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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2015**

or

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

For the transition period from _____ to _____

Commission File No. **1-15461**

MATRIX SERVICE COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE
(State of incorporation)

73-1352174
(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, or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="checkbox"/>

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 October 31, 2015 there were 27,888,217 shares of the Company's common stock, \$0.01 par value per share, issued and 26,538,320 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, 2015	September 30, 2014
Revenues	\$ 319,331	\$ 321,683
Cost of revenues	284,747	293,304
Gross profit	34,584	28,379
Selling, general and administrative expenses	19,483	19,832
Operating income	15,101	8,547
Other income (expense):		
Interest expense	(263)	(351)
Interest income	31	42
Other	(54)	57
Income before income tax expense	14,815	8,295
Provision for federal, state and foreign income taxes	5,076	3,624
Net income	9,739	4,671
Less: Net loss attributable to noncontrolling interest	(202)	(1,243)
Net income attributable to Matrix Service Company	\$ 9,941	\$ 5,914
Basic earnings per common share	\$ 0.38	\$ 0.22
Diluted earnings per common share	\$ 0.37	\$ 0.22
Weighted average common shares outstanding:		
Basic	26,476	26,470
Diluted	27,050	27,134

See accompanying notes.

Matrix Service Company
Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(unaudited)

	Three Months Ended	
	September 30, 2015	September 30, 2014
Net income	\$ 9,739	\$ 4,671
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	(2,449)	(1,770)
Comprehensive income	7,290	2,901
Less: Comprehensive loss attributable to noncontrolling interest	(202)	(1,243)
Comprehensive income attributable to Matrix Service Company	<u>\$ 7,492</u>	<u>\$ 4,144</u>

See accompanying notes.

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

	September 30, 2015	June 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 69,180	\$ 79,239
Accounts receivable, less allowances (September 30, 2015— \$895 and June 30, 2015—\$561)	182,634	199,149
Costs and estimated earnings in excess of billings on uncompleted contracts	83,604	86,071
Deferred income taxes	7,274	8,298
Inventories	2,863	2,773
Income taxes receivable	459	579
Other current assets	8,494	5,660
Total current assets	354,508	381,769
Property, plant and equipment at cost:		
Land and buildings	32,609	32,746
Construction equipment	88,131	87,561
Transportation equipment	47,196	47,468
Office equipment and software	28,072	28,874
Construction in progress	8,095	5,196
Total property, plant and equipment - at cost	204,103	201,845
Accumulated depreciation	(120,150)	(116,782)
Property, plant and equipment - net	83,953	85,063
Goodwill	70,940	71,518
Other intangible assets	22,926	23,961
Deferred income taxes - noncurrent	2,118	2,073
Other assets	2,126	3,947
Total assets	\$ 536,571	\$ 568,331

See accompanying notes.

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

	September 30, 2015	June 30, 2015
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 99,759	\$ 125,792
Billings on uncompleted contracts in excess of costs and estimated earnings	75,275	96,704
Accrued wages and benefits	22,719	26,725
Accrued insurance	8,736	8,100
Income taxes payable	4,494	3,268
Deferred income taxes	863	473
Other accrued expenses	5,686	6,498
Total current liabilities	217,532	267,560
Deferred income taxes - noncurrent	7,244	7,413
Borrowings under senior credit facility	9,766	8,804
Total liabilities	234,542	283,777
Commitments and contingencies		
Stockholders' equity:		
Matrix Service Company stockholders' equity:		
Common stock—\$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of September 30, 2015, and June 30, 2015; 26,531,657 and 26,440,823 shares outstanding as of September 30, 2015 and June 30, 2015	279	279
Additional paid-in capital	124,146	123,038
Retained earnings	204,335	194,394
Accumulated other comprehensive loss	(8,375)	(5,926)
	320,385	311,785
Less: Treasury stock, at cost— 1,356,560 shares as of September 30, 2015, and 1,447,394 shares as of June 30, 2015	(17,845)	(18,489)
Total Matrix Service Company stockholders' equity	302,540	293,296
Noncontrolling interest	(511)	(8,742)
Total stockholders' equity	302,029	284,554
Total liabilities and stockholders' equity	\$ 536,571	\$ 568,331

See accompanying notes.

Matrix Service Company
Condensed Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

	Three Months Ended	
	September 30, 2015	September 30, 2014
Operating activities:		
Net income	\$ 9,739	\$ 4,671
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	5,429	5,771
Deferred income tax	1,380	(1,994)
Gain on sale of property, plant and equipment	(74)	(122)
Provision for uncollectible accounts	334	465
Stock-based compensation expense	1,658	1,457
Excess tax benefit of exercised stock options and vesting of deferred shares	(20)	(660)
Other	60	59
Changes in operating assets and liabilities increasing (decreasing) cash, net of effects from acquisitions:		
Accounts receivable	16,181	30,379
Costs and estimated earnings in excess of billings on uncompleted contracts	2,467	(16,811)
Inventories	(90)	39
Other assets and liabilities	293	10,726
Accounts payable	(26,197)	(17,531)
Billings on uncompleted contracts in excess of costs and estimated earnings	(21,429)	(4,732)
Accrued expenses	(4,182)	(6,605)
Net cash provided (used) by operating activities	(14,451)	5,112
Investing activities:		
Acquisition of property, plant and equipment	(3,941)	(3,656)
Acquisition (Note 2)	—	(5,250)
Proceeds from asset sales	135	148
Net cash used by investing activities	\$ (3,806)	\$ (8,758)

See accompanying notes.

Matrix Service Company
Condensed Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

	Three Months Ended	
	September 30, 2015	September 30, 2014
Financing activities:		
Capital contributions from noncontrolling interest	\$ 8,433	\$ —
Issuances of common stock	384	193
Excess tax benefit of exercised stock options and vesting of deferred shares	20	660
Advances under credit agreement	962	5,817
Repayments of advances under credit agreement	—	(6,094)
Proceeds from issuance of common stock under employee stock purchase plan	72	58
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(382)	(913)
Net cash provided (used) by financing activities	9,489	(279)
Effect of exchange rate changes on cash and cash equivalents	(1,291)	(436)
Decrease in cash and cash equivalents	(10,059)	(4,361)
Cash and cash equivalents, beginning of period	79,239	77,115
Cash and cash equivalents, end of period	<u>\$ 69,180</u>	<u>\$ 72,754</u>
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Income taxes	\$ 1,747	\$ (1,972)
Interest	<u>\$ 311</u>	<u>\$ 524</u>
Non-cash investing and financing activities:		
Purchases of property, plant and equipment on account	<u>\$ 603</u>	<u>\$ 370</u>

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, 2015	\$ 279	\$ 123,038	\$ 194,394	\$ (18,489)	\$ (5,926)	\$ (8,742)	\$ 284,554
Capital contributions from non-controlling interest	—	—	—	—	—	8,433	8,433
Net income (loss)	—	—	9,941	—	—	(202)	9,739
Other comprehensive loss	—	—	—	—	(2,449)	—	(2,449)
Exercise of stock options (43,137 shares)	—	(15)	—	399	—	—	384
Tax effect of exercised stock options and vesting of deferred shares	—	20	—	—	—	—	20
Issuance of deferred shares (63,809 shares)	—	(590)	—	590	—	—	—
Treasury shares sold to Employee Stock Purchase Plan (3,993 shares)	—	35	—	37	—	—	72
Treasury shares purchased to satisfy tax withholding obligations (20,105 shares)	—	—	—	(382)	—	—	(382)
Stock-based compensation expense	—	1,658	—	—	—	—	1,658
Balances, September 30, 2015	<u>\$ 279</u>	<u>\$ 124,146</u>	<u>\$ 204,335</u>	<u>\$ (17,845)</u>	<u>\$ (8,375)</u>	<u>\$ (511)</u>	<u>\$ 302,029</u>
Balances, July 1, 2014	\$ 279	\$ 119,777	\$ 177,237	\$ (16,595)	\$ (182)	\$ 1,767	\$ 282,283
Net income (loss)	—	—	5,914	—	—	(1,243)	4,671
Other comprehensive loss	—	—	—	—	(1,770)	—	(1,770)
Exercise of stock options (23,100 shares)	—	(213)	—	406	—	—	193
Tax effect of exercised stock options and vesting of deferred shares	—	660	—	—	—	—	660
Issuance of deferred shares (89,738 shares)	—	(1,579)	—	1,579	—	—	—
Treasury shares sold to Employee Stock Purchase Plan (1,790 shares)	—	27	—	31	—	—	58
Treasury shares purchased to satisfy tax withholding obligations (33,304 shares)	—	—	—	(913)	—	—	(913)
Stock-based compensation expense	—	1,457	—	—	—	—	1,457
Balances, September 30, 2014	<u>\$ 279</u>	<u>\$ 120,129</u>	<u>\$ 183,151</u>	<u>\$ (15,492)</u>	<u>\$ (1,952)</u>	<u>\$ 524</u>	<u>\$ 286,639</u>

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 generally accepted accounting principles for complete financial statements. However, the information furnished reflects all adjustments, consisting of normal recurring adjustments and other adjustments described herein, 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, 2015, included in the Company’s Annual Report on Form 10-K for the year then ended.

Recently Issued Accounting Standards

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

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”).

In July 2015, the FASB deferred the effective date of ASU 2014-09 by one year. With the deferral, this ASU is now effective for annual reporting periods beginning after December 15, 2017, with early adoption now permitted on a limited basis. Upon adoption, the Company may elect one of two application methods, a full retrospective application or a modified retrospective application. We expect to adopt this standard on July 1, 2018 and are currently evaluating its expected impact on our financial statements.

Accounting Standards Update 2014-15 (Subtopic 205-40)—Presentation of Financial Statements—Going Concern : Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern

On August 27, 2014, the FASB issued ASU 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date of issuance of the entity’s financial statements. Further, an entity must provide certain disclosures if there is “substantial doubt about the entity’s ability to continue as a going concern.” The FASB believes that requiring management to perform the assessment will enhance the timeliness, clarity, and consistency of related disclosures and improve convergence with international financial reporting standards (“IFRSs”) (which emphasize management’s responsibility for performing the going-concern assessment). However, the time horizon for the assessment (look-forward period) and the disclosure thresholds under U.S. GAAP and IFRSs will continue to differ. The ASU is effective for annual periods ending after December 15, 2016, and interim periods thereafter; early adoption is permitted. We expect to adopt this standard in fiscal 2017.

Accounting Standards Update 2015-15—Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update)

On August 16, 2015, the FASB issued ASU 2015-15 to clarify the Securities and Exchange Commission (“SEC”) staff’s position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03. The SEC has announced that it would “not object to an entity deferring and

presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement.” For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We expect to adopt this standard in fiscal 2017. The adoption of this standard will have no impact on the Company's presentation of debt issuance costs.

Accounting Standards Update 2015-16—Business Combinations (Topic 805)—Simplifying the Accounting for Measurement-Period Adjustments

On September 25, 2015, the FASB issued ASU 2015-16 to simplify the accounting for measurement-period adjustments. The ASU was issued in response to stakeholder feedback that restatements of prior periods to reflect adjustments made to provisional amounts recognized in a business combination increase the cost and complexity of financial reporting but do not significantly improve the usefulness of the information. Under the ASU, an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU also requires acquirers to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. We expect to adopt this standard in fiscal 2017.

Note 2 – Acquisition

Purchase of HDB Ltd. Limited Partnership

On August 22, 2014, the Company purchased substantially all of the assets of HDB Ltd. Limited Partnership ("HDB"). HDB, headquartered in Bakersfield, California provides construction, fabrication and turnaround services to energy companies throughout California’s central valley. The acquisition advances a strategic goal of the Company to expand into the upstream energy market. The acquisition purchase price was \$5.3 million and was funded with cash on hand. Commencing on August 22, 2014, HDB's operating results are included in the Oil Gas & Chemical Segment.

The 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 purchase price allocation (in thousands):

Current assets	\$	1,658
Property, plant and equipment		1,162
Tax deductible goodwill		2,586
Other intangible assets		900
Total assets acquired		6,306
Current liabilities		1,056
Net assets acquired	\$	5,250

All of the recorded goodwill from the HDB acquisition is tax deductible. The operating data related to this acquisition was not material.

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

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, 2015	June 30, 2015
	(in thousands)	
Costs incurred and estimated earnings recognized on uncompleted contracts	\$ 1,744,572	\$ 1,633,780
Billings on uncompleted contracts	1,736,243	1,644,413
	<u>\$ 8,329</u>	<u>\$ (10,633)</u>
Shown on balance sheet as:		
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 83,604	\$ 86,071
Billings on uncompleted contracts in excess of costs and estimated earnings	75,275	96,704
	<u>\$ 8,329</u>	<u>\$ (10,633)</u>

Progress billings in accounts receivable at September 30, 2015 and June 30, 2015 included retentions to be collected within one year of \$26.3 million and \$25.2 million, respectively. Contract retentions collectible beyond one year are included in Other Assets on the Condensed Consolidated Balance Sheet and totaled \$1.0 million at September 30, 2015 and \$2.8 million at June 30, 2015.

Other

In the three months ended September 30, 2014 our results of operations were materially impacted by charges resulting from a change in estimate related to an acquired EPC joint venture project in the Electrical Infrastructure segment. The charges resulted in a reduction to operating income of \$3.3 million and an after-tax reduction of \$1.3 million to net income attributable to Matrix Service Company. The Company reached substantial completion in the fourth quarter of fiscal 2015 on the project and is currently working through project closeout.

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

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)				
Goodwill	\$ 60,027	\$ 17,008	\$ 10,586	\$ 8,897	\$ 96,518
Cumulative impairment loss (1)	(17,653)	(3,000)	(922)	(3,425)	(25,000)
Net balance at June 30, 2015	42,374	14,008	9,664	5,472	71,518
Translation adjustment (2)	(376)	—	(131)	(71)	(578)
Net balance at September 30, 2015	<u>\$ 41,998</u>	<u>\$ 14,008</u>	<u>\$ 9,533</u>	<u>\$ 5,401</u>	<u>\$ 70,940</u>

(1) A \$25.0 million impairment charge was recorded in February 2005.

(2) The translation adjustments relate to the periodic translation of Canadian Dollar denominated goodwill recorded as a part of prior Canadian acquisitions.

Other Intangible Assets

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

	Useful Life	At September 30, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)		
	(Years)			
Intellectual property	6 to 15	\$ 2,460	\$ (1,127)	\$ 1,333
Customer based	1.5 to 15	27,566	(7,631)	19,935
Non-compete agreements	4 to 5	1,354	(874)	480
Trade names	3 to 5	1,615	(437)	1,178
Total amortizing intangible assets		<u>\$ 32,995</u>	<u>\$ (10,069)</u>	<u>\$ 22,926</u>

	Useful Life	At June 30, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)		
	(Years)			
Intellectual property	6 to 15	\$ 2,460	\$ (1,086)	\$ 1,374
Customer based	1.5 to 15	27,837	(7,109)	20,728
Non-compete agreements	4 to 5	1,354	(802)	552
Trade name	3 to 5	1,615	(308)	1,307
Total amortizing intangible assets		<u>\$ 33,266</u>	<u>\$ (9,305)</u>	<u>\$ 23,961</u>

Amortization expense totaled \$0.8 million in the three months ended September 30, 2015 and \$1.2 million in the three months ended September 30, 2014. We estimate that the remaining amortization expense at September 30, 2015 will be as follows (in

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

thousands):

Period ending:	
Remainder of Fiscal 2016	\$ 2,471
Fiscal 2017	3,216
Fiscal 2018	2,876
Fiscal 2019	2,509
Fiscal 2020	2,509
Fiscal 2021	2,506
Thereafter	6,839
Total estimated remaining amortization expense at September 30, 2015	<u>\$ 22,926</u>

Note 5 – Debt

The Company has a five-year \$200.0 million senior secured revolving credit facility under a credit agreement (the "Credit Agreement") that expires March 13, 2019. Advances under the credit facility may be used for working capital, acquisitions, capital expenditures, issuances of letters of credit and other lawful purposes.

The Credit Agreement includes the following covenants and borrowing limitations:

- Our Senior Leverage Ratio, as defined in the agreement, may not exceed 2.50 to 1.00, determined as of the end of each fiscal quarter.
- We are required to maintain a Fixed Charge Coverage Ratio, as defined in the agreement, greater than or equal to 1.25 to 1.00, determined as of the end of each fiscal quarter.
- Asset dispositions (other than inventory and obsolete or unneeded equipment disposed of in the ordinary course of business) are limited to \$20.0 million per 12-month period.

Amounts borrowed under the Credit Agreement bear interest at LIBOR or an Alternate Base Rate, plus in each case, an additional margin based on the Senior Leverage Ratio. The additional margin on Alternate Base Rate and LIBOR-based loans ranges between 0.25% and 1.0% and between 1.25% and 2.0%, respectively.

The Credit Agreement also permits us to borrow in Canadian dollars with a sublimit of U.S. \$40.0 million. Amounts borrowed in Canadian dollars will bear interest either at the CDOR Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.25% to 2.0%, or at the Canadian Prime Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.75% to 2.5%. The CDOR Rate is equal to the sum of the annual rate of interest, which is the rate determined as being the arithmetic average of the quotations of all institutions listed in respect of the relevant CDOR interest period for Canadian Dollar denominated bankers' acceptances, plus 0.1%. The Canadian Prime Rate is equal to the greater of (i) the rate of interest per annum most recently announced or established by JPMorgan Chase Bank, N.A., Toronto Branch as its reference rate in effect on such day for determining interest rates for Canadian Dollar denominated commercial loans in Canada and (ii) the CDOR Rate plus 1.0%.

The Unused Credit Facility Fee is between 0.20% and 0.35% based on the Senior 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 2.5 times Consolidated EBITDA, as defined in the Credit Agreement, over the previous four quarters. For the four quarters ended September 30, 2015, Consolidated EBITDA, as defined in the Credit Agreement, was \$63.3 million. Accordingly, at September 30, 2015, there was a restriction on our ability to access the full amount of the credit facility. Consolidated Funded Indebtedness at September 30, 2015 was \$25.1 million.

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

Availability under the senior credit facility was as follows:

	September 30, 2015	June 30, 2015
	(In thousands)	
Senior credit facility	\$ 200,000	\$ 200,000
Capacity constraint due to the Senior Leverage Ratio	41,723	54,968
Capacity under the credit facility	158,277	145,032
Borrowings outstanding	9,766	8,804
Letters of credit	23,342	40,587
Availability under the senior credit facility	\$ 125,169	\$ 95,641

Outstanding borrowings at September 30, 2015 under our Credit Agreement were used for Canadian dollar advances required for short term working capital, including cross-border purchases of materials and services.

At September 30, 2015, the Company is 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.

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.

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.

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

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 \$13.1 million at September 30, 2015 and \$12.7 million at June 30, 2015. 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.

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, 2015	September 30, 2014
	(In thousands, except per share data)	
Basic EPS:		
Net income attributable to Matrix Service Company	\$ 9,941	\$ 5,914
Weighted average shares outstanding	26,476	26,470
Basic EPS	\$ 0.38	\$ 0.22
Diluted EPS:		
Weighted average shares outstanding – basic	26,476	26,470
Dilutive stock options	86	147
Dilutive nonvested deferred shares	488	517
Diluted weighted average shares	27,050	27,134
Diluted EPS	\$ 0.37	\$ 0.22

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

	Three Months Ended	
	September 30, 2015	September 30, 2014
	(In thousands)	
Nonvested deferred shares	56	63

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 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. We also provide 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.

The Oil Gas & Chemical segment includes our traditional turnaround activities, plant maintenance services and construction in the downstream petroleum industry. Another key offering is industrial cleaning services, which include hydroblasting, hydroexcavating, chemical cleaning and vacuum services. We also perform work in the petrochemical, natural gas, gas processing and compression, and upstream petroleum 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 floating roof seals.

The Industrial segment includes construction and maintenance work in the iron and steel and mining and minerals industries, bulk material handling and fertilizer production facilities, as well as work for clients in 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, 2015. Intersegment sales and transfers are recorded at cost; therefore, no intercompany profit or loss is recognized.

Segment assets consist primarily of 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
(Inaudited)

Results of Operations
(In thousands)

	Three Months Ended	
	September 30, 2015	September 30, 2014
Gross revenues		
Electrical Infrastructure	\$ 65,625	\$ 55,673
Oil Gas & Chemical	68,959	54,199
Storage Solutions	144,570	133,350
Industrial	41,335	79,360
Total gross revenues	<u>\$ 320,489</u>	<u>\$ 322,582</u>
Less: Inter-segment revenues		
Electrical Infrastructure	\$ —	\$ —
Oil Gas & Chemical	648	840
Storage Solutions	334	59
Industrial	176	—
Total inter-segment revenues	<u>\$ 1,158</u>	<u>\$ 899</u>
Consolidated revenues		
Electrical Infrastructure	\$ 65,625	\$ 55,673
Oil Gas & Chemical	68,311	53,359
Storage Solutions	144,236	133,291
Industrial	41,159	79,360
Total consolidated revenues	<u>\$ 319,331</u>	<u>\$ 321,683</u>
Gross profit (loss)		
Electrical Infrastructure	\$ 4,708	\$ (489)
Oil Gas & Chemical	5,683	4,386
Storage Solutions	20,232	14,518
Industrial	3,961	9,964
Total gross profit	<u>\$ 34,584</u>	<u>\$ 28,379</u>
Operating income (loss)		
Electrical Infrastructure	\$ 1,200	\$ (3,656)
Oil Gas & Chemical	1,416	578
Storage Solutions	11,549	7,103
Industrial	936	4,522
Total operating income	<u>\$ 15,101</u>	<u>\$ 8,547</u>

Total assets by segment were as follows:

	September 30, 2015	June 30, 2015
Electrical Infrastructure	\$ 136,564	\$ 129,725
Oil Gas & Chemical	101,988	108,960
Storage Solutions	172,900	172,857
Industrial	59,360	102,761
Unallocated assets	65,759	54,028
Total segment assets	<u>\$ 536,571</u>	<u>\$ 568,331</u>

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 2015 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 2015 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.

Goodwill

The Company has five significant reporting units with goodwill representing 59%, 12%, 9%, 8% and 6% of the total goodwill balance. Our most recent annual goodwill impairment test, performed in the fourth quarter of fiscal 2015, indicated that the fair value of these reporting units exceeded their respective carrying values by 347%, 142%, 134%, 586% and 144%, respectively. The remaining 6% of total goodwill is spread between two other reporting units. Based on the excess of estimated fair value over carrying value and the absence of any indicators of impairment at September 30, 2015, the Company does not currently anticipate recording a goodwill impairment charge for any of its operating units.

Other Intangible Assets

Intangible assets that have finite useful lives are amortized by the straight-line method over their useful lives ranging from 1.5 to 15 years. The Company tests 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, 2015 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 \$13.1 million at September 30, 2015 and \$12.7 million at June 30, 2015. 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 judgment 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 (Topic 606), Revenue from Contracts with Customers

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").

In July 2015, the FASB deferred the effective date of ASU 2014-09 by one year. With the deferral, this ASU is now effective for annual reporting periods beginning after December 15, 2017, with early adoption now permitted on a limited basis. Upon adoption, the Company may elect one of two application methods, a full retrospective application or a modified retrospective application. We expect to adopt this standard on July 1, 2018 and are currently evaluating its expected impact on our financial statements.

Accounting Standards Update 2014-15 (Subtopic 205-40)—Presentation of Financial Statements—Going Concern : Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

On August 27, 2014, the FASB issued ASU 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. Further, an entity must provide certain disclosures if there is "substantial doubt about the entity's ability to continue as a going concern." The FASB believes that requiring management to perform the assessment will enhance the timeliness, clarity, and consistency of related disclosures and improve convergence with international financial reporting standards ("IFRSs") (which emphasize management's responsibility for performing the going-concern assessment). However, the time horizon for the assessment (look-forward period) and the disclosure thresholds under U.S. GAAP and IFRSs will continue to differ. The ASU is effective for annual periods ending after December 15, 2016, and interim periods thereafter;

early adoption is permitted. We expect to adopt this standard in fiscal 2017.

Accounting Standards Update 2015-15—Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update)

On August 16, 2015, the FASB issued ASU 2015-15 to clarify the Securities and Exchange Commission ("SEC") staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03. The SEC has announced that it would "not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement." For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We expect to adopt this standard in fiscal 2017. The adoption of this standard will have no impact on the Company's presentation of debt issuance costs.

Accounting Standards Update 2015-16—Business Combinations (Topic 805)—Simplifying the Accounting for Measurement-Period Adjustments

On September 25, 2015, the FASB issued ASU 2015-16 to simplify the accounting for measurement-period adjustments. The ASU was issued in response to stakeholder feedback that restatements of prior periods to reflect adjustments made to provisional amounts recognized in a business combination increase the cost and complexity of financial reporting but do not significantly improve the usefulness of the information. Under the ASU, an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU also requires acquirers to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. We expect to adopt this standard in fiscal 2017.

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 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. We also provide 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.

The Oil Gas & Chemical segment includes our traditional turnaround activities, plant maintenance services and construction in the downstream petroleum industry. Another key offering is industrial cleaning services, which include hydroblasting, hydroexcavating, chemical cleaning and vacuum services. We also perform work in the petrochemical, natural gas, gas processing and compression, and upstream petroleum 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 floating roof seals.

The Industrial segment includes construction and maintenance work in the iron and steel and mining and minerals industries, bulk material handling and fertilizer production facilities, as well as work for clients in other industrial markets.

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

Consolidated

Consolidated revenue was \$319.3 million for the three months ended September 30, 2015, compared to consolidated revenue of \$321.7 million in the same period in the prior fiscal year. On a segment basis, consolidated revenue increased in the Electrical Infrastructure, Storage Solutions and Oil Gas & Chemical segments by \$9.9 million, \$10.9 million and \$15.0 million, respectively. These increases were offset by a reduction in the Industrial segment of \$38.2 million.

Consolidated gross profit increased from \$28.4 million in the three months ended September 30, 2014 to \$34.6 million in the three months ended September 30, 2015. Gross margins were 10.8% in the three months ended September 30, 2015 compared to 8.8% for the three months ended September 30, 2014. Fiscal 2015 margins were reduced 1.8% to 8.8% due to a \$3.3 million project charge for the acquired EPC joint venture project.

Consolidated SG&A expenses were \$19.5 million in the three months ended September 30, 2015 compared to \$19.8 million in the same period a year earlier. SG&A expense as a percentage of revenue was 6.1% in the three months ended September 30, 2015 compared to 6.2% for the three months ended September 30, 2014.

Net interest expense was \$0.2 million and \$0.3 million in the three months ended September 30, 2015 and September 30, 2014, respectively.

Our effective tax rate for the three months ended September 30, 2015 decreased to 34.3% compared to 43.7% the same period a year earlier. Our effective tax rate for the three months ended September 30, 2014 was impacted, in part, by the acquired EPC joint venture project in which the Company has a 65% interest and for which the Company does not receive a tax benefit. The inclusion of the acquired EPC joint venture project loss for the three months ended September 30, 2014 increased our effective tax rate by 5.7%. The fiscal 2015 tax rate was positively impacted by a discrete item related to our Canadian operations.

For the three months ended September 30, 2015, net income attributable to Matrix Service Company and the related fully diluted earnings per share were \$9.9 million and \$0.37 compared to net income attributable to Matrix Service Company of \$5.9 million and fully diluted earnings per share of \$0.22 in the same period a year earlier.

Electrical Infrastructure

Revenue for the Electrical Infrastructure segment increased \$9.9 million to \$65.6 million in the three months ended September 30, 2015 compared to \$55.7 million in the same period a year earlier as a result of volume increases in both power delivery and power generation. Gross margins increased to 7.2% in the three months ended September 30, 2015 compared to (0.9%) in the same period a year earlier. Fiscal 2015 gross margins were negatively impacted by a \$3.3 million project charge related to an acquired EPC joint venture project. Fiscal 2016 gross margins were negatively impacted by \$12.7 million of revenue related to this project being recognized at zero margin. The Company reached substantial completion of this project in the fourth quarter of fiscal 2015 and is working through final close out with the client.

Oil Gas & Chemical

Revenue for the Oil Gas & Chemical segment increased to \$68.3 million in the three months ended September 30, 2015 compared to \$53.3 million in the same period a year earlier. The increase of \$15.0 million, or 28.1%, was primarily due to higher levels of both capital and maintenance work. Gross margins were 8.3% and 8.2% for three months ended September 30, 2015 and September 30, 2014, respectively, as the impact of better absorption of overhead costs was largely offset by lower direct margins.

Storage Solutions

Revenue for the Storage Solutions segment increased to \$144.2 million in the three months ended September 30, 2015 compared to \$133.3 million in the same period a year earlier, an increase of 8.2%. The increase is primarily attributable to higher domestic levels of balance of plant work partially offset by lower revenue in our Canadian operations. Gross margins were 14.0% for the three months ended September 30, 2015 compared to 10.9% in the same period a year earlier. Fiscal 2016 margin were positively impacted by the over recovery of construction overhead costs due to higher revenue along with strong project execution.

Industrial

Revenue for the Industrial segment decreased \$38.2 million to \$41.2 million in the three months ended September 30, 2015 compared to \$79.4 million in the same period a year earlier. The decline in revenue is primarily attributable to lower business volumes from the iron and steel industry customers that the Company serves. Gross margins were 9.6% in the three months ended September 30, 2015 compared to 12.6% in the same period a year earlier. Fiscal 2016 margins were positively impacted by the mix of work and strong project execution. Fiscal 2015 margins were positively impacted by favorable project completions.

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, 2015:

	Electrical Infrastructure	Oil Gas & Chemical	Storage Solutions	Industrial	Total
	(In thousands)				
Backlog as of June 30, 2015	\$ 493,973	\$ 132,985	\$ 670,493	\$ 123,147	\$ 1,420,598
Project awards	38,440	64,364	67,565	13,074	183,443
Revenue recognized	(65,625)	(68,311)	(144,236)	(41,159)	(319,331)
Backlog as of September 30, 2015	<u>\$ 466,788</u>	<u>\$ 129,038</u>	<u>\$ 593,822</u>	<u>\$ 95,062</u>	<u>\$ 1,284,710</u>

Project awards in all segments are cyclical and are typically the result of a sales process that can take several months to complete. Backlog in the Storage Solutions and Electrical Infrastructure segments typically have the greatest volatility because individual project awards can be less frequent and more significant. Project awards in these segments were slightly less than anticipated but generally in line with the Company's expectations. Backlog in the Industrial segment was negatively impacted by a project cancellation of \$11.5 million related to an on-going project and a slowdown in the iron and steel industry. The cancellation was not attributable to the Company's performance on the project. It is our belief that the cancellation was attributable to softness in commodity prices, including copper, for which the client is exposed.

During the first quarter of fiscal 2016, The Company saw no cancellations that were the result of crude oil price declines during the period.

Seasonality and Other Factors

Quarterly 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. Accordingly, results for any interim period may not necessarily be indicative of future operating results.

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 Crude Oil Prices

The effect of declining crude prices on our results for the three months ended September 30, 2015 was not significant, and there have been no significant reductions to our backlog as a result of project cancellations. In addition, we expect that any future impact to the Electrical Infrastructure and Industrial segments will be minimal as these segments have limited exposure to the price of crude.

In our Storage Solutions segment, our customers continue to take a long-term view of the crude market and continue to be cautious short-term. If crude oil prices continue at current levels or decline further into fiscal 2016, we could see some reduction in customer spending. Although we do not expect the impact to future earnings to be significant, we cannot predict the direction of crude oil prices or our customers' ultimate reaction to the market.

In the mid and downstream portions of the Oil Gas & Chemical segment, we expect minimal mid and long term impact to our revenue volume attributable to routine maintenance and turnaround work. However, we are receiving mixed messages from our customers regarding the magnitude and timing of work and it is unclear, what, if any impact the price of crude oil has had. Additionally, some of our mid and downstream customers are integrated oil companies with exposure to the price of crude, and if the prices continue at current levels or decline further during fiscal 2016, spending levels may be reduced. Our exposure to non-integrated upstream clients in the Oil Gas & Chemical segment, who have direct exposure to the price of crude, is limited to the operations from our recent acquisition of substantially all of the assets of HDB Ltd. Limited Partnership which conducts most of its business with upstream exploration companies. Although we expect this customer base to continue spending at a reduced level, our exposure to upstream clients is not currently significant.

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, 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, 2015	September 30, 2014
	(In thousands)	
Net income attributable to Matrix Service Company	\$ 9,941	\$ 5,914
Interest expense	263	351
Provision for income taxes	5,076	3,624
Depreciation and amortization	5,429	5,771
EBITDA	<u>\$ 20,709</u>	<u>\$ 15,660</u>

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, 2015 were cash on hand at the beginning of the fiscal year, 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, 2015 totaled \$69.2 million and availability under the senior revolving credit facility totaled \$125.2 million resulting in available liquidity of \$194.4 million.

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 significant retentions or security in the form of letters of credit.
- 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 or collection issues
- Capacity constraints under our credit facility and remaining in compliance with all covenants contained in the credit agreement.

As discussed under the caption "Senior Revolving Credit Facility" included in this Financial Condition and Liquidity section of the Form 10-Q, our 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 2.5 times Consolidated EBITDA, as defined in the Credit Agreement, over the previous four quarters. Consequently, project charges that the Company has made in connection with the acquired EPC joint venture have resulted in a significant short term capacity constraint on the Company's senior revolving credit facility. Although the constraint does reduce our liquidity, the Company believes that the remaining availability under our credit facility, as discussed under the caption "Senior Revolving Credit Facility" included in this Financial Condition and Liquidity section of the Form 10-Q, along with cash on hand and cash generated from operations will provide sufficient liquidity to achieve both our short and long-term business objectives.

Cash Flow for the Three Months Ended September 30, 2015

Cash Flows Used by Operating Activities

Cash used by operating activities for the three months ended September 30, 2015 totaled \$14.5 million. The various components of cash flows from operating activities are as follows:

Net Cash Used by Operating Activities (In thousands)

Net income	\$ 9,739
Non-cash expenses	7,327
Deferred income tax	1,380
Cash effect of changes in operating assets and liabilities	(32,957)
Other	60
Net cash used by operating activities	<u>\$ (14,451)</u>

The cash effect of significant changes in operating assets and liabilities at September 30, 2015 in comparison to June 30, 2015 include the following:

- The change in accounts receivable caused an increase in cash of \$16.2 million. The variance is primarily attributable to higher revenues in the fiscal 2015 fourth quarter of \$364.4 million in comparison to \$319.3 million for the fiscal 2016 first quarter. Consequently, collection of amounts in the fiscal 2016 first quarter that were billed in the fiscal 2015 fourth quarter, along with the decrease in revenue (which drove lower billings in the fiscal 2016 first quarter), contributed to the increase in cash.
- Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE") decreased \$2.5 million million while billings on uncompleted contracts in excess of costs and estimated earnings ("BIE") decreased \$21.4 million. The net change in CIE and BIE decreased cash \$19.0 million for the three months ended September 30, 2015. CIE and BIE balances can experience significant day-to-day fluctuations based on the timing of when job costs are incurred, the invoicing of those job costs to the customer and subsequent cash collection, and other working capital management factors. The overall net change change was primarily attributable to decreased business activity for the fiscal 2016 first quarter in comparison to the fiscal 2015 fourth quarter.

- The change in accounts payable resulted in a decrease to cash of \$26.2 million. The variance is primarily due to decreased business activity for the fiscal 2016 first quarter in comparison to the fiscal 2015 fourth quarter. Revenues in the fiscal 2015 fourth quarter were \$364.4 million in comparison to \$319.3 for the fiscal 2016 first quarter.
- The change in accrued wages and benefits resulted in a decrease to cash of \$4.0 million driven primarily by payment of short term incentives accrued at June 30, 2015 but paid in the fiscal 2016 first quarter.

Cash Flows Used for Investing Activities

Investing activities used \$3.8 million of cash in the first three months of fiscal 2016 primarily due to capital expenditures of \$3.9 million. Capital expenditures consisted of \$0.9 million for the purchase of construction equipment, \$0.5 million for transportation and fabrication equipment, \$1.7 million for office equipment, \$0.6 million for buildings, and \$0.2 million for small tools. Proceeds from asset sales provided \$0.1 million of cash.

Cash Flows Provided by Financing Activities

Financing activities provided \$9.5 million of cash in the first three months of fiscal 2016 primarily due to \$8.4 million in proceeds contributed from the noncontrolling interest partner in our acquired EPC joint venture project, borrowings of \$1.0 million under our credit facility, cash received for the issuance of stock options of \$0.4 million, \$0.1 million in cash received from employees participating in the Company's employee stock purchase program, partially offset by treasury share purchases of \$0.4 million. The excess tax benefit of exercised stock options and vesting of deferred shares provided less than \$0.1 million of cash. Cash borrowings were used for Canadian dollar advances to fund our existing Canadian operations including amounts to settle intercompany cross currency billings and other borrowings to finance our short-term working capital requirements.

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, the Company has a five-year \$200.0 million senior secured revolving credit facility under a credit agreement (the "Credit Agreement") that expires March 13, 2019.

The Credit Agreement includes the following covenants and borrowing limitations:

- Our Senior Leverage Ratio, as defined in the agreement, may not exceed 2.50 to 1.00, determined as of the end of each fiscal quarter.
- We are required to maintain a Fixed Charge Coverage Ratio, as defined in the agreement, greater than or equal to 1.25 to 1.00, determined as of the end of each fiscal quarter.
- Asset dispositions (other than inventory and obsolete or unneeded equipment disposed of in the ordinary course of business) are limited to \$20.0 million per 12-month period.

Amounts borrowed under the Credit Agreement bear interest at LIBOR or an Alternate Base Rate, plus in each case, an additional margin based on the Senior Leverage Ratio. The additional margin on Alternate Base Rate and LIBOR-based loans ranges between 0.25% and 1.0% and between 1.25% and 2.0%, respectively.

The Credit Agreement also permits us to borrow in Canadian dollars with a sublimit of U.S. \$40.0 million. Amounts borrowed in Canadian dollars will bear interest either at the CDOR Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.25% to 2.0%, or at the Canadian Prime Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.75% to 2.5%. The CDOR Rate is equal to the sum of the annual rate of interest, which is the rate determined as being the arithmetic average of the quotations of all institutions listed in respect of the relevant CDOR interest period for Canadian Dollar denominated bankers' acceptances, plus 0.1%. The Canadian Prime Rate is equal to the greater of (i) the rate of interest per annum most recently announced or established by JPMorgan Chase Bank, N.A., Toronto Branch as its reference rate in effect on such day for determining interest rates for Canadian Dollar denominated commercial loans in Canada and (ii) the CDOR Rate plus 1.0%.

The Unused Credit Facility Fee is between 0.20% and 0.35% based on the Senior 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 2.5 times Consolidated EBITDA, as defined in the Credit Agreement, over the

previous four quarters. For the four quarters ended September 30, 2015, Consolidated EBITDA, as defined in the Credit Agreement, was \$63.3 million. Accordingly, at September 30, 2015, there was a restriction on our ability to access the full amount of the credit facility. Consolidated Funded Indebtedness at September 30, 2015 was \$25.1 million.

Availability under the senior credit facility at September 30, 2015 and June 30, 2015 was as follows:

	September 30, 2015	June 30, 2015
(In thousands)		
Senior credit facility	\$ 200,000	\$ 200,000
Capacity constraint due to the Senior Leverage Ratio	41,723	54,968
Capacity under the credit facility	158,277	145,032
Borrowings outstanding	9,766	8,804
Letters of credit	23,342	40,587
Availability under the senior credit facility	<u>\$ 125,169</u>	<u>\$ 95,641</u>

Outstanding borrowings at September 30, 2015 consisted of Canadian dollar advances to fund our existing Canadian operations including amounts to settle intercompany cross currency billings and other borrowings to finance our short-term working capital requirements.

The Company is 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 dividends on our capital stock during any fiscal year up to an amount which, when added to all other dividends paid during such fiscal year, does not exceed 50% of our cumulative net income for such fiscal year to such date. 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 November 4, 2014 the Board of Directors approved a stock buyback program that replaced the program that had previously been in place. The program, which expires on December 31, 2016, allows the Company to purchase up to \$25.0 million of common stock annually if sufficient liquidity exists and management believes the purchase would be beneficial to the Company's stockholders. The annual \$25.0 million limitation is applied on a calendar year basis. The cumulative number of shares repurchased cannot exceed 2,653,399, which represents 10% of the shares outstanding on the date the new repurchase program was approved. As of September 30, 2015, the Company has purchased 283,772 shares under the program. No shares were purchased during the first quarter of fiscal 2016 under the stock buyback program.

In addition to the stock buyback program, the Company may withhold shares of common stock to satisfy the tax withholding obligations upon vesting of an employee's deferred shares. Matrix withheld 20,105 shares in the first three months of fiscal 2016 to satisfy these obligations. These shares were returned to the Company's pool of treasury shares.

The Company has 1,356,560 treasury shares as of September 30, 2015 and intends to utilize these treasury shares solely in connection with equity awards under the Company's stock incentive plans.

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:

- amounts and nature of future revenues and margins from each of our segments;

- trends in the industries we serve;
- the impact to our business of crude oil and other commodity prices;
- our ability to generate sufficient cash from operations or to 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, 2015 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 and mining and minerals industries in particular;
- 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, 2015, filed with the Securities and Exchange Commission. For more information on market risk, see Part II, Item 7A in our fiscal 2015 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, 2015. 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, 2015.

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, 2015.

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, 2015.

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 2016.

	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, 2015				
Share Repurchase Program (A)	—	—	—	2,369,627
Employee Transactions (B)	260	\$18.83	—	
August 1 to August 31, 2015				
Share Repurchase Program (A)	—	—	—	2,369,627
Employee Transactions (B)	17,239	\$18.40	—	
September 1 to September 30, 2015				
Share Repurchase Program (A)	—	—	—	2,369,627
Employee Transactions (B)	2,606	\$23.08	—	

(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 November 4, 2014 the Board of Directors approved a stock buyback program. The program, which expires on December 31, 2016, allows the Company to purchase up to \$25.0 million of common stock annually if sufficient liquidity exists and management believes the purchase would be beneficial to the Company's stockholders. The annual \$25.0 million limitation is applied on a calendar year basis. The cumulative number of shares repurchased cannot exceed 2,653,399, which represents 10% of the shares outstanding on the date the new repurchase program was approved. No shares were purchased during the first quarter of fiscal 2016 under the stock buyback 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 dividends on our capital stock during any fiscal year up to an amount which, when added to all other dividends paid during such fiscal year, does not exceed 50% of our cumulative net income for such fiscal year to date. 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 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 5, 2015

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 INDEX

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Exhibit 101.LAB:	XBRL Taxonomy Extension Labels Linkbase Document.
Exhibit 101.PRE:	XBRL Taxonomy Extension Presentation Linkbase Document.

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 5, 2015

/s/ John R. Hewitt

John R. Hewitt

President and Chief Executive Officer

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 5, 2015

/s/ Kevin S. Cavanah

Kevin S. Cavanah

Vice President and Chief Financial Officer

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, 2015 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 5, 2015

/s/ John R. Hewitt

John R. Hewitt

President and Chief Executive Officer

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, 2015 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 5, 2015

/s/ Kevin S. Cavanah

Kevin S. Cavanah

Vice President and Chief Financial Officer

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, 2015:

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 SCP	0	0	0	0	0	0	0	No	No	8	0	0
Solvay Chemicals Inc. 48-01295	0	0	0	0	0	0	0	No	No	2	0	0

(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.