

**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 June 30, 2020

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  
(State or other jurisdiction of  
incorporation or organization)  
**290 Healthwest Drive, Suite 2**  
**Dothan, Alabama**  
(Address of principal executive offices)

**26-0758017**  
(I.R.S. Employer  
Identification No.)  
**36303**  
(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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock, par value \$0.001 per share	ROAD	The Nasdaq Stock Market LLC (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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

As of August 5, 2020, the registrant had 33,875,884 shares of Class A common stock, \$0.001 par value, and 17,905,861 shares of Class B common stock, \$0.001 par value, outstanding.

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## 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 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, 2019. 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;
  - a pandemic, such as the pandemic related to the novel strain of coronavirus known as COVID-19 (“COVID-19”), and the measures that federal, state and local governments take to address it, which may exacerbate one or more of the above-mentioned risks and significantly disrupt or prevent us from operating our business for an extended period;
  - government inquiries, requirements and initiatives, including those related to funding for public or infrastructure construction, land usage, 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;
  - our substantial indebtedness and the restrictions imposed on us by the terms thereof;
  - our ability to maintain favorable relationships with third parties that supply us with equipment and essential supplies;
  - our ability to retain key personnel and maintain satisfactory labor relations;
  - 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.
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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, 2019. 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)**

	June 30, 2020 (unaudited)	September 30, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 78,695	\$ 80,619
Contracts receivable including retainage, net	133,086	139,882
Costs and estimated earnings in excess of billings on uncompleted contracts	15,604	12,030
Inventories	39,256	34,291
Prepaid expenses and other current assets	9,277	13,144
Total current assets	275,918	279,966
Property, plant and equipment, net	236,751	205,870
Operating lease right-of-use assets	7,879	—
Goodwill	46,348	38,546
Intangible assets, net	3,277	3,434
Investment in joint venture	528	496
Other assets	1,973	2,284
Deferred income taxes, net	1,171	1,173
Total assets	\$ 573,845	\$ 531,769
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 57,579	\$ 70,442
Billings in excess of costs and estimated earnings on uncompleted contracts	34,511	31,115
Current portion of operating lease liabilities	2,379	—
Current maturities of debt	10,200	7,538
Accrued expenses and other current liabilities	21,388	19,078
Total current liabilities	126,057	128,173
Long-term liabilities:		
Long-term debt, net of current maturities	55,756	42,458
Operating lease liabilities, net of current portion	5,710	—
Deferred income taxes, net	11,281	11,480
Other long-term liabilities	7,793	6,108
Total long-term liabilities	80,540	60,046
Total liabilities	206,597	188,219
<b>Commitments and contingencies</b>		
Stockholders' equity:		
Preferred stock, par value \$ 0.001; 10,000,000 shares authorized at June 30, 2020 and September 30, 2019 and no shares issued and outstanding	—	—
Class A common stock, par value \$ 0.001; 400,000,000 shares authorized, 33,430,364 shares issued and outstanding at June 30, 2020, and 32,597,736 shares issued and outstanding at September 30, 2019	34	33
Class B common stock, par value \$ 0.001; 100,000,000 shares authorized, 21,274,333 shares issued and 18,351,381 outstanding at June 30, 2020, and 22,106,961 shares issued and 19,184,009 shares outstanding at September 30, 2019	21	22
Additional paid-in capital	244,627	243,452
Treasury stock, at cost, 2,922,952 shares of Class B common stock, par value \$ 0.001	(15,603)	(15,603)
Retained earnings	138,169	115,646
Total stockholders' equity	367,248	343,550
Total liabilities and stockholders' equity	\$ 573,845	\$ 531,769

See notes to consolidated financial statements (unaudited).

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

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2020	2019	2020	2019
Revenues	\$ 217,041	\$ 227,290	\$ 561,034	\$ 545,921
Cost of revenues	180,549	189,198	479,814	466,900
<b>Gross profit</b>	<b>36,492</b>	<b>38,092</b>	<b>81,220</b>	<b>79,021</b>
General and administrative expenses	(16,852)	(15,968)	(50,786)	(45,170)
Gain on sale of equipment, net	390	58	1,134	1,085
<b>Operating income</b>	<b>20,030</b>	<b>22,182</b>	<b>31,568</b>	<b>34,936</b>
Interest expense, net	(575)	(615)	(2,690)	(1,509)
Other income (expense)	645	190	(43)	296
<b>Income before provision for income taxes and earnings from investment in joint venture</b>	<b>20,100</b>	<b>21,757</b>	<b>28,835</b>	<b>33,723</b>
Provision for income taxes	4,772	4,941	6,622	8,080
Earnings from investment in joint venture	419	386	532	925
<b>Net income</b>	<b>\$ 15,747</b>	<b>\$ 17,202</b>	<b>\$ 22,745</b>	<b>\$ 26,568</b>
<b>Net income per share attributable to common stockholders:</b>				
Basic	\$ 0.31	\$ 0.33	\$ 0.44	\$ 0.52
Diluted	\$ 0.30	\$ 0.33	\$ 0.44	\$ 0.52
<b>Weighted average number of common shares outstanding:</b>				
Basic	51,489,211	51,414,619	51,489,211	51,414,619
Diluted	51,646,385	51,422,899	51,623,627	51,414,887

See notes to consolidated financial statements (unaudited).

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

	For the nine months ended June 30, 2020							
	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>September 30, 2019</b>	32,597,736	\$ 33	22,106,961	\$ 22	\$ 243,452	\$ (15,603)	\$ 115,646	\$ 343,550
Net income	—	—	—	—	—	—	5,461	5,461
Equity-based compensation expense	—	—	—	—	395	—	—	395
Conversion of Class B common stock to Class A common stock	107,682	—	(107,682)	—	—	—	—	—
Effect of adopting ASU Topic 842 (See Note 3)	—	—	—	—	—	—	(222)	(222)
<b>December 31, 2019</b>	32,705,418	\$ 33	21,999,279	\$ 22	\$ 243,847	\$ (15,603)	\$ 120,885	\$ 349,184
Net income	—	—	—	—	—	—	1,537	1,537
Equity-based compensation expense	—	—	—	—	390	—	—	390
<b>March 31, 2020</b>	32,705,418	\$ 33	21,999,279	\$ 22	\$ 244,237	\$ (15,603)	\$ 122,422	\$ 351,111
Net income	—	—	—	—	—	—	15,747	15,747
Equity-based compensation expense	—	—	—	—	390	—	—	390
Conversion of Class B common stock to Class A common stock	724,946	1	(724,946)	(1)	—	—	—	—
<b>June 30, 2020</b>	33,430,364	\$ 34	21,274,333	\$ 21	\$ 244,627	\$ (15,603)	\$ 138,169	\$ 367,248

	For the nine months ended June 30, 2019							
	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>September 30, 2018</b>	11,950,000	\$ 12	42,387,571	\$ 42	\$ 242,493	\$ (15,603)	\$ 72,525	\$ 299,469
Net income	—	—	—	—	—	—	5,154	5,154
<b>December 31, 2018</b>	11,950,000	\$ 12	42,387,571	\$ 42	\$ 242,493	\$ (15,603)	\$ 77,679	\$ 304,623
Net income	—	—	—	—	—	—	4,212	4,212
<b>March 31, 2019</b>	11,950,000	\$ 12	42,387,571	\$ 42	\$ 242,493	\$ (15,603)	\$ 81,891	\$ 308,835
Equity-based compensation expense	—	—	—	—	146	—	—	146
Issuance of stock grant awards	267,343	—	—	—	—	—	—	—
Conversion of Class B common stock to Class A common stock	20,225,202	20	(20,225,202)	(20)	—	—	—	—
Net income	—	—	—	—	—	—	17,202	17,202
<b>June 30, 2019</b>	32,442,545	\$ 32	22,162,369	\$ 22	\$ 242,639	\$ (15,603)	\$ 99,093	\$ 326,183

See notes to consolidated financial statements (unaudited).

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

	For the Nine Months Ended June 30,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Net income	\$ 22,745	\$ 26,568
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization of long-lived assets	29,065	22,698
Amortization of deferred debt issuance costs and debt discount	115	83
Loss on derivative instruments	1,989	543
Provision for bad debt	451	421
Gain on sale of equipment, net	(1,134)	(1,085)
Equity-based compensation expense	1,175	146
Earnings from investment in joint venture	(532)	(925)
Distribution of earnings from investment in joint venture	139	—
Deferred income taxes	(197)	(136)
Other non-cash adjustments	(12)	—
Changes in operating assets and liabilities, net of acquisition:		
Contracts receivable including retainage, net	6,345	(14,839)
Costs and estimated earnings in excess of billings on uncompleted contracts	(3,574)	(4,709)
Inventories	(1,878)	(11,992)
Prepaid expenses and other current assets	3,867	604
Other assets	311	3,978
Accounts payable	(12,863)	1,722
Billings in excess of costs and estimated earnings on uncompleted contracts	3,396	(6,394)
Accrued expenses and other current liabilities	2,029	1,497
Other long-term liabilities	(23)	(217)
Net cash provided by operating activities, net of acquisition	51,414	17,963
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(41,535)	(31,744)
Proceeds from sale of equipment	2,182	2,898
Business acquisitions, net of cash acquired	(30,191)	(8,854)
Acquisition of liquid asphalt terminal assets	—	(10,848)
Return of investment in joint venture	361	2,200
Net cash used in investing activities	(69,183)	(46,348)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt, net of debt issuance costs and discount	42,719	—
Repayments of long-term debt	(26,874)	(11,104)
Net cash provided by (used in) financing activities	15,845	(11,104)
Net change in cash and cash equivalents	(1,924)	(39,489)
<b>Cash and cash equivalents:</b>		
Beginning of period	80,619	99,137
End of period	\$ 78,695	\$ 59,648
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 1,416	\$ 1,998
Cash paid for income taxes	\$ 5,600	\$ 3,232
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 1,241	\$ —
Cash paid for operating lease liabilities	\$ 2,464	\$ —
Non-cash items:		
Property, plant and equipment included with accounts payable at period end	\$ 1,073	\$ 332

See notes to consolidated financial statements (unaudited).



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### Note 1 - General

#### *Business Description*

Construction Partners, Inc. (the “Company”) is an infrastructure and road construction company operating in Alabama, Florida, Georgia, North Carolina and South Carolina through its wholly owned subsidiaries. The Company provides site development, paving, utility and drainage systems services, as well as hot mix asphalt (“HMA”), aggregates, ready-mix concrete, and liquid asphalt cement supply. The Company executes projects for a mix of private, municipal, state, and federal customers that are both privately and publicly funded. The majority of the Company’s work is performed under fixed unit price contracts and, to a lesser extent, fixed total price contracts.

The Company is a Delaware corporation and successor by merger to Construction Partners Holdings, Inc., which incorporated in 1999 and began operations in 2001 to execute an acquisition growth strategy in the HMA paving and construction industry. SunTx Capital Partners (“SunTx”), a private equity firm based in Dallas, Texas, is the Company’s majority investor and 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. Warmer and drier weather during the third and fourth quarters of the Company’s fiscal year typically result in higher activity and revenues during those quarters. The first and second quarters of the Company’s fiscal year typically have lower levels of activity due to less favorable weather conditions.

### Note 2 - Significant Accounting Policies

#### *Basis of Presentation*

The 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 Consolidated Balance Sheet as of September 30, 2019 was derived from audited financial statements for the fiscal year then ended, but does 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, the 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, 2019 (the “2019 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, goodwill and other intangible assets, 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, the fair value of derivative instruments and the fair value 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 2019 Form 10-K.

### ***Emerging Growth Company***

The Company is an “emerging growth company,” as defined by the Jumpstart Our Business Startups Act (the “JOBS Act”) enacted in April 2012. As an emerging growth company, the Company could have taken advantage of an exemption that would have allowed the Company to wait to comply with new or revised financial accounting standards until the effective date of such standards for private companies. However, the Company has irrevocably elected to opt out of such extended transition period, which means that when a new or revised standard has a different effective date for public and private companies, the Company is required to adopt the standard on the effective date applicable to public companies that are not emerging growth companies.

### ***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, the 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.

### ***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 the customer 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”. Based on the Company’s experience with similar contracts in recent years, billings for such retainage balances are generally collected within one year of the completion of the project.

The carrying value of contracts receivable including retainage, net of the allowance for doubtful accounts, represents their estimated net realizable value. 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, and current economic conditions. 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 of 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 or customer, (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 to the extent that 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 to a customer goods or services 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 10.0% of the Company's contracts receivable including retainage, net balance at June 30, 2020 or September 30, 2019.

Projects performed for various Departments of Transportation accounted for 36.8% and 41.8% of consolidated revenues for the three months ended June 30, 2020 and 2019, respectively, and for 32.3% and 39.4% of consolidated revenues for the nine months ended June 30, 2020 and 2019, respectively. Customers that accounted for more than 10.0% of consolidated revenues during those periods are presented below.

	% of Consolidated Revenues			
	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2020	2019	2020	2019
Alabama Department of Transportation	13.2 %	15.4 %	11.1 %	12.9 %
North Carolina Department of Transportation	9.0 %	13.9 %	8.4 %	13.4 %

**Revenues from Contracts with Customers**

The Company derives all of its 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 derives revenues from the sale of construction materials, including HMA, aggregates, liquid asphalt cement 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, (i) the percentage of revenues generated from public infrastructure construction projects and the sale of construction materials to public customers and (ii) the percentage of revenues generated from private infrastructure construction projects and the sale of construction materials to private customers.

	% of Consolidated Revenues			
	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2020	2019	2020	2019
Private	30.9 %	29.1 %	36.1 %	30.4 %
Public	69.1 %	70.9 %	63.9 %	69.6 %

Revenues derived from construction projects are recognized over time as the Company satisfies its performance obligations by transferring to the customer control of the asset created or enhanced by the project. 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 the 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 to the extent that 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 cost 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 a single performance obligation. We account 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 the point in time at which control of the product is transferred to the customer. Usually, 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. 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 in which the change is enacted. 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. The Company classifies income tax-related interest and penalties as interest expense and other expenses, respectively.

#### ***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.

### ***Derivative Instruments***

The Company evaluates its contracts to determine whether the contracts are derivative instruments. Certain contracts that meet the definition of a derivative may be exempted from derivative accounting and treated as normal purchases or normal sales if documented as such. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business.

The Company's derivative instruments consist of commodity and interest rate swap contracts. None of the Company's derivative instruments are designated as hedges for accounting purposes under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 815, *Derivatives and Hedging*. Accordingly, the Company records derivative instruments on the Consolidated Balance Sheets as either an asset or liability measured at fair value and records changes in the fair value of derivatives in current earnings in the Consolidated Statements of Income for the period in which the change occurs. Gains and losses on derivatives are included in cash flows from operating activities.

### ***Fair Value Measurements***

The Company measures and discloses certain financial assets and liabilities at fair value. ASC Topic 820 *Fair Value Measurements and Disclosures*, defines fair value as 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, contracts receivable including retainage and accounts payable reflected as current assets and current liabilities on its Consolidated Balance Sheets at June 30, 2020 and September 30, 2019. Due to the short-term nature of these instruments, management considers their carrying value to approximate their fair value.

The Company also has term loans and a revolving credit facility, as 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 current maturities of debt on the Company's Consolidated Balance Sheets at June 30, 2020 and September 30, 2019. 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 derivative instruments is based on forward and spot prices, as described in Note 17 - Fair Value Measurements.

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

### ***Reclassifications***

Certain amounts in prior periods have been reclassified to conform to the current period presentation. These reclassifications had no effect on previously reported net income.

## **Note 3 - Accounting Standards**

### ***Recently Adopted Accounting Pronouncements***

#### *ASC Topic 842*

ASC Topic 842, *Leases* ("Topic 842") requires lessees to recognize operating lease right-of-use assets and operating lease liabilities on the balance sheet as described below. Prior to the adoption of Topic 842, operating leases were expensed on a straight-line basis over the lease term on the Company's Consolidated Statements of Income, and the Company did not recognize operating lease right-of-use assets and operating lease liabilities on its Consolidated Balance Sheets.

The Company adopted Topic 842 effective October 1, 2019 using a modified retrospective transition approach with no prior-period retrospective adjustments. As a result, on the adoption date, the Company recognized (i) a net cumulative decrease to retained earnings of \$0.2 million, (ii) additional operating lease right-of-use assets of \$9.1 million, (iii) current operating lease liabilities of \$2.9 million and (iv) non-current operating lease liabilities of \$6.4 million. The Company elected to apply optional practical expedients that allowed the Company to forego reassessments of (i) the classification of leases existing at the date of adoption, (ii) the initial direct costs of any existing leases and (iii) whether any expired or existing contracts were, or contained, leases.

In connection with the adoption of Topic 842, the Company implemented several accounting policies relating to the identification and measurement of operating lease right-of-use assets and liabilities. At the inception of a contractual arrangement, the Company determines whether a contract contains a lease by assessing whether the contract conveys to the Company the right to control the use of an identified asset in exchange for consideration over a period of time. If so, the Company measures and records an operating lease liability equal to the present value of the future lease payments. Because most of the Company's leases do not provide an implicit rate, the Company's incremental borrowing rate is used in determining the present value of lease payments. The amount of the operating lease right-of-use asset consists of: (i) the amount of the initial measurement of the operating lease liability; (ii) any lease payments made at or before the commencement date, minus any lease incentives received; and (iii) any initial direct costs incurred. The present value calculation may account for an option to extend or terminate the lease when it is reasonably certain that the Company will exercise the option.

The Company has elected not to apply the recognition requirements of Topic 842 to short-term leases (those with terms of 12 months or less) or leases to explore for or use minerals. Instead, for these types of leases, the Company recognizes lease expense in the Consolidated Statements of Income on a straight-line basis over the lease term.

#### ***Recently Issued Accounting Pronouncements Not Yet Adopted***

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"), which introduces an impairment model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The amendments pursuant to Topic 326 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company expects to adopt this guidance as required and is evaluating the potential impact of adopting this guidance on its consolidated financial statements.

#### **Note 4 - Business Acquisitions**

##### *Florida Acquisition - October 2019*

On October 1, 2019, a subsidiary of the Company acquired substantially all of the assets of an HMA manufacturing plant and paving company located in Palm City, Florida. The acquisition has been accounted for as a business combination in accordance with ASC Topic 805, *Business Combinations* ("Topic 805"). The purchase price of \$17.7 million was paid from cash on hand at closing.

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 amounts allocated were not material to the Company's Consolidated Balance Sheet. The amount of the purchase price exceeding the net fair value of identifiable assets acquired and liabilities assumed was recorded as goodwill in the amount of approximately \$7.7 million, which is deductible for income tax purposes. Goodwill primarily represents the assembled work force and synergies expected to result from the acquisition.

The results of operations since the October 1, 2019 acquisition date attributable to this acquisition are included in the Company's consolidated financial statements and were not material to the Consolidated Statements of Income for the three and nine months ended June 30, 2020. Pro forma results of operations as if the acquisition had been consummated October 1, 2018 would not be material to the Consolidated Statements of Income.

The Company recorded certain costs to effect the acquisition as they were incurred, which are reflected in general and administrative expenses on the Company's Consolidated Statements of Income in the amount of \$0.1 million for the nine months ended June 30, 2020.

##### *Florida Acquisition - March 2020*

On March 23, 2020, a subsidiary of the Company acquired two HMA manufacturing plants and certain related assets located in Pensacola and Defuniak Springs, Florida. The acquisition has been accounted for as a business combination in accordance with Topic 805. The \$9.8 million purchase price was paid in cash at closing, with an additional \$2.6 million of cash paid subsequent to March 31, 2020 for plant inventory.

The provisional allocation of the purchase price to assets acquired and liabilities assumed, based on their estimated fair values at the acquisition date, was determined in accordance with the methodology described under *Fair Value Measurements* in Note 2 - Significant Accounting Policies. The provisional amounts allocated are \$9.7 million of property, plant and equipment, \$2.6 million of other current assets and \$0.1 million of goodwill. Goodwill, which is deductible for income tax purposes, primarily represents the assembled work force synergies expected to result from the acquisition. Upon finalizing the accounting for this transaction, management expects to ascribe value to other identifiable intangible assets, including customer relationships and customer backlog, which may reduce the preliminary amount allocated to goodwill.

The results of operations since the March 23, 2020 acquisition date attributable to this acquisition are included in the consolidated financial statements since the acquisition date and were not material to the Consolidated Statements of Income for the three and nine months ended June 30, 2020. Pro forma results of operations as if the acquisition had been consummated October 1, 2018 would not be material to the Consolidated Statements of Income.

The Company recorded certain costs to effect the acquisition as they were incurred, which are reflected in general and administrative expenses on the Company's Consolidated Statements of Income in the amount of \$0.1 million for the three and nine months ended June 30, 2020.

#### **Note 5 - Contracts Receivable Including Retainage, net**

Contracts receivable including retainage, net consisted of the following at June 30, 2020 and September 30, 2019 (in thousands):

	<b>June 30, 2020</b>	<b>September 30, 2019</b>
	<b>(unaudited)</b>	
Contracts receivable	\$ 112,294	\$ 121,050
Retainage	22,070	19,835
	134,364	140,885
Allowance for doubtful accounts	(1,278)	(1,003)
Contracts receivable including retainage, net	\$ 133,086	\$ 139,882

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 June 30, 2020 and September 30, 2019 consisted of the following (in thousands):

	<b>June 30, 2020</b>	<b>September 30, 2019</b>
	<b>(unaudited)</b>	
Costs on uncompleted contracts	\$ 970,140	\$ 900,880
Estimated earnings to date on uncompleted contracts	116,748	123,256
	1,086,888	1,024,136
Billings to date on uncompleted contracts	(1,105,795)	(1,043,221)
Net billings in excess of costs and estimated earnings on uncompleted contracts	\$ (18,907)	\$ (19,085)

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, 2019 to June 30, 2020 are presented below (in thousands):

	<b>Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts</b>	<b>Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts</b>	<b>Net Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts</b>
<b>September 30, 2019</b>	\$ 12,030	\$ (31,115)	\$ (19,085)
Changes in revenue billed, contract price or cost estimates	3,574	(3,396)	178
<b>June 30, 2020 (unaudited)</b>	\$ 15,604	\$ (34,511)	\$ (18,907)

At June 30, 2020, the Company had unsatisfied or partially unsatisfied performance obligations under construction project contracts representing approximately \$96.0 million in aggregate transaction price. The Company expects to earn revenue as it satisfies its performance obligations under those contracts in the amount of approximately \$214.7 million during the remainder of the fiscal year ending September 30, 2020 and \$281.3 million thereafter.

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

Property, plant and equipment at June 30, 2020 and September 30, 2019 consisted of the following (in thousands):

	<b>June 30, 2020</b>	<b>September 30, 2019</b>
	<b>(unaudited)</b>	
Construction equipment	\$ 250,249	\$ 214,500
Plants	100,854	92,279
Land and improvements	40,479	34,365
Quarry reserves	20,371	20,678
Buildings	18,001	15,458
Furniture and fixtures	5,265	4,864
Leasehold improvements	1,135	1,135
Total property, plant and equipment, gross	436,354	383,279
Accumulated depreciation, depletion and amortization	(202,141)	(177,927)
Construction in progress	2,538	518
Total property, plant and equipment, net	\$ 236,751	\$ 205,870

Depreciation and depletion expense related to property, plant and equipment was \$10.0 million and \$7.8 million for the three months ended June 30, 2020 and 2019, respectively, and \$28.9 million and \$22.1 million for the nine months ended June 30, 2020 and 2019, respectively.



**Note 8 - Debt**

The Company maintains various credit facilities from time to time to finance acquisitions, the purchase of real estate, construction equipment, plants and other fixed assets, and for general working capital purposes. During the three and nine months ended June 30, 2020, these included, among other things, a credit agreement with BBVA USA (“BBVA”), as agent, issuing bank and a lender, and certain other lenders (as amended, the “BBVA Credit Agreement”), which provided for a term loan with an original principal amount of \$82.0 million (the “Term Loan”) and a \$30.0 million revolving credit facility (the “Revolving Credit Facility”). Debt at June 30, 2020 and September 30, 2019 consisted of the following (in thousands):

	June 30, 2020 (unaudited)	September 30, 2019
Long-term debt:		
BBVA Term Loan	\$ 66,100	\$ 44,700
BBVA Revolving Credit Facility	—	5,000
Other long-term debt	290	563
Total long-term debt	66,390	50,263
Deferred debt issuance costs	(434)	(263)
Debt discount	—	(4)
Current maturities of long-term debt	(10,200)	(7,538)
Long-term debt, net of current maturities	\$ 55,756	\$ 42,458

On October 1, 2019, the Company and each of its wholly owned subsidiaries entered into an amendment to the BBVA Credit Agreement that, among other things: (i) added Bank of America, N.A. (“Bank of America”) as a party in connection with the assignment by BBVA to Bank of America of certain of its lending obligations under the BBVA Credit Agreement; (ii) increased the aggregate amount of the Term Loan commitment by the lenders by \$10.0 million to \$54.7 million; (iii) provided for a Term Loan advance to the Company in the aggregate amount of \$10.0 million, with the proceeds to be used solely for the purpose of buying out certain operating lease obligations; and (iv) extended the maturity date for the outstanding Term Loan advances from July 1, 2022 to October 1, 2024. In order to hedge against the risk of changes in interest rates on this advance, on October 1, 2019, the Company entered into an interest rate swap agreement with a notional amount of \$5.9 million, under which the Company pays a fixed percentage rate of 1.58% and receives a credit based on the applicable London Interbank Offered Rate (“LIBOR”).

On February 27, 2020 the Company entered into an additional interest rate swap agreement with a notional amount of \$6.3 million, under which the Company pays a fixed percentage rate of 1.24% and receives a credit based on the applicable LIBOR rate.

In March 2020, the Company drew \$15.0 million on the Revolving Credit Facility to fund the March 23, 2020 Florida acquisition and to provide additional liquidity (see Note 4 - Business Acquisitions). This borrowing was paid off with the April 2020 Term Loan advance as noted below.

In April 2020, the Company and each of its wholly owned subsidiaries entered into an amendment to the BBVA Credit Agreement that, among other things, (i) provided for a Term Loan advance to the Company in the amount of \$18.0 million, (ii) established a minimum interest rate for the foregoing Term Loan advance and future Term Loan advances, (iii) adjusted the Term Loan recourse amounts applicable to the Company and its subsidiaries, (iv) increased the amount of the quarterly principal installment payments under outstanding Term Loan advances to \$2.5 million, and (v) set forth procedures by which the parties will select a replacement benchmark interest rate in the event that LIBOR, the current benchmark interest rate under the Credit Agreement, is no longer available or appropriate as a reference rate upon which to determine the interest rate after December 31, 2021, the date on which contributing banks will no longer be required to submit rate information from which LIBOR is calculated.

Subsequent to June 30, 2020, the Company and each of its wholly owned subsidiaries entered into an Amended and Restated Credit Agreement with BBVA, as agent, sole lead arranger and sole bookrunner, and certain other lenders (the “Amended Credit Agreement”) that amended and restated the BBVA Credit Agreement in its entirety and, among other things, increased the aggregate amount of the commitments of the lenders under the Revolving Credit Facility from \$30.0 million to \$50.0 million and increased the Term Loan commitments of the lenders by \$30.0 million. For more information about the Amended Credit Agreement, see the discussion under the heading *Recent Financing Developments* in Note 20 - Subsequent Events.

**Note 9 - Equity**

Shares of the Company’s Class A common stock and Class B common stock are identical in all respects, 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.

#### ***Conversion of Class B Common Stock to Class A Common Stock***

During the nine months ended June 30, 2020, certain stockholders of the Company converted a total of 832,628 shares of Class B common stock into shares of Class A common stock on a one-for-one basis. Following the conversions, there were 33,430,364 shares of Class A common stock and 18,351,381 shares of Class B common stock outstanding.

#### ***Secondary Offering of Class A Common Stock***

In June 2020, certain stockholders of the Company (the "Selling Stockholders") completed an underwritten secondary offering (the "Secondary Offering") of 5,750,000 shares of Class A common stock at a public offering price of \$16.50 per share. In addition, the underwriters of the Secondary Offering exercised in full their option to purchase an additional 862,500 shares of Class A common stock from the Selling Stockholders. The Company did not receive any proceeds from the sale of shares by the Selling Stockholders and, pursuant to a registration rights agreement with the Selling Stockholders, incurred approximately \$0.2 million in expenses in connection with the Secondary Offering.

#### **Note 10 - Earnings Per Share**

As discussed in Note 9 - Equity, the Company has two classes of common stock. The Company has not presented earnings per share under the two-class method, because 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 (in thousands, except share and per share amounts):

	<b>For the Three Months Ended June 30,</b>		<b>For the Nine Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Numerator				
Net income attributable to common shareholders	\$ 15,747	\$ 17,202	\$ 22,745	\$ 26,568
Denominator				
Weighted average number of common shares outstanding, basic	51,489,211	51,414,619	51,489,211	51,414,619
Net income per common share attributable to common shareholders, basic	\$ 0.31	\$ 0.33	\$ 0.44	\$ 0.52

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 (in thousands, except share and per share amounts):

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2020	2019	2020	2019
<b>Numerator</b>				
Net income attributable to common stockholders	\$ 15,747	\$ 17,202	\$ 22,745	\$ 26,568
<b>Denominator</b>				
Weighted average number of basic common shares outstanding, basic	51,489,211	51,414,619	51,489,211	51,414,619
<b>Effect of dilutive securities:</b>				
Restricted stock grants under 2018 Equity Incentive Plan	157,174	8,280	134,416	268
<b>Weighted average number of diluted common shares outstanding</b>	<b>51,646,385</b>	<b>51,422,899</b>	<b>51,623,627</b>	<b>51,414,887</b>
Net income per diluted common share attributable to common stockholders	\$ 0.30	\$ 0.33	\$ 0.44	\$ 0.52

**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 June 30, 2020 and 2019 was 23.3% and 22.3%, respectively. The Company’s effective tax rate for the nine months ended June 30, 2020 and 2019 was 22.5% and 23.3%, respectively. The effective income tax rate for the nine months ended June 30, 2020 was favorably impacted by the filing of an amended consolidated state return. The Company recorded an amended return benefit of \$0.4 million resulting from the utilization of net operating loss carryforwards and related release of valuation allowance.

**Note 12 - Related Parties**

On December 31, 2017, the Company sold an indirect wholly owned subsidiary (the “Disposed Entity”) to an immediate family member of a Senior Vice President of the Company (“Purchaser of Subsidiary”) in consideration for a promissory note in the amount of \$1.0 million, which approximated the net book value of the Disposed Entity. At June 30, 2020, \$0.1 million and \$0.6 million were reflected on the Company’s Consolidated Balance Sheets within other current assets and other assets, respectively, representing the remaining balances on the promissory note. In connection with this transaction, the Company also received a separate promissory note from the 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 June 30, 2020, \$0.1 million and \$0.4 million were reflected on the Company’s Consolidated Balance Sheets within other current assets and other assets, respectively, representing the remaining balances on the promissory note. Remaining payments are scheduled to be made in periodic installments during fiscal year 2020 through fiscal year 2026.

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

- 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 a Senior Vice President of the Company in connection with a land development project. The obligations of the borrower entity to repay the advances are guaranteed by a separate entity owned by the same family member of the officer. Amounts outstanding under the advances do not bear interest and must be repaid in full no later than March 17, 2021 (“Land Development Project”).
- Entities owned by immediate family members of a Senior Vice President of the Company perform subcontract work for a subsidiary of the Company, including trucking and grading services (“Subcontracting Services”).
- From time to time, a subsidiary of the Company provides construction services to various companies owned by a family member of a Senior Vice President of the Company (“Construction Services”).
- Since June 1, 2014, the Company has been a party to an access agreement with Island Pond Corporate Services, LLC (“Island Pond”), 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.

- The Company rents and purchases vehicles from an entity owned by a family member of a Senior Vice President of the Company (“Vehicles”).
- Family members of a Senior Vice President of the Company provide consulting services to a subsidiary of the Company (“Consulting Services”).
- A subsidiary of the Company leased office space for its Dothan, Alabama office from H&K, Ltd. (“H&K”), an entity partially owned by a Senior Vice President of the Company. The office space was originally leased through early 2020, but the subsidiary terminated the lease in June 2019 and paid \$15,000 to H&K as consideration for the early termination. Under the lease agreement, the Company paid a fixed minimum rent per month.
- The Company is party to a management services agreement with SunTx, under which the Company pays SunTx \$0.25 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 nine months ended June 30, 2020 and 2019, and accounts receivable and payable balances at June 30, 2020 and September 30, 2019, related to transactions with the related parties described above (in thousands):

	Revenue Earned (Expense Incurred)				Accounts Receivable (Payable)	
	For the Three Months Ended June 30,		For the Nine Months Ended June 30,		June 30,	September 30,
	2020	2019	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Purchaser of Subsidiary	\$ —	\$ —	\$ —	\$ —	\$ 725	\$ 756
Disposed Entity	—	—	—	—	462	846
Land Development Project	—	—	—	—	774	774
Subcontracting Services <sup>(1)</sup>	(2,983)	(7,195)	(5,008)	(13,561)	(415)	(1,238)
Construction Services	—	1,609	1,534	2,783	233	2,434
Island Pond <sup>(2)</sup>	(80)	(80)	(240)	(240)	—	—
Vehicles <sup>(2)</sup>	(686)	(496)	(1,200)	(1,128)	—	—
Consulting Services <sup>(2)</sup>	(76)	(64)	(219)	(198)	—	—
H&K <sup>(2)</sup>	—	(36)	—	(78)	—	—
SunTx <sup>(2)</sup>	(355)	(316)	(1,026)	(957)	—	—

<sup>(1)</sup> Cost is reflected as cost of revenues on the Company’s Consolidated Statements of Income.

<sup>(2)</sup> Cost is reflected as general and administrative expenses on the Company’s Consolidated Statements of Income.

**Note 13 - Settlement Agreement**

On April 19, 2018, certain of the Company’s subsidiaries entered into settlement agreements with a third party arising from a business interruption event not directly related to the Company’s business that the Company does not expect to reoccur (the “Settlement”). The Settlement provides for the Company’s subsidiaries to receive aggregate net payments of approximately \$15.7 million in four equal installments between January 2019 and July 2020, in exchange for releasing and waiving all current and future claims against the third party. The Company recorded a pre-tax gain of \$14.8 million during the fiscal year ended September 30, 2018 related to the Settlement. Future payments are reflected on the Consolidated Balance Sheets at June 30, 2020 and September 30, 2019 as other current assets in the amount of \$3.9 million and \$7.8 million, respectively.

**Note 14 - Equity-Based Compensation**

During the fiscal year ended September 30, 2019, the Company awarded a total of 292,534 restricted shares of Class A common stock to its non-employee directors under the Construction Partners, Inc. 2018 Equity Incentive Plan in lieu of cash compensation. The grants are classified as equity awards. The aggregate grant date fair value of these restricted stock awards was \$3.8 million. Two-thirds of the restricted shares of Class A common stock will vest on January 1, 2021, and the remaining one-third will vest on January 1, 2022.

During the three and nine months ended June 30, 2020, the Company recorded compensation expense in connection with these grants in the amount of \$0.4 million and \$1.2 million, respectively, which is reflected in general and administrative expenses in the Company's Consolidated Statements of Income. At June 30, 2020, there was approximately \$2.0 million of unrecognized compensation expense related to these awards.

#### Note 15 - Leases

The Company leases certain facilities, office space, vehicles and equipment. As of June 30, 2020, operating leases under 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 \$7.9 million, \$2.4 million and \$5.7 million, respectively. As of June 30, 2020, the Company did not have any lease contracts that had not yet commenced but had created significant rights and obligations.

Lease expense was \$0.9 million and \$2.7 million during the three months and nine months ended June 30, 2020, respectively, which included operating lease costs related to short-term leases. During the three months ended December 31, 2019, the Company used cash in the amount of \$11.5 million to buy out certain operating lease obligations.

As of June 30, 2020, the weighted-average remaining term of the Company's leases was 8.6 years, and the weighted-average discount rate was 4.00%. As of June 30, 2020, 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 June 30, 2020 (in thousands):

<b>Fiscal Year</b>	<b>Amount</b>
Remainder of 2020	\$ 848
2021	2,237
2022	1,151
2023	739
2024	707
2025 and thereafter	4,054
<b>Total future minimum lease payments</b>	<b>\$ 9,736</b>
Less: imputed interest	1,647
<b>Total</b>	<b>\$ 8,089</b>

As previously disclosed, the Company's future minimum lease payment obligations as of September 30, 2019 were as follows (in thousands):

<b>Fiscal Year</b>	<b>Amount</b>
2020	\$ 6,537
2021	3,043
2022	1,041
2023	351
2024	255
Thereafter	58
<b>Total</b>	<b>\$ 11,285</b>

#### Note 16 - Investment in Derivative Instruments

The Company's operations expose it to a variety of market risks, including the effects of changes in commodity prices and changes in interest rates. As part of its risk management process, the Company began entering into commodity swap transactions through regulated commodity exchanges in February 2020. To manage interest rate exposure, the Company has entered into derivative instruments using interest rate swaps. The objective of entering into interest rate swaps is to eliminate the variability of cash flows associated with movements in interest rates over the life of the loans.

The following table represents the approximate amount of realized and unrealized gains (losses) and changes in fair value recognized in earnings on commodity derivative contracts for the three and nine months ended June 30, 2020 and the fair value of these derivatives as of June 30, 2020 and September 30, 2019 (in thousands):

Income Statement Classification	For the Three Months Ended June 30, 2020 (unaudited)			For the Nine Months Ended June 30, 2020 (unaudited)		
	Change in			Change in		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Cost of revenues	\$ (269)	\$ —	\$ (269)	\$ (290)	\$ —	\$ (290)
Other income (expense)	—	394	394	—	(403)	(403)
Interest expense, net	(217)	(120)	(337)	(266)	(1,586)	(1,852)
<b>Total</b>	<b>\$ (486)</b>	<b>\$ 274</b>	<b>\$ (212)</b>	<b>\$ (556)</b>	<b>\$ (1,989)</b>	<b>\$ (2,545)</b>

Income Statement Classification	For the Three Months Ended June 30, 2019 (unaudited)			For the Nine Months Ended June 30, 2019 (unaudited)		
	Change in			Change in		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Cost of revenues	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other income (expense)	—	—	—	—	—	—
Interest expense, net	7	(212)	(205)	12	(543)	(531)
<b>Total</b>	<b>\$ 7</b>	<b>\$ (212)</b>	<b>\$ (205)</b>	<b>\$ 12</b>	<b>\$ (543)</b>	<b>\$ (531)</b>

Balance Sheet Classification	June 30, 2020 (unaudited)	September 30, 2019
	Level 2	Level 2
Accrued expense and other current liabilities - commodity swaps	\$ (281)	\$ —
Other long-term liabilities - commodity swaps	(122)	—
Other long-term liabilities - interest rate swaps	(1,897)	(311)
<b>Net unrealized gain (loss) position</b>	<b>\$ (2,300)</b>	<b>\$ (311)</b>

#### Note 17 - Fair Value Measurements

The following table presents the Company's liabilities measured at fair value on a recurring basis as of June 30, 2020 and September 30, 2019 under ASC 820 (in thousands):

Liabilities	June 30, 2020 (unaudited)	September 30, 2019
	Level 2	Level 2
Commodity swaps	\$ 403	\$ —
Interest rate swaps	1,897	311

Derivative liabilities included in Level 2 include commodity and interest rate swap contracts. The fair values of our Level 2 derivative liabilities were determined using market observable inputs including forward and spot prices for commodities and interest rate curves.

**Note 18 - Purchase Commitments**

As of June 30, 2020, the Company had unconditional purchase commitments for diesel fuel in the normal course of business in the aggregate amount of \$9.9 million. As of June 30, 2020, our purchase commitments for the remainder of fiscal year 2020 and annually thereafter were as follows (in thousands):

Fiscal Year	Amount
Remainder of 2020	\$ 615
2021	1,219
2022	51
Total	\$ 1,885

**Note 19 - COVID-19 Pandemic**

The Company is closely monitoring the impact of the pandemic of the novel strain of coronavirus, known as COVID-19 (“COVID-19”) on all aspects of its business, including how it has impacted and may continue to impact the Company’s customers, employees, suppliers, and vendors. While the Company did not incur significant disruptions in its operations during the three months ended June 30, 2020 from COVID-19, due to the uncertainties surrounding the COVID-19 pandemic, it is unable to predict the impact that COVID-19 will have on its financial position, operating results and cash flows in future periods.

**Note 20 - Subsequent Events*****Conversion of Class B Common Stock to Class A Common Stock***

Subsequent to June 30, 2020, a stockholder of the Company converted a total of 445,520 shares of the Company’s Class B common stock, on a one-for-one basis, into shares of the Company’s Class A common stock. Following the conversion, there were 33,875,884 shares of Class A common stock and 17,905,861 shares of Class B common stock outstanding.

***Recent Financing Activities***

On July 30, 2020 (the “Amendment Date”), the Company and each of its wholly owned subsidiaries (collectively, the “Borrowers”) entered into the Amended Credit Agreement, which amended and restated in its entirety the BBVA Credit Agreement. Immediately prior to the Amendment Date, the aggregate principal amount of Term Loan advances outstanding under the BBVA Credit Agreement was \$66.1 million, and the aggregate amount of the lenders’ commitments under the Revolving Credit Facility provided by the BBVA Credit Agreement was \$30.0 million. The Amended Credit Agreement, among other things, (i) increased the aggregate amount of the lender commitments under the Revolving Credit Facility by \$20.0 million, (ii) increased the Term Loan commitments by \$30.0 million, all of which was advanced to the Borrowers on the Amendment Date, and (iii) made certain other amendments and modifications to the BBVA Credit Agreement.

Under the Amended Credit Agreement, the principal amount of Term Loan advances made prior to April 30, 2020 (having an outstanding principal balance of \$8,550,000 on the Amendment Date) will be repaid in quarterly installments of \$2,050,000, and the principal amount of Term Loan advances made on or after April 30, 2020 (having an outstanding principal balance of \$17,550,000 immediately prior to the Amendment Date) will be repaid in quarterly installments of \$2,000,000, in each case beginning on September 30, 2020 and at the end of each calendar quarter thereafter. Interest will be due and payable on the last business day of each month. In addition, the Borrowers will pay, among other fees: (i) a quarterly unused revolver commitment fee equal to 0.20% of the daily average amount of unused commitments under the Revolving Credit Facility during the quarter, (ii) a quarterly letter of credit fee equal to the greater of (A) \$600 or (B) the product of either 0.70% or 0.75% (depending on the Company’s consolidated leverage ratio) and the aggregate average daily undrawn amounts of all letters of credit outstanding during the quarter and (iii) a letter of credit facility fee equal to 0.20% of the face amount of each such letter of credit issued in favor of the Borrowers. All outstanding advances are due and payable in full on October 1, 2024. The Borrowers generally may (and must, under certain circumstances), subject to various requirements, 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 Borrowers under the Amended Credit Agreement and the other loan documents delivered in connection therewith continue to be secured by a first priority security interest in substantially all of the existing and future property of the Borrowers.

The annual interest rates applicable to advances made under the Amended Credit Agreement are calculated, at the Company's option, by using either a base rate or LIBOR, in each case plus an applicable margin percentage that corresponds to the Company's consolidated total leverage ratio, which margin percentage will be at least 1.50% for all advances, whether made prior, on or subsequent to the Amendment Date. Upon the occurrence of certain triggering events relating to the end of LIBOR, the Borrowers and BBVA will select a different benchmark rate to replace LIBOR as the reference rate for interest accruing on certain advances.

The Amended Credit Agreement contains customary representations and warranties and certain covenants that limit (subject to certain exceptions) the ability of the Borrowers to, among other things, (i) incur or guarantee additional indebtedness, (ii) incur or suffer to exist liens securing indebtedness, (iii) make investments, (iv) consolidate, merge or transfer all or substantially all of their assets, (v) sell assets, (vi) pay dividends or other distributions on, redeem or repurchase capital stock, and (vii) enter into transactions with affiliates. In addition, the Amended Credit Agreement contains financial covenants that require the Company's consolidated leverage ratio and fixed charge coverage ratio, in each case as defined in the Amended Credit Agreement, to be less than certain maximum levels.

The Amended Credit Agreement also contains customary events of default. If such an event of default occurs, the lenders would be entitled to take various actions, including the acceleration of amounts due under the Amended Credit Agreement and actions permitted to be taken by a secured creditor.



## **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 2019 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.

### **Recent Developments**

#### **COVID-19**

We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including its impact on our customers, employees, suppliers, and vendors. We did not incur significant disruptions from COVID-19 during the three months ended June 30, 2020, as road construction has been designated a “critical infrastructure” industry and an “essential business” in each state within our footprint, which has allowed us to continue to operate without significant delays related to state and local shelter-in-place orders. In fact, in certain states in which we operate, including Florida and Alabama, some public projects have been accelerated in order to leverage construction efficiencies driven by lower vehicle traffic during the shelter-in-place orders resulting from the COVID-19 pandemic.

However, due to the uncertainties surrounding the COVID-19 pandemic, we are unable to predict the impact that COVID-19 will have on our financial position, operating results and cash flows in future periods. We continue to monitor risks to our business arising from increasing transmission rates of COVID-19, including (i) our need to adopt enhanced safety and cleaning protocols, which have required significant time and attention from our management and workforce, (ii) employee absences, which could adversely affect our productivity and our ability to complete projects in accordance with our contractual obligations, and could require us to temporarily close our facilities or project sites, (iii) potential disruptions in our supply chains for raw materials or equipment, whether as a result of facility closures or otherwise, which could increase our labor and materials costs and impair our ability to manufacture hot-mix asphalt, and (iv) the impact of COVID-19 on our customers, which could cause these customers to cancel or delay current or prospective projects or become delinquent in their payments to us for work that we have performed. Several of these risks have materialized in varying degrees, but none of these risks, individually or in the aggregate, have significantly impacted our operations to date.

In addition, we continue to monitor the impact of COVID-19 on fuel and sales tax revenues, which in turn drive funding levels for public projects in our markets. For instance, a substantial portion of our revenues each quarter are derived from projects completed for various Departments of Transportation, including ALDOT and NCDOT, each of which has accounted for more than 10% of our consolidated revenues for various periods within the past two fiscal years, as further described under the heading “Concentration of Risks” in Note 2 – Significant Accounting Policies to the Consolidated Financial Statements included elsewhere in this report. In North Carolina, the NCDOT implemented several measures in recent months to address preexisting funding pressures that were exacerbated

by the effects of the COVID-19 pandemic, including suspending preliminary engineering work on potential future projects, delaying commencement of certain pending projects and reducing the number and size of projects available for bid, which resulted in decreased revenue during the three months ended June 30, 2020. However, recent legislative efforts and increased fuel tax receipts have facilitated the generation of cash reserves in excess of the statutory minimum (a prerequisite for future project lettings) and approvals for future bond issuances that will be used for funding projects in subsequent periods. Management believes that this market remains poised for future growth in light of its favorable population trends and adequate structural long-term funding mechanisms. In Alabama, the decline in gas tax revenue receipts related to reductions in fuel purchased by motorists in recent months has been largely offset by an increase in the fuel tax that became effective in late 2019.

The extent to which our operations may be impacted by the COVID-19 pandemic will depend on future developments, which are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning the severity of the pandemic and actions by government authorities to contain the outbreak or mitigate its impact. Furthermore, the impacts of a potential worsening of economic conditions and the continued disruptions to, and volatility in, the financial markets remain unknown.

#### ***Florida Acquisition***

On March 23, 2020, we acquired two HMA manufacturing plants and certain related assets located in Pensacola and Defuniak Springs, Florida. These acquired plants enable us to serve new markets in the western Florida panhandle, and we expect to be able to pursue a variety of public, private and Department of Defense projects from the new locations. For further discussion regarding this transaction, see Note 4 - Business Acquisitions to the Consolidated Financial Statements included elsewhere in this report.

#### ***Changes in Value of Derivative Instruments***

From time to time, we enter into interest rate swap agreements in order to manage risks associated with changes in interest rates on our outstanding indebtedness and commodity swap agreements in order to manage risks associated with changes in the price of certain commodities used in our business, such as fuel. We record these derivative instruments at their fair value and record changes in the fair value of these instruments in current earnings. During the three months ended June 30, 2020, we incurred a \$0.1 million non-cash charge related to interest rate swaps and a \$0.4 million non-cash benefit related to fuel swaps. The value of these instruments was impacted by volatility in the financial and commodities markets during the quarter, primarily associated with the COVID-19 pandemic and related macroeconomic factors. Given the current uncertainty regarding the duration, scope and magnitude of the impact that COVID-19 will have on the broader economy and how such an impact will affect the value of our derivative instruments, we could incur losses in future periods related to the value of these instruments.

#### ***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, ready-mix concrete and liquid asphalt cement to customers. Revenues derived from projects are recognized as performance obligations are satisfied over time, measured according to the relationship of total cost incurred as of a given determination date to the total estimated contract costs. 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, ready-mix concrete and liquid asphalt cement are recognized when 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 of construction contracts, including raw materials, labor, equipment costs, depreciation, lease expenses, subcontract costs and other expenses at our HMA plants, aggregate mining facilities and liquid asphalt 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 and Amortization***

We carry property, plant and equipment on our balance sheet at cost, net of accumulated depreciation, depletion and amortization. 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. Quarry reserves are depleted in accordance with the units-of-production method as aggregate is 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 and consist primarily of salaries and personnel costs for our administration, finance and accounting, legal, information systems, human resources and certain managerial employees. Additional expenses include audit, consulting and professional fees, travel, insurance, office space rental costs, property taxes and other corporate and overhead expenses.

**Gain on Sale of Equipment, Net**

In the normal course of business, we sell construction equipment for various reasons, including when the cost of maintaining the asset exceeds the cost of replacing it. The gain or loss on sale of equipment reflects the difference between the carrying value at the date of disposal and the net consideration received from the sale of equipment 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 cost 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 and cash equivalents balances in excess of our current operating needs.

**Other Income (Expense)**

Other income (expense) primarily represents unrealized gains (losses) on commodity derivative instruments and other miscellaneous income (expense) items.

**Adjusted EBITDA and Adjusted EBITDA Margin**

Adjusted EBITDA represents net income before (i) interest expense, net, (ii) provision for income taxes, (iii) depreciation, depletion and amortization of long-lived assets, (iv) equity-based compensation expense, (v) loss on extinguishment of debt and (vi) certain management fees and expenses. 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 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 Adjusted EBITDA to net income, the most directly comparable measure calculated in accordance with GAAP, and the calculation of Adjusted EBITDA Margin for the periods presented (in thousands, except percentages):

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2020	2019	2020	2019
Net income	\$ 15,747	\$ 17,202	\$ 22,745	\$ 26,568
Interest expense, net	575	615	2,690	1,509
Provision for income taxes	4,772	4,941	6,622	8,080
Depreciation, depletion and amortization of long-lived assets	10,034	8,059	29,065	22,698
Equity-based compensation expense	390	146	1,175	146
Management fees and expenses <sup>(1)</sup>	355	316	1,026	957
Adjusted EBITDA	\$ 31,873	\$ 31,279	\$ 63,323	\$ 59,958
Revenues	\$ 217,041	\$ 227,290	\$ 561,034	\$ 545,921
Adjusted EBITDA Margin	14.7 %	13.8 %	11.3 %	11.0 %

(1) Reflects fees and reimbursement of certain travel expenses under a management services agreement with SunTx (see Note 12 - Related Parties to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q).

## Results of Operations

### Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

The following table sets forth selected financial data for the three months ended June 30, 2020 and 2019 (in thousands, except percentages):

	For the Three Months Ended June 30,				Change From the Three Months Ended June 30, 2019 to the Three Months Ended June 30, 2020	
	2020		2019		\$ Change	% Change
	Dollars	% of Revenues	Dollars	% of Revenues		
Revenues	\$ 217,041	100.0 %	\$ 227,290	100.0 %	\$ (10,249)	(4.5)%
Cost of revenues	180,549	83.2 %	189,198	83.2 %	(8,649)	(4.6)%
<b>Gross profit</b>	36,492	16.8 %	38,092	16.8 %	(1,600)	(4.2)%
General and administrative expenses	(16,852)	(7.8) %	(15,968)	(7.0) %	(884)	5.5 %
Gain on sale of equipment, net	390	0.2 %	58	— %	332	572.4 %
<b>Operating income</b>	20,030	9.2 %	22,182	9.8 %	(2,152)	(9.7)%
Interest expense, net	(575)	(0.3) %	(615)	(0.3) %	40	(6.5)%
Other income (expense)	645	0.4 %	190	0.1 %	455	239.5 %
<b>Income before provision for income taxes and earnings from investment in joint venture</b>	20,100	9.3 %	21,757	9.6 %	(1,657)	(7.6)%
Provision for income taxes	4,772	2.2 %	4,941	2.2 %	(169)	(3.4)%
Earnings from investment in joint venture	419	0.2 %	386	0.2 %	33	8.5 %
<b>Net income</b>	\$ 15,747	7.3 %	\$ 17,202	7.6 %	\$ (1,455)	(8.5)%
Adjusted EBITDA	\$ 31,873	14.7 %	\$ 31,279	13.8 %	\$ 594	1.9 %

**Revenues.** Revenues for the three months ended June 30, 2020 decreased \$10.3 million, or 4.5%, to \$217.0 million from \$227.3 million for the three months ended June 30, 2019. Revenues in markets we served on June 30, 2019 decreased by \$20.0 million, primarily due to a reduction in the number of projects available for bid in certain of our markets, including North Carolina, and our resulting efforts to manage our backlog and effectively utilize our workforce in light of the uncertainties caused by the COVID-19 pandemic. The decrease was offset by a \$9.7 million increase in total revenue attributable to acquisitions that we completed subsequent to June 30, 2019.

**Gross Profit.** Gross profit for the three months ended June 30, 2020 decreased \$1.6 million, or 4.2%, to \$36.5 million from \$38.1 million for the three months ended June 30, 2019. The decrease in gross profit was primarily the result of the 4.5% decrease in revenues for the three months ended June 30, 2020 compared to the three months ended June 30, 2019.

**General and Administrative Expenses.** General and administrative expenses for the three months ended June 30, 2020 increased \$0.9 million, or 5.5%, to \$16.9 million from \$16.0 million for the three months ended June 30, 2019. The increase in general and administrative expenses for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 was primarily the result of (i) a \$0.4 million increase in management personnel payroll and benefits, (ii) a \$0.7 million increase attributable to acquisitions completed subsequent to June 30, 2019 and (iii) a \$0.4 million increase in stock-based compensation expense. These increases were partially offset by decreases in other general and administrative expenses of \$0.6 million.

**Interest Expense, Net.** Interest expense, net was \$0.6 million for the three months ended June 30, 2020 and 2019. The impact of a higher average outstanding balance of indebtedness during the three months ended June 30, 2020 was offset by a decrease in interest rates paid on such indebtedness during the period.

**Other Income (Expense).** Other income (expense) for the three months ended June 30, 2020 increased \$0.4 million, to \$0.6 million compared to \$0.2 million for the three months ended June 30, 2019. The increase was primarily attributable to net unrealized gains of \$0.4 million on commodity derivative instruments for the three months ended June 30, 2020, as the Company entered into these contracts in February 2020. The value of these derivative instruments was impacted by financial market volatility during the quarter ended June 30, 2020 due to COVID-19 and other macroeconomic factors.

**Provision for Income Taxes.** Our effective tax rate increased to 23.3% for the three months ended June 30, 2020, from 22.3% for the three months ended June 30, 2019.

**Earnings from Investment in Joint Venture.** Earnings from investment in joint venture was \$0.4 million for the three months ended June 30, 2020 and 2019, which represents pre-tax income from our 50% interest in the earnings of a joint venture that we entered into with a third party in November 2017 for the sole purpose of performing a construction project for ALDOT.

**Net Income.** Net income decreased \$1.5 million, or 8.5%, to \$15.7 million for the three months ended June 30, 2020, compared to \$17.2 million for the three months ended June 30, 2019. The decrease in net income was primarily a result of lower gross profit and higher general and administrative expenses, all as described above.

**Adjusted EBITDA and Adjusted EBITDA Margin.** Adjusted EBITDA and Adjusted EBITDA Margin were \$31.9 million and 14.7%, respectively, for the three months ended June 30, 2020, compared to \$31.3 million and 13.8%, respectively, for the three months ended June 30, 2019. The increase in Adjusted EBITDA was the result of a higher depreciation, depletion and amortization of long-lived assets, partially offset by lower gross profit and an increase in general and administrative expenses. The higher Adjusted EBITDA Margin was a primarily a result of an increase in Adjusted EBITDA and a decrease in revenues, all described above. See the description of Adjusted EBITDA and Adjusted EBITDA Margin, as well as a reconciliation of Adjusted EBITDA to net income, under the heading “How We Assess Performance of Our Business”.

#### Nine Months Ended June 30, 2020 Compared to Nine Months Ended June 30, 2019

The following table sets forth selected financial data for the nine months ended June 30, 2020 and 2019 (in thousands, except percentages):

	For the Nine Months Ended June 30,				Change From the Nine Months Ended	
	2020		2019		June 30, 2019	to the Nine Months Ended
	Dollars	% of Revenues	Dollars	% of Revenues	June 30, 2020	
				\$ Change	% Change	
Revenues	\$ 561,034	100.0 %	\$ 545,921	100.0 %	\$ 15,113	2.8 %
Cost of revenues	479,814	85.5 %	466,900	85.5 %	12,914	2.8 %
<b>Gross profit</b>	81,220	14.5 %	79,021	14.5 %	2,199	2.8 %
General and administrative expenses	(50,786)	(9.1) %	(45,170)	(8.3) %	(5,616)	12.4 %
Gain on sale of equipment, net	1,134	0.2 %	1,085	0.2 %	49	4.5 %
<b>Operating income</b>	31,568	5.6 %	34,936	6.4 %	(3,368)	(9.6)%
Interest expense, net	(2,690)	(0.5) %	(1,509)	(0.3) %	(1,181)	78.3 %
Other income (expense)	(43)	— %	296	0.1 %	(339)	(114.5)%
<b>Income before provision for income taxes and earnings from investment in joint venture</b>	28,835	5.1 %	33,723	6.2 %	(4,888)	(14.5)%
Provision for income taxes	6,622	1.2 %	8,080	1.5 %	(1,458)	(18.0)%
Earnings from investment in joint venture	532	0.2 %	925	0.2 %	(393)	(42.5)%
<b>Net income</b>	\$ 22,745	4.1 %	\$ 26,568	4.9 %	\$ (3,823)	(14.4)%
Adjusted EBITDA	\$ 63,323	11.3 %	\$ 59,958	11.0 %	\$ 3,365	5.6 %

**Revenues.** Revenues for the nine months ended June 30, 2020 increased \$15.1 million, or 2.8%, to \$561.0 million from \$545.9 million for the nine months ended June 30, 2019. The increase included \$33.8 million of revenues attributable to acquisitions completed subsequent to June 30, 2019, offset by a \$18.7 million decrease in revenues in markets we served on June 30, 2019.

**Gross Profit.** Gross profit for the nine months ended June 30, 2020 increased \$2.2 million, or 2.8%, to \$81.2 million from \$79.0 million for the nine months ended June 30, 2019. The increase in gross profit was primarily the result of the increase in revenue for the nine months ended June 30, 2020 compared to nine months ended June 30, 2019.

**General and Administrative Expenses.** General and administrative expenses for the nine months ended June 30, 2020 increased \$5.6 million, or 12.4%, to \$50.8 million from \$45.2 million for the nine months ended June 30, 2019. The increase in general and administrative expenses for the nine months ended June 30, 2020 compared to the nine months ended June 30, 2019 was primarily the result of (i) a \$2.5 million increase in management personnel payroll and benefits, (ii) a \$2.2 million increase attributable to acquisitions completed subsequent to June 30, 2019 and (iii) a \$1.2 million increase in stock-based compensation expense.

**Interest Expense, Net.** Interest expense, net for the nine months ended June 30, 2020 increased \$1.2 million, or 78.3%, to \$2.7 million compared to \$1.5 million for the nine months ended June 30, 2019. The increase was primarily due to the unrealized loss on interest rate swap derivative instruments of \$1.6 million for the nine months ended June 30, 2020 compared to \$0.5 million for the nine months ended June 30, 2019.

**Other Income (Expense).** Other income (expense) for the nine months ended June 30, 2020 decreased \$0.4 million, to (\$0.1) million compared to \$0.3 million for the nine months ended June 30, 2019. The decrease was primarily attributable to net unrealized losses of \$0.4 million on commodity derivative instruments for the nine months ended June 30, 2020, as the Company entered into these contracts in February 2020. The value of these derivative instruments was impacted by financial market volatility during the nine months ended June 30, 2020 due to COVID-19 and other macroeconomic factors.

**Provision for Income Taxes.** Our effective tax rate decreased to 22.5% for the nine months ended June 30, 2020, from 23.3% for the nine months ended June 30, 2019. Our lower effective tax rate was the result of filing an amended consolidated state return, as a result of which the Company recorded an amended return benefit of \$0.4 million related to the utilization of net operating loss carryforwards and related release of valuation allowance.

**Earnings from Investment in Joint Venture.** During the nine months ended June 30, 2020 and 2019, we earned \$0.5 million and \$0.9 million, respectively, of pre-tax income from our 50% interest in the earnings of a joint venture that we entered into with a third party in November 2017 for the sole purpose of performing a construction project for ALDOT.

**Net Income.** Net income decreased \$3.8 million, or 14.4%, to \$22.7 million for the nine months ended June 30, 2020, compared to \$26.6 million for the nine months ended June 30, 2019. The decrease in net income was primarily a result of lower gross profit, higher general and administrative expenses and additional unrealized losses on commodity and interest rate swap derivative instruments, all as described above.

**Adjusted EBITDA and Adjusted EBITDA Margin.** Adjusted EBITDA and Adjusted EBITDA Margin were \$63.3 million and 11.3%, respectively, for the nine months ended June 30, 2020, compared to \$60.0 million and 11.0%, respectively, for the nine months ended June 30, 2019. The increase in Adjusted EBITDA was the result of a higher depreciation, depletion and amortization of long-lived assets, partially offset by an increase in general and administrative expenses and unrealized losses on commodity and interest rate swap derivative instruments. The higher Adjusted EBITDA Margin was primarily a result of increased depreciation, depletion and amortization of long-lived assets during the nine months ended June 30, 2020. See the description of Adjusted EBITDA and Adjusted EBITDA Margin, as well as a reconciliation of Adjusted EBITDA to net income, under the heading "How We Assess Performance of Our Business".

#### **Inflation and Price Changes**

Inflation had an immaterial impact on our results of operations for three and nine months ended June 30, 2020 and 2019 due to relatively low inflation in the United States in recent years and our ability to recover increasing costs by obtaining higher prices for our products, including sale price escalator clauses in most of our public sector infrastructure contracts. Inflation risk varies with the level of activity in our industry, the number, size and strength of competitors and the availability of products to supply a local market.

**Liquidity and Capital Resources***Cash Flows Analysis*

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

	<b>For the Nine Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Net cash provided by operating activities, net of acquisition	\$ 51,414	\$ 17,963
Net cash used in investing activities	(69,183)	(46,348)
Net cash provided by (used in) financing activities	15,845	(11,104)
Net change in cash and cash equivalents	<u>\$ (1,924)</u>	<u>\$ (39,489)</u>

*Operating Activities*

Cash provided by operating activities was \$51.4 million for the nine months ended June 30, 2020, an increase of \$33.5 million compared to \$18.0 million for the nine months ended June 30, 2019. The increase was primarily due to a \$9.3 million increase in adjustments to reconcile net income to cash flows provided by operating activities and a \$28.0 million increase in changes in operating assets and liabilities, partially offset by a \$3.8 million decrease in net income for the nine months ended June 30, 2020 compared to the nine months ended June 30, 2019. The \$9.3 million increase in adjustments to reconcile net income to cash flows provided by operating activities was primarily due to a \$6.4 million increase in depreciation, depletion and amortization of long-lived assets and a \$1.5 million increase in non-cash losses on derivative instruments and \$1.0 million increase of non-cash equity-based compensation expense. The \$28.0 million increase in changes in operating assets and liabilities included (i) a \$21.2 million decrease in the change in contracts receivable as a result of increased contract billings due to acquisitions and growth in existing markets in the previous year, (ii) a \$10.1 million decrease in the change in inventories primarily due to the liquid asphalt terminal acquired during the nine months ended June 30, 2019 and (iii) a \$9.8 million increase in billings in excess of costs and estimated earnings on uncompleted contracts due to the increase in construction activity as noted above. These changes were offset by a \$14.6 million decrease in accounts payable due to the decrease in inventory purchases and normal fluctuations resulting from the timing of processing transactions in our accounts payable.

*Investing Activities*

Cash used in investing activities was \$69.2 million for the nine months ended June 30, 2020 compared to \$46.3 million for the nine months ended June 30, 2019. The increase reflects \$17.7 million used in connection with a business acquisition in October 2019 and \$12.4 million used in connection with a business acquisition in March 2020. Business acquisitions totaled \$8.9 million for the nine months ended June 30, 2019. There was a \$9.8 million increase in purchases of property, plant and equipment, which includes \$11.5 million for the buyout of equipment leases during the nine months ended June 30, 2020. These increases were offset by a \$10.8 million acquisition of the liquid asphalt terminal assets during the nine months ended June 30, 2019.

*Financing Activities*

Cash provided by financing activities was \$15.8 million for the nine months ended June 30, 2020 compared to \$11.1 million of cash used in financing activities during nine months ended June 30, 2019, reflecting a \$9.8 million Term Loan advance, net of issuance cost, related to our buyout of certain lease obligations in October 2019, a \$15.0 million advance under our Revolving Credit Facility primarily used to fund the March 2020 acquisition and for liquidity purposes and a \$18.0 million Term Loan advance, net of issuance cost, to pay down the March 2020 \$15.0 million advance under the Revolving Credit Facility. Loan repayments increased \$15.8 million on the Term Loan, Revolving Credit Facility and other debt during nine months ended June 30, 2020 compared to the nine months ended June 30, 2019, due to the repayment of principal under the Revolving Credit Facility as noted above.

*BBVA Credit Agreement*

During the three and nine months ended June 30, 2020, we and each of our subsidiaries were parties to the BBVA Credit Agreement, which provided for the Term Loan and the Revolving Credit Facility. At June 30, 2020 and September 30, 2019, we had \$66.1 million and \$44.7 million, respectively, of principal outstanding under the Term Loan, \$0.0 million and \$5.0 million, respectively, of principal outstanding under the Revolving Credit Facility, and availability of \$19.3 million and \$14.4 million, respectively, under the Revolving Credit Facility, after reduction for outstanding letters of credit. At June 30, 2020, the interest rate on outstanding borrowings under the Term Loan and Revolving Credit Facility ranged from 1.38% to 2.20%.

The BBVA Credit Agreement required 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 2.75-to-1.00, subject to certain adjustments. At June 30, 2020 and

September 30, 2019, our fixed charge coverage ratio was 3.18-to-1.00 and 4.04-to-1.00, respectively, and our consolidated leverage ratio was 0.83-to-1.00 and 0.66-to-1.00, respectively.

From time to time, we have entered into interest rate swap agreements to hedge against the risk of changes in interest rates. These interest rate swap agreements do not meet the criteria for hedge accounting treatment in accordance with GAAP. At June 30, 2020 and September 30, 2019, the aggregate notional value of these interest rate swap agreements was \$48.6 million and \$21.5 million, respectively, and the fair value was \$(1.9) million and \$(0.3) million, respectively, which is included within other long-term liabilities on our Consolidated Balance Sheets.

Subsequent to June 30, 2020 we entered into the Amended Credit Agreement, which amended and restated the BBVA Credit Agreement in its entirety. For more information about the Amended Credit Agreement, see the discussion under the heading “Recent Financing Developments” in Note 20 - Subsequent Events to the Consolidated Financial Statements included elsewhere in this report.

#### *Capital Expenditures and Working Capital*

During the nine months ended June 30, 2020 and 2019, our capital expenditures were \$41.5 million and \$31.7 million, respectively. Our capital expenditures are typically made during the same fiscal year in which they are approved. At June 30, 2020, our commitments for capital expenditures were not material to our financial condition or results of operations on a consolidated basis. For fiscal 2020, we expect total capital expenditures to be \$40.0 million to \$42.0 million, not including \$11.5 million for the buyout of equipment leases during the first quarter of the fiscal year. Our capital expenditure budget is an estimate and is subject to change. As described further below, we believe that cash flows from operations, together with existing cash on hand and amounts available under our credit facilities, will be sufficient to fund our working capital needs and planned capital expenditures for at least the next 12 months.

Our cash requirements include costs related to capital expenditures, purchase of materials, production of materials and 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, expenditures related to our compliance with laws and rules applicable to public companies and our integration of any acquired businesses.

We have historically relied upon 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 the 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 our credit facilities will be sufficient to fund our operations for at least the next 12 months. However, future cash flows are subject to a number of variables, including the potential impacts of COVID-19, 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 cash in sufficient amounts 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 our credit facilities, joint ventures, asset sales, offerings of debt or equity securities or other means. However, the unprecedented public health and governmental efforts to contain the spread of COVID-19 have created significant uncertainty as to general economic conditions for the remainder of 2020 and beyond, and 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 this 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.

#### **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 asphalt paving mix production, natural gas for HMA production and diesel 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 one year, for certain raw materials.

We have entered into fuel swap contracts to mitigate the financial impact of fluctuations in fuel prices. As of June 30, 2020, we had fuel swap contracts to pay fixed prices for fuel with an aggregate notional amount of 3.3 million gallons, maturing incrementally through 2021. The fair value of these derivative contracts was \$(0.4) million at June 30, 2020. These fuel swap contracts provide a fixed price for less than 50% of our estimated fuel usage for the remainder of fiscal years 2020 through 2022.



### **Interest Rate Risk**

We are exposed to interest rate risk on certain of our short-term and long-term debt obligations used to finance our operations and acquisitions. We have LIBOR-based floating rate borrowings under our credit facilities, which expose us to variability in interest payments due to changes in the reference interest rates. From time to time, we use derivative instruments to hedge against the impact of interest rate changes on future earnings and cash flows. In order to hedge against changes in interest rates and to manage fluctuations in cash flows resulting from interest rate risk, we entered into amortizing interest rate swap agreements (i) on June 30, 2017, with respect to \$25.0 million of outstanding debt under the Term Loan, for which we pay a fixed rate of 2.015%, (ii) on May 15, 2018, with respect to \$11.0 million of the \$22.0 million of additional debt that we borrowed under the Term Loan on that date, for which we pay a fixed percentage rate of 3.01%, (iii) on October 1, 2019, with respect to \$5.9 million of the \$10.0 million of additional debt that we borrowed under the Term Loan on that date, for which we pay a fixed interest rate of 1.58% and (iv) on February 27, 2020, with respect to \$26.3 million of additional debt that we borrowed under the Term Loan on that date, for which we pay a fixed percentage rate of 1.24% and, in each case, under which receive a credit based on the applicable LIBOR rate.

At June 30, 2020, we had a total of \$17.6 million of non-hedged variable rate borrowings outstanding.

### **Off-Balance Sheet Arrangements**

As of June 30, 2020, we had no material off-balance sheet arrangements, except for purchase commitments for diesel fuel entered into in the normal course of business.

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

We are a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act, and therefore are not required to provide the information called for by this Item.

### **Item 4. Controls and Procedures.**

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

Our management carried out, as of June 30, 2020, 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 June 30, 2020, 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.

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

There were no changes to our internal control over financial reporting during the quarter ended June 30, 2020 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 2019 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 2019 Form 10-K that could materially affect our business, financial condition or future operating results. The risks described below and in the 2019 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.

***Our business could be materially and adversely affected by a widespread outbreak of a contagious disease or other similar adverse public health development, or fear of such an event, and the measures that federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it.***

Our business could be adversely impacted by the effects of a widespread outbreak of a contagious disease, including the COVID-19 pandemic or a similar adverse public health development, as well as actions taken by federal, state and local governments, agencies, law enforcement and health authorities to contain the outbreak. Such an event in our markets could, among other things, result in employee absences or require us to temporarily close our facilities or project sites, which, in turn, could significantly and adversely affect our productivity and our ability to complete projects in accordance with our contractual obligations. In addition, a disruption in the supply chain for raw materials or equipment, whether as a result of facility closures or otherwise, could increase our labor and materials costs and impair our ability to manufacture hot-mix asphalt. Moreover, our customers – both public and private – who are adversely impacted could cancel or delay current or prospective projects and could become delinquent in their payments to us for work that we have performed. Although several of these risks have materialized in varying degrees as a result of the COVID-19 pandemic, none of these risks, individually or in the aggregate, have significantly impacted our operations to date.

Our business could also be negatively impacted over the medium-to-longer term if the disruptions related to the COVID-19 pandemic decrease consumer confidence generally or significantly prolong the current economic downturn, which could lead to a decline in public and private development projects and thereby reduce demand for our services. Relatedly, an economic slowdown caused by the outbreak of an infectious disease or other similar adverse public health development could cause, and in some cases have caused, the tax revenues received by federal, state and local government agencies to decline and thereby decrease the funding available for public projects. Such developments could impair our ability to undertake construction projects in a typical manner or at all, generate revenues and cash flows, and/or access the capital or lending markets (or significantly increase the costs of doing so); increase the costs or decrease the supply of raw materials or equipment or the availability of subcontractors and other talent, including as a result of infections or quarantining; and/or result in the diversion of public funds that otherwise would be available for infrastructure projects to support public health efforts. The inherent uncertainty surrounding COVID-19, due in part to rapidly changing governmental directives, public health challenges and progress, and market reactions thereto, also makes it more challenging for our management to estimate the future performance of our business for the remainder of the 2020 fiscal year and beyond.

While it is difficult to estimate the impact that an outbreak of an infectious disease, including the COVID-19 pandemic, could have on our operations, the measures taken by local, state, and federal governments, actions that we take to protect our employees, and the impact on various business activities in affected markets could adversely affect our financial condition, results of operations and cash flows.

***The previously announced phase-out of LIBOR, or the replacement of LIBOR with a different reference rate, may adversely affect the interest rate that we pay on our indebtedness.***

The interest rate that we pay on borrowings under the Amended Credit Agreement is calculated based on a rate spread over LIBOR. In 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it would phase out LIBOR by the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021, or whether alternative rates or benchmarks will be adopted. Changes in the method of calculating LIBOR, or the replacement of LIBOR

with an alternative rate or benchmark, may adversely affect interest rates, including the rates we pay on borrowings under the Amended Credit Agreement, and result in higher borrowing costs. This could materially and adversely affect our results of operations, cash flows and liquidity. The Amended Credit Agreement provides that, upon the occurrence of certain triggering events relating to the end of LIBOR, we and BBVA will select a different benchmark rate to replace LIBOR as the reference rate for interest accruing on certain advances. Changes in, or the inability to agree on, an alternative rate or benchmark may negatively impact the terms of such indebtedness.

**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 quarter covered by this report, the Company did not purchase any of its equity securities that are registered under Section 12(b) 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.**

None.

**Item 6. Exhibits.**

Exhibit Number	Description
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Construction Partners, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 27, 2018)</a>
3.2	<a href="#">Amended and Restated Bylaws of Construction Partners, Inc. (incorporated by reference to Exhibit 3.2 to Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 27, 2018)</a>
3.2A	<a href="#">Amendment to Amended and Restated Bylaws 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 June 4, 2020)</a>
4.1	<a href="#">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)</a>
4.2	<a href="#">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)</a>
10.1	<a href="#">Amended and Restated Credit Agreement, dated as of July 30, 2020, by and among Construction Partners, Inc. and each of its wholly owned subsidiaries, as borrowers, BBVA USA, as agent, sole lead arranger and sole bookrunner, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-38479) filed on August 3, 2020)</a>
10.2	<a href="#">Loan Modification Agreement and Amendment to Loan Documents, dated April 30, 2020, by and among Construction Partners, Inc. (f/k/a SunTx CPI Growth Company, Inc.), Wiregrass Construction Company, Inc., FSC II, LLC, C.W. Roberts Contracting, Incorporated, Everett Dykes Grassing Co., Inc. and The Scruggs Company, as Borrowers, BBVA USA (f/k/a Compass Bank), as Agent for the Lenders and as a Lender and Issuing Bank, and Bank of America, N.A., as a Lender (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-38479) filed on April 30, 2020)</a>
10.3	<a href="#">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)</a>
31.1*	<a href="#">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</a>
31.2*	<a href="#">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</a>
32.1**	<a href="#">Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350</a>
32.2**	<a href="#">Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350</a>
95.1*	<a href="#">Mine Safety Disclosures</a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	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 7th day of August, 2020.

CONSTRUCTION PARTNERS, INC.

By: /s/ Charles E. Owens  
Charles E. Owens  
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.

<u>Name and Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Charles E. Owens</u> Charles E. Owens	President, Chief Executive Officer and Director (Principal Executive Officer)	August 7, 2020
<u>/s/ R. Alan Palmer</u> R. Alan Palmer	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	August 7, 2020

## CERTIFICATION

I, Charles E. Owens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Construction Partners, Inc. for the quarterly period ended June 30, 2020;
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: August 7, 2020

By: /s/ Charles E. Owens

Charles E. Owens

President and Chief Executive Officer

## CERTIFICATION

I, R. Alan Palmer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Construction Partners, Inc. for the quarterly period ended June 30, 2020;
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: August 7, 2020

By: /s/ R. Alan Palmer

R. Alan Palmer

Executive Vice President and Chief Financial Officer

**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 June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Owens, 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: August 7, 2020

By: /s/ Charles E. Owens  
Charles E. Owens  
President and Chief Executive Officer



**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 June 30, 2020, 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: August 7, 2020

By: /s/ R. Alan Palmer

R. Alan Palmer

Executive Vice President and Chief Financial Officer

### 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 June 30, 2020. 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.

Mine Name / ID	(A) Section 104 S&S	(B) Section 104(b)	(C) Section 104(d)	(D) Section 110(b)(2)	(E) Section 107(a)	(F) Proposed Assessments	(G) Fatalities	(H) Pending Legal Action
Riverbend Sand / 09-01023	—	—	—	—	—	\$ —	—	—
Montgomery Sand / 09-00737	—	—	—	—	—	—	—	—
Baldree Sand / 09-01166	—	—	—	—	—	—	—	—
Coosa / 01-03327	—	—	—	—	—	\$ 123	—	—
Skyline / 01-03158	—	—	—	—	—	—	—	—
Lambert / 01-03363	1	—	—	—	—	\$ 369	—	—
Hickory Bend / 01-03403	—	—	—	—	—	—	—	—
Allstate / 01-03406	—	—	—	—	—	\$ 246	—	—
<b>Total</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>\$ 738</b>	<b>—</b>	<b>—</b>

- (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.
- (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 June 30, 2020, 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.