UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended December 31, 2021

or

☐ **Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**

For the transition period from ______to______
Commission File No. 1-15461

MATRIX SERVICE COMPANY
(Exact name of registrant as specified in its charter)

Delaware	**73-1352174**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

5100 East Skelly Drive, Suite 500, Tulsa, Oklahoma 74135
(Address of principal executive offices and zip code)

Registrant’s telephone number, including area code: (918) 838-8822

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	MTRX	NASDAQ Global Select Market

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

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

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

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

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

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

As of February 7, 2022 there were 27,888,217 shares of the Company’s common stock, $0.01 par value per share, issued and 26,783,265 shares outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Matrix Service Company
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Revenue	$ 161,965	$ 167,468	$ 330,058	$ 350,239
Cost of revenue	158,758	152,155	330,359	320,576
Gross profit (loss)	3,207	15,313	(301)	29,663
Selling, general and administrative expenses	15,922	16,724	32,551	34,852
Restructuring costs	695	5,045	1,300	4,725
Operating loss	(13,410)	(6,456)	(34,152)	(9,914)
Other income (expense):				
Interest expense (Note 5)	(502)	(358)	(2,501)	(733)
Interest income	29	38	50	71
Other	(60)	973	(143)	2,006
Loss before income tax expense (benefit)	(13,943)	(5,803)	(36,746)	(8,570)
Provision (benefit) for federal, state and foreign income taxes	10,976	(1,212)	5,711	(942)
Net loss	$ (24,919)	$ (4,591)	$ (42,457)	$ (7,628)
Basic loss per common share	$ (0.93)	$ (0.17)	$ (1.59)	$ (0.29)
Diluted loss per common share	$ (0.93)	$ (0.17)	$ (1.59)	$ (0.29)
Weighted average common shares outstanding:				
Basic	26,749	26,489	26,680	26,377
Diluted	26,749	26,489	26,680	26,377

See accompanying notes.

Matrix Service Company
Condensed Consolidated Statements of Comprehensive Income
(In thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net loss	$ (24,919)	$ (4,591)	$ (42,457)	$ (7,628)
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss) (net of tax expense (benefit) of $(8) and $46 for the three and six months ended December 31, 2021, respectively, and $41 and $53 for the three and six months ended December 31, 2020, respectively)	99	819	(696)	1,223
Comprehensive loss	$ (24,820)	$ (3,772)	$ (43,153)	$ (6,405)

See accompanying notes.

Matrix Service Company
Condensed Consolidated Balance Sheets
(In thousands)
(unaudited)

	December 31, 2021	June 30, 2021
Assets		
Current assets:		
Cash and cash equivalents (Note 1)	$ 65,040	$ 83,878
Restricted cash (Note 1)	2,600	—
Accounts receivable, less allowances (December 31, 2021—$547 and June 30, 2021—$898)	121,601	148,030
Costs and estimated earnings in excess of billings on uncompleted contracts	34,503	30,774
Inventories	6,297	7,342
Income taxes receivable	16,236	16,965
Other current assets	8,460	4,230
Total current assets	254,737	291,219
Property, plant and equipment at cost:		
Land and buildings	41,545	41,633
Construction equipment	94,091	94,453
Transportation equipment	50,051	50,510
Office equipment and software	43,062	42,706
Construction in progress	282	493
Total property, plant and equipment - at cost	229,031	229,795
Accumulated depreciation	(166,296)	(160,388)
Property, plant and equipment - net	62,735	69,407
Restricted cash, non-current (Note 1)	25,000	—
Operating lease right-of-use assets	20,414	22,412
Goodwill	60,546	60,636
Other intangible assets, net of accumulated amortization	5,660	6,614
Deferred income taxes	—	5,295
Other assets, non-current	11,472	11,973
Total assets	$ 440,564	$ 467,556

See accompanying notes.

Matrix Service Company
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

	December 31, 2021	June 30, 2021
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 55,953	$ 60,920
Billings on uncompleted contracts in excess of costs and estimated earnings	84,859	53,832
Accrued wages and benefits	15,968	21,008
Accrued insurance	6,175	6,568
Operating lease liabilities	5,364	5,747
Other accrued expenses	5,610	5,327
Total current liabilities	173,929	153,402
Deferred income taxes	33	34
Operating lease liabilities	18,925	20,771
Other liabilities, non-current	2,067	7,810
Total liabilities	194,954	182,017
Commitments and contingencies		
Stockholders’ equity:		
Common stock—$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of December 31, 2021 and June 30, 2021; 26,773,975 and 26,549,438 shares outstanding as of December 31, 2021 and June 30, 2021	279	279
Additional paid-in capital	135,913	137,575
Retained earnings	132,721	175,178
Accumulated other comprehensive loss	(7,445)	(6,749)
	261,468	306,283
Less: Treasury stock, at cost — 1,114,242 shares as of December 31, 2021, and 1,338,779 shares as of June 30, 2021	(15,858)	(20,744)
Total stockholders' equity	245,610	285,539
Total liabilities and stockholders’ equity	$ 440,564	$ 467,556

See accompanying notes.

Matrix Service Company
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Six Months Ended	
	December 31, 2021	December 31, 2020
Operating activities:		
Net loss	$ (42,457)	$ (7,628)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,841	9,287
Stock-based compensation expense	3,735	4,199
Operating lease impairment due to restructuring	—	242
Deferred income tax	5,340	(760)
Gain on sale of property, plant and equipment	(102)	(1,186)
Provision for uncollectible accounts	(35)	(41)
Accelerated amortization of deferred debt amendment fees (Note 5)	1,518	—
Other	45	200
Changes in operating assets and liabilities increasing (decreasing) cash:		
Accounts receivable	26,464	9,644
Costs and estimated earnings in excess of billings on uncompleted contracts	(3,729)	18,150
Inventories	1,045	(304)
Other assets and liabilities	(3,784)	(6,095)
Accounts payable	(4,866)	(21,788)
Billings on uncompleted contracts in excess of costs and estimated earnings	31,027	(1,645)
Accrued expenses	(10,657)	3,549
Net cash provided by operating activities	11,385	5,824
Investing activities:		
Capital expenditures	(569)	(3,068)
Proceeds from asset sales	108	1,634
Net cash used by investing activities	$ (461)	$ (1,434)

See accompanying notes.

Matrix Service Company
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Six Months Ended	
	December 31, 2021	December 31, 2020
Financing activities:		
Advances under senior secured revolving credit facility	$ —	$ 1,125
Repayments of advances under senior secured revolving credit facility	—	(10,913)
Payment of debt amendment fees	(1,010)	(663)
Issuances of common stock	199	—
Proceeds from issuance of common stock under employee stock purchase plan	143	155
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(853)	(1,549)
Other	(236)	—
Net cash used by financing activities	(1,757)	(11,845)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(405)	900
Increase (decrease) in cash, cash equivalents and restricted cash	8,762	(6,555)
Cash, cash equivalents and restricted cash, beginning of period (Note 1)	83,878	100,036
Cash, cash equivalents and restricted cash, end of period (Note 1)	$ 92,640	$ 93,481
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Income taxes	$ (341)	$ 197
Interest, including payment of debt amendment fees	$ 1,798	$ 1,039
Non-cash investing and financing activities:		
Purchases of property, plant and equipment on account	$ 5	$ 11

See accompanying notes.

Matrix Service Company
Condensed Consolidated Statements of Changes in Stockholders' Equity
(In thousands, except share data)
(unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balances, September 30, 2021	$ 279	$ 135,308	$ 157,640	$ (17,385)	$ (7,544)	$ 268,298
Net loss	—	—	(24,919)	—	—	(24,919)
Other comprehensive income	—	—	—	—	99	99
Exercise of stock options (19,550 shares)	—	(189)	—	388	—	199
Issuance of deferred shares (51,319 shares)	—	(1,018)	—	1,018	—	—
Treasury shares sold to Employee Stock Purchase Plan (6,078 shares)	—	(54)	—	121	—	67
Stock-based compensation expense	—	1,866	—	—	—	1,866
Balances, December 31, 2021	$ 279	$ 135,913	$ 132,721	$ (15,858)	$ (7,445)	$ 245,610
Balances, September 30, 2020	$ 279	$ 132,687	$ 203,365	$ (22,342)	$ (7,969)	$ 306,020
Net loss	—	—	(4,591)	—	—	(4,591)
Other comprehensive income	—	—	—	—	819	819
Issuance of deferred shares (35,615 shares)	—	(632)	—	632	—	—
Treasury shares sold to Employee Stock Purchase Plan (8,585 shares)	—	(79)	—	152	—	73
Treasury shares purchased to satisfy tax withholding obligations (1,436 shares)	—	—	—	(13)	—	(13)
Stock-based compensation expense	—	1,981	—	—	—	1,981
Balances, December 31, 2020	$ 279	$ 133,957	$ 198,774	$ (21,571)	$ (7,150)	$ 304,289

Matrix Service Company
Condensed Consolidated Statements of Changes in Stockholders' Equity
(In thousands, except share data)
(unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balances, June 30, 2021	$ 279	$ 137,575	$ 175,178	$ (20,744)	$ (6,749)	$ 285,539
Net loss	—	—	(42,457)	—	—	(42,457)
Other comprehensive loss	—	—	—	—	(696)	(696)
Exercise of stock options (19,550 shares)	—	(189)	—	388	—	199
Issuance of deferred shares (268,403 shares)	—	(5,102)	—	5,102	—	—
Treasury shares sold to Employee Stock Purchase Plan (13,287 shares)	—	(106)	—	249	—	143
Treasury shares purchased to satisfy tax withholding obligations (76,703 shares)	—	—	—	(853)	—	(853)
Stock-based compensation expense	—	3,735	—	—	—	3,735
Balances, December 31, 2021	$ 279	$ 135,913	$ 132,721	$ (15,858)	$ (7,445)	$ 245,610
Balances, June 30, 2020	$ 279	$ 138,966	$ 206,402	$ (29,385)	$ (8,373)	$ 307,889
Net loss	—	—	(7,628)	—	—	(7,628)
Other comprehensive income	—	—	—	—	1,223	1,223
Issuance of deferred shares (514,318 shares)	—	(9,067)	—	9,067	—	—
Treasury shares sold to Employee Stock Purchase Plan (17,315 shares)	—	(141)	—	296	—	155
Treasury shares purchased to satisfy tax withholding obligations (170,201 shares)	—	—	—	(1,549)	—	(1,549)
Stock-based compensation expense	—	4,199	—	—	—	4,199
Balances, December 31, 2020	$ 279	$ 133,957	$ 198,774	$ (21,571)	$ (7,150)	$ 304,289

Matrix Service Company
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 – Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of Matrix Service Company and its subsidiaries (“Matrix”, “we”, “our”, “us”, “its” or the “Company”), unless otherwise indicated. Intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. The information furnished reflects all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results of operations, cash flows and financial position for the interim periods presented. The accompanying condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2021, included in our Annual Report on Form 10-K for the year then ended. The results of operations for the three and six month periods ended December 31, 2021 may not necessarily be indicative of the results of operations for the full year ending June 30, 2022.

Significant Accounting Policies

We updated our significant accounting policies as a result of entering into an asset-backed credit agreement (the "ABL Facility"), which requires us to maintain a restricted cash balance (See Note 5 - Debt for more information about the ABL Facility). Our other significant accounting policies are detailed in “Note 1 - Summary of Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended June 30, 2021.

Cash, Cash Equivalents and Restricted Cash

The ABL Facility requires us to maintain a minimum of $25.0 million of restricted cash at all times. Since this cash must be restricted through the maturity date of the ABL Facility, which is beyond one year, we have classified this restricted cash as non-current in our Condensed Consolidated Balance Sheets. In addition, we must maintain a restricted cash balance of $2.6 million in support of the purchase card program that is associated with our prior card administrator while we transition to our new card administrator. We have included this restricted cash in current assets in our Condensed Consolidated Balance Sheets since we expect to terminate the prior purchase card program during fiscal 2022.

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the Condensed Consolidated Balance Sheets to the total cash, cash equivalents and restricted cash shown in the Condensed Consolidated Statements of Cash Flows (in thousands):

	December 31, 2021	June 30, 2021
Cash and cash equivalents	$ 65,040	$ 83,878
Restricted cash, current	2,600	—
Restricted cash, non-current	25,000	—
Total cash, cash equivalents and restricted cash shown in the Condensed Consolidated Statements of Cash Flows	$ 92,640	$ 83,878

Note 2 – Revenue

Remaining Performance Obligations

We had $396.8 million of remaining performance obligations yet to be satisfied as of December 31, 2021. We expect to recognize $326.6 million of our remaining performance obligations as revenue within the next twelve months.

Contract Balances

Contract terms with customers include the timing of billing and payments, which usually differs from the timing of revenue recognition. As a result, we carry contract assets and liabilities in our balance sheet. These contract assets and liabilities are calculated on a contract-by-contract basis and reported on a net basis at the end of each period and are classified as current. We present our contract assets in the balance sheet as Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts ("CIE"). CIE consists of revenue recognized in excess of billings. We present our contract liabilities in the balance sheet as Billings on Uncompleted Contracts in Excess of Costs and Estimated Earnings ("BIE"). BIE consists of billings in excess of revenue recognized. The following table provides information about CIE and BIE:

	December 31, 2021	June 30, 2021	Change
		(in thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 34,503	$ 30,774	$ 3,729
Billings on uncompleted contracts in excess of costs and estimated earnings	(84,859)	(53,832)	(31,027)
Net contract liabilities	$ (50,356)	$ (23,058)	$ (27,298)

The difference between the beginning and ending balances of our CIE and BIE primarily results from the timing of revenue recognized relative to its billings. The amount of revenue recognized during the six months ended December 31, 2021 that was included in the June 30, 2021 BIE balance was $48.4 million. This revenue consists primarily of work performed during the period on contracts with customers that had advance billings.

Progress billings in accounts receivable at December 31, 2021 and June 30, 2021 included retentions to be collected within one year of $13.6 million and $19.9 million, respectively. Contract retentions collectible beyond one year are included in other assets, non-current in the Condensed Consolidated Balance Sheet and totaled $2.1 million as of December 31, 2021 and $3.1 million as of June 30, 2021.

Disaggregated Revenue

Revenue disaggregated by reportable segment is presented in Note 9 - Segment Information. The following series of tables presents revenue disaggregated by geographic area where the work was performed and by contract type:

Geographic Disaggregation:

	Three Months Ended		Six Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		(In thousands)		
United States	$ 145,917	$ 146,200	$ 299,201	$ 307,577
Canada	15,260	19,132	28,770	38,743
Other international	788	2,136	2,087	3,919
Total Revenue	$ 161,965	$ 167,468	$ 330,058	$ 350,239

Contract Type Disaggregation:

	Three Months Ended		Six Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		(In thousands)		
Fixed-price contracts	$ 100,841	$ 113,871	$ 202,906	$ 247,227
Time and materials and other cost reimbursable contracts	61,124	53,597	127,152	103,012
Total Revenue	$ 161,965	$ 167,468	$ 330,058	$ 350,239

Typically, we assume more risk with fixed-price contracts since increases in costs to perform the work may not be recoverable. However, these types of contracts typically offer higher profits than time and materials and other cost reimbursable contracts when completed at or below the costs originally estimated. The profitability of time and materials and other cost reimbursable contracts is typically lower than fixed-price contracts and is usually less volatile than fixed-price contracts since the profit component is factored into the rates charged for labor, equipment and materials, or is expressed in the contract as a percentage of the reimbursable costs incurred.

Other

Our results of operations for the first quarter of fiscal 2022 were materially impacted by an increase in the forecasted costs to complete a large capital project in the Utility and Power Infrastructure segment, which resulted in a decrease in gross profit of $5.9 million. The change in forecasted costs was principally due to unexpected equipment repairs during commissioning that delayed the scheduled completion and increased the estimated costs to complete. We achieved a critical performance milestone in the second quarter of fiscal 2022, which significantly reduced our financial exposure and resulted in no change to the expected outcome of the project.

Our results of operations were materially impacted by an increase in the costs required to complete a thermal energy storage tank repair and maintenance project in the Storage and Terminal Solutions segment, which resulted in a decrease in gross profit of $2.8 million and $5.5 million in the three and six months ended December 31, 2021, respectively. The increase in costs was primarily due to changes in repair scope, expanded client weld testing and associated schedule delays. We expect to complete these repairs in the second half of fiscal 2022.

Note 3 – Leases

We enter into lease arrangements for real estate, construction equipment and information technology equipment in the normal course of business. Real estate leases accounted for approximately 94% of all right-of-use assets as of December 31, 2021. Most real estate and information technology equipment leases generally have fixed payments that follow an agreed upon payment schedule and have remaining lease terms ranging from less than a year to 14 years. Construction equipment leases generally have "month-to-month" lease terms that automatically renew as long as the equipment remains in use.

The components of lease expense in the Condensed Consolidated Statements of Income are as follows:

		Three Months Ended		Six Months Ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Lease expense	**Location of Expense**	(in thousands)			
Operating lease expense	Cost of revenue and Selling, general and administrative expenses	$ 1,878	$ 2,310	$ 3,970	$ 4,798
Short-term lease expense[1]	Cost of revenue	5,292	6,274	10,863	12,248
Total lease expense		$ 7,170	$ 8,584	$ 14,833	$ 17,046

(1) Primarily represents the lease expense of construction equipment that is subject to month-to-month rental agreements with expected rental durations of less than one year.

The future undiscounted lease payments, as reconciled to the discounted operating lease liabilities presented in our Condensed Consolidated Balance Sheets, were as follows:

	December 31, 2021
Maturity Analysis:	(in thousands)
Remainder of Fiscal 2022	$ 3,499
Fiscal 2023	4,881
Fiscal 2024	3,667
Fiscal 2025	3,160
Fiscal 2026	2,882
Thereafter	11,220
Total future operating lease payments	29,309
Imputed interest	(5,020)
Net present value of future lease payments	24,289
Less: current portion of operating lease liabilities	5,364
Non-current operating lease liabilities	$ 18,925

The following is a summary of the weighted average remaining operating lease term and weighted average discount rate as of December 31, 2021:

Weighted-average remaining lease term (in years)	7.3 years
Weighted-average discount rate	5.2 %

Supplemental cash flow information related to leases is as follows:

	Six Months Ended December 31, 2021
	(in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating lease payments	$ 4,197
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	$ 1,344

Note 4 – Goodwill and Other Intangible Assets

Goodwill

The changes in the carrying value of goodwill by segment are as follows:

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Total
	(In thousands)			
Net balance at June 30, 2021	$ 6,984	$ 26,878	$ 26,774	$ 60,636
Translation adjustment[(1)]	(28)	(7)	(55)	(90)
Net balance at December 31, 2021	$ 6,956	$ 26,871	$ 26,719	$ 60,546

(1) The translation adjustments relate to the periodic translation of Canadian Dollar and South Korean Won denominated goodwill recorded as a part of prior acquisitions in Canada and South Korea, in which the local currency was determined to be the functional currency.

We test our goodwill for impairment annually as of May 31st. While there continues to be uncertainty around the near-term level of spending by some of our customers due to the impacts of the COVID-19 pandemic and the timing of the economic recovery in certain energy markets, we concluded, that based on the totality of both positive and negative factors, no impairment indicators existed at December 31, 2021. However, based on future operating performance and economic factors, including our future share price, we may need to perform an interim goodwill impairment test, which could result in an impairment.

Other Intangible Assets

Information on the carrying value of other intangible assets is as follows:

		At December 31, 2021		
	Useful Life	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
	(Years)		(In thousands)	
Intellectual property	10 to 15	$ 2,483	$ (2,116)	$ 367
Customer-based	6 to 15	17,274	(11,981)	5,293
Total amortizing intangible assets		$ 19,757	$ (14,097)	$ 5,660

		At June 30, 2021		
	Useful Life	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
	(Years)		(In thousands)	
Intellectual property	10 to 15	$ 2,483	$ (2,031)	$ 452
Customer-based	6 to 15	17,354	(11,192)	6,162
Total amortizing intangible assets		$ 19,837	$ (13,223)	$ 6,614

Amortization expense totaled $0.4 million and $1.0 million during the three and six months ended December 31, 2021 and $0.5 million and $1.1 million during the three and six months ended December 31, 2020, respectively.

We estimate that the remaining amortization expense related to December 31, 2021 amortizing intangible assets will be as follows (in thousands):

Period ending:	
Remainder of Fiscal 2022	$ 864
Fiscal 2023	1,729
Fiscal 2024	1,416
Fiscal 2025	1,096
Fiscal 2026	555
Total estimated remaining amortization expense at December 31, 2021	$ 5,660

Note 5 – Debt

ABL Credit Facility

On September 9, 2021, we and our primary U.S. and Canada operating subsidiaries entered into an asset-backed credit agreement (the "ABL Facility") as borrowers with Bank of Montreal, as Administrative Agent, Swing-Line Lender, a Letter of Credit Issuer and a Lender. The ABL Facility is guaranteed by substantially all of our remaining U.S. and Canadian subsidiaries. The ABL Facility provides for available borrowings of up to $100.0 million, which may be increased further by an amount not to exceed $15.0 million, subject to certain conditions, including obtaining additional commitments. The ABL Facility is intended to be used for working capital, capital expenditures, issuances of letters of credit and other lawful purposes. Our obligations under the ABL Facility are secured by a first lien on all our assets and the assets of our co-borrowers and guarantors under the ABL Facility.

The maximum amount that we may borrow under the ABL Facility is subject to a borrowing base, which is based on restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves. We are required to maintain a minimum of $25.0 million of restricted cash at all times, but such amounts are also included in the borrowing base. The ABL Facility matures and any outstanding amounts become due and payable on September 9, 2026.

At December 31, 2021, our borrowing base was $70.1 million and we had $33.4 million in letters of credit outstanding issued by Bank of Montreal, which resulted in availability of $36.7 million under the ABL Facility. In addition, there were $9.5 million in letters of credit outstanding issued by JPMorgan Chase Bank, N.A. ("JPMorgan"). JPMorgan was the administrative agent of our former senior secured revolving credit facility, which was terminated and replaced with the ABL Facility. The JPMorgan letters of credit outstanding as of December 31, 2021 were in the process of being replaced by Bank of Montreal letters of credit, and that process was substantially complete at the end of January. The letters of credit outstanding from Bank of Montreal had reduced from $33.4 million as of December 31, 2021 to $23.6 million as of January 31, 2022. In addition, the letters of credit outstanding from JPMorgan had reduced from $9.5 million as of December 31, 2021 to $0.2 million as of January 31, 2022.

Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate equal to any of a base rate (“Base Rate”), Canadian prime rate, CDOR rate or a LIBOR rate, plus an applicable margin. The Base Rate is defined as a fluctuating interest rate equal to the greatest of (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) LIBOR rate for one month period plus 1.00%; and (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for either U.S. Base Rate Loans or Canadian prime rate, and between 2.00% and 2.50% for CDOR and LIBOR rate borrowings. Interest is payable either (i) monthly for Base Rate borrowings or (ii) the last day of the interest period for LIBOR or CDOR rate borrowings, as set forth in the Credit Agreement. The fee for undrawn amounts is 0.25% per annum and is due quarterly.

The ABL Facility contains customary conditions to borrowings, events of default and covenants, including, but not limited to, covenants that restrict our ability to sell assets, engage in mergers and acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay cash dividends, issue equity instruments, make distribution or redeem or repurchase capital stock. In the event that our availability is less than the greater of (i) $15.0 million and (ii) 15.00% of the commitments under the ABL Facility then in effect, a consolidated Fixed Charge Coverage Ratio of at least 1.00 to 1.00 must be maintained. We are in compliance with all covenants of the ABL Facility as of December 31, 2021.

Senior Secured Revolving Credit Facility

The ABL Facility replaced the Fifth Amended and Restated Credit Agreement (the "Prior Credit Agreement"), that was entered into on November 2, 2020, and subsequently amended on May 4, 2021, by and among us and certain foreign subsidiaries, as Borrowers, various subsidiaries of ours, as Guarantors, JPMorgan, as Administrative Agent, Sole Lead Arranger and Sole Book Runner, and the other Lenders party thereto. The Prior Credit Agreement provided for a three-year senior secured revolving credit facility of $200.0 million that was set to expire November 2, 2023.

We had no borrowings and $41.3 million of letters of credit outstanding under the Prior Credit Agreement as of the date we commenced the ABL Facility. As of December 31, 2021 there were $9.5 million in letters of credit outstanding under the Prior Credit Agreement, which decreased to $0.2 million outstanding as of January 31, 2022. Interest expense during the six months ended December 31, 2021 included $1.5 million of accelerated amortization of deferred debt amendment fees associated with the Prior Credit Agreement.

Note 6 – Income Taxes

Effective Tax Rate

Our effective tax rates were (78.7)% and (15.5)% for the three and six months ended December 31, 2021, compared to 20.9% and 11.0% during the three and six months ended December 31, 2020, respectively. The effective tax rates in fiscal 2022 were negatively impacted by a $14.2 million valuation allowance placed on our deferred tax assets during the second quarter. The effective tax rates in fiscal 2021 were negatively impacted by deferred tax asset adjustments of $0.2 million and $1.2 million during the three and six months ended December 31, 2020, respectively.

In determining the need for a valuation allowance on deferred tax assets, the accounting standards provide that the existence of a cumulative loss over a three-year period generally precludes the use of management's projections of future taxable income. Consequently, we have recorded a full valuation allowance against the deferred tax assets in the U.S. taxable jurisdiction in the amount of $14.2 million. These assets are primarily comprised of federal net operating losses, which have an indefinite carryforward, federal tax credits and those state net operating losses for which a valuation allowance did not previously exist. To the extent the Company generates taxable income in the future, or cumulative losses are no longer present and our future projections for growth or tax planning strategies are demonstrated, we will realize the benefit associated with the net operating losses for which the valuation allowance has been provided.

Net Operating Loss Carryback Refund

Through provisions in the CARES Act, we had an income tax benefit from the ability to carryback the fiscal 2021 federal net operating loss to a period with a higher statutory federal income tax rate. We estimate that we will receive a $12.6 million tax refund in connection with this carryback, which is included in income taxes receivable in the Condensed Consolidated Balance Sheets.

Refund of Overpayment of Estimated Taxes

In January 2022, we received a $2.4 million tax refund in connection with overpayments of estimated taxes from prior years, which was included in income taxes receivable in the Condensed Consolidated Balance Sheets as of December 31, 2021.

Deferred Payroll Taxes

As of September 30, 2021, we deferred a total of $11.1 million of U.S. payroll tax through provisions of CARES Act. We repaid half of the deferred payroll tax outstanding during the three months ended December 31, 2021 and must repay the remaining balance by December 31, 2022. The remaining balance of deferred payroll taxes is included within accrued wages and benefits in the Condensed Consolidated Balance Sheets.

Note 7 – Commitments and Contingencies

Insurance Reserves

We maintain insurance coverage for various aspects of our operations. However, we retain exposure to potential losses through the use of deductibles, self-insured retentions and coverage limits.

Typically, our contracts require us to indemnify our customers for injury, damage or loss arising from the performance of our services and provide warranties for materials and workmanship. We may also be required to name the customer as an additional insured up to the limits of insurance available, or we may be required to purchase special insurance policies or surety bonds for specific customers or provide letters of credit in lieu of bonds to satisfy performance and financial guarantees on some projects. We maintain a performance and payment bonding line sufficient to support the business. We generally require our subcontractors to indemnify us and our customer and name us as an additional insured for activities arising out of the subcontractors' work. We also require certain subcontractors to provide additional insurance policies, including surety bonds in favor of us, to secure the subcontractors' work or as required by the subcontract.

There can be no assurance that our insurance and the additional insurance coverage provided by our subcontractors will fully protect us against a valid claim or loss under the contracts with our customers.

Unpriced Change Orders and Claims

Costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unpriced change orders and claims of $10.1 million at December 31, 2021 and $14.6 million at June 30, 2021. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings. Generally, collection of amounts related to unpriced change orders and claims is expected within twelve months. However, since customers may not pay these amounts until final resolution of related claims, collection of these amounts may extend beyond one year.

Other

During the third quarter of fiscal 2020, we commenced litigation in an effort to collect accounts receivable from an iron and steel customer following the deterioration of the relationship in the second quarter of fiscal 2020. The unpaid receivable balance at December 31, 2021 was $17.0 million. Litigation is unpredictable, however, based on the terms of the contract with this customer, we believe we are entitled to collect the full amount owed under the contract.

We and our subsidiaries are participants in various legal actions. It is the opinion of management that none of the other known legal actions will have a material impact on our financial position, results of operations or liquidity.

Note 8 – Earnings per Common Share

Basic earnings per share ("Basic EPS") is calculated based on the weighted average shares outstanding during the period. Diluted earnings per share ("Diluted EPS") includes the dilutive effect of stock options and nonvested deferred shares. In the event we report a loss, stock options

and nonvested deferred shares are not included since they are anti-dilutive.

The computation of basic and diluted earnings per share is as follows:

	Three Months Ended		Six Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(In thousands, except per share data)			
Basic EPS:				
Net loss	$ (24,919)	$ (4,591)	$ (42,457)	$ (7,628)
Weighted average shares outstanding	26,749	26,489	26,680	26,377
Basic loss per share	$ (0.93)	$ (0.17)	$ (1.59)	$ (0.29)
Diluted EPS:				
Diluted weighted average shares	26,749	26,489	26,680	26,377
Diluted loss per share	$ (0.93)	$ (0.17)	$ (1.59)	$ (0.29)

Note 9 – Segment Information

We report our results of operations through three reportable segments: Utility and Power Infrastructure, Process and Industrial Facilities, and Storage and Terminal Solutions.

- **Utility and Power Infrastructure**: consists of power delivery services provided to investor owned utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, upgrades and maintenance, as well as emergency and storm restoration services. We also provide engineering, fabrication, and construction services for LNG utility peak shaving facilities, and provide construction and maintenance services to a variety of power generation facilities, including natural gas fired facilities in simple or combined cycle configuration.

- **Process and Industrial Facilities**: primarily serves customers in the downstream and midstream petroleum industries who are engaged in refining crude oil and processing, fractionating, and marketing of natural gas and natural gas liquids. We also serve customers in various other industries such as petrochemical, sulfur, mining and minerals companies engaged primarily in the extraction of non-ferrous metals, aerospace and defense, cement, agriculture, and other industrial customers. Our services include plant maintenance, turnarounds, industrial cleaning services, engineering, fabrication, and capital construction.

- **Storage and Terminal Solutions**: consists of work related to aboveground crude oil and refined product storage tanks and terminals. We also include work related to cryogenic and other specialty storage tanks and terminals, including LNG, liquid nitrogen/liquid oxygen, liquid petroleum, hydrogen and other specialty vessels such as spheres in this segment, as well as work related to marine structures and truck and rail loading/offloading facilities. Our services include engineering, fabrication, construction, and maintenance and repair, which includes planned and emergency services for both tanks and full terminals. Finally, we offer tank products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.

We evaluate performance and allocate resources based on operating income. We record intersegment sales and transfers at cost; therefore, no intercompany profit or loss is recognized. In addition, corporate selling, general and administrative expenses are reported separately from the three reportable segments.

Segment assets consist primarily of accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, property, plant and equipment, right-of-use lease assets, goodwill and other intangible assets.

Matrix Service Company
Notes to Condensed Consolidated Financial Statements
(unaudited)

Results of Operations

(In thousands)

	Three Months Ended		Six Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Gross revenue				
Utility and Power Infrastructure	$ 54,752	$ 52,023	$ 111,956	$ 112,694
Process and Industrial Facilities	52,037	51,747	97,247	98,475
Storage and Terminal Solutions	57,607	65,434	125,919	143,030
Total gross revenue	$ 164,396	$ 169,204	$ 335,122	$ 354,199
Less: Inter-segment revenue				
Process and Industrial Facilities	$ 1,721	$ 485	$ 3,026	$ 1,282
Storage and Terminal Solutions	710	1,251	2,038	2,678
Total inter-segment revenue	$ 2,431	$ 1,736	$ 5,064	$ 3,960
Consolidated revenue				
Utility and Power Infrastructure	$ 54,752	$ 52,023	$ 111,956	$ 112,694
Process and Industrial Facilities	50,316	51,262	94,221	97,193
Storage and Terminal Solutions	56,897	64,183	123,881	140,352
Total consolidated revenue	$ 161,965	$ 167,468	$ 330,058	$ 350,239
Gross profit (loss)				
Utility and Power Infrastructure	$ (491)	$ 5,597	$ (6,598)	$ 12,510
Process and Industrial Facilities	4,235	7,864	7,106	11,523
Storage and Terminal Solutions	(172)	1,852	241	5,630
Corporate	(365)	—	(1,050)	—
Total gross profit (loss)	$ 3,207	$ 15,313	$ (301)	$ 29,663
Selling, general and administrative expenses				
Utility and Power Infrastructure	$ 3,150	$ 2,576	$ 6,200	$ 4,798
Process and Industrial Facilities	2,792	3,387	5,554	7,437
Storage and Terminal Solutions	4,280	3,919	8,786	9,062
Corporate	5,700	6,842	12,011	13,555
Total selling, general and administrative expenses	$ 15,922	$ 16,724	$ 32,551	$ 34,852
Restructuring costs				
Utility and Power Infrastructure	$ 37	$ 812	$ 46	$ 823
Process and Industrial Facilities	(24)	3,364	(17)	2,864
Storage and Terminal Solutions	107	641	74	654
Corporate	575	228	1,197	384
Total restructuring costs	$ 695	$ 5,045	$ 1,300	$ 4,725
Operating income (loss)				
Utility and Power Infrastructure	$ (3,678)	$ 2,209	$ (12,844)	$ 6,889
Process and Industrial Facilities	1,467	1,113	1,569	1,222
Storage and Terminal Solutions	(4,559)	(2,708)	(8,619)	(4,086)
Corporate	(6,640)	(7,070)	(14,258)	(13,939)
Total operating loss	$ (13,410)	$ (6,456)	$ (34,152)	$ (9,914)

Matrix Service Company
Notes to Condensed Consolidated Financial Statements
(unaudited)

Total assets by segment were as follows:

	December 31, 2021	June 30, 2021
Utility and Power Infrastructure	$ 92,072	$ 81,717
Process and Industrial Facilities	78,757	106,619
Storage and Terminal Solutions	149,523	160,782
Corporate	120,212	118,438
Total segment assets	$ 440,564	$ 467,556

Note 10 – Restructuring Costs

In fiscal 2020, we initiated a business improvement plan to increase profitability and reduce our cost structure in order to help us become more competitive and deliver higher quality service. As a result of specific events, including the effects of the COVID-19 pandemic and related market disruptions, the Company expanded its business improvement plan.

The business improvement plan consisted of an initial phase of discretionary cost reductions, workforce reductions, reduction of capital expenditures and the reduction in size or closure of certain offices in order to increase the utilization of our staff and bring the cost structure of the business in line with revenue volumes. In fiscal 2022, we commenced a second phase of our plan to focus on centralization of support functions, including business development, accounting, human resources, procurement and project services into shared service centers. We incurred $0.7 million and $1.3 million of restructuring costs during the three and six months ended December 31, 2021 and $22.1 million of restructuring costs since inception of the plan. The restructuring costs consist primarily of severance costs, facility closure costs, consulting fees and other liabilities.

Restructuring costs under our business improvement plan are classified as follows:

	Three Months Ended		Six Months Ended		Since Inception of Business Improvement Plan
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	
	(In thousands)				
Utility and Power Infrastructure					
Severance and other personnel-related costs	$ 36	$ 811	$ 45	$ 818	$ 2,584
Facility costs	—	1	—	5	348
Other intangible asset impairments	—	—	—	—	1,150
Other costs	1	—	1	—	1
Total Utility and Power Infrastructure	$ 37	$ 812	$ 46	$ 823	$ 4,083
Process and Industrial Facilities					
Severance and other personnel-related costs	$ (27)	$ 3,082	$ (22)	$ 2,590	$ 9,096
Facility costs	1	134	1	15	3,189
Other intangible asset impairments	—	—	—	—	375
Other costs	2	148	4	259	430
Total Process and Industrial Facilities	$ (24)	$ 3,364	$ (17)	$ 2,864	$ 13,090
Storage and Terminal Solutions					
Severance and other personnel-related costs	$ 102	$ 640	$ 69	$ 653	$ 1,647
Facility costs	—	1	—	1	879
Other costs	5	—	5	—	5
Total Storage and Terminal Solutions	$ 107	$ 641	$ 74	$ 654	$ 2,531
Corporate					
Severance and other personnel-related costs	$ —	$ 155	$ 44	$ 161	$ 1,127
Facility costs	—	73	16	223	98
Other costs	575	—	1,137	—	1,137
Total Corporate	$ 575	$ 228	$ 1,197	$ 384	$ 2,362
Restructuring Costs by Type:					
Severance and other personnel-related costs	$ 111	$ 4,688	$ 136	$ 4,222	$ 14,454
Facility costs	1	209	17	244	4,514
Other intangible asset impairments	—	—	—	—	1,525
Other costs	583	148	1,147	259	1,573
Total restructuring costs	$ 695	$ 5,045	$ 1,300	$ 4,725	$ 22,066

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

FORWARD-LOOKING STATEMENTS

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this Form 10-Q which address activities, events or developments which we expect, believe or anticipate will or may occur in the future are forward-looking statements. The words "believes," "intends," "expects," "anticipates," "projects," "estimates," "predicts" and similar expressions are also intended to identify forward-looking statements.

These forward-looking statements include, among others, such things as:

- the impact to our business of the COVID-19 pandemic;
- amounts and nature of future project awards, revenue and margins from each of our segments;
- our ability to generate sufficient cash from operations, access our credit facility, or raise cash in order to meet our short and long-term capital requirements;
- our ability to comply with the covenants in our credit agreement;
- the impact to our business of changes in crude oil, natural gas and other commodity prices;
- the likely impact of new or existing regulations or market forces on the demand for our services;
- our expectations with respect to the likelihood of a future impairment; and
- expansion and other trends of the industries we serve.

These statements are based on certain assumptions and analyses we made in light of our experience and our historical trends, current conditions and expected future developments as well as other factors we believe are appropriate. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from our expectations, including:

- any risk factors discussed in this Form 10-Q, Form 10-K for the fiscal year ended June 30, 2021, and in our other filings with the Securities and Exchange Commission;
- economic, market or business conditions in general (including the length and severity of the COVID-19 pandemic) and in the oil, natural gas, power, petrochemical, agricultural and mining industries in particular;
- the transition to renewable energy sources and its impact on our current customer base;
- the under- or over-utilization of our work force;
- delays in the commencement or progression of major projects, whether due to COVID-19 concerns, permitting issues or other factors;
- reduced creditworthiness of our customer base and the higher risk of non-payment of receivables due to volatility of crude oil, natural gas, and other commodity prices which affect our customers' businesses;
- the inherently uncertain outcome of current and future litigation;
- the adequacy of our reserves for claims and contingencies; and
- changes in laws or regulations, including the imposition, cancellation or delay of tariffs on imported goods.

Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business operations. We assume no obligation to update publicly, except as required by law, any such forward-looking statements, whether as a result of new information, future events or otherwise.

RESULTS OF OPERATIONS

Overview

We report our results of operations through three reportable segments: Utility and Power Infrastructure, Process and Industrial Facilities, and Storage and Terminal Solutions.

- **Utility and Power Infrastructure**: consists of power delivery services provided to investor owned utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, upgrades and maintenance, as well as emergency and storm restoration services. We also provide engineering, fabrication, and construction services for LNG utility peak shaving facilities, and provide construction and maintenance services to a variety of power generation facilities, including natural gas fired facilities in simple or combined cycle configuration.

- **Process and Industrial Facilities**: primarily serves customers in the downstream and midstream petroleum industries who are engaged in refining crude oil and processing, fractionating, and marketing of natural gas and natural gas liquids. We also serve customers in various other industries such as petrochemical, sulfur, mining and minerals companies engaged primarily in the extraction of non-ferrous metals, aerospace and defense, cement, agriculture, and other industrial customers. Our services include plant maintenance, turnarounds, industrial cleaning services, engineering, fabrication, and capital construction.

- **Storage and Terminal Solutions**: consists of work related to aboveground crude oil and refined product storage tanks and terminals. We also include work related to cryogenic and other specialty storage tanks and terminals, including LNG, liquid nitrogen/liquid oxygen, liquid petroleum, hydrogen and other specialty vessels such as spheres in this segment, as well as work related to marine structures and truck and rail loading/offloading facilities. Our services include engineering, fabrication, construction, and maintenance and repair, which includes planned and emergency services for both tanks and full terminals. Finally, we offer tank products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.

We evaluate performance and allocate resources based on operating income. We record intersegment sales and transfers at cost; therefore, no intercompany profit or loss is recognized. In addition, corporate selling, general and administrative expenses are reported separately from the three reportable segments.

Operational Update

Throughout the course of the COVID-19 pandemic, our top priority has been to maintain a safe working environment for all employees, customers and business partners. Our project teams, in coordination with our clients, are monitoring the impact of the omicron and other new variants of COVID-19 and continue to operate under enhanced work processes to protect the health and safety of everyone on our job sites. The emergence of the omicron variant in the second quarter of fiscal 2022 did not have a significant impact on our existing COVID-19 safety protocols designed to maintain our safe working environment.

In fiscal 2020, we initiated a business improvement plan to increase profitability and reduce our cost structure in order to help us become more competitive and deliver higher quality service. As a result of specific events, including the effects of the COVID-19 pandemic and related market disruptions, the Company expanded its business improvement plan.

The business improvement plan consisted of an initial phase of discretionary cost reductions, workforce reductions, reduction of capital expenditures and the reduction in size or closure of certain offices in order to increase the utilization of our staff and bring the cost structure of the business in line with revenue volumes. In fiscal 2022, we commenced a second phase of our plan to focus on centralization of support functions, including business development, accounting, human resources, procurement and project services into shared service centers. We incurred $0.7 million and $1.3 million of restructuring costs during the three and six months ended December 31, 2021 and $22.1 million of restructuring costs since inception of the plan. The restructuring costs consist primarily of severance costs, facility closure costs, consulting fees and other liabilities.

To date, we estimate that we have reduced our cost structure by approximately $80 million, or approximately 29%, with approximately one-third of those reductions related to SG&A and the rest related to construction overhead, which is included in cost of revenue in the Condensed Consolidated Statements of Income. See Item 1. Financial Statements, Note 10 - Restructuring Costs, for more information about our business improvement plan.

Despite the significant reductions in our cost structure, our low revenue volume still has not allowed for the complete recovery of construction overhead or leveraging of SG&A costs. Based on improving market conditions and strong award activity in the first half of fiscal 2022, we expect cost savings from the business improvement plan along with improving revenue volumes to positively impact earnings in the second half of fiscal 2022.

Three Months Ended December 31, 2021 Compared to the Three Months Ended December 31, 2020

Consolidated

Consolidated revenue was $162.0 million for the three months ended December 31, 2021, compared to $167.5 million in the same period last year. On a segment basis, revenue decreased in the Storage and Terminal Solutions and Process and Industrial Facilities segments by $7.3 million and $1.0 million, respectively. The decreases were partially offset by an increase in revenue of $2.8 million in the Utility and Power Infrastructure segment.

Consolidated gross profit decreased to $3.2 million in the three months ended December 31, 2021 compared to $15.3 million in the same period last year. Gross margin decreased to 2.0% in the three months ended December 31, 2021 compared to 9.1% in the same period last year. Gross margins in the second quarter of fiscal 2022 were negatively impacted by lower volumes, which led to the under recovery of construction overhead costs, and by a lower than previously forecasted margin on a tank repair and maintenance project in the Storage and Terminal Solutions segment. Gross margins in fiscal 2021 were positively impacted by strong project execution, partially offset by lower than forecasted volumes, which led to under recovery of construction overhead costs.

Consolidated SG&A expenses were $15.9 million in the three months ended December 31, 2021 compared to $16.7 million in the same period a year earlier. The decrease is primarily attributable to implemented cost reductions.

As a result of restructuring activities, we recorded $0.7 million of restructuring costs in the three months ended December 31, 2021. See Item 1. Financial Statements, Note 10 - Restructuring Costs, for more information.

Interest expense was $0.5 million in the three months ended December 31, 2021 compared to $0.4 million in the three months ended December 31, 2020. Interest expense in the three months ended December 31, 2021 consisted primarily of letter of credit fees, unused capacity fees and amortization of deferred debt issuance costs.

Our effective tax rates for the three months ended December 31, 2021 and December 31, 2020 were (78.7)% and 20.9%, respectively. The effective tax rate in fiscal 2022 was negatively impacted by a $14.2 million valuation allowance placed on our deferred tax assets during the second quarter, see Item 1. Financial Statements, Note 6 - Income Taxes, for more information. The effective tax rate for the three months ended December 31, 2020 was negatively impacted by deferred tax asset adjustments of $0.2 million.

For the three months ended December 31, 2021, we had a net loss of $24.9 million, or $0.93 per fully diluted share, compared to a net loss of $4.6 million, or $0.17 per fully diluted share, in the three months ended December 31, 2020.

Utility and Power Infrastructure

Revenue for the Utility and Power Infrastructure segment was $54.8 million in the three months ended December 31, 2021 compared to $52.0 million in the same period last year. The increase is primarily due to higher volumes of power generation work.

The segment gross margin (loss) was (0.9)% in fiscal 2022 compared to 10.8% in fiscal 2021. The segment gross margin (loss) for the second quarter of fiscal 2022 was negatively impacted by lower margins on power delivery work bid competitively and revenue recognized on a large capital project at a margin reduced in prior periods. In addition, segment gross margin in the second quarter of fiscal 2022 was also negatively impacted by low volumes, which led to the under recovery of construction overhead costs. The fiscal 2021 segment gross margin was positively impacted by strong project execution, partially offset by under recovery of construction overhead costs.

Process and Industrial Facilities

Revenue for the Process and Industrial Facilities segment was $50.3 million in the three months ended December 31, 2021 compared to $51.3 million in the same period last year. While segment revenue was nearly flat compared to last year, we booked $210.4 million of project awards in the first half of fiscal 2022, which includes some large capital projects that are still in the preliminary stages of engineering and construction. As such, we expect strong revenue growth in this segment during the second half of fiscal 2022.

The segment gross margin was 8.4% for the three months ended December 31, 2021 compared to 15.3% in the same period last year. Despite generally strong project execution, the lower segment gross margin in fiscal 2022 was the result of low volumes, which lead to under recovery of construction overhead costs. Segment gross margin in the second quarter of fiscal 2021 was positively impacted by strong project execution and a one-time workers compensation claim, partially offset by the under recovery of construction overhead costs.

Storage and Terminal Solutions

Revenue for the Storage and Terminal Solutions segment was $56.9 million in the three months ended December 31, 2021 compared to $64.2 million in the same period last year. The decrease in segment revenue is primarily a result of lower volumes of crude oil tank and terminal capital work, partially offset by an increase in tank repair and maintenance work.

The segment gross margin (loss) was (0.3)% for the three months ended December 31, 2021 compared to 2.9% in the same period last year. The fiscal 2022 segment gross margin was negatively impacted by a lower than previously forecasted margin on a thermal energy storage tank repair and maintenance project due to changes in repair scope, expanded client weld testing and associated schedule delays, which reduced segment gross profit by $2.8 million. The segment gross margin in the second quarter of fiscal 2022 was also negatively impacted by low volumes, which led to under recovery of construction overhead costs. The segment gross margin in fiscal 2021 was negatively impacted by a lower than previously forecasted margin on a large crude oil storage terminal capital project and the under recovery of construction overhead costs.

Corporate

Unallocated corporate expenses were $6.6 million during the three months ended December 31, 2021 compared to $7.1 million in the same period last year. The decrease is primarily attributable to implemented cost reductions under the business improvement plan (see Item 1. Financial Statements, Note 10 - Restructuring Costs, and "Operational Update" in this Results of Operations section for more information).

Six Months Ended December 31, 2021 Compared to the Six Months Ended December 31, 2020

Consolidated revenue was $330.1 million for the six months ended December 31, 2021, compared to $350.2 million in the same period last year. On a segment basis, revenue decreased in the Storage and Terminal Solutions, Process and Industrial Facilities, and Utility and Power Infrastructure segments by $16.5 million, $3.0 million and $0.7 million, respectively.

Consolidated gross profit (loss) decreased to $(0.3) million in the six months ended December 31, 2021 compared to $29.7 million in the same period last year. Gross margin (loss) decreased to (0.1)% in the six months ended December 31, 2021 compared to 8.5% in the same period last year. Gross margins in fiscal 2022 were negatively impacted by a lower than previously forecasted margin on a large capital project and an unfavorable settlement of a claim with a customer, both in the Utility and Power Infrastructure segment, and a lower than previously forecasted margin on a tank repair and maintenance project in the Storage and Terminal Solutions segment. In addition, gross margins were also negatively impacted by lower than forecasted volumes, which led to the under recovery of construction overhead costs. Despite generally strong project execution, gross margins in the first half of fiscal 2021 were negatively impacted by lower than forecasted volumes, which led to under recovery of construction overhead costs.

Consolidated SG&A expenses were $32.6 million in the six months ended December 31, 2021 compared to $34.9 million in the same period a year earlier. The decrease is primarily attributable to implemented cost reductions.

As a result of restructuring activities, we recorded $1.3 million of restructuring costs in the six months ended December 31, 2021. See Item 1. Financial Statements, Note 10 - Restructuring Costs, for more information.

Interest expense was $2.5 million in the six months ended December 31, 2021 compared to $0.7 million in the six months ended December 31, 2020. Interest expense in fiscal 2022 included $1.5 million of accelerated amortization of deferred debt amendment fees (see Item 1. Financial Statements, Note 5 - Debt, for more information). The remaining interest expense in fiscal 2022 was comprised of letter of credit fees, unused capacity fees and amortization of deferred debt issuance costs.

Our effective tax rates for the six months ended December 31, 2021 and December 31, 2020 were (15.5)% and 11.0%, respectively. The effective tax rate in fiscal 2022 was negatively impacted by a $14.2 million valuation allowance placed on our deferred tax assets during the second quarter, see Item 1. Financial Statements, Note 6 - Income Taxes, for more information. The effective tax rate for the six months ended December 31, 2020 was negatively impacted by deferred tax asset adjustments of $1.2 million.

For the six months ended December 31, 2021, we had a net loss of $42.5 million, or $1.59 per fully diluted share, compared to a net loss of $7.6 million, or $0.29 per fully diluted share, in the six months ended December 31, 2020.

Utility and Power Infrastructure

Revenue for the Utility and Power Infrastructure segment was $112.0 million in the six months ended December 31, 2021 compared to $112.7 million in the same period last year. The decrease is primarily due to lower volumes of power delivery and natural gas utility peak shaving work, partially offset by higher volumes of power generation and storm response service work.

The segment gross margin (loss) was (5.9)% in fiscal 2022 compared to 11.1% in fiscal 2021. The fiscal 2022 segment gross margin was negatively impacted by an increase in the forecasted costs to complete a large capital project in the first quarter, which resulted in a decrease in gross profit of $5.9 million. The change in forecasted costs was principally due to unexpected equipment repairs during commissioning that delayed the scheduled completion and increased the estimated costs to complete. We achieved a critical performance milestone in the second quarter of fiscal 2022, which significantly reduced our financial exposure and resulted in no change to the expected outcome of the project. In addition, segment gross margin was negatively impacted by an unfavorable settlement of a claim with a customer, and low volumes, which led to the under recovery of construction overhead costs. The fiscal 2021 segment gross margin was positively impacted by strong project execution, partially offset by under recovery of construction overhead costs.

Process and Industrial Facilities

Revenue for the Process and Industrial Facilities segment was $94.2 million in the six months ended December 31, 2021 compared to $97.2 million in the same period last year. While segment revenue was slightly down compared to last year, we booked $210.4 million of project awards in the first half of fiscal 2022, which includes some large capital projects that are still in the preliminary stages of engineering and construction. As such, we expect strong revenue growth in this segment during the second half of fiscal 2022.

The segment gross margin was 7.5% for the six months ended December 31, 2021 compared to 11.9% in the same period last year. Despite generally strong project execution, the low segment gross margin in fiscal 2022 was the result of low volumes, which led to the under recovery of construction overhead costs. Segment gross margin in fiscal 2021 was positively impacted by strong project execution and the positive impact of a one-time workers' compensation item.

Storage and Terminal Solutions

Revenue for the Storage and Terminal Solutions segment was $123.9 million in the six months ended December 31, 2021 compared to $140.4 million in the same period last year. The decrease in segment revenue is primarily a result of lower volumes of crude oil tank and terminal capital work, partially offset by an increase in tank repair and maintenance work.

The segment gross margin was 0.2% for the six months ended December 31, 2021 compared to 4.0% in the same period last year. The fiscal 2022 segment gross margin was negatively impacted by a lower than previously forecasted margin on a thermal energy storage tank repair and maintenance project due to changes in repair scope, expanded client weld testing and associated schedule delays, which reduced segment gross profit by $5.5 million. In addition, the fiscal 2022 segment gross margin was also negatively impacted by low volumes, which led to under recovery of construction overhead costs. The segment gross margin in fiscal 2021 was negatively impacted by a lower than previously forecasted margin on a large crude oil storage terminal capital project and the under recovery construction overhead costs.

Corporate

Unallocated corporate expenses were $14.3 million during the six months ended December 31, 2021 compared to $13.9 million in the same period last year. The increase is primarily attributable to an increase in legal costs for outstanding litigation (see Item 1. Financial Statements, Note 7 - Commitment and Contingencies, for more information) and third party consulting services related to restructuring activities (see "Operational Update" in this Results of Operations section), partially offset by cost reductions we implemented.

Backlog

We define backlog as the total dollar amount of revenue that we expect to recognize as a result of performing work that has been awarded to us through a signed contract, limited notice to proceed or other type of assurance that we consider firm. The following arrangements are considered firm:

- fixed-price awards;
- minimum customer commitments on cost plus arrangements; and
- certain time and material arrangements in which the estimated value is firm or can be estimated with a reasonable amount of certainty in both timing and amounts.

For long-term maintenance contracts with no minimum commitments and other established customer agreements, we include only the amounts that we expect to recognize as revenue over the next 12 months. For arrangements in which we have received a limited notice to proceed ("LNTP"), we include the entire scope of work in our backlog if we conclude that the likelihood of the full project proceeding as high. For all other arrangements, we calculate backlog as the estimated contract amount less revenue recognized as of the reporting date.

The following table provides a summary of changes in our backlog for the three months ended December 31, 2021:

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Total
	(In thousands)			
Backlog as of September 30, 2021	$ 176,876	$ 185,434	$ 199,045	$ 561,355
Project awards	28,244	115,852	48,074	192,170
Revenue recognized	(54,752)	(50,316)	(56,897)	(161,965)
Backlog as of December 31, 2021	$ 150,368	$ 250,970	$ 190,222	$ 591,560
Book-to-bill ratio(1)	0.5	2.3	0.8	1.2

(1) Calculated by dividing project awards by revenue recognized during the period.

The following table provides a summary of changes in our backlog for the six months ended December 31, 2021:

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Total
	(In thousands)			
Backlog as of June 30, 2021	$ 170,043	$ 134,777	$ 157,741	$ 462,561
Project awards	92,281	210,414	156,362	459,057
Revenue recognized	(111,956)	(94,221)	(123,881)	(330,058)
Backlog as of December 31, 2021	$ 150,368	$ 250,970	$ 190,222	$ 591,560
Book-to-bill ratio(1)	0.8	2.2	1.3	1.4

(1) Calculated by dividing project awards by revenue recognized during the period.

Strong bidding activity has led to project awards of $192.2 million and $459.1 million during the three and six months ended December 31, 2021, respectively, leading to a book-to-bill ratios of 1.2 and 1.4 for the three and six month periods. Project awards through the first half of fiscal 2022 have surpassed project awards for the full year of fiscal 2021. Total backlog increased by 5.4% and 27.9% during the three and six months ended December 31, 2021, respectively.

In the Utility and Power Infrastructure segment, backlog decreased by 15.0% as we booked $28.2 million of project awards during the three months ended December 31, 2021. Backlog decreased by 11.6% as we booked $92.3 million of project awards during the six months ended December 31, 2021. Bidding activity is strong in the power delivery portion of the business. During the first half of fiscal 2022, we received several key contracts for electrical infrastructure services including substation and transmission line rebuilds, relay upgrades, and fiber installation. Our opportunity pipeline for LNG peak shaving projects is also building, however those awards, while significant, can be less frequent. In addition, we expect the $1.2 trillion Infrastructure Investment and Jobs Act recently passed by congress will lead to increased opportunities in this segment.

In the Process and Industrial Facilities segment, backlog increased by 35.3% as we booked $115.9 million of project awards during the three months ended December 31, 2021. Backlog increased by 86.2% as we booked $210.4 million of project awards during the six months ended December 31, 2021. Client spending related to refinery maintenance operations has returned to near-normal levels. During the first half of fiscal 2022, we received key awards for a thermal vacuum chamber, a midstream gas processing plant and other renewable energy capital projects. We continue to see strong demand for thermal vacuum chambers in the coming quarters, as well as increasing opportunities in mining and minerals and chemicals. In addition, we are seeing more opportunities for midstream gas work, including some larger scale projects.

In the Storage and Terminal Solutions segment, backlog decreased by 4.4% as we booked $48.1 million of project awards during the three months ended December 31, 2021. Backlog increased by 20.6% as we booked $156.4 million of project awards during the six months ended December 31, 2021. Oil and natural gas producers have remained cautious with capital spending, which has limited new production volumes and opportunities in crude oil tanks and terminals. However, we received key capital construction contracts for an LNG tank and a storage tank package consisting of seven biodiesel tanks, in the first half of fiscal 2022. This segment also includes significant opportunities for storage infrastructure projects related to natural gas, LNG, ammonia, hydrogen, NGLs and other forms of renewable energy.

Project awards in all segments are cyclical and are typically the result of a sales process that can take several months or years to complete. It is common for awards to shift from one period to another as the timing of awards is dependent upon a number of factors including changes in market conditions, permitting, off take agreements, project financing and other factors. Backlog volatility may increase for some segments from time to time when individual project awards are less frequent, but more significant. The level of awards presented above only represents an interim period and may not be indicative of full year awards.

Seasonality and Other Factors

Our operating results can exhibit seasonal fluctuations, especially in our Process and Industrial Facilities segment, for a variety of reasons. Turnarounds and planned outages at customer facilities are typically scheduled in the spring and the fall when the demand for energy is lower. Within the Utility and Power Infrastructure segment, transmission and distribution work is generally scheduled by the public utilities when the demand for electricity is at its lowest. Therefore, revenue volume in the summer months is typically lower than in other periods throughout the year.

Our operations are also impacted by the COVID-19 pandemic, which has led to the loss of productivity, among other issues. Our business can also be affected, both positively and negatively, by seasonal factors such as energy demand or weather conditions including hurricanes, snowstorms, wildfires and abnormally low or high temperatures. Some of these seasonal factors may cause some of our offices and projects to close or reduce activities temporarily. In addition to the above noted factors, the general timing of project starts and completions could exhibit significant fluctuations. Accordingly, results for any interim period may not necessarily be indicative of operating results for the full year.

Other factors impacting operating results in all segments come from decreased work volume during holidays, work site permitting delays or customers accelerating or postponing work. The differing types, sizes, and durations of our contracts, combined with their geographic diversity and stages of completion, often results in fluctuations in our operating results.

Our overhead cost structure is generally fixed. Significant fluctuations in revenue usually leads to over or under recovery of fixed overhead costs, which can have a material impact on our gross margin and profitability.

Non-GAAP Financial Measures

Adjusted Net Loss

In order to more clearly depict our core profitability, the following tables present our operating results after certain adjustments:

Reconciliation of Adjusted Net Loss and Diluted Loss per Common Share[1]
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net loss, as reported	$ (24,919)	$ (4,591)	$ (42,457)	$ (7,628)
Restructuring costs incurred	695	5,045	1,300	4,725
Accelerated amortization of deferred debt amendment fees[2]	—	—	1,518	—
Deferred tax asset valuation allowance[3]	14,198	—	14,198	—
Tax impact of restructuring costs and accelerated amortization of debt amendment fees	(179)	(1,299)	(725)	(1,217)
Adjusted net loss	$ (10,205)	$ (845)	$ (26,166)	$ (4,120)
Loss per fully diluted share, as reported	$ (0.93)	$ (0.17)	$ (1.59)	$ (0.29)
Adjusted loss per fully diluted share	$ (0.38)	$ (0.03)	$ (0.98)	$ (0.16)

(1) This table presents non-GAAP financial measures of our adjusted net loss and adjusted diluted loss per common share for the three and six months ended December 31, 2021 and 2020. The most directly comparable financial measures are net loss and net loss per diluted share, respectively, presented in the Condensed Consolidated Statements of Income. We have presented these non-GAAP financial measures because we believe they more clearly depict our core operating results during the periods presented and provide a more comparable measure of our operating results to other companies considered to be in similar businesses. Since adjusted net loss and adjusted diluted loss per common share are not measures of performance calculated in accordance with GAAP, they should be considered in addition to, rather than as a substitute for, the most directly comparable GAAP financial measures.
(2) Interest expense in fiscal 2022 included $1.5 million of accelerated amortization of deferred debt amendment fees (see Item 1. Financial Statements, Note 5 - Debt, for more information).
(3) See Item 1. Financial Statements, Note 6 - Income Taxes, for more information about the deferred tax asset valuation allowance.

Adjusted EBITDA

We have presented Adjusted EBITDA, which we define as net loss before restructuring costs, stock-based compensation, interest expense, income taxes, and depreciation and amortization, because it is used by the financial community as a method of measuring our performance and of evaluating the market value of companies considered to be in similar businesses. We believe that the line item on our Condensed Consolidated Statements of Income entitled “Net loss” is the most directly comparable GAAP measure to Adjusted EBITDA. Since Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP, it should not be considered in isolation of, or as a substitute for, net earnings as an indicator of operating performance. Adjusted EBITDA, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, this measure is not a measure of our ability to fund our cash needs. As Adjusted EBITDA excludes certain financial information compared with net loss, the most directly comparable GAAP financial measure, users of this financial information should consider the type of events and transactions that are excluded. Our non-GAAP performance measure, Adjusted EBITDA, has certain material limitations as follows:

- It does not include restructuring costs. Restructuring costs represent material costs that were incurred and are oftentimes cash expenses. Therefore, any measure that excludes restructuring costs has material limitations.

- It does not include stock-based compensation. Stock-based compensation represents material amounts of equity that are awarded to our employees and directors for services rendered. While the expense is non-cash, we release vested shares out of our treasury stock, which has historically been replenished by using cash to periodically repurchase our stock. Therefore, any measure that excludes stock-based compensation has material limitations.

- It does not include interest expense. Because we have borrowed money to finance our operations and acquisitions, pay commitment fees to maintain our credit facility, and incur fees to issue letters of credit under the credit facility, interest expense is a necessary and ongoing part of our costs and has assisted us in generating revenue. Therefore, any measure that excludes interest expense has material limitations.

- It does not include income taxes. Because the payment of income taxes is a necessary and ongoing part of our operations, any measure that excludes income taxes has material limitations.

- It does not include depreciation or amortization expense. Because we use capital and intangible assets to generate revenue, depreciation and amortization expense is a necessary element of our cost structure. Therefore, any measure that excludes depreciation or amortization expense has material limitations.

A reconciliation of Adjusted EBITDA to net loss follows:

	Three Months Ended		Six Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(In thousands)			
Net loss	$ (24,919)	$ (4,591)	$ (42,457)	$ (7,628)
Restructuring costs	695	5,045	1,300	4,725
Stock-based compensation	1,866	1,981	3,735	4,199
Interest expense	502	358	2,501	733
Provision (benefit) for income taxes	10,976	(1,212)	5,711	(942)
Depreciation and amortization	3,789	4,648	7,841	9,287
Adjusted EBITDA	$ (7,091)	$ 6,229	$ (21,369)	$ 10,374

LIQUIDITY AND CAPITAL RESOURCES

Overview

We define liquidity as the ongoing ability to pay our liabilities as they become due, fund business operations and meet all monetary contractual obligations. Our primary sources of liquidity at December 31, 2021 were unrestricted cash and cash equivalents on hand, capacity under our ABL Facility, and cash generated from operations. Unrestricted cash and cash equivalents at December 31, 2021 totaled $65.0 million and availability under the ABL Facility totaled $36.7 million, resulting in total liquidity of $101.7 million.

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the Condensed Consolidated Balance Sheets to the total cash, cash equivalents and restricted cash shown in the Condensed Consolidated Statements of Cash Flows (in thousands):

	December 31, 2021	June 30, 2021
Cash and cash equivalents	$ 65,040	$ 83,878
Restricted cash, current	2,600	—
Restricted cash, non-current	25,000	—
Total cash, cash equivalents and restricted cash shown in the Condensed Consolidated Statements of Cash Flows	$ 92,640	$ 83,878

While we saw improvement in our project awards and business environment during the first half of fiscal 2022, the near- and intermediate-term business impacts from the COVID-19 pandemic and its disruption of our markets are still uncertain. Therefore we continue to maintain a strong balance sheet, which we believe is sufficient to support our near- to intermediate-term needs. We are continuing to take the following actions:

- strategically reviewing business processes and organizational structure;
- proactively managing our the cost structure and working capital; and
- limiting capital expenditures to critical needs.

Factors that routinely impact our short-term liquidity and may impact our long-term liquidity include, but are not limited to:

- changes in costs and estimated earnings in excess of billings on uncompleted contracts and billings on uncompleted contracts in excess of costs due to contract terms that determine the timing of billings to customers and the collection of those billings:
  - some cost-plus and fixed-price customer contracts are billed based on milestones which may require us to incur significant expenditures prior to collections from our customers;
  - some fixed-price customer contracts allow for significant upfront billings at the beginning of a project, which temporarily increases liquidity near term;
  - time and material contracts are normally billed in arrears. Therefore, we are routinely required to carry these costs until they can be billed and collected; and
  - some of our large construction projects may require security in the form of letters of credit or significant retentions. The timing of collection of retentions is often uncertain;
- other changes in working capital; and
- capital expenditures.

Other factors that may impact both short and long-term liquidity include:

- contract disputes, which can be significant;
- collection issues, including those caused by weak commodity prices, economic slowdowns or other factors which can lead to credit deterioration of our customers;
- issuances of letters of credit; and
- strategic investments in new operations.

Other factors that may impact long-term liquidity include:

- borrowing constraints under our ABL Facility and maintaining compliance with all covenants contained in the ABL Facility;
- acquisitions and disposals of businesses; and
- purchases of shares under our stock buyback program.

ABL Credit Facility and Senior Secured Revolving Credit Facility

ABL Credit Facility

On September 9, 2021, we and our primary U.S. and Canada operating subsidiaries entered into an asset-backed credit agreement (the "ABL Facility") as borrowers with Bank of Montreal, as Administrative Agent, Swing-Line Lender, a Letter of Credit Issuer and a Lender. The ABL Facility is guaranteed by substantially all of our remaining U.S. and Canadian subsidiaries. The ABL Facility provides for available borrowings of up to $100.0 million, which may be increased further by an amount not to exceed $15.0 million, subject to certain conditions, including obtaining additional commitments. The ABL Facility is intended to be used for working capital, capital expenditures, issuances of letters of credit and other lawful purposes. Our obligations under the ABL Facility are secured by a first lien on all our assets and the assets of our co-borrowers and guarantors under the ABL Facility.

The maximum amount that we may borrow under the ABL Facility is subject to a borrowing base, which is based on restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves. We are required to maintain a minimum of $25.0 million of restricted cash at all times, but such amounts are also included in the borrowing base. The ABL Facility matures and any outstanding amounts become due and payable on September 9, 2026.

At December 31, 2021, our borrowing base was $70.1 million and we had $33.4 million in letters of credit outstanding issued by Bank of Montreal, which resulted in availability of $36.7 million under the ABL Facility. In addition, there were $9.5 million in letters of credit outstanding issued by JPMorgan Chase Bank, N.A. ("JPMorgan"). JPMorgan was the administrative agent of our former senior secured revolving credit facility, which was terminated and replaced with the ABL Facility. The JPMorgan letters of credit outstanding as of December 31, 2021 were in the process of being replaced by Bank of Montreal letters of credit, and that process was substantially complete at the end of January. The letters of credit outstanding from Bank of Montreal had reduced from $33.4 million as of December 31, 2021 to $23.6 million as of January 31, 2022. In addition, the letters of credit outstanding from JPMorgan had reduced from $9.5 million as of December 31, 2021 to $0.2 million as of January 31, 2022.

Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate equal to any of a base rate (“Base Rate”), Canadian prime rate, CDOR rate or a LIBOR rate, plus an applicable margin. The Base Rate is defined as a fluctuating interest rate equal to the greatest of (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) LIBOR rate for one month period plus 1.00%; and (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for either U.S. Base Rate Loans or Canadian prime rate, and between 2.00% and 2.50% for CDOR and LIBOR rate borrowings. Interest is payable either (i) monthly for Base Rate borrowings or (ii) the last day of the interest period for LIBOR or CDOR rate borrowings, as set forth in the Credit Agreement. The fee for undrawn amounts is 0.25% per annum and is due quarterly.

The ABL Facility contains customary conditions to borrowings, events of default and covenants, including, but not limited to, covenants that restrict our ability to sell assets, engage in mergers and acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay cash dividends, issue equity instruments, make distribution or redeem or repurchase capital stock. In the event that our availability is less than the greater of (i) $15.0 million and (ii) 15.00% of the commitments under the ABL Facility then in effect, a consolidated Fixed Charge Coverage Ratio of at least 1.00 to 1.00 must be maintained. We are in compliance with all covenants of the ABL Facility as of December 31, 2021.

Senior Secured Revolving Credit Facility

The ABL Facility replaced the Fifth Amended and Restated Credit Agreement (the "Prior Credit Agreement"), that was entered into on November 2, 2020, and subsequently amended on May 4, 2021, by and among us and certain foreign subsidiaries, as Borrowers, various subsidiaries of ours, as Guarantors, JPMorgan, as Administrative Agent, Sole Lead Arranger and Sole Book Runner, and the other Lenders party thereto. The Prior Credit Agreement provided for a three-year senior secured revolving credit facility of $200.0 million was set to expire November 2, 2023.

We had no borrowings and $41.3 million of letters of credit outstanding under the Prior Credit Agreement as of the date we commenced the ABL Facility. As of December 31, 2021 there were $9.5 million in letters of credit outstanding under the Prior Credit Agreement, which decreased to $0.2 million outstanding as of January 31, 2022. Interest expense during the six months ended December 31, 2021 included $1.5 million of accelerated amortization of deferred debt amendment fees associated with the Prior Credit Agreement.

Cash Flow for the Six Months Ended December 31, 2021

Cash Flows Provided by Operating Activities

Cash provided by operating activities for the six months ended December 31, 2021 totaled $11.4 million. The various components are as follows:

Net Cash Provided by Operating Activities
(In thousands)

Net loss	$	(42,457)
Non-cash expenses		12,957
Deferred income tax		5,340
Cash effect of changes in operating assets and liabilities		35,500
Other		45
Net cash provided by operating activities	$	11,385

Cash effect of changes in operating assets and liabilities at December 31, 2021 in comparison to June 30, 2021 include the following:

- Accounts receivable decreased $26.5 million during the six months ended December 31, 2021, which increased cash flows from operating activities. The variance is primarily attributable to the timing of billing and collections.

- Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE") increased $3.7 million, which decreased cash flows from operating activities. Billings on uncompleted contracts in excess of costs and estimated earnings ("BIE") increased $31.0 million, which increased cash flows from operating activities. CIE and BIE balances can experience significant fluctuations based on business volumes and the timing of when job costs are incurred and the timing of customer billings and payments.

- Inventories, income taxes receivable, other current assets, operating right-of-use lease assets and other assets, non-current, were flat during the six months ended December 31, 2021, which did not affect cash flows from operating activities. These operating assets can fluctuate based on the timing of inventory builds and draw-downs, accrual and receipt of income taxes receivable; prepayments of certain expenses; lease commencement, passage of time, expiration, or termination of operating leases; business volumes; and other timing differences.

- Accounts payable, accrued wages and benefits, accrued insurance, operating lease liabilities, other accrued expenses, and other liabilities, non-current decreased by $18.1 million during the six months ended December 31, 2021, which decreased cash flows from operating activities. These operating liabilities can fluctuate based on the timing of vendor payments; accruals; lease commencement, lease payments, expiration, or termination of operating leases; business volumes; and other timing differences.

Cash Flows Used by Investing Activities

Investing activities used $0.5 million of cash in the six months ended December 31, 2021 primarily due to $0.6 million of capital expenditures, partially offset by $0.1 million of proceeds from other asset sales.

Cash Flows Used by Financing Activities

Financing activities used $1.8 million of cash in the six months ended December 31, 2021 primarily due to $1.0 million paid in fees to enter into our ABL Facility and $0.9 million paid to repurchase our stock for payment of withholding taxes due on equity-based compensation.

Dividend Policy

We have never paid cash dividends on our common stock and the terms of our ABL Facility limit dividends to stock dividends only. Any future dividend payments will depend on the terms of our ABL Facility, our financial condition, capital requirements and earnings as well as other relevant factors.

Stock Repurchase Program and Treasury Shares

Treasury Shares

The terms of our ABL Facility limit share repurchases to $2.5 million per fiscal year provided that we meet certain availability thresholds and do not violate our Fixed Charge Coverage Ratio financial covenant. We may repurchase common stock pursuant to the Stock Buyback Program, which was approved by the board of directors in November 2018. Under the program, the aggregate number of shares repurchased may not exceed 2,707,175 shares. We may repurchase our stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and are not obligated to purchase any shares. The program will continue unless and until it is modified or revoked by the Board of Directors. We made no repurchases under the program in the first half of fiscal 2022 and have no current plans to repurchase stock.

As of December 31, 2021, there were 1,349,037 shares available for repurchase under the Stock Buyback Program. We had 1,114,242 treasury shares as of December 31, 2021 and intend to utilize these treasury shares in connection with equity awards under the our stock incentive plans and for sales to the Employee Stock Purchase Plan.

CRITICAL ACCOUNTING POLICIES

There have been no material changes in our critical accounting policies from those reported in our fiscal 2021 Annual Report on Form 10-K filed with the SEC. For more information on our critical accounting policies, see Part II, Item 7 of our fiscal 2021 Annual Report on Form 10-K. The following section provides certain information with respect to our critical accounting policies as of the close of our most recent quarterly period.

Revenue Recognition

General Information about our Contracts with Customers

Our revenue comes from contracts to provide engineering, procurement, fabrication and construction, repair and maintenance and other services. Our engineering, procurement and fabrication and construction services are usually provided in association with capital projects, which are commonly fixed-price contracts that are billed based on project milestones. Our repair and maintenance services typically are cost reimbursable or time and material based contracts and are billed monthly or, for projects of short duration, at the conclusion of the project. The elapsed time from award to completion of performance may exceed one year for capital projects.

Step 1: Contract Identification

We do not recognize revenue unless we have identified a contract with a customer. A contract with a customer exists when it has approval and commitment from both parties, the rights and obligations of the parties are identified, payment terms are identified, the contract has commercial substance, and collectibility is probable. We also evaluate whether a contract should be combined with other contracts and accounted for as a single contract. This evaluation requires judgment and could change the timing of the amount of revenue and profit recorded for a given period.

Step 2: Identify Performance Obligations

Next, we identify each performance obligation in the contract. A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services to the customer. Revenue is recognized separately for each performance obligation in the contract. Many of our contracts have one clearly identifiable performance obligation. However, many of our contracts provide the customer an integrated service that includes two or more of the following services: engineering, procurement, fabrication, construction, repair and maintenance services. For these contracts, we do not consider the integrated services to be distinct within the context of the contract when the separate scopes of work combine into a single commercial objective or capability for the customer. Accordingly, we generally identify one performance obligation in our contracts. The determination of the number of performance obligations in a contract requires significant judgment and could change the timing of the amount of revenue recorded for a given period.

Step 3: Determine Contract Price

After determining the performance obligations in the contract, we determine the contract price. The contract price is the amount of consideration we expect to receive from the customer for completing the performance obligation(s). In a fixed-price contract, the contract price is a single lump-sum amount. In reimbursable and time and materials based contracts, the contract price is determined by the agreed upon rates or reimbursements for time and materials expended in completing the performance obligation(s) in the contract.

A number of our contracts contain various cost and performance incentives and penalties that can either increase or decrease the contract price. These variable consideration amounts are generally earned or incurred based on certain performance metrics, most commonly related to project schedule or cost targets. We estimate variable consideration at the most likely amount of additional consideration to be received (or paid in the case of penalties), provided that meeting the variable condition is probable. We include estimated amounts of variable consideration in the contract price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the contract price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. We reassess the amount of variable consideration each accounting period until the uncertainty associated with the variable consideration is resolved. Changes in the assessed amount of variable consideration are accounted for prospectively as a cumulative adjustment to revenue recognized in the current period.

Step 4: Assign Contract Price to Performance Obligations

After determining the contract price, we assign such price to the performance obligation(s) in the contract. If a contract has multiple performance obligations, we assign the contract price to each performance obligation based on the stand-alone selling prices of the distinct services that comprise each performance obligation.

Step 5: Recognize Revenue as Performance Obligations are Satisfied

We record revenue for contracts with our customers as we satisfy the contracts' performance obligations. We recognize revenue on performance obligations associated with fixed-price contracts for engineering, procurement, fabrication and construction services over time since these services create or enhance assets the customer controls as they are being created or enhanced. We measure progress of satisfying these performance obligations by using the percentage-of-completion method, which is based on costs incurred to date compared to the total estimated costs at completion, since it best depicts the transfer of control of assets being created or enhanced to the customer.

We recognize revenue over time for reimbursable and time and material based repair and maintenance contracts since the customer simultaneously receives and consumes the benefit of those services as we perform work under the contract. As a practical expedient allowed under the revenue accounting standards, we record revenue for these contracts in the amount to which we have a right to invoice for the services performed provided that we have a right to consideration from the customer in an amount that corresponds directly with the value of the performance completed to date.

Costs incurred may include direct labor, direct materials, subcontractor costs and indirect costs, such as salaries and benefits, supplies and tools, equipment costs and insurance costs. Indirect costs are charged to projects based upon direct costs and overhead allocation rates per dollar of direct costs incurred or direct labor hours worked. Typically, customer contracts will include standard warranties that provide assurance that products and services will function as expected. We do not sell separate warranties.

We have numerous contracts that are in various stages of completion which require estimates to determine the forecasted costs at completion. Due to the nature of the work left to be performed on many of our contracts, the estimation of total cost at completion for fixed-price contracts is complex, subject to many variables and requires significant judgment. Estimates of total cost at completion are made each period and changes in these estimates are accounted for prospectively as cumulative adjustments to revenue recognized in the current period. If estimates of costs to complete fixed-price contracts indicate a loss, a provision is made through a contract write-down for the total loss anticipated.

Change Orders

Contracts are often modified through change orders, which are changes to the agreed upon scope of work. Most of our change orders, which may be priced or unpriced, are for goods or services that are not distinct from the existing contract due to the significant integration of services provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a change order on the contract price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis. For unpriced change orders, we estimate the increase or decrease to the contract price using the variable consideration method described in the Step 3: Determine Contract Price paragraph above. Unpriced change orders are more fully discussed in Note 7 - Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements.

Claims

Sometimes we seek claims for amounts in excess of the contract price for delays, errors in specifications and designs, contract terminations, change orders in dispute or other causes of additional costs incurred by us. Recognition of amounts as additional contract price related to claims is appropriate only if there is a legal basis for the claim. The determination of our legal basis for a claim requires significant judgment. We estimate the change to the contract price using the variable consideration method described in the Step 3: Determine Contract Price paragraph above. Claims are more fully discussed in Note 7 - Commitments and Contingencies of the Notes to Financial Statements.

Costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unpriced change orders and claims of $10.1 million at December 31, 2021 and $14.6 million at June 30, 2021. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings.

Goodwill

Goodwill represents the excess of the purchase price of acquisitions over the acquisition date fair value of the net identifiable tangible and intangible assets acquired. In accordance with current accounting guidance, goodwill is not amortized, but is tested at least annually for impairment at the reporting unit level, which is a level below our reportable segments.

We perform our annual impairment test as of May 31st of each fiscal year to determine whether an impairment exists and to determine the amount of headroom. We define "headroom" as the percentage difference between the fair value of a reporting unit and its carrying value. The goodwill impairment test involves comparing management’s estimate of the fair value of a reporting unit with its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, then goodwill is not impaired. If the fair value of a reporting unit is less than its carrying value, then goodwill is impaired to the extent of the difference, but the impairment may not exceed the balance of goodwill assigned to that reporting unit.

We utilize a discounted cash flow analysis, referred to as an income approach, and market multiples, referred to as a market approach, to determine the estimated fair value of our reporting units. For the income approach, significant judgments and assumptions including forecasted project awards, discount rate, anticipated revenue growth rate, gross margins, operating expenses, working capital needs and capital expenditures are inherent in the fair value estimates, which are based on our operating and capital budgets and on our strategic plan. As a result, actual results may differ from the estimates utilized in our income approach. For the market approach, significant judgments and assumptions include the selection of guideline companies, forecasted guideline company EBITDA and our forecasted EBITDA. The use of alternate judgments and/or assumptions could result in a fair value that differs from our estimate and could result in the recognition of additional impairment charges in the financial statements. As a test for reasonableness, we also consider the combined fair values of our reporting units compared to our market capitalization.

Income Taxes

We use the asset and liability approach for financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances based on our judgments and estimates are established when necessary to reduce deferred tax assets to the amount expected to be realized in future operating results. We believe that realization of deferred tax assets in excess of the valuation allowance is more likely than not. Our estimates are based on facts and circumstances in existence as well as interpretations of existing tax regulations and laws applied to the facts and circumstances, with the help of professional tax advisors. Therefore, we estimate and provide for amounts of additional income taxes that may be assessed by the various taxing authorities.

Loss Contingencies

Various legal actions, claims, and other contingencies arise in the normal course of our business. Contingencies are recorded in the condensed consolidated financial statements, or are otherwise disclosed, in accordance with Accounting Standard Codification ("ASC") Topic 450-20, “Loss Contingencies”. Specific reserves are provided for loss contingencies to the extent we conclude that a loss is both probable and estimable. We use a case-by-case evaluation of the underlying data and update our evaluation as further information becomes known. We believe that any amounts exceeding our recorded accruals should not materially affect our financial position, results of operations or liquidity. However, the results of litigation are inherently unpredictable and the possibility exists that the ultimate resolution of one or more of these matters could result in a material effect on our financial position, results of operations or liquidity.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in market risk faced by us from those reported in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, filed with the Securities and Exchange Commission. For more information on market risk, see Part II, Item 7A in our fiscal 2021 Annual Report on Form 10-K.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of “disclosure controls and procedures” in Rule 13a-15(e).

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level at December 31, 2021.

There have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting during the quarter ended December 31, 2021.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

We are a party to a number of legal proceedings. We believe that the nature and number of these proceedings are typical for a company of our size engaged in our type of business and that none of these proceedings will result in a material effect on our business, results of operations, financial condition, cash flows or liquidity.

Item 1A. Risk Factors

We have amended the following Risk Factor that appeared in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended June 30, 2021. This amended Risk Factor should be considered along with the other Risk Factors that appeared in our Annual Report for the fiscal year ended June 30, 2021. Except as set forth below, there have been no material changes to the risk factors involving us from those previously disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

The COVID-19 pandemic has adversely affected our business and operations.

The COVID-19 pandemic has adversely affected our business and operations and the business and operations of our customers. We have experienced unpredictable reductions in demand for our services. In response to the COVID-19 pandemic, companies within the oil and natural gas and other industries (including our customers) have announced spending cuts and/or project delays which, in turn, have resulted in decreased awards of new contracts or adjustments, reductions, suspensions or cancellations of existing contracts. Such continued delays have impacted our business, results of operations and financial condition.

The ongoing pandemic has also resulted in disruptions to labor and global supply chains, which have led to labor shortages and higher prices for some of the materials we need to run our business, including, but not limited to, structural steel, steel piping, rebar, valves, copper, and delivery freight. We have been proactive with managing our workforce and procurement processes to help reduce the impacts of labor shortages and rising materials prices on our business and to help ensure we continue to have the labor and materials we need available. However, rising prices and the potential for labor and materials shortages have created additional risk into bidding and executing work profitably.

We continue to monitor the potential for regulation requiring our employees to get vaccinated and/or tested frequently for COVID-19. No such regulation is in place at this time, but we have prepared for the possibility that we must comply with such regulation. It is not possible to predict with certainty the exact impact that such regulation would have on us or on our workforce. However, vaccine and testing mandates could result in employee attrition and difficulty securing future labor needs which could have an adverse effect on our business, results of operations and/or cash flows.

The duration of the COVID-19 pandemic and its economic consequences are uncertain, rapidly changing and difficult to predict. While we expect the COVID-19 pandemic to continue to have an adverse effect on our business, financial condition, liquidity, cash flow and results of operations, we are unable to predict the nature, timing and extent of these impacts at this time.

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

Issuer Purchases of Equity Securities

The table below sets forth information with respect to purchases we made of our common stock during the second quarter of fiscal year 2022.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (C)
October 1 to October 31, 2021				
Stock Buyback Program (A)	—	$ —	—	1,349,037
Employee Transactions (B)	—	$ —	—	—
November 1 to November 30, 2021				
Stock Buyback Program (A)	—	$ —	—	1,349,037
Employee Transactions (B)	—	$ —	—	—
December 1 to December 31, 2021				
Stock Buyback Program (A)	—	$ —	—	1,349,037
Employee Transactions (B)	—	$ —	—	—

(A) Represents shares purchased under our Stock Buyback Program.

(B) Represents shares withheld to satisfy the employee’s tax withholding obligation that is incurred upon the vesting of deferred shares granted under our stock incentive plans.

(C) We may repurchase common stock pursuant to the Stock Buyback Program, which was approved by the board of directors in November 2018. Under the program, the aggregate number of shares repurchased may not exceed 2,707,175 shares. We may repurchase our stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and are not obligated to purchase any shares. The program will continue unless and until it is modified or revoked by the Board of Directors. The terms of our ABL Facility also limit share repurchases to $2.5 million per fiscal year provided that we meet certain availability thresholds and we do not violate our Fixed Charge Coverage Ratio financial covenant. We made no repurchases under the program in the second quarter of fiscal 2022 and have no current plans to repurchase stock.

Dividend Policy

We have never paid cash dividends on our common stock and the terms of our ABL Facility limit dividends to stock dividends only. Any future dividend payments will depend on the terms of our ABL Facility, our financial condition, capital requirements and earnings as well as other relevant factors.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") by the Federal Mine Safety and Health Administration. We do not act as the owner of any mines, but as a result of our performing services or construction at mine sites as an independent contractor, we are considered an "operator" within the meaning of the Mine Act.

Information concerning mine safety violations or other regulatory matters required to be disclosed in this quarterly report under Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95.

Item 5. Other Information

None

Item 6. Exhibits:

The following documents are included as exhibits to this Quarterly Report on Form 10-Q. Any exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical hereafter.

Exhibit No.	Description
Exhibit 31.1:	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 – CEO.
Exhibit 31.2:	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 – CFO.
Exhibit 32.1:	Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002) – CEO.
Exhibit 32.2:	Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002) – CFO.
Exhibit 95:	Mine Safety Disclosure.
Exhibit 101.INS:	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH:	XBRL Taxonomy Schema Document.
Exhibit 101.CAL:	XBRL Taxonomy Extension Calculation Linkbase Document.
Exhibit 101.DEF:	XBRL Taxonomy Extension Definition Linkbase Document.
Exhibit 101.LAB:	XBRL Taxonomy Extension Labels Linkbase Document.
Exhibit 101.PRE:	XBRL Taxonomy Extension Presentation Linkbase Document.
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	MATRIX SERVICE COMPANY
Date: February 8, 2022	By: /s/ Kevin S. Cavanah
	Kevin S. Cavanah Vice President and Chief Financial Officer signing on behalf of the registrant and as the registrant's principal financial officer

Exhibit 31.1

CERTIFICATIONS

I, John R. Hewitt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matrix Service Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: February 8, 2022

/s/ John R. Hewitt

John R. Hewitt
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Kevin S. Cavanah, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matrix Service Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: February 8, 2022

/s/ Kevin S. Cavanah

Kevin S. Cavanah
Vice President and Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant
Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Matrix Service Company (the "Company") on Form 10-Q for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John R. Hewitt, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2022

/s/ John R. Hewitt

John R. Hewitt
President and Chief Executive Officer

EXHIBIT 32.2

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant
Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Matrix Service Company (the “Company”) on Form 10-Q for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kevin S. Cavanah, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2022

/s/ Kevin S. Cavanah
Kevin S. Cavanah
Vice President and Chief Financial Officer

Exhibit 95

Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") by the federal Mine Safety and Health Administration ("MSHA"). We do not act as the owner of any mines, but as a result of our performing services or construction at mine sites as an independent contractor, we are considered an "operator" within the meaning of the Mine Act. The mine data retrieval system maintained by MSHA may show information that is different than what is provided herein. Any such difference may be attributed to the need to update that information on MSHA’s system and/or other factors.

The following table provides information for the three months ended December 31, 2021:

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations(1)	Section 104(b) Orders(2)	Section 104(d) Citations and Orders(3)	Section 110(b)(2) Violations(4)	Section 107(a) Orders(5)	Total Dollar Value of MSHA Assessments Proposed ($)	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e)(6) (yes/no)	Received Notice of Potential to Have Pattern of Violations Under Section 104(e)(7) (yes/no)	Total Number of Legal Actions Pending as of Last Day of Period	Total Number of Legal Actions Initiated During Period	Total Number of Legal Actions Resolved During Period
Pinto Valley Mine, 02-01049	—	—	—	—	—	—	—	No	No	—	—	—

(1) The total number of citations issued under section 104 of the Mine Act for violations of mandatory health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.

(2) The total number of orders issued under section 104(b) of the Mine Act, which represent a failure to abate a citation under section 104(a) within the period of time prescribed by MSHA.

(3) The total number of citations and orders issued by MSHA under section 104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.

(4) The total number of flagrant violations identified under section 110(b)(2) of the Mine Act.

(5) The total number of orders issued under section 107(a) of the Mine Act for situations in which MSHA determined an imminent danger existed.

(6) A written notice from the MSHA regarding a pattern of violations under section 104(e) of the Mine Act.

(7) A written notice from the MSHA regarding a potential to have a pattern of violations under section 104(e) of the Mine Act.