# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 20549**
# FORM 10-Q

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

**For the quarterly period ended March 31, 2023**

**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: 001-38479**

# Construction Partners, Inc.
**(Exact Name of Registrant as Specified in its Charter)**

| | |
|---|---|
| **Delaware** | **26-0758017** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **290 Healthwest Drive, Suite 2 Dothan, Alabama** | **36303** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (334) 673-9763**

**Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:**

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A common stock, par value $0.001 per share | ROAD | The Nasdaq Stock Market LLC<br>(Nasdaq Global Select Market) |

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

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

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

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☒ | Accelerated Filer | ☐ |
| Non-accelerated Filer | ☐ | Smaller Reporting Company | ☐ |
| Emerging Growth Company | ☐ | | |

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

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

As of May 5, 2023, the registrant had 41,396,305 shares of Class A common stock, $0.001 par value, and 11,352,915 shares of Class B common stock, $0.001 par value, outstanding.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, among other things, statements related to future events, business strategy, future performance, future operations, backlog, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek," "anticipate," "plan," "continue," "estimate," "expect," "may," "will," "project," "predict," "potential," "targeting," "intend," "could," "might," "should," "believe," "outlook" and variations of such words or their negative and similar expressions. Forward-looking statements should not be read as a guarantee of future performance or results, and may not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on management's belief, based on currently available information, as to the outcome and timing of future events. These statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed in such forward-looking statements. When evaluating forward-looking statements, you should consider the risk factors and other cautionary statements described in this Quarterly Report on Form 10-Q and under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022. We believe the expectations reflected in the forward-looking statements contained in this report are reasonable, but no assurance can be given that these expectations will prove to be correct. Forward-looking statements should not be unduly relied upon.

Important factors that could cause actual results or events to differ materially from those expressed in forward-looking statements include, but are not limited to:

- declines in public infrastructure construction and reductions in government funding, including the funding by transportation authorities and other state and local agencies;
- risks related to our operating strategy;
- competition for projects in our local markets;
- risks associated with our capital-intensive business;
- government inquiries, requirements and initiatives, including those related to funding for public infrastructure construction, land use, environmental, health and safety matters, and government contracting requirements and other laws and regulations;
- unfavorable economic conditions and restrictive financing markets;
- our ability to successfully identify, manage and integrate acquisitions;
- our ability to obtain sufficient bonding capacity to undertake certain projects;
- our ability to accurately estimate the overall risks, requirements or costs when we bid on or negotiate contracts that are ultimately awarded to us;
- the cancellation of a significant number of contracts or our disqualification from bidding for new contracts;
- risks related to adverse weather conditions;
- climate change and related laws and regulations;
- our substantial indebtedness and the restrictions imposed on us by the terms thereof;
- our ability to manage our supply chain in a manner that ensures that we are able to obtain adequate raw materials, equipment and essential supplies;
- our ability to retain key personnel and maintain satisfactory labor relations, and to manage or mitigate any labor shortages, turnover and labor cost increases;
- the impact of inflation on costs of labor, raw materials and other items that are critical to our business, including fuel, concrete and steel;

- property damage and other claims and insurance coverage issues;
- the outcome of litigation or disputes, including employment-related, workers' compensation and breach of contract claims;
- risks related to our information technology systems and infrastructure, including cybersecurity incidents;
- our ability to maintain effective internal control over financial reporting; and
- other events outside of our control.

These factors are not necessarily all of the important factors that could cause actual results or events to differ materially from those expressed in the forward-looking statements. Other unknown or unpredictable factors could also cause actual results or events to differ materially from those expressed in the forward-looking statements. Our future results will depend upon various other risks and uncertainties, including those described in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022. All forward-looking statements attributable to us are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date hereof. We undertake no obligation to update or revise any forward-looking statements after the date on which any such statement is made, whether as a result of new information, future events or otherwise, except as required by law.

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# PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

**CONSTRUCTION PARTNERS, INC.**
**CONSOLIDATED BALANCE SHEETS**
**(in thousands, except share data)**

| | March 31, 2023 (unaudited) | September 30, 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 30,512 | $ 35,531 |
| Restricted cash | 119 | 28 |
| Contracts receivable including retainage, net | 243,261 | 265,207 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 29,126 | 29,271 |
| Inventories | 86,197 | 74,195 |
| Prepaid expenses and other current assets | 16,900 | 12,957 |
| Total current assets | 406,115 | 417,189 |
| Property, plant and equipment, net | 502,985 | 481,412 |
| Operating lease right-of-use assets | 16,792 | 13,985 |
| Goodwill | 163,385 | 129,465 |
| Intangible assets, net | 15,399 | 15,976 |
| Investment in joint venture | 87 | 87 |
| Restricted investments | 11,303 | 6,866 |
| Other assets | 24,755 | 30,541 |
| Total assets | $ 1,140,821 | $ 1,095,521 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 121,422 | $ 130,468 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 62,004 | 52,477 |
| Current portion of operating lease liabilities | 2,243 | 2,209 |
| Current maturities of long-term debt | 13,500 | 12,500 |
| Accrued expenses and other current liabilities | 26,158 | 28,484 |
| Total current liabilities | 225,327 | 226,138 |
| Long-term liabilities: | | |
| Long-term debt, net of current maturities and deferred debt issuance costs | 408,967 | 363,066 |
| Operating lease liabilities, net of current portion | 14,982 | 12,059 |
| Deferred income taxes, net | 24,938 | 26,713 |
| Other long-term liabilities | 13,919 | 11,666 |
| Total long-term liabilities | 462,806 | 413,504 |
| Total liabilities | 688,133 | 639,642 |
| Stockholders' equity: | | |
| Preferred stock, par value $ 0.001; 10,000,000 shares authorized and no shares issued and outstanding at March 31, 2023 and September 30, 2022 | — | — |
| Class A common stock, par value $ 0.001; 400,000,000 shares authorized, 41,376,528 shares issued and 41,366,691 shares outstanding at March 31, 2023 and 41,195,730 shares issued and 41,193,024 shares outstanding at September 30, 2022 | 41 | 41 |
| Class B common stock, par value $ 0.001; 100,000,000 shares authorized, 14,275,867 shares issued and 11,352,915 shares outstanding at March 31, 2023 and September 30, 2022 | 15 | 15 |
| Additional paid-in capital | 261,743 | 256,571 |
| Treasury stock, at cost, 9,837 shares of Class A common stock at March 31, 2023 and 2,706 shares at September 30, 2022, par value $ 0.001 | (178) | (39) |
| Treasury stock, at cost, 2,922,952 shares of Class B common stock at March 31, 2023 and September 30, 2022, par value $ 0.001 | (15,603) | (15,603) |
| Accumulated other comprehensive income, net | 12,985 | 17,620 |
| Retained earnings | 193,685 | 197,274 |
| Total stockholders' equity | 452,688 | 455,879 |
| Total liabilities and stockholders' equity | $ 1,140,821 | $ 1,095,521 |

See notes to consolidated financial statements (unaudited).

**CONSTRUCTION PARTNERS, INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(unaudited in thousands, except share and per share data)**

| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Revenues | $ 324,850 | $ 243,385 | $ 666,629 | $ 528,349 |
| Cost of revenues | 298,570 | 230,888 | 609,853 | 482,888 |
| **Gross profit** | 26,280 | 12,497 | 56,776 | 45,461 |
| General and administrative expenses | (31,989) | (25,000) | (61,714) | (49,946) |
| Gain on sale of property, plant and equipment | 3,158 | 1,014 | 3,326 | 1,455 |
| Gain on facility exchange | — | — | 5,389 | — |
| **Operating income (loss)** | (2,551) | (11,489) | 3,777 | (3,030) |
| Interest expense, net | (4,802) | (859) | (8,762) | (2,123) |
| Other income | 398 | 43 | 432 | 159 |
| **Loss before provision for income taxes** | (6,955) | (12,305) | (4,553) | (4,994) |
| Provision for income taxes | (1,474) | (2,887) | (964) | (1,087) |
| **Net loss** | (5,481) | (9,418) | (3,589) | (3,907) |
| **Other comprehensive income (loss), net of tax** | | | | |
| Unrealized gain (loss) on interest rate swap contract, net | (3,460) | 5,580 | (4,752) | 7,025 |
| Unrealized gain (loss) on restricted investments, net | 81 | (122) | 117 | (122) |
| **Other comprehensive income (loss)** | (3,379) | 5,458 | (4,635) | 6,903 |
| **Comprehensive income (loss)** | $ (8,860) | $ (3,960) | $ (8,224) | $ 2,996 |
| | | | | |
| **Net loss per share attributable to common stockholders:** | | | | |
| Basic | $ (0.11) | $ (0.18) | $ (0.07) | $ (0.08) |
| Diluted | $ (0.11) | $ (0.18) | $ (0.07) | $ (0.08) |
| | | | | |
| **Weighted average number of common shares outstanding:** | | | | |
| Basic | 51,827,365 | 51,793,443 | 51,826,143 | 51,744,052 |
| Diluted | 51,827,365 | 51,793,443 | 51,826,143 | 51,744,052 |

See notes to consolidated financial statements (unaudited).

**CONSTRUCTION PARTNERS, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(unaudited in thousands, except share data)**

For the six months ended March 31, 2023

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Treasury Stock Class A Common Stock | Treasury Stock Class B Common Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss), net | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | | |
| **September 30, 2022** | 41,195,730 | $ 41 | 14,275,867 | $ 15 | $ 256,571 | $ (39) | $ (15,603) | $ 197,274 | $ 17,620 | $ 455,879 |
| Net income | — | — | — | — | — | — | — | 1,892 | — | 1,892 |
| Equity-based compensation expense | — | — | — | — | 2,480 | — | — | — | — | 2,480 |
| Issuance of stock awards | 180,798 | — | — | — | — | — | — | — | — | — |
| Purchase of treasury stock | — | — | — | — | — | (139) | — | — | — | (139) |
| Other comprehensive loss | — | — | — | — | — | — | — | — | (1,256) | (1,256) |
| **December 31, 2022** | 41,376,528 | $ 41 | 14,275,867 | $ 15 | $ 259,051 | $ (178) | $ (15,603) | $ 199,166 | $ 16,364 | $ 458,856 |
| Net loss | — | — | — | — | — | — | — | (5,481) | — | (5,481) |
| Equity-based compensation expense | — | — | — | — | 2,692 | — | — | — | — | 2,692 |
| Other comprehensive loss | — | — | — | — | — | — | — | — | (3,379) | (3,379) |
| **March 31, 2023** | 41,376,528 | $ 41 | 14,275,867 | $ 15 | $ 261,743 | $ (178) | $ (15,603) | $ 193,685 | $ 12,985 | $ 452,688 |

For the six months ended March 31, 2022

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Treasury Stock Class A Common Stock | Treasury Stock Class B Common Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss), net | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | | |
| **September 30, 2021** | 36,600,639 | $ 37 | 18,614,791 | $ 19 | $ 248,571 | $ — | $ (15,603) | $ 175,898 | $ (23) | $ 408,899 |
| Net income | — | — | — | — | — | — | — | 5,511 | — | 5,511 |
| Equity-based compensation expense | — | — | — | — | 1,504 | — | — | — | — | 1,504 |
| Issuance of stock awards | 145,921 | — | — | — | — | — | — | — | — | — |
| Purchase of treasury stock | — | — | — | — | — | (39) | — | — | — | (39) |
| Other comprehensive income | — | — | — | — | — | — | — | — | 1,445 | 1,445 |
| Conversion of Class B common stock to Class A common stock | 4,338,924 | 4 | (4,338,924) | (4) | — | — | — | — | — | — |
| **December 31, 2021** | 41,085,484 | $ 41 | 14,275,867 | $ 15 | $ 250,075 | $ (39) | $ (15,603) | $ 181,409 | $ 1,422 | $ 417,320 |
| Net loss | — | — | — | — | — | — | — | (9,418) | — | (9,418) |
| Equity-based compensation expense | — | — | — | — | 1,742 | — | — | — | — | 1,742 |
| Issuance of stock awards | 107,738 | — | — | — | — | — | — | — | — | — |
| Other comprehensive income | — | — | — | — | — | — | — | — | 5,458 | 5,458 |
| **March 31, 2022** | 41,193,222 | $ 41 | 14,275,867 | $ 15 | $ 251,817 | $ (39) | $ (15,603) | $ 171,991 | $ 6,880 | $ 415,102 |

See notes to consolidated financial statements (unaudited).

**CONSTRUCTION PARTNERS, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(unaudited in thousands)**

| | For the Six Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Cash flows from operating activities:** | | |
| Net loss | $ (3,589) | $ (3,907) |
| Adjustments to reconcile net loss to net cash, cash equivalents and restricted cash provided by operating activities: | | |
| Depreciation, depletion, accretion and amortization of long-lived assets | 38,233 | 33,047 |
| Amortization of deferred debt issuance costs and debt discount | 151 | 128 |
| Unrealized loss (gain) on derivative instruments | 2,286 | (2,130) |
| Provision for bad debt | 70 | 130 |
| Gain on sale of property, plant and equipment | (3,326) | (1,455) |
| Gain on facility exchange | (5,389) | — |
| Realized losses on restricted investments | 4 | — |
| Equity-based compensation expense | 5,172 | 3,246 |
| Deferred income tax benefit | (224) | (245) |
| Other non-cash adjustments | (69) | 39 |
| Changes in operating assets and liabilities, net of acquisition: | | |
| Contracts receivable including retainage | 34,092 | (3,821) |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 743 | (1,261) |
| Inventories | (10,152) | (13,665) |
| Prepaid expenses and other current assets | (3,246) | (8,150) |
| Other assets | (206) | 350 |
| Accounts payable | (12,764) | (2,426) |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 7,415 | 12,304 |
| Accrued expenses and other current liabilities | (6,289) | (11,957) |
| Other long-term liabilities | 2,784 | 3,067 |
| Net cash provided by operating activities, net of acquisitions | 45,696 | 3,294 |
| **Cash flows from investing activities:** | | |
| Purchases of property, plant and equipment | (60,399) | (34,703) |
| Proceeds from sale of property, plant and equipment | 8,301 | 3,777 |
| Proceeds from facility exchange | 36,987 | — |
| Proceeds from restricted investments | 866 | — |
| Business acquisitions, net of cash acquired | (77,842) | (102,893) |
| Purchase of restricted investments | (5,148) | (6,358) |
| Net cash used in investing activities | (97,235) | (140,177) |
| **Cash flows from financing activities:** | | |
| Net proceeds from revolving credit facility | 38,000 | 116,000 |
| Proceeds from issuance of long-term debt, net of debt issuance costs and discount | 15,000 | — |
| Repayments of long-term debt | (6,250) | (5,000) |
| Purchase of treasury stock | (139) | (39) |
| Net cash provided by financing activities | 46,611 | 110,961 |
| Net change in cash, cash equivalents and restricted cash | (4,928) | (25,922) |
| **Cash, cash equivalents and restricted cash:** | | |
| Cash, cash equivalents and restricted cash, beginning of period | 35,559 | 57,251 |
| Cash, cash equivalents and restricted cash, end of period | $ 30,631 | $ 31,329 |
| | | |
| **Supplemental cash flow information:** | | |
| Cash paid for interest | $ 9,047 | $ 3,375 |
| Cash paid for income taxes | $ 626 | $ 1,076 |
| Operating lease right-of-use assets obtained in exchange for operating lease liabilities | $ 4,062 | $ 5,983 |
| Cash paid for operating lease liabilities | $ 1,204 | $ 1,144 |
| Non-cash items: | | |
| Property, plant and equipment included with accounts payable at period end | $ 3,448 | $ 1,042 |
| Amounts payable to seller in business combination | $ — | $ 600 |

See notes to consolidated financial statements (unaudited).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### Note 1 - General

***Business Description***

Construction Partners, Inc. (the “Company”) is a civil infrastructure company that specializes in the construction and maintenance of roadways across Alabama, Florida, Georgia, North Carolina, South Carolina and Tennessee. Through its wholly-owned subsidiaries, the Company provides a variety of products and services to both public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports and commercial and residential developments. The Company’s primary operations consist of (i) manufacturing and distributing hot mix asphalt (“HMA”) for both internal use and sales to third parties in connection with construction projects, (ii) paving activities, including the construction of roadway base layers and application of asphalt pavement, (iii) site development, including the installation of utility and drainage systems, (iv) mining aggregates, such as sand, gravel and construction stone, that are used as raw materials in the production of HMA and for sales to third parties, and (v) distributing liquid asphalt cement for both internal use and sales to third parties in connection with HMA production.

The Company was formed as a Delaware corporation in 2007 as a holding company to facilitate an acquisition growth strategy in the HMA paving and construction industry. SunTx Capital Partners (“SunTx”), a private equity firm based in Dallas, Texas, together with its principals and their respective affiliates, has owned a controlling interest in the Company’s stock since the Company’s inception.

***Seasonality***

The use and consumption of the Company’s products and services fluctuate due to seasonality. The Company’s products are used, and its construction operations and production facilities are located, outdoors. Therefore, seasonal changes and other weather-related conditions, in particular, extended snowy, rainy or cold weather in the winter, spring or fall and major weather events, such as hurricanes, tornadoes, tropical storms and heavy snows, can adversely affect the Company’s business and operations through a decline in both the use of the Company’s products and demand for the Company’s services. In addition, construction materials production and shipment levels follow activity in the construction industry, which typically occurs in the spring, summer and fall. The first and second quarters of the Company’s fiscal year typically have lower levels of activity due to less favorable weather conditions. Warmer and drier weather during the Company’s third and fourth fiscal quarters typically result in higher activity and revenues during those quarters.

### Note 2 - Significant Accounting Policies

***Basis of Presentation***

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. These interim consolidated statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”), which permit reduced disclosure for interim periods. The Company's Consolidated Balance Sheets as of September 30, 2022 were derived from the Company's audited financial statements for the fiscal year then ended, but do not include all necessary disclosures required by accounting principles generally accepted in the United States of America (“GAAP”) with respect to annual financial statements. In the opinion of management, these unaudited consolidated financial statements include all recurring adjustments and normal accruals necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the dates and periods presented. These consolidated financial statements and accompanying notes should be read in conjunction with the Company’s audited annual consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the fiscal year ended September 30, 2022 (the “2022 Form 10-K”). Results for interim periods are not necessarily indicative of the results to be expected for a full fiscal year or for any future period.

***Management’s Estimates***

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets, liabilities, stockholders’ equity, revenues and expenses during the reporting period, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates are used in accounting for items such as recognition of revenues and cost of revenues, investments, mineral reserves, goodwill and other intangible assets, business acquisitions, valuation of operating lease right-of-use assets, allowance for doubtful accounts, valuation allowances related to income taxes, accruals for potential liabilities related to lawsuits or insurance claims, asset retirement obligations, valuation of derivative instruments and valuation of equity-based compensation awards. Estimates are continually evaluated based on historical information and actual experience; however, actual results could differ from these estimates.

A description of certain critical accounting policies of the Company is presented below. Additional critical accounting policies and the underlying judgments and uncertainties are described in the notes to the Company's annual consolidated financial statements included in the 2022 Form 10-K.

***Cash and Cash Equivalents***

Cash consists principally of currency on hand and demand deposits at commercial banks. Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include investments with original maturities of three months or less. The Company maintains demand accounts, money market accounts and certificates of deposit at several banks. From time to time, account balances have exceeded the maximum available federal deposit insurance coverage limit. The Company has not experienced any losses in such accounts and regularly monitors its credit risk.

***Restricted Cash***

Construction Partners Risk Management, Inc. (the "Captive"), a captive insurance company and wholly-owned subsidiary of the Company, provides general liability, automobile liability and workers' compensation insurance coverage to the Company and its subsidiaries. Restricted cash represents cash held in a fiduciary capacity by the Captive for the payment of casualty insurance claims. The Company had restricted cash of $0.1 million at March 31, 2023 and at September 30, 2022.

***Restricted Investments***

The Company's restricted investments consist of debt securities, which are held in a fiduciary capacity by the Captive for the payment of casualty insurance claims. The Company determines the classification of its securities at the time of purchase and re-evaluates the determination at each balance sheet date. The Company has classified securities held by the Captive as available-for-sale. As a result, these securities are carried at their fair value. Purchases and sales of debt securities are recorded on the trade date. Interest income on debt securities is recorded when earned using an effective yield method. Unrealized gains and losses are reported as components of accumulated other comprehensive income (loss), net. These securities have been classified as non-current assets based on their respective maturity dates and the Company's intent to reinvest sales proceeds into new restricted investments. The Company had restricted investments of $11.3 million and $6.9 million at March 31, 2023 and September 30, 2022, respectively.

The Company evaluates its available-for-sale debt securities quarterly to determine whether there has been a decline in the fair value below the amortized cost due to credit losses or other factors. This evaluation process entails judgement by the Company, and considers factors including the issuer's financial condition and near-term prospects, future economic conditions, interest rate changes and changes in the rating of the security. When the Company has determined that it intends to sell, or that it is more likely than not that the Company will be required to sell, a security before it recovers its amortized cost basis above fair value, the individual security is written down to fair value, with a corresponding charge to "Other income" within the Consolidated Statements of Comprehensive Income (Loss). For available-for-sale debt securities that do not meet the intent impairment criteria but for which the Company has determined that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss allowance is recorded for the credit loss, limited by the amount by which the fair value is less than the amortized cost basis. For the six months ended March 31, 2023 and 2022, the Company had no intent impairments or credit losses.

***Contracts Receivable Including Retainage, Net***

Contracts receivable are generally based on amounts billed and currently due from customers, amounts currently due but unbilled, and amounts retained by customers pending completion of a project. It is common in the Company's industry for a small portion of either progress billings or the contract price, typically 10%, to be withheld by the customer until the Company completes a project to the satisfaction of the customer in accordance with the applicable contract terms. Such amounts, defined as retainage, represent a contract asset and are included on the Consolidated Balance Sheets as "Contracts receivable including retainage, net." Billings for such retainage balances are generally collected within one year of the completion of the project.

Contracts receivable including retainage, net is stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible accounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts, type of service performed, current economic conditions, historical losses and other information available to management. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and an adjustment to the contract receivable.

***Contract Assets and Contract Liabilities***

Billing practices for the Company's contracts are governed by the contract terms of each project based on (i) progress toward completion approved by the owner, (ii) achievement of milestones or (iii) pre-agreed schedules. Billings do not necessarily correlate with revenues recognized under the cost-to-cost input method (formerly known as the percentage-of-completion method). The Company records contract assets and contract liabilities to account for these differences in timing.

The contract asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," arises when the Company recognizes revenues for services performed under its construction projects, but the Company is not yet entitled to bill the customer under the terms of the contract. Amounts billed to customers are excluded from this asset and reflected on the Consolidated Balance Sheets as "Contracts receivable including retainage, net." Included in costs and estimated earnings in excess of billings on uncompleted contracts are amounts the Company seeks or will seek to collect from customers or others for (i) errors, (ii) changes in contract specifications or design, (iii) contract change orders in dispute, unapproved as to scope and price, or (iv) other customer-related causes of unanticipated additional contract costs (such as claims). Such amounts are recorded to the extent that the amount can be reasonably estimated and recovery is probable. Claims and unapproved change orders made by the Company may involve negotiation and, in rare cases, litigation. Unapproved change orders and claims also involve the use of estimates, and revenues associated with unapproved change orders and claims are included in the transaction price for which it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is resolved. The Company did not recognize any material amounts associated with claims and unapproved change orders during the periods presented.

The contract liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents the Company's obligation to transfer goods or services to a customer for which the Company has been paid by the customer or for which the Company has billed the customer under the terms of the contract. Revenue for future services reflected in this account are recognized, and the liability is reduced, as the Company subsequently satisfies the performance obligation under the contract.

Costs and estimated earnings in excess of billings on uncompleted contracts and billings in excess of costs and estimated earnings on uncompleted contracts are typically resolved within one year and are not considered significant financing components.

***Concentration of Risks***

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of contracts receivable including retainage. In the normal course of business, the Company provides credit to its customers and does not generally require collateral. The Company monitors concentrations of credit risk associated with these receivables on an ongoing basis. The Company has not historically experienced significant credit losses, due primarily to management's assessment of customers' credit ratings. The Company principally deals with recurring customers, state and local governments and well-known local companies whose reputations are known to management. The Company performs credit checks for significant new customers and generally requires progress payments for significant projects. The Company generally has the ability to file liens against the property if payments are not made on a timely basis. No single customer accounted for more than 10% of the Company's contracts receivable including retainage, net balance at March 31, 2023 or September 30, 2022.

Projects performed for various departments of transportation accounted for29.8% and 30.8% of consolidated revenues for the three months ended March 31, 2023 and 2022, respectively, and for 30.9% and 32.3% of consolidated revenues for the six months ended March 31, 2023 and 2022, respectively.Customers that accounted for more than 10% of consolidated revenues during the three and six months ended March 31, 2023 and 2022 are presented below:

| | % of Consolidated Revenues | | | |
|---|---|---|---|---|
| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
| | 2023 | 2022 | 2023 | 2022 |
| Florida Department of Transportation | 11.3 % | 12.5 % | 9.6 % | 11.2 % |

***Revenues from Contracts with Customers***

The Company derives revenues from contracts with its customers, predominantly by performing construction services for both public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports and commercial and residential developments. These projects are performed for a mix of federal, state, municipal and private customers. In addition, the Company generates revenues from the sale of construction materials, including HMA, aggregates, liquid asphalt and ready-mix concrete, to third-party public and private customers pursuant to contracts with those customers. The following table reflects, for the periods presented, the percentage of (i) revenues generated from public infrastructure construction projects and the sale of construction materials to public customers and (ii) revenues generated from private infrastructure construction projects and the sale of construction materials to private customers.

| | % of Consolidated Revenues | | | |
|---|---|---|---|---|
| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
| | 2023 | 2022 | 2023 | 2022 |
| Private | 42.1 % | 42.1 % | 40.4 % | 40.5 % |
| Public | 57.9 % | 57.9 % | 59.6 % | 59.5 % |

Revenues derived from construction projects are recognized over time as the Company satisfies its performance obligations by transferring control of the asset created or enhanced by the project to the customer. Recognition of revenues and cost of revenues for construction projects requires significant judgment by management, including, among other things, estimating total costs expected to be incurred to complete a project and measuring progress toward completion. Management reviews contract estimates regularly to assess revisions of estimated costs to complete a project and measurement of progress toward completion.

Management believes the Company maintains reasonable estimates based on prior experience; however, many factors contribute to changes in estimates of contract costs. Accordingly, estimates made with respect to uncompleted projects are subject to change as each project progresses and better estimates of contract costs become available. All contract costs are recorded as incurred, and revisions to estimated total costs are reflected as soon as the obligation to perform is determined. Provisions are recognized for the full amount of estimated losses on uncompleted contracts whenever evidence indicates that the estimated total cost of a contract exceeds its estimated total revenue, regardless of the stage of completion. When the Company incurs additional costs related to work performed by subcontractors, the Company may be able to utilize contractual provisions to back charge the subcontractors for those costs. A reduction to costs related to back charges is recognized when estimated recovery is probable and the amount can be reasonably estimated. Contract costs consist of (i) direct costs on contracts, including labor, materials, and amounts payable to subcontractors and (ii) indirect costs related to contract performance, such as insurance, employee benefits, and equipment (primarily depreciation, fuel, maintenance and repairs).

Progress toward completion is estimated using the input method, measured by the relationship of total cost incurred through the measurement date to total estimated costs required to complete the project (cost-to-cost method). The Company believes this method best depicts the transfer of goods and services to the customer because it represents satisfaction of the Company's performance obligation under the contract, which occurs as the Company incurs costs. The Company measures percentage of completion based on the performance of a single performance obligation under its construction projects. Each of the Company's construction contracts represents a single performance obligation to complete a defined construction project. This is because goods and services promised for delivery to a customer are not distinct, as the customer cannot benefit from any individual portion of the services on its own. All deliverables under a contract are part of a project defined by a customer and represent a series of integrated goods and services that have the same pattern of delivery to the customer and use the same measure of progress toward satisfaction of the performance obligation as the customer's asset is created or enhanced by the Company. The Company's obligation is not satisfied until the entire project is complete.

Revenue recognized during a reporting period is based on the cost-to-cost input method applied to the total transaction price, including adjustments for variable consideration, such as liquidated damages, penalties or bonuses, related to the timeliness or quality of project performance. The Company includes variable consideration in the estimated transaction price at the most likely amount to which the Company expects to be entitled or the most likely amount the Company expects to incur, in the case of liquidated damages or penalties. Such amounts are included in the transaction price for which it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is resolved. The Company accounts for changes to the estimated transaction price using a cumulative catch-up adjustment.

The majority of the Company's public construction contracts are fixed unit price contracts. Under fixed unit price contracts, the Company is committed to providing materials or services required by a contract at fixed unit prices (for example, dollars per ton of asphalt placed). The Company's private customer contracts are primarily fixed total price contracts, also known as lump sum contracts, which require that the total amount of work be performed for a single price. Contract cost is recorded as incurred, and revisions in contract revenue and cost estimates are reflected in the accounting period when known. Changes in job performance, job conditions and estimated profitability, including those changes arising from contract change orders, penalty provisions and final contract settlements, may result in revisions to estimated revenues and costs and are recognized in the period in which the revisions are determined.

Change orders are modifications of an original contract that effectively change the existing provisions of the contract and become part of the single performance obligation that is partially satisfied at the date of the contract modification. This is because goods and services promised under change orders are generally not distinct from the remaining goods and services under the existing contract, due to the significant integration of services performed in the context of the contract. Accordingly, change orders are generally accounted for as a modification of the existing contract and single performance obligation. The Company accounts for the modification using a cumulative catch-up adjustment. Either the Company or its customers may initiate change orders, which may include changes in specifications or designs, manner of performance, facilities, equipment, materials, sites and period of completion of the work.

Revenues derived from the sale of HMA, aggregates, ready-mix concrete, and liquid asphalt are recognized at a point in time, which is when control of the product is transferred to the customer. Generally, that point in time is when the customer accepts delivery at its facility or receives product in its own transport vehicles from one of the Company's HMA plants or aggregates facilities. Upon purchase, the Company generally provides an invoice or similar document detailing the goods transferred to the customer. The Company generally offers payment terms customary in the industry, which typically require payment ranging from point-of-sale to 30 days following purchase.

***Income Taxes***

The provision for income taxes includes federal and state income taxes. Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement carrying values and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal years in which the temporary differences are expected to be reversed or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Management evaluates the realization of deferred tax assets and establishes a valuation allowance when it is more likely than not that all or a portion of the deferred tax assets will not be realized. Deferred tax assets and deferred tax liabilities are presented on a net basis by taxing authority and classified as non-current on the Consolidated Balance Sheets.

***Earnings per Share***

Basic net income per share attributable to common stockholders is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income per common share attributable to common stockholders is the same as basic net income per share attributable to common stockholders, but includes dilutive unvested stock awards using the treasury stock method.

***Fair Value Measurements***

The Company measures and discloses certain financial assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs used to measure fair value are classified using the following hierarchy:

**Level 1.** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**Level 2.** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

**Level 3.** Inputs are unobservable for the asset or liability and include situations in which there is little, if any, market activity for the asset or liability. The inputs used in the determination of fair value are based on the best information available under the circumstances and may require significant management judgment or estimation.

The Company endeavors to utilize the best available information in measuring fair value.

The Company's financial instruments include cash and cash equivalents, restricted cash, contracts receivable including retainage, accounts payable and accrued expenses reflected as current assets and current liabilities on its Consolidated Balance Sheets at March 31, 2023 and September 30, 2022. Due to the short-term nature of these instruments, management considers their carrying value to approximate their fair value.

The Company also has debt securities reflected as restricted investments on its Consolidated Balance Sheets at March 31, 2023 and September 30, 2022. These investments are adjusted to fair value at each balance sheet date and are considered Level 2 fair value measurements.

The Company also has a Term Loan and a Revolving Credit Facility, as each are defined and further described in Note 8 - Debt. The carrying value of amounts outstanding under these credit facilities is reflected as long-term debt, net of current maturities and deferred debt issuance cost and current maturities of long-term debt on the Company's Consolidated Balance Sheets at March 31, 2023 and September 30, 2022. Due to the variable rate or short-term nature of these instruments, management considers their carrying value to approximate their fair value.

The Company also has derivative instruments. The fair value of commodity and interest rate swaps are based on forward and spot prices, as described in Note 16 - Fair Value Measurements.

Level 3 fair values are used to value acquired mineral reserves and leased mineral interests. The fair values of mineral reserves and leased mineral interests are determined using an excess earnings approach, which requires management to estimate future cash flows. The estimate of future cash flows is based on available historical information and forecasts determined by management, but is inherently uncertain. Key assumptions in estimating future cash flows include sales price, volumes and expected profit margins, net of capital requirements. The present value of the projected net cash flows represents the fair value assigned to mineral reserves and mineral interests. The discount rate is a significant assumption used in the valuation model and is based on the required rate of return that a hypothetical market participant would assume if purchasing the acquired business.

Management applies fair value measurement guidance to its impairment analysis for tangible and intangible assets, including goodwill.

***Comprehensive Income***

The Company reports comprehensive income in its Consolidated Statements of Comprehensive Income (Loss) and Consolidated Statements of Stockholders' Equity. Comprehensive income (loss) comprises two subsets: net income and other comprehensive income (loss) ("OCI"). OCI includes adjustments for changes in fair value of an interest rate swap contract derivative and available-for-sale restricted investments. For additional information about comprehensive income, see Note 19 - Other Comprehensive Income (Loss).

**Note 3 - Accounting Standards**

The Company did not adopt any new accounting standards or updates during the six months ended March 31, 2023.

**Note 4 - Business Acquisitions**

***Tennessee Acquisition - Provisional***

On November 18, 2022, the Company acquired three HMA manufacturing plants and certain related assets located in the Nashville, Tennessee metro area for $9.5 million. In connection with this transaction, the Company disposed of a quarry in North Carolina, resulting in total cash proceeds of $37.0 million and a gain on the facility exchange of $5.4 million.

***North Carolina Acquisition - Provisional***

On December 1, 2022, the Company acquired all of the capital stock of Ferebee Corporation, an HMA manufacturing and paving company headquartered in Charlotte, North Carolina for $68.3 million. The transaction established the Company's second platform company in North Carolina and addedthree HMA plants in the greater Charlotte/Rock Hill metro area.

***Combined Acquisitions During the Six Months Ended March 31, 2023***

The foregoing acquisitions were accounted for as business combinations in accordance with Accounting Standards Codification ("ASC") Topic 805, Business Combinations ("Topic 805"). As of March 31, 2023, the purchase price allocation has not yet been finalized due to the recent timing of these acquisitions, as certain information was pending on such date to finalize estimates of fair value of certain assets acquired and liabilities assumed. The Company consulted with independent third parties to assist in the valuation process. The Company expects to finalize these values as soon as practicable and no later than one year from their respective acquisition dates.

Identifiable assets acquired and liabilities assumed were recorded at their estimated fair values based on the methodology described under Fair Value Measurements in Note 2 - Significant Accounting Policies. The amount of the purchase price exceeding the net fair value of identifiable assets acquired and liabilities assumed was recorded as provisional goodwill in the amount of approximately $32.2 million, which is deductible for income tax purposes. Goodwill primarily represents the assembled work force and synergies expected to result from the acquisitions. Upon finalizing the accounting for these transactions, management expects to ascribe value to other identifiable intangible assets, including customer relationships and customer backlog, which will reduce the provisional amount allocated to goodwill.

Total consideration transferred for these acquisitions was $77.8 million, which was paid from available cash, proceeds from the exchange of the North Carolina facility and a draw from the Revolving Credit Facility (as defined in Note 8 - Debt). The total consideration has been provisionally allocated as follows: $9.3 million of net working capital, $35.3 million of property, plant and equipment, $32.2 million of goodwill and a $1.0 million working capital receivable.

The Consolidated Statements of Comprehensive Income (Loss) includes $17.8 million of revenue and $0.6 million of net loss attributable to the operations of these acquisitions for the three months ended March 31, 2023 and $22.0 million of revenue and $0.9 million of net loss attributable to the operations of these acquisitions for the six months ended March 31, 2023 from their respective acquisition dates. The Company recorded certain costs to effect the acquisitions as they were incurred, which are reflected in general and administrative expenses on the Company's Consolidated Statements of Comprehensive Income (Loss) in the amount of $0.0 million for the three months ended March 31, 2023 and $0.2 million for the six months ended March 31, 2023.

The following presents pro forma revenues and net income as though the acquisitions had occurred on October 1, 2021 (unaudited, in thousands):

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Pro forma revenues | $ 324,850 | $ 261,160 |
| Pro forma net loss | $ (5,481) | $ (10,053) |

| | For the Six Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Pro forma revenues | $ 678,011 | $ 561,864 |
| Pro forma net loss | $ (2,684) | $ (4,001) |

Pro forma financial information is presented as if the operations of the acquisitions had been included in the consolidated results of the Company since October 1, 2021, and gives effect to transactions that are directly attributable to the acquisitions, including adjustments to:

(a) include the pro forma results of operations of the acquisitions for the three and six months ended March 31, 2023 and 2022;

(b) include additional depreciation and depletion expense related to the fair value of acquired property, plant and equipment and reserves at aggregates facilities, as applicable, as if such assets were acquired on October 1, 2021 and consistently applied to the Company's depreciation and depletion methodologies;

(c) include interest expense as if the funds borrowed to finance the purchase prices were borrowed on October 1, 2021 (interest expense calculations further assume that no principal payments were made during the period from October 1, 2021 through March 31, 2023, and that the interest rate in effect on the date the Company made the acquisitions was in effect for the period from October 1, 2021 through March 31, 2023); and

(d) exclude $0.2 million of acquisition-related expenses from the three and six months ended March 31, 2023, as though such expenses were incurred prior to the pro forma acquisition date of October 1, 2021.

Pro forma information is presented for informational purposes and may not be indicative of revenue or net loss that would have been recorded if these acquisitions had occurred on October 1, 2022.

***Measurement Period Adjustments***

During the six months ended March 31, 2023, the Company made measurement period adjustments to previous year acquisitions, which resulted in a corresponding net increase to goodwill of $4.0 million.

**Note 5 - Contracts Receivable Including Retainage, Net**

Contracts receivable including retainage, net consisted of the following at March 31, 2023 and September 30, 2022 (in thousands):

| | March 31, 2023 | September 30, 2022 |
|---|---|---|
| | (unaudited) | |
| Contracts receivable | $ 198,876 | $ 221,566 |
| Retainage | 44,923 | 44,253 |
| | 243,799 | 265,819 |
| Allowance for doubtful accounts | (538) | (612) |
| Contracts receivable including retainage, net | $ 243,261 | $ 265,207 |

Retainage receivables have been billed, but are not due until contract completion and acceptance by the customer.

**Note 6 - Contract Assets and Liabilities**

Costs and estimated earnings compared to billings on uncompleted contracts at March 31, 2023 and September 30, 2022 consisted of the following (in thousands):

| | March 31, 2023 | September 30, 2022 |
|---|---|---|
| | (unaudited) | |
| Costs on uncompleted contracts | $ 1,436,139 | $ 1,520,510 |
| Estimated earnings to date on uncompleted contracts | 132,997 | 146,459 |
| | 1,569,136 | 1,666,969 |
| Billings to date on uncompleted contracts | (1,602,014) | (1,690,175) |
| Net billings in excess of costs and estimated earnings on uncompleted contracts | $ (32,878) | $ (23,206) |

Significant changes to balances of costs and estimated earnings in excess of billings (contract asset) and billings in excess of costs and estimated earnings (contract liability) on uncompleted contracts from September 30, 2022 to March 31, 2023 are presented below (in thousands):

| | Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts | Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts | Net Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts |
|---|---|---|---|
| **September 30, 2022** | $ 29,271 | $ (52,477) | $ (23,206) |
| Changes in revenue billed, contract price or cost estimates | (145) | (9,527) | (9,672) |
| **March 31, 2023 (unaudited)** | $ 29,126 | $ (62,004) | $ (32,878) |

**Note 7 - Property, Plant and Equipment**

Property, plant and equipment at March 31, 2023 and September 30, 2022 consisted of the following (in thousands):

| | March 31, 2023 (unaudited) | September 30, 2022 |
|---|---|---|
| Construction equipment | $ 444,027 | $ 402,581 |
| Plants | 182,917 | 167,625 |
| Mineral reserves | 69,466 | 91,992 |
| Land and improvements | 70,038 | 59,454 |
| Buildings | 33,656 | 32,566 |
| Furniture and fixtures | 7,476 | 7,110 |
| Leasehold improvements | 1,257 | 1,230 |
| Total property, plant and equipment, gross | 808,837 | 762,558 |
| Accumulated depreciation, depletion and amortization | (336,220) | (304,935) |
| Construction in progress | 30,368 | 23,789 |
| Total property, plant and equipment, net | $ 502,985 | $ 481,412 |

Depreciation, depletion and amortization expense related to property, plant and equipment was $20.4 million and $17.0 million for the three months ended March 31, 2023 and 2022, respectively, and $39.7 million and $32.8 million for the six months ended March 31, 2023 and 2022, respectively.

**Note 8 - Debt**

The Company maintains credit facilities to finance acquisitions, to fund the purchase of real estate, construction equipment, plants and other fixed assets and for general working capital purposes. Debt at March 31, 2023 and September 30, 2022 consisted of the following (in thousands):

| | March 31, 2023 (unaudited) | September 30, 2022 |
|---|---|---|
| Long-term debt: | | |
| Term Loan | $ 280,625 | $ 271,875 |
| Revolving Credit Facility | 143,100 | 105,100 |
| Total long-term debt | 423,725 | 376,975 |
| Deferred debt issuance costs | (1,258) | (1,409) |
| Current maturities of long-term debt | (13,500) | (12,500) |
| Long-term debt, net of current maturities | $ 408,967 | $ 363,066 |

Since 2017, the Company and each of its subsidiaries have been parties to a credit agreement with PNC Bank, National Association (successor in interest to BBVA USA) and certain other lenders party from time to time thereto. The credit agreement has been amended and restated on multiple occasions since its inception in order to provide for changes in the economic terms of the credit facility and developments at the Company.

On June 30, 2022, the Company and each of its subsidiaries entered into a Third Amended and Restated Credit Agreement with PNC Bank, National Association, as administrative agent and lender, PNC Capital Markets LLC, as joint lead arranger and sole bookrunner, Regions Bank and BofA Securities, Inc., each as a joint arranger, and certain other lenders (as amended and restated, the “Credit Agreement”). The Credit Agreement provides for (i) a term loan facility in an initial aggregate principal amount of $250.0 million (the “Term Loan”) the full amount of which was drawn at closing, (ii) a revolving credit facility in an initial aggregate principal amount of $325.0 million (the “Revolving Credit Facility”), and (iii) a delayed draw term loan facility in an initial aggregate principal amount of $50.0 million (the “Delayed Draw Term Loan”). Among other things, the proceeds of the Term Loan were used to refinance indebtedness of the Company and its subsidiaries under its prior credit facility.

All outstanding advances under the Term Loan and Revolving Credit Facility are due and payable in full on June 30, 2027 (the "Maturity Date"). The Term Loan (commencing on September 30, 2022) and the Delayed Draw Term Loan (commencing on the earliest of (i) December 31, 2023, or (ii) the last day of the fiscal quarter in which the commitments under the Delayed Draw Term Loan are fully drawn or terminated, as applicable) will amortize in quarterly installments in an amount (subject, in each case, to adjustments for prior mandatory and voluntary prepayments of principal) equal to: (a) 1.25% of the original principal amount of the Term Loan (and, to the extent any Delayed Draw Term Loans are then outstanding, the original principal amount of such loans) and continuing on each of the following eleven quarter-end payment dates; (b) 1.875% of the original principal amount of the Term Loan (and, to the extent any Delayed Draw Term Loans are then outstanding, the original principal amount of such loans) on each of the next eight quarter-end payment dates; and (c) all remaining principal of the Term Loan and the Delayed Draw Term Loans are due and payable in full on the Maturity Date. The annual interest rates applicable to advances will be calculated, at the Company's option, by using either a base rate, Daily Simple SOFR plus 0.10%, or Term SOFR plus 0.10%, and in each case, plus an applicable margin percentage that corresponds to the Company's consolidated net leverage ratio. Subject to various requirements, the Company generally may (and, under certain circumstances, must) prepay all or a portion of the outstanding balance of the advances, together with accrued interest thereon, prior to their contractual maturity. The obligations of the Company and its subsidiaries under the Credit Agreement are secured by a first priority security interest in substantially all of the Company's assets.

At March 31, 2023 and September 30, 2022, there was $280.6 million and $271.9 million, respectively, of principal outstanding under the Term Loan, $143.1 million and $105.1 million, respectively, of principal outstanding under the Revolving Credit Facility, and availability of $171.9 million and $208.6 million, respectively, under the Revolving Credit Facility, including a reduction for outstanding letters of credit. The Company also had $10.0 million and $25.0 million available under the Delayed Draw Term Loan at March 31, 2023 and September 30, 2022, respectively.

The Credit Agreement contains customary negative covenants for agreements of this type, including, but not limited to, restrictions on the Company's ability to make acquisitions, make loans or advances, make capital expenditures and investments, pay dividends, create or incur indebtedness, create liens, wind up or dissolve, consolidate, merge or liquidate, or sell, transfer or dispose of assets. The Credit Agreement also requires the Company to satisfy certain financial covenants, including a minimum fixed charge coverage ratio of 1.20-to-1.00 and a maximum consolidated leverage ratio of 3.50-to-1.00, subject to certain adjustments. At March 31, 2023 and September 30, 2022, the Company's fixed charge coverage ratio was 1.47-to-1.00 and 2.56-to-1.00, respectively, and the Company's consolidated leverage ratio was 2.92-to-1.00 and 2.79-to-1.00, respectively. At both March 31, 2022 and September 30, 2022, the Company was in compliance with all covenants under the Credit Agreement.

From time to time, the Company has entered into interest rate swap agreements to hedge against the risk of changes in interest rates. At March 31, 2023 and September 30, 2022, the aggregate notional value of these interest rate swap agreements was $300.0 million, and the fair value was $18.9 million and $24.7 million, respectively, which is included within other assets on the Company's Consolidated Balance Sheets.

**Note 9 - Equity**

Shares of Class A common stock and Class B common stock are identical, except with respect to voting rights, conversion rights and transfer restrictions applicable to shares of Class B common stock. The holders of Class A common stock are entitled to one vote per share, and the holders of Class B common stock are entitled to ten votes per share. The holders of Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of stockholders, including the election of directors, unless otherwise required by applicable law or the Company's certificate of incorporation or bylaws. Shares of Class B common stock are convertible into shares of Class A common stock at any time at the option of the holder or upon any transfer, subject to certain limited exceptions. In addition, upon the election of the holders of a majority of the then-outstanding shares of Class B common stock, all outstanding shares of Class B common stock will be converted into shares of Class A common stock. Once converted into shares of Class A common stock, shares of Class B common stock will not be reissued. Class A common stock is not convertible into any other class of the Company's capital stock.

***Treasury Stock***

During the six months ended March 31, 2023, the Company received a total of 5,267 shares of Class A common stock from employees for reimbursement of income taxes paid by the Company on behalf of these employees related to the vesting of restricted stock awards and 1,864 shares of Class A common stock through forfeitures of restricted stock awards by terminated employees.

***Restricted Stock Awards***

During the six months ended March 31, 2023, the Company awarded a total of 180,798 restricted shares of Class A common stock to certain directors, officers and employees of the Company under the Construction Partners, Inc. 2018 Equity Incentive Plan (the "Equity Incentive Plan").

Additional information about these transactions is set forth in Note 13 - Equity-Based Compensation.

**Note 10 - Earnings Per Share**

As discussed in Note 9 - Equity, the Company has Class A common stock and Class B common stock. Because the only differences between the two classes of common stock are related to voting rights, conversion rights and transfer restrictions applicable to shares of Class B common stock, the Company has not presented earnings per share under the two-class method, as the earnings per share are the same for both Class A common stock and Class B common stock. The following table summarizes the weighted-average number of basic common shares outstanding and the calculation of basic earnings per share for the periods presented (unaudited in thousands, except share and per share amounts):

| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Numerator | | | | |
| Net loss attributable to common stockholders | $ (5,481) | $ (9,418) | $ (3,589) | $ (3,907) |
| Denominator | | | | |
| Weighted average number of common shares outstanding, basic | 51,827,365 | 51,793,443 | 51,826,143 | 51,744,052 |
| Net loss per common share attributable to common stockholders, basic | $ (0.11) | $ (0.18) | $ (0.07) | $ (0.08) |

The following table summarizes the calculation of the weighted-average number of diluted common shares outstanding and the calculation of diluted earnings per share for the periods presented (unaudited in thousands, except share and per share amounts):

| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Numerator | | | | |
| Net loss attributable to common stockholders | $ (5,481) | $ (9,418) | $ (3,589) | $ (3,907) |
| Denominator | | | | |
| Weighted average number of basic common shares outstanding, basic | 51,827,365 | 51,793,443 | 51,826,143 | 51,744,052 |
| Effect of dilutive securities: | | | | |
| Restricted stock grants | — | — | — | — |
| Weighted average number of diluted common shares outstanding | 51,827,365 | 51,793,443 | 51,826,143 | 51,744,052 |
| Net loss per diluted common share attributable to common stockholders | $ (0.11) | $ (0.18) | $ (0.07) | $ (0.08) |

**Note 11 - Provision for Income Taxes**

The Company files a consolidated United States federal income tax return and income tax returns in various states. Management evaluated the Company's tax positions based on appropriate provisions of applicable tax laws and regulations and believes that they are supportable based on their specific technical merits and the facts and circumstances of the respective transactions.

The Company's effective income tax rate for the three months ended March 31, 2023 and 2022 was21.1% and 23.5%, respectively. The Company's effective tax rate for the six months ended March 31, 2023 and 2022 was 21.1% and 21.8%, respectively. The changes in the Company's effective rates are due to differences in state tax rates at its operating subsidiaries.

**Note 12 - Related Parties**

On December 31, 2017, the Company sold an indirect wholly owned subsidiary to an immediate family member of an executive officer of the Company ("Purchaser of Subsidiary") in consideration for a note receivable in the amount of $1.0 million, which approximated the net book value of the disposed entity. At March 31, 2023, $0.1 million and $0.3 million was reflected on the Company's Consolidated Balance Sheets within other current assets and other assets, respectively, representing the remaining balances on this note receivable. In connection with this transaction, the Company also received a note receivable from the disposed entity ("Disposed Entity") on December 31, 2017 in the amount of $1.0 million representing certain accounts payable of the Disposed Entity that were paid by the Company. At March 31, 2023, $0.1 million and $0.2 million was reflected on the Company's Consolidated Balance Sheets within other current assets and other assets, respectively, representing the remaining balances on this note receivable. The notes do not bear interest, and repayments are scheduled to be made in periodic installments during fiscal year 2023 through fiscal year 2026.

Prior to its acquisition by the Company, a current subsidiary of the Company advanced funds to an entity owned by an immediate family member of an officer of the Company in connection with a land development project. The obligations of the borrower entity to repay the advances were guaranteed by a separate entity owned by the same family member of the officer. Amounts outstanding under the advances did not bear interest and matured in full in March 2021. In March 2021, the subsidiary of the Company amended and restated the terms of the repayment obligation, as a result of which the officer personally assumed the remaining balance of the obligation. No new amounts were advanced to the officer by the Company or any subsidiary or affiliate thereof in connection with the transaction. Under the amended and restated terms, the officer executed a promissory note in favor of the Company's subsidiary in the principal amount of $0.8 million. The note bears simple interest at a rate of 4.0% and requires annual minimum payments of $0.1 million inclusive of principal and accrued interest, with any remaining principal and accrued interest due and payable in full on December 31, 2027. As security for his payment obligations, the officer pledged as collateral 30,000 shares of the 140,389 shares of Class B common stock that had previously been pledged as collateral and 7,500 shares of Class A common stock owned by the officer personally. Amounts outstanding under the note are reflected on the Company's Consolidated Balance Sheets within other current assets and other assets ("Land Development Project").

From time to time, the Company conducts or has conducted business with the following related parties:

- Entities owned by immediate family members of an executive officer of the Company perform subcontract work for a subsidiary of the Company, including trucking and grading services ("Subcontracting Services").
- Since June 1, 2014, the Company has been a party to an access agreement with Island Pond Corporate Services, LLC, which provides a location for the Company to conduct business development activities from time to time on a property owned by the Executive Chairman of the Company's Board of Directors ("Island Pond").
- The Company is party to a management services agreement with SunTx, under which the Company pays SunTx Capital Management Corp. ("SunTx") $0.31 million per fiscal quarter and reimburses certain travel and other out-of-pocket expenses associated with services rendered under the management services agreement.

The following table presents revenues earned and expenses incurred by the Company during the three and six months ended March 31, 2023 and 2022, and accounts receivable and payable balances at March 31, 2023 and September 30, 2022, related to transactions with the related parties described above (in thousands):

| | **Revenue Earned (Expense Incurred)** | | | | **Accounts Receivable (Payable)** | |
|---|---|---|---|---|---|---|
| | **For the Three Months Ended March 31,** | | **For the Six Months Ended March 31,** | | **March 31,** | **September 30,** |
| | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** |
| | **(unaudited)** | **(unaudited)** | **(unaudited)** | **(unaudited)** | **(unaudited)** | |
| Purchaser of Subsidiary | $ — | $ — | $ — | $ — | $ 414 | $ 414 |
| Disposed Entity | — | — | — | — | 264 | 264 |
| Land Development Project | — | — | — | — | 622 | 712 |
| Subcontracting Services | (1,173) (1) | (853) (1) | (2,992) (1) | (3,092) (1) | (120) | (695) |
| Island Pond | (80) (2) | (80) (2) | (160) (2) | (160) (2) | — | — |
| SunTx | (359) (2) | (384) (2) | (726) (2) | (759) (2) | — | — |

(1) Cost is reflected as cost of revenues on the Company's Consolidated Statements of Comprehensive Income.

(2) Cost is reflected as general and administrative expenses on the Company's Consolidated Statements of Comprehensive Income.

**Note 13 - Equity-Based Compensation**

The Company measures and recognizes equity-based compensation expense, net of forfeitures, over the requisite vesting periods for all equity-based payment awards made, and recognizes forfeitures as they occur. Equity-based compensation is included in general and administrative expenses in the Consolidated Statements of Comprehensive Income.

***Restricted Stock***

During the three months ended March 31, 2023 and 2022, the Company recorded $2.2 million and $1.8 million, respectively, of compensation expense in connection with restricted stock awards. During the six months ended March 31, 2023 and 2022, the Company recorded $4.2 million and $3.2 million, respectively, of compensation expense in connection with restricted stock awards. At March 31, 2023, there was approximately $14.1 million of unrecognized compensation expense related to restricted stock awards.

***Performance Stock Units***

Performance stock units ("PSUs") are eligible to vest at the end of the performance period based on achievement of certain performance metrics established by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee"). The preliminary number of shares of common stock issuable upon vesting of PSUs can range from 0% to 150% of the number of shares subject to the award, depending on the level of achievement, as determined by the Compensation Committee. The preliminary number of vested shares may be increased or decreased by up to 15% based on a comparison of the Company's total shareholder return over the performance period to that of the Russell 2000. The Company recognizes expense, net of estimated forfeitures, for PSUs based on the forecasted level of achievement of the applicable performance metrics, multiplied by the fair value of the total number of shares of Class A common stock underlying the PSUs that the Company anticipates will be delivered upon vesting based on such achievement.

During the three months ended March 31, 2023 and 2022, the Company recorded $0.5 million and $0.0 million, respectively, of compensation expense in connection with PSUs. During the six months ended March 31, 2023 and 2022, the Company recorded $1.0 million and $0.0 million, respectively, of compensation expense in connection with PSUs. At March 31, 2023, there was approximately $3.1 million of unrecognized compensation expense related to PSUs.

**Note 14 - Leases**

The Company leases certain facilities, office space, vehicles and equipment. As of March 31, 2023, operating leases under ASC Topic 842, *Leases* ("Topic 842") were included in (i) operating lease right-of use assets, (ii) current portion of operating lease liabilities and (iii) operating lease liabilities, net of current portion on the Company's Consolidated Balance Sheets in the amounts of $16.8 million, $2.2 million and $15.0 million, respectively. As of March 31, 2023, the Company did not have any lease contracts that had not yet commenced but had created significant rights and obligations.

The components of lease expense were as follows (unaudited, in thousands):

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Operating lease cost | $ 788 | $ 637 |
| Short-term lease cost | 4,733 | 4,114 |
| **Total lease expense** | $ 5,521 | $ 4,751 |

| | For the Six Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Operating lease cost | $ 1,514 | $ 1,234 |
| Short-term lease cost | 10,768 | 8,207 |
| **Total lease expense** | $ 12,282 | $ 9,441 |

Short-term leases (those with terms of 12 months or less) are not capitalized but are expensed on a straight-line basis over the lease term. The majority of the Company's short-term leases relate to equipment used on construction projects. These leases are entered into at periodic rental rates for an unspecified duration and typically have a termination for convenience provision.

As of March 31, 2023, the weighted-average remaining term of the Company's leases was10.8 years, and the weighted-average discount rate was3.42%. As of March 31, 2023, the lease liability was equal to the present value of the remaining lease payments, discounted using the incremental borrowing rate on the Company's secured debt using a single maturity discount rate, as such rate is not materially different from the discount rate applied to each of the leases in the portfolio.

The following table summarizes the Company's undiscounted lease liabilities outstanding as of March 31, 2023 (unaudited, in thousands):

| Fiscal Year | | Amount |
|---|---|---|
| Remainder of 2023 | $ | 1,430 |
| 2024 | | 2,560 |
| 2025 | | 2,197 |
| 2026 | | 2,143 |
| 2027 | | 2,015 |
| 2028 and thereafter | | 10,611 |
| Total future minimum lease payments | $ | 20,956 |
| Less: imputed interest | | 3,731 |
| Total | $ | 17,225 |

**Note 15 - Investment in Derivative Instruments**

***Interest Rate Swap Contracts***

The Company uses derivative instruments as part of its overall strategy to manage its exposure to market risks associated with fluctuations in interest rates. The Company regularly monitor the financial stability and credit standing of the counterparties to its derivative instruments. The Company does not enter into derivative financial instruments for speculative purposes.

The Company records all derivatives at fair value. On the date the derivative contract is entered into, the Company may designate the derivative as one of the following: (i) a hedge of a forecasted transaction or the variability of cash flows to be paid ("cash flow hedge") or (ii) a hedge of the fair value of a recognized asset or liability ("fair value hedge").

Changes in the fair value of a derivative that is qualified and designated as a cash flow hedge or net investment hedge are recorded in other comprehensive income (loss) in the Company's Consolidated Statements of Comprehensive Income (Loss) until they are reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Changes in the fair value of a derivative that is qualified and designated as a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recorded in current period earnings.

If the Company does not specifically designate a derivative as one of the above, changes in the fair value of the undesignated derivative instrument are reported in current period earnings. Cash flows from designated derivative financial instruments are classified within the same category as the item being hedged in the Consolidated Statements of Cash Flows, while cash flows from undesignated derivative financial instruments are included as an investing activity.

If the Company determines that it qualifies for and will designate a derivative as a hedging instrument, the Company formally documents all relationships between hedging activities, including the risk management objective and strategy for undertaking various hedge transactions. This process includes matching all derivatives that are designated as cash flow hedges to specific forecasted transactions and linking all derivatives designated as fair value hedges to specific assets and liabilities in the Consolidated Balance Sheets.

The Company performs an initial prospective assessment of hedge effectiveness on a quantitative basis between the inception date and the earlier of the first quarterly hedge effectiveness date or the issuance of the financial statements that include the hedged transaction. On a quarterly basis, the Company assesses the effectiveness of its designated hedges in offsetting the variability in the cash flows or fair values of the hedged assets or obligations using the Hypothetical Derivative Method. The Hypothetical Derivative Method compares the change in fair value or cash flows of the hedging instrument with the change in fair value or cash flows of a hypothetical derivative that represents the hedged risk. The Company would discontinue hedge accounting prospectively when the derivative is no longer highly effective as a hedge, the underlying hedged transaction is no longer probable or the hedging instrument expires, is sold, terminated or exercised.

***Commodity Swap Contracts***

The Company's operations expose it to a variety of market risks, including the effects of changes in commodity prices. As part of its risk management process, the Company has entered into commodity swap transactions through regulated commodity exchanges. The Company does not enter into derivative financial instruments for speculative purposes. Changes in fair value of commodity swaps are recognized in earnings.

The following table represents the approximate amount of realized and unrealized gains (losses) and changes in fair value recognized in earnings on interest and commodity derivative contracts for the three and six months ended March 31, 2023 and 2022 and the fair value of these derivatives as of March 31, 2023 and September 30, 2022 (in thousands):

| | For the Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | (unaudited) | | | (unaudited) | | |
| Income Statement Classification | Realized Gain (Loss) | Change in Unrealized Gain (Loss) | Total Gain (Loss) | Realized Gain (Loss) | Change in Unrealized Gain (Loss) | Total Gain (Loss) |
| Cost of revenues | $ 456 | $ (1,279) | $ (823) | $ 364 | $ 1,055 | $ 1,419 |
| Interest expense, net | 2,007 | — | 2,007 | (431) | 939 | 508 |
| **Total** | $ 2,463 | $ (1,279) | $ 1,184 | $ (67) | $ 1,994 | $ 1,927 |

| | For the Six Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | (unaudited) | | | (unaudited) | | |
| Income Statement Classification | Realized Gain (Loss) | Change in Unrealized Gain (Loss) | Total Gain (Loss) | Realized Gain (Loss) | Change in Unrealized Gain (Loss) | Total Gain (Loss) |
| Cost of revenues | $ 1,057 | $ (2,286) | $ (1,229) | $ 857 | $ 778 | $ 1,635 |
| Interest expense, net | 3,342 | — | 3,342 | (909) | 1,352 | 443 |
| **Total** | $ 4,399 | $ (2,286) | $ 2,113 | $ (52) | $ 2,130 | $ 2,078 |

| Balance Sheet Classification | March 31, 2023 (unaudited) | September 30, 2022 |
|---|---|---|
| Prepaid expenses and other current assets - commodity swaps | $ — | $ 1,032 |
| Other assets - commodity swaps | — | 155 |
| Other assets - interest rate swaps[(1)] | 18,882 | 24,719 |
| Accrued expense and other current liabilities - commodity swaps | (1,760) | (601) |
| Other long-term liabilities - commodity swaps | — | (60) |
| **Net unrealized gain position** | $ 17,122 | $ 25,245 |

[(1)] Includes designated cash flow hedge of $18,882 and $24,719 as of March 31, 2023 and September 30, 2022, respectively.

**Note 16 - Fair Value Measurements**

The following table presents the Company's liabilities measured at fair value on a recurring basis as of March 31, 2023 and September 30, 2022 under ASC 820, *Fair Value Measurements* (in thousands):

| | March 31, 2023 (unaudited) Level 2 | September 30, 2022 Level 2 |
|---|---|---|
| **Assets:** | | |
| Commodity swap contracts | $ — | $ 1,187 |
| Interest rate swaps | 18,882 | 24,719 |
| Corporate debt securities | 3,716 | 2,537 |
| U.S. government securities | 5,626 | 2,481 |
| Municipal government securities | 1,072 | 1,055 |
| Agency backed securities | 889 | 793 |
| **Total assets** | 30,185 | 32,772 |
| | | |
| **Liabilities:** | | |
| Commodity swap contracts | $ 1,760 | $ 661 |
| **Total liabilities** | $ 1,760 | $ 661 |

The fair value of interest rate swap contracts is based on a model-driven valuation using the observable components (e.g., interest rates), which are observable at commonly quoted intervals for the full term of the contracts. The fair value of the Company's commodity swap contracts is based on an analysis of the expected cash flow of the contract in combination with observable forward price inputs obtained from a third-party pricing source. The calculations are adjusted for credit risk. Therefore, the Company's derivative assets and liabilities are classified within Level 2 of the fair value hierarchy. Derivative assets are included within "Prepaid expenses and other current assets" and "Other assets" on the Company's Consolidated Balance Sheets. Derivative liabilities are included within "Accrued expense and other current liabilities" and "Other long-term liabilities" on the Company's Consolidated Balance Sheets.

**Note 17 - Commitments**

***Letters of Credit***

Under the Revolving Credit Facility, the Company has a total capacity of $325.0 million that may be used for a combination of cash borrowings and letter of credit issuances. At March 31, 2023, the Company had aggregate letters of credit outstanding in the amount of $10.0 million, primarily related to certain insurance policies as described in Note 2 - Significant Accounting Policies.

***Purchase Commitments***

As of March 31, 2023, the Company had unconditional purchase commitments for diesel fuel and natural gas in the normal course of business in the aggregate amount of $4.7 million. Management does not expect any significant changes in the market value of these goods during the commitment period that would have a material adverse effect on the financial condition, results of operations and cash flows of the Company. As of March 31, 2023, the Company's purchase commitments annually thereafter were as follows (unaudited, in thousands):

| Fiscal Year | Amount |
|---|---|
| Remainder of 2023 | $ 2,509 |
| 2024 | 1,893 |
| 2025 | 256 |
| Total | $ 4,658 |

***Minimum Royalties***

The Company has lease agreements associated with aggregates facilities under which the Company makes royalty payments. These agreements are outside the scope of Topic 842. The payments are generally based on tons sold in a particular period; however, certain agreements have minimum annual payments. The Company had commitments in the form of minimum royalties as of March 31, 2023 in the amount of $2.5 million, due as follows (unaudited, in thousands):

| Fiscal Year | Amount |
|---|---|
| Remainder of 2023 | $ 65 |
| 2024 | 246 |
| 2025 | 207 |
| 2026 | 182 |
| 2027 | 170 |
| Thereafter | 1,615 |
| Total | $ 2,485 |

Royalty expense recorded in cost of revenue was $0.4 million and $0.5 million for the three months ended March 31, 2023 and 2022, respectively, and $0.8 million for each of the six months ended March 31, 2023 and 2022.

**Note 18 - Restricted Investments**

The following is a summary of the Company's debt securities as of March 31, 2023 and September 30, 2022 (in thousands):

| | March 31, 2023 (unaudited) | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Corporate debt securities | $ 3,904 | $ — | $ 188 | $ 3,716 |
| U.S. government securities | 5,724 | — | 98 | 5,626 |
| Municipal government securities | 1,148 | — | 76 | 1,072 |
| Agency backed securities | 944 | — | 55 | 889 |
| **Total** | $ 11,720 | $ — | $ 417 | $ 11,303 |

| | September 30, 2022 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Corporate debt securities | $ 2,797 | $ — | $ 260 | $ 2,537 |
| U.S. government securities | 2,622 | — | 141 | 2,481 |
| Municipal government securities | 1,151 | — | 96 | 1,055 |
| Agency backed securities | 862 | — | 69 | 793 |
| **Total** | $ 7,432 | $ — | $ 566 | $ 6,866 |

The amortized cost and fair value of debt securities classified as available for sale by contractual maturity, as of March 31, 2023, were as follows (unaudited, in thousands):

| | Amortized Cost | Fair Value |
|---|---|---|
| Due within one year | $ 3,082 | $ 3,070 |
| Due after one year through three years | 2,820 | 2,721 |
| Due after three years | 5,818 | 5,512 |
| **Total** | $ 11,720 | $ 11,303 |

**Note 19 - Other Comprehensive Income (Loss)**

Comprehensive income (loss) comprises two subsets: net income and OCI. The components of OCI are presented in the accompanying Consolidated Statements of Comprehensive Income (Loss) and Consolidated Statements of Stockholders' Equity, net of applicable taxes. The Company's interest rate swap contract hedge included in other comprehensive income (loss) was entered into on July 1, 2022 with an original notional value of $300.0 million. The maturity date of this swap is June 30, 2027. The Company received a credit of $12.6 million under the "blend and extend" arrangement utilizing the fair values of the existing interest rate swap agreements at June 30, 2022.

Amounts in accumulated other comprehensive income ("AOCI"), net of tax, at March 31, 2023 and September 30, 2022, were as follows (in thousands):

| AOCI | March 31, 2023 (unaudited) | September 30, 2022 |
|---|---|---|
| Interest rate swap contract, net of blend and extend arrangement | $ 17,715 | $ 23,761 |
| Unrealized loss on available-for-sale securities | (417) | (566) |
| Less net tax effect of other comprehensive income items | (4,313) | (5,575) |
| **Total** | $ 12,985 | $ 17,620 |

Changes in AOCI, net of tax, are as follows (in thousands):

| AOCI | |
|---|---|
| **Balance at September 30, 2022** | $ 17,620 |
| Net OCI changes | (4,635) |
| **Balance at March 31, 2023 (unaudited)** | $ 12,985 |

| AOCI | |
|---|---|
| **Balance at September 30, 2021** | $ (23) |
| Net OCI changes | 6,903 |
| **Balance at March 31, 2022 (unaudited)** | $ 6,880 |

Amounts reclassified from AOCI to earnings are as follows (unaudited, in thousands):

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest (benefit) expense | $ (2,007) | $ 304 |
| Realized loss on restricted investments | (4) | — |
| Expense (benefit) from income taxes | 517 | (78) |
| **Total reclassifications from AOCI to earnings** | $ (1,494) | $ 226 |

| | For the Six Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest (benefit) expense | $ (3,342) | $ 636 |
| Realized loss on restricted investments | (4) | — |
| Expense (benefit) from income taxes | 861 | (164) |
| **Total reclassifications from AOCI to earnings** | $ (2,485) | $ 472 |

**Note 20 - Subsequent Events**

***South Carolina Acquisition***

On April 3, 2023, a subsidiary of the Company acquired substantially all of the assets of Pickens Construction, Inc., an asphalt paving company headquartered in Anderson, South Carolina, for $4.8 million. The transaction added an HMA plant and expanded the Company's service market in the greater Greenville, South Carolina metro area.

***Alabama Acquisition***

On May 1, 2023, a subsidiary of the Company acquired certain assets comprising the Huntsville, Alabama operations of Southern Site Contractors, a Tennessee-based excavation, grading and utilities contractor, for $1.1 million. The transaction added skilled employees and construction equipment to drive growth in northeast Alabama.

***Restricted Stock Award***

On May 4, 2023, the Company awarded a total of 29,614 restricted shares of Class A common stock to certain members of Company management under the Equity Incentive Plan. The grants are classified as equity awards.

***Award of PSUs***

On May 4, 2023, the Company awarded PSUs that, if the target metrics for such PSUs are met, would result in the issuance of 8,052 shares of Class A common stock to certain members of Company management. The grants are classified as equity awards.

***Amendment to Management Services Agreement***

On May 4, 2023, the Company and entered into an amendment (the "Amendment") to the Management Services Agreement between the Company and SunTx that extends the end of the term thereof from October 1, 2023 to October 1, 2028. For more information about the Amendment, see the discussion under Part II, Item 5 included elsewhere in this report.

***Chief Financial Officer Employment Agreement***

On May 4, 2023, the Company entered into an employment agreement with Gregory A. Hoffman, the Company's Senior Vice President and Chief Financial Officer. For more information about the Employment Agreement, see the discussion under Part II, Item 5 included elsewhere in this report.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*This discussion and analysis of our financial condition and results of operations is intended to assist in understanding and assessing the trends and significant changes in our results of operations and financial condition during the period covered by this report. Historical results may not be indicative of future performance. This discussion includes forward-looking statements that reflect our plans, estimates and beliefs. Such statements involve risks and uncertainties. Our actual results may differ materially from those contemplated by these forward-looking statements as a result of various factors, including those set forth under the headings "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements." This discussion should be read in conjunction with our unaudited consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and notes thereto included in the 2022 Form 10-K. In this discussion, we use certain non-GAAP financial measures. Explanations of these non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures are included in this "Management's Discussion and Analysis of Financial Condition and Results of Operations." Investors should not consider non-GAAP financial measures in isolation or as substitutes for financial information presented in compliance with GAAP.*

### Overview

We are a civil infrastructure company that specializes in the building and maintenance of transportation networks. Our operations leverage a highly skilled workforce, strategically located HMA plants, substantial construction assets and select material deposits. We provide construction products and services to both public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports and commercial and residential sites in the southeastern United States.

Our public projects are funded by federal, state and local governments and include projects for roads, highways, bridges, airports and other forms of infrastructure. Public transportation infrastructure projects historically have been a relatively stable portion of state and federal budgets and represent a significant share of the United States construction market. Federal funds are allocated on a state-by-state basis, and each state is required to match a portion of the federal funds that it receives. Federal highway spending uses funds predominantly from the Highway Trust Fund, which derives its revenues from fuel taxes and other user fees.

In addition to public infrastructure projects, we provide a wide range of large sitework construction and HMA paving services to private construction customers, including commercial and residential developers and local businesses.

#### *Contract Backlog*

At March 31, 2023, our contract backlog was $1.52 billion. Contract backlog is a financial measure that generally reflects the dollar value of work that the Company expects to perform in the future. We generally include a construction project in our contract backlog at the time it is awarded and to the extent we believe funding is probable. Our backlog generally consists of uncompleted work on contracts in progress and contracts for which we have executed a contract but have not commenced the work. For uncompleted work on contracts in progress, we include (i) executed change orders, (ii) pending change orders for which we expect to receive confirmation in the ordinary course of business and (iii) claims that we have made against our customers for which we have determined we have a legal basis under existing contractual arrangements and as to which we consider collection to be probable. Backlog of uncompleted work on contracts under which work was either in progress or had not yet begun was $1.25 billion at March 31, 2023. Our contract backlog also includes low bid/no contract jobs, which consist of (i) public bid jobs for which we were the low bidder and no contract has been executed and (ii) private work jobs for which we have been notified that we are the low bidder or have been given a notice to proceed, but no contract has been executed. Low bid/no contract backlog was $0.27 billion at March 31, 2023.

### Recent Developments

#### *Inflation and Supply Chain Constraints*

During the three and six months ended March 31, 2023, we continued to experience an upward trend in several inflation-sensitive inputs that we use to provide our products and services, including upward pressure on wages and increases in the cost of certain raw materials used to produce HMA and other items that are critical to our business. In addition, we continued to experience some disruptions from various participants in our supply chain, including subcontractors, materials suppliers and equipment manufacturers, who provide the raw materials, equipment, vehicles, construction supplies and other services we require in order to manufacture HMA and perform our construction projects. Although these issues have improved, intermittent stresses continued, particularly in regard to our older backlog. To date, we have been able to mitigate some of the effects of inflation, supply chain disruptions and labor constraints on our business by increasing prices for our products and including the anticipated cost increases in the construction projects on which we bid. However, we are limited in our ability to pass through increased costs for projects already in our backlog and, under those circumstances, may be unable to recoup losses or diminished profit margins by passing these costs through to our customers.

***Tennessee and North Carolina Acquisitions***

On November 18, 2022, we acquired three HMA manufacturing plants and certain related assets located in the Nashville, Tennessee metro area for $9.5 million. In connection with this transaction, we disposed of a quarry in North Carolina, resulting in total cash proceeds of $37.0 million and a gain on the facility exchange of $5.4 million. On December 1, 2022, we acquired all of the capital stock of Ferebee Corporation, an HMA manufacturing and paving company headquartered in Charlotte, North Carolina for $68.3 million. The transaction established our second platform company in North Carolina and added three HMA plants in the greater Charlotte/Rock Hill metro area. For further discussion regarding these transactions, see Note 4 - Business Acquisitions to the unaudited consolidated financial statements included elsewhere in this report.

***Chief Financial Officer Appointment***

Effective following the close of business on March 31, 2023, Gregory A. Hoffman was appointed as our Chief Financial Officer. Prior to his appointment, Mr. Hoffman served as our Senior Vice President of Finance from April 2021 until March 2023 and as Chief Financial Officer of Wiregrass Construction Company, our Alabama subsidiary, from 2009 to 2021. Before joining our Company, Mr. Hoffman served in various roles of increasing responsibility at Corporate Express, Inc., a Staples company, including as Division Controller and Vice President, Operations, and also as Division Controller for APAC-Georgia, Inc., a heavy civil infrastructure company. Prior to APAC, he was a Manager at Ernst & Young LLP, where he directed audit engagement teams serving a variety of industries, including construction. Hoffman holds a Bachelor of Science in Accounting from the University of Alabama.

**How We Assess Performance of Our Business**

***Revenues***

We derive our revenues predominantly by providing construction products and services for both public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports and commercial and residential sites. Our projects represent a mix of federal, state, municipal and private customers. We also derive revenues from the sale of HMA, aggregates, and liquid asphalt cement to customers. We recognize revenues derived from projects as we satisfy our performance obligations over time (formerly known as the percentage-of-completion method), measured by the relationship of total cost incurred compared to total estimated contract costs (cost-to-cost input method). Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to estimated costs and income, and are recognized in the period in which the revisions are determined. Revenues derived from the sale of HMA, aggregates, and liquid asphalt cement are recognized when the risks associated with ownership have passed to the customer.

***Gross Profit***

Gross profit represents revenues less cost of revenues. Cost of revenues consists of all direct and indirect costs associated with construction contracts, including raw materials, labor, equipment costs, depreciation, lease expenses, subcontract costs and other expenses at our HMA plants, aggregates mining facilities, and liquid asphalt cement terminal. Our cost of revenues is directly affected by fluctuations in commodity prices, primarily liquid asphalt and diesel fuel. From time to time, when appropriate, we limit our exposure to changes in commodity prices by entering into forward purchase commitments. In addition, our public infrastructure contracts often provide for price adjustments based on fluctuations in certain commodity-related product costs. These price adjustment provisions are in place for most of our public infrastructure contracts, and we seek to include similar provisions in our private contracts.

***Depreciation, Depletion, Accretion and Amortization***

Property, plant and equipment are initially recorded at cost or, if acquired as a business combination, at fair value. Depreciation on property, plant and equipment is computed on a straight-line basis over the estimated useful life of the asset. Amortization expense is the periodic expense related to leasehold improvements and intangible assets. Leasehold improvements are amortized over the lesser of the life of the underlying asset or the remaining lease term. Our intangible assets were recognized as a result of certain acquisitions and are generally amortized on a straight-line basis over the estimated useful lives of the assets. Our unfavorable contract liabilities were recognized as a result of certain acquisitions and are amortized as the associated projects progress. Mineral reserves are depleted in accordance with the units-of-production method as aggregates are extracted, using the initial allocation of cost based on proven and probable reserves.

***General and Administrative Expenses***

General and administrative expenses include costs related to our operational offices that are not allocated to direct contract costs and expenses related to our corporate offices. These expenses consist primarily of salaries and personnel costs for our administration, finance and accounting, legal, information systems, human resources and certain managerial employees. General and administrative expenses also include acquisition expenses, audit, consulting and professional fees, stock-based compensation expense, travel, insurance, office space rental costs, property taxes and other corporate and overhead expenses.

***Gain on Sale of Property, Plant and Equipment***

In the normal course of business, we sell assets for various reasons, including when the cost of maintaining the asset exceeds the cost of replacing it. The gain or loss on the sale of property, plant and equipment reflects the difference between the carrying value at the date of disposal and the net consideration received from the sale during the period.

***Gain on Facility Exchange***

As part of our continued growth strategy, we may exchange or sell other facilities in order to generate capital for use in connection with other strategic initiatives. The gain or loss on the exchange or sale of a facility reflects the difference between the net carrying value of the facility at the date of disposal and the consideration received from the exchange or sale during the period.

***Interest Expense, Net***

Interest expense, net primarily represents interest incurred on our long-term debt, such as the Term Loan and the Revolving Credit Facility, as well as the changes in fair values of interest swap agreements and amortization of deferred debt issuance costs. These amounts are partially offset by interest income earned on short-term investments of cash balances in excess of our current operating needs.

***Other Key Performance Indicators - Adjusted EBITDA and Adjusted EBITDA Margin***

Adjusted EBITDA represents net income (loss) before, as applicable from time to time, (i) interest expense, net, (ii) provision (benefit) for income taxes, (iii) depreciation, depletion, accretion and amortization, (iv) equity-based compensation expense, (v) loss on the extinguishment of debt, (vi) certain management fees and expenses and (vii) nonrecurring legal settlement costs and associated legal expenses unrelated to the Company’s core operations. Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of revenues for each period. These metrics are supplemental measures of our operating performance that are neither required by, nor presented in accordance with, GAAP. These measures have limitations as analytical tools and should not be considered in isolation or as an alternative to net income or any other performance measure derived in accordance with GAAP as an indicator of our operating performance. We present Adjusted EBITDA and Adjusted EBITDA Margin because management uses these measures as key performance indicators, and we believe that securities analysts, investors and others use these measures to evaluate companies in our industry. Our calculation of Adjusted EBITDA and Adjusted EBITDA Margin may not be comparable to similarly named measures reported by other companies. Potential differences may include differences in capital structures, tax positions and the age and book depreciation of intangible and tangible assets.

The following table presents a reconciliation of net income (loss), the most directly comparable measure calculated in accordance with GAAP, to Adjusted EBITDA and the calculation of Adjusted EBITDA Margin for the periods presented (unaudited, in thousands, except percentages):

| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net loss | $ (5,481) | $ (9,418) | $ (3,589) | $ (3,907) |
| Interest expense, net | 4,802 | 859 | 8,762 | 2,123 |
| Provision for income taxes | (1,474) | (2,887) | (964) | (1,087) |
| Depreciation, depletion, accretion and amortization | 19,858 | 17,144 | 38,233 | 33,047 |
| Equity-based compensation expense | 2,692 | 1,742 | 5,172 | 3,246 |
| Management fees and expenses [1] | 359 | 384 | 726 | 759 |
| Adjusted EBITDA | $ 20,756 | $ 7,824 | $ 48,340 | $ 34,181 |
| Revenues | $ 324,850 | $ 243,385 | $ 666,629 | $ 528,349 |
| Adjusted EBITDA Margin | 6.4 % | 3.2 % | 7.3 % | 6.5 % |

(1) Reflects fees and reimbursement of certain out-of-pocket expenses under a management services agreement with SunTx (see Note 12 - Related Parties to the unaudited consolidated financial statements included elsewhere in this report).

**Results of Operations**

***Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022***

The following table sets forth selected financial data for the three months ended March 31, 2023 and 2022 (unaudited in thousands, except percentages):

| | For the Three Months Ended March 31, | | | | Change From the Three Months Ended March 31, 2022 to the Three Months Ended March 31, 2023 | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | | |
| | Dollars | % of Revenues | Dollars | % of Revenues | $ Change | % Change |
| Revenues | $ 324,850 | 100.0 % | $ 243,385 | 100.0 % | $ 81,465 | 33.5 % |
| Cost of revenues | 298,570 | 91.9 % | 230,888 | 94.9 % | 67,682 | 29.3 % |
| **Gross profit** | 26,280 | 8.1 % | 12,497 | 5.1 % | 13,783 | 110.3 % |
| General and administrative expenses | (31,989) | (9.9) % | (25,000) | (10.3) % | (6,989) | 28.0 % |
| Gain on sale of property, plant and equipment | 3,158 | 1.0 % | 1,014 | 0.4 % | 2,144 | 211.4 % |
| Gain on facility exchange | — | — % | — | — % | — | — % |
| **Operating loss** | (2,551) | (0.8) % | (11,489) | (4.7) % | 8,938 | (77.8)% |
| Interest expense, net | (4,802) | (1.5) % | (859) | (0.4) % | (3,943) | 459.0 % |
| Other income | 398 | 0.1 % | 43 | — % | 355 | 825.6 % |
| **Loss before provision for income taxes** | (6,955) | (2.2) % | (12,305) | (5.1) % | 5,350 | (43.5)% |
| Provision for income taxes | (1,474) | (0.5) % | (2,887) | (1.2) % | 1,413 | (48.9)% |
| **Net loss** | $ (5,481) | (1.7) % | $ (9,418) | (3.9) % | $ 3,937 | (41.8)% |
| Adjusted EBITDA | $ 20,756 | 6.4 % | $ 7,824 | 3.2 % | $ 12,932 | 165.3 % |

***Revenues.*** Revenues for the three months ended March 31, 2023 increased $81.5 million, or 33.5%, to $324.9 million from $243.4 million for the three months ended March 31, 2022. The increase included $40.0 million of revenues attributable to acquisitions completed subsequent to March 31, 2022 and $41.5 million of revenues in our existing markets from contract work and sales of HMA and aggregates to third parties. The 17.1% increase in revenues in our existing markets compared to the prior year period was due to strong demand in both public and private work.

***Gross Profit.*** Gross profit for the three months ended March 31, 2023 increased $13.8 million, or 110.3%, to $26.3 million from $12.5 million for the three months ended March 31, 2022. The increase in gross profit was primarily the result of a 33.5% increase in revenues for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The higher gross profit margin was due to (i) efficient utilization of our plants and equipment fleet, (ii) lower energy costs for diesel fuel, liquid asphalt and other petroleum-based resources and (iii) completion of new backlog with more favorable margins.

***General and Administrative Expenses.*** General and administrative expenses for the three months ended March 31, 2023 increased $7.0 million, or 28.0%, to $32.0 million from $25.0 million for the three months ended March 31, 2022. The increase was primarily the result of (i) a $1.0 million increase in equity-based compensation expense, (ii) a $1.7 million increase attributable to general and administrative expenses associated with the businesses acquired subsequent to March 31, 2022, and (iii) a $5.2 million increase in management personnel payroll and benefits.

***Gain on Sale of Property, Plant and Equipment.*** Gain on sale of property, plant and equipment for the three months ended March 31, 2023 increased $2.1 million, or 211.4%, to $3.2 million from $1.0 million for the three months ended March 31, 2022. The increase was primarily the result of $1.3 million gain on the sale of an excess office building in North Carolina that was no longer needed in our operations and additional sales of equipment and components during the three months ended March 31, 2023.

***Interest Expense, Net.*** Interest expense, net for the three months ended March 31, 2023 increased $3.9 million, or 459.0%, to $4.8 million compared to $0.9 million for the three months ended March 31, 2022. The increase in interest expense was due to a $118.5 million increase in the average principal debt balance outstanding and higher interest rates during the three months ended March 31, 2023 compared to the corresponding period in 2022.

***Provision for Income Taxes.*** Our effective tax rate decreased to 21.1% for the three months ended March 31, 2023, from 23.5% for the three months ended March 31, 2022. Our lower effective tax rate during the three months ended March 31, 2023 was due to differences in state tax rates at our operating subsidiaries.

***Net Loss.*** Net loss decreased $3.9 million to a net loss of $5.5 million for the three months ended March 31, 2023, compared to net loss of $9.4 million for the three months ended March 31, 2022. The decrease in net loss was primarily a result of higher gross profit and gain on sale of property, plant and equipment, partially offset by an increase in general and administrative expenses and interest expense, net, all as described above.

***Adjusted EBITDA and Adjusted EBITDA Margin.*** Adjusted EBITDA and Adjusted EBITDA Margin were $20.8 million and 6.4%, respectively, for the three months ended March 31, 2023, compared to $7.8 million and 3.2%, respectively, for the three months ended March 31, 2022. The increase in Adjusted EBITDA and Adjusted EBITDA Margin primarily resulted from an increase in gross profit and depreciation, depletion, accretion and amortization, partially offset by higher general and administrative expenses and interest expense, net, all as described above. See the description of Adjusted EBITDA and Adjusted EBITDA Margin, as well as a reconciliation of Adjusted EBITDA to net loss and the calculation of Adjusted EBITDA Margin, under the heading “How We Assess Performance of Our Business” above.

***Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022***

The following table sets forth selected financial data for the six months ended March 31, 2023 and 2022 (unaudited in thousands, except percentages):

| | For the Six Months Ended March 31, | | | | Change From the Six Months Ended March 31, 2022 to the Six Months Ended March 31, 2023 | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | | |
| | Dollars | % of Revenues | Dollars | % of Revenues | $ Change | % Change |
| Revenues | $ 666,629 | 100.0 % | $ 528,349 | 100.0 % | $ 138,280 | 26.2 % |
| Cost of revenues | 609,853 | 91.5 % | 482,888 | 91.4 % | 126,965 | 26.3 % |
| **Gross profit** | 56,776 | 8.5 % | 45,461 | 8.6 % | 11,315 | 24.9 % |
| General and administrative expenses | (61,714) | (9.2) % | (49,946) | (9.5) % | (11,768) | 23.6 % |
| Gain on sale of property, plant and equipment | 3,326 | 0.5 % | 1,455 | 0.3 % | 1,871 | 128.6 % |
| Gain on facility exchange | 5,389 | 0.8 % | — | — % | 5,389 | — % |
| **Operating income (loss)** | 3,777 | 0.6 % | (3,030) | (0.6) % | 6,807 | (224.7)% |
| Interest expense, net | (8,762) | (1.3) % | (2,123) | (0.4) % | (6,639) | 312.7 % |
| Other income | 432 | — % | 159 | 0.1 % | 273 | 171.7 % |
| **Loss before provision for income taxes** | (4,553) | (0.7) % | (4,994) | (0.9) % | 441 | (8.8)% |
| Provision for income taxes | (964) | (0.1) % | (1,087) | (0.2) % | 123 | (11.3)% |
| **Net loss** | $ (3,589) | (0.6) % | $ (3,907) | (0.7) % | $ 318 | (8.1)% |
| Adjusted EBITDA | $ 48,340 | 7.3 % | $ 34,181 | 6.5 % | $ 14,159 | 41.4 % |

***Revenues.*** Revenues for the six months ended March 31, 2023 increased $138.3 million, or 26.2%, to $666.6 million from $528.3 million for the six months ended March 31, 2022. The increase included $72.2 million of revenues attributable to acquisitions completed subsequent to March 31, 2022 and $66.1 million of revenues in our existing markets from contract work and sales of HMA and aggregates to third parties. The 12.5% increase in revenues in our existing markets compared to the prior year period was due to strong demand in both public and private work.

***Gross Profit.*** Gross profit for the six months ended March 31, 2023 increased $11.3 million, or 24.9%, to $56.8 million from $45.5 million for the six months ended March 31, 2022. The increase in gross profit was primarily the result of a 26.2% increase in revenues for the six months ended March 31, 2023 compared to the six months ended March 31, 2022. The lower gross profit margin was due to headwinds from inflation and supply chain constraints on our older backlog primarily completed in the three months ended December 31, 2022, partially offset by more favorable conditions for the three months ended March 31, 2023, as noted above.

***General and Administrative Expenses.*** General and administrative expenses for the six months ended March 31, 2023 increased $11.8 million, or 23.6%, to $61.7 million from $49.9 million for the six months ended March 31, 2022. The increase was primarily the result of (i) a $2.0 million increase in equity-based compensation expense, (ii) a $2.7 million increase attributable to general and administrative expenses associated with the businesses acquired subsequent to March 31, 2022, and (iii) a $7.7 million increase in management personnel payroll and benefits.

***Gain on Sale of Property, Plant and Equipment.*** Gain on sale of property, plant and equipment for the six months ended March 31, 2023 increased $1.9 million, or 128.6%, to $3.3 million from $1.5 million for the six months ended March 31, 2022. The increase was primarily the result of $1.3 million gain on the sale of an excess office building in North Carolina that was no longer needed in our operations and additional sales of equipment and components during the three months ended March 31, 2023.

***Gain on Facility Exchange.*** Gain on facility exchange for the six months ended March 31, 2023 was $5.4 million compared to $0.0 million for the six months ended March 31, 2022. The gain was the result of the disposition of a quarry in North Carolina. In connection with this transaction, the Company acquired three HMA manufacturing plants and certain related assets located in the Nashville, Tennessee metro area.

***Interest Expense, Net.*** Interest expense, net for the six months ended March 31, 2023 increased $6.6 million, or 312.7%, to $8.8 million compared to $2.1 million for the six months ended March 31, 2022. The increase in interest expense was due to a $127.4 million increase in the average principal debt balance outstanding and higher interest rates during the six months ended March 31, 2023 compared to the corresponding period in 2022.

***Provision for Income Taxes.*** Our effective tax rate decreased to 21.1% for the six months ended March 31, 2023, from 21.8% for the six months ended March 31, 2022. Our lower effective tax rate during the six months ended March 31, 2023 was due to differences in state tax rates at our operating subsidiaries.

***Net Loss.*** Net loss decreased $0.3 million to a net loss of $3.6 million for the six months ended March 31, 2023, compared to net loss of $3.9 million for the six months ended March 31, 2022. The decrease in net loss was primarily a result of higher gross profit, gain on sale of property, plant and equipment and gain on facility exchange, partially offset by an increase in general and administrative expenses and interest expense, net, all as described above.

***Adjusted EBITDA and Adjusted EBITDA Margin.*** Adjusted EBITDA and Adjusted EBITDA Margin were $48.3 million and 7.3%, respectively, for the six months ended March 31, 2023, compared to $34.2 million and 6.5%, respectively, for the six months ended March 31, 2022. The increase in Adjusted EBITDA and Adjusted EBITDA Margin primarily resulted from an increase in gross profit, gain on facility exchange and depreciation, depletion, accretion and amortization, partially offset by higher general and administrative expenses and interest expense, net, all as described above. See the description of Adjusted EBITDA and Adjusted EBITDA Margin, as well as a reconciliation of Adjusted EBITDA to net loss and the calculation of Adjusted EBITDA Margin, under the heading “How We Assess Performance of Our Business” above.

**Liquidity and Capital Resources**

***Cash Flows Analysis***

The following table sets forth our cash flows for the periods indicated (unaudited, in thousands):

| | For the Six Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Net cash provided by operating activities, net of acquisition | $ 45,696 | $ 3,294 |
| Net cash used in investing activities | (97,235) | (140,177) |
| Net cash provided by financing activities | 46,611 | 110,961 |
| Net change in cash and cash equivalents | $ (4,928) | $ (25,922) |

***Operating Activities***

During the six months ended March 31, 2023, cash provided by operating activities, net of acquisitions, was $45.7 million, primarily as a result of:

- net loss of $3.6 million, including $38.2 million of depreciation, depletion, accretion and amortization of long-lived assets, unrealized losses on derivative instruments of $2.3 million, gain on sale of facility exchange of $5.4 million and equity-based compensation expense of $5.2 million;
- a decrease in contracts receivable including retainage, net of $34.1 million due to normal fluctuations resulting from the timing of processing transactions in our accounts receivable cycle;
- an increase in prepaid expenses and other current assets of $3.2 million primarily due to overpayment of federal and state income taxes and the timing of payments under our insurance policies;
- an increase in inventories of $10.2 million due to increased inventories from acquisitions, growth in existing markets, higher inventory costs and normal fluctuations in our inventory cycle;
- a decrease in accounts payable and accrued expenses and other current liabilities of $19.1 million due to the timing of processing transactions in our accounts payable cycle; and
- a net increase of $8.2 million in the difference between costs and estimated earnings in excess of billings on uncompleted contracts and billings in excess of costs and estimated earnings on uncompleted contracts due to the timing of performing and closing projects.

During the six months ended March 31, 2022, cash provided by operating activities, net of acquisitions, was $3.3 million, primarily as a result of:

- net loss of $3.9 million, including $33.0 million of depreciation, depletion, accretion and amortization of long-lived assets, unrealized gains on derivative instruments of $2.1 million and equity-based compensation expense of $3.2 million;
- an increase in contracts receivable including retainage, net of $3.8 million as a result of higher overall revenues due to acquisitions and growth in existing markets;
- an increase in prepaid expenses and other current assets of $8.2 million primarily due to overpayment of federal and state income taxes and the timing of payments under our insurance policies;
- an increase in inventories of $13.7 million due to increased inventories from acquisitions, higher inventory costs and normal fluctuations in our inventory cycle;
- a decrease in accounts payable and accrued expenses and other current liabilities of $14.4 million due to the timing of processing transactions in our accounts payable cycle; and
- a net increase of $11.0 million in the difference between costs and estimated earnings in excess of billings on uncompleted contracts and billings in excess of costs and estimated earnings on uncompleted contracts due to the timing of performing and closing projects.

***Investing Activities***

During the six months ended March 31, 2023, cash used in investing activities was $97.2 million, of which $77.8 million related to acquisitions completed in the period, $60.4 million was invested in property, plant and equipment and $5.1 million was invested in restricted investments by the Captive, partially offset by $8.3 million of proceeds from the sale of property, plant and equipment and $37.0 million of proceeds from the facility exchange.

During the six months ended March 31, 2022, cash used in investing activities was $140.2 million, of which $102.9 million related to acquisitions completed in the period, $34.7 million was invested in property, plant and equipment and $6.4 million was invested in restricted investments by the Captive, partially offset by $3.8 million of proceeds from the sale of property, plant and equipment.

***Financing Activities***

During the six months ended March 31, 2023, cash provided by financing activities was $46.6 million. We received $53.0 million of proceeds from our Credit Facility, which were primarily used for acquisitions completed in the period. This cash flow was partially offset by $6.3 million of principal payments on long-term debt.

During the six months ended March 31, 2022, cash provided by financing activities was $111.0 million. We received $116.0 million of proceeds from our Revolving Credit Facility, which were primarily used for acquisitions completed in the period. This cash flow was partially offset by $5.0 million of principal payments on long-term debt.

***Credit Agreement***

We and each of our subsidiaries are parties to the Credit Agreement, which provides for the Term Loan and the Revolving Credit Facility. At March 31, 2023 and September 30, 2022, there was $280.6 million and $271.9 million, respectively, of principal outstanding under the Term Loan, $143.1 million and $105.1 million, respectively, of principal outstanding under the Revolving Credit Facility, and availability of $171.9 million and $208.6 million, respectively, under the Revolving Credit Facility, including a reduction for outstanding letters of credit. The Company also had $10.0 million available under the Delayed Draw Term Loan at March 31, 2023 and September 30, 2022.

The Credit Agreement requires the Company to satisfy certain financial covenants, including a minimum fixed charge coverage ratio of 1.20-to-1.00 and a maximum consolidated leverage ratio of 3.50-to-1.00, subject to certain adjustments. At March 31, 2023 and September 30, 2022, our fixed charge coverage ratio was 1.47-to-1.00 and 2.56-to-1.00, respectively, and our consolidated leverage ratio was 2.92-to-1.00 and 2.79-to-1.00, respectively.

From time to time, the Company has entered into interest rate swap agreements to hedge against the risk of changes in interest rates. At March 31, 2023 and September 30, 2022, the aggregate notional value of the interest rate swap agreement was $300.0 million, and the fair value was $18.9 million and $24.7 million, respectively, which amounts are included within other assets on the Company’s Consolidated Balance Sheets.

For more information about the Credit Agreement, see Note 8 - Debt to the unaudited consolidated financial statements included elsewhere in this report.

***Capital Requirements and Sources of Liquidity***

During the six months ended March 31, 2023 and 2022, our capital expenditures were approximately $60.4 million and $34.7 million, respectively. Our capital expenditures are typically made during the fiscal year in which they are approved. At March 31, 2023, our commitments for capital expenditures were not material to our financial condition or results of operations on a consolidated basis. For fiscal 2023, we expect total capital expenditures to be $85.0 million to $90.0 million. Our capital expenditure budget is an estimate and is subject to change.

Historically, we have required significant amounts of cash in order to make capital expenditures, purchase materials and fund our organic expansion into new markets. Our working capital needs are driven by the seasonality and growth of our business, with our cash requirements increasing in periods of growth. Additional cash requirements resulting from our growth include the costs of additional personnel, production and distribution facilities, enhancements to our information systems, integration costs related to any acquisitions and our compliance with laws and rules applicable to public companies.

We have historically relied on cash available through credit facilities, in addition to cash from operations, to finance our working capital requirements and to support our growth. We regularly monitor potential capital sources, including equity and debt markets, in an effort to meet our planned capital expenditures and liquidity requirements. Our future success will depend on our ability to access outside sources of capital.

We believe that our operating cash flow and available borrowings under the Credit Agreement will be sufficient to fund our operations and planned capital expenditures for at least the next 12 months. However, future cash flows are subject to a number of variables, including the potential impacts of inflation and supply chain constraints, and significant additional capital expenditures will be required to conduct our operations. There can be no assurance that operations and other capital resources will provide sufficient cash to maintain planned or future levels of capital expenditures. In the event that we make one or more acquisitions and the amount of capital required is greater than the amount of cash on hand we have available for acquisitions at that time, we could be required to reduce the expected level of capital expenditures and/or seek additional capital. If we seek additional capital, we may do so through borrowings under the Credit Agreement, joint ventures, asset sales, offerings of debt or equity securities or other means. However, our ability to engage in any such transactions may be constrained by economic conditions and other factors outside of our control. We cannot guarantee that additional capital will be available on acceptable terms or at all. If we are unable to obtain the funds we need, we may not be able to complete acquisitions that may be favorable to us or finance the capital expenditures necessary to conduct our operations.

**Contractual Obligations**

The following table summarizes our significant obligations outstanding as of March 31, 2023 (unaudited, in thousands):

| | Payments Due by Fiscal Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Total** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028 and Thereafter** |
| Debt obligations | $ 423,725 | $ 6,250 | $ 14,500 | $ 18,125 | $ 21,750 | $ 363,100 | $ — |
| Operating leases | 20,956 | 1,430 | 2,560 | 2,197 | 2,143 | 2,015 | 10,611 |
| Purchase commitments | 4,658 | 2,509 | 1,893 | 256 | — | — | — |
| Royalty payments | 2,485 | 65 | 246 | 207 | 182 | 170 | 1,615 |
| Asset retirement obligations | 2,387 | — | — | — | — | — | 2,387 |
| Total | $ 454,211 | $ 10,254 | $ 19,199 | $ 20,785 | $ 24,075 | $ 365,285 | $ 14,613 |

**Off-Balance Sheet Arrangements**

As of March 31, 2023, we had aggregate letters of credit outstanding in the amount of $10.0 million, future purchase commitments of diesel fuel and natural gas of $4.4 million and $0.3 million, respectively, and $2.5 million of minimum royalty payments related to aggregates facilities. Other than the letters of credit, future purchase commitments and minimum royalty payments, we do not currently have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources. See Note 17 - Commitments to our unaudited consolidated financial statements included elsewhere in this report for additional information.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

**Commodity Price Risk**

We are subject to commodity price risk with respect to price changes in liquid asphalt and energy, including fossil fuels and electricity for aggregates and HMA production, natural gas for HMA production and fuel for distribution vehicles and production-related mobile equipment. In order to manage or reduce commodity price risk, we monitor the costs of these commodities at the time of bid and price them into our contracts accordingly. Furthermore, liquid asphalt escalator provisions in most of our public contracts, and in some of our private and commercial contracts, limit our exposure to price fluctuations in this commodity. In addition, we enter into various firm purchase commitments, with terms generally less than 18 months, for certain raw materials.

Our risk management activities also include the use of financial derivative instruments. We have entered into fuel swap and natural gas swap contracts to mitigate the financial impact of fluctuations in commodity prices. We do not enter into commodity swap contracts for speculative or trading purposes. These fuel and natural gas swap contracts provide a fixed price for less than 50% of our estimated fuel and natural gas usage for the remainder of fiscal year 2023 and part of fiscal year 2024.

The table below provides information about the Company’s swap contracts that are sensitive to changes in commodity prices, specifically fuel and natural gas, as of March 31, 2023 (unaudited).

| | Carrying Amount | Fair Value |
|---|---|---|
| **Fuel swap contracts** [(1)] | | |
| Contract volumes (1,000 gallons) | 1,638 | |
| Weighted average price (per gallon) | 2.81 | |
| Contract amount (in thousands) | $ (1,130) | $ (1,130) |
| | | |
| **Natural gas swap contracts** [(1)] | | |
| Contract volumes (1,000 MMBTU) | 580 | |
| Weighted average price (per MMBTU) | 4.44 | |
| Contract amount (in thousands) | $ (630) | $ (630) |

[(1)] See also Note 15 - Investment in Derivative Instruments and Note 16 - Fair Value Measurements to the unaudited consolidated financial statements included elsewhere in this report.

**Interest Rate Risk**

We are exposed to interest rate risk on certain of our short- and long-term debt obligations used to finance our operations and acquisitions. We have SOFR-based floating rate borrowings under the Credit Agreement, which expose us to variability in interest payments due to changes in the reference interest rates. From time to time, we use derivative instruments as hedges against the impact of interest rate changes on future earnings and cash flows. We do not enter into such derivative instruments for speculative or trading purposes. At March 31, 2023, we had a total of $423.7 million of variable rate borrowings outstanding. Holding other factors constant and absent the interest rate swap agreements described above, a hypothetical 1% change in our borrowing rates would result in a $4.2 million change in our annual interest expense based on our variable rate debt at March 31, 2023.

The following table presents the future principal payment obligations, interest payments, and fair values associated with the Company’s debt instruments assuming the Company’s actual level of variable rate debt as of March 31, 2023 (unaudited, in thousands).

| | 2023 | 2024 | 2025 | 2026 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|
| **Debt obligations** | | | | | | | |
| Term Loan Principal Payments | $ 6,250 | $ 14,500 | $ 18,125 | $ 21,750 | $ 220,000 | $ 280,625 | $ 280,625 |
| Revolving Credit Facility Principal Payments | — | — | — | — | 143,100 | 143,100 | 143,100 |
| Interest Payments [(1)] | 13,762 | 26,865 | 25,890 | 24,560 | 17,490 | | |

[(1)] Represents projected interest payments using the Company’s March 2023 SOFR-based floating rate of 6.52% per annum.

The notional amount of the Company’s outstanding interest rate swap contract at March 31, 2023 was $300.0 million. The maturity date of this swap is June 30, 2027, and the fair value of the outstanding swap contract was $18.9 million as of March 31, 2023. See also

Note 15 - Investment in Derivative Instruments and Note 16 - Fair Value Measurements to the unaudited consolidated financial statements included elsewhere in this report.

**Inflation Risk**

We are subject to the effects of inflation through wage pressures, increases in the cost of raw materials used to produce HMA, and increases in other items, such as fuel, concrete and steel. During the quarter ended March 31, 2023, we continued to experience increased costs in several of these inflation-sensitive items. We seek to recover increasing costs by obtaining higher prices for our products or by including the anticipated price increases in our bids. Due to the relatively short-term duration of our construction contracts, we are generally able to reduce our exposure to price increases on new contracts, but we are limited in our ability to pass through increased costs for projects already in our backlog. Going forward, continued cost inflation in these areas may require further price adjustments to maintain profit margin, and any price increases may have a negative effect on demand.

**Item 4. Controls and Procedures.**

***Evaluation of Disclosure Control and Procedures***

Our management carried out, as of March 31, 2023, with the participation of our Chief Executive Officer and our Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2023, our disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed by us in reports we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

C***hanges in Internal Control Over Financial Reporting***

There were no changes to our internal control over financial reporting during the quarter ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - Other Information

### Item 1. Legal Proceedings.

Due to the nature of our business, we are involved in routine litigation or subject to other disputes or claims related to our business activities, including, among other things, (i) workers' compensation claims, (ii) employment-related disputes and (iii) liability issues or breach of contract or tortious conduct claims in connection with the performance of services and provision of materials. We and our affiliates are also subject to government inquiries in the ordinary course of business seeking information concerning our compliance with government construction contracting requirements and various laws and regulations, the outcome of which cannot be predicted with certainty. In the opinion of our management, after consultation with legal counsel, none of the pending inquiries, litigation, disputes or claims against us, if decided adversely to us, would have a material adverse effect on our financial condition, cash flows or results of operations. There have been no material changes to the legal proceedings disclosed in the 2022 Form 10-K.

### Item 1A. Risk Factors.

In addition to the other financial information set forth in this report, you should carefully consider the factors discussed below and in Part I, Item 1A, "Risk Factors," in the 2022 Form 10-K that could materially affect our business, financial condition or future operating results. The risks described below and in the 2022 Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

***Inflation and supply chain disruptions have resulted, and may continue to result, in increased costs, some of which we may not be able to recoup.***

Inflation and supply chain disruptions have the potential to adversely affect our business, financial condition and results of operations, particularly if we are unable to pass through increased costs to our customers. During the three and six months ended March 31, 2023, we continued to experience an upward trend in several inflation-sensitive inputs that we use to provide our products and services, including upward pressure on wages and increases in the cost of raw materials used to produce HMA and other items critical to our business, including fuel, concrete and steel. In addition, we continued to experience disruptions from various participants in our supply chains, including subcontractors, materials suppliers and equipment manufacturers, who provide the raw materials, equipment, vehicles, construction supplies and other services we require in order to manufacture HMA and perform our construction projects. While we have been able to mitigate some of the effects of inflation, supply chain disruptions and labor constraints on our business by increasing prices for our products and including the anticipated cost increases in the construction projects for which we bid, we may not be able to do so in the future. In addition, we are limited in our ability to pass through increased costs for projects already in our backlog, and if we are unable to do so, we may not recoup our losses or diminished profit margins. If inflation and supply chain disruptions continue to rise, we may be required to implement further price adjustments to maintain our profit margin, and any price increases may have a negative effect on demand.

***Unfavorable developments affecting the banking and financial services industry could adversely affect our business, liquidity and financial condition, and overall results of operations.***

Actual events, concerns or speculation about disruption or instability in the banking and financial services industry, such as liquidity constraints, the failure of individual institutions, or the inability of individual institutions or the banking and financial service industry generally to meet their contractual obligations, could significantly impair our access to capital, delay access to deposits or other financial assets, or cause actual loss of funds subject to cash management arrangements. Similarly, these events, concerns or speculation could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Additionally, our customers, critical vendors and business partners also could be adversely affected by these risks as described above, which in turn could result in their committing a breach or default under their contractual agreements with us, their insolvency or bankruptcy, or other adverse effects. Any decline in available funding or access to our cash and liquidity resources, or non-compliance of banking and financial services counterparties with their contractual commitments to us could, among other risks, have material adverse impacts on our ability to meet our operating expenses and other financial needs, could result in breaches of our financial and/or contractual obligations, and could have material adverse impacts on our business, financial condition and results of operations.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

***Unregistered Sales of Equity Securities***

The Company did not sell any of its equity securities during the period covered by this report that were not registered under the Securities Act.

***Issuer Purchases of Equity Securities***

During the period covered by this report, the Company did not purchase any of its equity securities that are registered under Section 12 of the Exchange Act.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 C.F.R. Part 229.104) is included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.

**Item 5. Other Information.**

***Amendment to Management Services Agreement***

As previously disclosed, on October 1, 2006, the Company and SunTx Capital Management entered into a management services agreement (as the same has been amended from time to time, the “Management Services Agreement”). Pursuant to the Management Services Agreement, SunTx Capital Management provides certain management services to the Company including with respect to financing, business strategies and business development, and in consideration for the management services, the Company is required to pay SunTx Capital Management a fee equal to $83,333.33 per month (payable in arrears in equal quarterly or semi-annual installments, at the Company’s option), subject to certain adjustments as set forth in the Management Services Agreement.

On May 4, 2023, the Company and SunTx Capital Management entered into Amendment No. 3 to the Management Services Agreement, effective October 1, 2023 (the “Amendment”), which extends the term of the Management Services Agreement from October 1, 2023 to October 1, 2028.

The foregoing description of the Amendment is a summary only and does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Amendment, a copy of which is filed as Exhibit 10.3 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

***Chief Financial Officer Employment Agreement***

As previously disclosed, on March 6, 2023, the Company announced that Gregory A. Hoffman would transition from his then-current position as Senior Vice President of Finance to the role of Chief Financial Officer of the Company following the close of business on March 31, 2023. In connection with his transition to Chief Financial Officer, on May 4, 2023, Mr. Hoffman and the Company entered into an employment agreement (the “Employment Agreement”). The material terms of the Employment Agreement are described below.

- Term. The term of the Employment Agreement is two years, commencing on April 1, 2023. Beginning on the second anniversary of the Effective Date (as defined in the Employment Agreement), and on each anniversary thereafter, the term will renew for an additional one-year period, unless either party provides written notice of its intention not to extend the term at least 60 days prior to the applicable anniversary date, or the Employment Agreement is otherwise terminated in accordance with the termination provisions set forth therein.

- Salary. The Employment Agreement specifies a minimum annual base salary of $400,000.00 during the term. The minimum base salary will be reviewed at least annually by the Compensation Committee, and the Compensation Committee may, but is not required to, increase Mr. Hoffman’s salary during the term.

- Annual Bonus. Mr. Hoffman is eligible to receive a cash bonus in an amount determined either in the discretion of the Compensation Committee or based on the achievement of performance goals under any annual incentive program that may be established and administered by the Compensation Committee from time to time.

- Equity Awards. Mr. Hoffman is eligible to receive awards under the Equity Incentive Plan and any other stock option, stock purchase or equity-based incentive compensation plan or arrangement adopted by the Company from time to time in which executives of the Company are eligible to participate, in an amount determined by the Compensation Committee. Any such equity awards will be governed by the applicable plan and award agreements.

- Perquisites; Employee Benefits. Mr. Hoffman is entitled to fringe benefits and perquisites consistent with the practices of the Company and to the extent that the Company provides similar benefits or perquisites to similarly situated executives, which may include the use of a Company-owned automobile to the extent that the Company deems necessary for the performance of services to the Company. Mr. Hoffman is entitled to participate in all other employee benefit plans, practices and programs on a basis that is no less favorable than is provided to similarly situated executives, to the extent consistent with applicable law and the terms of the applicable employee benefit plans.

- Termination Payments. If the Employment Agreement is terminated under certain circumstances, Mr. Hoffman may be entitled to receive certain severance payments and benefits.

- Restrictive Covenants. The Employment Agreement provides for certain restrictive covenants, including covenants limiting or prohibiting competition, use of confidential information, solicitation of customers, recruitment of employees, and disparagement of the Company during the term of the Employment Agreement and, if the Company so elects, for a period of eighteen months following the termination of employment with the Company for any reason.

- Right of First Refusal to Purchase Shares of Class B Common Stock. During the term of the Employment Agreement and for a period of eighteen months following the termination of employment for any reason, the Company or its assignee will have a right of first refusal to purchase any shares of the Company’s Class B common stock, that Mr. Hoffman (or, as applicable, Mr. Hoffman’s estate) elects to transfer, convert or dispose of during such period.

- Clawback. Mr. Hoffman’s compensation is subject to any clawback policies required by applicable law, government regulation or stock exchange listing requirement or otherwise adopted by the Company, as such policies may be amended from time to time.

The foregoing description of the Employment Agreement is a summary only and does not purport to be complete and is subject to, and qualified in its entirety by, reference to the form of Employment Agreement, a copy of which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

**Item 6. Exhibits.**

| Exhibit Number | Description |
|---|---|
| 3.1* | Amended and Restated Certificate of Incorporation of Construction Partners, Inc., as amended through February 23, 2023. |
| 3.2 | Amended and Restated By-Laws of Construction Partners, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-38479) filed on November 9, 2022) |
| 4.1 | Form of Class A Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 23, 2018) |
| 4.2 | Registration Rights Agreement, dated June 8, 2007, by and among Construction Partners, Inc. (f/k/a SunTx CPI Growth Company, Inc.) and certain security holders party thereto (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 6, 2018) |
| 10.1 | Form of Employment Agreement, dated April 1, 2020, by and between Construction Partners, Inc. and certain executive officers (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-38479) filed on April 3, 2020) |
| 10.2* | Second Amendment to Management Services Agreement, effective as of October 1, 2015, by and between Construction Partners, Inc. and SunTx Capital Management Corp. |
| 10.3* | Third Amendment to Management Services Agreement, effective as of October 1, 2023, by and between Construction Partners, Inc. and SunTx Capital Management Corp. |
| 31.1* | Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended |
| 31.2* | Certification of Executive Vice President and Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended |
| 32.1** | Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350 |
| 32.2** | Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 |
| 95.1* | Mine Safety Disclosures |
| 101.INS* | Inline XBRL Instance Document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

| | |
|---|---|
| * | Filed herewith. |
| ** | Furnished herewith. |

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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, on this 9th day of May, 2023.

CONSTRUCTION PARTNERS, INC.

By: /s/ Fred J. Smith, III
Fred J. Smith, III
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Name and Signature | Title | Date |
|---|---|---|
| /s/ Fred J. Smith, III<br>Fred J. Smith, III | President and Chief Executive Officer<br>(Principal Executive Officer and duly authorized officer) | May 9, 2023 |
| /s/ Gregory A. Hoffman<br>Gregory A. Hoffman | Senior Vice President and Chief Financial Officer<br>(Principal Financial Officer and duly authorized officer) | May 9, 2023 |

**Exhibit 10.2**

**SECOND AMENDMENT TO**
**MANAGEMENT SERVICES AGREEMENT**

Construction Partners, Inc., a Delaware corporation (the "***Company***") and SunTx Capital Management Corp., a Texas corporation ("***SunTx***"), hereby enter into this Second Amendment (the "***Amendment***"), which is made effective as of October 1, 2015, to the Management Services Agreement, dated October 1, 2006 as amended by that certain Amendment to Management Services Agreement dated effective as of October 1, 2013 (the "***Agreement***").

WHEREAS, the Company and SunTx desire to amend the Agreement.

NOW, THEREFORE, in consideration of the mutual agreements set forth below and in the Agreement, the Company and SunTx agree as follows:

1. Section 2(a) of the Agreement is hereby deleted in its entirety and replaced by the following:

2. Management Fees (a) in consideration for the provision of the Services, the Company shall pay to SunTx a fee equal to $83,333.33 per month (the "Management Fee"). The Management Fee shall be payable to SunTx in arrears in equal quarterly or semi-annual installments, at the Company's election, on the last day of each installment period. SunTx and the Company will review the Management Fees and Services on an annual basis and, concurrent with such review, SunTx may increase the Management Fee by an amount equal to the All Items inflation rate according to the CPI-U U.S. for the trailing twelve months on each successive anniversary of the Effective Date, subject to the approval of a majority of the Company's Board of Directors other than Directors who are employees of SunTx.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment, which shall be effective as of the date first written above.

| CONSTRUCTION PARTNERS, INC. | | SUNTX CAPITAL MANAGEMENT CORP. | |
|---|---|---|---|
| By: | /s/ Charles E. Owens | By: | /s/ Ned N. Fleming, III |
| Name: | Charles E. Owens | Name: | Ned N. Fleming, III |
| Title: | President and Chief Executive Officer | Title: | Managing Partner |

**Exhibit 10.3**

**THIRD AMENDMENT TO**
**MANAGEMENT SERVICES AGREEMENT**

Construction Partners, Inc., a Delaware corporation (the "***Company***") and SunTx Capital Management Corp., a Texas corporation ("***SunTx***"), hereby enter into this Third Amendment to Management Services Agreement (the "***Amendment***"), which is made effective as of October 1, 2022, to the Management Services Agreement, dated October 1, 2006 as amended by that certain Amendment to Management Services Agreement dated effective as of October 1, 2013, as further amended by that certain Second Amendment to Management Services Agreement dated effective as of October 1, 2015 (the "***Agreement***").

WHEREAS, the Company and SunTx desire to amend the Agreement.

NOW, THEREFORE, in consideration of the mutual agreements set forth below and in the Agreement, the Company and SunTx agree as follow:

1. Section 3 of the Agreement is hereby deleted in its entirety and replaced by the following:

"3. **Term.** The term of this Agreement shall expire on October 1, 2028 provided, however, that SunTx may terminate its obligations to provide the Services upon 60 days' prior written notice to the Company."

IN WITNESS WHEREOF, the parties hereto have executed this Amendment, which shall be effective as of the date first written above.

| CONSTRUCTION PARTNERS, INC. | | SUNTX CAPITAL MANAGEMENT CORP. | |
|---|---|---|---|
| By: | /s/ Fred J. Smith, III | By: | /s/ Ned N. Fleming, III |
| Name: | Fred J. Smith, III | Name: | Ned N. Fleming, III |
| Title: | President and Chief Executive Officer | Title: | Managing Partner |

**Exhibit 31.1**

**CERTIFICATION**

I, Fred J. Smith, III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Construction Partners, Inc. for the quarterly period ended March 31, 2023;

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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2023

By: /s/ Fred J. Smith, III
Fred J. Smith, III
President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**

I, Gregory A. Hoffman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Construction Partners, Inc. for the quarterly period ended March 31, 2023;

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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2023

By: /s/ Gregory A. Hoffman
Gregory A. Hoffman
Senior Vice President and Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Construction Partners, Inc. (the “Company”) for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Fred J. Smith, III, President and Chief Executive Officer of 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 Report 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2023

By: /s/ Fred J. Smith, III
Fred J. Smith, III
President and Chief Executive Officer

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Construction Partners, Inc. (the "Company") for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, R. Alan Palmer, Executive Vice President and Chief Financial Officer of 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 Report 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | |
|---|---|---|
| Date: May 9, 2023 | By: | /s/ Gregory A. Hoffman |
| | | Gregory A. Hoffman |
| | | Senior Vice President and Chief Financial Officer |

**Exhibit 95.1**

## Mine Safety Disclosures

The operation of our aggregates mines is subject to regulation by the federal Mine Safety and Health Administration (the "MSHA") under the Federal Mine Safety and Health Act of 1977, 30 U.S.C. § 801 *et seq.* (the "Mine Act"). Set forth below is the required information regarding certain mining safety and health matters for the fiscal quarter ended March 31, 2023. Citations and orders may be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed. The table below includes references to specific sections of the Mine Act.

The information in the table below is presented by mine, consistent with the manner in which we maintain safety and compliance information about our mining operations.

| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
|---|---|---|---|---|---|---|---|---|
| Mine Name / ID | Section 104 S&S | Section 104(b) | Section 104(d) | Section 110(b)(2) | Section 107(a) | Proposed Assessments | Fatalities | Pending Legal Action |
| Ashville / 01-03234 | — | — | — | — | — | — | — | — |
| Drummond / 01-03126 | — | — | — | — | — | — | — | — |
| Blount Springs / 01-03047 | — | — | — | — | — | $ 376 | — | — |
| Battleground / 01-03100 | — | — | — | — | — | — | — | — |
| Camden / 31-02100 | — | — | — | — | — | — | — | — |
| Riverbend Sand / 09-01023 | — | — | — | — | — | — | — | — |
| Montgomery Sand / 09-00737 | — | — | — | — | — | — | — | — |
| Baldree Sand / 09-01166 | — | — | — | — | — | — | — | — |
| Coosa / 01-03327 | — | — | — | — | — | $ 182 | — | — |
| Skyline / 01-03158 | — | — | — | — | — | — | — | — |
| Lambert / 01-03363 | — | — | — | — | — | — | — | — |
| Hickory Bend / 01-03403 | — | — | — | — | — | — | — | — |
| Allstate / 01-03406 | | — | — | — | — | — | — | — |
| **Total** | | — | — | — | — | $ 558 | — | — |

(A) The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under Section 104 of the Mine Act for which the operator received a citation from the MSHA.

(B) The total number of orders issued under Section 104(b) of the Mine Act.

(C) The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under Section 104(d) of the Mine Act.

(D) The total number of flagrant violations under Section 110(b)(2) of the Mine Act.

(E) The total number of imminent danger orders issued under Section 107(a) of the Mine Act.

(F) The total dollar value of proposed assessments from the MSHA under the Mine Act. As of the date of this report, no proposed assessments related to the orders or citations listed above had yet been posted to the MSHA Mine Data Retrieval System or made available to the Company by MSHA.

(G) The total number of mining-related fatalities.

(H) Any pending legal action before the Federal Mine Safety and Health Review Commission involving the applicable mine(s).

During the fiscal quarter ended March 31, 2023, our aggregates mines did not receive any written notices of a pattern of violations, or the potential to have such a pattern of violations, under Section 104(e) of the Mine Act.