

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 March 31, 2021  
OR

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

For the transition period from to

Commission file number: 1-08325

**MYR GROUP INC.**

(Exact name of registrant as specified in its charter)

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

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

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

**80640**  
(Zip Code)

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	MYRG	The Nasdaq Stock Market, LLC (Nasdaq Global Market)

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

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

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

Large accelerated filer  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 x

As of April 23, 2021, there were 16,827,499 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 1 - FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**
**MYR GROUP INC.**
**CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)	March 31, 2021 (unaudited)	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 73,069	\$ 22,668
Accounts receivable, net of allowances of \$1,665 and \$1,696, respectively	373,524	385,938
Contract assets, net of allowances of \$350 and \$359, respectively	192,883	185,803
Current portion of receivable for insurance claims in excess of deductibles	11,342	11,859
Refundable income taxes	—	1,534
Other current assets	14,548	28,882
<b>Total current assets</b>	<b>665,366</b>	<b>636,684</b>
Property and equipment, net of accumulated depreciation of \$302,134 and \$294,366, respectively	181,096	185,114
Operating lease right-of-use assets	21,724	22,291
Goodwill	66,067	66,065
Intangible assets, net of accumulated amortization of \$15,045 and \$14,467, respectively	50,793	51,365
Receivable for insurance claims in excess of deductibles	26,758	27,043
Investment in joint ventures	3,644	3,040
Other assets	3,798	4,257
<b>Total assets</b>	<b>\$ 1,019,246</b>	<b>\$ 995,859</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 4,381	\$ 4,381
Current portion of operating lease obligations	6,986	6,612
Current portion of finance lease obligations	53	318
Accounts payable	192,241	162,580
Contract liabilities	140,314	158,396
Current portion of accrued self-insurance	24,447	24,395
Other current liabilities	79,402	86,718
<b>Total current liabilities</b>	<b>447,824</b>	<b>443,400</b>
Deferred income tax liabilities	18,295	18,339
Long-term debt	25,039	25,039
Accrued self-insurance	45,095	45,428
Operating lease obligations, net of current maturities	14,787	15,730
Other liabilities	19,742	18,631
<b>Total liabilities</b>	<b>570,782</b>	<b>566,567</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock—\$0.01 par value per share; 4,000,000 authorized shares; none issued and outstanding at March 31, 2021 and December 31, 2020	—	—
Common stock—\$0.01 par value per share; 100,000,000 authorized shares; 16,817,256 and 16,734,239 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	168	167
Additional paid-in capital	157,995	158,618
Accumulated other comprehensive income	276	23
Retained earnings	290,021	270,480
<b>Total stockholders' equity attributable to MYR Group Inc.</b>	<b>448,460</b>	<b>429,288</b>
Noncontrolling interest	4	4
<b>Total stockholders' equity</b>	<b>448,464</b>	<b>429,292</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,019,246</b>	<b>\$ 995,859</b>

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

## MYR GROUP INC.

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in thousands, except per share data)	Three months ended March 31,	
	2021	2020
Contract revenues	\$ 592,486	\$ 518,470
Contract costs	515,533	456,838
Gross profit	76,953	61,632
Selling, general and administrative expenses	49,647	45,046
Amortization of intangible assets	578	1,228
Gain on sale of property and equipment	(683)	(1,050)
Income from operations	27,411	16,408
Other income (expense):		
Interest income	13	2
Interest expense	(475)	(1,513)
Other income (expense), net	41	(895)
Income before provision for income taxes	26,990	14,002
Income tax expense	7,062	4,070
Net income	\$ 19,928	\$ 9,932
Income per common share:		
—Basic	\$ 1.19	\$ 0.60
—Diluted	\$ 1.17	\$ 0.59
Weighted average number of common shares and potential common shares outstanding:		
—Basic	16,760	16,627
—Diluted	17,045	16,742
Net income	\$ 19,928	\$ 9,932
Other comprehensive income:		
Foreign currency translation adjustment	253	87
Other comprehensive income:	253	87
Total comprehensive income	\$ 20,181	\$ 10,019

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

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

(in thousands)	Preferred Stock	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	MYR Group Inc. Stockholders' Equity	Noncontrolling Interest	Total
		Shares	Amount						
<b>Balance at December 31, 2019</b>	—	16,649	\$ 166	\$ 152,532	\$ (446)	\$ 212,219	\$ 364,471	\$ 4	\$ 364,475
Net income	—	—	—	—	—	9,932	9,932	—	9,932
Adjustment to adopt ASC 326	—	—	—	—	—	(268)	(268)	—	(268)
Stock issued under compensation plans, net	—	55	—	82	—	—	82	—	82
Stock-based compensation expense	—	—	—	1,080	—	—	1,080	—	1,080
Shares repurchased	—	(20)	—	(241)	—	(185)	(426)	—	(426)
Other comprehensive income	—	—	—	—	87	—	87	—	87
Stock issued - other	—	1	—	24	—	—	24	—	24
<b>Balance at March 31, 2020</b>	<u>\$ —</u>	<u>16,685</u>	<u>\$ 166</u>	<u>\$ 153,477</u>	<u>\$ (359)</u>	<u>\$ 221,698</u>	<u>\$ 374,982</u>	<u>\$ 4</u>	<u>\$ 374,986</u>
<b>Balance at December 31, 2020</b>	—	16,734	\$ 167	\$ 158,618	\$ 23	\$ 270,480	\$ 429,288	\$ 4	\$ 429,292
Net income	—	—	—	—	—	19,928	19,928	—	19,928
Stock issued under compensation plans, net	—	123	1	109	—	—	110	—	110
Stock-based compensation expense	—	—	—	1,487	—	—	1,487	—	1,487
Shares repurchased	—	(41)	—	(2,231)	—	(387)	(2,618)	—	(2,618)
Other comprehensive income	—	—	—	—	253	—	253	—	253
Stock issued - other	—	1	—	12	—	—	12	—	12
<b>Balance at March 31, 2021</b>	<u>\$ —</u>	<u>16,817</u>	<u>\$ 168</u>	<u>\$ 157,995</u>	<u>\$ 276</u>	<u>\$ 290,021</u>	<u>\$ 448,460</u>	<u>\$ 4</u>	<u>\$ 448,464</u>

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

## MYR GROUP INC.

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Three months ended March 31,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income	\$ 19,928	\$ 9,932
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization of property and equipment	11,293	10,641
Amortization of intangible assets	578	1,228
Stock-based compensation expense	1,487	1,080
Deferred income taxes	(47)	236
Gain on sale of property and equipment	(683)	(1,050)
Other non-cash items	529	(305)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	12,592	38,089
Contract assets, net	(6,991)	(7,467)
Receivable for insurance claims in excess of deductibles	802	(754)
Other assets	15,314	5,195
Accounts payable	29,198	(18,091)
Contract liabilities	(18,087)	(4,697)
Accrued self insurance	(285)	(77)
Other liabilities	(6,238)	1,283
Net cash flows provided by operating activities	59,390	35,243
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property and equipment	651	870
Purchases of property and equipment	(7,031)	(9,138)
Net cash flows used in investing activities	(6,380)	(8,268)
<b>Cash flows from financing activities:</b>		
Net repayments under revolving lines of credit	—	(2,263)
Payment of principal obligations under equipment notes	—	(2,177)
Payment of principal obligations under finance leases	(273)	(312)
Proceeds from exercise of stock options	110	82
Repurchase of common shares	(2,618)	(425)
Other financing activities	12	23
Net cash flows used in financing activities	(2,769)	(5,072)
Effect of exchange rate changes on cash	160	(303)
Net increase in cash and cash equivalents	50,401	21,600
<b>Cash and cash equivalents:</b>		
Beginning of period	22,668	12,397
End of period	\$ 73,069	\$ 33,997

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

## MYR GROUP INC.

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

##### Organization and Business

MYR Group Inc. (the "Company") is a holding company of specialty electrical construction service providers and is currently conducting operations through wholly owned subsidiaries, including: The L. E. Myers Co., a Delaware corporation; Harlan Electric Company, a Michigan corporation; Great Southwestern Construction, Inc., a Colorado corporation; Sturgeon Electric Company, Inc., a Michigan corporation; MYR Energy Services, Inc., a Delaware corporation; E.S. Boulos Company, a Delaware corporation; High Country Line Construction, Inc., a Nevada corporation; Sturgeon Electric California, LLC, a Delaware limited liability company; GSW Integrated Services, LLC, a Delaware limited liability company; Huen Electric, Inc., a Delaware corporation; CSI Electrical Contractors, Inc., a Delaware corporation; MYR Transmission Services Canada, Ltd., a British Columbia corporation; Northern Transmission Services, Ltd., a British Columbia corporation and Western Pacific Enterprises Ltd., a British Columbia corporation.

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, which include design, engineering, procurement, construction, upgrade, maintenance and repair services, with a particular focus on construction, maintenance and repair. 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, the installation of traffic networks and the installation of bridge, roadway and tunnel lighting.

The COVID-19 pandemic caused a slowdown of certain projects due to specific state, local, municipal and customer mandated stay-at-home orders and new project requirements that were established to protect construction workers and the general public, most of which have impacted our C&I segment. Although the majority of stay-at-home orders have been phased out, we are still experiencing impacts associated with the COVID-19 project-specific protocols. We expect the project-specific requirements to remain in place which will continue to impact project schedules and workflow going forward. Key estimates that could potentially be impacted include estimates of costs to complete contracts, the recoverability of goodwill and intangibles and allowance for doubtful accounts.

##### Basis of Presentation

##### *Interim Consolidated Financial Information*

The accompanying unaudited consolidated financial statements of the Company were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial reporting pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. The Company believes that the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the financial position, results of operations, comprehensive income, stockholders' equity and cash flows with respect to the interim consolidated financial statements, have been included. The consolidated balance sheet as of December 31, 2020 has been derived from the audited financial statements as of that date. The results of operations and comprehensive income are not necessarily indicative of the results for the full year or the results for any future periods. These financial statements should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2020, included in the Company's Annual Report on Form 10-K, which was filed with the SEC on March 3, 2021 (the "2020 Annual Report").

### ***Joint Ventures and Noncontrolling Interests***

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

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

The Company is the majority controlling interest in a joint venture. As a result, the Company has consolidated the carrying value of the joint ventures' assets and liabilities and results of operations in the Company's consolidated financial statements. The equity owned by the other joint venture partners has been recorded as noncontrolling interest in the Company's consolidated balance sheets, consolidated statements of stockholders' equity, and their portions, if material, of net income (loss) and other comprehensive income shown as net income or other comprehensive income attributable to noncontrolling interest in the Company's consolidated statements of operations and other comprehensive income. Additionally, the joint venture associated with the Company's noncontrolling interest is a partnership, and consequently, the tax effect of only the Company's share of the joint venture income is recognized by the Company. The majority controlled joint venture made no distributions to its partners, and the Company made no capital contributions to the joint venture, during the three months ended March 31, 2021. Additionally, there have been no changes in ownership during the three months ended March 31, 2021. The project associated with this joint venture was substantially completed in 2019.

### ***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 in shareholders' equity. Foreign currency transaction gains and losses, arising primarily from changes in exchange rates on short-term monetary assets and liabilities, and ineffective long-term monetary assets and liabilities are recorded in the "other income, net" line on the Company's consolidated statements of operations. Foreign currency losses and gains, recorded in other income, net, for the three months ended March 31, 2021 and 2020 were not significant. Effective foreign currency transaction gains and losses, arising primarily from long-term monetary assets and liabilities, are recorded in the foreign currency translation adjustment line on the Company's consolidated statements of comprehensive income.

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

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



The most significant estimates are related to estimates of costs to complete contracts, pending change orders and claims, shared savings, insurance reserves, income tax reserves, estimates surrounding stock-based compensation, 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 March 31, 2021 and 2020, the Company had recognized revenues of \$14.0 million and \$36.4 million, respectively, related to significant 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 March 31, 2021, changes in estimates pertaining to certain projects increased consolidated gross margin by 0.1%, which resulted in increases in operating income of \$0.6 million, net income of \$0.4 million and diluted earnings per common share of \$0.02.

During the three months ended March 31, 2020, changes in estimates pertaining to certain projects increased consolidated gross margin by 0.1%. These changes in estimates did not have a significant impact to consolidated operating income, net income or diluted earnings per common share.

### Recent Accounting Pronouncements

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

### Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, Income Taxes, and clarifies certain aspects of the current guidance to promote consistent application among reporting entities. The Company adopted this ASU in January 2021 and there was no effect on the consolidated financial statements or 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, which frequently include retention provisions contained in each contract.

The Company’s consolidated balance sheets present contract assets, which contain unbilled revenue and contract retainages associated with contract work that has been completed and billed but not paid by customers, pursuant to retainage provisions, that are generally due once the job is completed and approved. The allowance for doubtful accounts associated with contract assets was \$0.4 million as of March 31, 2021 and December 31, 2020.

Contract assets consisted of the following:

(in thousands)	March 31, 2021	December 31, 2020	Change
Unbilled revenue, net	\$ 108,268	\$ 97,543	\$ 10,725
Contract retainages, net	84,615	88,260	(3,645)
Contract assets, net	<u>\$ 192,883</u>	<u>\$ 185,803</u>	<u>\$ 7,080</u>

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

Contract liabilities consisted of the following:

(in thousands)	March 31, 2021	December 31, 2020	Change
Deferred revenue	\$ 138,180	\$ 155,570	\$ (17,390)
Accrued loss provision	2,134	2,826	(692)
Contract liabilities	<u>\$ 140,314</u>	<u>\$ 158,396</u>	<u>\$ (18,082)</u>

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

(in thousands)	March 31, 2021	December 31, 2020	Change
Contract assets, net	\$ 192,883	\$ 185,803	\$ 7,080
Contract liabilities	(140,314)	(158,396)	18,082
Net contract assets (liabilities)	<u>\$ 52,569</u>	<u>\$ 27,407</u>	<u>\$ 25,162</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 \$41.4 million for the three months ended March 31, 2021 and \$25.7 million for the three months ended March 31, 2020. 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)	March 31, 2021	December 31, 2020
Costs and estimated earnings on uncompleted contracts	\$ 3,705,959	\$ 3,921,376
Less: billings to date	3,735,871	3,979,403
	<u>\$ (29,912)</u>	<u>\$ (58,027)</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)	March 31, 2021	December 31, 2020
Unbilled revenue	\$ 108,268	\$ 97,543
Deferred revenue	(138,180)	(155,570)
	<u>\$ (29,912)</u>	<u>\$ (58,027)</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 six years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the leases within one year. Currently, all the Company's leases contain fixed payment terms. The Company may decide to cancel or terminate a lease before the end of its term, in which case we are typically liable to the lessor for the remaining lease payments under the term of the lease. Additionally, all of the Company's month-to-month leases are cancelable, by the Company or the lessor, at any time and are not included in our right-of-use asset or liability. At March 31, 2021, the Company had several leases with residual value guarantees. Typically, the Company has purchase options on the equipment underlying its long-term leases and many of its short-term rental arrangements. The Company may exercise some of these purchase options when the need for equipment is on-going and the purchase option price is attractive. Leases are accounted for as operating or finance leases, depending on the terms of the lease.

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

(in thousands)	Classification on the Consolidated Balance Sheet	March 31, 2021	December 31, 2020
<b>Assets</b>			
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 21,724	\$ 22,291
Finance lease right-of-use assets	Property and equipment, net of accumulated depreciation	140	390
<b>Total right-of-use lease assets</b>		<b>\$ 21,864</b>	<b>\$ 22,681</b>
<b>Liabilities</b>			
<b>Current</b>			
Operating lease obligations	Current portion of operating lease obligations	\$ 6,986	\$ 6,612
Finance lease obligations	Current portion of finance lease obligations	53	318
<b>Total current obligations</b>		<b>7,039</b>	<b>6,930</b>
<b>Non-current</b>			
Operating lease obligations	Operating lease obligations, net of current maturities	14,787	15,730
<b>Total non-current obligations</b>		<b>14,787</b>	<b>15,730</b>
<b>Total lease obligations</b>		<b>\$ 21,826</b>	<b>\$ 22,660</b>

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

	March 31, 2021	December 31, 2020
Weighted-average remaining lease term - finance leases	0.2 years	0.4 years
Weighted-average remaining lease term - operating leases	3.2 years	3.4 years
Weighted-average discount rate - finance leases	2.6 %	2.6 %
Weighted-average discount rate - operating leases	3.9 %	3.9 %

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

(in thousands)	Three months ended March 31,	
	2021	2020
<b>Lease cost:</b>		
Finance lease cost:		
Amortization of right-of-use assets	\$ 189	\$ 249
Interest on lease liabilities	3	11
Operating lease cost	2,486	2,231
Variable lease costs	76	71
Total lease cost	<u>\$ 2,754</u>	<u>\$ 2,562</u>

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

(in thousands)	Three months ended March 31,	
	2021	2020
<b>Other information:</b>		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 2,540	\$ 2,069
Right-of-use asset obtained in exchange for new operating lease obligations	\$ 1,502	\$ 3,024

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 March 31, 2021 were as follows:

(in thousands)	Finance Lease Obligations	Operating Lease Obligations	Total Lease Obligations
Remainder of 2021	\$ 53	\$ 7,083	\$ 7,136
2022	—	8,036	8,036
2023	—	5,736	5,736
2024	—	2,968	2,968
2025	—	1,132	1,132
2026	—	796	796
Thereafter	—	—	—
Total minimum lease payments	53	25,751	25,804
Financing component	—	(3,978)	(3,978)
Net present value of minimum lease payments	53	21,773	21,826
Less: current portion of finance and operating lease obligations	(53)	(6,986)	(7,039)
Long-term finance and operating lease obligations	<u>\$ —</u>	<u>\$ 14,787</u>	<u>\$ 14,787</u>

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 market rental rates. As of March 31, 2021, the minimum lease payments required under these leases totaled \$3.0 million, which are due over the next 3.3 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 March 31, 2021 and December 31, 2020, the Company determined that the carrying value of cash and cash equivalents approximated fair value based on Level 1 inputs. As of March 31, 2021 and December 31, 2020, the fair values of the Company's long-term debt and finance lease obligations were based on Level 2 inputs. The Company's long-term debt was based on variable and fixed interest rates at March 31, 2021 and December 31, 2020, for new issues with similar remaining maturities, and approximated carrying value. In addition, based on borrowing rates currently available to the Company for borrowings with similar terms, the carrying values of the Company's finance lease obligations also approximated fair value.

#### 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 March 31, 2021	Outstanding Balance as of December 31, 2020
<i>Credit Agreement</i>						
Revolving loans	9/13/2019	Variable	Variable	5	\$ —	\$ —
<i>Equipment Notes</i>						
Equipment Note 6	6/25/2019	2.89%	Semi-annual	7	12,896	12,896
Equipment Note 7	6/24/2019	3.09%	Semi-annual	5	6,980	6,980
Equipment Note 8	12/27/2019	2.75%	Semi-annual	5	5,513	5,513
Equipment Note 9	12/24/2019	3.01%	Semi-annual	7	4,031	4,031
					29,420	29,420
Total debt					29,420	29,420
Less: current portion of long-term debt					(4,381)	(4,381)
Long-term debt					\$ 25,039	\$ 25,039

#### *Credit Agreement*

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

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

Under the Credit Agreement, the Company is subject to certain financial covenants and is limited to a maximum consolidated Leverage Ratio of 3.0 and a minimum interest coverage ratio of 3.0, which is defined in the Credit Agreement as Consolidated EBITDA (as defined in the Credit Agreement) divided by interest expense (as defined in the Credit Agreement). The Credit Agreement also contains covenants including limitations on asset sales, investments, indebtedness and liens. The Company was in compliance with all of its financial covenants under the Credit Agreement as of March 31, 2021.

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

As of December 31, 2020, the Company had no debt outstanding under the Facility and letters of credit outstanding under the Facility of approximately \$10.4 million, including \$9.8 million related to the Company's payment obligation under its insurance programs and approximately \$0.6 million related to contract performance obligations.

The Company had remaining deferred debt issuance costs totaling \$1.1 million as of March 31, 2021, related to the line of credit. As permitted, debt issuance costs have been deferred and are presented as an asset within other assets, which is amortized as interest expense over the term of the line of credit.

#### ***Equipment Notes***

The Company has entered into Master Equipment Loan and Security Agreements (the "Master Loan Agreements") with multiple banks. The Master Loan Agreements may be used for the financing of equipment between the Company and the lending banks 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 March 31, 2021, the Company had four Equipment Notes outstanding under the Master Loan Agreements that are collateralized by equipment and vehicles owned by the Company. The following table sets forth our remaining principal payments for the Company's outstanding Equipment Notes as of March 31, 2021:

(in thousands)	Future Equipment Notes Principal Payments
Remainder of 2021	\$ 4,381
2022	4,511
2023	4,645
2024	7,102
2025	2,189
2026	6,592
Thereafter	—
Total future principal payments	\$ 29,420
Less: current portion of equipment notes	(4,381)
Long-term principal obligations	\$ 25,039

## 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 guaranteed not-to-exceed maximum price.

Historically, fixed-price and unit-price contracts have had the highest potential margins; however, they have had a greater risk in terms of profitability because cost overruns may not be recoverable. Time-and-equipment, time-and-materials and cost-plus contracts have historically had less margin upside, but generally have had a lower risk of cost overruns. The Company also provides services under master service agreements ("MSAs") and other variable-term service agreements. MSAs normally cover maintenance, upgrade and extension services, as well as new construction. Work performed under MSAs is typically billed on a unit-price, time-and-materials or time-and-equipment basis. MSAs are typically one to three years in duration; however, most of the Company's contracts, including MSAs, may be terminated by the customer on short notice, typically 30 to 90 days, even if the Company is not in default under the contract. Under MSAs, customers generally agree to use the Company for certain services in a specified geographic region. Most MSAs include no obligation for the contract counterparty to assign specific volumes of work to the Company and do not require the counterparty to use the Company exclusively, although in some cases the MSA contract gives the Company a right of first refusal for certain work. Additional information related to the Company's market types is provided in Note 10—Segment Information.

The components of the Company's revenue by contract type for the three months ended March 31, 2021 and 2020 were as follows:

(dollars in thousands)	Three months ended March 31, 2021					
	T&D		C&I		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Fixed price	\$ 151,931	48.2 %	\$ 227,709	82.0 %	\$ 379,640	64.1 %
Unit price	85,269	27.1	18,431	6.6	103,700	17.5
T&E	70,278	22.3	14,382	5.2	84,660	14.3
Other	7,430	2.4	17,056	6.2	24,486	4.1
	<u>\$ 314,908</u>	<u>100.0 %</u>	<u>\$ 277,578</u>	<u>100.0 %</u>	<u>\$ 592,486</u>	<u>100.0 %</u>

  

(dollars in thousands)	Three months ended March 31, 2020					
	T&D		C&I		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Fixed price	\$ 121,002	46.7 %	\$ 218,539	84.3 %	\$ 339,541	65.5 %
Unit price	63,310	24.4	18,076	7.0	81,386	15.7
T&E	68,051	26.2	15,802	6.1	83,853	16.2
Other	6,907	2.7	6,783	2.6	13,690	2.6
	<u>\$ 259,270</u>	<u>100.0 %</u>	<u>\$ 259,200</u>	<u>100.0 %</u>	<u>\$ 518,470</u>	<u>100.0 %</u>

The components of the Company's revenue by market type for the three months ended March 31, 2021 and 2020 were as follows:

(dollars in thousands)	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Amount	Percent	Segment	Amount	Percent	Segment
Transmission	\$ 211,227	35.7 %	T&D	\$ 171,566	33.1 %	T&D
Distribution	103,681	17.5	T&D	87,704	16.9	T&D
Electrical construction	277,578	46.8	C&I	259,200	50.0	C&I
Total revenue	<u>\$ 592,486</u>	<u>100.0 %</u>		<u>\$ 518,470</u>	<u>100.0 %</u>	

### Remaining Performance Obligations

As of March 31, 2021, the Company had \$1.53 billion of remaining performance obligations. The Company's remaining performance obligations include projects that have a written award, a letter of intent, a notice to proceed or an agreed upon work order to perform work on mutually accepted terms and conditions.

The following table summarizes the amount of remaining performance obligations as of March 31, 2021 that the Company expects to be realized and the amount of the remaining performance obligations that the Company reasonably estimates will not be recognized within the next twelve months.

(in thousands)	Remaining Performance Obligations at March 31, 2021			Total at December 31, 2020
	Total	Amount estimated to not be recognized within 12 months		
T&D	\$ 584,421	\$ 152,951	\$	645,422
C&I	940,758	190,950		889,596
Total	<u>\$ 1,525,179</u>	<u>\$ 343,901</u>	<u>\$</u>	<u>1,535,018</u>



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

## **7. Income Taxes**

The U.S. federal statutory tax rate was 21% for each of the three months ended March 31, 2021 and 2020. The Company's effective tax rate for the three months ended March 31, 2021 was 26.2% of pretax income compared to the effective tax rate for the three months ended March 31, 2020 of 29.1%.

The difference between the U.S. federal statutory tax rate and the Company's effective tax rate for the three months ended March 31, 2021 was primarily due to state income taxes and foreign earnings and the associated impact of the global intangible low tax income ("GILTI") and other permanent difference items, partially offset by a favorable impact from stock compensation excess tax benefits.

The difference between the U.S. federal statutory tax rate and the Company's effective tax rate for the three months ended March 31, 2020, was primarily due to state income taxes and excess tax expense pertaining to the vesting of stock awards related to the Company's stock compensation program along with foreign earnings and the associated impact of GILTI.

The Company had unrecognized tax benefits of approximately \$0.4 million as of March 31, 2021 and December 31, 2020, 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 months ended March 31, 2021 and 2020.

The Company is subject to taxation in various jurisdictions. The Company's 2017 through 2019 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 2016 through 2019.

## **8. Commitments and Contingencies**

### ***Purchase Commitments***

As of March 31, 2021, the Company had approximately \$18.0 million in outstanding purchase orders for certain construction equipment, with cash payments scheduled to occur over the next nine months.

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

The Company carries insurance policies, which are subject to certain deductibles, for workers' compensation, general liability, automobile liability and other insurance coverage. The deductible per occurrence for each line of coverage is up to \$1.0 million, except for wildfire coverage which has a deductible of \$2.0 million. The Company'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 March 31, 2021, an aggregate of approximately \$1.20 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 \$632.8 million as of March 31, 2021.

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

### ***Indemnities***

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

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

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

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

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

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

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

## **9. Stock-Based Compensation**

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

The Company has outstanding grants of time-vested stock awards in the form of restricted stock units. During the three months ended March 31, 2021, the Company granted time-vested stock awards covering 47,956 shares of common stock under the LTIP, which vest ratably over three years, at a weighted average grant date fair value of \$66.38. During the three months ended March 31, 2021, time-vested stock awards covering 40,662 shares of common stock vested at a weighted average grant date fair value of \$32.02.

During the three months ended March 31, 2021, the Company granted 42,091 performance share awards under the LTIP at target, which will cliff vest, if earned, on December 31, 2023, at a weighted average grant date fair value of \$80.11. The number of shares ultimately earned under a performance award may vary from zero to 200% of the target shares granted, based upon the Company's performance compared to certain metrics. The metrics used were determined at the time of the grant by the Compensation Committee of the Board of Directors and were either based on internal measures, such as the Company's financial performance compared to targets, or on a market-based metric, such as the Company's stock performance compared to a peer group. Performance awards granted cliff vest following the performance period if the stated performance targets and minimum service requirements are attained and are paid in shares of the Company's common stock.

During the three months ended March 31, 2021, plan participants exercised options to purchase 5,102 shares of the Company's common stock with a weighted average exercise price of \$21.71.

The Company recognizes stock-based compensation expense related to restricted stock awards and 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 western 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 2020 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. The T&D segment also provides emergency restoration services in response to hurricane, ice or other storm-related damage. T&D customers include investor-owned utilities, cooperatives, private developers, government-funded utilities, independent power producers, independent transmission companies, industrial facility owners and other contractors.

**Commercial and Industrial:** The C&I segment provides services such as the design, installation, maintenance and repair of commercial and industrial wiring, installation of traffic networks and the installation of bridge, roadway and tunnel lighting. Typical C&I contracts cover electrical contracting services for airports, hospitals, data centers, hotels, stadiums, convention centers, renewable energy projects, manufacturing plants, processing facilities, 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 March 31,	
	2021	2020
<b>Contract revenues:</b>		
T&D	\$ 314,908	\$ 259,270
C&I	277,578	259,200
	<u>\$ 592,486</u>	<u>\$ 518,470</u>
<b>Income from operations:</b>		
T&D	\$ 28,673	\$ 17,964
C&I	14,272	9,312
General Corporate	(15,534)	(10,868)
	<u>\$ 27,411</u>	<u>\$ 16,408</u>

For the three months ended March 31, 2021 and 2020, contract revenues attributable to the Company's Canadian operations were \$17.7 million and \$18.1 million, respectively, predominantly in the C&I segment.

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

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

(in thousands, except per share data)	Three months ended March 31,	
	2021	2020
<b>Numerator:</b>		
Net income	\$ 19,928	\$ 9,932
<b>Denominator:</b>		
Weighted average common shares outstanding	16,760	16,627
Weighted average dilutive securities	285	115
Weighted average common shares outstanding, diluted	<u>17,045</u>	<u>16,742</u>
<b>Income per common share:</b>		
Basic	\$ 1.19	\$ 0.60
Diluted	\$ 1.17	\$ 0.59

For the three months ended March 31, 2021 and 2020, certain common stock equivalents were excluded from the calculation of dilutive securities because their inclusion would either have been anti-dilutive or, for stock options, the exercise prices of those stock options were greater than the average market price of the Company's common stock for the period. All of the Company's unvested time-vested stock awards were included in the computation of weighted average dilutive securities.

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

(in thousands)	Three months ended March 31,	
	2021	2020
Time-vested stock awards	48	—
Performance awards	42	30

## 12. Subsequent Event

On April 13, 2021, the Company prepaid its \$7.0 million Equipment Note 7 using cash on hand. This prepayment included an insignificant amount of accrued interest and there was no associated prepayment penalty.

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

*The following discussion 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, 2020 (the “2020 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 2020 Annual Report. We assume no obligation to update any of these forward-looking statements.*

### Overview and Outlook

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

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

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

Since March 2020, the COVID-19 pandemic has had a significant impact on the global economy, including the US and Canadian economies. The COVID-19 pandemic caused a slowdown of certain projects due to specific state, local, municipal and customer mandated stay-at-home orders and new project requirements that were established to protect construction workers and the general public, most of which have impacted our C&I segment. Although the majority of stay-at-home orders have been phased out, we are still experiencing impacts associated with the COVID-19 project-specific protocols. We expect the project-specific requirements to remain in place which will continue to impact project schedules and workflow going forward.

We had consolidated revenues for the three months ended March 31, 2021 of \$592.5 million, of which 53.2% was attributable to our T&D customers and 46.8% was attributable to our C&I customers. Our consolidated revenues for the three months ended March 31, 2020 were \$518.5 million. For the three months ended March 31, 2021, our net income and EBITDA<sup>(1)</sup> were \$19.9 million and \$39.3 million, respectively, compared to \$9.9 million and \$27.4 million, respectively, for the three months ended March 31, 2020.

We believe that the proposed legislative actions may positively impact long-term demand, particularly in connection with electric power infrastructure, transportation and renewable energy spending. We are hopeful that proposed legislative actions will provide greater opportunity in both of our reporting segments.

We also believe there is an ongoing need for utilities to sustain investment in their transmission systems to improve reliability, reduce congestion and connect to new sources of renewable generation. Consequently, we anticipate that we will continue to see significant bidding activity on large transmission projects over the next two years. 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 2021 will not likely occur until 2022. Bidding and construction activity for small to medium-size transmission projects and upgrades remain active, and we expect this trend to continue, primarily due to reliability and economic drivers.

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

As a result of reduced spending by United States utilities on their distribution systems for several years, we believe there is a need for sustained investment by utilities in their distribution systems to properly maintain or meet reliability requirements. In 2021, we continue to see increased bidding activity in some of our electric distribution markets, as economic conditions improved in those areas. We believe the increased hurricane activity over the past several years and recent destruction caused by wildfires will cause a push to strengthen utility distribution systems against catastrophic damage. Several industry and market trends are also prompting customers in the electric utility industry to seek outsourcing partners rather than performing projects internally. These trends include an aging electric utility workforce, increasing costs and staffing constraints. We believe electric utility employee retirements could increase with further economic recovery, which may result in an increase in outsourcing opportunities. We expect to see an incremental increase in distribution opportunities in the United States in 2021, depending on the ultimate U.S. economic recovery from the COVID-19 pandemic.

We expect C&I bidding opportunities to continue to be impacted by the ongoing COVID-19 pandemic and market uncertainty could contribute to an overall deceleration in projects coming out to bid. Recovery of the C&I market will be heavily dependent on the timing and pace of the United States and Canada economic recoveries. We believe that the primary markets we serve may be somewhat less vulnerable to economic slowing, such as health care, transportation, data centers, warehousing, renewable energy and water projects. We are hopeful that the service industry and small project market could quickly rebound as pent-up demand will need to be addressed.

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

We strive to maintain our status as a preferred provider to our T&D and C&I customers. In an effort to support our growth strategy and maximize stockholder returns, we seek to efficiently manage our capital. We continue to implement strategies that further expand our capabilities and allow opportunities to provide prudent capital returns. We ended the first quarter of 2021 with \$362.7 million available under our credit facility. We believe that our financial position, positive cash flows and other operational strengths will enable us to manage the challenges and uncertainties in the markets we serve, and give us the flexibility to successfully execute our strategies. We continue to invest in developing key management and craft personnel in both our T&D and C&I markets and in procuring the specific specialty equipment and tooling needed to win and execute projects of all sizes and complexity.

## **Backlog**

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

The difference between our backlog and remaining performance obligations is due to the exclusion of a portion of our master service agreements under certain contract types from our remaining performance obligations as these contracts can be canceled for convenience at any time by us or the customer without considerable cost incurred by the customer. Our estimated backlog also includes our proportionate share of unconsolidated joint venture contracts. Additional information related to our remaining performance obligations is provided in Note 6–Revenue Recognition in the accompanying notes to our Consolidated Financial Statements.

Our backlog was \$1.64 billion at March 31, 2021, compared to \$1.65 billion at December 31, 2020 and \$1.54 billion at March 31, 2020. Our backlog at March 31, 2021 decreased 0.4% from December 31, 2020. Backlog in the T&D segment decreased \$59.4 million and C&I backlog increased \$53.3 million compared to December 31, 2020. Our backlog as of March 31, 2021 included our proportionate share of joint venture backlog totaling \$19.2 million, compared to \$24.8 million at December 31, 2020.

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

(in thousands)	Backlog at March 31, 2021		Total backlog at December 31, 2020
	Total	Amount estimated to not be recognized within 12 months	
T&D	\$ 694,485	\$ 152,951	\$ 753,932
C&I	948,753	190,950	895,524
Total	\$ 1,643,238	\$ 343,901	\$ 1,649,456

### Project Bonding Requirements and Parent Guarantees

A substantial portion of our business requires performance and payment bonds or other means of financial assurance to secure contractual performance. These bonds are typically issued at the face value of the contract awarded. If we fail to perform or pay our subcontractors or vendors, the customer may demand that the surety provide services or make payments under the bond. In such a case, we would likely be required to reimburse the surety for any expenses or outlays it incurs. To date, we have not been required to make any reimbursements to our sureties for claims against our surety bonds. As of March 31, 2021, we had approximately \$1.20 billion in original face amount of surety bonds outstanding. Our estimated remaining cost to complete these bonded projects was approximately \$632.8 million as of March 31, 2021.

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.



## 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 March 31,			
	2021		2020	
	Amount	Percent	Amount	Percent
Contract revenues	\$ 592,486	100.0 %	\$ 518,470	100.0 %
Contract costs	515,533	87.0	456,838	88.1
Gross profit	76,953	13.0	61,632	11.9
Selling, general and administrative expenses	49,647	8.4	45,046	8.7
Amortization of intangible assets	578	0.1	1,228	0.2
Gain on sale of property and equipment	(683)	(0.1)	(1,050)	(0.2)
Income from operations	27,411	4.6	16,408	3.2
Other income (expense):				
Interest income	13	—	2	—
Interest expense	(475)	(0.1)	(1,513)	(0.3)
Other income (expense), net	41	—	(895)	(0.2)
Income before provision for income taxes	26,990	4.5	14,002	2.7
Income tax expense	7,062	1.1	4,070	0.8
Net income	\$ 19,928	3.4 %	\$ 9,932	1.9 %

### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

**Revenues.** Revenues were \$592.5 million for the three months ended March 31, 2021 compared to \$518.5 million for the three months ended March 31, 2020. The increase of \$74.0 million, or 14.3%, was primarily due to an increase in revenue on large-sized T&D projects as well as an increase in revenue on medium-sized C&I projects. Additionally, revenues during the three months ended March 31, 2020 were negatively impacted by a slight slowdown of C&I work in certain geographic areas related to the COVID-19 pandemic.

**Gross margin.** Gross margin was 13.0% for the three months ended March 31, 2021 compared to 11.9% for the three months ended March 31, 2020. The increase in gross margin was primarily due to better-than-anticipated productivity on certain projects and a favorable job close-out. These improvements were partially offset by inclement weather experienced on a project, unfavorable pending change order adjustments on certain projects and labor inefficiencies on certain projects. Changes in estimates of gross profit on certain projects resulted in a gross margin increase of 0.1% for each of the three months ended March 31, 2021 and 2020.

**Gross profit.** Gross profit was \$77.0 million for the three months ended March 31, 2021 compared to \$61.6 million for the three months ended March 31, 2020. The increase of \$15.4 million, or 24.9%, was due to higher revenues and margins.

**Selling, general and administrative expenses.** Selling, general and administrative expenses was \$49.6 million for the three months ended March 31, 2021 compared to \$45.0 million for the three months ended March 31, 2020. The period-over-period increase of \$4.6 million was primarily due to an increase in employee incentive compensation costs and an increase in contingent compensation expense related to a prior acquisition.

**Gain on sale of property and equipment.** Gains from the sale of property and equipment for the three months ended March 31, 2021 were \$0.7 million compared to \$1.1 million for the three months ended March 31, 2020. 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 \$0.5 million for the three months ended March 31, 2021 compared to \$1.5 million for the three months ended March 31, 2020. The period-over-period decrease of \$1.0 million was primarily due to the decrease in our outstanding debt during the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

*Income tax expense.* Income tax expense was \$7.1 million for the three months ended March 31, 2021, with an effective tax rate of 26.2%, compared to the expense of \$4.1 million for the three months ended March 31, 2020, with an effective tax rate of 29.1%. The decrease in the tax rate for the three months ended March 31, 2021 was primarily due to a favorable impact from stock compensation excess tax benefits.

*Net income.* Net income was \$19.9 million for the three months ended March 31, 2021 compared to \$9.9 million for the three months ended March 31, 2020. The increase 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 March 31,			
	2021		2020	
	Amount	Percent	Amount	Percent
<b>Contract revenues:</b>				
Transmission & Distribution	\$ 314,908	53.2 %	\$ 259,270	50.0 %
Commercial & Industrial	277,578	46.8	259,200	50.0
Total	\$ 592,486	100.0 %	\$ 518,470	100.0 %
<b>Operating income (loss):</b>				
Transmission & Distribution	\$ 28,673	9.1 %	\$ 17,964	6.9 %
Commercial & Industrial	14,272	5.1	9,312	3.6
Total	42,945	7.2	27,276	5.3
General Corporate	(15,534)	(2.6)	(10,868)	(2.1)
Consolidated	\$ 27,411	4.6 %	\$ 16,408	3.2 %

### Transmission & Distribution

Revenues for our T&D segment for the three months ended March 31, 2021 were \$314.9 million compared to \$259.3 million for the three months ended March 31, 2020, an increase of \$55.6 million, or 21.5%. The increase in revenue was primarily related to an increase in revenue on large-sized projects.

Revenues from transmission projects represented 67.1% and 66.2% of T&D segment revenue for the three months ended March 31, 2021 and 2020, respectively. Additionally, for the three months ended March 31, 2021, measured by revenue in our T&D segment, we provided 48.2% of our T&D services under fixed-price contracts, as compared to 46.7% for the three months ended March 31, 2020.

Operating income for our T&D segment for the three months ended March 31, 2021 was \$28.7 million, an increase of \$10.7 million, or 59.6%, from the three months ended March 31, 2020. The increase in T&D operating income from the prior year was primarily due to higher revenues, better-than-anticipated productivity on certain projects and a favorable job close-out. These increases were partially offset by inclement weather experienced on a project. As a percentage of revenues, operating income for our T&D segment was 9.1% for the three months ended March 31, 2021 compared to 6.9% for the three months ended March 31, 2020.

### *Commercial & Industrial*

Revenues for our C&I segment for the three months ended March 31, 2021 were \$277.6 million compared to \$259.2 million for the three months ended March 31, 2020, an increase of \$18.4 million, or 7.1%, primarily due to an increase in revenue on medium-sized projects. Additionally, revenues during the three months ended March 31, 2020 were negatively impacted by a slight slowdown of work in certain geographic areas related to the COVID-19 pandemic. Measured by revenue in our C&I segment, we provided 82.0% of our services under fixed-price contracts for the three months ended March 31, 2021, compared to 84.3% for the three months ended March 31, 2020.

Operating income for our C&I segment for the three months ended March 31, 2021 was \$14.3 million, an increase of \$5.0 million, over the three months ended March 31, 2020. The period-over-period increase in operating income was due to higher revenues and better-than-anticipated productivity on certain projects. These increases were partially offset by unfavorable pending change order adjustments on certain projects and labor inefficiencies on certain projects. As a percentage of revenues, operating income for our C&I segment was 5.1% for the three months ended March 31, 2021 compared to 3.6% for the three months ended March 31, 2020.

### **Non-GAAP Measure—EBITDA**

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

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

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

(in thousands)	Three months ended March 31,	
	2021	2020
Net income	19,928	9,932
<i>Add:</i>		
Interest expense, net	462	1,511
Income tax expense	7,062	4,070
Depreciation & amortization	11,871	11,869
EBITDA	<u>\$ 39,323</u>	<u>\$ 27,382</u>

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

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

(in thousands)	Three months ended March 31,	
	2021	2020
<b>Provided By Operating Activities:</b>		
Net cash flows provided by operating activities	\$ 59,390	\$ 35,243
<i>Add/(subtract):</i>		
Changes in operating assets and liabilities	(26,305)	(13,481)
Adjustments to reconcile net income to net cash flows provided by operating activities	(13,157)	(11,830)
Depreciation & amortization	11,871	11,869
Income tax expense	7,062	4,070
Interest expense, net	462	1,511
EBITDA	<u>\$ 39,323</u>	<u>\$ 27,382</u>

## **Liquidity and Capital Resources**

As of March 31, 2021, we had working capital of \$217.5 million. We define working capital as current assets less current liabilities. During the three months ended March 31, 2021, operating activities of our business provided net cash of \$59.4 million, compared to \$35.2 million of cash provided for the three months ended March 31, 2020. Cash flow from operations is primarily influenced by demand for our services, operating margins, timing of contract performance and the type of services we provide to our customers. The \$24.1 million year-over-year increase in cash provided by operating activities was primarily due to favorable net changes in operating assets and liabilities of \$12.8 million and an increase in net income of \$10.0 million. The favorable change in operating assets and liabilities was primarily due to the net favorable year-over-year increases in various working capital accounts that relate primarily to construction activities (accounts receivable, contract assets, accounts payable and contract liabilities) of \$8.9 million and an unfavorable change of \$7.5 million in other liabilities. The increase in cash provided by working capital accounts, primarily related to construction activities, was primarily due to favorable changes in contract assets and contract liabilities due to the timing of billings and payments under our contracts. The unfavorable change of \$7.5 million in other liabilities was primarily due to higher bonus accruals and the timing of employee related wage and tax payments.

In the three months ended March 31, 2021, we used net cash of \$6.4 million in investing activities of consisting of \$7.0 million for capital expenditures, partially offset by \$0.7 million of proceeds from the sale of equipment.

In the three months ended March 31, 2021, financing activities used net cash of \$2.8 million, consisting primarily of share repurchases of \$2.6 million, all of which represented shares surrendered to satisfy tax obligations under our stock compensation programs.

We anticipate that our borrowing availability of \$362.7 million at March 31, 2021 under our revolving line of credit and future cash flow from operations will provide sufficient cash to enable us to meet our future operating needs, debt service requirements, capital expenditures, acquisition and joint venture opportunities, share repurchases, and \$25.2 million of remaining payroll tax deferrals provided under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which will be paid within the next two years. Although we believe that we have adequate cash and borrowing capacity to meet our liquidity needs, any large projects or acquisitions may require additional capital. We continue to invest in developing key management and craft personnel in both our T&D and C&I markets and in procuring the specific specialty equipment and tooling needed to win and execute projects of all sizes and complexity.

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

## **Debt Instruments**

### *Credit Agreement*

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

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

Under the Credit Agreement, we are subject to certain financial covenants and are limited to a maximum consolidated Leverage Ratio of 3.0 and a minimum interest coverage ratio of 3.0, which is defined in the Credit Agreement as Consolidated EBITDA (as defined in the Credit Agreement) divided by interest expense (as defined in the Credit Agreement). The Credit Agreement also contains a number of covenants, including limitations on asset sales, investments, indebtedness and liens. We were in compliance with all of the financial covenants under the Credit Agreement as of March 31, 2021.

We had no debt outstanding under the Facility as of March 31, 2021 and December 31, 2020, and letters of credit outstanding of approximately \$12.3 million and \$10.4 million as of March 31, 2021 and December 31, 2020, respectively.

#### *Equipment Notes*

We have entered into multiple Master Loan Agreements with multiple banks. The Master Loan Agreements may be used for financing of equipment between us and the lending banks 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 March 31, 2021, we had four executed and outstanding Equipment Notes that are collateralized by equipment and vehicles owned by us. The outstanding balance of these Equipment Notes was \$29.4 million as of March 31, 2021 and December 31, 2020.

On April 13, 2021, we prepaid our \$7.0 million Equipment Note 7 using cash on hand. This prepayment included an insignificant amount of accrued interest and there was no associated prepayment penalty.

#### **Off-Balance Sheet Transactions**

As is common in our industry, we enter into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected on our balance sheets. Our significant off-balance sheet transactions, such as liabilities associated with letter of credit obligations and surety guarantees related to performance bonds, could be entered into in the normal course of business. We have not engaged in any off-balance sheet financing arrangements through special purpose entities.

For a discussion regarding off-balance sheet transactions, please refer to Note 8—Commitments and Contingencies in the accompanying notes to our Consolidated Financial Statements.

#### **Concentration of Credit Risk**

We grant trade credit under normal payment terms, generally without collateral, to our customers, which include high credit quality electric utilities, governmental entities, general contractors and builders, owners and managers of commercial and industrial properties located in the United States. Consequently, we are subject to potential credit risk related to changes in business and economic factors throughout the United States. However, we generally have certain statutory lien rights with respect to services provided. Under certain circumstances such as foreclosures or negotiated settlements, we may take title to the underlying assets in lieu of cash in settlement of receivables. As of March 31, 2021 and 2020, 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 2020 Annual Report.

## Cautionary Statement Concerning Forward-Looking Statements and Information

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

Statements in this Quarterly Report on Form 10-Q contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), which represent our management’s beliefs and assumptions concerning future events. When used in this document and in documents incorporated by reference, forward-looking statements include, without limitation, statements regarding financial forecasts or projections, and our expectations, beliefs, intentions or future strategies that are signified by the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “likely,” “may,” “objective,” “outlook,” “plan,” “project,” “possible,” “potential,” “should,” “unlikely,” or other words that convey the uncertainty of future events or outcomes. The forward-looking statements in this Quarterly Report on Form 10-Q speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to update these statements (unless required by securities laws), and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict, and many of which are beyond our control. In addition, many of these risks, contingencies and uncertainties are currently amplified by, and may continue to be amplified by, the COVID-19 pandemic. These and other important factors, including those discussed under the caption “Forward-Looking Statements” and in Item 1A. “Risk Factors” in our 2020 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 may adversely impact our customers’ future spending and, as a result, our operations and growth.
- We may be unsuccessful in generating internal growth, which could impact the projects available to the Company.
- Our inability to successfully execute or integrate acquisitions or joint ventures may have an adverse impact on our growth strategy and business.
- Project performance issues, including those caused by third parties, or certain contractual obligations may result in additional costs to us, reductions or delays in revenues or the payment of penalties, including liquidated damages.
- We may be unable to attract and retain qualified personnel.
- The timing of new contracts and termination of existing contracts may result in unpredictable fluctuations in our cash flows and financial results.
- During the ordinary course of our business, we may become subject to lawsuits or indemnity claims.
- Backlog may not be realized or may not result in profits and may not accurately represent future revenue.
- Our insurance has limits and exclusions that may not fully indemnify us against certain claims or losses, including claims resulting from wildfires or other natural disasters, and the unavailability or cancellation of third party insurance coverages would increase our overall risk exposure and could disrupt our operations.

- 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.
- Risks associated with operating in the Canadian market could restrict our ability to expand and harm our business and prospects.
- Our dependence on suppliers, subcontractors and equipment manufacturers could expose us to the risk of loss in our operations.
- Our participation in joint ventures and other projects with third parties may expose us to liability for failures of our partners.
- Legislative or regulatory actions relating to electricity transmission and renewable energy may impact demand for our services.
- We may incur liabilities and suffer negative financial or reputational impacts relating to occupational health and safety matters, including those related to environmental hazards such as wildfires and other natural disasters.
- Our failure to comply with environmental and other laws and regulations could result in significant liabilities.
- Our business may be affected by seasonal and other variations, including severe weather conditions and the nature of our work environment.
- Opportunities associated with government contracts could lead to increased governmental regulation applicable to us.
- We are subject to risks associated with climate change including financial risks and physical risks such as an increase in extreme weather events (such as floods, wildfires or hurricanes), rising sea levels and limitations on water availability and quality.
- Our use of percentage-of-completion accounting could result in a reduction or reversal of previously recognized revenues and profits.
- Our financial results are based upon estimates and assumptions that may differ from actual results.
- Our actual costs may be greater than expected in performing our fixed-price and unit-price contracts.
- An increase in the prices of certain materials and commodities used in our business 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.
- COVID-19 may have an adverse impact on our business, employees, liquidity, financial condition, results of operations and cash flows.
- Work stoppages or other labor issues with our unionized workforce could adversely affect our business, and we may be subject to unionization attempts.
- Multi-employer pension plan obligations related to our unionized workforce could adversely impact our earnings.
- We rely on information, communications and data systems in our operations and we or our business partners may be subject to failures, interruptions or breaches of such systems, which could affect our operations or our competitive position, expose sensitive information or damage our reputation.

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

As of March 31, 2021, we were not party to any derivative instruments. We did not use any material derivative financial instruments during the three months ended March 31, 2021 and 2020, including instruments for trading, hedging or speculating on changes in interest rates or 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, federal funds effective rate, the NYFRB overnight bank funding rate, CDOR, and LIBOR. If the prime rate, Canadian prime rate, federal funds effective rate, the NYFRB overnight bank funding rate, CDOR, or LIBOR rises, any interest payment obligations would increase and have a negative effect on our cash flow and financial condition. We currently do not maintain any hedging contracts that would limit our exposure to variable rates of interest when we have outstanding borrowings. As of March 31, 2021, we did not have any borrowings under our Facility.

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 March 31, 2021.

##### ***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 2020 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 2020 Annual Report. An investment in our common stock involves various risks. When considering an investment in our company, you should carefully consider all of the risk factors described in our 2020 Annual Report. These risks and uncertainties are not the only ones facing us and there may be additional matters that are not known to us or that we currently consider immaterial. These risks and uncertainties could adversely affect our business, employees, liquidity, financial condition, results of operations or cash flows and, thus, the value of our common stock and any investment in our company.

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

**Issuances of Common Stock.** On February 25, 2021, 201 unregistered shares of our common stock, valued in the aggregate at \$12,000 were issued to a director of the Company who elected to receive a portion of their director retainer fee in stock in lieu of cash. The shares were issued pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933 for an issuance not involving a public offering.

**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 (1)	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 (2)
January 1, 2021 - January 31, 2021	—	\$ —	—	\$ 50,000,000
February 1, 2021 - February 28, 2021	25,448	\$ 61.56	—	\$ 50,000,000
March 1, 2021 - March 31, 2021	15,419	\$ 68.18	—	\$ 50,000,000
Total	40,867	\$ 64.06	—	

(1) This column contains repurchases of common stock to satisfy tax obligations on the vesting of restricted stock under the 2017 Long-Term Incentive Plan (as amended).

(2) On October 22, 2020 the Company’s Board of Directors authorized a new \$50.0 million share repurchase program effective November 2, 2020. The Company intends to fund the share repurchase program from cash on hand and through borrowings under its credit facility. The new share repurchase program will expire on November 2, 2021, or when the authorized funds are exhausted, whichever is earlier. No shares were repurchased under the program during the three months ended March 31, 2021.

**ITEM 6. EXHIBITS**

<b>Number</b>	<b>Description</b>
<a href="#">10.1</a>	<a href="#">Form of Performance Shares Award Agreement (Named Executive Officer) under the 2017 Long-Term Incentive Plan†</a>
<a href="#">31.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)†</a>
<a href="#">31.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)†</a>
<a href="#">32.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350†</a>
<a href="#">32.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350†</a>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

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† Filed herewith

\* Electronically filed

**SIGNATURE**

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.

April 28, 2021

MYR GROUP INC.  
(Registrant)

/s/ BETTY R. JOHNSON

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Betty R. Johnson  
Senior Vice President and Chief Financial Officer

MYR GROUP INC.  
PERFORMANCE SHARES AWARD AGREEMENT  
(Executive Officer)

This AGREEMENT (this “Agreement”) is made as of [\_\_\_\_\_], by and between MYR Group Inc., a Delaware corporation (the “Company”), and [\_\_\_\_\_] (the “Participant”).

1. Grant of Performance Shares. Pursuant to the MYR Group Inc. 2017 Long-Term Incentive Plan (the “Plan”) and subject to the terms and conditions thereof and the terms and conditions hereinafter set forth, the Company has granted to the Participant, as of [\_\_\_\_\_] (the “Date of Grant”), [\_\_\_\_\_] target Performance Shares, a percentage of which may be earned in accordance with the terms of this Agreement and contingent on the Company’s Return On Invested Capital (“ROIC”) over the ROIC Performance Period (as defined below) (such target amount, the “ROIC Target Performance Shares”), and [\_\_\_\_\_] target Performance Shares, a percentage of which may be earned in accordance with the terms of this Agreement and contingent on the Company’s relative Total Stockholder Return (“TSR”) over the TSR Performance Period (as defined below) (such target amount, the “TSR Target Performance Shares”). The Performance Shares are not intended to be a Qualified-Performance Based Award under the Plan.
2. Earning of Target Performance Shares.
  - (a) Performance Measure: The Participant’s right to receive all of, any portion of, or more than, the number of ROIC Target Performance Shares or TSR Target Performance Shares generally will be contingent upon the achievement of specified levels of the Company’s ROIC and relative TSR, as set forth in the “Statement of Performance Goals” established by the Committee in connection with the Awards granted by this Agreement, and will be measured over each fiscal year in the period from January 1, 20\_\_ through December 31, 20\_\_ for ROIC performance (the “ROIC Performance Period”) and the arithmetic average of the ROIC for the ROIC Performance Period, which shall be calculated by dividing the sum of the Company’s ROIC for each fiscal year in the ROIC Performance Period by the number of years in the ROIC Performance Period (the “Three-Year Average”), and the Date of Grant through December 31, 20\_\_ for TSR performance (the “TSR Performance Period” and together with the ROIC Performance Period, the “Performance Periods”).

- (b) Below Threshold:
- (i) ROIC: If, upon the conclusion of the ROIC Performance Period, ROIC for any fiscal year in the ROIC Performance Period or the Three-Year Average ROIC for the ROIC Performance Period falls below the threshold level, as set forth in the ROIC Performance Matrix contained in the Statement of Performance Goals, no Performance Shares for ROIC performance shall become earned for that fiscal year and/or the Three-Year Average, as applicable.
  - (ii) TSR: If, upon conclusion of the TSR Performance Period, the Company's relative TSR for the TSR Performance Period falls below the 25<sup>th</sup> percentile of TSR for the TSR Peer Group Companies (as defined below), no Performance Shares for TSR performance shall become earned.
- (c) Threshold:
- (i) ROIC: If, upon the conclusion of the ROIC Performance Period, ROIC for any fiscal year in the ROIC Performance Period and/or the Three-Year Average ROIC for the ROIC Performance Period equals the threshold level, as set forth in the ROIC Performance Matrix contained in the Statement of Performance Goals, 10% of the ROIC Target Performance Shares shall be earned for each such fiscal year and 20% of the ROIC Target Performance Shares shall be earned for the Three Year Average ROIC, with a fractional share from the total earned ROIC Target Performance Shares rounded down to the next whole share.
  - (ii) TSR: If, upon conclusion of the TSR Performance Period, the Company's relative TSR for the TSR Performance Period is at the 25<sup>th</sup> percentile of TSR for the TSR Peer Group Companies, 25% of the TSR Target Performance Shares shall become earned, with a fractional share rounded down to the next whole share.

- (d) Between Threshold and Target:
- (i) ROIC: If, upon the conclusion of the ROIC Performance Period, ROIC for any fiscal year in the ROIC Performance Period and/or the Three-Year Average exceeds the threshold level, but is less than the target level, as set forth in the ROIC Performance Matrix contained in the Statement of Performance Goals, the percentage of ROIC Target Performance Shares that shall become earned shall be determined by the summation of the percentage of ROIC payout as determined by mathematical straight-line interpolation of actual ROIC performance compared to the ROIC performance metrics for each such fiscal year multiplied times 20% and the Three Year Average ROIC performance compared to the ROIC performance metrics multiplied times 40% between 50% (threshold) payout of the ROIC Target Performance Shares and 100% (target) payout of the ROIC Target Performance Shares, with a fractional share from the total earned ROIC Target Performance Shares rounded down to the next whole share.
  - (ii) TSR: If, upon the conclusion of the TSR Performance Period, the Company's relative TSR exceeds the 25<sup>th</sup> percentile, but is less than the 50<sup>th</sup> percentile of TSR of the TSR Peer Group Companies, the percentage of TSR Target Performance Shares that shall become earned shall be determined by mathematical straight-line interpolation between 25% of the TSR Target Performance Shares and 100% of the TSR Target Performance Shares, with a fractional share rounded down to the next whole share.
- (e) Target:
- (i) ROIC: If, upon the conclusion of the ROIC Performance Period, ROIC for any fiscal year in the ROIC Performance Period and/or the Three-Year Average equals the target level, as set forth in the ROIC Performance Matrix contained in the Statement of Performance Goals, 20% of the ROIC Target Performance Shares shall be earned for each such fiscal year and 40% of the ROIC Target Performance Shares shall be earned for the Three Year Average ROIC, with a fractional share from the total earned ROIC Target Performance Shares rounded down to the next whole share.
  - (ii) TSR: If, upon conclusion of the TSR Performance Period, the Company's relative TSR for the TSR Performance Period is at the 50<sup>th</sup> percentile of TSR for the TSR Peer Group Companies, 100% of the TSR Target Performance Shares shall become earned, with a fractional share rounded down to the next whole share.

- (f) Between Target and Maximum:
- (i) ROIC: If, upon the conclusion of the ROIC Performance Period, ROIC for any fiscal year in the ROIC Performance Period and/or the Three-Year Average exceeds the target level, but is less than the maximum level, as set forth in the ROIC Performance Matrix contained in the Statement of Performance Goals, the percentage of ROIC Target Performance Shares that shall become earned shall be determined by the summation of the percentage of ROIC payout as determined by mathematical straight-line interpolation of actual ROIC performance compared to the ROIC performance metrics for each such fiscal year multiplied times 20% and the Three Year Average ROIC performance compared to the ROIC performance metrics multiplied times 40% between 100% (target) payout of the ROIC Target Performance Shares and 200% (maximum) payout of the ROIC Target Performance Shares, with a fractional share from the total earned ROIC Target Performance Shares rounded down to the next whole share.
  - (ii) TSR: If, upon the conclusion of the TSR Performance Period, the Company's relative TSR exceeds the 50<sup>th</sup> percentile, but is less than the 75<sup>th</sup> percentile of TSR for the TSR Peer Group Companies, the percentage of TSR Target Performance Shares that shall become earned shall be determined by mathematical straight-line interpolation between 100% of the TSR Target Performance Shares and 200% of the TSR Target Performance Shares, with a fractional share rounded down to the next whole share.
- (g) Equals or Exceeds Maximum:
- (i) ROIC: If, upon the conclusion of the ROIC Performance Period, ROIC for any fiscal year in the ROIC Performance Period and/or the Three-Year Average equals or exceeds the maximum level, as set forth in the ROIC Performance Matrix contained in the Statement of Performance Goals, 40% of the ROIC Target Performance Shares shall be earned for each such fiscal year and 80% of the ROIC Target Performance Shares shall be earned for the Three Year Average ROIC, with a fractional share from the total earned ROIC Target Performance Shares rounded down to the next whole share.
  - (ii) TSR: If, upon conclusion of the TSR Performance Period, the Company's relative TSR for the TSR Performance Period equals or exceeds the 75<sup>th</sup> percentile of TSR for the TSR Peer Group Companies, 200% of the TSR Target Performance Shares shall become earned, with a fractional share rounded down to the next whole share.



- (h) Conditions; Determination of Earned Award: Except as otherwise provided herein, the Participant's right to receive any Performance Shares is contingent upon his or her remaining in the continuous employ of the Company or a Subsidiary through the end of the Performance Periods. Following the Performance Periods, the Committee shall determine whether and to what extent the goals relating to ROIC and TSR have been satisfied for the Performance Periods and shall determine the percent of ROIC Target Performance Shares and TSR Target Performance Shares, if any, that may have become earned hereunder.
- (i) Determination Regarding ROIC: ROIC for each fiscal year in the ROIC Performance Period is defined as net income plus interest, net of taxes, plus amortization, net of taxes, less dividends divided by the average invested capital (funded debt less cash and marketable securities plus total stockholders' equity) at the beginning of each fiscal year in the performance period, computed as follows:

$$\text{ROIC} = \frac{\text{Net Income} + ((\text{Net Interest} + \text{Amortization}) \times (1 - \text{Tax Rate})) - \text{Dividends}}{\text{Average of (Funded Debt} - \text{Cash and Marketable Securities} + \text{Total Stockholders' Equity) at the beginning and the end of each year in the performance period}}$$

with all financial measures as determined from the Company's consolidated financial statements for each year in the ROIC Performance Period, subject to any adjustment as determined by the Committee.

- (j) Determination Regarding TSR: At the end of the TSR Performance Period, the percentile rank of the Company's TSR in respect to the TSR of the TSR Peer Companies will be calculated. TSR with respect to the Company and each of the TSR Peer Companies means the change in the fair market value of common stock of the Company and the TSR Peer Companies, assuming reinvestment of dividends, over the TSR Performance Period. The measurement of change in fair market value over the Performance Period shall be based on the average closing prices of the common stock for the last 20 trading days preceding the Date of Grant and the last 20 trading days preceding the end of the TSR Performance Period (December 31, 20\_\_), assuming reinvestment of dividends in common stock. Any TSR Peer Company that is no longer publicly traded at any time during or at the end of the TSR Performance Period shall be excluded from this calculation.
- (k) TSR Peer Companies: The public companies against which the Company's TSR performance will be compared (the "TSR Peer Group Companies") are identified in the Statement of Performance Goals.

3. Pro Rata Earning of Target Performance Shares.
  - (a) Termination without Cause or Good Reason, Death, Disability or Retirement: Notwithstanding Section 2(h), if, during the Performance Period, but before the payment of any Performance Shares as set forth in Section 5, the Participant's employment is terminated without "Cause" or with "Good Reason" (as each term is defined in the Participant's current Employment Agreement with the Company, as may be amended from time to time (the "Employment Agreement")), the Participant dies or in the event of his "Disability" (as such term is defined in the Employment Agreement) while in the employ of the Company or in the event of the retirement of the Participant after having attained "normal retirement age" (defined as the earlier of age 62 or 55 years old and 10 years of service)), then the Participant shall be entitled to receive such percent of the ROIC Target Performance Shares and TSR Target Performance Shares, if any, as is determined pursuant to Section 2 at the conclusion of the Performance Periods as if the Participant had remained in the continuous employ of the Company through the end of the Performance Periods, based on the Company's ROIC and TSR performance during the Performance Periods, prorated, based on the number of whole months that the Participant was employed by the Company during the Performance Periods.
  - (b) Change in Control: Notwithstanding Section 2(h), if, during the Performance Periods, but before the payment of any Performance Shares as set forth in Section 5, a Change in Control occurs while the Participant is an employee of the Company, then the Participant shall be entitled to receive the number of ROIC Target Performance Shares and the number of TSR Target Performance Shares set out in Section 1.
4. Forfeiture of Award. Except to the extent the Participant has earned the right to receive Performance Shares pursuant to Section 2 or 3 hereof, the Participant's right to receive Performance Shares shall be forfeited automatically and without further notice on the date that the Participant ceases to be an employee of the Company or a Subsidiary prior to the last day of the Performance Periods or, in the event that Section 3(b) applies, the date on which the Change in Control occurs.
5. Payment of Performance Shares.
  - (a) Subject to Section 5(c), Performance Shares earned as provided in Section 2 or pursuant to Section 3(a) shall be paid to the Participant or his or her executor or administrator, as the case may be, in shares of Common Stock in the calendar year immediately following the close of the Performance Period to which the award relates, but in no event later than two and one-half (2 1/2) months after the close of the Performance Period.

- (b) The ROIC Target Performance Shares and TSR Target Performance Shares earned pursuant to Section 3(b) shall be paid to the Participant in shares of Common Stock as soon as practicable following the Change in Control, but in no event later than two and one-half (2 1/2) months following the end of the year in which the Change in Control occurs.
  - (c) Notwithstanding anything in this Agreement to the contrary, if the Participant is a “specified employee” as determined pursuant to procedures adopted by the Company in compliance with Section 409A of the Code, the ROIC Target Performance Shares and TSR Target Performance Shares become payable on the Participant’s “separation from service” with the Company and its Subsidiaries within the meaning of Section 409A(a)(2)(A)(i) of the Code, and the amount payable hereunder constitutes a “deferral of compensation” (within the meaning of Section 409A of the Code), then payment of the ROIC Target Performance Shares and TSR Target Performance Shares shall be made on the earlier of the first day of the seventh month after the date of the Participant’s “separation from service” with the Company and its Subsidiaries within the meaning of Section 409A(a)(2)(A)(i) of the Code or the Participant’s death.
6. Transferability. Transferability shall be as set forth in the Plan.
  7. No Employment Contract. Nothing contained in this Agreement shall (a) confer upon the Participant any right to be employed by or remain employed by the Company, or (b) limit or affect in any manner the right of the Company to terminate the employment of the Participant at any time.
  8. Taxes and Withholding. To the extent that the Company is required to withhold any federal, state, local or foreign taxes in connection with the payment of any Performance Shares, it shall be a condition to the payment of any Performance Shares that the Participant shall pay such taxes by the Company’s retention of a portion of the shares of Common Stock otherwise payable to the Participant. The shares so retained shall be credited against such withholding requirement at the Fair Market Value on the date of such delivery. In no event, however, shall the Company accept shares for payment of taxes in excess of minimum required tax withholding rates; therefore, the Participant agrees to a payroll deduction for the amount of the withholding requirement that may be greater than the value of the whole number of shares retained for such purpose.
  9. Rights of a Stockholder. The Participant shall not have any rights of a stockholder with respect to the Performance Shares prior to the date such shares are earned.
  10. Payment of Dividends. No dividends or dividend equivalents shall be accrued or earned with respect to any Performance Shares until such Performance Shares are earned by the Participant as provided in this Agreement.

11. Adjustments. Notwithstanding any other provision hereof, the number of Performance Shares subject to this Agreement, and the other terms and conditions of this award, are subject to mandatory adjustment as provided in Section 3.2 of the Plan.
12. Restrictive Covenants. If the Participant engages in any conduct in breach of any noncompetition, nonsolicitation or confidentiality obligations to the Company under any agreement, policy or plan, then such conduct shall also be deemed to be a breach of the terms of the Plan and this Agreement. Upon such breach, the Participant's right to receive Performance Shares covered by this Agreement shall be forfeited automatically and without further notice and to the extent that the Participant has received shares of Common Stock pursuant to Section 5 within a period of 18 months prior to such breach, the Participant shall be required to return to the Company, upon demand, such shares or the net proceeds of any sales. For purposes of this Section 12, net proceeds shall mean the net amount realized upon the disposition of the shares. Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement prevents the Participant from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and for purpose of clarity the Participant is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Exchange Act.
13. Recovery of Performance Shares. If (a) the Company restates any part of its financial statements for any fiscal year or years covered by the Performance Periods due to material noncompliance with any financial reporting requirement under the U.S. securities laws applicable to such fiscal year or years (a "Restatement") and (b) the Committee determines that the Participant is personally responsible for causing the Restatement as a result of the Participant's personal misconduct or any fraudulent activity on the part of the Participant, then the Committee has discretion to, based on applicable facts and circumstances and subject to applicable law, cause the Company to recover all or any portion (but no more than 100%) of the shares of Common Stock paid or payable to the Participant for the Performance Periods. The amount of any cash or shares recovered by the Company under this Section 13 shall be limited to the amount by which such shares payment exceeded the amount that would have been paid to or received by the Participant had the Company's financial statements for the applicable restated fiscal year or years been initially filed as restated, as reasonably determined by the Committee. Notwithstanding anything herein to the contrary, the Participant's consent shall not be required for an amendment to this Agreement that is deemed necessary by the Company to ensure compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") or any regulations promulgated thereunder, including as a result of the implementation of any recoupment policy the Company adopts to comply with the requirements set forth in the Dodd-Frank Act.

14. Relation to Plan. This Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistency between the provisions of this Agreement and the Plan, the Plan shall govern. The Committee acting pursuant to the Plan, as constituted from time to time, shall, except as expressly provided otherwise herein or in the Plan, have the right to determine any questions that arise and to exercise its discretionary authority under the Plan in connection with the grant of ROIC Target Performance Shares and TSR Target Performance Shares.
15. Miscellaneous. All decisions or interpretations of the Committee with respect to any question arising under the Plan or this Agreement shall be binding, conclusive and final. The waiver by the Company of any provision of this Agreement shall not operate as or be construed to be a subsequent waiver of the same provision or of any other provision of this Agreement. The Participant agrees to execute such other agreements, documents or assignments as may be necessary or desirable to effect the purposes of this Agreement.
16. Capitalized Terms. All capitalized terms used in this Agreement that are not defined herein shall have the meanings given them in the Plan or resolutions adopted by the Committee authorizing grants made under this Agreement, unless the context clearly requires otherwise.
17. Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with, or be exempt from, the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Participant). Any reference in this Agreement to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such section by the U.S. Department of the Treasury or the Internal Revenue Service.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and the Participant has executed this Agreement, as of the day and year first above written.

MYR GROUP INC.

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

Name: Kenneth M. Hartwick

Title: Chairman of the Board

The undersigned Participant hereby acknowledges receipt of an executed copy of this Agreement and accepts the right to receive any Performance Shares or other securities covered hereby, subject to the terms and conditions of the Plan and the terms and conditions herein above set forth.

\_\_\_\_\_

Participant

Date: \_\_\_\_\_

## 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.

April 28, 2021

/s/ RICHARD S. SWARTZ, JR.

(Principal Executive Officer)

Chief Executive Officer and President

## CERTIFICATIONS

**Certification of Principal Financial Officer**

I, Betty R. Johnson, certify that:

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

April 28, 2021

/s/ BETTY R. JOHNSON

(Principal Financial Officer)

Senior Vice President and Chief Financial Officer



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

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

- 1) The Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 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.

April 28, 2021

/s/ RICHARD S. SWARTZ, JR.

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*Chief Executive Officer and President*

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

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

- 1) The Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 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.

April 28, 2021

/s/ BETTY R. JOHNSON

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*Senior Vice President and Chief Financial Officer*