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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2020

or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of February 5, 2021 there were 27,888,217 shares of the Company's common stock, $0.01 par value per share, issued and 26,510,217 shares outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Revenue	$ 167,468	$ 318,677	$ 350,239	$ 656,774
Cost of revenue	152,155	288,676	320,576	594,308
Gross profit	15,313	30,001	29,663	62,466
Selling, general and administrative expenses	16,724	23,165	34,852	46,856
Goodwill and other intangible asset impairments	—	38,515	—	38,515
Restructuring costs	5,045	—	4,725	—
Operating loss	(6,456)	(31,679)	(9,914)	(22,905)
Other income (expense):				
Interest expense	(358)	(444)	(733)	(833)
Interest income	38	417	71	891
Other	973	396	2,006	399
Loss before income tax benefit	(5,803)	(31,310)	(8,570)	(22,448)
Benefit from federal, state and foreign income taxes	(1,212)	(3,302)	(942)	(591)
Net loss	$ (4,591)	$ (28,008)	$ (7,628)	$ (21,857)
Basic loss per common share	$ (0.17)	$ (1.04)	$ (0.29)	$ (0.81)
Diluted loss per common share	$ (0.17)	$ (1.04)	$ (0.29)	$ (0.81)
Weighted average common shares outstanding:				
Basic	26,489	26,925	26,377	26,930
Diluted	26,489	26,925	26,377	26,930

See accompanying notes.

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

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Net loss	$ (4,591)	$ (28,008)	$ (7,628)	$ (21,857)
Other comprehensive loss, net of tax:				
Foreign currency translation gain (net of tax expense of $41 and $53 for the three and six months ended December 31, 2020, respectively, and $59 and $37 for the three and six months ended December 31, 2019, respectively)	819	523	1,223	129
Comprehensive loss	$ (3,772)	$ (27,485)	$ (6,405)	$ (21,728)

See accompanying notes.

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

	December 31, 2020	June 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 93,481	$ 100,036
Accounts receivable, less allowances (December 31, 2020—$853 and June 30, 2020—$905)	151,068	160,671
Costs and estimated earnings in excess of billings on uncompleted contracts	41,398	59,548
Inventories	6,764	6,460
Income taxes receivable	4,287	3,919
Other current assets	7,769	4,526
Total current assets	304,767	335,160
Property, plant and equipment at cost:		
Land and buildings	43,243	42,695
Construction equipment	94,893	94,154
Transportation equipment	52,182	55,864
Office equipment and software	42,143	39,356
Construction in progress	2,065	4,427
Total property, plant and equipment - at cost	234,526	236,496
Accumulated depreciation	(158,774)	(155,748)
Property, plant and equipment - net	75,752	80,748
Operating lease right-of-use assets	18,308	21,375
Goodwill	60,605	60,369
Other intangible assets, net of accumulated amortization	7,743	8,837
Deferred income taxes	6,815	5,988
Other assets	5,920	4,833
Total assets	$ 479,910	$ 517,310

See accompanying notes.

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

	December 31, 2020	June 30, 2020
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 51,269	$ 73,094
Billings on uncompleted contracts in excess of costs and estimated earnings	62,244	63,889
Accrued wages and benefits	16,373	16,205
Accrued insurance	7,795	7,301
Operating lease liabilities	5,359	7,568
Other accrued expenses	7,087	7,890
Total current liabilities	150,127	175,947
Deferred income taxes	75	61
Operating lease liabilities	17,521	19,997
Borrowings under senior secured revolving credit facility	—	9,208
Other liabilities	7,898	4,208
Total liabilities	175,621	209,421
Commitments and contingencies		
Stockholders' equity:		
Common stock—$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of December 31, 2020 and June 30, 2020; 26,502,960 and 26,141,528 shares outstanding as of December 31, 2020 and June 30, 2020	279	279
Additional paid-in capital	133,957	138,966
Retained earnings	198,774	206,402
Accumulated other comprehensive loss	(7,150)	(8,373)
	325,860	337,274
Less: Treasury stock, at cost — 1,385,257 shares as of December 31, 2020, and 1,746,689 shares as of June 30, 2020	(21,571)	(29,385)
Total stockholders' equity	304,289	307,889
Total liabilities and stockholders' equity	$ 479,910	$ 517,310

See accompanying notes.

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

	Six Months Ended	
	December 31, 2020	December 31, 2019
Operating activities:		
Net loss	$ (7,628)	$ (21,857)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	9,287	9,702
Goodwill and other intangible asset impairment	—	38,515
Stock-based compensation expense	4,199	5,813
Operating lease impairment due to restructuring	242	—
Deferred income tax	(760)	(2,934)
Gain on sale of property, plant and equipment	(1,186)	(285)
Provision for uncollectible accounts	(41)	1,193
Other	200	(213)
Changes in operating assets and liabilities increasing (decreasing) cash:		
Accounts receivable	9,644	18,173
Costs and estimated earnings in excess of billings on uncompleted contracts	18,150	38,860
Inventories	(304)	832
Other assets and liabilities	(6,095)	1,547
Accounts payable	(21,788)	(38,182)
Billings on uncompleted contracts in excess of costs and estimated earnings	(1,645)	4,936
Accrued expenses	3,549	(17,475)
Net cash provided by operating activities	5,824	38,625
Investing activities:		
Capital expenditures	(3,068)	(14,492)
Proceeds from asset sales	1,634	377
Net cash used by investing activities	$ (1,434)	$ (14,115)

See accompanying notes.

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

	Six Months Ended	
	December 31, 2020	December 31, 2019
Financing activities:		
Advances under senior secured revolving credit facility	$ 1,125	$ 17,395
Repayments of advances under senior secured revolving credit facility	(10,913)	(8,126)
Payment of debt amendment fees	(663)	—
Open market purchase of treasury shares	—	(9,913)
Proceeds from issuance of common stock under employee stock purchase plan	155	157
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(1,549)	(3,491)
Net cash used by financing activities	(11,845)	(3,978)
Effect of exchange rate changes on cash and cash equivalents	900	248
Increase (decrease) in cash and cash equivalents	(6,555)	20,780
Cash and cash equivalents, beginning of period	100,036	89,715
Cash and cash equivalents, end of period	$ 93,481	$ 110,495
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 197	$ 4,751
Interest	$ 1,039	$ 947
Non-cash investing and financing activities:		
Purchases of property, plant and equipment on account	$ 11	$ 682

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)	Total
Balances, October 1, 2020	$ 279	$ 132,687	$ 203,365	$ (22,342)	$ (7,969)	$ 306,020
Net loss	—	—	(4,591)	—	—	(4,591)
Other comprehensive income	—	—	—	—	819	819
Issuance of deferred shares (35,615 shares)	—	(632)	—	632	—	—
Treasury shares sold to Employee Stock Purchase Plan (8,585 shares)	—	(79)	—	152	—	73
Treasury shares purchased to satisfy tax withholding obligations (1,436 shares)	—	—	—	(13)	—	(13)
Stock-based compensation expense	—	1,981	—	—	—	1,981
Balances, December 31, 2020	$ 279	$ 133,957	$ 198,774	$ (21,571)	$ (7,150)	$ 304,289
Balances, October 1, 2019	$ 279	$ 132,936	$ 245,627	$ (13,270)	$ (8,145)	$ 357,427
Net loss	—	—	(28,008)	—	—	(28,008)
Other comprehensive income	—	—	—	—	523	523
Issuance of deferred shares (40,786 shares)	—	(673)	—	673	—	—
Treasury shares sold to Employee Stock Purchase Plan (4,468 shares)	—	5	—	69	—	74
Open market purchase of treasury shares (500,000 shares)	—	—	—	(9,913)	—	(9,913)
Treasury shares purchased to satisfy tax withholding obligations (4,586 shares)	—	—	—	(97)	—	(97)
Stock-based compensation expense	—	2,789	—	—	—	2,789
Balances, December 31, 2019	$ 279	$ 135,057	$ 217,619	$ (22,538)	$ (7,622)	$ 322,795

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)	Total
Balances, July 1, 2020	$ 279	$ 138,966	$ 206,402	$ (29,385)	$ (8,373)	$ 307,889
Net loss	—	—	(7,628)	—	—	(7,628)
Other comprehensive income	—	—	—	—	1,223	1,223
Issuance of deferred shares (514,318 shares)	—	(9,067)	—	9,067	—	—
Treasury shares sold to Employee Stock Purchase Plan (17,315 shares)	—	(141)	—	296	—	155
Treasury shares purchased to satisfy tax withholding obligations (170,201 shares)	—	—	—	(1,549)	—	(1,549)
Stock-based compensation expense	—	4,199	—	—	—	4,199
Balances, December 31, 2020	$ 279	$ 133,957	$ 198,774	$ (21,571)	$ (7,150)	$ 304,289
Balances, July 1, 2019	$ 279	$ 137,712	$ 239,476	$ (17,759)	$ (7,751)	$ 351,957
Net loss	—	—	(21,857)	—	—	(21,857)
Other comprehensive income	—	—	—	—	129	129
Issuance of deferred shares (535,060 shares)	—	(8,486)	—	8,486	—	—
Treasury shares sold to Employee Stock Purchase Plan (8,521 shares)	—	18	—	139	—	157
Open market purchase of treasury shares (500,000 shares)	—	—	—	(9,913)	—	(9,913)
Treasury shares purchased to satisfy tax withholding obligations (178,670 shares)	—	—	—	(3,491)	—	(3,491)
Stock-based compensation expense	—	5,813	—	—	—	5,813
Balances, December 31, 2019	$ 279	$ 135,057	$ 217,619	$ (22,538)	$ (7,622)	$ 322,795

See accompanying notes.

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

Note 1 – Basis of Presentation and Significant Accounting Policies

Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. The information furnished reflects all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results of operations, cash flows and financial position for the interim periods presented. The accompanying condensed financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2020, included in the Company’s Annual Report on Form 10-K for the year then ended. The results of operations for the three and six month periods ended December 31, 2020 may not necessarily be indicative of the results of operations for the full year ending June 30, 2021.

Significant Accounting Policies

The Company has updated its significant accounting policies as a result of adopting the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)* on July 1, 2020, and our change in reportable segments effective July 1, 2020. The Company's other significant accounting policies are detailed in “Note 1 - Summary of Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended June 30, 2020.

Credit Losses

Adoption of New Credit Losses Standard

On June 16, 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), which changed how the Company accounts for credit losses, including those related to its accounts receivable and contract assets. Under this guidance, a financial asset (or a group of financial assets) are required to be presented at the net amount expected to be collected. The income statement reflects any increases or decreases of expected credit losses that have taken place during the period.

The amendments in this update eliminate the probable initial recognition threshold and, instead, reflect the Company's current estimate of all lifetime expected credit losses on its accounts receivable and contract asset balances. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts. The Company determines its allowance for credit losses by using a loss-rate methodology, in which it assesses historical write-offs against total receivables and contract asset balances over several periods. In addition, the Company places reserves on specific balances as needed based on the most recent estimates of collectibility. The Company's adoption of this standard on July 1, 2020 did not have a material impact on its estimate of the allowance for credit losses.

Change in Reportable Segments

Due to changing markets facing our clients and to better align the financial reporting of the Company with our long-term strategic growth areas, we began reporting our financial results under new reportable segments effective July 1, 2020. The new reportable segments along with a description of each are as follows:

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

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

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

All prior period segment information has been restated to conform with our new reportable segments. In addition, beginning July 1, 2020, the Company is reporting separately corporate selling, general and administrative expenses and other corporate expenses that were previously allocated to the segments. Refer to Note 9 - Segment Information, and Part I, Item 2 - Management's Discussion and Analysis - Results of Operations, for more information.

Note 2 – Revenue

Remaining Performance Obligations

The Company had $418.0 million of remaining performance obligations yet to be satisfied as of December 31, 2020. The Company expects to recognize $315.3 million of its remaining performance obligations as revenue within the next twelve months.

Contract Balances

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

	December 31, 2020	June 30, 2020	Change
		(in thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 41,398	$ 59,548	$ (18,150)
Billings on uncompleted contracts in excess of costs and estimated earnings	(62,244)	(63,889)	1,645
Net contract liabilities	$ (20,846)	$ (4,341)	$ (16,505)

The difference between the beginning and ending balances of the Company's CIE and BIE primarily results from the timing of revenue recognized relative to its billings. The amount of revenue recognized during the six months ended December 31, 2020 that was included in the June 30, 2020 BIE balance was $52.8 million. This revenue consists primarily of work performed during the period on contracts with customers that had advance billings.

Progress billings in accounts receivable at December 31, 2020 and June 30, 2020 included retentions to be collected within one year of $35.4 million and $37.3 million, respectively. Contract retentions collectible beyond one year are included in other assets in the Condensed Consolidated Balance Sheet and totaled $2.2 million as of December 31, 2020 and $1.6 million as of June 30, 2020.

Disaggregated Revenue

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

Geographic Disaggregation:

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(In thousands)			
United States	$ 146,200	$ 291,348	$ 307,577	$ 605,765
Canada	19,132	24,703	38,743	45,872
Other international	2,136	2,626	3,919	5,137
Total Revenue	$ 167,468	$ 318,677	$ 350,239	$ 656,774

Contract Type Disaggregation:

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(In thousands)			
Fixed-price contracts	$ 113,871	$ 174,773	$ 247,227	$ 351,093
Time and materials and other cost reimbursable contracts	53,597	143,904	103,012	305,681
Total Revenue	$ 167,468	$ 318,677	$ 350,239	$ 656,774

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

Other

In the three and six months ended December 31, 2020, our results of operations were materially impacted by changes in estimate of the forecasted costs to complete a large crude oil storage terminal capital project. The changes in estimate resulted in decreases in operating income of $5.8 million and $7.7 million during the three and six months ended December 31, 2020, respectively. The Company has achieved mechanical completion and is demobilizing from the project. We continue to work through final closeout and outstanding change orders with the client.

Note 3 – Leases

The Company enters into lease arrangements for real estate, construction equipment and information technology equipment in the normal course of business. Real estate leases accounted for approximately 92% of all right-of-use assets as of December 31, 2020. Most real estate and information technology equipment leases generally have fixed payments that follow an agreed upon payment schedule and have remaining lease terms ranging from less than a year to 15 years. Construction equipment leases generally have "month-to-month" lease terms that automatically renew as long as the equipment remains in use.

During the six months ended December 31, 2020, the Company recognized $0.2 million of impairments of a right-of-use asset in connection with the closure of a leased office space. The impairments are included in restructuring costs in the condensed consolidated statements of income.

The components of lease expense in the condensed consolidated statements of income are as follows:

		Three Months Ended		Six Months Ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Lease expense	**Location of Expense**	(in thousands)			
Operating lease expense	Cost of revenue and selling, general and administrative expenses	$ 2,310	$ 3,256	$ 4,798	$ 6,372
Short-term lease expense[(1)]	Cost of revenue	6,274	11,007	12,248	20,615
Total lease expense		$ 8,584	$ 14,263	$ 17,046	$ 26,987

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

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

	December 31, 2020
Maturity Analysis:	(in thousands)
Remainder of Fiscal 2021	$ 3,767
Fiscal 2022	5,350
Fiscal 2023	3,845
Fiscal 2024	2,822
Fiscal 2025	2,282
Thereafter	9,601
Total future operating lease payments	27,667
Less: imputed interest	(4,787)
Net present value of future lease payments	22,880
Less: current portion of operating lease liabilities	5,359
Non-current operating lease liabilities	$ 17,521

The following is a summary of the weighted average remaining operating lease term and weighted average discount rate as of December 31, 2020:

Weighted-average remaining lease term (in years)	6.8 years
Weighted-average discount rate	5.6 %

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

Supplemental cash flow information related to leases is as follows:

		Six Months Ended December 31, 2020
		(in thousands)
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	5,972
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$	1,098

Note 4 – Intangible Assets Including Goodwill

Goodwill

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

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Total
	(In thousands)			
Net balance at June 30, 2020	$ 6,905	$ 26,846	$ 26,618	$ 60,369
Translation adjustment[1]	72	22	142	236
Net balance at December 31, 2020	$ 6,977	$ 26,868	$ 26,760	$ 60,605

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

The Company tests its goodwill for impairment annually in May. While there continues to be uncertainty around the near-term level of spending by some of our customers due to the impacts of the COVID-19 pandemic on our markets and the economy, this uncertainty did not result in any impairment indicators as of December 31, 2020. We will continue to monitor the latest developments and perform interim tests for goodwill impairment as needed.

Other Intangible Assets

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

		At December 31, 2020		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Years)	(In thousands)		
Intellectual property	10 to 15	$ 2,483	$ (1,946)	$ 537
Customer-based	6 to 15	17,243	(10,037)	7,206
Total amortizing intangible assets		$ 19,726	$ (11,983)	$ 7,743

		At June 30, 2020		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Years)	(In thousands)		
Intellectual property	10 to 15	$ 2,579	$ (1,956)	$ 623
Customer-based	6 to 15	21,840	(13,626)	8,214
Total amortizing intangible assets		$ 24,419	$ (15,582)	$ 8,837

Amortization expense totaled $0.5 million and $1.1 million during the three and six months ended December 31, 2020 and $0.9 million and $1.9 million during the three and six months ended December 31, 2019, respectively.

We estimate that the remaining amortization expense related to December 31, 2020 amortizing intangible assets will be as follows (in thousands):

Period ending:		
Remainder of Fiscal 2021	$	1,131
Fiscal 2022		1,816
Fiscal 2023		1,729
Fiscal 2024		1,416
Fiscal 2025		1,126
Fiscal 2026		167
Thereafter		358
Total estimated remaining amortization expense at December 31, 2020	$	7,743

Note 5 – Debt

On November 2, 2020, the Company entered into the Fifth Amended and Restated Credit Agreement (the "Credit Agreement"), by and among the Company and certain foreign subsidiaries, as Borrowers, various subsidiaries of the Company, as Guarantors, JPMorgan Chase Bank, N.A., as Administrative Agent, Sole Lead Arranger and Sole Bookrunner, and the other Lenders party thereto, which replaced the Fourth Amended and Restated Credit Agreement (the "Prior Credit Agreement") that was in place at June 30, 2020, which is described in Part II, Item 8. Financial Statements and Supplementary Data, Note 5 - Debt, in the Company's Annual Report on Form 10-K for the year ended June 30, 2020.

The Credit Agreement provides for a three-year senior secured revolving credit facility of $200.0 million that expires November 2, 2023. The credit facility may be used for working capital, acquisitions, capital expenditures, issuances of letters of credit and other lawful purposes.

The credit facility includes a U.S. Dollar equivalent sublimit of $75.0 million for revolving loans denominated in Australian Dollars, Canadian Dollars, Euros and Pounds Sterling and letters of credit in Australian Dollars, Euros, and Pounds Sterling.

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

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

in each case, plus the Applicable Margin, which is based on the Company's Leverage Ratio. The Applicable Margin on ABR loans ranges between 1.00% and 2.00%. The Applicable Margin for Adjusted LIBO, Adjusted EURIBOR and CDOR loans ranges between 2.00% and 3.00% and the Applicable Margin for Canadian Prime Rate loans ranges between 2.50% and 3.50%.

The unused credit facility fee is between 0.35% and 0.50% based on the Leverage Ratio.

Covenants and limitations under the Credit Agreement include the following:

- Our Leverage Ratio, determined as of the end of each fiscal quarter, may not exceed 3.00 to 1.00. The Leverage Ratio covenant requires that Consolidated Funded Indebtedness, as defined in the Credit Agreement, as of the end of any fiscal quarter, may not exceed 3.0 times Consolidated EBITDA, as defined in the Credit Agreement, or "Covenant EBITDA," over the previous four quarters.

- We are required to maintain a Fixed Charge Coverage Ratio ("FCCR"), determined as of the end of each fiscal quarter, greater than or equal to 1.25 to 1.00. The FCCR is calculated as follows:
    - If no borrowings are outstanding at quarter end, then the FCCR covenant requires that, as of the end of any fiscal quarter, Covenant EBITDA, after deducting capital expenditures and dividends for the previous four quarters, may not be less than 1.25 times the total of interest expense and cash paid for income taxes over the previous four quarters plus scheduled maturities of certain indebtedness for the next four quarters.
    - If borrowings are outstanding at quarter end:
        - for the fiscal quarters ending September 30, 2020 through June 30, 2021, Covenant EBITDA, after deducting capital expenditures, dividends, and share repurchases in excess of $7.5 million for the previous four quarters, may not be less than 1.25 times the total of interest expense and cash paid for income taxes over the previous four quarters plus scheduled maturities of certain indebtedness for the next four quarters.
        - for all fiscal quarters ending on or after September 30, 2021, the FCCR is calculated the same except that all share repurchases for the previous four quarters are deducted from Covenant EBITDA.
- Asset dispositions (other than dispositions in which all of the net cash proceeds therefrom are reinvested into the Company and dispositions of inventory and obsolete or unneeded equipment in the ordinary course of business) are limited to $20.0 million per 12-month period.
- Share repurchases are limited to $30.0 million per calendar year.

As of December 31, 2020, the Company is in compliance with all affirmative, negative, and financial covenants under the Credit Agreement.

Availability at December 31, 2020 and June 30, 2020 under the new and prior senior secured revolving credit facilities, respectively, were as follows:

	December 31, 2020	June 30, 2020
	(In thousands)	
Senior secured revolving credit facility	$ 200,000	$ 300,000
Capacity constraint due to the Leverage Ratio	131,690	162,864
Capacity under the credit facility	68,310	137,136
Letters of credit	34,899	34,529
Borrowings outstanding	—	9,208
Availability under the senior secured revolving credit facility	$ 33,411	$ 93,399

Availability under the new $200.0 million senior secured revolving credit facility at June 30, 2020 would have been the same if the Credit Agreement had been in place on such date due to the capacity constraint.

Note 6 – Income Taxes

Effective Tax Rate

Our effective tax rates for the three and six months ended December 31, 2020 were 20.9% and 11.0%, respectively; compared to 10.5% and 2.6% for the three and six months ended December 31, 2019, respectively. We expect our effective tax rate to be approximately 27.0% for the remainder of fiscal 2021. The effective tax rate in fiscal 2021 was negatively impacted by deferred tax asset adjustments of $0.2 million and $1.2 million during the three and six months ended December 31, 2020, respectively.

Deferred Payroll Taxes

The Company has deferred $11.1 million of U.S. payroll tax as of December 31, 2020 through provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "CARES Act"). The deferred payroll taxes are included within other accrued expenses and other liabilities in the consolidated balance sheets. The Company must repay half of the deferred payroll tax by December 31, 2021 and the remainder by December 31, 2022.

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.

Unpriced Change Orders and Claims

Costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unpriced change orders and claims of $13.0 million at December 31, 2020 and $14.5 million at June 30, 2020. Generally, collection of amounts related to unpriced change orders and claims is expected within twelve months. However, since customers may not pay these amounts until final resolution of related claims, collection of these amounts may extend beyond one year.

Other

During the third quarter of fiscal 2020, the Company commenced litigation in an effort to collect accounts receivable from an iron and steel customer following the deterioration of the relationship in the second quarter of fiscal 2020. The unpaid receivable balance at December 31, 2020 was $16.9 million. Litigation is unpredictable, however, based on the terms of the contract with this customer, the Company is entitled to collect the full amount owed under the contract.

The Company and its subsidiaries are participants in various legal actions. It is the opinion of management that none of the other known legal actions, including a contract dispute with a customer involving the construction of a crude terminal, 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. In the event we report a loss, stock options and nonvested deferred shares are not included since they are anti-dilutive.

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

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(In thousands, except per share data)			
Basic EPS:				
Net loss	$ (4,591)	$ (28,008)	$ (7,628)	$ (21,857)
Weighted average shares outstanding	26,489	26,925	26,377	26,930
Basic loss per share	$ (0.17)	$ (1.04)	$ (0.29)	$ (0.81)
Diluted EPS:				
Diluted weighted average shares	26,489	26,925	26,377	26,930
Diluted loss per share	$ (0.17)	$ (1.04)	$ (0.29)	$ (0.81)

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

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(In thousands)			
Stock options	54	26	54	25
Nonvested deferred shares	305	718	436	870
Total antidilutive securities	359	744	490	895

Note 9 – Segment Information

Change in Reportable Segments

Due to changing markets facing our clients and to better align the financial reporting of the Company with our long-term strategic growth areas, we began reporting our financial results under new reportable segments effective July 1, 2020. The new reportable segments along with a description of each are as follows:

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

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

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

All prior period segment information has been restated to conform with our new reportable segments. In addition, beginning July 1, 2020, the Company is reporting separately corporate selling, general and administrative expenses and other corporate expenses that were previously allocated to the segments.

The Company evaluates performance and allocates resources based on operating income. 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, right-of-use lease assets, goodwill and other intangible assets.

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

Results of Operations

(In thousands)

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Gross revenue				
Utility and Power Infrastructure	$ 52,023	$ 49,155	$ 112,694	$ 96,882
Process and Industrial Facilities	51,747	143,769	98,475	299,221
Storage and Terminal Solutions	65,434	128,008	143,030	264,009
Total gross revenue	$ 169,204	$ 320,932	$ 354,199	$ 660,112
Less: Inter-segment revenue				
Process and Industrial Facilities	$ 485	$ 886	$ 1,282	$ 1,461
Storage and Terminal Solutions	1,251	1,369	2,678	1,877
Total inter-segment revenue	$ 1,736	$ 2,255	$ 3,960	$ 3,338
Consolidated revenue				
Utility and Power Infrastructure	$ 52,023	$ 49,155	$ 112,694	$ 96,882
Process and Industrial Facilities	51,262	142,883	97,193	297,760
Storage and Terminal Solutions	64,183	126,639	140,352	262,132
Total consolidated revenue	$ 167,468	$ 318,677	$ 350,239	$ 656,774
Gross profit (loss)				
Utility and Power Infrastructure	$ 5,597	$ (1,226)	$ 12,510	$ (1,394)
Process and Industrial Facilities	7,864	13,838	11,523	27,428
Storage and Terminal Solutions	1,852	18,026	5,630	37,768
Corporate	—	(637)	—	(1,336)
Total gross profit	$ 15,313	$ 30,001	$ 29,663	$ 62,466
Selling, general and administrative expenses				
Utility and Power Infrastructure	$ 2,576	$ 2,778	$ 4,798	$ 5,410
Process and Industrial Facilities	3,387	7,385	7,437	14,323
Storage and Terminal Solutions	3,919	6,791	9,062	13,777
Corporate	6,842	6,211	13,555	13,346
Total selling, general and administrative expenses	$ 16,724	$ 23,165	$ 34,852	$ 46,856
Intangible asset impairments and restructuring costs				
Utility and Power Infrastructure	$ 812	$ 24,900	$ 823	$ 24,900
Process and Industrial Facilities	3,364	13,615	2,864	13,615
Storage and Terminal Solutions	641	—	654	—
Corporate	228	—	384	—
Total asset impairments and restructuring costs	$ 5,045	$ 38,515	$ 4,725	$ 38,515
Operating income (loss)				
Utility and Power Infrastructure	$ 2,209	$ (28,904)	$ 6,889	$ (31,704)
Process and Industrial Facilities	1,113	(7,162)	1,222	(510)
Storage and Terminal Solutions	(2,708)	11,235	(4,086)	23,991
Corporate	(7,070)	(6,848)	(13,939)	(14,682)
Total operating loss	$ (6,456)	$ (31,679)	$ (9,914)	$ (22,905)

Total assets by segment were as follows:

	December 31, 2020	June 30, 2020
Utility and Power Infrastructure	$ 80,664	$ 67,398
Process and Industrial Facilities	106,053	138,734
Storage and Terminal Solutions	164,735	187,167
Corporate	128,458	124,011
Total segment assets	$ 479,910	$ 517,310

Note 10 – Restructuring Costs

During the third quarter of fiscal 2020, the Company initiated a business improvement plan to increase profitability and reduce its cost structure related to:

- its strategic initiative to exit the domestic iron and steel industry;
- the implementation of business improvements in the power delivery portion of the Utility and Power Infrastructure segment; and
- the decline in revenue caused by the ongoing effects of the COVID-19 pandemic and related market disruptions.

The business improvement plan consists of discretionary cost reductions, workforce reductions, reduction of capital expenditures and the reduction in size or closure of certain offices in order to increase the utilization of the Company's staff and bring the cost structure of the business in line with revenue volumes. The Company incurred $14.0 million of restructuring costs during fiscal 2020 and $4.7 million during the first half of fiscal 2021. The restructuring costs consist primarily of severance costs, facility closure costs, intangible asset impairments and other liabilities as a result of exiting certain operations. Activities under this plan are essentially complete with remaining costs of $1.0 million to $1.5 million expected in the third quarter.

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

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

	Three months ended December 31, 2020	Six months ended December 31, 2020	Since Inception of Business Improvement Plan
		(In thousands)	
Utility and Power Infrastructure			
Severance and other personnel-related costs	$ 811	$ 818	$ 2,158
Facility costs	1	5	240
Other intangible asset impairments	—	—	1,150
Total Utility and Power Infrastructure	$ 812	$ 823	$ 3,548
Process and Industrial Facilities			
Severance and other personnel-related costs	$ 3,082	$ 2,590	$ 8,758
Facility costs	134	15	2,770
Other intangible asset impairments	—	—	375
Other costs	148	259	259
Total Process and Industrial Facilities	$ 3,364	$ 2,864	$ 12,162
Storage and Terminal Solutions			
Severance and other personnel-related costs	$ 640	$ 653	$ 1,000
Facility costs	1	1	721
Total Storage and Terminal Solutions	$ 641	$ 654	$ 1,721
Corporate			
Severance and other personnel-related costs	$ 155	$ 161	$ 1,081
Facility costs	73	223	223
Total Corporate	$ 228	$ 384	$ 1,304
Restructuring Costs by Type:			
Severance and other personnel-related costs	$ 4,688	$ 4,222	$ 12,997
Facility costs	209	244	3,954
Other intangible asset impairments	—	—	1,525
Other costs	148	259	259
Total restructuring costs	$ 5,045	$ 4,725	$ 18,735

The restructuring reserve is included in other accrued expenses and other liabilities in the condensed consolidated balance sheets. The table below is a reconciliation of the beginning and ending restructuring reserve balance under the business improvement plan (in thousands):

Balance as of June 30, 2020	$ 2,403
Restructuring costs incurred	3,422
Cash payments	(1,214)
Adjustment to liability	(510)
Balance as of December 31, 2020	$ 4,101

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

CRITICAL ACCOUNTING POLICIES

There have been no material changes in our critical accounting policies from those reported in our fiscal 2020 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 2020 Annual Report on Form 10-K. The following section provides certain information with respect to our critical accounting policies as of the close of our most recent quarterly period.

Revenue Recognition

General Information about our Contracts with Customers

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

Step 1: Contract Identification

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

Step 2: Identify Performance Obligations

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

Step 3: Determine Contract Price

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

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

Step 4: Assign Contract Price to Performance Obligations

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

Step 5: Recognize Revenue as Performance Obligations are Satisfied

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

We recognize revenue over time for reimbursable and time and material based repair and maintenance contracts since the customer simultaneously receives and consumes the benefit of those services as we perform work under the contract. As a practical expedient allowed under ASC 606, we record revenue for these contracts in the amount to which we have a right to invoice for the services performed provided that we have a right to consideration from the customer in an amount that corresponds directly with the value of the performance completed to date.

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

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

Change Orders

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

Claims

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

Unpriced Change Orders and Claims

Costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unpriced change orders and claims of $13.0 million at December 31, 2020 and $14.5 million at June 30, 2020. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings.

Loss Contingencies

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

Goodwill

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

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

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

Income Taxes

We use the asset and liability approach for financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances based on our judgments and estimates are established when necessary to reduce deferred tax assets to the amount expected to be realized in future operating results. 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, with the help of professional tax advisors. Therefore, we estimate and provide for amounts of additional income taxes that may be assessed by the various taxing authorities.

Leases

The Company enters into lease arrangements for real estate, construction equipment and information technology equipment in the normal course of business. The Company determines if an arrangement is or contains a lease at inception of the arrangement. An arrangement is determined to be a lease if it conveys the right to control the use of identified property and equipment for a period of time in exchange for consideration. Operating lease right-of-use assets are recognized as the present value of future lease payments over the lease term as of the commencement date, plus any lease payments made prior to commencement, and less any lease incentives received. Operating lease liabilities are recognized as the present value of the future lease payments over the lease term as of the commencement date. Operating lease expense is recognized based on the undiscounted future lease payments over the remaining lease term on a straight-line basis. Lease expense related to short-term leases is recognized on a straight-line basis over the lease term.

Determinations with respect to lease term (including any renewals and terminations), incremental borrowing rate used to discount lease payments, variable lease expense and future lease payments require the use of judgment based on the facts and circumstances related to each lease. The Company considers various factors, including economic incentives, intent, past history and business need, to determine the likelihood that a renewal option will be exercised.

Right-of-use assets are evaluated for impairment in accordance with our policy for impairment of long-lived assets.

RESULTS OF OPERATIONS

Operational Update

Although we expect business conditions to improve in the second half of fiscal 2021, there continues to be significant uncertainty regarding the near- and intermediate-term economic impacts from the COVID-19 pandemic, which continues to disrupt the markets we serve. As the COVID-19 pandemic persists, the Company's top priority has been to maintain a safe working environment for all employees, customers and business partners. We transitioned the majority of our administrative and engineering team members to remote working conditions in March 2020. At this time, we have returned to the office in select locations where predetermined criteria have been met, but the majority of our administrative and engineering team members continue to work remotely. Work at most customer locations continues to progress as our project teams in coordination with our clients created work processes to integrate the guidance from governmental agencies and leading health organizations to protect the health and safety of everyone on our job sites.

As a result of the business conditions, we implemented discretionary cost reductions, workforce reductions, reduced capital expenditures and reduced the size of or closed certain offices. The Company incurred $14.0 million of restructuring costs during fiscal 2020 and $4.7 million during the first half of fiscal 2021. The restructuring costs consist primarily of severance costs, facility closure costs, intangible asset impairments and other liabilities as a result of exiting certain operations. These actions have resulted in an annual reduction in construction overhead and SG&A costs of approximately $60 million. Activities under this plan are essentially complete with remaining costs of $1.0 million to $1.5 million expected in the third quarter.

In order to more clearly depict the core profitability of the Company, the following table presents our net income (loss) and earnings (loss) per fully diluted share for the three and six months ended December 31, 2020 and 2019 after adjusting for restructuring costs, impairments and the tax impacts of these adjustments and other net tax items:

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

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Net loss, as reported	$ (4,591)	$ (28,008)	$ (7,628)	$ (21,857)
Restructuring costs incurred	5,045	—	4,725	—
Goodwill and intangible asset impairments	—	38,515	—	38,515
Tax impact of adjustments and other net tax items	(1,299)	(5,275)	(1,217)	(5,275)
Adjusted net income (loss)	$ (845)	$ 5,232	$ (4,120)	$ 11,383
Loss per fully diluted share, as reported	$ (0.17)	$ (1.04)	$ (0.29)	$ (0.81)
Adjusted earnings (loss) per fully diluted share	$ (0.03)	$ 0.19	$ (0.16)	$ 0.41

(1) This table presents non-GAAP financial measures of our adjusted net income (loss) and adjusted diluted earnings (loss) per common share for the three and six months ended December 31, 2020 and 2019. The most directly comparable GAAP financial measures are net loss and diluted loss per common share, respectively, presented in the condensed consolidated statements of income. We have presented these non-GAAP financial measures because we believe they more clearly depict the core operating results of the Company during the periods presented and provide a more comparable measure of the Company's operating results to other companies considered to be in similar businesses. Since adjusted net income (loss) and adjusted diluted earnings (loss) per common share are not measures of performance calculated in accordance with GAAP, they should be considered in addition to, rather than as a substitute for, the most directly comparable GAAP financial measures.

Change in Reportable Segments

Due to changing markets facing our clients and to better align the financial reporting of the Company with our long-term strategic growth areas, we began reporting our financial results under new reportable segments effective July 1, 2020. The new reportable segments along with a description of each are as follows:

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

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

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

All prior period segment information has been restated to conform with our new reportable segments. In addition, beginning July 1, 2020, the Company is reporting separately corporate selling, general and administrative expenses and other corporate expenses that were previously allocated to the segments.

The Company evaluates performance and allocates resources based on operating income. 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, right-of-use lease assets, goodwill and other intangible assets.

Three Months Ended December 31, 2020 Compared to the Three Months Ended December 31, 2019

Consolidated

Consolidated revenue was $167.5 million for the three months ended December 31, 2020, compared to $318.7 million in the same period in the prior fiscal year. On a segment basis, revenue decreased for the Process and Industrial Facilities and Storage and Terminal Solutions segments by $91.6 million, and $62.5 million, respectively. These decreases were partially offset by an increase in the Utility and Power Infrastructure segment of $2.9 million.

Consolidated gross profit decreased to $15.3 million in the three months ended December 31, 2020 compared to $30.0 million in the same period in the prior fiscal year. Gross margin decreased to 9.1% in the three months ended December 31, 2020 compared to 9.4% in the same period in the prior fiscal year. Despite generally strong project execution, gross margins in fiscal 2021 were lower than fiscal 2020 due to lower than forecasted volumes, which led to higher under recovery of construction overhead costs.

Consolidated SG&A expenses were $16.7 million in the three months ended December 31, 2020 compared to $23.2 million in the same period a year earlier. The decrease is primarily attributable to cost reductions we implemented under our business improvement plan that began in the third quarter of 2020 and lower incentive compensation.

The Company recorded $5.0 million of restructuring costs in the three months ended December 31, 2020 due to actions taken under our business improvement plan. See "Operational Update" in this Results of Operations section and Item 1. Financial Statements, Note 10 - Restructuring Costs, for more information.

Interest expense was $0.4 million in the three months ended December 31, 2020 and December 31, 2019. Interest income was less than $0.1 million in the three months ended December 31, 2020 compared to $0.4 million in the same period a year ago primarily due to higher interest rates in the prior period.

Our effective tax rates for the three months ended December 31, 2020 and December 31, 2019 were 20.9% and 10.5%, respectively. The effective tax rate for the three months ended December 31, 2020 was negatively impacted by deferred tax asset adjustments of $0.2 million. We expect our effective tax rate to be approximately 27.0% for the remainder of fiscal 2021.

For the three months ended December 31, 2020, we had a net loss of $4.6 million, or $0.17 per fully diluted share, compared to a net loss of $28.0 million, or $1.04 per fully diluted share, in the three months ended December 31, 2019. For the three months ended December 31, 2020, the adjusted net loss was $0.8 million, or $0.03 per fully diluted share, compared to adjusted net income of $5.2 million, or $0.19 per fully diluted share, in the three months ended December 31, 2019.

Utility and Power Infrastructure

Revenue for the Utility and Power Infrastructure segment was $52.0 million in the three months ended December 31, 2020 compared to $49.2 million in the same period a year earlier. The increase is due to a higher volume of LNG utility peak shaving work, partially offset by lower volumes of power delivery and power generation work. The segment gross margin was 10.8% in fiscal 2021 compared to (2.5)% in fiscal 2020. The fiscal 2021 segment gross margin was positively impacted by strong project execution, partially offset by under recovery of construction overhead costs. The fiscal 2020 segment gross loss was negatively impacted by poor project execution, which included a charge on a transmission and distribution upgrade project.

Process and Industrial Facilities

Revenue for the Process and Industrial Facilities segment was $51.3 million in the three months ended December 31, 2020 compared to $142.9 million in the same period a year earlier. The decrease is primarily due to our strategic exit from the domestic iron and steel industry in the third quarter of fiscal 2020, the completion of a major capital project, lower volumes of midstream gas projects, and reduced refinery turnaround and maintenance work. The segment gross margin was 15.3% for the three months ended December 31, 2020 compared to 9.7% in the same period last year. Segment gross margin in the second quarter of fiscal 2021 was positively impacted by strong project execution. Under recovery of construction overhead costs in fiscal 2021 was offset by the positive impact of a one-time workers' compensation item. The fiscal 2020 segment gross margin was supported by good project execution on both capital and repair and maintenance iron and steel projects.

Storage and Terminal Solutions

Revenue for the Storage and Terminal Solutions segment was $64.2 million in the three months ended December 31, 2020 compared to $126.6 million in the same period a year earlier. The decrease in segment revenue is primarily a result of lower volumes of crude oil tank and terminal capital work and repair and maintenance work. The segment gross margin in fiscal 2021 was negatively impacted by a lower than previously forecasted margin on a large crude oil storage terminal capital project and the under recovery of construction overhead costs. The $5.8 million project charge reduced the segment gross margin by 9.7% to 2.9%. The Company has achieved mechanical completion and is demobilizing from the project. We continue to work through final closeout and outstanding change orders with the client. The segment gross margin was 14.2% in the three months ended December 31, 2019. The fiscal 2020 segment gross margin was positively impacted by strong project execution on large capital projects and higher volumes than fiscal 2021, which led to better recovery of construction overhead costs.

Corporate

Unallocated corporate expenses were $7.1 million during the three months ended December 31, 2020 compared to $6.8 million in the same period last year. Fiscal 2021 included restructuring costs of $0.2 million and fiscal 2020 included an incentive reversal of $1.1 million.

Six Months Ended December 31, 2020 Compared to the Six Months Ended December 31, 2019

Consolidated

Consolidated revenue was $350.2 million for the six months ended December 31, 2020, compared to $656.8 million in the same period in the prior fiscal year. On a segment basis, revenue decreased for the Process and Industrial Facilities and Storage and Terminal Solutions segments by $200.6 million, and $121.8 million, respectively. These decreases were partially offset by an increase in the Utility and Power Infrastructure segment of $15.8 million.

Consolidated gross profit decreased to $29.7 million in the six months ended December 31, 2020 compared to $62.5 million in the same period in the prior fiscal year. Gross margin decreased to 8.5% in the six months ended December 31, 2020 compared to 9.5% in the same period in the prior fiscal year. Despite generally strong project execution, gross margins in the first half of fiscal 2021 were lower than fiscal 2020 due to lower than forecasted volumes, which led to higher under recovery of construction overhead costs.

Consolidated SG&A expenses were $34.9 million in the six months ended December 31, 2020 compared to $46.9 million in the same period a year earlier. The decrease is primarily attributable to cost reductions we implemented under our business improvement plan that began in the third quarter of fiscal 2020 and lower incentive compensation.

The Company recorded $4.7 million of restructuring costs in the six months ended December 31, 2020 due to actions taken under our business improvement plan. See "Operational Update" in this Results of Operations section and Item 1. Financial Statements, Note 10 - Restructuring Costs, for more information.

Interest expense was $0.7 million in the six months ended December 31, 2020 compared to $0.8 million in the six months ended December 31, 2019. Interest income was $0.1 million in the six months ended December 31, 2020 compared to $0.9 million in the same period a year ago primarily due to higher interest rates in the prior period.

Our effective tax rates for the six months ended December 31, 2020 and December 31, 2019 were 11.0% and 2.6%, respectively. The effective tax rate for the six months ended December 31, 2020 was negatively impacted by deferred tax asset adjustments of $1.2 million. We expect our effective tax rate to be approximately 27.0% for the remainder of fiscal 2021.

For the six months ended December 31, 2020, we had a net loss of $7.6 million, or $0.29 per fully diluted share, compared to a net loss of $21.9 million, or $0.81 per fully diluted share, in the six months ended December 31, 2019. For the six months ended December 31, 2020, the adjusted net loss was $4.1 million, or $0.16 per fully diluted share, compared to adjusted net income of $11.4 million, or $0.41 per fully diluted share, in the six months ended December 31, 2019.

Utility and Power Infrastructure

Revenue for the Utility and Power Infrastructure segment was $112.7 million in the six months ended December 31, 2020 compared to $96.9 million in the same period a year earlier. The increase is due to a higher volume of LNG utility peak shaving work, partially offset by lower volumes of power delivery and power generation work. The segment gross margin (loss) was 11.1% in fiscal 2021 compared to (1.4)% in fiscal 2020. The fiscal 2021 segment gross margin was positively impacted by strong project execution, partially offset by under recovery of construction overhead costs. The fiscal 2020 segment gross margin was negatively impacted by poor project execution, which included a charge on a transmission and distribution upgrade project, and a charge on an LNG utility peak shaving capital project due to purchased equipment that was found to be under performing.

Process and Industrial Facilities

Revenue for the Process and Industrial Facilities segment was $97.2 million in the six months ended December 31, 2020 compared to $297.8 million in the same period a year earlier. The decrease is primarily due to our strategic exit from the domestic iron and steel industry in the third quarter of fiscal 2020, the completion of a major capital project, lower volumes of midstream gas projects, and reduced refinery turnaround and maintenance work. The segment gross margin was 11.9% for the six months ended December 31, 2020 compared to 9.2% in the same period last year. Segment gross margin in the first half of fiscal 2021 was positively impacted by strong project execution. Under recovery of construction overhead costs in fiscal 2021 was partially offset by the positive impact of a one-time workers' compensation item. The fiscal 2020 segment gross margin was supported by good project execution on both capital and repair and maintenance iron and steel projects, partially offset by a lower volume of turnaround work, which led to the under recovery of construction overhead costs.

Storage and Terminal Solutions

Revenue for the Storage and Terminal Solutions segment was $140.4 million in the six months ended December 31, 2020 compared to $262.1 million in the same period a year earlier. The decrease in segment revenue is primarily a result of lower volumes of crude oil tank and terminal capital work and repair and maintenance work. The segment gross margin in fiscal 2021 was negatively impacted by a lower than previously forecasted margin on a large crude oil storage terminal capital project and the under recovery construction overhead costs. The $7.7 million project charge reduced the segment gross margin by 7.3% to 4.0%. The Company has achieved mechanical completion and is demobilizing from the project. We continue to work through final closeout and outstanding change orders with the client. The segment gross margin was 14.4% in the six months ended December 31, 2019. The fiscal 2020 segment gross margin was positively impacted by strong project execution on large capital projects and higher volumes than fiscal 2021, which led to better recovery of construction overhead costs.

Corporate

Unallocated corporate expenses included in operating loss were $13.9 million during the six months ended December 31, 2020 compared to $14.7 million in the same period last year. Fiscal 2021 included restructuring costs of $0.4 million and fiscal 2020 included an incentive reversal of $1.1 million.

Backlog

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

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

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

The following table provides a summary of changes in our backlog for the three months ended December 31, 2020:

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Total
		(In thousands)		
Backlog as of September 30, 2020	$ 233,463	$ 150,590	$ 294,374	$ 678,427
Project awards	16,772	58,100	36,942	111,814
Revenue recognized	(52,023)	(51,262)	(64,183)	(167,468)
Backlog as of December 31, 2020	$ 198,212	$ 157,428	$ 267,133	$ 622,773
Book-to-bill ratio[1]	0.3	1.1	0.6	0.7

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

The following table provides a summary of changes in our backlog for the six months ended December 31, 2020:

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Total
		(In thousands)		
Backlog as of June 30, 2020	$ 272,816	$ 145,725	$ 339,924	$ 758,465
Project awards	38,090	108,896	67,561	214,547
Revenue recognized	(112,694)	(97,193)	(140,352)	(350,239)
Backlog as of December 31, 2020	$ 198,212	$ 157,428	$ 267,133	$ 622,773
Book-to-bill ratio[1]	0.3	1.1	0.5	0.6

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

Due to the impact of the COVID-19 pandemic and the resulting disruption to energy and industrial markets, some of our customers continue to be conservative with their spending levels.

In the Utility and Power Infrastructure segment, performance in the power delivery portion continues to be strong on reduced revenue, however bidding activity is strong, and we expect project awards to improve as we move through the fiscal year. Similarly, our LNG peak shaving projects are performing well and the opportunity pipeline for future projects is strong, however those awards, while significant, can be less frequent. We are optimistic that the priorities of the new presidential administration will lead to increased opportunities in this segment.

In the Process and Industrial Facilities segment, overall the short-term impact of the global pandemic on the Company's refinery turnaround and maintenance operations has moderated while maintenance volumes in locations where we have a permanent presence has returned to normal. However, some refiners continue to delay or reduce discretionary maintenance and capital spending. We expect some improvement in the Spring turnaround cycle. During the second quarter of fiscal 2021, we received a key contract for a natural gas pipeline compressor station upgrade. In addition, we continue to see strong demand for thermal vacuum chambers, as well as increasing opportunities in mining and minerals and chemicals.

In the Storage and Terminal Solutions segment, we have seen deferrals in award dates and lengthening award cycles as a result of the COVID-19 pandemic and its disruption of global energy demand. Opportunities in crude oil tanks and terminals are limited, however, this segment also includes a strong funnel of opportunities in North America, Central America and the Caribbean for storage infrastructure projects related to natural gas, LNG, ammonia, renewable energy, and NGLs that support clean energy initiatives and chemical feed stocks.

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

Seasonality and Other Factors

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

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

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

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

Non-GAAP Financial Measure

Adjusted EBITDA

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

- It does not include impairments to goodwill and other intangible assets. While impairments to intangible assets are non-cash expenses in the period recognized, cash or other consideration was still transferred in exchange for intangible assets in the period of the acquisition. Any measure that excludes impairments to intangible assets has material limitations since these expenses represent the loss of an asset that was acquired in exchange for cash or other assets.

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

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

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

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

A reconciliation of Adjusted EBITDA to net loss follows:

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(In thousands)			
Net loss	$ (4,591)	$ (28,008)	$ (7,628)	$ (21,857)
Goodwill and other intangible asset impairment	—	38,515	—	38,515
Restructuring costs	5,045	—	4,725	—
Interest expense	358	444	733	833
Provision for income taxes	(1,212)	(3,302)	(942)	(591)
Depreciation and amortization	4,648	4,923	9,287	9,702
Adjusted EBITDA	$ 4,248	$ 12,572	$ 6,175	$ 26,602

LIQUIDITY AND CAPITAL RESOURCES

Overview

We define liquidity as the ongoing ability to pay our liabilities as they become due, fund business operations and meet all monetary contractual obligations. Our primary sources of liquidity as of December 31, 2020 were cash and cash equivalents on hand, capacity under our senior secured revolving credit facility and cash flows from operations. Cash and cash equivalents on hand at December 31, 2020 totaled $93.5 million and availability under the senior secured revolving credit facility totaled $33.4 million resulting in available liquidity of $126.9 million as of December 31, 2020.

There continues to be significant uncertainty regarding the near- and intermediate-term business impacts from the COVID-19 pandemic. However, the Company continues to maintain a strong balance sheet and liquidity, which it expects to be sufficient to support its near- to intermediate-term needs. The Company continues to take the following actions:

- managing the cost structure of the business based on the expected near-term revenue;
- eliminating all non-critical capital expenditures; and
- maintaining little or no debt.

The following table provides a summary of changes in our liquidity for the three months ended December 31, 2020 (in thousands):

Liquidity as of September 30, 2020	$	133,891
Net cash increase due to changes in operating assets and liabilities		19,886
Net cash decrease due to other activity		(8,580)
Change in credit facility capacity constraint		(27,555)
Net repayments on credit facility		9,788
Increase in letters of credit outstanding		(133)
Foreign currency translation of borrowings		(405)
Liquidity as of December 31, 2020	$	126,892

The following table provides a summary of changes in our liquidity for the six months ended December 31, 2020 (in thousands):

Liquidity as of June 30, 2020	$	193,435
Net cash increase due to changes in operating assets and liabilities		1,511
Net cash decrease due to other activity		(8,066)
Change in credit facility capacity constraint		(68,826)
Net repayments on credit facility		9,788
Increase in letters of credit outstanding		(370)
Foreign currency translation of borrowings		(580)
Liquidity as of December 31, 2020	$	126,892

A detailed discussion of our new credit agreement as recently amended is provided under the caption "Senior Secured Revolving Credit Facility" below.

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

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

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

- Capacity constraints under our senior secured revolving credit facility and remaining in compliance with all covenants contained in the credit agreement.
- Contract disputes, which can be significant.
- Collection issues, including those caused by weak commodity prices, economic slowdowns or other factors which can lead to credit deterioration of our customers.
- Issuances of letters of credit.
- Acquisitions and disposals of businesses.
- Strategic investments in new operations.
- Purchases of shares under our stock buyback program.

Cash Flow for the Six Months Ended December 31, 2020

Cash Flows Provided by Operating Activities

Cash provided by operating activities for the six months ended December 31, 2020 totaled $5.8 million. The various components are as follows:

Net Cash Provided by Operating Activities
(In thousands)

Net loss	$	(7,628)
Non-cash expenses		12,501
Deferred income tax		(760)
Cash effect of changes in operating assets and liabilities		1,511
Other		200
Net cash provided by operating activities	$	5,824

Cash effect of changes in operating assets and liabilities at December 31, 2020 in comparison to June 30, 2020 include the following:

- Accounts receivable, net of credit losses recognized during the period, decreased $9.6 million during the six months ended December 31, 2020, which increased cash flows from operating activities. The variance is primarily attributable to lower business volumes and the timing of billing and collections.

- Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE") decreased $18.2 million, which increased cash flows from operating activities. Billings on uncompleted contracts in excess of costs and estimated earnings ("BIE") decreased $1.6 million, which decreased cash flows from operating activities. CIE and BIE balances can experience significant fluctuations based on business volumes and the timing of when job costs are incurred and the invoicing of those job costs to the customer.

- Inventories, income taxes receivable, other current assets, operating right-of-use lease assets and other assets increased $1.9 million, which decreased cash flows from operating activities. These operating assets can fluctuate based on the timing of inventory builds and draw-downs, accrual and receipt of income taxes receivable; prepayments of certain expenses; lease commencement, passage of time, expiration, or termination of operating leases; business volumes; and other timing differences.

- Accounts payable, accrued wages and benefits, accrued insurance, operating lease liabilities, and other accrued expenses decreased by $26.7 million during the six months ended December 31, 2020, which decreased cash flows from operating activities. These operating liabilities can fluctuate based on the timing of vendor payments; accruals; lease commencement, lease payments, expiration, or termination of operating leases; business volumes; and other timing differences.

- Other liabilities increased by $3.7 million, which increased cash flows from operating activities. This increase was primarily due to deferred payroll tax associated with the CARES Act. See Item 1. Financial Information, Note 6 - Income Taxes for more information.

Cash Flows Used by Investing Activities

Investing activities used $1.4 million of cash in the six months ended December 31, 2020 primarily due to $3.1 million of capital expenditures, partially offset by $1.6 million of proceeds from other asset sales. Capital expenditures consisted of: $1.0 million for transportation equipment, $0.9 million for software and office equipment, $0.6 million for construction and fabrication equipment, and $0.6 million for facilities.

Cash Flows Used by Financing Activities

Financing activities used $11.8 million of cash in the six months ended December 31, 2020 primarily due to the net repayment of $9.8 million on the Company's senior secured revolving credit facility, $1.5 million paid to repurchase the Company's stock for payment of withholding taxes due on equity-based compensation, and $0.7 million paid in fees to amend the Company's Credit Agreement.

Senior Secured Revolving Credit Facility

On November 2, 2020, the Company entered into the Fifth Amended and Restated Credit Agreement (the "Credit Agreement"), by and among the Company and certain foreign subsidiaries, as Borrowers, various subsidiaries of the Company, as Guarantors, JPMorgan Chase Bank, N.A., as Administrative Agent, Sole Lead Arranger and Sole Bookrunner, and the other Lenders party thereto, which replaced the Fourth Amended and Restated Credit Agreement (the "Prior Credit Agreement") that was in place at June 30, 2020, which is described in Part II, Item 8. Financial Statements and Supplementary Data, Note 5 - Debt, in the Company's Annual Report on Form 10-K for the year ended June 30, 2020.

The Credit Agreement provides for a three-year senior secured revolving credit facility of $200.0 million that expires November 2, 2023. The credit facility may be used for working capital, acquisitions, capital expenditures, issuances of letters of credit and other lawful purposes.

The credit facility includes a U.S. Dollar equivalent sublimit of $75.0 million for revolving loans denominated in Australian Dollars, Canadian Dollars, Euros and Pounds Sterling and letters of credit in Australian Dollars, Euros, and Pounds Sterling.

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

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

in each case, plus the Applicable Margin, which is based on the Company's Leverage Ratio. The Applicable Margin on ABR loans ranges between 1.00% and 2.00%. The Applicable Margin for Adjusted LIBO, Adjusted EURIBOR and CDOR loans ranges between 2.00% and 3.00% and the Applicable Margin for Canadian Prime Rate loans ranges between 2.50% and 3.50%.

The unused credit facility fee is between 0.35% and 0.50% based on the Leverage Ratio.

Covenants and limitations under the Credit Agreement are effective for the quarter ended December 31, 2020 and include the following:

- Our Leverage Ratio, determined as of the end of each fiscal quarter, may not exceed 3.00 to 1.00. The Leverage Ratio covenant requires that Consolidated Funded Indebtedness, as defined in the Credit Agreement, as of the end of any fiscal quarter, may not exceed 3.0 times Consolidated EBITDA, as defined in the Credit Agreement, or "Covenant EBITDA," over the previous four quarters.
- We are required to maintain a Fixed Charge Coverage Ratio ("FCCR"), determined as of the end of each fiscal quarter, greater than or equal to 1.25 to 1.00. The FCCR is calculated as follows:
    - If no borrowings are outstanding at quarter end, then the FCCR covenant requires that, as of the end of any fiscal quarter, Covenant EBITDA, after deducting capital expenditures and dividends for the previous four quarters, may not be less than 1.25 times the total of interest expense and cash paid for income taxes over the previous four quarters plus scheduled maturities of certain indebtedness for the next four quarters.
    - If borrowings are outstanding at quarter end:
        - for the fiscal quarters ending September 30, 2020 through June 30, 2021, Covenant EBITDA, after deducting capital expenditures, dividends, and share repurchases in excess of $7.5 million for the previous four quarters, may not be less than 1.25 times the total of interest expense and cash paid for income taxes over the previous four quarters plus scheduled maturities of certain indebtedness for the next four quarters.
        - for all fiscal quarters ending on or after September 30, 2021, the FCCR is calculated the same except that all share repurchases for the previous four quarters are deducted from Covenant EBITDA.
- Asset dispositions (other than dispositions in which all of the net cash proceeds therefrom are reinvested into the Company and dispositions of inventory and obsolete or unneeded equipment in the ordinary course of business) are limited to $20.0 million per 12-month period.
- Share repurchases are limited to $30.0 million per calendar year.

As of December 31, 2020, the Company is in compliance with all affirmative, negative, and financial covenants under the Credit Agreement.

Covenant EBITDA differs from Adjusted EBITDA, as reported under "Results of Operations - Non-GAAP Financial Measure," primarily because it permits the Company to:

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

Availability at December 31, 2020 and June 30, 2020 under the new and prior senior secured revolving credit facilities, respectively, were as follows:

	December 31, 2020	June 30, 2020
	(In thousands)	
Senior secured revolving credit facility	$ 200,000	$ 300,000
Capacity constraint due to the Leverage Ratio	131,690	162,864
Capacity under the credit facility	68,310	137,136
Letters of credit	34,899	34,529
Borrowings outstanding	—	9,208
Availability under the senior secured revolving credit facility	$ 33,411	$ 93,399

Availability under the new $200 million senior secured revolving credit facility at June 30, 2020 would have been same if the Credit Agreement had been in place on such date due to the capacity constraint.

Dividend Policy

We have never paid cash dividends on our common stock, and the terms of our Credit Agreement limit the amount of cash dividends we can pay. Under our Credit Agreement, we may declare and pay cash dividends on our capital stock during any fiscal year up to an amount which, when added to all other cash dividends paid during such fiscal year, does not exceed 50% of our cumulative net income for such fiscal year to date. 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 6, 2018, the Board of Directors approved a stock buyback program (the "November 2018 Program"), which replaced the previous program that had been in place since December 2016 and was set to expire in December 2018. Under the November 2018 Program, the Company may repurchase common stock up to a maximum of $30.0 million per calendar year provided that the aggregate number of shares repurchased may not exceed 10%, or approximately 2.7 million, of the Company's shares outstanding as of November 6, 2018. In addition, the FCCR covenant in our Credit Agreement may limit our ability to repurchase shares. The specific limitations are described in the Senior Secured Revolving Credit Facility section above.

The Company may repurchase its stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and is not obligated to purchase any shares. The November 2018 Program will continue unless and until it is modified or revoked by the Board of Directors. There were 1,349,037 shares available for repurchase under the November 2018 Program as of December 31, 2020.

The Company had 1,385,257 treasury shares as of December 31, 2020 and intends to utilize these treasury shares in connection with equity awards under the Company’s stock incentive plans and for sales to the Employee Stock Purchase Plan.

FORWARD-LOOKING STATEMENTS

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

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

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

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

- the risk factors discussed in our Form 10-K for the fiscal year ended June 30, 2020 and listed from time to time in our filings with the Securities and Exchange Commission;
- economic, market or business conditions in general (including the length and severity of the COVID-19 pandemic) and in the oil, natural gas, power, agricultural and mining industries in particular;
- the transition to renewable energy sources and its impact on our current customer base;
- the under- or over-utilization of our work force;
- delays in the commencement of major projects, whether due to COVID-19 concerns, permitting issues or other factors;
- reduced creditworthiness of our customer base and the higher risk of non-payment of receivables due to volatility of crude oil, natural gas, and other commodity prices to which our customers' businesses are affected;
- the inherently uncertain outcome of current and future litigation;
- the adequacy of our reserves for claims and contingencies;
- changes in laws or regulations, including the imposition or threatened imposition, cancellation or delay of tariffs on imported goods; 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, 2020, filed with the Securities and Exchange Commission. For more information on market risk, see Part II, Item 7A in our fiscal 2020 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.

Due to the COVID-19 pandemic, most of the Company's office staff transitioned to remote working environments in March 2020 and remains in that environment through the date of this filing. The Company has assessed the impact of this working arrangement on its internal controls over financial reporting and has determined that, while the manner in which some controls are being performed has changed to accommodate remote work, none of the control activities have changed in substance and the controls are operating effectively.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2020. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level at December 31, 2020.

There have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting during the quarter ended December 31, 2020.

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, 2020.

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

Issuer Purchases of Equity Securities

The table below sets forth information with respect to purchases made by the Company of its common stock during the second quarter of fiscal year 2021.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (C)
October 1 to October 31, 2020				
Share Repurchase Program (A)	—	$ —	—	1,349,037
Employee Transactions (B)	—	$ —	—	—
November 1 to November 30, 2020				
Share Repurchase Program (A)	—	$ —	—	1,349,037
Employee Transactions (B)	—	$ —	—	—
December 1 to December 31, 2020				
Share Repurchase Program (A)	—	$ —	—	1,349,037
Employee Transactions (B)	1,436	$ 9.61	—	—

(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) As described under the caption “Stock Repurchase Program and Treasury Shares” in the Liquidity and Capital Resources section of Part I, Item 2 of this Form 10-Q, on November 6, 2018, the Board of Directors approved a stock buyback program (the “November 2018 Program”), which replaced the December 2016 Program. Under the November 2018 Program, the Company may repurchase common stock up to a maximum of $30.0 million per calendar year provided that the aggregate number of shares repurchased may not exceed 10%, or approximately 2.7 million, of the Company's shares outstanding as of November 6, 2018. In addition, the Company may have to limit share repurchases at times if the repurchases put it at risk of violating the FCCR covenant in the Credit Agreement. The Company may repurchase its stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and is not obligated to purchase any shares. The November 2018 Program will continue unless and until it is modified or revoked by the Board of Directors.

Dividend Policy

We have never paid cash dividends on our common stock, and the terms of our Credit Agreement limit the amount of cash dividends we can pay. Under our Credit Agreement, we may declare and pay cash dividends on our capital stock during any fiscal year up to an amount which, when added to all other cash dividends paid during such fiscal year, does not exceed 50% of our cumulative net income for such fiscal year to date. 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:

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

Exhibit No.	Description
Exhibit 10.1:	Fifth Amended and Restated Credit Agreement dated as of November 2, 2020 among the Company and certain various foreign subsidiaries, as Borrowers, various subsidiaries of the Company, as Guarantors, JPMorgan Chase Bank, N.A., as Administrative Agent, Lead Arranger and Sole Bookrunner, and the other lenders party thereto (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 5, 2020 and incorporated by reference herein).
Exhibit 31.1:	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 – CEO.
Exhibit 31.2:	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 – CFO.
Exhibit 32.1:	Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002) – CEO.
Exhibit 32.2:	Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002) – CFO.
Exhibit 95:	Mine Safety Disclosure.
Exhibit 101.INS:	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH:	XBRL Taxonomy Schema Document.
Exhibit 101.CAL:	XBRL Taxonomy Extension Calculation Linkbase Document.
Exhibit 101.DEF:	XBRL Taxonomy Extension Definition Linkbase Document.
Exhibit 101.LAB:	XBRL Taxonomy Extension Labels Linkbase Document.
Exhibit 101.PRE:	XBRL Taxonomy Extension Presentation Linkbase Document.
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURE

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

	MATRIX SERVICE COMPANY
Date: February 9, 2021	By: /s/ Kevin S. Cavanah
	Kevin S. Cavanah Vice President and Chief Financial Officer signing on behalf of the registrant and as the registrant's principal financial officer

Exhibit 31.1

CERTIFICATIONS

I, John R. Hewitt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matrix Service Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 9, 2021

/s/ John R. Hewitt

John R. Hewitt
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Kevin S. Cavanah, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matrix Service Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2021

/s/ Kevin S. Cavanah

Kevin S. Cavanah
Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report of Matrix Service Company (the “Company”) on Form 10-Q for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John R. Hewitt, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

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

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

Date: February 9, 2021

/s/ John R. Hewitt

John R. Hewitt
President and Chief Executive Officer

EXHIBIT 32.2

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

In connection with the Quarterly Report of Matrix Service Company (the “Company”) on Form 10-Q for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kevin S. Cavanah, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

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

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

Date: February 9, 2021

/s/ Kevin S. Cavanah

Kevin S. Cavanah
Vice President and Chief Financial Officer

Exhibit 95

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

The following table provides information for the three months ended December 31, 2020:

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
Castle Mountain Gold Mine, Equinox Gold 04-04918	—	—	—	—	—	—	—	No	No	—	—	—

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

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

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

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

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

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

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