

# Construction Partners, Inc. Announces Fiscal 2020 Second Quarter Results

Q2 Year-over-Year Revenue Up 2.7% and Gross Profit Up 5.9%Company Revises and Narrows FY 2020 Outlook

DOTHAN, Ala., May 08, 2020 (GLOBE NEWSWIRE) -- Construction Partners, Inc. (NASDAQ: ROAD) (the "Company"), a vertically integrated civil infrastructure company specializing in the construction and maintenance of roadways across five southeastern states, today reported financial and operating results for its second fiscal quarter ended March 31, 2020. Results for the quarter included revenues of \$168.7 million, an increase of 2.7%, gross profit of \$21.0 million, an increase of 5.9%, net income of \$1.5 million, a decrease of 63.5%, and adjusted EBITDA<sup>(1)</sup> of \$14.2 million, an increase of 2.0%, compared to the same quarter last year.

Charles E. Owens, the Company's President and Chief Executive Officer, stated, "We are pleased with our second quarter results. Notwithstanding the positive start to the year, we are all responding and adjusting to the unprecedented global health and economic impacts from COVID-19. First and foremost, we are focused on the safety and welfare of our employees, our customers, and the general public. In early March, we implemented additional safety protocols in response to the COVID-19 outbreak. As an essential business, we continued to work throughout the crisis, and we did not incur significant disruptions during the second quarter."

Alan Palmer, the Company's Executive Vice President and Chief Financial Officer, commented, "Our second quarter net income was adversely affected by a \$1.4 million non-cash charge to interest expense related to interest swaps on our outstanding debt and a \$0.8 million non-cash charge to other expense related to fuel swaps that we entered during the quarter to take advantage of historically low diesel fuel prices. We record these derivative instruments at their fair value and record changes in the fair value in current earnings."

Project backlog at March 31, 2020 was \$579.1 million, compared to \$539.1 million at December 31, 2019 and \$584.8 million at March 31, 2019. Palmer continued, "We maintain a construction backlog consisting primarily of recurring maintenance projects, and we continue to see opportunities to bid on these projects in our markets."

Owens commented, "During the second quarter, we acquired two hot mix asphalt plants in the Florida panhandle. The Pensacola plant represents our entry into a new market with the ability to pursue a variety of public, private and Department of Defense projects. This transaction favorably positions us in the Florida panhandle, which we believe is poised for growth in the coming years. Also, this acquisition is already fully integrated.

"Looking forward, while our operations in the second quarter were largely unaffected by

COVID-19, visibility on longer-term public and private construction projects is less clear at this time. Taking into account future economic uncertainties, coupled with our current project work and construction backlog as of March 31, 2020, we are adjusting and narrowing our full-year outlook for fiscal 2020."

### Revised Fiscal Year 2020 Outlook

The Company has revised its outlook for fiscal year 2020 with regard to revenue, net income and Adjusted EBITDA, as follows:

- Revenue of \$820 million to \$830 million
- Net income of \$32 million to \$34 million
- Adjusted EBITDA (1) of \$88 million to \$91 million

Ned N. Fleming, III, the Company's Executive Chairman, stated, "I'm extremely proud of our organization for always putting safety first. The entire team has exemplified this core value during the pandemic by quickly and effectively implementing new protocols to further the safety and welfare of our employees and the communities in which we work. We will continue to be prudent as we navigate forward through these dynamic economic times. However, we expect the demand for infrastructure projects throughout the country to persist, and we believe that we are well-positioned to continue executing on our proven strategy for long-term growth and value creation."

#### **Conference Call**

The Company will conduct a conference call on Friday, May 8, 2020 at 9:00 a.m. Central Time to discuss financial and operating results for the quarter ended March 31, 2020. To access the call live by phone, dial (412) 902-0003 and ask for the Construction Partners call at least 10 minutes prior to the start time. A telephonic replay will be available through May 15, 2020 by calling (201) 612-7415 and using passcode 13701537#. A webcast of the call will also be available live and for later replay on the Company's Investor Relations website at <a href="https://www.constructionpartners.net">www.constructionpartners.net</a>.

### **About Construction Partners, Inc.**

Construction Partners, Inc. is a vertically integrated civil infrastructure company operating across five southeastern states, with 35 hot-mix asphalt plants, nine aggregate facilities and one liquid asphalt terminal. Publicly funded projects make up the majority of its business and include local and state roadways, interstate highways, airport runways and bridges. The majority of the Company's public projects are maintenance-related. Private sector projects include paving and sitework for office and industrial parks, shopping centers, local businesses and residential developments. To learn more, visit <a href="https://www.constructionpartners.net">www.constructionpartners.net</a>.

# **Cautionary Note Regarding Forward-Looking Statements**

Certain statements contained herein that are not statements of historical or current fact constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the use of words such as "may," "will," "expect," "should," "anticipate," "intend," "project," "outlook," "believe" and "plan." The forward-looking statements contained in this press release include, without

limitation, statements related to financial projections, future events, business strategy, future performance, future operations, backlog, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management. These and other forwardlooking statements are based on management's current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Important factors could cause actual results to differ materially from those expressed in the forward-looking statements, including, among others: our ability to successfully manage and integrate acquisitions; failure to realize the expected economic benefits of acquisitions, including future levels of revenues being lower than expected and costs being higher than expected; failure or inability to implement growth strategies in a timely manner; 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 capitalintensive business; government requirements and initiatives, including those related to funding for public or infrastructure construction, land usage and environmental, health and safety matters; unfavorable economic conditions and restrictive financing markets; 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, results of litigation and other claims and insurance coverage issues; risks related to our information technology systems and infrastructure; our ability to maintain effective internal control over financial reporting; risks from the COVID-19 pandemic, and the risks, uncertainties and factors set forth under "Risk Factors" in the Company's most recent Annual Report on Form 10-K and its subsequently filed Quarterly Reports on Form 10-Q. Forward-looking statements speak only as of the date they are made. The Company assumes no obligation to update forward-looking statements to reflect actual results, subsequent events, or circumstances or other changes affecting such statements except to the extent required by applicable law.

# **Contacts:**

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- Financial Statements Follow -

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

	Fo	For the Three Months Ended March 31,		- F		onths Ended h 31,		
		2020		2019		2020		2019
Revenues	\$	168,679	\$	164,304	\$	343,993	\$	318,631
Cost of revenues		147,708		144,503		299,265		277,702
Gross profit		20,971		19,801		44,728		40,929
General and administrative expenses		(16,821)		(14,771)		(33,934)		(29,202)
Settlement income		-		-		-		-
Gain on sale of equipment, net		435		693		744		1,027
Operating income		4,585		5,723		11,538		12,754
Interest expense, net		(1,834)		(379)		(2,115)		(894)
Other income (expense)		(753)		123		(688)		106
Income before provision for income taxes and earnings from		4.000		F 407		0.705		44.000
investment in joint venture		1,998		5,467		8,735		11,966
Provision for income taxes		531		1,488		1,850		3,139
Earnings from investment in joint venture		70		233		113		539
Net income	\$	1,537	\$	4,212	\$	6,998	\$	9,366
Net income per share attributable to common stockholders:								
Basic	\$	0.03	\$	0.08	\$	0.14	\$	0.18
Diluted	\$	0.03	\$	80.0	\$	0.14	\$	0.18
Weighted average number of common shares outstanding:								
Basic	5	1,489,211	5	1,414,619	5	1,489,211	51	1,414,619
Diluted	5	1,619,403	5	1,414,619	5	1,612,340	51	1,414,619

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

	March 31, 2020		Se	September 30, 2019		
ASSETS	(	unaudited)				
Current assets:						
Cash	\$	53,794	\$	80,619		
Contracts receivable including retainage, net		122,897		139,882		
Costs and estimated earnings in excess of billings on uncompleted contracts		16,101		12,030		
Inventories		42,010		34,291		
Prepaid expenses and other current assets		11,547		13,144		
Total current assets		246,349		279,966		
Property, plant and equipment, net		240,083		205,870		
Operating lease right of use assets		8,569		-		
Goodwill		46,348		38,546		
Intangible assets, net		3,329		3,434		
mangible assets, net		109		496		
Investment in joint venture		103		430		
Other assets		1,952		2,284		
Deferred income taxes, net		1,173		1,173		
Total assets	\$	547,912	\$	531,769		
LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities:						
Accounts payable	\$	57,990	\$	70,442		
Billings in excess of costs and estimated earnings on uncompleted contracts	•	29,540	·	31,115		
Current portion of operating lease liabilities		2,722		-		
Current maturities of debt		8,457		7,538		
Accrued expenses and other current liabilities		15,699		19,078		
Total current liabilities		-				
		114,408		128,173		
Long-term liabilities:		F7 000		40.450		
Long-term debt, net of current maturities		57,096		42,458		
Operating lease liabilities, net of current portion		6,058		-		
Deferred income taxes, net		11,480		11,480		
Other long-term liabilities		7,759		6,108		
Total long-term liabilities		82,393		60,046		
Total liabilities		196,801		188,219		
Commitments and contingencies	-					
Stockholders' equity:						
Preferred stock, par value \$0.001; 10,000,000 shares authorized at March 31, 2020 and September 30, 2019 and no shares issued and outstanding		_		-		
Class A common stock, par value \$0.001; 400,000,000 shares authorized, 32,705,418						
shares issued and outstanding at March 31, 2020, and 32,597,736 shares issued and						
outstanding at September 30, 2019		33		33		
Class B common stock, par value \$0.001; 100,000,000 shares authorized, 21,999,279 shares issued and 19,076,327 outstanding at March 31, 2020, and 22,106,961 shares						
issued and 19,184,009 shares outstanding at September 30, 2019		22		22		
Additional paid-in capital		244,237		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		122,422		115,646		
Total stockholders' equity		351,111	· -	343,550		
Total liabilities and stockholders' equity	\$	547,912	\$	531,769		
Total Habilities and stockholders equity	Ψ	0-1,012	Ψ	001,700		

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

Cash flows from operating activities:         2020         2019           Nationcome         8,098         9,366           Adjustments to reconcile net income to net cash provided by operating activities:         19,031         14,639           Depreciation, depletion and amortization of long-lived assets         19,031         14,639           Amortization of deferred debt issuance costs and debt discount         2,263         331           Cisin) loss on derivative instruments         2,263         331           Provision for bad debt         305         2,208           Gain on sale of equipment         (744)         (727)           Earnings from investment in joint venture         (113)         (539)           Chier, nor-cash adjustments         (11)         (539)           Cherry of Cherry and adjustments         (11)         (539)           Cherry of Cherry and adjustments         (11)         (3201)           Cherry of Cherry and adjustments         (11)         (3201)           Contracts receivable including retainage, net of acquisition         (16,680)         14,460           Contracts receivable including retainage, net of acquisition         (1,571)         (2,987)           Cher assets         332         38,585           Costs and estimated earnings of the cast provided properating ac	-	For the Six Months Ended March 31,			
Net income         6,998         9,366           Adjustments to reconcile net ciacome to net cash provided by operating activities:         19,031         14,639           Depreciation, depletion and amortization of long-lived assets         19,031         14,639           Amortization of deferred debt issuance costs and debt discount         2,263         335           C(ain) loss on derivative instruments         2,005         290           Gain on sale of equipment         (10,027)         305         290           Gain on sale of equipment         (113)         (539)         -2           Earnings from investment in joint venture         (113)         (539)         -2           Charpas in operating assets and liabilities, net of acquisition:         16,680         14,460         14,460           Costs and estimated earnings in excess of billings on uncompleted contracts         (4,071)         (3,261)         1,937         (2,987)         2,2987         1,937         (2,987)         2,2987         2,2987         1,937         2,2987         2,2987         2,2987         2,2887         2,2887         2,2887         2,2987         2,2887         2,2887         2,2887         2,2887         2,2887         2,2887         2,2887         2,2887         2,2887         2,2887         2,2887         2,2887		-	2020		2019
Agiusments to reconcile net income to net cash provided by operating activities:   Depreciation, depletion and amortization of long-lived assets   19,031   14,639   16,031   16,030	Cash flows from operating activities:			-	
Depreciation, depletion and amortization of long-lived assets         19,031         14,639           Amortization of deferred debt issuance costs and debt discount         74         55           (Gain) loss on derivative instruments         2,263         331           Provision for bad debt         (744)         (1,027)           Equity-based compensation expense         785         —           Equity-based compensation expense         785         —           Charges in operating assets and liabilities, net of acquisition:         (113)         —           Charges in operating assets and liabilities, net of acquisition:         16,680         14,460           Contracts receivable including retainage, net         16,680         14,460           Contracts receivable including retainage, net         16,680         14,460           Inventories         1,597         (2,987)           Other assets         1,597         (2,987)           Cost and estimated earnings on uncompleted contracts         1,157         (3,081)           Net cash provided by operating activities, net of acquisition         20,476         5,299           Differencess of costs and estimated earnings on uncompleted contracts         1,157         4,081           Net cash provided by operating activities         3,967         1,1972	Net income	\$	6,998	\$	9,366
Amontzation of deferred debt issuance costs and debt discount         74         55           (Gain) loss on derivative instruments         2,663         33 al           Provision for bad debt         7744         (1,027)           Cain on sale of equipment         (744)         (1,027)           Equily-based compensation expense         (113)         (539)           Earnings from investment in joint venture         (113)         (539)           Other non-cash adjustments         (113)         (328)           Changes in operating assets and liabilities, net of acquisition:         (16,680)         14,460           Costs and estimated earnings in excess of billings on uncompleted contracts         (4,632)         (7,965)           Inventories         (4,632)         (7,965)           Prepaid expenses and other current assets         (15,971)         (2,987)           Prepaid expenses and other current assets         (12,452)         (15,911)           Other assets         (32,32)         (386)           Accounts payable         (11,575)         (4,081)           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575)         (4,081)           Accused expenses and other current liabilities         (34,512)         (1,982)           Other long-term liabilities	Adjustments to reconcile net income to net cash provided by operating activities:				
Amontzation of deferred debt issuance costs and debt discount         74         55           (Gain) loss on derivative instruments         2,663         33 al           Provision for bad debt         7744         (1,027)           Cain on sale of equipment         (744)         (1,027)           Equily-based compensation expense         (113)         (539)           Earnings from investment in joint venture         (113)         (539)           Other non-cash adjustments         (113)         (328)           Changes in operating assets and liabilities, net of acquisition:         (16,680)         14,460           Costs and estimated earnings in excess of billings on uncompleted contracts         (4,632)         (7,965)           Inventories         (4,632)         (7,965)           Prepaid expenses and other current assets         (15,971)         (2,987)           Prepaid expenses and other current assets         (12,452)         (15,911)           Other assets         (32,32)         (386)           Accounts payable         (11,575)         (4,081)           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575)         (4,081)           Accused expenses and other current liabilities         (34,512)         (1,982)           Other long-term liabilities	Depreciation, depletion and amortization of long-lived assets		19,031		14,639
Prowision for bad debt         305         280           Gain on sale of equipment         (744)         (1,027)           Equilty-based compensation expense         785         —           Earnings from investment in joint venture         (113)         (593)           Other non-cash adjustments         (111)         —           Contracts receivable including retainage, net         16,680         14,460           Costs and estimated earnings in excess of billings on uncompleted contracts         (4,071)         (3,261)           Inventories         (4,632)         (7,965)           Prepaid expenses and other current assets         1,597         (2,987)           Accounts payable         (12,452)         (15,911)           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,755)         (4,081)           Accrued expenses and other current liabilities         (3,967)         (1,972)           Other inon-term liabilities         (34,512)         (1,972)           Other conget miles of property, plant and equipment         (34,512)         (19,802)           Purchases of property, plant and equipment         (34,512)         (19,802)           Proceeds from investing activities         (30,191)         (6,854)           Business acquisitions, net of cash acquired			74		55
Gain on sale of equipment         (744)         (1,027)           Equity-based compensation expense         785         —           Earnings from investment in joint venture         (113)         (599)           Other non-cash adjustments         (111)         —           Contracts receivable including retainage, net         16,680         14,460           Costs and estimated earnings in excess of billings on uncompleted contracts         (4,632)         (7,965)           Prepaid expenses and other current assets         (4,632)         (7,965)           Prepaid expenses and other current assets         332         3,865           Accounts payable         (12,452)         (15,911)           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575)         (4,081)           Accounts payable         (12,452)         (15,911)         36           Net cash growled by operating activities, net of acquisition         20,476         5,299           Cast flows from investing activities, net of acquisition         30,476         5,299           Purchases of property, plant and equipment         (34,512)         (19,802)           Proceeds from investing activities         (30,191)         (8,854)           Acquisition of liquid asphalt terminal assets         (20,20)         10,00	(Gain) loss on derivative instruments		2,263		331
Equity-based compensation expense         785         —           Earnings from investment in joint venture         (113)         539 )           Other non-cash adjustments         (11)         —           Changes in operating assets and liabilities, net of acquisition:         16,800         14,460           Costs and estimated earnings in excess of billings on uncompleted contracts         (4,071)         (3,261)           Inventories         (4,632)         7,965 )           Prepaid expenses and other current assets         332         3,865           Accounts payable         (12,452)         (15,911)           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575)         (4,081)           Accrued expenses and other current liabilities         (3,967)         (1,972)           Other long-term liabilities         (3,967)         (1,972)           Purchases of property, plant and equipment         (34,512) </td <td>Provision for bad debt</td> <td></td> <td>305</td> <td></td> <td>290</td>	Provision for bad debt		305		290
Earnings from investment in joint venture         (113)         (539)           Other non-cash adjustments         (11)         a           Changes in operating assets and liabilities, net of acquisition:         Tenders in operating assets and liabilities, net of acquisitions:         16,680         14,460           Costs and estimated earnings in excess of billings on uncompleted contracts         (4,071)         (3,261)           Inventories         (4,632)         (7,965)           Prepaid expenses and other current assets         1,597         (2,987)           Other assets         3,365         3,865           Accounts payable         (12,452)         (15,911)           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575)         (4,081)           Accrued expenses and other current liabilities         3,967         (1,972)           Other long-term liabilities         3,967         (1,972)           Ottack flows from investing activities, net of acquisition         3,4512         (1,982)	Gain on sale of equipment		(744)		(1,027)
Other non-cash adjustments         (11)         ————————————————————————————————————	Equity-based compensation expense		785		
Changes in operating assets and liabilities, net of acquisition:         16,680         14,460           Costs and estimated earnings in excess of billings on uncompleted contracts         (4,071)         (3,261)           Inventories         (4,632)         (7,965)           Prepaid expenses and other current assets         1,597         (2,987)           Other assets         332         3,865           Accounts payable         (12,452)         (15,911)           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575)         (4,081)           Accrued expenses and other current liabilities         (3967)         (1,972)           Other long-term liabilities         (30,67)         (1,972)           Other long-term liabilities         (30,67)         (1,972)           Other long-term liabilities         (34,512)         (39,67)           Net cash provided by operating activities, net of acquisition         (34,512)         (19,802)           Purchases of property, plant and equipment         (34,512)         (19,802)           Proceeds from investing activities         (34,512)         (19,802)           Proceeds from sale of equipment         (34,512)         (34,512)         (34,655)           Acquisition of liquid asphalt terminal assets         (6,704)         (35,119)	Earnings from investment in joint venture		(113)		(539)
Contracts receivable including retainage, net         16,680         14,460           Costs and estimated earnings in excess of billings on uncompleted contracts         (4,632)         (7,965)           Inventories         (4,632)         (7,965)           Prepaid expenses and other current assets         1,597         (2,987)           Other assets         (12,452)         (15,911)           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575)         (4,081)           Accounts payable         (24,987)         (3,967)         (1,972)           Chert cash provided expenses and other current liabilities         (24)         36           Net cash provided by operating activities, net of acquisition         20,476         5,299           Chert cash provided by operating activities, net of acquisition         34,512         (19,802)           Purchases of property, plant and equipment         (34,512)         (19,802)           Proceeds from sale of equipment         1,419         2,505           Business acquisitions, net of cash acquired         (30,191)         (8,884)           Acquisition of liquid asphalt terminal assets         —         (62,784)         (35,119)           Businous acquisitions received from investment in joint venture         50         4,20         3,20	Other non-cash adjustments		(11 )		
Costs and estimated earnings in excess of billings on uncompleted contracts         (4,071 )         (3,261 )           Inventories         (4,632 )         (7,965 )           Prepaid expenses and other current assets         1,597 (2,987 )           Other assets         332 (3,865 )           Accounts payable         (12,452 )         (15,911 )           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575 )         (4,081 )           Accrued expenses and other current liabilities         (3,967 )         (1,972 )           Other long-term liabilities         (24 )         36           Net cash provided by operating activities, net of acquisition         (24 )         36           Net cash provided by operating activities.         (24 )         36           Net cash provided by operating activities.         (34,512 )         (19,802 )           Proceeds from investing activities         (34,512 )         (19,802 )           Proceeds from sale of equipment         (34,512 )         (19,802 )           Proceeds from sale of equipment in joint venture         (30,191 )         (36,854 )           Net cash provided by investing activities         (26,284 )         (35,119 )           Net cash flows from financing activities         (26,284 )         (35,119 )           Net cash pro	Changes in operating assets and liabilities, net of acquisition:				
Costs and estimated earnings in excess of billings on uncompleted contracts         (4,071 )         (3,261 )           Inventories         (4,632 )         (7,965 )           Prepaid expenses and other current assets         1,597 (2,987 )           Other assets         332 (3,865 )           Accounts payable         (12,452 )         (15,911 )           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575 )         (4,081 )           Accrued expenses and other current liabilities         (3,967 )         (1,972 )           Other long-term liabilities         (24 )         36           Net cash provided by operating activities, net of acquisition         (24 )         36           Net cash provided by operating activities.         (24 )         36           Net cash provided by operating activities.         (34,512 )         (19,802 )           Proceeds from investing activities         (34,512 )         (19,802 )           Proceeds from sale of equipment         (34,512 )         (19,802 )           Proceeds from sale of equipment in joint venture         (30,191 )         (36,854 )           Net cash provided by investing activities         (26,284 )         (35,119 )           Net cash flows from financing activities         (26,284 )         (35,119 )           Net cash pro	Contracts receivable including retainage, net		16,680		14,460
Inventories         (4,632 )         (7,965 )           Prepaid expenses and other current assets         1,597 (2,987 )         (2,987 )           Other assets         332 (15,911 )         3,865           Accounts payable         (12,452 )         (15,911 )           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575 )         (4,081 )           Accrued expenses and other current liabilities         (3,967 )         (1,972 )           Other long-term liabilities         (24 )         36           Net cash provided by operating activities, net of acquisition         20,476         5,299           Cash flows from investing activities.         20,476         5,299           Purchases of property, plant and equipment         (34,512 )         (19,802 )           Proceeds from sale of equipment         (34,512 )         (19,802 )           Proceeds from sale of equipment in joint venture         (30,191 )         (8,854 )           Acquisition of liquid asphalt terminal assets         —         (10,488 )           Distributions received from investment in joint venture         50         1,800           Net cash used in investing activities         (62,784 )         (35,119 )           Cash flows from financing activities         (4,627 )         (7,406 )			(4,071)		(3,261)
Prepaid expenses and other current assets         1,597         (2,987)           Other assets         332         3,865           Accounts payable         (12,452)         (15,911)           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575)         (4,081)           Accrued expenses and other current liabilities         (3,967)         (1,972)           Other long-term liabilities         (24)         36           Net cash provided by operating activities, net of acquisition         20,476         5,299           Cash flows from investing activities.         34,512         (19,802)           Proceeds from sale of equipment         (34,512)         (19,802)           Proceeds from sale of equipment         (30,191)         (8,854)           Acquisition of liquid asphalt terminal assets         —         (10,848)           Distributions received from investment in joint venture         500         1,800           Net cash used in investing activities         (62,784)         (35,119)           Repayments of long-term debt, net of debt issuance costs and discount         24,777         —           Repayments of long-term debt         (26,825)         (37,226)           Net cash provided by (used in) financing activities         38,619         99,137 <td< td=""><td></td><td></td><td>(4,632 )</td><td></td><td></td></td<>			(4,632 )		
Other assets         332         3,865           Accounts payable         (12,452)         (15,911)           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575)         4,081 )           Accrued expenses and other current liabilities         (3,967)         (1,972)           Other long-term liabilities         (24)         36           Net cash provided by operating activities, net of acquisition         20,476         5,299           Cash flows from investing activities.         (34,512)         (19,802)           Proceeds from sale of equipment         (34,512)         (19,802)           Proceeds from sale of equipment in season property, plant and equipment         (30,191)         (8,854)           Acquisition of liquid asphalt terminal assets         9         (10,848)           Distributions received from investment in joint venture         500         1,800           Net cash used in investing activities         (82,784)         (35,119)           Cash flows from financing activities         44,777            Repayments of long-term debt, net of debt issuance costs and discount         24,777            Repayments of long-term debt, net of debt issuance costs and discount         8,0619         99,137           Net change in cash and cash equivalents         8,0619<	Prepaid expenses and other current assets				
Accounts payable         (12,452 )         (15,911 )           Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575 )         (4,081 )           Accrued expenses and other current liabilities         (3,967 )         (1,972 )           Other long-term liabilities         (24 )         36           Net cash provided by operating activities, net of acquisition         20,476         5,299           Cash flows from investing activities.           Purchases of property, plant and equipment         (34,512 )         (19,802 )           Proceeds from sale of equipment         (30,191 )         (8,854 )           Acquisition of liquid asphalt terminal assets         —         (10,848 )           Distributions received from investment in joint venture         500 (2,784 )         (35,119 )           Net cash used in investing activities         (62,784 )         (35,119 )           Ret cash used in investing activities         (62,784 )         (35,119 )           Proceeds from issuance of long-term debt, net of debt issuance costs and discount         24,777 (3,706 )         —           Repayments of long-term debt, net of debt issuance costs and discount         24,777 (4,766 )         —           Net cash provided by (used in) financing activities         30,619 (3,924 )         37,226 )           Cash and cash equ					
Billings in excess of costs and estimated earnings on uncompleted contracts         (1,575 )         (4,081 )           Accrued expenses and other current liabilities         (3,967 )         (1,972 )           Other long-term liabilities         (24 )         36           Net cash provided by operating activities, net of acquisition         20,476         5,299           Cash flows from investing activities.           Purchases of property, plant and equipment         (34,512 )         (19,802 )           Proceeds from sale of equipment         1,419 2         2,585           Business acquisitions, net of cash acquired         (30,191 )         (8,854 )           Acquisition of liquid asphalt terminal assets         —         (10,848 )           Distributions received from investment in joint venture         500 1,800         1,800           Net cash used in investing activities         (62,784 )         (35,119 )           Cash flows from financing activities         (62,784 )         (35,119 )           Proceeds from issuance of long-term debt, net of debt issuance costs and discount         24,777 (9,294 )         —           Repayments of long-term debt, net of debt issuance costs and discount         24,777 (9,294 )         —           Net cash provided by (used in) financing activities         80,619 (9,294 )         (7,406 )           Cash	Accounts payable		(12,452)		
Accrued expenses and other current liabilities         (3,967)         (1,972)           Other long-term liabilities         (24)         36           Net cash provided by operating activities, net of acquisition         20,476         5,299           Cash flows from investing activities.	• •		, ,		
Other long-term liabilities         (24 )         36           Net cash provided by operating activities, net of acquisition         20,476         5,299           Cash flows from investing activities.         Secondary         Secondary           Purchases of property, plant and equipment         (34,512 )         (19,802 )           Proceeds from sale of equipment         1,419 (30,191 )         (8,854 )           Acquisition of liquid asphalt terminal assets         —         (10,848 )           Distributions received from investment in joint venture         500 (62,784 )         36,110 )           Net cash used in investing activities         (62,784 )         36,110 )           Cash flows from financing activities         (62,784 )         35,119 )           Pocaeds from issuance of long-term debt, net of debt issuance costs and discount         24,777 (7,406 )         —           Repayments of long-term debt (9,094 ) (1,406 )         15,483 (7,406 )         (7,406 )           Net cash provided by (used in) financing activities         36,619 (9,994 )         (7,406 )           Net change in cash and cash equivalents         (26,825 )         (37,226 )           Cash and cash equivalents         (26,825 )         (37,226 )           End of period         80,619 (9,994 )         9,137 (9,994 )           End of period         80,			, ,		, ,
Net cash provided by operating activities, net of acquisition         20,476         5,299           Cash flows from investing activities:         City         <	•				,
Cash flows from investing activities:           Purchases of property, plant and equipment         (34,512 )         (19,802 )           Proceeds from sale of equipment         1,419         2,585           Business acquisitions, net of cash acquired         (30,191 )         (8,854 )           Acquisition of liquid asphalt terminal assets         —         (10,848 )           Distributions received from investment in joint venture         500 1,800           Net cash used in investing activities         (62,784 )         (35,119 )           Cash flows from financing activities         (62,784 )         (35,119 )           Cash flows from financing activities         (62,784 )         (35,119 )           Proceeds from issuance of long-term debt, net of debt issuance costs and discount         24,777 — —         —           Repayments of long-term debt         (9,294 )         (7,406 )           Net cash provided by (used in) financing activities         15,483 (7,406 )         (7,406 )           Net change in cash and cash equivalents         (80,894 )         99,137           Egginning of period         80,619 99,137         99,137           End of period         80,619 99,137         99,137           Cash paid for interest         \$9,24 \$1,365           Cash paid for income taxes         \$3,400 \$1,532		-		-	
Purchases of property, plant and equipment         (34,512 )         (19,802 )           Proceeds from sale of equipment         1,419         2,585           Business acquisitions, net of cash acquired         (30,191 )         (8,854 )           Acquisition of liquid asphalt terminal assets         —         (10,848 )           Distributions received from investment in joint venture         500         1,800           Net cash used in investing activities         (62,784 )         (35,119 )           Cash flows from financing activities         24,777         —           Proceeds from issuance of long-term debt, net of debt issuance costs and discount         24,777         —           Repayments of long-term debt         (9,294 )         (7,406 )           Net cash provided by (used in) financing activities         15,483         (7,406 )           Net cash provided by (used in) financing activities         80,619         99,137           Net change in cash and cash equivalents         80,619         99,137           Eaginning of period         80,619         99,137           End of period         80,619         99,137           End of period         \$3,794         61,911           Cash paid for interest         \$3,400         1,365           Cash paid for income taxes         <					0,200
Proceeds from sale of equipment         1,419         2,585           Business acquisitions, net of cash acquired         (30,191)         (8,854)           Acquisition of liquid asphalt terminal assets         —         (10,848)           Distributions received from investment in joint venture         500         1,800           Net cash used in investing activities         (62,784)         (35,119)           Cash flows from financing activities         24,777         —           Repayments of long-term debt, net of debt issuance costs and discount         (9,294)         (7,406)           Net cash provided by (used in) financing activities         15,483         (7,406)           Net change in cash and cash equivalents         (26,825)         (37,226)           Cash and cash equivalents:         80,619         99,137           End of period         80,619         99,137           End of period         \$ 53,794         \$ 61,911           Supplemental cash flow information:           Cash paid for income taxes         \$ 924         \$ 1,365           Cash paid for income taxes         \$ 3,400         \$ 1,532           Operating lease right-of-use assets obtained in exchange for operating lease liabilities         \$ 1,672         \$ -           Non-cash items:         794         369			(34 512 )		(19.802.)
Business acquisitions, net of cash acquired         (30,191)         (8,854)           Acquisition of liquid asphalt terminal assets         —         (10,848)           Distributions received from investment in joint venture         500         1,800           Net cash used in investing activities         (62,784)         (35,119)           Cash flows from financing activities         -         -           Proceeds from issuance of long-term debt, net of debt issuance costs and discount         24,777         —           Repayments of long-term debt         (9,294)         (7,406)           Net cash provided by (used in) financing activities         15,483         (7,406)           Net change in cash and cash equivalents         (26,825)         (37,226)           Cash and cash equivalents:         80,619         99,137           End of period         80,619         99,137           End of period         80,619         99,137           End of period         90,017         1,365           Cash paid for interest         924         1,365           Cash paid for interest         924         1,365           Cash paid for income taxes         3,400         1,532           Operating lease right-of-use assets obtained in exchange for operating lease liabilities         1,140         - </td <td></td> <td></td> <td></td> <td></td> <td></td>					
Acquisition of liquid asphalt terminal assets         —         (10,848)           Distributions received from investment in joint venture         500         1,800           Net cash used in investing activities         (62,784)         (35,119)           Cash flows from financing activities:         -         -           Proceeds from issuance of long-term debt, net of debt issuance costs and discount         24,777         -           Repayments of long-term debt         (9,294)         (7,406)           Net cash provided by (used in) financing activities         15,483         (7,406)           Net cash and cash equivalents         (26,825)         (37,226)           Cash and cash equivalents:         80,619         99,137           End of period         80,619         99,137           End of period         \$53,794         61,911           Supplemental cash flow information:           Cash paid for interest         \$924         1,365           Cash paid for income taxes         \$3,400         1,532           Operating lease right-of-use assets obtained in exchange for operating lease liabilities         1,140         -           Cash paid for operating lease liabilities         1,672         -           Non-cash items:           Property, plant and equipment financed with ac					
Distributions received from investment in joint venture         500         1,800           Net cash used in investing activities         (62,784)         (35,119)           Cash flows from financing activities:           Proceeds from issuance of long-term debt, net of debt issuance costs and discount         24,777         —           Repayments of long-term debt         (9,294)         (7,406)           Net cash provided by (used in) financing activities         15,483         (7,406)           Net change in cash and cash equivalents         (26,825)         (37,226)           Cash and cash equivalents:           Beginning of period         80,619         99,137           End of period         \$ 53,794         61,911           Supplemental cash flow information:           Cash paid for interest         \$ 924         1,365           Cash paid for income taxes         \$ 3,400         1,532           Operating lease right-of-use assets obtained in exchange for operating lease liabilities         1,140         —           Cash paid for operating lease liabilities         1,672         —           Non-cash items:           Property, plant and equipment financed with accounts payable         794         369			(00,101)		
Net cash used in investing activities         (62,784 )         (35,119 )           Cash flows from financing activities:         Proceeds from issuance of long-term debt, net of debt issuance costs and discount         24,777 (			500		
Cash flows from financing activities:           Proceeds from issuance of long-term debt, net of debt issuance costs and discount         24,777         —           Repayments of long-term debt         (9,294)         (7,406)         )           Net cash provided by (used in) financing activities         15,483         (7,406)         )           Net change in cash and cash equivalents         (26,825)         (37,226)         )           Cash and cash equivalents:         80,619         99,137           End of period         \$ 53,794         \$ 61,911           Supplemental cash flow information:           Cash paid for interest         \$ 924         \$ 1,365           Cash paid for income taxes         \$ 3,400         \$ 1,532           Operating lease right-of-use assets obtained in exchange for operating lease liabilities         \$ 1,140         —           Cash paid for operating lease liabilities         \$ 1,672         —           Non-cash items:           Property, plant and equipment financed with accounts payable         \$ 794         \$ 369	•				
Proceeds from issuance of long-term debt, net of debt issuance costs and discount Repayments of long-term debt in exchange of samples of the samples of t		-	(02,704 )	-	(33,119 )
Repayments of long-term debt  Net cash provided by (used in) financing activities  Net change in cash and cash equivalents  Cash and cash equivalents  Beginning of period End of period  Supplemental cash flow information:  Cash paid for interest  Cash paid for income taxes  Operating lease right-of-use assets obtained in exchange for operating lease liabilities  Non-cash items:  Property, plant and equipment financed with accounts payable  (9,294) (7,406) (7,406) (7,406) (7,406) (7,406) (7,406) (7,406) (1,406) (1,548) (7,406) (37,226) (3			24 777		
Net cash provided by (used in) financing activities 15,483 (7,406)  Net change in cash and cash equivalents (26,825) (37,226)  Cash and cash equivalents:  Beginning of period 80,619 99,137  End of period \$53,794 \$61,911   Supplemental cash flow information:  Cash paid for interest \$924 \$1,365  Cash paid for income taxes \$3,400 \$1,532  Operating lease right-of-use assets obtained in exchange for operating lease liabilities \$1,140 \$—  Cash paid for operating lease liabilities \$1,672 \$—  Non-cash items:  Property, plant and equipment financed with accounts payable \$794 \$369					(7.406.)
Net change in cash and cash equivalents  Cash and cash equivalents:  Beginning of period  Supplemental cash flow information:  Cash paid for interest  Cash paid for income taxes  Operating lease right-of-use assets obtained in exchange for operating lease liabilities  Non-cash items:  Property, plant and equipment financed with accounts payable  (26,825)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (37,226)  (4,825)  (37,226)  (4,911)  (5,911)  (6,911)  (7,911)  (7,911)  (7,912)  (7,912)  (7,912)  (7,913)  (7,914)  (7,912)  (7,913)  (7,914)  (7,913)  (7,914)					
Cash and cash equivalents:Beginning of period80,61999,137End of period\$ 53,794\$ 61,911Supplemental cash flow information:Cash paid for interest\$ 924\$ 1,365Cash paid for income taxes\$ 3,400\$ 1,532Operating lease right-of-use assets obtained in exchange for operating lease liabilities\$ 1,140\$ —Cash paid for operating lease liabilities\$ 1,672\$ —Non-cash items:Property, plant and equipment financed with accounts payable\$ 794\$ 369					, ,
Beginning of period 80,619 99,137 End of period \$53,794 \$61,911  Supplemental cash flow information:  Cash paid for interest \$924 \$1,365 Cash paid for income taxes \$3,400 \$1,532 Operating lease right-of-use assets obtained in exchange for operating lease liabilities \$1,140 \$— Cash paid for operating lease liabilities \$1,672 \$— Non-cash items:  Property, plant and equipment financed with accounts payable \$794 \$369	·		(26,825)		(37,226)
End of period  Supplemental cash flow information:  Cash paid for interest  Cash paid for income taxes  Cash paid for income taxes  Supplemental cash flow information:  Cash paid for interest  Supplemental cash flow information:  Sup			00.040		00.407
Supplemental cash flow information:  Cash paid for interest  Cash paid for income taxes  Operating lease right-of-use assets obtained in exchange for operating lease liabilities  Cash paid for operating lease liabilities  Ton-cash paid for operating lease liabilities  Ton-cash items:  Property, plant and equipment financed with accounts payable  Supplemental cash flow information:  \$ 1,365  \$ 1,365  \$ 1,140  \$		_			•
Cash paid for interest \$ 924 \$ 1,365 Cash paid for income taxes \$ 3,400 \$ 1,532 Operating lease right-of-use assets obtained in exchange for operating lease liabilities \$ 1,140 \$ — Cash paid for operating lease liabilities \$ 1,672 \$ — Non-cash items: Property, plant and equipment financed with accounts payable \$ 794 \$ 369	End of period	\$	53,794	\$	61,911
Cash paid for interest \$ 924 \$ 1,365 Cash paid for income taxes \$ 3,400 \$ 1,532 Operating lease right-of-use assets obtained in exchange for operating lease liabilities \$ 1,140 \$ — Cash paid for operating lease liabilities \$ 1,672 \$ — Non-cash items: Property, plant and equipment financed with accounts payable \$ 794 \$ 369	Supplemental each flow information:				
Cash paid for income taxes  Operating lease right-of-use assets obtained in exchange for operating lease liabilities  Cash paid for operating lease liabilities  \$ 1,140 \$ —  Cash paid for operating lease liabilities  \$ 1,672 \$ —  Non-cash items:  Property, plant and equipment financed with accounts payable  \$ 794 \$ 369	••				
Operating lease right-of-use assets obtained in exchange for operating lease liabilities \$ 1,140 \$ —  Cash paid for operating lease liabilities \$ 1,672 \$ —  Non-cash items:  Property, plant and equipment financed with accounts payable \$ 794 \$ 369	Cash paid for interest		924	\$	1,365
Cash paid for operating lease liabilities \$ 1,672 \$ — Non-cash items: Property, plant and equipment financed with accounts payable \$ 794 \$ 369	·				1,532
Non-cash items: Property, plant and equipment financed with accounts payable \$ 794 \$ 369					_
		\$	1,672	\$	_
	Property, plant and equipment financed with accounts payable	\$	794	\$	369
	Amounts payable to Seller in business combination		2,642		_

# **Reconciliation of Non-GAAP Financial Measures**

Adjusted EBITDA represents net income before, as applicable from time to time, (i) interest expense, net, (ii) provision (benefit) for income taxes, (iii) depreciation, depletion and amortization of long-lived assets, (iv) equity-based compensation expense and (v) certain management fees and expenses, and excludes income recognized in connection with a legal settlement between certain of the Company's subsidiaries and a third party that did not directly relate to the Company's business and that the Company does not expect to reoccur. Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of revenues for each

period. Adjusted EBITDA and Adjusted EBITDA Margin are supplemental measures of our operating performance that are neither required by, nor presented in accordance with, GAAP. These measures should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP as an indicator of our operating performance. Management uses Adjusted EBITDA and Adjusted EBITDA Margin as key performance indicators, and we believe they are measures frequently used by securities analysts, investors and other parties to evaluate companies in our industry. These measures have limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of our results as reported under GAAP.

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 tables present a reconciliation of net income, the most directly comparable measure calculated in accordance with GAAP, to Adjusted EBITDA, and the calculation of Adjusted EBITDA Margin for each of the periods presented:

# Construction Partners, Inc. Net Income to Adjusted EBITDA Reconciliation Fiscal Quarters Ended March 31, 2020 and 2019 (unaudited, in thousands, except percentages)

	For	For the Three Months Ended March 31,					
		2020					
Net income	\$	1,537	\$	4,212			
Interest expense, net		1,834		379			
Provision for income taxes		531		1,488			
Depreciation, depletion and amortization of long-lived assets		9,593		7,501			
Equity-based compensation expense		390		_			
Management fees and expenses (1)		357		387			
Adjusted EBITDA	\$	14,242	\$	13,967			
Revenues	\$	168,679	\$	164,304			
Adjusted EBITDA Margin		8.4 %	)	8.5 %			

(1) Reflects fees and reimbursement of certain out-of-pocket expenses under a management services agreement with an affiliate of SunTx Capital Partners, the Company's controlling stockholder.

Construction Partners, Inc.

Net Income to Adjusted EBITDA Reconciliation
Fiscal Year 2020 Updated Outlook
(unaudited, in thousands)

# For the Fiscal Year Ending September 30, 2020

	Low			High		
Net income	\$	32,000	\$	34,000		
Interest expense, net		3,300		3,300		
Provision for income taxes		10,700		11,400		
Depreciation, depletion and amortization		39,000		39,300		
Equity-based compensation expense		1,600		1,600		
Management fees and expenses (2)		1,400		1,400		
Adjusted EBITDA	\$	88,000	\$	91,000		

(1) Reflects fees and reimbursement of certain travel expenses under a management services agreement with an affiliate of SunTx Capital Partners, the Company's controlling stockholder.



Source: Construction Partners, Inc.