interest expense, net	1,943	1,093	4,015	2,319
Income tax expense	7,881	9,331	5,178	22,563
Depreciation & amortization	16,693	15,039	48,797	43,534
EBITDA	\$ 37,166	\$ 46,975	\$ 72,301	\$ 135,364

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 net leverage ratio, which is defined in the Credit Agreement as Total Net 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 on our revolving credit facility. 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,	
	2024	2023	2024	2023
Provided by Operating Activities:				
Net cash flows provided by operating activities	\$ 35,625	\$ 12,548	\$ 65,996	\$ 28,392
<i>Add/(subtract):</i>				
Changes in operating assets and liabilities	(8,449)	26,292	(535)	85,923
Adjustments to reconcile net income to net cash flows provided by operating activities	(16,527)	(17,328)	(51,150)	(47,367)
Depreciation & amortization	16,693	15,039	48,797	43,534
Income tax expense	7,881	9,331	5,178	22,563
Interest expense, net	1,943	1,093	4,015	2,319
EBITDA	\$ 37,166	\$ 46,975	\$ 72,301	\$ 135,364

Liquidity, Capital Resources and Material Cash Requirements

As of September 30, 2024, we had working capital of \$269.2 million. We define working capital as current assets less current liabilities. During the nine months ended September 30, 2024, operating activities of our business provided net cash of \$66.0 million, compared to \$28.4 million of cash provided for the nine months ended September 30, 2023. 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 \$37.6 million year-over-year increase in cash provided by operating activities was primarily due to favorable net changes in operating assets and liabilities of \$86.5 million, offset by a decrease of \$52.6 million in net income. The favorable change in operating assets and liabilities was primarily due to the net favorable 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 \$79.6 million and the favorable change of \$9.4 million in other liabilities. The net favorable changes of \$79.6 million in cash provided by working capital accounts, mainly related to construction activities, was due to the timing of billings and payments under our contracts. The favorable change of \$9.4 million in other liabilities was primarily due to the timing of employee related wage and tax payments.

In the nine months ended September 30, 2024, we used net cash of \$56.8 million in investing activities consisting of \$63.6 million for capital expenditures, partially offset by \$6.8 million of proceeds from the sale of equipment.

In the nine months ended September 30, 2024, financing activities used net cash of \$26.0 million, consisting primarily of \$75.0 million of share repurchases under our share repurchase program, \$7.0 million of payments under our equipment notes and \$5.9 million of shares repurchased to satisfy tax obligations under our stock compensation programs, partially offset by \$64.0 million of net borrowings under our revolving line of credit.

We believe our \$375.5 million borrowing availability under our revolving line of credit as of September 30, 2024, future cash flow from operations and our ability to utilize short-term and long-term leases will provide sufficient liquidity for our short-term and long-term needs. Our primary short-term liquidity needs include cash for operations, debt service requirements, capital expenditures, and acquisition and joint venture opportunities. We believe we have adequate sources of liquidity to meet our long-term liquidity needs and foreseeable material cash requirements, including those associated with funding future acquisition opportunities. We continue to invest in developing key management and craft personnel in both our T&D and C&I segments 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 May 31, 2023, the Company entered into a five-year third 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 \$490 million revolving credit facility (the “Facility”), subject to certain financial covenants as defined in the Credit Agreement. The Facility allows for revolving loans in Canadian dollars and other non-US currencies, up to the U.S. dollar equivalent of \$150 million. Up to \$75 million of the Facility may be used for letters of credit, with an additional \$75 million available for letters of credit, subject to the sole discretion of each issuing bank. The Facility also allows for \$15 million to be used for swingline loans. 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. The Credit Agreement provides for customary events of default. 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 to refinance existing indebtedness, and to provide for future working capital, capital expenditures, acquisitions 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 0.25% to 1.00%; or (2) the Term Benchmark Rate (as defined in the Credit Agreement) plus an applicable margin ranging from 1.25% to 2.00%. The applicable margin is determined based on the Company’s Net Leverage Ratio (as defined in the Credit Agreement). Letters of credit issued under the Facility are subject to a letter of credit fee of 1.25% to 2.00% for non-performance letters of credit or 0.625% to 1.00% for performance letters of credit, based on the Company’s Net Leverage Ratio. The Company is subject to a commitment fee of 0.20% to 0.30%, based on the Company’s Net Leverage Ratio, on any unused portion of the Facility. The Credit Agreement restricts certain types of payments when the Company’s Net Leverage Ratio, after giving pro forma effect thereto, exceeds 2.75.

Under the Credit Agreement, the Company is subject to certain financial covenants including a maximum Net Leverage Ratio of 3.0 and a minimum Interest Coverage Ratio (as defined in the Credit Agreement) of 3.0. 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, 2024.

We had \$77.2 million and \$13.2 million of borrowings outstanding under the Facility as of September 30, 2024 and December 31, 2023, respectively.

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 it is likely that any claims will be made under any letter of credit.

As of September 30, 2024, we had \$37.3 million in letters of credit outstanding under our Credit Agreement, including \$32.6 million related to the Company’s payment obligation under its insurance programs and \$4.7 million related to contract performance obligations. As of December 31, 2023, we had \$34.4 million in letters of credit outstanding under our Credit Agreement, including \$27.1 million related to the Company’s payment obligations under its insurance programs and \$7.3 million related to contract performance obligations.

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, 2024, we had one outstanding Equipment Note collateralized by equipment and vehicles owned by us. As of December 31, 2023, we had two outstanding Equipment Notes collateralized by equipment and vehicles owned by us. As of September 30, 2024 and December 31, 2023, we also had one other equipment note outstanding collateralized by a vehicle owned by us. The outstanding balance of all equipment notes was \$16.0 million as of September 30, 2024 and \$23.0 million as of December 31, 2023. As of September 30, 2024, we had outstanding short-term and long-term equipment notes of approximately \$4.4 million and \$11.6 million, respectively. As of December 31, 2023, we had outstanding short-term and long-term equipment notes of approximately \$7.1 million and \$16.0 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 nine years, some of which may include options to extend the leases for up to ten 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 \$40.6 million as of September 30, 2024, consisting of short-term and long-term operating lease obligations of approximately \$11.1 million and \$29.5 million, respectively. The outstanding balance of operating lease obligations was \$35.0 million as of December 31, 2023, consisting of short-term and long-term operating lease obligations of approximately \$9.2 million and \$25.8 million, respectively.

The outstanding balance of finance lease obligations was \$3.5 million as of September 30, 2024, consisting of short-term and long-term finance lease obligations of approximately \$1.2 million and \$2.3 million, respectively. As of December 31, 2023 we had \$2.3 million outstanding finance lease obligations, consisting of short-term and long-term finance lease obligations of approximately \$2.0 million and \$0.3 million, respectively.

Purchase Commitments for Construction Equipment

As of September 30, 2024, we had approximately \$5.5 million in outstanding purchase obligations for certain construction equipment to be paid with cash outlays scheduled to occur in 2024 and 2025.

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 the issuers of the bonds, we may be required to grant them a security interest relating to a particular project. We believe that it is unlikely that we will have to fund significant claims under our surety arrangements. As of September 30, 2024, an aggregate of approximately \$2.83 billion in original face amount of bonds issued by our sureties were outstanding. Our estimated remaining cost to complete these bonded projects was approximately \$741.6 million as of September 30, 2024.

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 and Canada. Consequently, we are subject to potential credit risk related to changes in business and economic factors throughout the United States and Canada. 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, 2024 and 2023, 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 2023 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. These and other important factors, including those discussed under the caption “Forward-Looking Statements” and in Item 1A. “Risk Factors” in our 2023 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, interest rates and recessionary conditions have in the past and may in the future adversely impact our customers’ 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 have in the past and may in the future 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 have in the past and may in the future 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 impact our profitability.
- 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.
- Pandemic outbreaks of disease, such as the COVID-19 pandemic, have in the past had and may in the future 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 has in the past and may in the future 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 clean energy may impact demand for our services.
- We have in the past and may in the future 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, wars, 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.
- Unfavorable developments affecting the banking and financial services industry could adversely affect our business, liquidity and financial condition and overall results of operations.

- 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

We have operations within the United States and Canada, and we are exposed to market risks in the ordinary course of our business, including the effects of fluctuations in interest rates, foreign exchange rates, and commodity prices.

As of September 30, 2024, we were not party to any derivative instruments. We did not use any material derivative financial instruments during the nine months ended September 30, 2024 and 2023, including instruments for trading, hedging, or speculating on changes in interest rates, changes in foreign currency rates or changes in commodity prices of materials used in our business.

Any borrowings under our Facility are based upon interest rates that will vary depending upon the prime rate, Canadian prime rate, the NYFRB overnight bank funding rate, Term CORRA, and Term SOFR Reference Rate. If the prime rate, Canadian prime rate, the NYFRB overnight bank funding rate, Term CORRA, or Term SOFR Reference Rate 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. As of September 30, 2024, we had \$77.2 million of borrowings outstanding under the Facility. If market rates of interest on all our revolving debt as of September 30, 2024, 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 \$0.8 million annually. If market rates of interest on all our revolving debt, which is subject to variable rates as of September 30, 2024, 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 \$0.8 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, 2024.

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 8—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 2023 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 2023 Annual Report. An investment in our common stock involves various risks. When considering an investment in the Company, you should carefully consider all of the risk factors described in our 2023 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 the 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, 2024 - July 31, 2024	162,255	\$ 134.93	162,255	\$ 36,847,227
August 1, 2024 - August 31, 2024	363,872	\$ 101.26	363,872	\$ 94
September 1, 2024 - September 30, 2024	—	\$ —	—	\$ 94
Total	526,127	\$ 111.65	526,127	

(1) On November 1, 2023, the Company announced that its Board of Directors had authorized a \$75.0 million share repurchase program, which became effective on November 9, 2023 and expired on May 8, 2024 (the “Prior Repurchase Program”). As of the expiration date, the Company had \$72.5 million of remaining availability to repurchase shares of the Company’s common stock under the Prior Repurchase Program. On May 6, 2024, the Company announced that its Board of Directors had authorized a new \$75.0 million share repurchase program (the “Repurchase Program”), which replaced the Prior Repurchase Program and became effective on May 9, 2024. The Repurchase Program will expire on November 8, 2024, or when the authorized funds are exhausted, whichever is earlier. As of September 30, 2024, the Company had exhausted substantially all of the funds available to repurchase shares of the Company’s common stock under the Repurchase Program.

ITEM 5. OTHER INFORMATION

None of the Company’s directors or “officers” (as defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K, during the Company’s fiscal quarter ended September 30, 2024.

ITEM 6. EXHIBITS

Number	Description
31.1	Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)†
31.2	Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)†
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350+
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350+
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)*

† Filed herewith

+ Furnished 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 30, 2024

MYR GROUP INC.

(Registrant)

/s/ KELLY M. HUNTINGTON

Kelly M. Huntington

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 30, 2024

/s/ RICHARD S. SWARTZ, JR.

(Principal Executive Officer)
Chief Executive Officer and President

CERTIFICATIONS

Certification of Principal Financial Officer

I, Kelly M. Huntington, 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 30, 2024

/s/ KELLY M. HUNTINGTON

(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, 2024 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 30, 2024

/s/ RICHARD S. SWARTZ, JR.

Chief Executive Officer and President

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

I, Kelly M. Huntington, 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, 2024 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 30, 2024

/s/ KELLY M. HUNTINGTON

Senior Vice President and Chief Financial Officer