

# Construction Partners, Inc. Announces Fiscal 2022 Third Quarter Results

Revenue Up 45%, Net Income Up 30%, Adjusted EBITDA Up 30%, Compared to FYQ3 Last Year

Company Reports Record Backlog of \$1.33 Billion

DOTHAN, Ala., Aug. 5, 2022 /PRNewswire/ -- Construction Partners, Inc. (NASDAQ: ROAD) ("CPI" or 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 the fiscal quarter ended June 30, 2022.

Fred J. (Jule) Smith, III, the Company's President and Chief Executive Officer, said, "We are pleased with our 3<sup>rd</sup> quarter results, achieving record revenue and Adjusted EBITDA driven by the continued strong demand for infrastructure services throughout our end markets in both the private and public sectors. Our mix of growth for the quarter consisted of approximately 25 percent organic revenue and approximately 20 percent from recent acquisitions. Revenue was driven by a high volume of project work coupled with favorable weather across our region, as well as our bids reflecting higher project prices due to inflation. We continue to win new project work across our five-state footprint in the southeastern U.S., and we ended the quarter with a new record for project backlog of \$1.33 billion. In addition, similar to last quarter, our backlog margins continue to grow, and we anticipate that this healthy backlog margin growth will mean higher future profit margins as backlog is converted. Based on the strong revenue performance in the third quarter and record high backlog, we are raising our FY2022 outlook for revenue."

Revenues for the third fiscal quarter of 2022 were \$380.3 million, an increase of 45% compared to the third fiscal quarter of last year. Gross profit was \$44.3 million in the third fiscal quarter of 2022, compared to \$36.6 million in the third fiscal quarter of last year.

General and administrative expenses were \$26.6 million for the third fiscal quarter of 2022, compared to \$23.2 million in the third fiscal quarter of last year. General and administrative expenses as a percentage of total revenue in the third quarter of 2022 were 7.0%, compared to 8.9% in the third quarter of last year.

Net income was \$12.2 million for the third fiscal quarter of 2022, an increase of 30% compared to net income of \$9.3 million in the third fiscal quarter of last year.

Adjusted EBITDA<sup>(1)</sup> for the third fiscal quarter of 2022 was \$37.6 million, an increase of 30% compared to \$29.0 million for the third fiscal quarter of last year.

Project backlog was \$1.33 billion at June 30, 2022, compared to \$822.9 million at June 30, 2021 and \$1.28 billion at March 31, 2022.

Smith continued, "I am proud of our team's continued commitment and hard work to push through today's challenging environment, particularly as we have implemented new actions over the past several months in response to the rapid rise of inflation, supply chain constraints and tight labor market dynamics. While these conditions persist, the resilience of our employees and our strategic business model, with shorter duration projects generating higher turnover in backlog as we work to pass through increasing costs on new project work, is gaining momentum and increasing our profitability and margins in the second half of FY2022.

"It is also important to recognize the more than 3,800 CPI employees, which includes 200 new employees that we welcomed to the company earlier this week through our acquisition of Southern Asphalt, Inc., in South Carolina. We are thankful for our employees' continued commitment to safety at the jobsite and operational excellence in pursuit of our strategic goals, despite the ongoing supply and labor challenges of the U.S. economy," added Smith.

# Fiscal Year 2022 Outlook

The Company has updated its full-year 2022 guidance to reflect the strong project demand environment and the continued inflation and elevated energy costs that it believes will persist during the fiscal year. The Company's outlook for fiscal year 2022 with regard to revenue, net income and Adjusted EBITDA is as follows:

- Revenue in the range of \$1.25 billion to \$1.28 billion
- Net income in the range of \$17.5 million to \$23.2 million
- Adjusted EBITDA<sup>(1)</sup> in the range of \$108 million to \$117 million

(1) Adjusted EBITDA is a financial measure not presented in accordance with generally accepted accounting principles ("GAAP"). Please see "Reconciliation of Non-GAAP Financial Measures" at the end of this press release.

Ned N. Fleming, III, the Company's Executive Chairman, stated, "The CPI business model is extremely resilient, and has been since the Company's inception. The focus of our strategy for more than 20 years has been to pursue recurring infrastructure repair and maintenance projects, generating sustainable and profitable growth. The model is proving out this dynamic in today's challenging economic environment. Even with the rapid and steep rise in costs and continuing supply chain disruptions, we are working to pass on costs judiciously and are now converting higher-margin backlog. Moving forward, we intend to expand margins due to the strong demand for projects, a growing project backlog, and the continuing benefit of being a consolidator in a highly fragmented industry."

# **Conference Call**

The Company will conduct a conference call today at 9:00 a.m. Central Time to discuss financial and operating results for the quarter ended June 30, 2022. 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 August 12, 2022 by calling (201) 612-7415 and using passcode 13730485#. A webcast of the call will also be available live and for later replay on the Company's Investor Relations website at <u>www.constructionpartners.net</u>.

## About Construction Partners, Inc.

Construction Partners, Inc. is a vertically integrated civil infrastructure company operating across five southeastern states, with 59 hot-mix asphalt plants, 14 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 <u>www.constructionpartners.net</u>.

## **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 disgualification 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.

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## - Financial Statements Follow -

#### Construction Partners, Inc. Consolidated Statements of Comprehensive Income (unaudited, in thousands, except share and per share data)

	For the Three Months Ended June 30,			ne Months June 30,
	2022	2021	2022	2021
		\$		
Revenues	\$ 380,272	261,656	\$ 908,621	\$ 631,697
Cost of revenues	336,022	225,039	818,910	546,414
Gross profit	44,250	36,617	89,711	85,283
General and administrative expenses	(26,584)	(23,195)	(76,530)	(67,754)
Gain on sale of equipment, net	333	835	1,788	1,177
Operating income	17,999	14,257	14,969	18,706
Interest expense, net	(2,054)	(568)	(4,177)	(1,334)
Other income	178	252	337	661
Income before provision for income taxes and earnings from investment				
in joint venture	16,123	13,941	11,129	18,033
Provision for income taxes	3,955	4,600	2,868	5,767
Earnings from investment in joint venture	—	(1)	—	10
Net income	12,168	9,340	8,261	12,276
Other comprehensive income, net of tax				
Unrealized gain on interest rate swap contract, net	1,729	—	8,754	
Unrealized loss on restricted investments, net	(154)	—	(276)	
Other comprehensive income	1,575		8,478	_
		\$		
Comprehensive income	\$ 13,743	9,340	\$ 16,739	\$ 12,276
Net income per share attributable to common stockholders:				
•	\$	\$	\$	\$
Basic	0.23	0.18	0.16	0.24
	\$	\$	\$	\$
Diluted	0.23	0.18	0.16	0.24
Weighted average number of common shares outstanding:				
Basic	51,793,245	51,686,735	51,760,384	51,620,143
Diluted	51,888,511	51,864,403	51,928,427	51,726,994

### Construction Partners, Inc. Consolidated Balance Sheets (in thousands, except share and per share data)

	June 30, 2022 (unaudited)	September 30, 2021
ASSETS	(unduditou)	
Current assets:		
	\$	\$
Cash and cash equivalents	26,079	57,251
Restricted cash	105	
Contracts receivable including retainage, net	239,990	158,170
Costs and estimated earnings in excess of billings on uncompleted contracts Inventories	32,635 77,383	23,023 53,792
Prepaid expenses and other current assets	12.948	7,790
Total current assets	389,140	300,026
Property, plant and equipment, net	453,973	404,832
Operating lease right-of-use assets	11,165	6,535
Goodwill	124,987	85,422
Intangible assets, net	12,613	4,163
Investment in joint venture	108	108
Restricted investments	7,312	—
Other assets	21,041	5,534
	\$	\$
Total assets	1,020,339	806,620
LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities:		
	\$	\$
Accounts payable	119,774	86,390
Billings in excess of costs and estimated earnings on uncompleted contracts	47,516	33,719
Current portion of operating lease liabilities	2,087	1,395
Current maturities of long-term debt	12,500	10,000
Accrued expenses and other current liabilities	22,256	26,459
Total current liabilities	204,133	157,963
Long-term liabilities: Long-term debt, net of current maturities and deferred debt issuance costs	341,173	206,175
Operating lease liabilities, net of current portion	9,337	5,302
Deferred income taxes, net	20,140	17,362
Other long-term liabilities	14,863	10,919
Total long-term liabilities	385,513	239,758
Total liabilities	589,646	397,721
Commitments and contingencies		
Stockholders' equity: Preferred stock, par value \$0.001; 10,000,000 shares authorized and no shares issued and		
outstanding at June 30, 2022 and September 30, 2021	_	_
Class A common stock, par value \$0.001; 400,000,000 shares authorized, 41,195,730 issued		
and 41,193,887 outstanding at June 30, 2022, and 36,600,639 issued and outstanding at		
September 30, 2021	41	37
Class B common stock, par value \$0.001; 100,000,000 shares authorized, 14,275,867 issued		
and 11,352,915 outstanding at June 30, 2022 and 18,614,791 issued and 15,691,839 outstanding		
at		10
September 30, 2021	15	19
Additional paid-in capital	253,665	248,571
Treasury stock, at cost, 1,183 shares of Class A common stock, par value \$0.001	(39)	(15,603)
Treasury stock, at cost, 2,922,952 shares of Class B common stock, par value \$0.001 Accumulated other comprehensive income (loss), net	(15,603) 8,455	(15,603) (23)
Retained earnings	0,455 184,159	(23) 175,898
Total stockholders' equity	430,693	408,899
i dai diodiniciadio oquity	\$	\$
Total liabilities and stockholders' equity	1,020,339	806,620
	.,020,000	

#### Construction Partners, Inc. Consolidated Statements of Cash Flows (unaudited, in thousands)

Cash flows from operating activities:       \$         Net income Adjustments to reconcile net income to net cash, cash equivalents and restricted cash (used by) provided by operating activities:       \$       8.261       \$       12.276         Depreciation, deplotion, accretion and amoritzation of long-lived assets       50.291       36.011         Amoritzation of deferred debt issuance costs and debt discount       (10.77)       440         Dreatized of equipment, net       (1.077)       440         Gain on sale of equipment, net       (1.077)       440         Deferred income tax beneft       -       (100)         Deferred income tax beneft       -       (100)         Cottages in operating assets and liabilities, net of acquisition:       77       (57)         Cottages in operating assets and liabilities, net of acquisition:       (2.327)       (1.726)         Cottages in operating assets and liabilities, net of acquisition:       (2.327)       (1.726)         Cottages in operating asset and estimated earnings on uncompleted contracts       (9.487)       (7.485)         Accounte spaable       (3.025       (3.31)       (1.728)         Billings in excess of costs and estimated earnings on uncompleted contracts       (9.487)       (2.49)         Accounte speable       (3		For the Nine Months Ended June 30, 2022 2021			
Net income       S       2.21         Adjustments to reconcile net income to net cash, cash equivalents and restricted cash (used by) provided by operating activities:       50,291       36,011         Depreciation, depletion, accretion and amoritzation of long-lived assets       50,291       36,011         Amoritzation of defered debt issuance costs and debt discount       198       190         Unrealized gain on derivative instruments       (1,077)       440         Gain on sale of equipment, net       (1,077)       440         Gain on sale of equipment, net       -       (10)         Distribution of aernings from investment in joint venture       -       100         Deferred income tax benefit       (71,865)       (32,977)         Changes in operating assets and liabilities, net of acquisition:       Contracts receivable including retainage, net       (24,877)       (7,897)         Contracts receivable including retainage, net       (24,877)       (7,897)       (7,1865)       (32,975)         Contracts receivable including retainage, net       (24,877)       (7,897)       (7,1865)       (24,272)       (1,723)         Accounts payable       Silings in excess of oths and estimated earnings on uncompleted contracts       (34,873)       (2,297)       (1,723) <td< th=""><th>Cash flows from operating activities:</th><th></th><th>2022</th><th></th><th>2021</th></td<>	Cash flows from operating activities:		2022		2021
Net income   8.261   \$   12.276     Adjustments to recorcile net income to net cash, cash equivalents and restricted cash (used by) provided by operating activities:   50.291   36.011     Depreciation, depletion, accoretion and amortization of long-lived assets   50.291   36.011     Amortization of deferred debt issuance costs and debt discount   188   190     Gain on safe of equipment, net   (1.077)   4.141     Equity-based compensation expense   5.094   2.202     Earnings from investment in joint venture   -   100     Deferred income tax benefit   (193)   -     Other non-cash adjustments   97   (57)     Contracts receivable including retainage, net   (71.865)   (32.975)     Contracts receivable including retainage, net   (21.726)   (6.061)     Prepaid expenses and other current assets   (2.833)   (4.123)     Accounts payable   Billings in excess of other current labilities   (3.975)     Other non-celvable including retainage on uncompleted contracts   (3.947)   (7.887)     Accounts payable   Billings in excess of out and estimated earnings on uncompleted contracts   (3.379)   (2.149)     Accounts payable   Billings in excess of out and estimated earnings on uncompleted contracts   (3.972)   (3.931)     Net cash (used by) provided by opera	oush nows nom operating activities.	ç	\$		
Adjustments to reconcile net income to net cash, cash equivalents and restricted cash     5.291     36.011       Depreciation, depletion, accretion and amorization of long-lived assets     50.291     36.011       Amorization of deferred debit issuance costs and debt discount     198     190       Umrealized gain on derivative instruments     (2.599)     (3.141)       Provision for bad debt     (1.778)     (1.1777)     440       Gain on sale of equipment, net     (1.778)     (1.1777)     440       Deferred income tax benefit     (1.33)     -     (10)       Deferred income tax benefit     (133)     -     (10)       Other non-cash adjustiments     97     (57)       Contracts receivable including retainage, net     (2.1726)     (3.4778)       Costs and estimated earnings on uncompleted contracts     (9.487)     (7.897)       Inventories     (2.327)     (1.723)     (2.1726)     (3.065       Prepaid expenses and dubre current assets     (2.327)     (3.172)     (3.025     (5.78)       Inventories     (3.025     (5.78)     (3.978)     (2.1726)     (3.025     (5.78)       Prepaid expenses and dubre current assets     (2.276)     (3.988)	Net income			\$	12.276
(used by) provided by operating activities:     90     36,011       Depreciation, depletion, accretion and amoritzation of long-lived assets     50,291     36,011       Amoritzation of deferred debt instruments     12,589     (3,141)       Provision for bad debt     (1,773)     440       Gain on self of equipment, net     (1,783)     (1,177)       Earnings from investment in joint venture     -     (10)       Differed income tax benefit     (193)     -       Other non-cash adjustments     97     (57)       Contracts receivable including retainage, net     (71,865)     (32,875)       Contracts receivable including retainage, net     (2,17,86)     (32,875)       Contracts receivable including retainage on uncompleted contracts     (9,467)     (7,887)       Other non-cash adjustments     (2,17,86)     (32,875)       Contracts receivable including retainage on uncompleted contracts     (9,467)     (7,887)       Differem tasets     (2,237)     (1,723)     (3,41,23)       Accounts payable     Billings in excess of costs and estimated earnings on uncompleted contracts     (3,379)     (2,148)       Accounts payable     States     (3,237)     (1,723)       Differem inabili			0,201	Ŧ	, •
Depreciation, depletion, accretion and amorization of long-lived assets       50,291       36,011         Amorization of deferred debt issuance costs and debt discount       198       190         Unrealized gain on derivative instruments       (2,589)       (3,141)         Provision for bad debt       (1,778)       (1,777)         Gain on sale of equipment, net       (1,788)       (2,202)         Earnings from investment in joint venture       —       (10)         Deferred income tax benefit       (193)       —         Other non-cash adjustments       (17,865)       (32,975)         Contracts receivable including retainage, net       (71,865)       (32,975)         Contracts receivable including retainage, net       (21,726)       (8,064)         Prepaid expenses and other current assets       (2,327)       (1,723)         Chare assets       (2,327)       (1,723)         Other assets       (2,327)       (1,723)         Costs and estimated earnings on uncompleted contracts       (9,487)       (7,897)         Inventories       (30,025       (5,788)         Billings in excess of costs and estimated earnings on uncompleted contracts       (3,379       (2,172)         Other assets       (5,789) <td></td> <td></td> <td></td> <td></td> <td></td>					
Amontization of deferred debt issuance costs and debt discount   198   190     Unrealized gain on derivative instruments   (2,589)   (3,141)     Provision for bad debt   (1,077)   (440)     Gain on sale of equipment, net   (1,077)   (440)     Gain on sale of equipment, net   (1,077)   (440)     Distribution of earnings from investment in joint venture   -   (100)     Deferred income tax benefit   (193)   -     Other non-cash adjustments   (17,186)   (32,975)     Contracts receivable including retainage, net   (7,1,865)   (32,975)     Costs and estimated earnings in excess of billings on uncompleted contracts   (9,487)   (7,897)     Inventories   (2,1276)   (4,061)   (2,149)     Accrued expenses and other current assets   (2,327)   (1,723)     Other non-sease of costs and estimated earnings on uncompleted contracts   (3,0,02)   (6,946)     Accrued expenses and other current liabilities   (6,946)   (2,149)     Accrued expenses and other current liabilities   (6,946)   (2,120)     Accrued expenses and other current liabilities   (3,025   (331)     Accrued expenses and other current liabilities   (4,123)   (9,2303)     Proceeds from sale of equipment   (52,236)   (39,588) <td< td=""><td></td><td></td><td>50.291</td><td></td><td>36.011</td></td<>			50.291		36.011
Unrealized gain on derivative instruments     (2.589)     (3,141)       Provision for bad debit     (1,777)     440       Gain on sale of equipment, net     (1,1788)     (1,177)       Equity-based compensation expense     5,094     2,202       Earnings from investment in joint venture     -     (10)       Deferred income tax benefit     (193)     -       Other non-cash adjustments     97     (57)       Contracts receivable including retainage, net     (71,865)     (32,975)       Costs and estimated earnings in excess of billings on uncompleted contracts     (9,487)     (7,897)       Inventories     (2,2893)     (4,123)     (4,123)       Accounts payable     (2,2893)     (4,123)     (4,123)       Dillings in excess of costs and estimated earnings on uncompleted contracts     (3,379)     (2,149)       Accounts payable     (5,246)     (2,970)     (1,723)       Dillings in excess of costs and estimated earnings on uncompleted contracts     (3,379)     (2,149)       Accured expenses and other current liabilities     (5,236)     (39,588)       Chast nose from investing activities:     (10,233)     (92,303)       Purchasse of property, plant and equipment					
Provision for bad debt (1,077) 4440 Gain on sale of equipment, net (1,788) (1,177) Equity-based compensation expense Earnings from investment in joint venture (193) – (100) Distribution of earnings from investment in joint venture (193) – (100) Deferred income tax benefit (193) – (100) Deferred income tax benefit (193) – (100) Charages in operating assets and liabilities, net of acquisition: Contracts receivable including retainage, net (71,865) (32,975) Costs and estimated earnings in excess of billings on uncompleted contracts (9,487) (7,897) Inventories (2,1,726) (8,061) Prepaid expenses and other current assets (2,4327) (1,723) Accounts payable (2,327) (1,723) Accounts payable (2,327) (1,723) Billings in excess of costs and estimated earnings on uncompleted contracts (3,3379) (2,149) Accound expenses and other current liabilities (6,946) (2,970) Other long-tern liabilities (6,946) (2,970) Purchase of reporty, plant and equipment (52,236) (39,588) Proceeds from salue of of cash acquired (102,993) (92,303) Purchase of restricted investments (7,662) – (129,530) Purchase of restricted investments (7,662) – (129,530) Cash cash equivalents and restricted cash: equivalents (31,0677) (128,607) (129,530) Purchase of treasury stock (39) – (13,848) Cash, cash equivalents and restricted cash: equivalents (31,0677) (13,848) Cash, cash equivalents and restricted cash, hed of period (5,7,251) 148,316 Cash, cash equivalents and restricted cash, hed of period (5,7,251) 148,316 Cash, cash equivalents and restricted cash, hed of period (5,7,251) 148,316 Cash, cash equivalents and restricted cash, hed of period (5,7,251) 148,316 Cash, cash equiva					
Gain on sale of equipment, net     (1,786)     (1,177)       Equity-based compensation expense     5,094     2,202       Earnings from investment in joint venture     —     (100)       Distribution of earnings from investment in joint venture     —     (101)       Distribution of earnings from investment in joint venture     —     (100)       Deferred income tax benefit     (1133)     —       Contracts receivable including retainage, net     (71,865)     (32,975)       Costs and estimated earnings in excess of billings on uncompleted contracts     (9,487)     (7,887)       Prepaid expenses and other current assets     (2,327)     (1,728)     (8,061)       Prepaid expenses and other current assets     (2,833)     (4,123)     (4,123)       Accounts payable     30,025     16,789     (2,149)       Accounts payable     30,025     (6,946)     2,970       Other long-term liabilities     (9,721)     9,334       Cash flows from investing activities:     (122,830)     (122,830)     (122,830)       Purchase of property, plant and equipment     (122,830)     (122,830)     (129,530)       Purchase of proverty, plant and equipment     (122,8607)     (129,530) <t< td=""><td>5</td><td></td><td></td><td></td><td>( )</td></t<>	5				( )
Equily-based compensation expense     5,094     2,202       Earnings from investment in joint venture     —     (10)       Distribution of earnings from investments     (193)     —       Other non-cash adjustments     (171,865)     (32,975)       Contracts receivable including retainage, net     (71,865)     (32,975)       Costs and estimated earnings in excess of billings on uncompleted contracts     (9,487)     (7,897)       Inventories     (2,327)     (1,723)       Other assets     (2,327)     (1,723)       Other assets     (2,893)     (4,123)       Accounts payable     30,025     16,789       Billings in excess of costs and estimated earnings on uncompleted contracts     (9,467)     (7,897)       Net cash (used by) provided by operating activities, net of acquisitions     (9,721)     9,334       Cash flows from investing activities:     (6,2,230)     (2,149)       Purchases of property, plant and equipment     (122,83)     (2,2,303)       Proceeds from sale of equipments     (7,662)     (2,2,500)       Purchase of property, plant and equipment     (122,830)     (2,2,303)       Proceeds from insulting activities:     (31,067)     (132,481) <t< td=""><td></td><td></td><td>( )</td><td></td><td></td></t<>			( )		
Earnings from investment in joint venture     —     (10)       Distribution of earnings from investment in joint venture     —     100       Deferred income tax benefit     (193)     —       Charges in operating assets and liabilities, net of acquisition:     97     (57)       Contracts receivable including retainage, net     (71.865)     (32.975)       Costs and estimated earnings in excess of billings on uncompleted contracts     (9.487)     (7.723)       Other assets     (2.327)     (1.723)       Accounts payable     30.025     16.783       Billings in excess of costs and estimated earnings on uncompleted contracts     (3.379)     (2.149)       Accounts payable     30.025     (6.946)     2.970       Other long-term liabilities     (6.946)     2.970     (3.93.34)       Accured expenses and other current liabilities     (6.946)     2.970     (3.9.588)       Purchases of property, plant and equipment     (52.236)     (39.588)     Proceeds from sale of equipment     (12.83)     (2.139)       Purchases of property, plant and equipment     (52.236)     (39.580)     (129.530)     Cash flows from financing activities     (16.607)     (129.530)       Cash flows from financing activities					
Distribution of earnings from investment in joint venture   —   100     Deferred income tax benefit   (193)   —     Other non-cash adjustments   97   (57)     Changes in operating assets and liabilities, net of acquisition:   97   (57)     Contracts receivable including retainage, net   (71,865)   (32,975)     Costs and estimated earnings in excess of bilings on uncompleted contracts   (9,487)   (7,897)     Inventories   (2,1726)   (8,061)     Prepaid expenses and other current assets   (2,287)   (1,723)     Other assets   (2,283)   (4,123)     Accrued expenses and other current liabilities   (6,946)   2,970     Other long-term liabilities   (6,946)   2,970     Other long-term liabilities   (6,946)   2,970     Other long-term liabilities   (6,946)   2,970     Purchases of property, plant and equipment   (52,236)   (39,588)     Purchases of property, plant and equipment   (102,803)   (92,303)     Purchases of property, plant and equipment   (102,803)   (2,250)     Purchases of from financing activities:   (1163,607)   (129,530)     Proceeds from financing activities   (1163,607)   (129,530)     Proceeds from financing activities   (31,067)   (13,848) <td></td> <td></td> <td></td> <td></td> <td></td>					
Deferred income tax benefit(193)—Other non-cash adjustments97(57)Changes in operating assets and liabilities, net of acquisition:(71,865)(32,975)Corts and estimated earnings in excess of billings on uncompleted contracts(9,487)(7,897)Inventories(21,726)(6,061)Prepaid expenses and other current assets(2,327)(1,723)Accounts payable30,02516,789Billings in excess of costs and estimated earnings on uncompleted contracts33,379(2,149)Accounts payable30,025(6,946)2,970Other oncy-term liabilities(6,946)2,970(7,687)Net cash (used by) provided by operating activities, net of acquisitions(9,721)9,334Cash flows from investing activities:(52,236)(39,588)Purchases of property, plant and equipment(52,236)(39,588)Proceeds from sale of equipment(52,236)(29,303)Purchase of restricted investments(7,662)			_		· · /
Other non-cash adjustments     97     (57)       Changes in operating assets and liabilities, net of acquisition:     (71,865)     (32,975)       Costs and estimated earnings in excess of billings on uncompleted contracts     (9,487)     (7,897)       Inventories     (21,726)     (8,061)       Prepaid expenses and other current assets     (2,237)     (1,723)       Other assets     (2,237)     (1,723)       Accounts payable     30,025     (6,946)       Billings in excess of costs and estimated earnings on uncompleted contracts     (3,379)     (2,149)       Accurue expenses and other current liabilities     (6,946)     2,970       Other iong-term liabilities     (6,946)     2,970       Other iong-term liabilities     (6,246)     2,970       Other iong-term ibibilities     (3,972)     9,334       Cash flows from investing activities:     (7,622)     -       Purchase of property, plant and equipment     (4,184     2,361       Business acquisitions, net of cash acquired     (102,893)     (92,303)       Purchase of property, plant and equipment     (102,893)     (92,303)       Purchase of property, plant and equipment     (150,000)     (92,300)       Pu			(193)		
Changes in operating assets and liabilities, net of acquisition:     (71,865)     (32,975)       Costs and estimated earnings in excess of billings on uncompleted contracts     (9,487)     (7,897)       Inventories     (21,726)     (8,061)       Prepaid expenses and other current assets     (2,327)     (1,723)       Other assets     (2,893)     (4,123)       Accounts payable     30,025     (16,789)       Billings in excess of costs and estimated earnings on uncompleted contracts     13,379     (2,149)       Accounts payable     (3,825)     (331)       Net cash (used by) provided by operating activities, net of acquisitions     (9,721)     9,334       Cash flows from investing activities:     (102,893)     (22,303)       Purchases of property, plant and equipment     (52,236)     (129,530)       Purchase of restricted investing activities     (112,893)     (22,303)       Purchase of restricted investing activities     (128,607)     (129,530)       Cash flows from financing activities     (31,067)     (129,530)       Proceeds from issuance or long-term debt     (5,000)     (92,850)       Principal payments on long-term debt     (31,067)     (13,848)       Cash flows from financing activities			( )		(57)
Contracts receivable including retainage, net(71,865)(32,975)Costs and estimated earnings in excess of billings on uncompleted contracts(9,447)(7,897)Inventories(21,726)(8,061)Prepaid expenses and other current assets(2,327)(1,723)Other assets(2,893)(4,123)Accounts payable30,02516,789Billings in excess of costs and estimated earnings on uncompleted contracts13,379(2,149)Accrued expenses and other current liabilities(6,946)2,970Other long-term liabilities(6,946)2,970Other ong-term liabilities(6,946)2,970Other long-term liabilities(6,946)2,970Purchases of property, plant and equipment(52,236)(39,588)Proceeds from sale of equipment(102,893)(92,303)Purchase of property, plant and equipment(7,662)Net cash used in investing activities(158,607)(129,530)Cash flows from financing activities:(158,607)(129,530)Proceeds from issuance of long-term debt, net of debt issuance costs and discount142,300199,198Principal payments on long-term debt, net of debt issuance costs and discount142,300199,198Principal payments on long-term debt, net of debt issuance costs and discount142,300199,198Principal payments on long-term debt, net of debt issuance costs and discount142,300199,198Principal payments on long-term debt, net of debt issuance costs and discount142,300199,198St	,		01		(07)
Costs and estimated earnings in excess of billings on uncompleted contracts     (9,487)     (7,897)       Inventories     (21,726)     (8,061)       Prepaid expenses and other current assets     (2,227)     (1,723)       Other assets     (2,893)     (4,123)       Accounts payable     30,025     16,789       Billings in excess of costs and estimated earnings on uncompleted contracts     13,379     (2,149)       Accounts payable     33,025     (331)       Net cash (used by) provided by operating activities, net of acquisitions     (9,721)     9,334       Cash flows from investing activities:     (102,893)     (92,2303)       Purchases of property, plant and equipment     (52,236)     (39,588)       Proceeds from isal of equipment     (102,893)     (92,2303)       Purchase of restricted investments     (7,662)        Net cash used in investing activities     (116,607)     (129,530)       Proceeds from issuance of long-term debt     (5,000)     (92,850)       Purchase of reasury stock     (39)        Net cash provided by financing activities     (31,067)     (13,848)       Cash, cash equivalents and restricted cash:     (31,067)     (13,848) <t< td=""><td></td><td></td><td>(71 865)</td><td></td><td>(32 975)</td></t<>			(71 865)		(32 975)
Inventories(21.726)(8.061)Prepaid expenses and other current assets(2.327)(1.723)Other assets(2.83)(4.123)Accounts payable30.02516.789Billings in excess of costs and estimated earnings on uncompleted contracts13.379(2.149)Accrued expenses and other current liabilities(6.946)2.970Other long-term liabilities(6.946)2.970Purchases of property, plant and equipment(5.2.236)(39.588)Proceeds from sale of equipment(102.893)(92.303)Purchase of restricted investments(7.662)-Net cash used in investing activities(1129.530)Cash flows from financing activities(31.067)(1129.530)Purchase of trasury stock(39)-Net cash provided by financing activities(31.067)(13.848)Cash, cash equivalents and restricted cash:(31.067)(13.848)Cash, cash equivalents and restricted cash:(31.067)(13.848)Cash, cash equivalents and restricted cash, end of period57.251148.316Cash, cash equivalents and restricted cash, end of period5.727\$ 1.950Cash paid for interest<			( , ,		
Prepaid expenses and other current assets     (2.327)     (1.723)       Other assets     (2.893)     (4.123)       Accounts payable     30.025     16.789       Billings in excess of costs and estimated earnings on uncompleted contracts     13.379     (2.149)       Accounts payable     30.025     16.789       Billings in excess of costs and estimated earnings on uncompleted contracts     13.379     (2.149)       Accourd expenses and other current liabilities     3.825     (331)       Net cash (used by) provided by operating activities, net of acquisitions     (9.721)     9.334       Cash flows from investing activities:			( )		
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Accounts payable30.02516.789Billings in excess of costs and estimated earnings on uncompleted contracts13.379(2.149)Accrued expenses and other current liabilities(6.946)2.970Other long-term liabilities3.825(331)Net cash (used by) provided by operating activities, net of acquisitions(9.721)9.334Cash flows from investing activities:(52.236)(39.588)Proceeds from sale of equipment(52.236)(39.588)Proceeds from sale of equipment(102.893)(92.303)Purchases of property, plant and equipment(158.607)(129.530)Purchase of restricted investiments(7.662)Net cash used in investing activities:(158.607)(129.530)Proceeds from issuance of long-term debt, net of debt issuance costs and discount142.300199.198Principal payments on long-term debt(5.000)(92.850)Net cash provided by pinancing activities(31.067)(13.848)Cash, cash equivalents and restricted cash:(31.067)(13.848)Cash, cash equivalents and restricted cash, beginning of period\$7.251148.316Cash, cash equivalents and restricted cash, end of period\$ .26.184\$ .134.468Supplemental cash flow information:\$Cash paid for increme taxes\$ .7277\$ .1,950Cash paid for increme taxes\$ .1,772\$ .3,568Operating lease right-of-use assets obtained in exchange for operating lease liabilities\$ .26,184 </td <td></td> <td></td> <td></td> <td></td> <td>( )</td>					( )
Billings in excess of costs and estimated earnings on uncompleted contracts     13,379     (2,149)       Accrued expenses and other current liabilities     (6,946)     2,970       Other long-term liabilities     (3,825     (331)       Net cash (used by) provided by operating activities, net of acquisitions     (9,721)     9,334       Cash flows from investing activities:     (9,721)     9,334       Purchases of property, plant and equipment     (52,236)     (39,588)       Proceeds from sale of equipment     (102,893)     (92,303)       Purchase of restricted investments     (7,662)        Net cash used in investing activities:     (1158,607)     (129,530)       Proceeds from issuance of long-term debt, net of debt issuance costs and discount     142,300     199,198       Principal payments on long-term debt     (30,067)     (138,489)        Net cash provided by financing activities     (31,067)     (13,848)        Cash, cash equivalents and restricted cash:     (31,067)     (13,848)        Cash, cash equivalents and restricted cash:     (31,067)     (13,848)        Cash flow from financing activities     (31,067)     (13,848)        Cash, cash equivalents					
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Proceeds from sale of equipment4,1842,361Business acquisitions, net of cash acquired(102,893)(92,303)Purchase of restricted investments(7,662)-Net cash used in investing activities(158,607)(129,530)Cash flows from financing activities:(158,607)(129,530)Proceeds from issuance of long-term debt, net of debt issuance costs and discount142,300199,198Principal payments on long-term debt(5,000)(92,850)Purchase of treasury stock(39)-Net cash provided by financing activities(31,067)(13,848)Cash, cash equivalents and restricted cash:(31,067)(13,848)Cash, cash equivalents and restricted cash, beginning of period57,251148,316Cash, cash equivalents and restricted cash, end of period\$5,727\$Cash paid for interest\$5,727\$1,950Cash paid for interest\$5,727\$1,950Cash paid for operating lease liabilities\$1,772\$3,568Operating lease right-of-use assets obtained in exchange for operating lease liabilities\$1,783\$1,795Non-cash items:\$1,783\$1,795\$Property, plant and equipment included with accounts payable at period end\$\$778			(50.000)		(00 500)
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Purchase of restricted investments     (7,662)     —       Net cash used in investing activities     (158,607)     (129,530)       Cash flows from financing activities:     (158,607)     (129,530)       Proceeds from issuance of long-term debt, net of debt issuance costs and discount     142,300     199,198       Principal payments on long-term debt     (5,000)     (92,850)       Purchase of treasury stock     (39)     —       Net cash provided by financing activities     137,261     106,348       Net cash provided by financing activities     (31,067)     (13,848)       Cash, cash equivalents and restricted cash:     (31,067)     (13,848)       Cash, cash equivalents and restricted cash, beginning of period     57,251     148,316       Cash, cash equivalents and restricted cash, end of period     \$     57,275     1,950       Cash paid for interest     \$     5,727     \$     1,950       Cash paid for income taxes     \$     1,372     \$     3,568       Operating lease right-of-use assets obtained in exchange for operating lease liabilities     \$     1,783     \$     1,795       Non-cash items:     \$     1,783     \$     1,795     \$     778 <td></td> <td></td> <td></td> <td></td> <td></td>					
Net cash used in investing activities(129,530)Cash flows from financing activities:142,300199,198Proceeds from issuance of long-term debt(5,000)(92,850)Purchase of treasury stock(39)-Net cash provided by financing activities137,261106,348Net cash equivalents and restricted cash:(31,067)(13,848)Cash, cash equivalents and restricted cash, beginning of period57,251148,316Cash, cash equivalents and restricted cash, end of period57,251148,316Supplemental cash flow information:\$5,727\$Cash paid for interest\$1,372\$3,568Operating lease right-of-use assets obtained in exchange for operating lease liabilities1,783\$1,795Non-cash items:\$1,783\$1,795Property, plant and equipment included with accounts payable at period end1,236\$778					(92,303)
Cash flows from financing activities:     142,300     199,198       Proceeds from issuance of long-term debt, net of debt issuance costs and discount     142,300     199,198       Principal payments on long-term debt     (5,000)     (92,850)       Purchase of treasury stock     337,261     106,348       Net cash provided by financing activities     137,261     106,348       Net cash quivalents and cash equivalents     (31,067)     (13,848)       Cash, cash equivalents and restricted cash:     57,251     148,316       Cash, cash equivalents and restricted cash, beginning of period     57,251     148,316       Cash, cash equivalents and restricted cash, end of period     \$     26,184     \$       Supplemental cash flow information:     \$     \$     26,184     \$     134,468       Supplemental cash flow information:     \$     \$     \$     1,372     \$     3,568       Cash paid for income taxes     \$     1,372     \$     3,568     \$     \$     1,089     \$       Cash paid for operating lease liabilities     \$     1,783     \$     1,783     \$     1,783     \$     1,795       Non-cash items:     \$     \$     \$ </td <td></td> <td></td> <td></td> <td></td> <td></td>					
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Supplemental cash flow information:     \$       Cash paid for interest     \$       Cash paid for income taxes     \$       Cash paid for income taxes     1,372       Operating lease right-of-use assets obtained in exchange for operating lease liabilities     6,209       Cash paid for operating lease liabilities     1,783       Non-cash items:     \$       Property, plant and equipment included with accounts payable at period end     1,236	Cash, cash equivalents and restricted cash, beginning of period				
Cash paid for interest\$5,727\$1,950Cash paid for income taxes\$1,372\$3,568Operating lease right-of-use assets obtained in exchange for operating lease liabilities6,209\$1,089Cash paid for operating lease liabilities1,783\$1,795Non-cash items:\$1,236\$778	Cash, cash equivalents and restricted cash, end of period	\$	26,184	\$	134,468
Cash paid for interest\$Cash paid for income taxes5,727\$Cash paid for income taxes1,372\$Operating lease right-of-use assets obtained in exchange for operating lease liabilities6,209\$Cash paid for operating lease liabilities1,783\$1,795Cash paid for operating lease liabilities1,783\$1,795Property, plant and equipment included with accounts payable at period end1,236\$778					
Cash paid for interest5,727\$1,950Cash paid for income taxes\$1,372\$3,568Operating lease right-of-use assets obtained in exchange for operating lease liabilities6,209\$1,089Cash paid for operating lease liabilities1,783\$1,795Non-cash items:\$1,795\$778	Supplemental cash flow information:				
Cash paid for income taxes\$1,372\$3,568Operating lease right-of-use assets obtained in exchange for operating lease liabilities6,209\$1,089Cash paid for operating lease liabilities1,783\$1,795Non-cash items:\$1,783\$1,795Property, plant and equipment included with accounts payable at period end1,236\$778		Ş			
Cash paid for income taxes1,372 \$ 3,568Operating lease right-of-use assets obtained in exchange for operating lease liabilities6,209 \$ 1,089Cash paid for operating lease liabilities1,783 \$ 1,795Non-cash items:\$Property, plant and equipment included with accounts payable at period end1,236 \$ 778	Cash paid for interest		,	\$	1,950
Operating lease right-of-use assets obtained in exchange for operating lease liabilities     6,209 \$ 1,089       Cash paid for operating lease liabilities     1,783 \$ 1,795       Non-cash items:     \$ 1,236 \$ 778					
Operating lease right-of-use assets obtained in exchange for operating lease liabilities     6,209 \$ 1,089       Cash paid for operating lease liabilities     1,783 \$ 1,795       Non-cash items:     \$ 1,236 \$ 778	Cash paid for income taxes		1,372	\$	3,568
Cash paid for operating lease liabilities 1,783 \$ 1,795 Non-cash items: \$ Property, plant and equipment included with accounts payable at period end 1,236 \$ 778		9	\$		
Cash paid for operating lease liabilities     1,783     1,795       Non-cash items:     \$     1       Property, plant and equipment included with accounts payable at period end     1,236     \$     778	Operating lease right-of-use assets obtained in exchange for operating lease liabilities		6,209	\$	1,089
Non-cash items: \$ Property, plant and equipment included with accounts payable at period end 1,236 \$ 778			\$		
Non-cash items: \$ Property, plant and equipment included with accounts payable at period end 1,236 \$ 778	Cash paid for operating lease liabilities		1,783	\$	1,795
Property, plant and equipment included with accounts payable at period end 1,236 \$ 778					
			\$		
			1,236	\$	778
Non-compete agreements to seller in business combination \$ — \$ 1,700	Non-compete agreements to seller in business combination	\$	_		1,700
Amounts payable to seller in business combination \$ 600 \$ 1,296			600		

## **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, accretion and amortization, (iv) equity-based compensation expense, (v) loss on the extinguishment of debt, (vi) certain management fees and expenses and (vii) nonrecurring legal settlement costs and associated legal expenses unrelated to the Company's core operations. Adjusted EBITDA is a supplemental measure of our operating performance that is neither required by, nor presented in accordance with, GAAP. This measure has limitations as an analytical tool and should not be considered in isolation or as an alternative to net income or any other performance measure derived in accordance with GAAP as an indicator of our operating performance. We present Adjusted EBITDA because management uses this measure as a key performance indicator, and we believe that securities analysts, investors and others use this measure to evaluate companies in our industry. Our calculation of Adjusted EBITDA 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 for the periods presented:

Construction Partners, Inc. Net Income to Adjusted EBITDA Reconciliation Fiscal Quarters Ended June 30, 2022 and 2021 (unaudited, in thousands)

	For	or the Three Months Ended June 30,			
		2022		2021	
				\$	
Net income	\$	12,168		9,340	
Interest expense, net		2,054		568	
Provision for income taxes		3,955		4,600	
Depreciation, depletion, accretion and amortization		17,244		12,626	
Equity-based compensation expense		1,848		1,347	
Management fees and expenses <sup>(1)</sup>		370		412	
Settlement of legal claim and associated legal expenses <sup>(2)</sup>		_		134	
Adjusted EBITDA	\$	37,639	\$	29,027	

 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.

(2) Reflects legal expenses associated with a settlement agreement entered into in April 2021 unrelated to the Company's core operations.

#### Construction Partners, Inc. Net Income to Adjusted EBITDA Reconciliation Fiscal Year 2022 Updated Outlook (unaudited, in thousands)

	Fo	For the Fiscal Year Ending September 30, 2022			
		Low		High	
Net income	\$	17,500	\$	23,200	
Interest expense, net		7,400		7,800	
Provision for income taxes		6,100		7,900	
Depreciation, depletion, accretion and amortization		68,400		69,500	
Equity-based compensation expense		7,000		7,000	
Management fees and expenses <sup>(1)</sup>		1,600		1,600	
Settlement of legal claim and associated legal expenses (2)		_		_	
Adjusted EBITDA	\$	108,000	\$	117,000	

- 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.
- (2) Reflects legal expenses associated with a settlement agreement entered into in April 2021 unrelated to the Company's core operations.

<sup>C</sup> View original content:<u>https://www.prnewswire.com/news-releases/construction-partners-inc-announces-fiscal-2022-third-quarter-results-301600623.html</u>

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