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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

or

o **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)

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 and posted on its corporate Web site, if any, every Inter Active Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition 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	o	Smaller reporting company	☐
Emerging growth company	o		

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. o

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 November 2, 2017 there were 27,888,217 shares of the Company's common stock, $0.01 par value per share, issued and 26,748,394 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	
	September 30, 2017	September 30, 2016
Revenues	$ 269,910	$ 341,781
Cost of revenues	241,019	309,503
Gross profit	28,891	32,278
Selling, general and administrative expenses	21,570	17,977
Operating income	7,321	14,301
Other income (expense):		
Interest expense	(618)	(243)
Interest income	39	12
Other	149	7
Income before income tax expense	6,891	14,077
Provision for federal, state and foreign income taxes	3,067	4,735
Net income	$ 3,824	$ 9,342
Basic earnings per common share	$ 0.14	$ 0.35
Diluted earnings per common share	$ 0.14	$ 0.35
Weighted average common shares outstanding:		
Basic	26,655	26,387
Diluted	26,762	26,796

See accompanying notes.

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

	Three Months Ended	
	September 30, 2017	September 30, 2016
Net income	$ 3,824	$ 9,342
Other comprehensive income (loss), net of tax:		
Foreign currency translation gain (loss) (net of tax of $16 and $37 for the three months ended September 30, 2017 and 2016, respectively)	1,107	(279)
Comprehensive income	$ 4,931	$ 9,063

See accompanying notes.

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

	September 30, 2017	June 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 46,085	$ 43,805
Accounts receivable, less allowances (September 30, 2017— $9,889 and June 30, 2017—$9,887)	218,678	210,953
Costs and estimated earnings in excess of billings on uncompleted contracts	65,953	91,180
Inventories	4,269	3,737
Income taxes receivable	3,649	4,042
Other current assets	8,991	4,913
Total current assets	347,625	358,630
Property, plant and equipment at cost:		
Land and buildings	39,397	38,916
Construction equipment	96,325	94,298
Transportation equipment	48,645	48,574
Office equipment and software	36,702	36,556
Construction in progress	3,459	5,952
Total property, plant and equipment - at cost	224,528	224,296
Accumulated depreciation	(146,603)	(144,022)
Property, plant and equipment - net	77,925	80,274
Goodwill	113,860	113,501
Other intangible assets	24,831	26,296
Deferred income taxes	2,568	3,385
Other assets	5,645	3,944
Total assets	$ 572,454	$ 586,030

See accompanying notes.

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

	September 30, 2017	June 30, 2017
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 90,894	$ 105,649
Billings on uncompleted contracts in excess of costs and estimated earnings	65,559	75,127
Accrued wages and benefits	26,357	20,992
Accrued insurance	9,033	9,340
Income taxes payable	17	169
Other accrued expenses	7,660	7,699
Total current liabilities	199,520	218,976
Deferred income taxes	2,006	128
Borrowings under senior revolving credit facility	42,076	44,682
Other liabilities	414	435
Total liabilities	244,016	264,221
Commitments and contingencies		
Stockholders’ equity:		
Common stock—$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of September 30, 2017, and June 30, 2017; 26,727,975 and 26,600,562 shares outstanding as of September 30, 2017 and June 30, 2017	279	279
Additional paid-in capital	127,526	128,419
Retained earnings	226,798	222,974
Accumulated other comprehensive loss	(6,217)	(7,324)
	348,386	344,348
Less: Treasury stock, at cost — 1,160,242 shares as of September 30, 2017, and 1,287,655 shares as of June 30, 2017	(19,948)	(22,539)
Total stockholders' equity	328,438	321,809
Total liabilities and stockholders’ equity	$ 572,454	$ 586,030

See accompanying notes.

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

	Three Months Ended	
	September 30, 2017	September 30, 2016
Operating activities:		
Net income	$ 3,824	$ 9,342
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	5,593	4,904
Deferred income tax	2,711	1,044
Gain on sale of property, plant and equipment	(121)	(138)
Provision for uncollectible accounts	7	54
Stock-based compensation expense	2,086	1,652
Other	93	63
Changes in operating assets and liabilities increasing (decreasing) cash:		
Accounts receivable	(7,734)	(40,595)
Costs and estimated earnings in excess of billings on uncompleted contracts	25,227	(1,093)
Inventories	(532)	168
Other assets and liabilities	(5,291)	(2,206)
Accounts payable	(14,463)	(13,597)
Billings on uncompleted contracts in excess of costs and estimated earnings	(9,568)	(5,945)
Accrued expenses	4,998	(3,241)
Net cash provided (used) by operating activities	6,830	(49,588)
Investing activities:		
Acquisition of property, plant and equipment	(1,878)	(1,826)
Proceeds from asset sales	248	153
Net cash used by investing activities	$ (1,630)	$ (1,673)

See accompanying notes.

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

	Three Months Ended	
	September 30, 2017	September 30, 2016
Financing activities:		
Advances under senior revolving credit facility	$ 24,890	$ 27,186
Repayments of advances under senior revolving credit facility	(27,496)	(10,000)
Payment of debt amendment fees	(340)	—
Issuances of common stock	—	46
Proceeds from issuance of common stock under employee stock purchase plan	66	83
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(454)	(1,878)
Net cash provided (used) by financing activities	(3,334)	15,437
Effect of exchange rate changes on cash and cash equivalents	414	(253)
Increase (decrease) in cash and cash equivalents	2,280	(36,077)
Cash and cash equivalents, beginning of period	43,805	71,656
Cash and cash equivalents, end of period	$ 46,085	$ 35,579
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 98	$ 2,997
Interest	$ 582	$ 238
Non-cash investing and financing activities:		
Purchases of property, plant and equipment on account	$ 191	$ 79

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 Income(Loss)	Non-Controlling Interest	Total
Balances, July 1, 2017	$ 279	$ 128,419	$ 222,974	$ (22,539)	$ (7,324)	$ —	$ 321,809
Net income	—	—	3,824	—	—	—	3,824
Other comprehensive income	—	—	—	—	1,107	—	1,107
Treasury shares sold to Employee Stock Purchase Plan (7,121 shares)	—	(96)	—	162	—	—	66
Issuance of deferred shares (163,201 shares)	—	(2,883)	—	2,883	—	—	—
Treasury shares purchased to satisfy tax withholding obligations (42,909 shares)	—	—	—	(454)	—	—	(454)
Stock-based compensation expense	—	2,086	—	—	—	—	2,086
Balances, September 30, 2017	$ 279	$ 127,526	$ 226,798	$ (19,948)	$ (6,217)	$ —	$ 328,438
Balances, July 1, 2016	$ 279	$ 126,958	$ 223,257	$ (26,907)	$ (6,845)	$ (1,176)	$ 315,566
Retrospective adjustment upon adoption of ASU 2016-09	—	100	(100)	—	—	—	—
Balances, July 1, 2016, as adjusted	279	127,058	223,157	(26,907)	(6,845)	(1,176)	315,566
Net income	—	—	9,342	—	—	—	9,342
Other comprehensive loss	—	—	—	—	(279)	—	(279)
Treasury shares sold to Employee Stock Purchase Plan (4,982 shares)	—	38	—	45	—	—	83
Exercise of stock options (4,400 shares)	—	(25)	—	71	—	—	46
Issuance of deferred shares (335,295 shares)	—	(4,259)	—	4,259	—	—	—
Treasury shares purchased to satisfy tax withholding obligations (113,762 shares)	—	—	—	(1,878)	—	—	(1,878)
Stock-based compensation expense	—	1,652	—	—	—	—	1,652
Balances, September 30, 2016	$ 279	$ 124,464	$ 232,499	$ (24,410)	$ (7,124)	$ (1,176)	$ 324,532

See accompanying notes.

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

Note 1 – Basis of Presentation and Accounting Policies

The condensed consolidated financial statements include the accounts of Matrix Service Company (“Matrix”, “we”, “our”, “us”, “its” or the “Company”) and its subsidiaries, 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 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 financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2017, included in the Company’s Annual Report on Form 10-K for the year then ended. The results of operations for the three month period ended September 30, 2017 may not necessarily be indicative of the results of operations for the full year ending June 30, 2018.

Recently Issued Accounting Standards

Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” The ASU also requires entities to disclose both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU's disclosure requirements are significantly more comprehensive than those in existing revenue standards. The ASU applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification ("ASC"). The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted on a limited basis.

Management is currently evaluating the impact of adopting the ASU on the Company's financial position, results of operations, cash flows and related disclosures. Adoption of this ASU is expected to affect the manner in which the Company determines the unit of account for its projects (i.e., performance obligations). Under existing guidance, the Company may have multiple performance obligations for large, complex projects. Upon adoption, the Company expects that similar projects may have fewer performance obligations, possibly just one in some cases, which will result in a more constant recognition of revenue and profit over the term of the project. In addition, management expects that profit could be recognized earlier for contract amounts related to unapproved change orders and claims. The Company will adopt this standard on July 1, 2018 using the modified retrospective method of application, which may result in a cumulative effect adjustment to retained earnings as of the date of adoption.

Management has completed its review of the new revenue standard and is currently reviewing its contracts in order to confirm its understanding of how the new standard will impact its revenue recognition policy, disclosures, processes and internal controls. At this time, we cannot reliably estimate the amount of any potential retrospective adjustment.

Accounting Standards Update 2016-02, Leases (Topic 842)

On February 25, 2016, the FASB issued ASU 2016-02. The amendments in this update require, among other things, that lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted, but we do not plan to do so at this time.

We are currently evaluating the ASU's expected impact on our financial statements. See Note 8 of Item 8. Financial Statements and Supplementary Data in our 2017 Form 10-K for more information about the timing and amount of future operating lease payments, which we believe is indicative of the materiality of adoption of the ASU to our financial statements.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

On June 16, 2016, the FASB issued ASU 2016-13, which will change how the Company accounts for its allowance for uncollectible accounts. The amendments in this update require a financial asset (or a group of financial assets) to be presented at the net amount expected to be collected. The income statement will reflect any increases or decreases of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount.

Current GAAP delays the recognition of the full amount of credit losses until the loss is probable of occurring. The amendments in this update eliminate the probable initial recognition threshold and, instead, reflect the Company's current estimate of all expected credit losses. In addition, current guidance limits the information the Company may consider in measuring a credit loss to its past events and current conditions. The amendments in this update broaden the information the Company may consider in developing its expected credit loss estimate to include forecasted information.

The amendments in this update are effective for the Company on July 1, 2020 and the Company may early adopt on July 1, 2019. The Company must apply the amendments in this update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. At this time, the Company does not expect this update to have a material impact to its estimate of the allowance for uncollectible accounts.

Accounting Standards Update 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting

In May 2017, the FASB issued ASU 2017-09 which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. Entities should apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. ASU 2017-09 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted and prospective application is required. Management does not expect the adoption of ASU 2017-09 to have a material impact on the Company’s financial position, results of operations or cash flows.

Note 2 – Acquisitions

Purchase of Houston Interests, LLC

On December 12, 2016, the Company completed the acquisition of Houston Interests, LLC ("Houston Interests"), a premier global solutions company that provides consulting, engineering, design, construction services and systems integration. Houston Interests brings expertise to the Company in natural gas processing; sulfur recovery, processing and handling; liquid terminals, silos and other bulk storage; process plant design; power generation environmental controls and material handling; industrial power distribution; electrical, instrumentation and controls; marine structures; material handling systems and terminals for cement, sulfur, fertilizer, coal and grain; and process heaters. The business has been included in our Matrix PDM Engineering, Inc. subsidiary, and its operating results impact primarily the Oil Gas & Chemical and Industrial segments.

The Company purchased all of the equity interests of Houston Interests for $42.5 million in cash, net of working capital adjustments and cash acquired. The consideration paid is as follows (in thousands):

Cash paid for equity interest	$	46,000
Cash paid for working capital		6,837
Less: cash acquired		(10,331)
Net purchase price	$	42,506

The Company funded the equity interest portion of the consideration paid from borrowings under the Company's senior secured revolving credit facility (See Note 5). The purchase of working capital was paid with cash on hand.

The net purchase price was allocated to the major categories of assets and liabilities based on their estimated fair value at the acquisition date.

The following table summarizes the preliminary net purchase price allocation (in thousands):

Cash	$	10,331
Accounts receivable		10,273
Costs and estimated earnings in excess of billings on uncompleted contracts		746
Other current assets		454
Current assets		21,804
Property, plant and equipment		942
Goodwill		35,146
Other intangible assets		10,220
Total assets acquired		68,112
Accounts payable		962
Billings on uncompleted contracts in excess of costs and estimated earnings		11,648
Other accrued expenses		2,475
Current liabilities		15,085
Other liabilities		190
Net assets acquired		52,837
Less: cash acquired		10,331
Net purchase price	$	42,506

The goodwill recognized from the acquisition is primarily attributable to the technical expertise of the acquired workforce and the complementary nature of Houston Interests' operations, which the Company believes will enable the combined entity to expand its service offerings and enter new markets. All of the goodwill recognized is deductible for income tax purposes. The fair value of the net assets acquired is preliminary pending the final valuation of those assets. As a result, goodwill is also preliminary since it has been recorded as the excess of the purchase price over the estimated fair value of the net assets acquired.

The Company has agreed to pay the previous owners up to $2.6 million for any unused portion of acquired warranty obligations outstanding as of June 30, 2017. This agreement was settled for $1.7 million, which was paid in July 2017. This settlement was reflected as a decrease to the acquired current liabilities and an increase to the net purchase price.

The unaudited financial information in the table below summarizes the combined results of operations of Matrix Service Company and Houston Interests for the three months ended September 30, 2017 and 2016, on a pro forma basis, as though the companies had been combined as of July 1, 2015. The pro forma financial information presented in the table below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at July 1, 2015 nor should it be taken as indicative of future consolidated results of operations.

	Three Months Ended			
	September 30, 2017		**September 30, 2016**	
	(In thousands, except per share data)			
Revenues	$	269,910	$	378,494
Net income	$	3,824	$	10,788
Basic earnings per common share	$	0.14	$	0.41
Diluted earnings per common share	$	0.14	$	0.40

The pro forma financial information presented in the table above includes the following adjustments to the combined entities' historical financial statements:

- Pro forma earnings during the three months ended September 30, 2016 were adjusted to include $0.3 million of integration expenses that would have been recognized had the acquisition occurred on July 1, 2015.
- Pro forma earnings during the three months ended September 30, 2016 were adjusted to include $0.4 million of interest expense. The interest was attributable to the assumption that the Company's borrowings of $46.0 million used to fund the net purchase price had been outstanding as of July 1, 2015. This interest was partially offset by the assumption that Houston Interests' former debt was extinguished as of July 1, 2015.
- Pro forma earnings during the three months ended September 30, 2016 were adjusted to exclude $0.1 million of depreciation and intangible asset amortization expense. This adjustment is due to the recognition of amortizable intangible assets as part of the acquisition and the effect of fair value adjustments to acquired property, plant and equipment.
- Pro forma earnings during the three months ended September 30, 2016 were adjusted to include income tax expense of $1.9 million. Houston Interests was previously an exempt entity and income taxes were not assessed in its historical financial information.

Note 3 – Uncompleted Contracts

Contract terms of the Company’s construction contracts generally provide for progress billings based on project milestones. The excess of costs incurred and estimated earnings over amounts billed on uncompleted contracts is reported as a current asset. The excess of amounts billed over costs incurred and estimated earnings recognized on uncompleted contracts is reported as a current liability. Gross and net amounts on uncompleted contracts are as follows:

	September 30, 2017	June 30, 2017
	(in thousands)	
Costs incurred and estimated earnings recognized on uncompleted contracts	$ 1,451,623	$ 1,919,054
Billings on uncompleted contracts	1,451,229	1,903,001
	$ 394	$ 16,053
Shown in balance sheet as:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 65,953	$ 91,180
Billings on uncompleted contracts in excess of costs and estimated earnings	65,559	75,127
	$ 394	$ 16,053

Progress billings in accounts receivable at September 30, 2017 and June 30, 2017 included retentions to be collected within one year of $43.7 million and $54.3 million, respectively. Contract retentions collectible beyond one year are included in other assets in the condensed consolidated balance sheet and totaled $3.5 million as of September 30, 2017 and $1.9 million as of June 30, 2017.

Note 4 – Intangible Assets Including Goodwill

Goodwill

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

	Electrical Infrastructure	Oil Gas & Chemical	Storage Solutions	Industrial	Total
			(In thousands)		
Net balance at June 30, 2017	$ 42,152	$ 33,604	$ 16,764	$ 20,981	$ 113,501
Translation adjustment (1)	234	—	81	44	359
Net balance at September 30, 2017	$ 42,386	$ 33,604	$ 16,845	$ 21,025	$ 113,860

(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.

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

We performed our annual goodwill impairment test as of May 31, 2017, which resulted in no impairment. However, the aggregate difference between the fair values of our reporting units and their carrying amounts decreased significantly since the previous year's test as a result of market conditions at that time. The fair value of one reporting unit (carrying value of goodwill of $8.0 million) only exceeded its carrying amount by 9%. The valuation model for this reporting unit assumed the award of a significant project prior to the end of the second fiscal quarter, with project work to commence shortly thereafter. This project award was subsequently obtained during the first fiscal quarter of 2018, which resolved the previous contingency. In addition, operating results for the Company during the three months ended September 30, 2017, including updated forecasts for the remainder of the year, do not indicate the existence of any goodwill impairment. The Company will continue to monitor its operating results and forecasts for indicators of impairment and perform additional tests as needed.

Other Intangible Assets

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

		At September 30, 2017		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Years)	(In thousands)		
Intellectual property	9 to 15	$ 2,579	$ (1,469)	$ 1,110
Customer-based	1 to 15	38,376	(14,913)	23,463
Non-compete agreements	4 to 5	1,453	(1,352)	101
Trade names	1 to 3	1,630	(1,473)	157
Total amortizing intangible assets		$ 44,038	$ (19,207)	$ 24,831

		At June 30, 2017		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Years)	(In thousands)		
Intellectual property	9 to 15	$ 2,579	$ (1,425)	$ 1,154
Customer-based	1 to 15	38,207	(13,543)	24,664
Non-compete agreements	4 to 5	1,453	(1,298)	155
Trade names	1 to 3	1,630	(1,307)	323
Total amortizing intangible assets		$ 43,869	$ (17,573)	$ 26,296

Amortization expense totaled $1.6 million and $0.8 million during the three months ended September 30, 2017 and September 30, 2016, respectively.

We estimate that the remaining amortization expense related to September 30, 2017 amortizing intangible assets will be as follows (in thousands):

Period ending:	
Remainder of Fiscal 2018	$ 4,092
Fiscal 2019	3,522
Fiscal 2020	3,505
Fiscal 2021	3,445
Fiscal 2022	2,337
Fiscal 2023	2,045
Thereafter	5,885
Total estimated remaining amortization expense at September 30, 2017	$ 24,831

Note 5 – Debt

On February 8, 2017, the Company entered into the Fourth Amended and Restated Credit Agreement (the "Credit Agreement"), by and among the Company and certain foreign subsidiaries, as Borrowers, various subsidiaries of the Company, as Guarantors, JPMorgan Chase Bank, N.A., as Administrative Agent, Sole Lead Arranger and Sole Bookrunner, and the other Lenders party thereto, which replaced the Third Amended and Restated Credit Agreement dated as of November 7, 2011, as previously amended (the "Prior Credit Agreement").

The Credit Agreement provides for a five-year senior secured revolving credit facility of $300.0 million that expires February 8, 2022, which replaces the $250.0 million senior secured revolving credit facility under the Prior Credit Agreement. The new credit facility may be used for working capital, acquisitions, capital expenditures, issuances of letters of credit and other lawful purposes.

Except as described in the paragraph below for the August 31, 2017 amendment, the Credit Agreement includes the following covenants and borrowing limitations:

- Our Leverage Ratio, determined as of the end of each fiscal quarter, may not exceed 3.00 to 1.00.
- As with the Prior Credit Agreement, we are required to maintain a Fixed Charge Coverage Ratio, determined as of the end of each fiscal quarter, greater than or equal to 1.25 to 1.00.
- Asset dispositions (other than dispositions in which all of the net cash proceeds therefrom are reinvested into the Company and dispositions of inventory and obsolete or unneeded equipment in the ordinary course of business) are limited to $20.0 million per 12-month period.

The new credit facility includes a sub-facility for revolving loans denominated in Australian Dollars, Canadian Dollars, Euros and Pounds Sterling in an aggregate amount not to exceed the U.S. Dollar equivalent of $75.0 million and a $200.0 million sublimit for letters of credit.

Each revolving borrowing under the Credit Agreement will bear interest at a rate per annum equal to:

- The ABR or the Adjusted LIBO Rate, in the case of revolving loans denominated in U.S. Dollars;
- The Canadian Prime Rate or the CDOR rate, in the case of revolving loans denominated in Canadian Dollars;
- The Adjusted LIBO Rate, in the case of revolving loans denominated in Pounds Sterling or Australian Dollars; or
- The EURIBO Rate, in the case of revolving loans denominated in Euros,

in each case, plus the Applicable Margin, which is based on the Company's Leverage Ratio. The Applicable Margin on ABR loans ranges between 0.625% and 1.625%. The Applicable Margin for Adjusted LIBO, EURIBO and CDOR loans ranges between 1.625% and 2.625% and the Applicable Margin for Canadian Prime Rate loans ranges between 2.125% and 3.125%.

The unused credit facility fee is between 0.25% and 0.45% based on the Leverage Ratio.

The Credit Agreement includes a Senior Leverage Ratio covenant, which provides that Consolidated Funded Indebtedness, as of the end of any fiscal quarter, may not exceed 3.0 times Consolidated EBITDA, as defined in the Credit Agreement, over the previous four quarters. For the four quarters ended September 30, 2017, Consolidated EBITDA was $34.0 million. Consolidated Funded Indebtedness at September 30, 2017 was $50.2 million.

On August 31, 2017, the Company entered in to an amendment to its Credit Agreement, which provided the following:

- The maximum permitted Leverage Ratio was temporarily increased to 4.00 to 1.00 for the quarters ending September 30, 2017, and December 31, 2017. The maximum Leverage Ratio will revert back to 3.00 to 1.00 beginning with the quarter ending March 31, 2018.
- The Fixed Charge Coverage Ratio will not be tested for the quarters ending September 30, 2017 and December 31, 2017, but will be in effect and tested quarterly thereafter beginning with the quarter ending March 31, 2018.
- A new minimum Consolidated EBITDA covenant was added solely for the four-quarter period ending December 31, 2017. For this period, the Company is required to achieve Consolidated EBITDA of $15.0 million.
- The Restricted Payments covenant was amended to restrict cash dividends and share repurchases during the period beginning August 31, 2017 and ending December 31, 2017 to an aggregate basket of $5.0 million. In addition, during such period, both cash dividends and share repurchases are prohibited unless the pro forma Leverage Ratio is less than or equal to 2.50 to 1.00. Thereafter, the restriction reverts back to limiting cash dividends to 50% of net income for each fiscal year, and limiting share repurchases to $30.0 million per calendar year.
- An additional increased pricing tier was added for the "Covenant Relief Period" beginning on August 31, 2017 and ending on the date we deliver our financial statements and compliance certificate for the fiscal quarter ending December 31, 2017. If our Leverage Ratio as of any quarterly calculation date during the Covenant Relief Period exceeds 3.00 to 1.00: (1) the Applicable Margin on ABR loans will be 1.875%; (2) the Applicable Margin for Adjusted LIBO, EURIBO and CDOR will be 2.875%; (3) the Applicable Margin for Canadian Prime Rate loans will be 3.375%; and (4) the unused credit facility fee will be 0.50%.

Availability under the senior revolving credit facility at September 30, 2017 was as follows:

	September 30, 2017	June 30, 2017
	(In thousands)	
Senior revolving credit facility	$ 300,000	$ 300,000
Capacity constraint due to the Senior Leverage Ratio	164,084	169,092
Capacity under the credit facility	135,916	130,908
Borrowings outstanding	42,076	44,682
Letters of credit	8,133	7,825
Availability under the senior revolving credit facility	$ 85,707	$ 78,401

Outstanding borrowings at September 30, 2017 under our Credit Agreement were primarily used to fund the acquisition of Houston Interests (See Note 2) and working capital needs in our Canadian business due to the timing of collections and disbursements on the previously announced Electrical Infrastructure project.

At September 30, 2017, the Company was in compliance with all affirmative, negative, and financial covenants under the Credit Agreement.

Note 6 – 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. Company management believes 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.

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

The Company provides for income taxes regardless of whether it has received a tax assessment. Taxes are provided when it is considered probable that additional taxes will be due in excess of amounts included in the tax return. The Company regularly reviews exposure to additional income taxes due, and as further information is known or events occur, adjustments may be recorded.

Our effective tax rate for the three months ended September 30, 2017 was 44.5% compared to 33.6% in the same period last year. The effective tax rate in fiscal 2018 was negatively impacted by a higher mix of projected income in the U.S., which is a higher tax jurisdiction than the Company's foreign operations. In addition, the fiscal 2018 effective tax rate was negatively affected by a stock compensation tax adjustment of $0.5 million. The effective tax rate in fiscal 2017 was positively impacted by the projection of a higher mix of income in Canada, which has a lower tax rate relative to the U.S. In addition, the fiscal 2017 effective tax rate benefited from a favorable stock compensation tax adjustment of $0.4 million.

Note 7 – Commitments and Contingencies

Insurance Reserves

The Company maintains insurance coverage for various aspects of its operations. However, exposure to potential losses is retained 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. The Company 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. Matrix maintains a performance and payment bonding line sufficient to support the business. The Company generally requires its subcontractors to indemnify the Company and the Company's customer and name the Company 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 the Company, 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.

Unapproved Change Orders and Claims

Costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unapproved change orders and claims of $12.4 million at September 30, 2017 and $11.0 million at June 30, 2017. Generally, collection of amounts related to unapproved 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

The Company and its subsidiaries are participants in various legal actions. It is the opinion of management that none of the known legal actions will have a material impact on the Company's financial position, results of operations or liquidity.

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

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.

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

	Three Months Ended	
	September 30, 2017	September 30, 2016
	(In thousands, except per share data)	
Basic EPS:		
Net income	$ 3,824	$ 9,342
Weighted average shares outstanding	26,655	26,387
Basic earnings per share	$ 0.14	$ 0.35
Diluted EPS:		
Weighted average shares outstanding – basic	26,655	26,387
Dilutive stock options	10	50
Dilutive nonvested deferred shares	97	359
Diluted weighted average shares	26,762	26,796
Diluted earnings per share	$ 0.14	$ 0.35

The following securities are considered antidilutive and have been excluded from the calculation of Diluted EPS:

	Three Months Ended	
	September 30, 2017	September 30, 2016
	(In thousands)	
Nonvested deferred shares	718	78

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

Note 9 – Segment Information

We operate our business through four reportable segments: Electrical Infrastructure, Oil Gas & Chemical, Storage Solutions, and Industrial.

The Electrical Infrastructure segment primarily encompasses high voltage services to investor owned utilities, including construction of new substations, upgrades of existing substations, short-run transmission line installations, distribution upgrades and maintenance, and storm restoration services. We also provide construction and maintenance services to a variety of power generation facilities, such as combined cycle plants, natural gas fired power stations, and renewable energy installations.

The Oil Gas & Chemical segment includes turnaround activities, plant maintenance, engineering and construction in the downstream and midstream petroleum industries. Our customers in these industries are engaged in refining crude oil and processing, fractionating, and marketing of natural gas and natural gas liquids. Another key offering is industrial cleaning services, which include hydroblasting, hydroexcavating, chemical cleaning and vacuum services. We also perform work in the petrochemical, upstream petroleum, and sulfur extraction, recovery and processing markets.

The Storage Solutions segment includes new construction of crude and refined products aboveground storage tanks (“ASTs”), as well as planned and emergency maintenance services. The Storage Solutions segment also includes balance of plant work in storage terminals and tank farms. Also included in the Storage Solutions segment is work related to specialty storage tanks, including liquefied natural gas (“LNG”), liquid nitrogen/liquid oxygen (“LIN/LOX”), liquid petroleum (“LPG”) tanks and other specialty vessels, including spheres. Finally, we offer AST products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.

The Industrial segment primarily includes construction and maintenance work in the iron and steel, mining and minerals, and agricultural industries. Our work in the mining and minerals industry is primarily for customers engaged in the extraction of copper. Our work in the agricultural industry includes the engineering and design of grain silos, docks and handling systems; the design of control system automation and materials handling for the food industry; and engineering, construction, process design and balance of plant work for fertilizer production facilities. We also perform work in bulk material handling, thermal vacuum chambers, and other industrial markets.

The Company evaluates performance and allocates resources based on operating income. The accounting policies of the reportable segments are the same as those described in the Summary of Significant Accounting Policies footnote included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2017. Intersegment sales and transfers are recorded at cost; therefore, no intersegment profit or loss is recognized.

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

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

Results of Operations
(In thousands)

	Three Months Ended	
	September 30, 2017	September 30, 2016
Gross revenues		
Electrical Infrastructure	$ 79,971	$ 88,025
Oil Gas & Chemical	85,861	37,828
Storage Solutions	71,572	199,650
Industrial	33,271	22,727
Total gross revenues	$ 270,675	$ 348,230
Less: Inter-segment revenues		
Oil Gas & Chemical	$ 208	$ 5,286
Storage Solutions	557	128
Industrial	—	1,035
Total inter-segment revenues	$ 765	$ 6,449
Consolidated revenues		
Electrical Infrastructure	$ 79,971	$ 88,025
Oil Gas & Chemical	85,653	32,542
Storage Solutions	71,015	199,522
Industrial	33,271	21,692
Total consolidated revenues	$ 269,910	$ 341,781
Gross profit		
Electrical Infrastructure	$ 8,267	$ 5,250
Oil Gas & Chemical	11,038	1
Storage Solutions	7,540	26,453
Industrial	2,046	574
Total gross profit	$ 28,891	$ 32,278
Operating income (loss)		
Electrical Infrastructure	$ 3,577	$ 1,057
Oil Gas & Chemical	4,134	(2,905)
Storage Solutions	(75)	16,773
Industrial	(315)	(624)
Total operating income	$ 7,321	$ 14,301

Total assets by segment were as follows:

	September 30, 2017	June 30, 2017
Electrical Infrastructure	$ 186,094	$ 183,351
Oil Gas & Chemical	137,631	129,177
Storage Solutions	143,648	166,742
Industrial	61,748	53,754
Unallocated assets	43,333	53,006
Total segment assets	$ 572,454	$ 586,030

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

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes in our critical accounting policies from those reported in our fiscal 2017 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 2017 Annual Report on Form 10-K. The following section provides certain information with respect to our critical accounting estimates as of the close of our most recent quarterly period.

Revenue Recognition

Matrix records revenue on fixed-price contracts on a percentage-of-completion basis, primarily based on costs incurred to date compared to the total estimated cost. The Company records revenue on cost-plus and time-and-material contracts on a proportional performance basis as costs are incurred. Contracts in process are valued at cost plus accrued profits less billings on uncompleted contracts. Contracts are generally considered substantially complete when field construction is completed. The elapsed time from award of a contract to completion of performance may be in excess of one year. Matrix includes pass-through revenue and costs on cost-plus contracts, which are customer-reimbursable materials, equipment and subcontractor costs, when Matrix determines that it is responsible for the procurement and management of such cost components.

Matrix has numerous contracts that are in various stages of completion, which require estimates to determine the appropriate cost and revenue recognition. The Company has a history of making reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs, and accordingly, does not believe significant fluctuations are likely to materialize. However, current estimates may be revised as additional information becomes available. 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. A number of our contracts contain various cost and performance incentives and penalties that impact the earnings we realize from our contracts. Adjustments related to these incentives and penalties are recorded in the period on a percentage of completion basis when estimable and probable.

Indirect costs, such as salaries and benefits, supplies and tools, equipment costs and insurance costs, are charged to projects based upon direct labor hours and overhead allocation rates per direct labor hour or a percentage of cost incurred. Warranty costs are normally incurred prior to project completion and are charged to project costs as they are incurred. Warranty costs incurred subsequent to project completion were not material for the periods presented. Overhead allocation rates are established annually during the budgeting process and evaluated for accuracy throughout the year based upon actual direct labor hours and actual costs incurred.

Goodwill

We performed our annual impairment test in the fourth quarter of fiscal 2017 to determine whether an impairment existed 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 amount of headroom varies by reporting unit. Approximately 37% of our goodwill balance at May 31, 2017 was attributable to one reporting unit. This unit had headroom of 24%. The remaining goodwill was attributable to nine reporting units, with headroom of between 7% and 172%. Management utilizes a discounted cash flow analysis, referred to as an income approach, and market multiples of EBITDA to determine the estimated fair value of our reporting units. 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 these 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. 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 an impairment charge in the financial statements. As a result of these uncertainties, we utilize multiple scenarios and assign probabilities to each of the scenarios in the income approach. We also consider the combined carrying values of our reporting units to our market capitalization.

We performed our annual goodwill impairment test as of May 31, 2017, which resulted in no impairment. However, the aggregate difference between the fair values of our reporting units and their carrying amounts decreased significantly since the previous year's test as a result of market conditions at that time. The fair value of one reporting unit (carrying value of goodwill of $8.0 million) only exceeded its carrying amount by 9%. The valuation model for this reporting unit assumed the award of a significant project prior to the end of the second fiscal quarter, with project work to commence shortly thereafter. This project award was subsequently obtained during the first fiscal quarter of 2018, which resolved the previous contingency. In addition, operating results for the Company during the three months ended September 30, 2017, including updated forecasts for the remainder of the year, do not indicate the existence of any goodwill impairment. The Company will continue to monitor its operating results and forecasts for indicators of impairment and perform additional tests as needed.

Other Intangible Assets

Intangible assets that have finite useful lives are amortized by the straight-line method over their useful lives ranging from 1 to 15 years. The Company evaluates intangible assets with finite lives for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. The Company did not observe any events or circumstances during the three months ended September 30, 2017 that would indicate that the carrying value of its intangible assets may not be recoverable.

Unapproved Change Orders and Claims

Costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unapproved change orders and claims of $12.4 million at September 30, 2017 and $11.0 million at June 30, 2017. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings.

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. We establish reserves for claims using a combination of actuarially determined estimates and management judgments on a case-by-case basis and update our evaluations as further information becomes known. Judgments and assumptions, including the assumed losses for claims incurred but not reported, are inherent in our reserve accruals; as a result, changes in assumptions or claims experience could result in changes to these estimates in the future. If actual results of claim settlements are different than the amounts estimated, we may be exposed to gains and losses that could be significant.

Recently Issued Accounting Standards

Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” The ASU also requires entities to disclose both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU's disclosure requirements are significantly more comprehensive than those in existing revenue standards. The ASU applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification ("ASC"). The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted on a limited basis.

Management is currently evaluating the impact of adopting the ASU on the Company's financial position, results of operations, cash flows and related disclosures. Adoption of this ASU is expected to affect the manner in which the Company determines the unit of account for its projects (i.e., performance obligations). Under existing guidance, the Company may have multiple performance obligations for large, complex projects. Upon adoption, the Company expects that similar projects may have fewer performance obligations, possibly just one in some cases, which will result in a more constant recognition of revenue and profit over the term of the project. In addition, management expects that profit could be recognized earlier for contract amounts related to unapproved change orders and claims. The Company will adopt this standard on July 1, 2018 using the modified retrospective method of application, which may result in a cumulative effect adjustment to retained earnings as of the date of adoption.

Management has completed its review of the new revenue standard and is currently reviewing its contracts in order to confirm its understanding of how the new standard will impact its revenue recognition policy, disclosures, processes and internal controls. At this time, we cannot reliably estimate the amount of any potential retrospective adjustment.

Accounting Standards Update 2016-02, Leases (Topic 842)

On February 25, 2016, the FASB issued ASU 2016-02. The amendments in this update require, among other things, that lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted, but we do not plan to do so at this time.

We are currently evaluating the ASU's expected impact on our financial statements. See Note 8 of Item 8. Financial Statements and Supplementary Data in our 2017 Form 10-K for more information about the timing and amount of future operating lease payments, which we believe is indicative of the materiality of adoption of the ASU to our financial statements.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

On June 16, 2016, the FASB issued ASU 2016-13, which will change how the Company accounts for its allowance for uncollectible accounts. The amendments in this update require a financial asset (or a group of financial assets) to be presented at the net amount expected to be collected. The income statement will reflect any increases or decreases of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount.

Current GAAP delays the recognition of the full amount of credit losses until the loss is probable of occurring. The amendments in this update eliminate the probable initial recognition threshold and, instead, reflect the Company's current estimate of all expected credit losses. In addition, current guidance limits the information the Company may consider in measuring a credit loss to its past events and current conditions. The amendments in this update broaden the information the Company may consider in developing its expected credit loss estimate to include forecasted information.

The amendments in this update are effective for the Company on July 1, 2020 and the Company may early adopt on July 1, 2019. The Company must apply the amendments in this update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. At this time, the Company does not expect this update to have a material impact to its estimate of the allowance for uncollectible accounts.

Accounting Standards Update 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting

In May 2017, the FASB issued ASU 2017-09 which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. Entities should apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. ASU 2017-09 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted and prospective application is required. Management does not expect the adoption of ASU 2017-09 to have a material impact on the Company’s financial position, results of operations or cash flows.

RESULTS OF OPERATIONS

Overview

We operate our business through four reportable segments: Electrical Infrastructure, Oil Gas & Chemical, Storage Solutions, and Industrial.

The Electrical Infrastructure segment primarily encompasses high voltage services to investor owned utilities, including construction of new substations, upgrades of existing substations, short-run transmission line installations, distribution upgrades and maintenance, and storm restoration services. We also provide construction and maintenance services to a variety of power generation facilities, such as combined cycle plants, natural gas fired power stations, and renewable energy installations.

The Oil Gas & Chemical segment includes turnaround activities, plant maintenance, engineering and construction in the downstream and midstream petroleum industries. Our customers in these industries are engaged in refining crude oil and processing, fractionating, and marketing of natural gas and natural gas liquids. Another key offering is industrial cleaning services, which include hydroblasting, hydroexcavating, chemical cleaning and vacuum services. We also perform work in the petrochemical, upstream petroleum, and sulfur extraction, recovery and processing markets.

The Storage Solutions segment includes new construction of crude and refined products aboveground storage tanks (“ASTs”), as well as planned and emergency maintenance services. The Storage Solutions segment also includes balance of plant work in storage terminals and tank farms. Also included in the Storage Solutions segment is work related to specialty storage tanks, including liquefied natural gas (“LNG”), liquid nitrogen/liquid oxygen (“LIN/LOX”), liquid petroleum (“LPG”) tanks and other specialty vessels, including spheres. Finally, we offer AST products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.

The Industrial segment primarily includes construction and maintenance work in the iron and steel, mining and minerals, and agricultural industries. Our work in the mining and minerals industry is primarily for customers engaged in the extraction of copper. Our work in the agricultural industry includes the engineering and design of grain silos, docks and handling systems; the design of control system automation and materials handling for the food industry; and engineering, construction, process design and balance of plant work for fertilizer production facilities. We also perform work in bulk material handling, thermal vacuum chambers, and other industrial markets.

Three Months Ended September 30, 2017 Compared to the Three Months Ended September 30, 2016

Consolidated

Consolidated revenue was $269.9 million for the three months ended September 30, 2017, compared to $341.8 million in the same period in the prior fiscal year. On a segment basis, consolidated revenue decreased in the Storage Solutions and Electrical Infrastructure segments by $128.5 million and $8.0 million, respectively. These decreases were partially offset by increases of consolidated revenue in the Oil Gas & Chemical and Industrial segments of $53.2 million and $11.6 million.

Consolidated gross profit decreased from $32.3 million in the three months ended September 30, 2016 to $28.9 million in the three months ended September 30, 2017. Gross margin increased to 10.7% in the three months ended September 30, 2017 compared to 9.4% in the same period in the prior fiscal year. The increase in gross margin in fiscal 2018 is primarily attributable strong project execution and improved recovery of construction overhead costs.

Consolidated SG&A expenses were $21.6 million in the three months ended September 30, 2017 compared to $18.0 million in the same period a year earlier. The increase in fiscal 2018 is primarily attributable to the addition of the Houston Interests, LLC ("Houston Interests") operations in December 2016 (See Item 1. Financial Statements, Note 2 - Acquisitions).

Net interest expense was $0.6 million and $0.2 million in the three months ended September 30, 2017 and 2016, respectively. The higher interest expense in fiscal 2018 is primarily attributable to the higher average debt balance in the current year, which is largely attributable to the borrowings used to fund the Houston Interests acquisition, which was completed in the second quarter of fiscal 2017, and borrowings due to the timing of collections and disbursements on the previously announced Electrical Infrastructure project.

Our effective tax rate for the three months ended September 30, 2017 was 44.5% compared to 33.6% in the same period a year earlier. The fiscal 2018 effective tax rate was negatively affected by a stock compensation tax adjustment of $0.5 million, while the fiscal 2017 effective tax rate benefited from a favorable stock compensation tax adjustment of $0.4 million.

For the three months ended September 30, 2017, net income and the related fully diluted earnings per share were $3.8 million and $0.14, respectively, compared to net income and related fully diluted earnings per share of $9.3 million and $0.35, respectively, in the same period a year earlier.

Electrical Infrastructure

Revenue for the Electrical Infrastructure segment decreased $8.0 million to $80.0 million in the three months ended September 30, 2017 compared to $88.0 million in the same period a year earlier. The decrease is due to lower volume on the previously announced power generating facility project. The segment gross margin of 10.3% in fiscal 2018 is primarily attributable to improved project execution and decreased under recovery of construction overhead costs. The fiscal 2017 segment gross margin was 6.0% during the same period, which was impacted by a project charge related to the power generating facility project mentioned above and higher under recovery of construction overhead costs.

Oil Gas & Chemical

Revenue for the Oil Gas & Chemical segment was $85.7 million in the three months ended September 30, 2017 compared to $32.5 million in the same period a year earlier. The increase of $53.2 million is primarily attributable to a significant amount of work completed on the previously announced Ultra-Low-Sulfur-Gasoline Relocation Project, incremental revenues associated with the Houston Interests acquisition, and higher volumes of turnaround and maintenance work. The segment gross margin was 12.9% for the three months ended September 30, 2017 compared to break-even in the same period last year. The segment gross margin for fiscal 2018 was positively impacted by strong project execution, project closeouts, higher margin work associated with the Houston Interests acquisition, and decreased under recovery of construction overhead costs.

Storage Solutions

Revenue for the Storage Solutions segment was $71.0 million in the three months ended September 30, 2017 compared to $199.5 million in the same period a year earlier, a decrease of $128.5 million. Prior year's revenue was higher than normal due to an historically large amount of work performed in connection with the construction of crude gathering terminals that support the Dakota Access pipeline. The segment gross margin was 10.6% in the three months ended September 30, 2017 and 13.3% in the three months ended September 30, 2016. The lower segment gross margin in fiscal 2018 is primarily attributable to lower volumes, which led to increased under recovery of construction overhead costs, partially offset by stronger project execution in fiscal 2018.

Industrial

Revenue for the Industrial segment increased $11.6 million to $33.3 million in the three months ended September 30, 2017 compared to $21.7 million in the same period a year earlier. The increase in revenue is primarily attributable to higher business volumes in iron and steel and incremental revenues associated with the Houston Interests acquisition. The segment gross margin was 6.1% in the three months ended September 30, 2017 compared to 2.6% in the same period a year earlier. The fiscal 2018 segment gross margin was positively impacted by higher volumes, which when combined with previously executed targeted cost reduction, led to improved recovery of construction overhead costs.

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, 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 and other established customer arrangements, we include only the amounts that we expect to recognize into revenue over the next 12 months. 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 September 30, 2017:

	Electrical Infrastructure	Oil Gas & Chemical	Storage Solutions	Industrial	Total
			(In thousands)		
Backlog as of June 30, 2017	$ 162,637	$ 287,007	$ 141,551	$ 91,078	$ 682,273
Project awards	36,976	34,195	62,602	182,661	316,434
Revenue recognized	(79,971)	(85,653)	(71,015)	(33,271)	(269,910)
Backlog as of September 30, 2017	$ 119,642	$ 235,549	$ 133,138	$ 240,468	$ 728,797
Book-to-bill ratio[(1)]	0.5	0.4	0.9	5.5	1.2

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

Project awards in all segments are cyclical and are typically the result of a sales process that can take several months to complete. Backlog volatility may increase for some segments from time to time when individual project awards are less frequent, but more significant.

The change in backlog in the Electrical Infrastructure segment during the three months ended September 30, 2017 is mainly attributable to the work related to the previously announced Napanee Power Generating Station project partially offset by transmission and distribution awards.

The change in backlog in the Oil, Gas & Chemical segment during the three months ended September 30, 2017 is mainly attributable to progress on previously announced awards, partially offset by new project awards.

The change in backlog in the Storage Solutions segment during the three months ended September 30, 2017 is attributable to progress on previously announced awards, partially offset by new project awards. Significant project awards continue to be delayed due to a continued cautious approach to decision-making on the part of clients, prolonged market uncertainty, and other factors.

The increase in backlog in the Industrial segment during the three months ended September 30, 2017 is primarily attributable to significant awards for maintenance work and capital projects in the iron and steel industry.

Seasonality and Other Factors

Our operating results can exhibit seasonal fluctuations, especially in our Oil Gas & Chemical 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 Electrical 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. Also, we typically see a lower level of operating activity relating to construction projects during the winter months and early in the calendar year because many of our customers' capital budgets have not been finalized. Our business can also be affected, both positively and negatively, by seasonal factors such as energy demand or weather conditions including hurricanes, snowstorms, 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 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 the Company's operating results.

Impact of Commodity Price Volatility and Market Uncertainty

The prolonged decline in crude oil prices beginning in late 2014 has caused sustained uncertainty in the energy industry, which continues to negatively impact our results, particularly in the Oil Gas & Chemical and Storage Solutions segments. In our Storage Solutions segment, our customers continue to take a long-term view of the market and remain cautious short-term. In our Oil Gas & Chemical segment, we are beginning to see some capital project awards and an improving outlook in routine maintenance and turnaround work. Although we are seeing some positive signs, our customers have been responding to prolonged lower crude oil prices and commodity price uncertainty by reducing spending on capital projects and delaying elective maintenance. Our customers spending tends to lag the price movements of crude oil and other commodities due to budget cycles and the long-term nature of planning for capital projects, especially large capital projects.

In the Industrial segment, our iron and steel customers have increased maintenance spending and resumed major capital projects in response to improving business conditions led by rising steel prices and a weaker U.S. Dollar. In the mining and minerals markets, copper prices have continued to increase. As a result, we are seeing increased bidding activity, but we have not yet seen a corresponding increase in project awards.

We do not expect fluctuation in commodity prices to have a significant impact on the Electrical Infrastructure segment.

Non-GAAP Financial Measure

EBITDA is a supplemental, non-GAAP financial measure. EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization. We have presented EBITDA 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 Consolidated Statements of Income entitled "Net Income" is the most directly comparable GAAP measure to EBITDA. Since 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. 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 EBITDA excludes certain financial information compared with net income, 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, EBITDA, has certain material limitations as follows:

- 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 EBITDA to net income follows:

	Three Months Ended			
	September 30, 2017		September 30, 2016	
	(In thousands)			
Net income	$	3,824	$	9,342
Interest expense		618		243
Provision for income taxes		3,067		4,735
Depreciation and amortization		5,593		4,904
EBITDA	$	13,102	$	19,224

FINANCIAL CONDITION AND LIQUIDITY

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 for the three months ended September 30, 2017 were cash on hand, capacity under our senior revolving credit facility and cash generated from operations before consideration of changes in working capital. Cash on hand at September 30, 2017 totaled $46.1 million and availability under the senior revolving credit facility totaled $85.7 million resulting in available liquidity of $131.8 million.

Our availability under the senior revolving credit facility was significantly impacted by the borrowing constraint resulting from losses on the Electrical Infrastructure project recorded in the third fiscal quarter of 2017. Our projected cash flow for the next four quarters, which includes the collection of significant retention on a Storage Solutions project, is strong. In fiscal 2018, we do not expect significant increases to senior revolving credit facility availability until the second half of the year. However, with the cash balance, we believe that sufficient liquidity exists to fund the business. A complete discussion of our credit agreement is provided under the captain "Senior Revolving Credit Facility" included in this Financial Condition and Liquidity section of the Form 10-Q.

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.
- 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.
- 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
- Capital expenditures

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

- Acquisitions of new businesses
- Strategic investments in new operations
- Purchases of shares under our stock buyback program
- Contract disputes which can be significant

- Collection issues, including those caused by weak commodity prices or other factors which can lead to credit deterioration of our customers
- Capacity constraints under our credit facility and remaining in compliance with all covenants contained in the credit agreement
- A default by one of the major financial institutions for which our deposits exceed insured deposit limits
- Cash on hand outside of the United States that cannot be repatriated without incremental taxation.

Cash Flow for the Three Months Ended September 30, 2017

Cash Flows Provided by Operating Activities

Cash provided by operating activities for the three months ended September 30, 2017 totaled $6.8 million. The various components are as follows:

Net Cash Provided by Operating Activities
(In thousands)

Net income	$	3,824
Non-cash expenses		7,565
Deferred income tax		2,711
Cash effect of changes in working capital		(7,363)
Other		93
Net cash provided by operating activities	$	6,830

Working capital changes at September 30, 2017 in comparison to June 30, 2017 include the following:

- Accounts receivable, net of bad debt expense recognized during the period, increased by $7.7 million during the three months ended September 30, 2017, which reduced cash flows from operating activities. The variance is attributable to the timing of billing and collections.
- Accounts payable decreased by $14.5 million during the three months ended September 30, 2017, which reduced cash flows from operating activities. The variance is primarily attributable to the timing of vendor payments.
- Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE") decreased $25.2 million while billings on uncompleted contracts in excess of costs and estimated earnings ("BIE") decreased $9.5 million. The net change in CIE and BIE increased cash $15.7 million for the three months ended September 30, 2017. CIE and BIE balances can experience significant fluctuations based on the timing of when job costs are incurred and the invoicing of those job costs to the customer.

Cash Flows Used for Investing Activities

Investing activities used $1.6 million of cash in the three months ended September 30, 2017 primarily due to $1.9 million of capital expenditures. Capital expenditures consisted of: $0.9 million for office equipment, $0.6 million for transportation and fabrication equipment, and $0.4 million for construction equipment. Proceeds from asset sales provided $0.2 million of cash.

Cash Flows Used by Financing Activities

Financing activities used $3.3 million of cash in the three months ended September 30, 2017 primarily due to net repayments of $2.6 million under our credit facility, repurchase of $0.5 million of Company stock for payment of withholding taxes due on equity-based compensation, and the payment of $0.3 million for debt amendment fees.

Senior Revolving Credit Facility

As noted previously in Note 5 of the Notes to Condensed Consolidated Financial Statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q, on February 8, 2017 the Company entered into the Fourth Amended and Restated Credit Agreement (the "Credit Agreement"), which replaced the Third Amended and Restated Credit Agreement dated as of November 7, 2011, as previously amended (the "Prior Credit Agreement").

The Credit Agreement provides for a five-year senior secured revolving credit facility of $300.0 million that expires February 8, 2022, which replaces the $250.0 million senior secured revolving credit facility under the Prior Credit Agreement. The new credit facility may be used for working capital, acquisitions, capital expenditures, issuances of letters of credit and other lawful purposes.

Except as described below for the August 31, 2017 amendment, the Credit Agreement includes the following covenants and borrowing limitations:

- Our Leverage Ratio, determined as of the end of each fiscal quarter, may not exceed 3.00 to 1.00.
- As with the Prior Credit Agreement, we are required to maintain a Fixed Charge Coverage Ratio, determined as of the end of each fiscal quarter, greater than or equal to 1.25 to 1.00.
- Asset dispositions (other than dispositions in which all of the net cash proceeds therefrom are reinvested into the Company and dispositions of inventory and obsolete or unneeded equipment in the ordinary course of business) are limited to $20.0 million per 12-month period.

The new credit facility includes a sub-facility for revolving loans denominated in Australian Dollars, Canadian Dollars, Euros and Pounds Sterling in an aggregate amount not to exceed the U.S. Dollar equivalent of $75.0 million and a $200.0 million sublimit for letters of credit.

Each revolving borrowing under the Credit Agreement will bear interest at a rate per annum equal to:

- The ABR or the Adjusted LIBO Rate, in the case of revolving loans denominated in U.S. Dollars;
- The Canadian Prime Rate or the CDOR rate, in the case of revolving loans denominated in Canadian Dollars;
- The Adjusted LIBO Rate, in the case of revolving loans denominated in Pounds Sterling or Australian Dollars; or
- The EURIBO Rate, in the case of revolving loans denominated in Euros,

in each case, plus the Applicable Margin, which is based on the Company's Leverage Ratio. The Applicable Margin on ABR loans ranges between 0.625% and 1.625%. The Applicable Margin for Adjusted LIBO, EURIBO and CDOR loans ranges between 1.625% and 2.625% and the Applicable Margin for Canadian Prime Rate loans ranges between 2.125% and 3.125%.

The unused credit facility fee is between 0.25% and 0.45% based on the Leverage Ratio.

The Credit Agreement includes a Senior Leverage Ratio covenant, which provides that Consolidated Funded Indebtedness, as of the end of any fiscal quarter, may not exceed 3.0 times Consolidated EBITDA, as defined in the Credit Agreement, over the previous four quarters. For the four quarters ended September 30, 2017, Consolidated EBITDA was $34.0 million. Consolidated Funded Indebtedness at September 30, 2017 was $50.2 million.

Consolidated EBITDA, as defined in the Credit Agreement, or "Covenant EBITDA," differs from EBITDA, as reported under "Results of Operations - Non-GAAP Financial Measure," in Item 7 primarily because it permits the Company to:

- exclude non-cash stock-based compensation expense,
- include pro forma EBITDA of acquired businesses as if the acquisition occurred at the beginning of the previous four quarters, and
- exclude certain other extraordinary items, as defined in the Credit Agreement. The Company excluded as extraordinary items the acquisition and integration costs incurred during the previous four quarters.

On August 31, 2017, the Company entered in to an amendment to its Credit Agreement, which provided the following:

- The maximum permitted Leverage Ratio was temporarily increased to 4.00 to 1.00 for the quarters ending September 30, 2017, and December 31, 2017. The maximum Leverage Ratio will revert back to 3.00 to 1.00 beginning with the quarter ending March 31, 2018.
- The Fixed Charge Coverage Ratio will not be tested for the quarters ending September 30, 2017 and December 31, 2017, but will be in effect and tested quarterly thereafter beginning with the quarter ending March 31, 2018.
- A new minimum Consolidated EBITDA covenant was added solely for the four-quarter period ending December 31, 2017. For this period, the Company is required to achieve Consolidated EBITDA of $15.0 million.
- The Restricted Payments covenant was amended to restrict cash dividends and share repurchases during the period beginning August 31, 2017 and ending December 31, 2017 to an aggregate basket of $5.0 million. In addition, during such period, both cash dividends and share repurchases are prohibited unless the pro forma Leverage Ratio is less than or equal to 2.50 to 1.00. Thereafter, the restriction reverts back to limiting cash dividends to 50% of net income for each fiscal year, and limiting share repurchases to $30.0 million per calendar year.
- An additional increased pricing tier was added for the "Covenant Relief Period" beginning on August 31, 2017 and ending on the date we deliver our financial statements and compliance certificate for the fiscal quarter ending December 31, 2017. If our Leverage Ratio as of any quarterly calculation date during the Covenant Relief Period exceeds 3.00 to 1.00: (1) the Applicable Margin on ABR loans will be 1.875%; (2) the Applicable Margin for Adjusted LIBO, EURIBO and CDOR will be 2.875%; (3) the Applicable Margin for Canadian Prime Rate loans will be 3.375%; and (4) the unused credit facility fee will be 0.50%.

Availability under the senior credit facility at September 30, 2017 was as follows:

	September 30, 2017	June 30, 2017
	(In thousands)	
Senior revolving credit facility	$ 300,000	$ 300,000
Capacity constraint due to the Senior Leverage Ratio	164,084	169,092
Capacity under the credit facility	135,916	130,908
Borrowings outstanding	42,076	44,682
Letters of credit	8,133	7,825
Availability under the senior revolving credit facility	$ 85,707	$ 78,401

Outstanding borrowings at September 30, 2017 under our Credit Agreement were primarily used to fund the acquisition of Houston Interests (See Part 1, Item 1, Note 2 - Acquisitions) and working capital needs in our Canadian business due to the timing of collections and disbursements on the previously announced large Electrical Infrastructure project.

At September 30, 2017, the Company was in compliance with all affirmative, negative, and financial covenants under the Credit Agreement.

Dividend Policy

We have never paid cash dividends on our common stock, and the terms of our Credit Agreement limit the amount of cash dividends we can pay. Under our Credit Agreement, we may declare and pay cash dividends on our capital stock during any fiscal year up to an amount which, when added to all other cash dividends paid during such fiscal year, does not exceed 50% of our cumulative net income for such fiscal year to date, except that, pursuant to an amendment to our Credit Agreement, from August 31, 2017 through December 31, 2017, the total of cash dividend payments, along with share repurchases, may not exceed $5.0 million. In addition, during this time we are prohibited from paying cash dividends or repurchasing stock unless the pro forma Leverage Ratio, as defined in the Credit Agreement, is less than or equal to 2.50 to 1.00. While we currently do not intend to pay cash dividends, any future dividend payments will depend on our financial condition, capital requirements and earnings as well as other relevant factors.

Stock Repurchase Program and Treasury Shares

Treasury Shares

On December 12, 2016, the Board of Directors approved a new stock buyback program (the "December 2016 Program"), which replaced the previous program that had been in place since November 2014. Under the December 2016 Program, the Company may repurchase common stock of the Company in any calendar year commencing with calendar year 2016 and continuing through calendar year 2018, up to a maximum of $25.0 million per calendar year.

The Company may repurchase its stock from time to time in the open market at prevailing market prices or in privately negotiated transactions, except during the period from August 31, 2017 until December 31, 2017, when share repurchases, along with cash dividend payments, are restricted to an aggregate basket of $5.0 million under our Credit Agreement. In addition, during this time share repurchases may only be made if the pro forma Leverage Ratio is less than or equal to 2.50 to 1.00. The December 2016 Program will continue through December 31, 2018 unless and until it is modified or revoked by the Board of Directors. No shares have been repurchased under the December 2016 Program as of September 30, 2017.

The Company has 1,160,242 treasury shares as of September 30, 2017 and intends to utilize these treasury shares in connection with equity awards under the Company’s stock incentive plans and for sales to the Employee Stock Purchase Plan.

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 crude oil, natural gas and other commodity prices;
- amounts and nature of future revenues and margins from each of our segments;
- trends in the industries we serve;
- 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;
- the likely impact of new or existing regulations or market forces on the demand for our services;
- expansion and other trends of the industries we serve;
- our expectations with respect to the likelihood of a future impairment; and
- our ability to comply with the covenants in our credit agreement.

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:

- the risk factors discussed in our Form 10-K for the fiscal year ended June 30, 2017 and listed from time to time in our filings with the Securities and Exchange Commission;
- economic, market or business conditions in general and in the oil, gas, power, iron and steel, agricultural and mining industries in particular;
- reduced creditworthiness of our customer base and the higher risk of non-payment of receivables due to low prevailing crude oil and other commodity prices;
- the inherently uncertain outcome of current and future litigation;
- the adequacy of our reserves for contingencies;
- changes in laws or regulations; and
- other factors, many of which are beyond our control.

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.

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, 2017, filed with the Securities and Exchange Commission. For more information on market risk, see Part II, Item 7A in our fiscal 2017 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).

The disclosure controls and procedures are designed to provide reasonable, not absolute, assurance of achieving the desired control objectives. The Company’s management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the disclosure controls and procedures or our internal controls over financial reporting will prevent or detect all errors or fraud. The design of our internal control system takes into account the fact that there are resource constraints and the benefits of controls must be weighed against the costs. Additionally, controls can be circumvented by the acts of key individuals, collusion or management override.

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 September 30, 2017. 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 September 30, 2017.

We completed the acquisition of Houston Interests, LLC ("Houston Interests") effective December 12, 2016. We are in the process of assessing and, to the extent necessary, making changes to the internal control over financial reporting of Houston Interests to conform such internal control to that used on our other operations. However, we are not yet required to evaluate, and have not yet fully evaluated, changes in Houston Interest's internal control over financial reporting. Subject to the foregoing, 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 September 30, 2017.

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

There were no material changes in our Risk Factors from those reported in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

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

Issuer Purchases of Equity Securities

The table below sets forth the information with respect to purchases made by the Company of its common stock during the first quarter of fiscal year 2018.

	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)
July 1 to July 31, 2017				
Share Repurchase Program (A)	—	$ —	—	3,289,474
Employee Transactions (B)	196	$ 10.65	—	
August 1 to August 31, 2017				
Share Repurchase Program (A)	—	$ —	—	3,289,474
Employee Transactions (B)	40,192	$ 10.37	—	
September 1 to September 30, 2017				
Share Repurchase Program (A)	—	$ —	—	3,289,474
Employee Transactions (B)	2,521	$ 15.25	—	

(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 the Company’s stock incentive plans.

(C) On December 12, 2016, the Board of Directors approved a new stock buyback program (the "December 2016 Program"). Under the December 2016 Program, the Company may repurchase common stock of the Company in any calendar year commencing with calendar year 2016 and continuing through calendar year 2018, up to a maximum of $25.0 million per calendar year. The Company may repurchase its stock from time to time in the open market at prevailing market prices or in privately negotiated transactions. The December 2016 Program will continue through December 31, 2018 unless and until revoked by the Board of Directors. The amount shown as the maximum number of shares that may yet be purchased was calculated using the closing price of our stock on the last trading day of the quarter and the cumulative limit of $50.0 million remaining under the program.

Dividend Policy

We have never paid cash dividends on our common stock, and the terms of our Credit Agreement limit the amount of cash dividends we can pay. Under our Credit Agreement, we may declare and pay cash dividends on our capital stock during any fiscal year up to an amount which, when added to all other cash dividends paid during such fiscal year, does not exceed 50% of our cumulative net income for such fiscal year to date, except that, pursuant to an amendment to our Credit Agreement, from August 31, 2017 through December 31, 2017, the total of cash dividend payments, along with share repurchases, may not exceed $5.0 million. In addition, during this time we are prohibited from paying cash dividends or repurchasing stock unless the pro forma Leverage Ratio, as defined in the Credit Agreement, is less than or equal to 2.50 to 1.00. While we currently do not intend to pay cash dividends, any future dividend payments will depend on 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:

Exhibit 10.1:	First Amendment to Fourth Amended and Restated Credit Agreement dated as of August 31, 2017 among the Company and certain foreign subsidiaries, as Borrowers, various subsidiaries of the Company, as Guarantors, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other Lenders party thereto.
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.
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.

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:	November 7, 2017	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 10.1

Execution Version

FIRST AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated as of August 31, 2017 (the "Effective Date"), is entered into by and among **MATRIX SERVICE COMPANY**, a Delaware corporation (the "Company"), the other Borrowers party hereto (together with the Company, the "Borrowers"), the Subsidiary Guarantors party hereto (the "Subsidiary Guarantors"), the Lenders (as hereinafter defined) party hereto and **JPMorgan Chase Bank, N.A.**, as Administrative Agent (the "Administrative Agent").

PRELIMINARY STATEMENT

WHEREAS, the Borrowers, the lenders party thereto (the "Lenders") and the Administrative Agent are parties to that certain Fourth Amended and Restated Credit Agreement dated as of February 8, 2017 (the "Credit Agreement"), pursuant to which the Lenders agreed to make available to the Borrowers a revolving credit facility;

WHEREAS, the Company has requested an amendment to certain provisions of the Credit Agreement;

WHEREAS, the Administrative Agent and the Lenders party hereto are willing to make such amendment, subject to the terms and conditions set forth herein, provided that the Borrowers and Subsidiary Guarantors ratify and confirm all of their respective obligations under the Credit Agreement and the other Loan Documents;

NOW, THEREFORE, in consideration of the premises and further valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein have the meanings assigned to them in the Credit Agreement.

2. Amendments to Credit Agreement.

(a) Section 1.01 of the Credit Agreement is hereby amended to restate the definition of "Applicable Margin" in its entirety as follows:

"Applicable Margin" means:

(a) for any day during the Covenant Relief Period, with respect to any Loan, or with respect to the Unused Fees, the applicable per annum rate in the table set forth below based upon the Leverage Ratio for the most recently ended trailing four-quarter period with respect to which the Company is required to have delivered the financial statements pursuant to Section 5.01 (as such Leverage Ratio is reflected in the Compliance Certificate delivered under Section 5.01 by the Company in connection with the financial statements for such fiscal quarter):

Level	Leverage Ratio	Applicable Margin for Eurocurrency, EURIBOR and CDOR Loans	Applicable Margin for ABR Loans	Applicable Margin for Canadian Prime Rate Loans	Applicable Margin for Unused Fees
I	< 1.00x	1.625%	0.625%	2.125%	0.25%
II	< 1.50x	1.875%	0.875%	2.375%	0.30%
III	< 2.00x	2.125%	1.125%	2.625%	0.35%
IV	< 2.50x	2.375%	1.375%	2.875%	0.40%
V	< 3.00x	2.625%	1.625%	3.125%	0.45%
VI	≥ 3.00x	2.875%	1.875%	3.375%	0.50%

(b) for any day after the Covenant Relief Period, with respect to any Loan, or with respect to the Unused Fees, the applicable per annum rate in the table set forth below based upon the Leverage Ratio for the most recently ended trailing four-quarter period with respect to which the Company is required to have delivered the financial statements pursuant to Section 5.01 (as such Leverage Ratio is reflected in the Compliance Certificate delivered under Section 5.01 by the Company in connection with the financial statements for such fiscal quarter):

Level	Leverage Ratio	Applicable Margin for Eurocurrency, EURIBOR and CDOR Loans	Applicable Margin for ABR Loans	Applicable Margin for Canadian Prime Rate Loans	Applicable Margin for Unused Fees
I	< 1.00x	1.625%	0.625%	2.125%	0.25%
II	< 1.50x	1.875%	0.875%	2.375%	0.30%
III	< 2.00x	2.125%	1.125%	2.625%	0.35%
IV	< 2.50x	2.375%	1.375%	2.875%	0.40%
V	≥ 2.50x	2.625%	1.625%	3.125%	0.45%

Each change in the Applicable Margin shall take effect on each date on which such financial statements and Compliance Certificate are delivered pursuant to Section 5.01, commencing with the date on which such financial statements and Compliance Certificate are delivered for the four-quarter period ended December 31, 2016. Notwithstanding the foregoing, for the period from the Effective Date through the date on which the financial statements and Compliance Certificate are delivered for the fiscal quarter ended December 31, 2016, the Applicable Margin shall be determined at Level I. In the event that any financial statement delivered pursuant to Section 5.01 is shown to be inaccurate when delivered (regardless of whether this Agreement or the Revolving Commitments are in effect when such inaccuracy is discovered), and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an "Applicable Period") than the Applicable Margin applied for such Applicable Period, then the Company shall (a) deliver to the Administrative Agent corrected financial statements for such Applicable Period promptly after completion, (b) determine the Applicable Margin for such Applicable Period based upon such corrected financial statements and (c) promptly pay to the Administrative Agent the accrued additional interest and Unused Fees owing as a result of such increased Applicable Margin for such Applicable Period, which payment shall be promptly applied by the Administrative Agent in accordance with Section 5.01. The provision in the previous sentence is in addition to the rights of the Administrative Agent and the Lenders with respect to Section 5.01 and their other respective rights under this Agreement. If the Company fails to deliver the financial statements and corresponding Compliance Certificate to the Administrative Agent at the time required pursuant to Section 5.01, then effective as of the date such financial statements and corresponding Compliance Certificate were required to be delivered pursuant to Section 5.01, the Applicable Margin shall be determined at highest level of the then applicable pricing grid above and shall remain at such level until the date such financial statements and corresponding Compliance Certificate are so delivered by the Company."

(b) Section 1.01 of the Credit Agreement is hereby amended to add the following new definitions of "Covenant Relief Period" and "First Amendment Effective Date" in proper alphabetical order:

"Covenant Relief Period" means the period commencing on the First Amendment Effective Date and ending on the date on which the Company delivers the financial statements and Compliance Certificate for the four-quarter period ending December 31, 2017, pursuant to Section 5.01(b), demonstrating compliance with the covenants set forth in Sections 6.12 and 6.15 as of December 31, 2017, and certifying that no Default has occurred and is continuing as of the date of such Compliance Certificate.

"First Amendment Effective Date" means August 31, 2017.

(c) Section 6.06 of the Credit Agreement is hereby amended to restate the proviso thereto in its entirety as follows and add the following new sentence at the end of said Section:

"; provided in all cases of clauses (a) through (e), inclusive, above that no Default or Event of Default shall exist before or after giving effect to such Restricted Payment, including, for the avoidance of doubt, any Default under Sections 6.12 or 6.13 after giving effect to such Restricted Payment; provided, further, that during the period commencing on the First Amendment Effective Date through and including December 31, 2017, the Company will not declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment described in clauses (d) or (e) of this Section unless, in addition to the condition set forth in the foregoing proviso, (i) the pro forma Leverage Ratio after giving effect to any Consolidated Funded Indebtedness incurred in order to fund such

Restricted Payment does not exceed 2.50 to 1.00 (for purposes of the foregoing calculation, the numerator of the Leverage Ratio shall be equal to the amount of Consolidated Funded Indebtedness outstanding as of the date of calculation plus the amount of Consolidated Funded Indebtedness to be incurred to fund such Restricted Payment and the denominator of the Leverage Ratio shall be equal to Consolidated EBITDA as shown in the Compliance Certificate most recently delivered to the Administrative Agent) and (ii) the amount of such Restricted Payment, when combined with all other Restricted Payments described in clauses (d) or (e) made during the period commencing on the First Amendment Effective Date through and including December 31, 2017, does not exceed $5,000,000."

(d) Section 6.12 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"SECTION 6.12 Leverage Ratio. The Company will not permit the Leverage Ratio, determined as of the end of each of its fiscal quarters, to exceed (a) 3.00 to 1.00 for the fiscal quarter ended June 30, 2017, (b) 4.00 to 1.00 for the fiscal quarters ending September 30, 2017 and December 31, 2017 and (c) 3.00 to 1.00 for any fiscal quarter ending thereafter."

(e) Section 6.13 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"SECTION 6.13 Fixed Charge Coverage Ratio. The Company will not permit the Fixed Charge Coverage Ratio, determined as of the end of each of its fiscal quarters, to be less than 1.25 to 1.00; provided that the foregoing covenant shall not be tested for the fiscal quarters ending September 30, 2017 and December 31, 2017."

(f) Article VI of the Credit Agreement is hereby amended to add the following new Section 6.15 at the end of said Article:

"SECTION 6.15 Minimum Consolidated EBITDA. The Company will not permit Consolidated EBITDA, measured as of December 31, 2017 for the four fiscal quarter period ending on such date, to be less than $15,000,000."

(g) Exhibit H to the Credit Agreement is hereby amended and restated in its entirety to read as set forth on Exhibit H attached hereto.

3. Conditions Precedent. This Amendment shall be effective on the Effective Date upon satisfaction of the following conditions:

(a) no Default or Event of Default shall exist;

(b) the Administrative Agent shall have received counterparts of this Amendment, duly executed by the Borrowers, the Subsidiary Guarantors and the Required Lenders; and

(c) the Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent.

4. Ratification. Each of the Borrowers and Subsidiary Guarantors hereby ratifies all of its Obligations under the Credit Agreement and each of the Loan Documents to which it is a party, and agrees and acknowledges that the Credit Agreement and each of the other Loan Documents to which it is a party are and shall continue to be in full force and effect as amended and modified by this Amendment. Nothing in this Amendment extinguishes, novates or releases any right, claim, lien, security interest or entitlement of any of the Lenders or the Administrative Agent created by or contained in any of such documents nor are the Borrowers or Subsidiary Guarantors released from any covenant, warranty or obligation created by or contained herein or therein.

5. Representations and Warranties. Each of the Borrowers and Subsidiary Guarantors hereby represents and warrants to the Lenders and the Administrative Agent that (a) this Amendment has been duly executed and delivered on behalf of each of the Borrowers and Subsidiary Guarantors, (b) this Amendment constitutes a valid and legally binding agreement enforceable against each of the Borrowers and Subsidiary Guarantors in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law, (c) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof in all material respects as though made as of the date hereof, except for such representations and warranties as are by their express terms limited to a specific date, in which case such representations and warranties were true and correct in all material respects as of such specific date; provided that any representation or warranty qualified by Material Adverse Effect or materiality qualifier shall be true and correct in all respects as of such respective dates, (d) no Default or Event of Default exists and (e) the execution, delivery and performance of this Amendment has been duly authorized by each of the Borrowers and Subsidiary Guarantors.

6. Release and Indemnity.

(a) Each Borrower hereby releases and forever discharges the Administrative Agent and each of the Lenders and each Affiliate thereof and each of their respective employees, officers, directors, trustees, agents, attorneys, successors, assigns or other representatives from any and all claims, demands, damages, actions, cross-actions, causes of action, costs and expenses (including legal expenses), of any kind or nature whatsoever, whether based on law or equity, which any of said parties has held or may now own or hold, whether known or unknown, for or because of any matter or thing done, omitted or suffered to be done on or before the actual date upon which this Amendment is signed by any of such parties (i) arising directly or indirectly out of the Loan Documents, or any other documents, instruments or any other transactions relating thereto and/or (ii) relating directly or indirectly to all transactions by and between any Borrowers or its representatives and the Administrative Agent, and each Lender or any of their respective directors, officers, agents, employees, attorneys or other representatives. Such release, waiver, acquittal and discharge shall and does include, without limitation, any claims of usury, fraud, duress, misrepresentation, lender liability, control, exercise of remedies and all similar items and claims, which may, or could be, asserted by any Borrower.

(b) Each Borrower hereby ratifies the indemnification provisions contained in the Loan Documents, including, without limitation, Section 9.03 of the Credit Agreement, and agrees that this Amendment and losses, claims, damages and expenses related thereto shall be covered by such indemnities.

7. Counterparts. This Amendment may be signed in any number of counterparts, which may be delivered in original, facsimile or electronic form each of which shall be construed as an original, but all of which together shall constitute one and the same instrument.

8. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of Oklahoma.

9. Amendment is a Loan Document; References to Credit Agreement. This Amendment is a Loan Document, as defined in the Credit Agreement. All references in the Credit Agreement to “this Agreement” shall mean the Credit Agreement as amended by this Amendment.

10. Integration. This Amendment, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent or its Affiliates constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the Effective Date.

BORROWERS:

Matrix Service Company, a Delaware corporation, **Matrix Service Canada ULC**, an Alberta unlimited liability corporation, **Matrix SME Canada ULC**, a Nova Scotia unlimited liability company, **Matrix North American Construction Ltd.**, an Ontario corporation, and **MATRIX INTERNATIONAL HOLDING COMPANY LIMITED**, a private company formed under the laws of England and Wales

By: /s/ Kevin S. Cavanah
Kevin S. Cavanah
Vice President or Treasurer

Signed by
MATRIX APPLIED TECHNOLOGIES PTY LTD (ACN 089 397 982)
in accordance with section 127 of the *Corporations Act 2001* by two directors:

/s/ Joseph F. Montalbano	/s/ Kevin S. Cavanah
Signature of director	Signature of director
Joseph F. Montalbano	Kevin S. Cavanah
Name of director (please print)	Name of director (please print)

SUBSIDIARY GUARANTORS:

MATRIX SERVICE INC., an Oklahoma corporation; **MATRIX PDM ENGINEERING, INC.**, a Delaware corporation; **MATRIX NORTH AMERICAN CONSTRUCTION, INC.**, an Oklahoma corporation; **HOUSTON INTERESTS, LLC**, an Oklahoma limited liability company

By: /s/ Kevin S. Cavanah
Kevin S. Cavanah
Vice President or Treasurer

ADMINISTRATIVE AGENT AND LENDER:

JPMORGAN CHASE BANK, N.A.

By: /s/ David Jackson
David Jackson
Executive Director

LENDER:

BANK OF MONTREAL

By: /s/ John M. Dillon
Name: John M. Dillon
Title: Director

LENDER:

BANK OF AMERICA, N.A.

By: /s/ Lisa M. Chrzanowski
Name: Lisa M. Chrzanowski
Title: Senior Vice President

LENDER:

BOKF, N.A., dba BANK OF OKLAHOMA

By: /s/ Paul Johnson
Name: Paul Johnson
Title: Vice President

LENDER:

FIFTH THIRD BANK

By: /s/ Matthew Lewis
Name: Matthew Lewis
Title: Vice President

LENDER:

BRANCH BANKING & TRUST COMPANY

By: /s/ Erron Powers
Name: Erron Powers
Title: Senior Vice President

LENDER:

COMMERCE BANK

By: /s/ Darren P. Walkup
Name: Darren P. Walkup
Title: Senior Vice President

Exhibit H

COMPLIANCE CERTIFICATE

To: The Lenders parties to the
Credit Agreement described below

This Compliance Certificate is furnished pursuant to that certain Fourth Amended and Restated Credit Agreement dated as of February 8, 2017 (as amended, modified, renewed or extended from time to time, the "Credit Agreement") among Matrix Service Company, a Delaware corporation (the "Company"), the other Borrowers party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Credit Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected chief financial officer of the Company;

2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Company and its Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate, except as set forth below;

4. Schedule I attached hereto sets forth financial data and computations evidencing compliance with certain covenants of the Credit Agreement, all of which data and computations are true, complete and correct;

5. Schedule II attached hereto sets forth the determination of the interest rates and other rates listed therein; and

6. Schedule III attached hereto sets forth the various reports and deliveries which are required at this time under the Credit Agreement and the other Loan Documents and the status of compliance.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrowers have taken, are taking, or propose to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedules I, II and III hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this ___ day of __________, ____.

____
Chief Financial Officer,
MATRIX SERVICE COMPANY

SCHEDULE I TO COMPLIANCE CERTIFICATE

Compliance as of __________, 20__ with certain
Provisions of the Credit Agreement

All Calculations Below as of
__________, 20__ Except
As Provided Otherwise Below

1. Detailed Calculation of Consolidated EBITDA for Previous Four Fiscal Quarters:[1]

2. (a) Total Assets of Immaterial Subsidiaries that are not Subsidiary Guarantors: $_________

   (b) Total Assets of the Company and its Subsidiaries: $_________

   (c) Ratio (expressed as a percentage) of Line (a) to Line (b): _____% [2]

3. (a) Consolidated Revenues of Immaterial Subsidiaries that are not Subsidiary Guarantors: $_________

   (b) Consolidated Revenues of the Company and its Subsidiaries: $_________

   (c) Ratio (expressed as a percentage) of Line (a) to Line (b): _____% [3]

4. Detailed Calculation of Leverage Ratio [4]

5. Detailed Calculation of Fixed Charge Coverage Ratio [5]

(1) Must not be less than $15,000,000 as of the fiscal quarter ending December 31, 2017.
(2) If greater than 10%, include notice thereof with this Compliance Certificate.
(3) If greater than 10%, include notice thereof with this Compliance Certificate.
(4) Must not exceed (a) 3.00 to 1.00 for the fiscal quarter ended June 30, 2017, (b) 4.00 to 1.00 for the fiscal quarters ending September 30, 2017 and December 31, 2017 and (c) 3.00 to 1.00 for any fiscal quarter thereafter.
(5) Must not be less than 1.25 to 1.00 for the fiscal quarter ended June 30, 2017. Not tested for the fiscal quarters ending September 30, 2017 and December 31, 2017. For any fiscal quarter thereafter, must not be less than 1.25 to 1.00.

SCHEDULE II TO COMPLIANCE CERTIFICATE

Interest and Other Rates

For the fiscal quarters ending during the Covenant Relief Period:

APPLICABLE MARGIN Actual Results: Leverage Ratio: __________ **For Fiscal Quarter Ending ___________________**					
Mark As Applicable with "X"	**Leverage Ratio**	**Applicable Margin for Eurocurrency, EURIBOR and CDOR Loans**	**Applicable Margin for ABR Loans**	**Applicable Margin for Canadian Prime Rate Loans**	**Applicable Margin for Unused Fees**
	< 1.00x	1.625%	0.625%	2.125%	0.25%
	< 1.50x	1.875%	0.875%	2.375%	0.30%
	< 2.00x	2.125%	1.125%	2.625%	0.35%
	< 2.50x	2.375%	1.375%	2.875%	0.40%
	< 3.00x	2.625%	1.625%	3.125%	0.45%
	≥ 3.00x	2.875%	1.875%	3.375%	0.50%

For each fiscal quarter ending after the Covenant Relief Period:

APPLICABLE MARGIN Actual Results: Leverage Ratio: __________ **For Fiscal Quarter Ending ___________________**					
Mark As Applicable with "X"	**Leverage Ratio**	**Applicable Margin for Eurocurrency, EURIBOR and CDOR Loans**	**Applicable Margin for ABR Loans**	**Applicable Margin for Canadian Prime Rate Loans**	**Applicable Margin for Unused Fees**
	< 1.00x	1.625%	0.625%	2.125%	0.25%
	< 1.50x	1.875%	0.875%	2.375%	0.30%
	< 2.00x	2.125%	1.125%	2.625%	0.35%
	< 2.50x	2.375%	1.375%	2.875%	0.40%
	≥ 2.50x	2.625%	1.625%	3.125%	0.45%

SCHEDULE III TO COMPLIANCE CERTIFICATE

List of Reports and Deliveries Due at this Time and Status

Report or Delivery Due Date	Status

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: November 7, 2017

/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: November 7, 2017

/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 September 30, 2017 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: November 7, 2017

/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 September 30, 2017 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: November 7, 2017

/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 September 30, 2017:

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
Freeport McMoran Morenci Inc. 02-00024	—	—	—	—	—	—	—	No	No	—	—	—
Freeport McMoran Safford Inc. 02-03131	—	—	—	—	—	—	—	No	No	—	—	—
Big Island Mine & Refinery 48-00154	—	—	—	—	—	—	—	No	No	—	—	—
Solvay Chemicals Inc. 48-01295	—	—	—	—	—	—	—	No	No	—	—	—
Permanente Cement Plan & Quarry 04-04075	—	—	—	—	—	$129	—	No	No	1	1	—

(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 represents 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.