

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 June 30, 2022

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 number 001-13783



IES Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

76-0542208
(I.R.S. Employer
Identification No.)

5433 Westheimer Road, Suite 500, Houston, Texas 77056
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (713) 860-1500

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	IESC	NASDAQ Global 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 (§232.405 of this chapter) 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 the 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

On August 2, 2022, there were 20,523,716 shares of common stock outstanding.

IES HOLDINGS, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

DEFINITIONS

In this Quarterly Report on Form 10-Q, the words “IES”, the “Company”, the “Registrant”, “we”, “our”, “ours” and “us” refer to IES Holdings, Inc. and, except as otherwise specified herein, to our subsidiaries.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes certain statements that may be deemed “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 of which are based upon various estimates and assumptions that the Company believes to be reasonable as of the date hereof. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “should,” “expect,” “plan,” “project,” “intend,” “anticipate,” “believe,” “seek,” “estimate,” “predict,” “potential,” “pursue,” “target,” “continue,” the negative of such terms or other comparable terminology. These statements involve risks and uncertainties that could cause the Company’s actual future outcomes to differ materially from those set forth in such statements. Such risks and uncertainties include, but are not limited to:

- the impact of the COVID-19 pandemic or any future epidemics or pandemics on our business, including the potential for new or continued job site closures or work stoppages, supply chain disruptions, delays in awarding new project bids, construction delays, reduced demand for our services, delays in our ability to collect from our customers, the impact of third party vaccine mandates on employee recruiting and retention, or illness of management or other employees;
- changes in general economic conditions, including market and macro-economic disruptions resulting from Russia's invasion of Ukraine or other geo-political events;
- competition in the industries in which we operate, both from third parties and former employees, which could result in the loss of one or more customers or lead to lower margins on new projects;
- our ability to successfully manage projects, the cost and availability of qualified labor and the ability to maintain positive labor relations, and our ability to pass along increases in the cost of commodities used in our business, in particular, copper, aluminum, steel, fuel, electronic components and certain plastics;
- potential supply chain disruptions due to our suppliers' access to materials and labor, their ability to ship products timely, or credit or liquidity problems they may face;
- inaccurate estimates used when entering into fixed-price contracts, the possibility of errors when estimating revenue and progress to date on percentage-of-completion contracts, and complications associated with the incorporation of new accounting, control and operating procedures;
- our ability to enter into, and the terms of, future contracts;
- the inability to carry out plans and strategies as expected, including the inability to identify and complete acquisitions that meet our investment criteria in furtherance of our corporate strategy, or the subsequent underperformance of those acquisitions;
- challenges integrating new businesses into the Company or new types of work, products or processes into our segments;
- a general reduction in the demand for our products or services;
- backlog that may not be realized or may not result in profits;
- failure to adequately recover on contract change orders or claims against customers;
- closures or sales of our facilities resulting in significant future charges, including potential warranty losses or other unexpected liabilities, or a significant disruption of our operations;
- the impact of seasonality, adverse weather conditions, and climate change;
- an increased cost of surety bonds affecting margins on work and the potential for our surety providers to refuse bonding or require additional collateral at their discretion;

- fluctuations in operating activity due to downturns in levels of construction or the housing market, seasonality and differing regional economic conditions;
- increases in bad debt expense and days sales outstanding due to liquidity problems faced by our customers;
- accidents resulting from the physical hazards associated with our work and the potential for accidents;
- the possibility that our current insurance coverage may not be adequate or that we may not be able to obtain policies at acceptable rates;
- the effect of litigation, claims and contingencies, including warranty losses, damages or other latent defect claims in excess of our existing reserves and accruals;
- interruptions to our information systems and cyber security or data breaches;
- liabilities under laws and regulations protecting the environment, including those laws related to climate change;
- expenditures to comply with future changes in environmental laws and regulations, including those relating to climate change;
- loss of key personnel, ineffective transition of new management, or inability to transfer, renew and obtain electrical and other professional licenses;
- the possibility that certain tax benefits of our net operating losses may be restricted or reduced in a change in ownership or a decrease in the federal tax rate;
- the recognition of tax benefits related to uncertain tax positions and the potential for disagreements with taxing authorities with regard to tax positions we have adopted;
- the potential recognition of valuation allowances or write-downs on deferred tax assets;
- limitations on the availability of sufficient credit or cash flow to fund our working capital needs and capital expenditures, complete acquisitions, and for debt service;
- credit and capital market conditions, including changes in interest rates that affect the cost of construction financing and mortgages, and the inability of some of our customers to retain sufficient financing, which could lead to project delays or cancellations;
- difficulty in fulfilling the covenant terms of our revolving credit facility, including liquidity, and other financial requirements, which could result in a default and acceleration of any indebtedness under such revolving credit facility;
- uncertainties inherent in estimating future operating results, including revenues, operating income or cash flow;
- the recognition of potential goodwill, long-lived assets and other investment impairments;
- the existence of a controlling shareholder, who has the ability to take action not aligned with other shareholders or to dispose of all or any portion of the shares of our common stock it holds, which could trigger certain change of control provisions in a number of our material agreements, including our financing and surety arrangements and our executive severance plan;
- the relatively low trading volume of our common stock, as a result of which it could be more difficult for shareholders to sell a substantial number of shares for the same price at which shareholders could sell a smaller number of shares;
- the possibility that we issue additional shares of common stock, preferred stock or convertible securities that will dilute the percentage ownership interest of existing stockholders and may dilute the value per share of our common stock;
- the potential for substantial sales of our common stock, which could adversely affect our stock price;
- the impact of increasing scrutiny and changing expectations from investors and customers, or new or changing regulations, with respect to environmental, social and governance practices;
- the cost or effort required for our shareholders to bring certain claims or actions against us, as a result of our designation of the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings;

- the possibility that our internal controls over financial reporting and our disclosure controls and procedures may not prevent all possible errors that could occur; and
- other factors discussed elsewhere in this Quarterly Report on Form 10-Q.

You should understand that the foregoing, as well as other risk factors discussed in this document, including those listed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, could cause future outcomes to differ materially from those experienced previously or those expressed in such forward-looking statements. We undertake no obligation to publicly update or revise any information, including information concerning our controlling shareholder, net operating losses, borrowing availability or cash position, or any forward-looking statements to reflect events or circumstances that may arise after the date of this report. Forward-looking statements are provided in this Quarterly Report on Form 10-Q pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of the estimates, assumptions, uncertainties and risks described herein.

Item 1. *Financial Statements*

IES HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In Thousands, Except Share Information)

	June 30, 2022	September 30, 2021
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,059	\$ 23,105
Accounts receivable:		
Trade, net of allowance of \$5,006 and \$2,387, respectively	344,871	286,707
Retainage	58,458	41,341
Inventories	92,762	68,573
Costs and estimated earnings in excess of billings	58,728	43,389
Prepaid expenses and other current assets	17,015	21,065
Total current assets	588,893	484,180
Property and equipment, net	54,498	35,454
Goodwill	92,395	92,395
Intangible assets, net	75,316	85,619
Deferred tax assets	18,305	19,009
Operating right of use assets	43,296	42,916
Other non-current assets	11,689	7,049
Total assets	\$ 884,392	\$ 766,622
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	295,362	249,114
Billings in excess of costs and estimated earnings	71,397	62,486
Total current liabilities	366,759	311,600
Long-term debt	95,857	39,746
Operating long-term lease liabilities	27,956	28,649
Other non-current liabilities	13,966	16,080
Total liabilities	504,538	396,075
Noncontrolling interest	26,393	24,594
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized; 22,049,529 issued and 20,608,611 and 20,732,531 outstanding, respectively	220	220
Treasury stock, at cost, 1,440,918 and 1,316,998 shares, respectively	(35,939)	(29,300)
Additional paid-in capital	200,993	201,899
Retained earnings	188,187	173,134
Total stockholders' equity	353,461	345,953
Total liabilities and stockholders' equity	\$ 884,392	\$ 766,622

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

IES HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(In Thousands, Except Share Information)
(Unaudited)

	Three Months Ended June 30,	
	2022	2021
Revenues	\$ 567,301	\$ 405,871
Cost of services	484,501	333,042
Gross profit	82,800	72,829
Selling, general and administrative expenses	67,090	50,342
Contingent consideration	70	69
Loss (gain) on sale of assets	3	(32)
Operating income	15,637	22,450
Interest and other (income) expense:		
Interest expense	761	240
Other (income) expense, net	202	(79)
Income from operations before income taxes	14,674	22,289
Provision for income taxes	3,609	2,640
Net income	11,065	19,649
Net income attributable to noncontrolling interest	(1,600)	(348)
Comprehensive income attributable to IES Holdings, Inc.	\$ 9,465	\$ 19,301
Earnings per share attributable to common stockholders of IES Holdings, Inc.:		
Basic	\$ 0.33	\$ 0.93
Diluted	\$ 0.33	\$ 0.92
Shares used in the computation of earnings per share:		
Basic	20,718,195	20,829,165
Diluted	20,939,437	21,087,779

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

IES HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(In Thousands, Except Share Information)
(Unaudited)

	Nine Months Ended June 30,	
	2022	2021
Revenues	\$ 1,549,403	\$ 1,052,670
Cost of services	1,328,369	856,288
Gross profit	221,034	196,382
Selling, general and administrative expenses	189,922	140,783
Contingent consideration	208	142
Gain on sale of assets	(70)	(24)
Operating income	30,974	55,481
Interest and other (income) expense:		
Interest expense	1,740	637
Other (income) expense, net	843	(248)
Income from operations before income taxes	28,391	55,092
Provision for income taxes	6,297	9,890
Net income	22,094	45,202
Net income attributable to noncontrolling interest	(3,577)	(967)
Comprehensive income attributable to IES Holdings, Inc.	\$ 18,517	\$ 44,235
Earnings per share attributable to common stockholders of IES Holdings, Inc.:		
Basic	\$ 0.73	\$ 2.11
Diluted	\$ 0.71	\$ 2.08
Shares used in the computation of earnings per share:		
Basic	20,730,900	20,780,975
Diluted	21,275,826	21,066,489

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

IES HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity (unaudited)
(In Thousands, Except Share Information)

	Three Months Ended June 30, 2022						
	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
BALANCE, March 31, 2022	22,049,529	\$ 220	(1,264,031)	\$ (30,587)	\$ 200,159	\$ 181,256	\$ 351,048
Acquisition of treasury stock	—	—	(185,887)	(5,570)	—	—	(5,570)
Option exercised	—	—	9,000	218	(165)	—	53
Non-cash compensation	—	—	—	—	999	—	999
Increase in noncontrolling interest	—	—	—	—	—	(2,534)	(2,534)
Net income attributable to IES Holdings, Inc.	—	—	—	—	—	9,465	9,465
BALANCE, June 30, 2022	22,049,529	\$ 220	(1,440,918)	\$ (35,939)	\$ 200,993	\$ 188,187	\$ 353,461

	Three Months Ended June 30, 2021						
	Common Stock		Treasury Stock		Additional Paid - In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
BALANCE, March 31, 2021	22,049,529	\$ 220	(1,210,685)	\$ (23,639)	\$ 200,732	\$ 131,222	\$ 308,535
Issuances under compensation plans	—	—	33,333	651	(651)	—	—
Acquisition of treasury stock	—	—	(15,441)	(795)	—	—	(795)
Non-cash compensation	—	—	—	—	1,045	—	1,045
Decrease in noncontrolling interest	—	—	—	—	—	103	103
Net income attributable to IES Holdings, Inc.	—	—	—	—	—	19,301	19,301
BALANCE, June 30, 2021	22,049,529	\$ 220	(1,192,793)	\$ (23,783)	\$ 201,126	\$ 150,626	\$ 328,189

	Nine Months Ended June 30, 2022						
	Common Stock		Treasury Stock		Additional Paid - In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
BALANCE, September 30, 2021	22,049,529	\$ 220	(1,316,998)	\$ (29,300)	\$ 201,899	\$ 173,134	\$ 345,953
Issuances under compensation plans	—	—	157,167	3,638	(3,638)	—	—
Acquisition of treasury stock	—	—	(290,087)	(10,495)	—	—	(10,495)
Options exercised	—	—	9,000	218	(165)	—	53
Non-cash compensation	—	—	—	—	2,897	—	2,897
Increase in noncontrolling interest	—	—	—	—	—	(3,464)	(3,464)
Net income attributable to IES Holdings, Inc.	—	—	—	—	—	18,517	18,517
BALANCE, June 30, 2022	22,049,529	\$ 220	(1,440,918)	\$ (35,939)	\$ 200,993	\$ 188,187	\$ 353,461

	Nine Months Ended June 30, 2021						
	Common Stock		Treasury Stock		Additional Paid - In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
BALANCE, September 30, 2020	22,049,529	\$ 220	(1,287,134)	\$ (24,499)	\$ 200,587	\$ 107,005	\$ 283,313
Issuances under compensation plans	—	—	140,660	2,737	(2,737)	—	—
Acquisition of treasury stock	—	—	(46,319)	(2,021)	531	—	(1,490)
Non-cash compensation	—	—	—	—	2,745	—	2,745
Increase in noncontrolling interest	—	—	—	—	—	(400)	(400)
Cumulative effect adjustment from adoption of new accounting standard	—	—	—	—	—	(214)	(214)
Net income attributable to IES Holdings, Inc.	—	—	—	—	—	44,235	44,235
BALANCE, June 30, 2021	22,049,529	\$ 220	(1,192,793)	\$ (23,783)	\$ 201,126	\$ 150,626	\$ 328,189

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

IES HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Nine Months Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 22,094	\$ 45,202
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Bad debt expense	2,716	37
Deferred financing cost amortization	136	145
Depreciation and amortization	18,740	15,910
Gain on sale of assets	(70)	(24)
Non-cash compensation expense	2,897	2,745
Deferred income taxes	1,815	6,841
Changes in operating assets and liabilities:		
Accounts receivable	(60,879)	(10,686)
Inventories	(24,188)	(33,761)
Costs and estimated earnings in excess of billings	(15,339)	(2,025)
Prepaid expenses and other current assets	(13,412)	(6,062)
Other non-current assets	(1,974)	(275)
Accounts payable and accrued expenses	41,449	3,964
Billings in excess of costs and estimated earnings	8,911	11,496
Other non-current liabilities	(695)	1,642
Net cash provided by (used in) operating activities	<u>(17,799)</u>	<u>35,149</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(26,609)	(5,391)
Proceeds from sale of assets	175	166
Cash paid in conjunction with equity investments	(500)	—
Cash paid in conjunction with business combinations	—	(92,694)
Net cash used in investing activities	<u>(26,934)</u>	<u>(97,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of debt	1,383,745	947,057
Repayments of debt	(1,327,209)	(915,928)
Cash paid for finance leases	(1,055)	(423)
Purchase of noncontrolling interest	—	(1,188)
Distribution to noncontrolling interest	(6,352)	(311)
Purchase of treasury stock	(10,495)	(1,490)
Options exercised	53	—
Net cash provided by financing activities	<u>38,687</u>	<u>27,717</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,046)	(35,053)
CASH AND CASH EQUIVALENTS, beginning of period	23,105	53,577
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 17,059</u>	<u>\$ 18,524</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 1,917	\$ 460
Cash paid for income taxes (net)	\$ 3,023	\$ 3,473

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

IES HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements
(All Amounts in Thousands Except Share Amounts)
(Unaudited)

1. BUSINESS AND ACCOUNTING POLICIES

Description of the Business

IES Holdings, Inc. designs and installs integrated electrical and technology systems and provides infrastructure products and services to a variety of end-markets, including data centers, residential housing and commercial and industrial facilities. Our operations are organized into four business segments, based upon the nature of our services:

- Communications – Nationwide provider of technology infrastructure services, including the design, build, and maintenance of the communications infrastructure within data centers for co-location and managed hosting customers, for both large corporations and independent businesses.
- Residential – Regional provider of electrical installation services for single-family housing and multi-family apartment complexes, as well as heating, ventilation and air conditioning (HVAC) and plumbing installation services in certain markets.
- Infrastructure Solutions – Provider of electro-mechanical solutions for industrial operations, including apparatus repair and custom-engineered products such as generator enclosures to be used in data centers and other industrial applications.
- Commercial & Industrial – Provider of electrical and mechanical design, construction, and maintenance services to the commercial and industrial markets in various regional markets and nationwide in certain areas of expertise, such as the power infrastructure market and data centers.

The words “IES”, the “Company”, “we”, “our”, and “us” refer to IES Holdings, Inc. and, except as otherwise specified herein, to our consolidated subsidiaries.

Seasonality and Quarterly Fluctuations

Results of operations from our Residential segment can be seasonal, depending on weather trends, with typically higher revenues generated during spring and summer and lower revenues generated during fall and winter. The Commercial & Industrial, Communications and Infrastructure Solutions segments of our business are less subject to seasonal trends, as work in these segments generally is performed inside structures protected from the weather, although weather can still impact these businesses, especially in the early stages of projects. From quarter to quarter, results for our Communications, Residential, and Commercial & Industrial segments may be materially affected by the timing of new construction projects, and our volume of business may be adversely affected by declines in construction projects resulting from adverse regional or national economic conditions. Quarterly results for our Infrastructure Solutions segment may be affected by the timing of outages or capital projects at our customers’ facilities. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

Basis of Financial Statement Preparation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of IES, our wholly-owned subsidiaries, and entities that we control due to ownership of a majority of voting interest and have been prepared in accordance with the instructions to interim financial reporting as prescribed by the United States Securities and Exchange Commission (the “SEC”). The results for the interim periods are not necessarily indicative of results for the entire year. These interim financial statements do not include all disclosures required by U.S. generally accepted accounting principles (“GAAP”) and should be read in conjunction with the consolidated financial statements and notes thereto filed with the SEC in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021. In the opinion of management, the unaudited Condensed Consolidated Financial Statements contained in this report include all known accruals and adjustments necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods reported herein. Any such adjustments are of a normal recurring nature.

Noncontrolling Interest

In connection with our acquisitions of Edmonson Electric, LLC (“Edmonson”) and Bayonet Plumbing, Heating & Air-Conditioning, LLC (“Bayonet”) in fiscal 2021, and NEXT Electric, LLC in fiscal 2017, we acquired an 80 percent interest in each of the entities, with the remaining 20 percent interest in each such entity being retained by the respective third-party seller. The interests retained by those third-party sellers are identified on our Condensed Consolidated Balance Sheets as noncontrolling interest, classified outside of permanent equity. Under the terms of each entity’s operating agreement, after five years from the date of the acquisition, we may elect to purchase, or the third-party seller may require us to purchase, part or all of the remaining 20 percent interest in the applicable entity. The purchase price is variable, based on a multiple of earnings as defined in the operating agreements. Therefore, this noncontrolling interest is carried at the greater of the balance determined under Accounting Standards Codification (“ASC”) 810 and the redemption

amounts assuming the noncontrolling interests were redeemable at the balance sheet date. If all of the noncontrolling interests remaining outstanding at June 30, 2022 had been redeemable at that date, the redemption amount would have been \$23,947.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are primarily used in our revenue recognition of construction in progress, fair value assumptions in accounting for business combinations and analyzing goodwill, investments, intangible assets and long-lived asset impairments and adjustments, allowance for credit losses, stock-based compensation, reserves for legal matters, realizability of deferred tax assets, unrecognized tax benefits and self-insured claims liabilities and related reserves.

Other (Income) Expense, Net

Other (Income) Expense, Net includes primarily unrealized gains or losses on equity securities, including those related to our Executive Deferred Compensation Plan. These securities are recorded at fair value (Level 1) at the end of each reporting period. Please refer to *Note 9 - Fair Value Measurements* for further information.

Accounting Standards Recently Adopted

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." This standard simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The standard also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This update is effective for fiscal years beginning after December 15, 2020 and for interim periods within that year. Early adoption is permitted. We adopted this standard on October 1, 2021 with immaterial impact on our Condensed Consolidated Financial Statements.

2. CONTROLLING STOCKHOLDER

Tontine Associates, L.L.C. ("Tontine Associates"), together with its affiliates (collectively, "Tontine"), is the Company's controlling stockholder, owning approximately 57 percent of the Company's outstanding common stock based on the Form 4 filed by Tontine with the SEC on December 3, 2021 and the Company's shares outstanding as of August 2, 2022. Accordingly, Tontine has the ability to exercise significant control over our affairs, including the election of directors and most actions requiring the approval of stockholders.

While Tontine is subject to certain restrictions under federal securities laws on sales of its shares as an affiliate, the Company has filed a shelf registration statement to register all of the shares of IES common stock owned by Tontine at the time of registration. As long as the shelf registration statement remains effective and the Company remains eligible to use it, Tontine has the ability to resell any or all of its registered shares from time to time in one or more offerings, as described in the shelf registration statement and in any prospectus supplement filed in connection with an offering pursuant to the shelf registration statement.

Should Tontine sell or otherwise dispose of all or a portion of its position in IES, a change in ownership of IES could occur. A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of the Company's net operating loss carryforwards for federal and state income tax purposes. Furthermore, a change of control would trigger the change of control provisions in a number of our material agreements, including our credit agreement, bonding agreements with our sureties and our executive severance plan.

Jeffrey L. Gendell was appointed as Chief Executive Officer of the Company effective October 1, 2020, having served as the Company's Interim Chief Executive Officer since July 31, 2020. Mr. Gendell also serves as Chairman of the Board of Directors, a position he has held since November 2016. He is the managing member and founder of Tontine, and the brother of David B. Gendell, who has served as a member of our Board since February 2012, and who previously served as Interim Director of Operations from November 2017 to January 2019, as Vice Chairman of the Board from November 2016 to November 2017 and as Chairman of the Board from January 2015 to November 2016. David B. Gendell was an employee of Tontine from 2004 until December 31, 2017.

The Company is party to a sublease agreement with Tontine Associates for corporate office space in Greenwich, Connecticut. The sublease extends through February 27, 2023, with monthly payments due in the amount of approximately \$8. Payments by the Company are at a rate consistent with that paid by Tontine Associates to its landlord.

On December 6, 2018, the Company entered into a Board Observer Letter Agreement (the "Observer Agreement") with Tontine Associates in order to assist Tontine in managing its investment in the Company. Subject to the terms and conditions set forth in the Observer Agreement, the Company granted Tontine the right, at any time that Tontine holds at least 20% of the outstanding common stock of the Company, to appoint a representative to serve as an observer to the Board (the "Board Observer"). The Board Observer, who must be reasonably acceptable to those members of the Board who are not affiliates of Tontine, shall have no voting rights or other decision making authority. Subject to the terms and conditions set forth in the Observer Agreement, so long as Tontine has the right to appoint a Board Observer, the Board Observer will have the right to attend and participate in meetings of the Board and the committees thereof, subject to confidentiality requirements, and to receive reimbursement for reasonable out-of-pocket expenses incurred in his or her capacity as a Board Observer and such rights to coverage under the Company's directors' and officers' liability insurance policy as are available to the Company's directors.

3. REVENUE RECOGNITION

Contracts

Our revenue is derived from contracts with customers, and we determine the appropriate accounting treatment for each contract at its inception. Our contracts primarily relate to electrical and mechanical contracting services, technology infrastructure products and services, and electro-mechanical solutions for industrial operations. Revenue is earned based upon an agreed fixed price or actual costs incurred plus an agreed upon percentage.

We account for a contract when: (i) it has approval and commitment from both parties, (ii) the rights of the parties are identified, (iii) payment terms are identified, (iv) the contract has commercial substance, and (v) collectability of consideration is probable. We consider the start of a project to be when the above criteria have been met and we have written authorization from the customer to proceed.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

We recognize revenue over time for the majority of the services we perform as (i) control continuously transfers to the customer as work progresses at a project location controlled by the customer and (ii) we have the right to bill the customer as costs are incurred. Within our Infrastructure Solutions segment, we often perform work inside our own facilities, where control does not continuously transfer to the customer as work progresses. In such cases, we evaluate whether we have the right to bill the customer as costs are incurred. Such assessment involves an evaluation of contractual termination clauses. Where we have a contractual right to payment for work performed to date, we recognize revenue over time. If we do not have such a right, we recognize revenue upon completion of the contract, when control of the work transfers to the customer.

For fixed price arrangements, we use the percentage of completion method of accounting under which revenue recognized is measured principally by the costs incurred and accrued to date for each contract as a percentage of the estimated total cost for each contract at completion. Contract costs include all direct material, labor and indirect costs related to contract performance. Changes in job performance, job conditions, estimated contract costs and profitability and final contract settlements may result in revisions to costs and income, and the effects of these revisions are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. This measurement and comparison process requires updates to the estimate of total costs to complete the contract, and these updates may include subjective assessments and judgments.

Variable Consideration

The transaction price for our contracts may include variable consideration, which includes changes to transaction price for approved and unapproved change orders, claims and incentives. Change orders, claims, and incentives are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. We estimate variable consideration for a performance obligation at the probability weighted value we expect to receive (or the most probable amount we expect to incur in the case of liquidated damages, if any), utilizing estimation methods that best predict the amount of consideration to which we will be entitled (or which will be incurred in the case of liquidated damages, if any). We include variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. The effect of variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis. To the extent unapproved change orders and claims reflected in transaction price (or accounted for as a reduction of the transaction price in the case of liquidated damages) are not resolved in our favor, or to the extent incentives reflected in transaction price are not earned, there could be reductions in, or reversals of, previously recognized revenue.

Disaggregation of Revenue

We disaggregate our revenue from contracts with customers by activity and contract type, as these categories reflect how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Our consolidated revenue for the three and nine months ended June 30, 2022 and 2021 was derived from the following activities. See details in the following tables:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Communications	\$ 144,748	\$ 116,218	\$ 402,776	\$ 309,460
Residential				
Single-family	224,556	102,105	590,453	274,707
Multi-family and Other	77,207	84,344	213,492	181,569
Total Residential	301,763	186,449	803,945	456,276
Infrastructure Solutions				
Industrial Services	15,317	11,972	45,970	32,560
Custom Power Solutions	24,520	27,145	77,696	75,674
Total Infrastructure Solutions	39,837	39,117	123,666	108,234
Commercial & Industrial	80,953	64,087	\$ 219,016	\$ 178,700
Total Revenue	\$ 567,301	\$ 405,871	\$ 1,549,403	\$ 1,052,670

	Three Months Ended June 30, 2022				
	Communications	Residential	Infrastructure Solutions	Commercial & Industrial	Total
Fixed-price	\$ 94,109	\$ 301,763	\$ 38,126	\$ 75,779	\$ 509,777
Time-and-material	50,639	—	1,711	5,174	57,524
Total revenue	\$ 144,748	\$ 301,763	\$ 39,837	\$ 80,953	\$ 567,301

	Three Months Ended June 30, 2021				
	Communications	Residential	Infrastructure Solutions	Commercial & Industrial	Total
Fixed-price	\$ 81,521	\$ 186,449	\$ 37,241	\$ 60,444	\$ 365,655
Time-and-material	34,697	—	1,876	3,643	40,216
Total revenue	\$ 116,218	\$ 186,449	\$ 39,117	\$ 64,087	\$ 405,871

Nine Months Ended June 30, 2022					
	Communications	Residential	Infrastructure Solutions	Commercial & Industrial	Total
Fixed-price	\$ 268,253	\$ 803,945	\$ 118,503	\$ 204,985	\$ 1,395,686
Time-and-material	134,523	—	5,163	14,031	153,717
Total revenue	\$ 402,776	\$ 803,945	\$ 123,666	\$ 219,016	\$ 1,549,403

Nine Months Ended June 30, 2021					
	Communications	Residential	Infrastructure Solutions	Commercial & Industrial	Total
Fixed-price	\$ 226,086	\$ 456,276	\$ 102,864	\$ 170,134	\$ 955,360
Time-and-material	83,374	—	5,370	8,566	97,310
Total revenue	\$ 309,460	\$ 456,276	\$ 108,234	\$ 178,700	\$ 1,052,670

Accounts Receivable and Allowance for Credit Losses

Accounts receivable include amounts that we have billed or have an unconditional right to bill our customers. As of June 30, 2022, Accounts receivable included \$17,651 of unbilled receivables for which we have an unconditional right to bill.

In calculating our expected credit losses, we considered trade receivables, retainage, and costs and estimated earnings in excess of billings, all of which constitute a homogenous portfolio, and therefore, to measure the expected credit loss, they have been grouped together.

We have elected to calculate an expected credit loss based on loss rates from historical data. Each segment groups financial assets with similar risk characteristics and collectively assesses the expected credit losses. If an individual asset experiences credit deterioration to the extent the credit risk is no longer characteristic of the other assets in the group, it will be analyzed individually. The loss rates for our portfolios include our history of credit loss expense, the aging of our receivables, our expectation of payments and adjustment for forward-looking factors specific to the macroeconomic trends in the markets we serve.

Other than trade receivables due in one year or less, we do not have any other financial assets that are past due or are on non-accrual status.

Contract Assets and Liabilities

Project contracts typically provide for a schedule of billings on percentage of completion of specific tasks inherent in the fulfillment of our performance obligation(s). The schedules for such billings usually do not precisely match the schedule on which costs are incurred. As a result, contract revenue recognized in the statement of operations can and usually does differ from amounts that can be billed to the customer at any point during the contract. Amounts by which cumulative contract revenue recognized on a contract as of a given date exceeds cumulative billings and unbilled receivables to the customer under the contract are reflected as a current asset in our Condensed Consolidated Balance Sheet under the caption “Costs and estimated earnings in excess of billings”. Amounts by which cumulative billings to the customer under a contract as of a given date exceed cumulative contract revenue recognized are reflected as a current liability in our Condensed Consolidated Balance Sheet under the caption “Billings in excess of costs and estimated earnings”.

During the three months ended June 30, 2022 and 2021, we recognized revenue of \$30,204 and \$25,851 related to our contract liabilities at April 1, 2022 and 2021, respectively. During the nine months ended June 30, 2022 and 2021, we recognized revenue of \$46,703 and \$41,121 related to our contract liabilities at October 1, 2021 and 2020, respectively.

Remaining Performance Obligations

Remaining performance obligations represent the unrecognized revenue value of our contract commitments. New awards represent the total expected revenue value of new contract commitments undertaken during a given period, as well as additions to the scope of existing contract commitments. Our new performance obligations vary significantly each reporting period based on the timing of our major new contract commitments. At June 30, 2022, we had remaining performance obligations of \$893,923. The Company expects to recognize revenue on approximately \$852,181 of the remaining performance obligations over the next 12 months, with the remainder recognized thereafter.

For the three and nine months ended June 30, 2022, net revenue recognized from our performance obligations satisfied in previous periods was not material.

4. DEBT

On April 28, 2022 we entered into the Third Amended and Restated Credit and Security Agreement with Wells Fargo Bank, N.A. ("Wells Fargo") (the "Amended Credit Agreement"), which, among other things, increased the maximum borrowing amount under our revolving credit facility from \$125,000 to \$150,000. The Amended Credit Agreement also removed the aggregate cap on Company investments in certain securities and the cap on the Company's ability to make stock repurchases, in each case subject to the satisfaction of certain liquidity requirements. The Amended Credit Agreement, which matures on September 30, 2026, contains customary affirmative, negative and financial covenants as disclosed in Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021. As of June 30, 2022, the Company was in compliance with the financial covenants under the Amended Credit Agreement.

At June 30, 2022 and September 30, 2021, we had \$96,874 and \$40,339, respectively, in borrowings outstanding under our revolving credit facility with Wells Fargo, and \$1 and \$63, respectively, of long-term debt related to loans on capital expenditures. At June 30, 2022, we also had \$4,077 in outstanding letters of credit and total availability of \$49,049 under our revolving credit facility without triggering the financial covenants under the Amended Credit Facility.

5. PER SHARE INFORMATION

The following tables reconcile the components of basic and diluted earnings (loss) per share for the three and nine months ended June 30, 2022 and 2021:

	Three Months Ended June 30,	
	2022	2021
Numerator:		
Net income attributable to IES Holdings, Inc.	\$ 9,465	\$ 19,301
Increase (decrease) in noncontrolling interest	2,534	(103)
Net income attributable to restricted stockholders of IES Holdings, Inc.	5	16
Net income attributable to common stockholders of IES Holdings, Inc.	<u>\$ 6,926</u>	<u>\$ 19,388</u>
Denominator:		
Weighted average common shares outstanding — basic	20,718,195	20,829,165
Effect of dilutive stock options and non-vested securities	<u>221,242</u>	<u>258,614</u>
Weighted average common and common equivalent shares outstanding — diluted	<u>20,939,437</u>	<u>21,087,779</u>
Earnings per share attributable to common stockholders of IES Holdings, Inc.:		
Basic	\$ 0.33	\$ 0.93
Diluted	\$ 0.33	\$ 0.92

	Nine Months Ended June 30,	
	2022	2021
Numerator:		
Net income attributable to IES Holdings, Inc.	\$ 18,517	\$ 44,235
Increase in noncontrolling interest	3,464	400
Net income attributable to restricted stockholders of IES Holdings, Inc.	10	38
Net income attributable to common stockholders of IES Holdings, Inc.	<u>\$ 15,043</u>	<u>\$ 43,797</u>
Denominator:		
Weighted average common shares outstanding — basic	20,730,900	20,780,975
Effect of dilutive stock options and non-vested securities	<u>544,926</u>	<u>285,514</u>
Weighted average common and common equivalent shares outstanding — diluted	<u>21,275,826</u>	<u>21,066,489</u>
Earnings per share attributable to common stockholders of IES Holdings, Inc.:		
Basic	\$ 0.73	\$ 2.11
Diluted	\$ 0.71	\$ 2.08

For the three and nine months ended June 30, 2022 and 2021, the average price of our common shares exceeded the exercise price of all of our outstanding stock options; therefore, all of our outstanding stock options and other potentially dilutive equity instruments were included in the computation of diluted earnings per share.

6. OPERATING SEGMENTS

We manage and measure performance of our business in four distinct operating segments: Communications, Residential, Infrastructure Solutions, and Commercial & Industrial. These segments are reflective of how the Company's Chief Operating Decision Maker ("CODM") reviews operating results for the purpose of allocating resources and assessing performance. The Company's CODM is its Chief Executive Officer.

Transactions between segments, if any, are eliminated in consolidation. Our corporate organization provides general and administrative services, as well as support services, to each of our four operating segments. Management allocates certain shared costs between segments for selling, general and administrative expenses.

Segment information for the three and nine months ended June 30, 2022 and 2021 is as follows:

	Three Months Ended June 30, 2022					
	Communications	Residential	Infrastructure Solutions	Commercial & Industrial	Corporate	Total
Revenues	\$ 144,748	\$ 301,763	\$ 39,837	\$ 80,953	\$ —	\$ 567,301
Cost of services	128,952	248,928	33,726	72,895	—	484,501
Gross profit	15,796	52,835	6,111	8,058	—	82,800
Selling, general and administrative	11,544	37,237	6,484	7,788	4,037	67,090
Contingent consideration	—	70	—	—	—	70
Loss (gain) on sale of assets	(1)	6	—	(2)	—	3
Operating income (loss)	\$ 4,253	\$ 15,522	\$ (373)	\$ 272	\$ (4,037)	\$ 15,637
Other data:						
Depreciation and amortization expense	\$ 394	\$ 3,863	\$ 1,427	\$ 645	\$ 43	\$ 6,372
Capital expenditures	\$ 424	\$ 1,115	\$ 3,071	\$ 372	\$ —	\$ 4,982
Total assets	\$ 196,520	\$ 376,328	\$ 152,405	\$ 111,782	\$ 47,357	\$ 884,392

	Three Months Ended June 30, 2021					
	Communications	Residential	Infrastructure Solutions	Commercial & Industrial	Corporate	Total
Revenues	\$ 116,218	\$ 186,449	\$ 39,117	\$ 64,087	\$ —	\$ 405,871
Cost of services	95,582	152,778	28,374	56,308	—	333,042
Gross profit	20,636	33,671	10,743	7,779	—	72,829
Selling, general and administrative	10,783	22,634	5,961	6,781	4,183	50,342
Contingent consideration	—	69	—	—	—	69
Loss (gain) on sale of assets	(7)	8	(1)	(32)	—	(32)
Operating income (loss)	\$ 9,860	\$ 10,960	\$ 4,783	\$ 1,030	\$ (4,183)	\$ 22,450
Other data:						
Depreciation and amortization expense	\$ 341	\$ 3,456	\$ 1,553	\$ 673	\$ 39	\$ 6,062
Capital expenditures	\$ 187	\$ 641	\$ 1,034	\$ 525	\$ —	\$ 2,387
Total assets	\$ 141,004	\$ 308,411	\$ 136,741	\$ 76,278	\$ 53,496	\$ 715,930

	Nine Months Ended June 30, 2022						
	Communications	Residential	Infrastructure Solutions	Commercial & Industrial	Corporate		Total
Revenues	\$ 402,776	\$ 803,945	\$ 123,666	\$ 219,016	\$ —		\$ 1,549,403
Cost of services	355,360	662,928	102,774	207,307	—		1,328,369
Gross profit	47,416	141,017	20,892	11,709	—		221,034
Selling, general and administrative	33,907	101,808	18,933	23,504	11,770		189,922
Contingent consideration	—	208	—	—	—		208
Loss (gain) on sale of assets	(14)	14	(28)	(42)	—		(70)
Operating income (loss)	\$ 13,523	\$ 38,987	\$ 1,987	\$ (11,753)	\$ (11,770)		\$ 30,974
Other data:							
Depreciation and amortization expense	\$ 1,115	\$ 11,436	\$ 4,155	\$ 1,922	\$ 114		\$ 18,742
Capital expenditures	\$ 1,768	\$ 9,006	\$ 14,210	\$ 1,457	\$ 168		\$ 26,609
Total assets	\$ 196,520	\$ 376,328	\$ 152,405	\$ 111,782	\$ 47,357		\$ 884,392

	Nine Months Ended June 30, 2021						
	Communications	Residential	Infrastructure Solutions	Commercial & Industrial	Corporate		Total
Revenues	\$ 309,460	\$ 456,276	\$ 108,234	\$ 178,700	\$ —		\$ 1,052,670
Cost of services	250,738	368,887	76,999	159,664	—		856,288
Gross profit	58,722	87,389	31,235	19,036	—		196,382
Selling, general and administrative	29,739	61,570	17,787	19,949	11,738		140,783
Contingent consideration	—	142	—	—	—		142
Loss (gain) on sale of assets	(7)	60	(1)	(49)	(27)		(24)
Operating income (loss)	\$ 28,990	\$ 25,617	\$ 13,449	\$ (864)	\$ (11,711)		\$ 55,481
Other data:							
Depreciation and amortization expense	\$ 1,035	\$ 8,165	\$ 4,548	\$ 2,050	\$ 112		\$ 15,910
Capital expenditures	\$ 452	\$ 2,118	\$ 1,542	\$ 1,190	\$ 89		\$ 5,391
Total assets	\$ 141,004	\$ 308,411	\$ 136,741	\$ 76,278	\$ 53,496		\$ 715,930

7. STOCKHOLDERS' EQUITY

Equity Incentive Plan

The Company's 2006 Equity Incentive Plan, as amended and restated (the "Equity Incentive Plan"), provides for grants of stock options as well as grants of stock, including restricted stock. Approximately 3.0 million shares of common stock are authorized for issuance under the Equity Incentive Plan, of which approximately 711,657 shares were available for issuance at June 30, 2022.

Stock Repurchase Program

In 2015, our Board authorized a stock repurchase program for the purchase from time to time of up to 1.5 million shares of the Company's common stock, and on May 2, 2019, our Board authorized the repurchase from time to time of up to an additional 1.0 million shares of our common stock under the stock repurchase program. Share purchases are made for cash in open market transactions at prevailing market prices or in privately negotiated transactions or otherwise. The timing and amount of purchases under the program are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. All or part of the repurchases may be implemented under a Rule 10b5-1 trading plan, which allows repurchases under predetermined terms at times when the Company might otherwise be prevented from purchasing under insider trading laws or because of self-imposed blackout periods. The program does not require the Company to purchase any specific number of shares and may be modified, suspended or reinstated at any time at the Company's discretion and without notice. We repurchased 185,887 and 244,889 shares, respectively, of our common stock during the three and nine months ended June 30, 2022 in open market transactions at an average price of \$29.94 and \$34.01, respectively, per share. We repurchased no shares of our common stock during the three and nine months ended June 30, 2021 in open market transactions.

Treasury Stock

During the nine months ended June 30, 2022, we issued 73,627 shares of common stock from treasury stock to employees and repurchased 45,198 shares of common stock from our employees to satisfy statutory tax withholding requirements upon the vesting of

certain performance phantom stock units under the Equity Incentive Plan. In addition, we issued 83,540 shares from treasury stock to satisfy the vesting of Director PSUs (as defined below) in conjunction with the departure of a Board member.

During the nine months ended June 30, 2021, we issued 71,420 shares of common stock from treasury stock to employees and repurchased 32,323 shares of common stock from our employees to satisfy statutory tax withholding requirements upon the vesting of certain performance phantom stock units under the Equity Incentive Plan. In addition, 13,996 restricted shares were forfeited by certain former employees upon their departure and returned to treasury stock. We also issued 380 unrestricted shares of common stock from treasury to members of our Board of Directors as part of their overall compensation, and we issued 68,860 shares from treasury stock to satisfy the vesting of Director PSUs in conjunction with the departure of a Board member.

Restricted Stock

We granted no restricted shares to executives during the nine months ended June 30, 2022. Of the awards previously granted, 3,118 shares vested. The remaining restricted shares either vest subject to the achievement of specified levels of cumulative net income before taxes or vest based on the passage of time. During the three months ended June 30, 2022 and 2021, we recognized \$36 and \$36, respectively, in compensation expense related to all restricted stock awards. During the nine months ended June 30, 2022 and 2021, we recognized \$107 and \$109, respectively, in compensation expense related to all restricted stock awards. At June 30, 2022, the unamortized compensation cost related to outstanding unvested restricted stock was \$60.

Director Phantom Stock Units

Director phantom stock units (“Director PSUs”) are granted to the members of the Board of Directors as part of their overall compensation. The Director PSUs are contractual rights to receive one share of the Company's common stock and are paid via unrestricted stock grants to each director upon their departure from the Board of Directors, or upon a change in control. We record compensation expense for the full value of the grant on the date of grant. During the three months ended June 30, 2022 and 2021, we recognized \$96 and \$93, respectively, in compensation expense related to these grants. During the nine months ended June 30, 2022 and 2021, we recognized \$289 and \$280, respectively, in compensation expense related to these grants.

Employee Phantom Stock Units

An employee phantom stock unit (an “Employee PSU”) is a contractual right to receive one share of the Company’s common stock. Depending on the terms of each grant, Employee PSUs may vest upon the achievement of certain specified performance objectives and continued performance of services, or may vest based on continued performance of services through the vesting date.

As of June 30, 2022, the Company had outstanding Employee PSUs, which, subject to the achievement of certain performance metrics, could result in the issuance of 320,559 shares of common stock. During the nine months ended June 30, 2022, we granted 150,447 Employee PSUs, 5,866 were forfeited, and 106,964 vested. During the three months ended June 30, 2022 and 2021, we recognized \$866 and \$928, respectively, in compensation expense related to Employee PSU grants. During the nine months ended June 30, 2022 and 2021, we recognized \$2,498 and \$2,336, respectively, in compensation expense related to Employee PSU grants.

8. EMPLOYEE BENEFIT PLANS

401(k) Plan

In November 1998, we established the IES Holdings, Inc. 401(k) Retirement Savings Plan. All full-time IES employees are eligible to participate on the first day of the month subsequent to completing sixty days of service and attaining age twenty one. Participants become vested in our matching contributions following three years of service. We also maintain several subsidiary retirement savings plans. During the three months ended June 30, 2022 and 2021, we recognized \$1,215 and \$847, respectively, in matching expense. During the nine months ended June 30, 2022 and 2021, we recognized \$3,331 and \$2,326, respectively, in matching expense.

9. FAIR VALUE MEASUREMENTS

Fair Value Measurement Accounting

Fair value is considered the price to sell an asset, or transfer a liability, between market participants on the measurement date. Fair value measurements assume that (1) the asset or liability is exchanged in an orderly manner, (2) the exchange is in the principal market for that asset or liability, and (3) the market participants are independent, knowledgeable, and able and willing to transact an exchange. Fair value accounting and reporting establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. Judgment is required to interpret the market data used to develop fair value estimates. As such, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair value.

At June 30, 2022, financial assets and liabilities measured at fair value on a recurring basis were limited to our Executive Deferred Compensation Plan, under which certain employees are permitted to defer a portion of their base salary and/or bonus for a Plan Year (as defined in the plan), equity securities held for sale, and contingent consideration liabilities related to certain of our acquisitions.

Financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 and September 30, 2021, are summarized in the following tables by the type of inputs applicable to the fair value measurements:

	June 30, 2022		
	Total Fair Value	Quoted Prices (Level 1)	Significant Unobservable Inputs (Level 3)
Executive savings plan assets	\$ 796	\$ 796	\$ —
Equity securities	1,052	1,052	—
Executive savings plan liabilities	(610)	(610)	—
Contingent consideration liability	(4,287)	—	(4,287)
Total	<u>\$ (3,049)</u>	<u>\$ 1,238</u>	<u>\$ (4,287)</u>

	September 30, 2021		
	Total Fair Value	Quoted Prices (Level 1)	Significant Unobservable Inputs (Level 3)
Executive savings plan assets	\$ 937	\$ 937	\$ —
Executive savings plan liabilities	(806)	(806)	—
Contingent consideration liability	(4,181)	—	(4,181)
Total	<u>\$ (4,050)</u>	<u>\$ 131</u>	<u>\$ (4,181)</u>

In fiscal year 2021, we entered into a contingent consideration arrangement related to the acquisition of Bayonet. At June 30, 2022, we estimated the fair value of this contingent consideration liability at \$4,287. The table below presents the fair value of this obligation, which used significant unobservable inputs (Level 3).

	Contingent Consideration Agreements
Fair value at September 30, 2021	\$ (4,181)
Net adjustments to fair value	(106)
Fair value at June 30, 2022	<u>\$ (4,287)</u>

10. INVENTORY

Inventories consist of the following components:

	June 30, 2022	September 30, 2021
Raw materials	\$ 10,164	\$ 5,819
Work in process	9,074	6,848
Finished goods	1,903	1,554
Parts and supplies	71,621	54,352
Total inventories	<u>\$ 92,762</u>	<u>\$ 68,573</u>

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following summarizes the carrying value of goodwill by segment at June 30, 2022, which was unchanged from September 30, 2021:

	Communications	Residential	Infrastructure Solutions	Commercial & Industrial	Total
Goodwill at June 30, 2022	<u>\$ 2,816</u>	<u>\$ 51,370</u>	<u>\$ 38,209</u>	<u>\$ —</u>	<u>\$ 92,395</u>

Intangible Assets

Intangible assets consist of the following:

	Estimated Useful Lives (in Years)	June 30, 2022		
		Gross Carrying Amount	Accumulated Amortization	Net
Trademarks/trade names	5 - 20	\$ 15,262	\$ (4,170)	\$ 11,092
Technical library	20	400	(176)	224
Customer relationships	6 - 15	96,879	(32,888)	63,991
Non-competition arrangements	5	40	(31)	9
Backlog and construction contracts	1	4,957	(4,957)	—
Total intangible assets		<u>\$ 117,538</u>	<u>\$ (42,222)</u>	<u>\$ 75,316</u>

	Estimated Useful Lives (in Years)	September 30, 2021		
		Gross Carrying Amount	Accumulated Amortization	Net
Trademarks/trade names	5 - 20	\$ 15,262	\$ (2,891)	\$ 12,371
Technical library	20	400	(161)	239
Customer relationships	6 - 15	96,879	(24,021)	72,858
Non-competition arrangements	5	40	(25)	15
Backlog and construction contracts	1	4,957	(4,821)	136
Total intangible assets		<u>\$ 117,538</u>	<u>\$ (31,919)</u>	<u>\$ 85,619</u>

12. COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time we are a party to various claims, lawsuits and other legal proceedings that arise in the ordinary course of business. We maintain various insurance coverages to minimize financial risk associated with these proceedings. None of these proceedings, separately or in the aggregate, are expected to have a material adverse effect on our financial position, results of operations or cash

flows. With respect to all such proceedings, we record reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. We expense routine legal costs related to these proceedings as they are incurred.

On June 22, 2021, the United States Department of Labor Wage and Hour Division (the "DOL") notified IES Residential, Inc. ("IESR"), a wholly-owned subsidiary of the Company, that the DOL had commenced an administrative investigation of IESR's compliance with laws regulating employee wage payment. The inquiry concerned overtime calculations and record keeping with respect to certain Arizona employees who are paid on a piece rate basis. In response to certain DOL requests, IESR produced documents and made employees available for interviews.

On November 10, 2021, the DOL indicated that it believes IESR piece rate employees did not record all hours worked, and therefore, IESR was not in compliance with the Fair Labor Standards Act. The Company is continuing its internal investigation into this matter, and is in ongoing discussions with the DOL regarding these allegations. We have established a reserve of \$500 related to this matter. At this time, it is not possible for us to estimate a range of costs we expect to incur.

In the course of performing work as a subcontractor, from time to time we may be involved in projects which are the subject of contractual disputes between the general contractor and project owner, or between us and the general contractor. In such cases, payment of amounts owed to us by the general contractor may be delayed as contractual disputes are resolved through mediation, arbitration, or litigation. Such disputes may cause us to incur legal fees and other expenses to enforce our contractual rights, and we may not prevail in recovering all amounts to which we believe we are contractually entitled. At June 30, 2022, we had an aggregate \$10,861 of trade accounts receivable where payment has been delayed as a result of contractual disputes. We believe that we are contractually entitled to all of these amounts, and intend to vigorously pursue recovery. However, based on uncertainty around the timing and amount of recovery, at June 30, 2022, we have recorded a reserve of \$3,096 against these receivables.

Risk Management

We retain the risk for workers' compensation, employer's liability, automobile liability, construction defects, general liability and employee group health claims, as well as pollution coverage, resulting from uninsured deductibles per accident or occurrence which are generally subject to annual aggregate limits. Our general liability program provides coverage for bodily injury and property damage. In many cases, we insure third parties, including general contractors, as additional insured parties under our insurance policies. Losses are accrued based upon our known claims incurred and an estimate of claims incurred but not reported. As a result, many of our claims are effectively self-insured. Many claims against our insurance are in the form of litigation. At June 30, 2022 and September 30, 2021, we had \$6,745 and \$5,787, respectively, accrued for self-insurance liabilities. Because the reserves are based on judgment and estimates and involve variables that are inherently uncertain, such as the outcome of litigation and an assessment of insurance coverage, there can be no assurance that the ultimate liability will not be higher or lower than such estimates or that the timing of payments will not create liquidity issues for the Company.

Some of the underwriters of our casualty insurance program require us to post letters of credit as collateral. This is common in the insurance industry. To date, we have not had a situation where an underwriter has had reasonable cause to effect payment under a letter of credit. At June 30, 2022 and September 30, 2021, \$3,878 and \$4,327, respectively, of our outstanding letters of credit was utilized to collateralize our insurance program.

Surety

As of June 30, 2022, the estimated cost to complete our bonded projects was approximately \$115,797. We evaluate our bonding requirements on a regular basis, including the terms offered by our sureties. We believe the bonding capacity presently provided by our current sureties is adequate for our current operations and will be adequate for our operations for the foreseeable future. Posting letters of credit in favor of our sureties reduces the borrowing availability under our revolving credit facility.

Other Commitments and Contingencies

Some of our customers and vendors require us to post letters of credit, or provide intercompany guarantees, as a means of guaranteeing performance under our contracts and ensuring payment by us to subcontractors and vendors. If our customer has reasonable cause to effect payment under a letter of credit, we would be required to reimburse our creditor for the letter of credit.

From time to time we may enter into firm purchase commitments for materials, such as copper or aluminum wire, which we expect to use in the ordinary course of business. These commitments are typically for terms of less than one year and require us to buy minimum quantities of materials at specific intervals at a fixed price over the term. As of June 30, 2022, we had commitments of \$12,058 outstanding under agreements to purchase copper wire and other materials over the next 12 months in the ordinary course of business.

13. LEASES

We enter into various contractual arrangements for the right to use facilities, vehicles and equipment. The lease terms generally range from two to ten years for facilities and three to five years for vehicles and equipment. Our lease terms may include the exercise of renewal or termination options when it is reasonably certain these options will be exercised. Our lease agreements do not contain any material residual value guarantees or restrictive covenants.

Current operating and finance liabilities of \$14,919 and \$1,998, respectively, as of June 30, 2022, and \$13,973 and \$1,033, respectively, as of September 30, 2021, were included in "Accounts payable and accrued expenses" in the Condensed Consolidated Balance Sheets. Non-current finance lease liabilities and finance lease right-of-use assets were included in the "Other non-current liabilities" and "Other non-current assets", respectively, in the Condensed Consolidated Balance Sheets.

The maturities of our lease liabilities as of June 30, 2022 are as follows:

	Operating Leases	Finance Leases	Total
Remainder of 2022	\$ 8,111	\$ 1,024	\$ 9,135
2023	13,125	2,039	15,164
2024	9,761	2,003	11,764
2025	6,889	1,714	8,603
2026	4,321	840	5,161
Thereafter	4,806	92	4,898
Total undiscounted lease payments	<u>\$ 47,013</u>	<u>\$ 7,712</u>	<u>\$ 54,725</u>
Less: imputed interest	4,138	618	4,756
Present value of lease liabilities	<u>\$ 42,875</u>	<u>\$ 7,094</u>	<u>\$ 49,969</u>

The total future undiscounted cash flows related to lease agreements committed to but not yet commenced as of June 30, 2022 is \$804.

Lease cost recognized in our Condensed Consolidated Statements of Comprehensive Income is summarized as follows:

	Three Months Ended		Nine Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating lease cost	\$ 3,947	\$ 3,287	\$ 12,107	\$ 10,337
Finance lease cost				
Amortization of lease assets	435	176	1,039	418
Interest on lease liabilities	71	33	175	81
Finance lease cost	506	209	1,214	499
Short-term lease cost	321	330	1,097	880
Variable lease cost	483	321	1,439	954
Total lease cost	<u>\$ 5,257</u>	<u>\$ 4,147</u>	<u>\$ 15,857</u>	<u>\$ 12,670</u>

Other information about lease amounts recognized in our Condensed Consolidated Financial Statements is summarized as follows:

	Three Months Ended		Nine Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating cash flows used for operating leases	\$ 4,956	\$ 3,401	\$ 14,307	\$ 11,051
Operating cash flows used for finance leases	71	33	175	81
Right-of-use assets obtained in exchange for new operating lease liabilities	2,790	5,834	14,289	20,799
Right-of-use assets obtained in exchange for new finance lease liabilities	1,686	1,032	4,268	1,992

	June 30, 2022	September 30, 2021
Weighted-average remaining lease term - operating leases	4.2 years	5.0 years
Weighted-average remaining lease term - finance leases	4.0 years	4.2 years
Weighted-average discount rate - operating leases	3.5 %	3.7 %
Weighted-average discount rate - finance leases	4.3 %	4.3 %

14. BUSINESS COMBINATIONS AND DIVESTITURES

We completed no acquisitions during the nine months ended June 30, 2022. We completed four acquisitions in fiscal year 2021 for total aggregate cash consideration of \$92,462. In November 2020, we acquired both Wedlake Fabricating, Inc., a Tulsa, Oklahoma-based manufacturer of custom generator enclosures that are primarily used by data centers and large commercial and industrial facilities, and K.E.P. Electric, Inc., a Batavia, Ohio-based electrical contractor specializing in the design and installation of electrical systems for single-family housing and multi-family developments. In December 2020, we acquired an 80% interest in Bayonet Plumbing, Heating & Air-Conditioning, LLC, a Hudson, Florida-based provider of residential heating, ventilation and air conditioning ("HVAC") and plumbing installation and maintenance services. In May 2021, we acquired an 80% ownership interest in Edmonson Electric, LLC, a Land O'Lakes, Florida-based provider of residential electric, low voltage, and HVAC installation services.

In addition to the cash consideration, the purchase price included contingent consideration with respect to the acquisition of Bayonet of up to \$4,500 due in December 2023. Amounts to be paid are contingent on earnings achieved over a three year period, and will accrue interest on the \$4,500 at a rate of 3%, to be paid quarterly. This contingent liability was valued at \$4,074 as of the date of the acquisition.

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

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and the notes thereto, set forth in Part II, Item 8. "Financial Statements and Supplementary Data" as set forth in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, and the Condensed Consolidated Financial Statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q. The following discussion may contain forward looking statements. For additional information, see "Disclosure Regarding Forward Looking Statements" in Part I of this Quarterly Report on Form 10-Q.

OVERVIEW

Executive Overview

Please refer to Part I, Item 1. "Business" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, for a discussion of the Company's services and corporate strategy. IES Holdings, Inc., a Delaware corporation, designs and installs integrated electrical and technology systems and provides infrastructure products and services to a variety of end markets. Our operations are organized into four principal business segments: Communications, Residential, Infrastructure Solutions and Commercial & Industrial.

Impact of COVID-19 and Current Market Conditions on Our Business

The coronavirus disease 2019 ("COVID-19") pandemic and its ongoing impact on markets, the supply chain and the labor force continue to influence trends affecting our business. While commodity prices for some of the materials we procure recently have begun to stabilize, concerns remain around limited availability or delays in deliveries for certain materials necessary for our projects, notably copper, steel, aluminum, electronic components, and certain plastics. Reduced availability of certain materials has resulted in a continuing need to take actions such as carrying higher levels of inventory than we typically hold, or, in some cases, substituting higher-cost materials or sourcing materials from new suppliers which may offer less favorable terms or pricing than our usual suppliers. Such actions have resulted in an increase in working capital through the first nine months of fiscal 2022. We seek to mitigate supply chain risk by maintaining relationships with multiple vendors, and to recoup higher materials costs through adjusted pricing. However, we are not able to pass on all increased costs, and our suppliers are facing challenges in providing the materials we require. We are also continuing to experience workforce disruptions related to exposure to, or illness from, COVID-19, which have resulted in production inefficiencies and delays, higher overtime costs, and the need to outsource activities or use more expensive contract labor. An inability to procure materials in a timely manner, to complete work on schedule, and to reflect higher materials or labor costs in our pricing to customers has had, and could continue to have, a significant impact on our operating results.

Factors related to the COVID-19 pandemic that we expect will continue to affect our results of operations in the future include, but are not limited to, the potential impacts on our workforce of either illness or the shut-down of job sites; the impact of any vaccine mandates or testing requirements on employee recruiting and retention; a reduced demand for our services; increases in operating costs due to disruptions, personal protective equipment requirements and other increased employment-related costs; supply chain disruptions; increased material prices; and limitations on the ability of our customers to pay us on a timely basis. With respect to employees working remotely, we may also be more vulnerable to security breaches, cyber-attacks, computer viruses, ransomware, or other similar events. Although we have implemented policies, procedures and security software intended to protect our information technology systems, networks and infrastructure, these measures may not be effective against all potential cybersecurity threats.

We are continuing to monitor conditions affecting our business and will take actions as may be necessary to protect the health and safety of our employees and to serve our customers. The ultimate impact and the extent to which the COVID-19 pandemic will continue to affect our business, results of operations and financial condition are difficult to predict and depend on numerous evolving factors outside our control including: emergence of new variants of the virus; government, social, business and other actions taken in response to the pandemic; any additional waves of COVID-19 infections; vaccine efficacy on new variants of the virus; the impact of vaccine mandates or testing requirements on employee recruiting and retention; and the effect of the pandemic on short- and long-term general economic conditions, including the supply chain.

Please refer to Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021 for further information.

RESULTS OF OPERATIONS

We report our operating results across our four operating segments: Communications, Residential, Infrastructure Solutions, and Commercial & Industrial. Expenses associated with our corporate office are classified separately. The following table presents selected historical results of operations of IES Holdings, Inc., including the results of acquired businesses from the dates acquired.

	Three Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 567,301	100.0 %	\$ 405,871	100.0 %
Cost of services	484,501	85.4	333,042	82.1
Gross profit	82,800	14.6	72,829	17.9
Selling, general and administrative expenses	67,090	11.8	50,342	12.4
Contingent consideration	70	—	69	—
Loss (gain) on sale of assets	3	—	(32)	—
Operating income	15,637	2.8	22,450	5.5
Interest and other expense, net	963	0.2	161	—
Income from operations before income taxes	14,674	2.6	22,289	5.5
Provision for income taxes	3,609	0.6	2,640	0.7
Net income	11,065	2.0	19,649	4.8
Net income attributable to noncontrolling interest	(1,600)	(0.3)	(348)	(0.1)
Net income attributable to IES Holdings, Inc.	<u>\$ 9,465</u>	<u>1.7 %</u>	<u>\$ 19,301</u>	<u>4.8 %</u>

Consolidated revenues for the three months ended June 30, 2022, were \$161.4 million higher than for the three months ended June 30, 2021, an increase of 39.8%, with increases at all four of our operating segments driven by strong demand and the contribution of Edmonson Electric, LLC ("Edmonson"), which was acquired during the third quarter of fiscal 2021.

Consolidated gross profit for the three months ended June 30, 2022 increased \$10.0 million compared to the three months ended June 30, 2021. Our overall gross profit percentage decreased to 14.6% during the three months ended June 30, 2022, as compared to 17.9% during the three months ended June 30, 2021. Gross profit as a percentage of revenue decreased at all four of our operating segments. See further discussion below of changes in gross margin for our individual segments.

Selling, general and administrative expenses include costs not directly associated with performing work for our customers. These costs consist primarily of compensation and benefits related to corporate, segment and branch management (including incentive-based compensation), occupancy and utilities, training, professional services, information technology costs, consulting fees, travel and certain types of depreciation and amortization. We allocate certain corporate selling, general and administrative costs across our segments as we believe this more accurately reflects the costs associated with operating each segment.

During the three months ended June 30, 2022, our selling, general and administrative expenses were \$67.1 million, an increase of \$16.7 million, or 33.3%, over the three months ended June 30, 2021, driven largely by increased personnel costs at our Residential operating segment in connection with its growth, including higher incentive compensation at the division level driven by higher earnings, and by expenses incurred at Edmonson, including amortization of intangible assets. Selling, general and administrative expense as a percent of revenue decreased from 12.4% for the three months ended June 30, 2021 to 11.8% for the three months ended June 30, 2022, as we benefited from the increased scale of our operations.

	Nine Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 1,549,403	100.0 %	\$ 1,052,670	100.0 %
Cost of services	1,328,369	85.7	856,288	81.3
Gross profit	221,034	14.3	196,382	18.7
Selling, general and administrative expenses	189,922	12.3	140,783	13.4
Contingent consideration	208	—	142	—
Gain on sale of assets	(70)	—	(24)	—
Operating income	30,974	2.0	55,481	5.3
Interest and other expense, net	2,583	0.2	389	—
Income from operations before income taxes	28,391	1.8	55,092	5.2
Provision for income taxes	6,297	0.4	9,890	0.9
Net income	22,094	1.4	45,202	4.3
Net income attributable to noncontrolling interest	(3,577)	(0.2)	(967)	(0.1)
Net income attributable to IES Holdings, Inc.	\$ 18,517	1.2 %	\$ 44,235	4.2 %

Consolidated revenues for the nine months ended June 30, 2022, were \$496.7 million higher than for the nine months ended June 30, 2021, an increase of 47.2%, with increases at all four of our operating segments, driven by strong demand and the contribution of businesses acquired in fiscal 2021.

Our overall gross profit percentage decreased to 14.3% during the nine months ended June 30, 2022, as compared to 18.7% during the nine months ended June 30, 2021. Gross profit as a percentage of revenue decreased at all four of our operating segments. See further discussion below of changes in gross margin for our individual segments.

During the nine months ended June 30, 2022, our selling, general and administrative expenses were \$189.9 million, an increase of \$49.1 million, or 34.9%, over the nine months ended June 30, 2021, driven by increased personnel costs, primarily at our Residential operating segment, in connection with its growth, and the impact of businesses acquired during fiscal 2021, including amortization of intangible assets. Selling, general and administrative expense as a percent of revenue decreased from 13.4% for the nine months ended June 30, 2021, to 12.3% for the nine months ended June 30, 2022, as we benefited from the increased scale of our operations.

Communications

	Three Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 144,748	100.0 %	\$ 116,218	100.0 %
Cost of services	128,952	89.1	95,582	82.2
Gross profit	15,796	10.9	20,636	17.8
Selling, general and administrative expenses	11,544	8.0	10,783	9.3
Gain on sale of assets	(1)	—	(7)	—
Operating income	\$ 4,253	2.9 %	\$ 9,860	8.5 %

Revenues. Our Communications segment's revenues increased by \$28.5 million during the three months ended June 30, 2022, or 24.5%, compared to the three months ended June 30, 2021. The increase primarily resulted from increased demand from our data center customers.

Gross Profit. Our Communications segment's gross profit during the three months ended June 30, 2022 decreased by \$4.8 million compared to the three months ended June 30, 2021. Gross profit as a percentage of revenue decreased from 17.8% to 10.9%. We recently expanded our offerings to our data center customers into a new, adjacent service area; however, we had execution issues and recorded a combined loss of \$7.8 million on a series of these projects in the three months ended June 30, 2022. As a result of this loss and related losses in the quarter ended March 31, 2022, we are no longer pursuing work in this service area. As of June 30, 2022, we had \$2.3 million of backlog remaining on such projects. Our operating margins for the third quarter were also negatively impacted by a shift in our mix of customers, as well as a more competitive bidding environment in the distribution center and warehouse market,

which has experienced slowing activity following a period of significant pandemic-related growth. Supply chain challenges and workforce disruptions related to COVID-19 have also continued to affect project efficiency. Finally, we continue to invest in hiring and training personnel, particularly in estimating and project management, to grow the business.

Selling, General and Administrative Expenses. Our Communications segment's selling, general and administrative expenses increased by \$0.8 million, or 7.1%, during the three months ended June 30, 2022, compared to the three months ended June 30, 2021. The increase is a result of higher personnel cost in connection with the growth of our business, as well as higher wages in an increasingly competitive labor market. We also experienced a more typical level of selling expense for the three months ended June 30, 2022 as compared to the same period in 2021, when travel and other activities were curtailed due to the pandemic. Selling, general and administrative expenses as a percentage of revenue in the Communications segment were 8.0% during the three months ended June 30, 2022, compared to 9.3% for the three months ended June 30, 2021, as we have benefited from the scale of our operations.

	Nine Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 402,776	100.0 %	\$ 309,460	100.0 %
Cost of services	355,360	88.2	250,738	81.0
Gross profit	47,416	11.8	58,722	19.0
Selling, general and administrative expenses	33,907	8.4	29,739	9.6
Gain on sale of assets	(14)	—	(7)	—
Operating income	\$ 13,523	3.4 %	\$ 28,990	9.4 %

Revenues. Our Communications segment's revenues increased by \$93.3 million during the nine months ended June 30, 2022, or 30.2%, compared to the nine months ended June 30, 2021. The increase primarily resulted from increased demand from our data center customers.

Gross Profit. Our Communications segment's gross profit during the nine months ended June 30, 2022 decreased \$11.3 million, or 19.3%, as compared to the nine months ended June 30, 2021. Gross profit as a percentage of revenue decreased from 19.0% to 11.8%. The decrease was driven primarily by certain project losses incurred in the nine months ended June 30, 2022, as discussed above which negatively impacted our gross profit by \$17.1 million year to date. Supply chain challenges and workforce disruptions related to COVID-19 have also continued to affect project efficiency. Finally, we continue to invest in hiring and training personnel, particularly in estimating and project management, to grow the business.

Selling, General and Administrative Expenses. Our Communications segment's selling, general and administrative expenses increased \$4.2 million, or 14.0%, during the nine months ended June 30, 2022, compared to the nine months ended June 30, 2021. The increase is a result of higher personnel cost in connection with the growth of our business, as well as higher wages in an increasingly competitive labor market. We also experienced a more typical level of selling expense for the nine months ended June 30, 2022 as compared to the same period in 2021, when travel and other activities were curtailed due to the pandemic. Selling, general and administrative expenses as a percentage of revenues in the Communications segment decreased from 9.6% to 8.4% during the nine months ended June 30, 2022, compared to the nine months ended June 30, 2021, as we have benefited from the scale of our operations.

Residential

	Three Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 301,763	100.0 %	\$ 186,449	100.0 %
Cost of services	248,928	82.5	152,778	81.9
Gross profit	52,835	17.5	33,671	18.1
Selling, general and administrative expenses	37,237	12.3	22,634	12.1
Contingent consideration	70	—	69	—
Loss on sale of assets	6	—	8	—
Operating income	\$ 15,522	5.1 %	\$ 10,960	5.9 %

Revenues. Our Residential segment's revenues increased by \$115.3 million, or 61.8%, during the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The increase was driven by the revenue contributed by the acquisition of Edmonson in May 2021, strong demand for single-family housing and the impact of price increases in connection with a higher cost of materials. Edmonson contributed \$32.0 million of the total increase in revenue for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. Inclusive of Edmonson, single-family revenues increased by \$122.5 million and multi-family and other revenues decreased \$7.1 million, respectively, for the three months ended June 30, 2022 compared to 2021.

Gross Profit. During the three months ended June 30, 2022, our Residential segment's gross profit increased by \$19.2 million, or 56.9%, compared to the three months ended June 30, 2021. The increase in gross profit was driven primarily by contributions from Edmonson, as well as the impact of price increases. Gross profit as a percentage of revenue decreased to 17.5% during the three months ended June 30, 2022, from 18.1% for the three months ended June 30, 2021, primarily as a result of increased commodity prices and a reduction in project efficiency related to supply-chain challenges and the COVID-19 pandemic.

Selling, General and Administrative Expenses. Our Residential segment's selling, general and administrative expenses increased by \$14.6 million, or 64.5%, during the three months ended June 30, 2022, compared to the three months ended June 30, 2021. Selling, general and administrative expenses incurred at Edmonson, including amortization of intangible assets, contributed \$2.9 million of the net increase. The remaining increase was driven by higher personnel cost in connection with business growth, including incentive profit sharing for division management. Selling, general and administrative expenses as a percentage of revenue in the Residential segment increased slightly to 12.3% during the three months ended June 30, 2022, compared to 12.1% in the three months ended June 30, 2021, in conjunction with the growth of our operations.

	Nine Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 803,945	100.0 %	\$ 456,276	100.0 %
Cost of services	662,928	82.5	368,887	80.8
Gross profit	141,017	17.5	87,389	19.2
Selling, general and administrative expenses	101,808	12.7	61,570	13.5
Contingent consideration	208	—	142	—
Loss on sale of assets	14	—	60	—
Operating income	\$ 38,987	4.8 %	\$ 25,617	5.6 %

Revenues. Our Residential segment's revenues increased by \$347.7 million, or 76.2%, during the nine months ended June 30, 2022, compared to the nine months ended June 30, 2021, reflecting the revenue contribution of businesses acquired in fiscal 2021, strong demand for single-family and multi-family housing and the impact of price increases in connection with a higher cost of materials. Businesses acquired in fiscal 2021 contributed \$199.2 million of the total increase in revenue for the nine months ended June 30, 2022 compared to the nine months ended June 30, 2021. Inclusive of these acquired businesses, revenue in our single-family business increased by \$315.7 million for the nine months ended June 30, 2022, compared to the nine months ended June 30, 2021, while multi-family and other revenue increased by \$31.9 million.

Gross Profit. During the nine months ended June 30, 2022, our Residential segment's gross profit increased by \$53.6 million, or 61.4%, as compared to the nine months ended June 30, 2021. The increase in gross profit was driven primarily by contributions from

the businesses acquired in fiscal 2021 and higher volumes, partly offset by increased commodity prices. Gross margin as a percentage of revenue decreased to 17.5% during the nine months ended June 30, 2022, from 19.2% during the nine months ended June 30, 2021, primarily as a result of increased commodity prices and a reduction in project efficiency related to supply-chain challenges and the COVID-19 pandemic.

Selling, General and Administrative Expenses. Our Residential segment's selling, general and administrative expenses increased by \$40.2 million, or 65.4%, during the nine months ended June 30, 2022, compared to the nine months ended June 30, 2021. Selling, general and administrative expenses incurred at the businesses acquired during fiscal 2021, including amortization of intangible assets, contributed \$17.8 million of the increase. The remaining increase was driven by higher personnel cost in connection with business growth, including incentive profit sharing for division management. Selling, general and administrative expenses as a percentage of revenues in the Residential segment decreased to 12.7% during the nine months ended June 30, 2022, from 13.5% during the nine months ended June 30, 2021, as we benefited from the increased scale of our operations.

Infrastructure Solutions

	Three Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 39,837	100.0 %	\$ 39,117	100.0 %
Cost of services	33,726	84.7	28,374	72.5
Gross profit	6,111	15.3	10,743	27.5
Selling, general and administrative expenses	6,484	16.3	5,961	15.2
Gain on sale of assets	—	—	(1)	—
Operating income	\$ (373)	(0.9) %	\$ 4,783	12.2 %

Revenues. Revenues in our Infrastructure Solutions segment increased \$0.7 million during the three months ended June 30, 2022, an increase of 1.8% compared to the three months ended June 30, 2021 as continued strong demand in our generator enclosures business was partially offset by lower revenues in other manufacturing operations.

Gross Profit. Our Infrastructure Solutions segment's gross profit during the three months ended June 30, 2022 decreased \$4.6 million as compared to the three months ended June 30, 2021, reflecting the impact of supply chain disruptions on our generator enclosure business, COVID-19 related labor inefficiencies, and operating inefficiencies in connection with the relocation of the Wedlake Fabricating Inc. ("Wedlake") business to a new, larger facility that will expand capacity while allowing for improved workflow and process efficiency. The transition and setup of the new facility was completed during the three months ended June 30, 2022. Gross profit as a percentage of revenue decreased from 27.5% to 15.3%.

Selling, General and Administrative Expenses. Our Infrastructure Solutions segment's selling, general and administrative expenses during the three months ended June 30, 2022 increased \$0.5 million when compared to the three months ended June 30, 2021, primarily as a result of an increase in medical claims cost. Selling, general and administrative expenses as a percent of revenue increased from 15.2% to 16.3%.

	Nine Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 123,666	100.0 %	\$ 108,234	100.0 %
Cost of services	102,774	83.1	76,999	71.1
Gross profit	20,892	16.9	31,235	28.9
Selling, general and administrative expenses	18,933	15.3	17,787	16.4
Gain on sale of assets	(28)	—	(1)	—
Operating income	\$ 1,987	1.6 %	\$ 13,449	12.4 %

Revenues. Revenues in our Infrastructure Solutions segment increased \$15.4 million, or 14.3%, during the nine months ended June 30, 2022 compared to the nine months ended June 30, 2021. The increase in revenue was driven primarily by increased demand at our generator enclosure business as well as the acquisition of Wedlake during the first quarter of fiscal 2021, which contributed \$10.1 million of the increase.

Gross Profit. Our Infrastructure Solutions segment's gross profit during the nine months ended June 30, 2022 decreased \$10.3 million as compared to the nine months ended June 30, 2021, reflecting the impact of supply chain disruptions on our generator enclosure business, COVID-19 related labor inefficiencies, and operating inefficiencies in connection with the relocation of the Wedlake business to a new, larger facility as discussed above. Gross profit as a percentage of revenues decreased to 16.9% for the nine months ended June 30, 2022 compared to 28.9% for the nine months ended June 30, 2021. Additionally, during the nine months ended June 30, 2021, we benefited from workers' compensation refunds received from the State of Ohio.

Selling, General and Administrative Expenses. Our Infrastructure Solutions segment's selling, general and administrative expenses during the nine months ended June 30, 2022 increased \$1.1 million compared to the nine months ended June 30, 2021, primarily as a result of expenses incurred at the Wedlake business acquired during the first fiscal quarter of 2021, including amortization of intangible assets. Selling, general and administrative expenses as a percent of revenue decreased from 16.4% for the nine months ended June 30, 2021 to 15.3% for the nine months ended June 30, 2022, as we benefited from the scale of our operations.

Commercial & Industrial

	Three Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 80,953	100.0 %	\$ 64,087	100.0 %
Cost of services	72,895	90.0	56,308	87.9
Gross profit	8,058	10.0	7,779	12.1
Selling, general and administrative expenses	7,788	9.6	6,781	10.6
Gain on sale of assets	(2)	—	(32)	—
Operating income	\$ 272	0.3 %	\$ 1,030	1.6 %

Revenues. Revenues in our Commercial & Industrial segment increased \$16.9 million, or 26.3%, during the three months ended June 30, 2022, compared to the three months ended June 30, 2021. During the quarter ended June 30, 2022, we benefited from the start-up of projects that were delayed in fiscal 2021. While activity in this segment has been curtailed during the COVID-19 pandemic, many customers have returned to more typical levels of activity. However, this market remains highly competitive.

Gross Profit. Our Commercial & Industrial segment's gross profit during the three months ended June 30, 2022, increased by \$0.3 million, as compared to the three months ended June 30, 2021. Gross profit as a percentage of revenue decreased from 12.1% for the quarter ended June 30, 2021 to 10.0% for the quarter ended June 30, 2022 as a result of continuing inefficiencies on certain projects.

Selling, General and Administrative Expenses. Our Commercial & Industrial segment's selling, general and administrative expenses during the three months ended June 30, 2022 increased \$1.0 million, or 14.8%, compared to the three months ended June 30, 2021. The increase was driven primarily by higher pay rates in an increasingly competitive labor market, as well as \$0.9 million of reserves in connection with legal matters related to certain contractual disputes. Selling, general and administrative expenses as a percentage of revenue decreased from 10.6% to 9.6% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021.

	Nine Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 219,016	100.0 %	\$ 178,700	100.0 %
Cost of services	207,307	94.7	159,664	89.3
Gross profit	11,709	5.3	19,036	10.7
Selling, general and administrative expenses	23,504	10.7	19,949	11.2
Gain on sale of assets	(42)	—	(49)	—
Operating loss	\$ (11,753)	(5.4) %	\$ (864)	(0.5) %

Revenues. Revenues in our Commercial & Industrial segment increased \$40.3 million during the nine months ended June 30, 2022, or 22.6%, compared to the nine months ended June 30, 2021. During the nine months ended June 30, 2022, we benefited from the start-up of projects that were delayed in fiscal 2021. While activity in this segment was curtailed earlier in the COVID-19 pandemic, many customers have returned to more typical levels of activity. However, this market remains highly competitive.

Gross Profit. Our Commercial & Industrial segment's gross profit during the nine months ended June 30, 2022 decreased by \$7.3 million, or 38.5%, as compared to the nine months ended June 30, 2021. During the nine months ended June 30, 2022, one of our Commercial & Industrial branches experienced execution issues on a large contract, resulting in significant project rework. As a result, we incurred additional expense related to this project including the accrual of estimated costs to complete the project, including demolition, purchase of replacement materials, and performance of the rework. Additionally, a second job at that same branch was affected by costs associated with a delay in receiving materials from a supplier. These two projects collectively impacted our year to date gross profit by \$13.2 million. As a result, gross profit as a percentage of revenue decreased from 10.7% for the nine months ended June 30, 2021 to 5.3% for the nine months ended June 30, 2022.

Selling, General and Administrative Expenses. Our Commercial & Industrial segment's selling, general and administrative expenses during the nine months ended June 30, 2022 increased \$3.6 million, or 17.8%, compared to the nine months ended June 30, 2021. The increase was driven primarily by higher pay rates in an increasingly competitive labor market, as well as \$3.1 million of reserves in connection with legal matters related to certain contractual disputes. Selling, general and administrative expenses as a percentage of revenue decreased slightly, from 11.2% for the nine months ended June 30, 2021 to 10.7% for the nine months ended June 30, 2022.

INTEREST AND OTHER EXPENSE, NET

	Three Months Ended June 30,	
	2022	2021
	(In thousands)	
Interest expense	\$ 713	\$ 189
Deferred financing charges	48	51
Total interest expense	761	240
Other (income) expense, net	202	(79)
Total interest and other expense, net	\$ 963	\$ 161

During the three months ended June 30, 2022, we incurred interest expense of \$0.8 million primarily comprised of interest expense from our revolving credit facility and fees on an average letter of credit balance of \$4.2 million under our revolving credit facility and an average unused line of credit balance of \$51.4 million. This compares to interest expense of \$0.2 million for the three months ended June 30, 2021, primarily comprised of interest expense from our revolving credit facility and fees on an average letter of credit balance of \$5.8 million under our revolving credit facility and an average unused line of credit balance of \$76.9 million.

	Nine Months Ended June 30,	
	2022	2021
	(In thousands)	
Interest expense	\$ 1,604	\$ 492
Deferred financing charges	136	145
Total interest expense	1,740	637
Other (income) expense, net	843	(248)
Total interest and other expense, net	\$ 2,583	\$ 389

During the nine months ended June 30, 2022, we incurred interest expense of \$1.7 million primarily comprised of interest expense from our revolving credit facility and fees on an average letter of credit balance of \$4.7 million under our revolving credit facility and an average unused line of credit balance of \$46.8 million. This compares to interest expense of \$0.6 million for the nine months ended June 30, 2021, primarily comprised of interest expense from our revolving credit facility and fees on an average letter of credit balance of \$6.1 million under our revolving credit facility and an average unused line of credit balance of \$85.0 million.

The increase in other expense for the nine months ended June 30, 2022 as compared with June 30, 2021 is the result of unrealized losses on investments in equity securities of \$1.0 million.

PROVISION FOR INCOME TAXES

We recorded income tax expense of \$3.6 million for the three months ended June 30, 2022, compared to income tax expense of \$2.6 million for the three months ended June 30, 2021. For the three months ended June 30, 2022 and 2021, our income tax expense was partly offset by benefits of \$0.3 million and \$3.3 million, respectively, associated with the recognition of previously unrecognized tax benefits.

We recorded income tax expense of \$6.3 million for the nine months ended June 30, 2022, compared to income tax expense of \$9.9 million for the nine months ended June 30, 2021. For the nine months ended June 30, 2022 and 2021, our income tax expense was partly offset by benefit of \$0.4 million and \$4.2 million, respectively, associated with the recognition of previously unrecognized tax benefits.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of financial condition and results of operations is based on our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of our Condensed Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist as of the date of the Condensed Consolidated Financial Statements, and the reported amounts of revenues and expenses recognized during the periods presented. We review all significant estimates affecting our Condensed Consolidated Financial Statements on a recurring basis and record the effect of any necessary adjustments prior to their publication. Judgments and estimates are based on our beliefs and assumptions derived from information available at the time such judgments and estimates are made. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements. There can be no assurance that actual results will not differ from those estimates. For a discussion of our significant accounting policies, please see our Annual Report on Form 10-K for the fiscal year ended September 30, 2021. Some of the more significant estimates include revenue recognition, business combinations, valuation allowance for deferred tax assets and income taxes.

NEW ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements are described in Note 1, "Business and Accounting Policies - Accounting Standards Recently Adopted" in the Notes to our Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q and at relevant sections in this discussion and analysis.

REMAINING PERFORMANCE OBLIGATIONS AND BACKLOG

Remaining performance obligations represent the unrecognized revenue value of our contractual commitments. While backlog is not a defined term under GAAP, it is a common measurement used in our industry, and we believe it improves our ability to forecast future results and identify operating trends that may not otherwise be apparent. Backlog is a measure of revenue that we expect to recognize from work that has yet to be performed on uncompleted contracts and from work that has been contracted but has not started, exclusive of short-term projects. While all of our backlog is supported by documentation from customers, backlog is not a guarantee of future revenues, as contractual commitments may change and our performance may vary. Not all of our work is performed under contracts included in backlog; for example, most of the apparatus repair work that is completed by our Infrastructure Solutions segment is performed under master service agreements on an as-needed basis. Additionally, electrical installation services for single-family housing at our Residential segment are completed on a short-term basis and are therefore excluded from backlog. The table below summarizes our remaining performance obligations and backlog:

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Remaining performance obligations	\$ 894	\$ 835	\$ 721	\$ 713
Agreements without an enforceable obligation ⁽¹⁾	314	247	227	187
Backlog	\$ 1,208	\$ 1,082	\$ 948	\$ 900

(1) Our backlog contains signed agreements and letters of intent, which we do not have a legal right to enforce prior to work starting. These arrangements are excluded from remaining performance obligations until work begins.

WORKING CAPITAL

During the nine months ended June 30, 2022, working capital exclusive of cash increased by \$55.6 million from September 30, 2021, reflecting a \$110.8 million increase in current assets excluding cash and a \$55.2 million increase in current liabilities during the period.

During the nine months ended June 30, 2022, our current assets exclusive of cash increased to \$571.8 million, as compared to \$461.1 million as of September 30, 2021. An increase in business activity drove a \$58.2 million increase in trade accounts receivable. Days sales outstanding increased to 61 at June 30, 2022 from 57 at September 30, 2021. While the rate of collections may vary, our typically secured position, resulting from our ability in general to secure liens against our customers' overdue receivables, offers some protection that collection will occur eventually to the extent that our security retains value. Additionally, inventory increased by \$24.2 million in connection with rising commodity prices as well as growth of our business. Further, we have increased the quantity of inventory we are currently carrying to manage procurement risks. Costs and estimated earnings in excess of billings increased by \$15.3 million as a result of increased levels of activity at our Communications business, as well as supply chain disruptions in our Infrastructure Solutions business.

During the nine months ended June 30, 2022, our total current liabilities increased by \$55.2 million to \$366.8 million, compared to \$311.6 million as of September 30, 2021, driven by increased levels of business activity, offset in part by remittance of payroll taxes deferred under the CARES Act, and the timing of payment of certain year-end accruals.

Surety

We believe the bonding capacity provided by our sureties is adequate for our current operations and will be adequate for our operations for the foreseeable future. As of June 30, 2022, the estimated cost to complete our bonded projects was approximately \$115.8 million.

LIQUIDITY AND CAPITAL RESOURCES

The Revolving Credit Facility

On April 28, 2022, we entered into a Third Amended and Restated Credit and Security Agreement (the "Amended Credit Agreement")

with Wells Fargo Bank N.A. ("Wells Fargo"), which increased our maximum borrowing amount from \$125 million to \$150 million. The Amended Credit Agreement also removed the aggregate cap on our investments in certain securities and the cap on our ability to make stock repurchases, in each case subject to the satisfaction of certain liquidity requirements. All other customary affirmative, negative and financial covenants and events of default were unchanged by the amendment.

Borrowings under the Amended Credit Agreement may not exceed a "borrowing base" that is determined monthly by Wells Fargo based on available collateral, primarily certain accounts receivables, inventories, and equipment. Amounts outstanding bear interest at a per annum rate equal to the Daily Three Month Secured Overnight Financing Rate ("SOFR"), plus an interest rate margin, which is determined quarterly, based on the following thresholds:

Level	Thresholds	Interest Rate Margin
I	If Liquidity is less than 35% of the Maximum Revolver Amount (each as defined in the Amended Credit Agreement) at any time during the period	2.00 percentage points
II	If Liquidity is greater than or equal to 35% of the Maximum Revolver Amount at all times during the period and less than 50% of the Maximum Revolver Amount at any time during the period	1.75 percentage points
III	If Liquidity is greater than or equal to 50% of the Maximum Revolver Amount at all times during the period	1.50 percentage points

In addition, we are charged monthly in arrears for (1) an unused commitment fee of 0.25% per annum, (2) a collateral monitoring fee of \$5 thousand per quarter, (3) a letter of credit fee based on the then-applicable interest rate margin (4) appraisal fees, costs and expenses and (5) certain other fees and charges as specified in the Amended Credit Agreement.

As of June 30, 2022, we were in compliance with the financial covenants under the Amended Credit Agreement, requiring that we maintain:

- a Fixed Charge Coverage Ratio (as defined in the Amended Credit Agreement), measured quarterly on a trailing four-quarter basis at the end of each quarter, of at least 1.1 to 1.0; and
- minimum Liquidity of at least 10% of the Maximum Revolver Amount, or \$15.0 million; with, for purposes of this covenant, at least 50% of our Liquidity comprised of Excess Availability (as defined in the Amended Credit Agreement).

At June 30, 2022, our Liquidity was \$66.1 million, our Excess Availability was \$49.0 million (or greater than 50% of minimum Liquidity), and our Fixed Charge Coverage Ratio was 2.1:1.0.

If in the future our Liquidity falls below \$15.0 million (or Excess Availability falls below 50% of our minimum Liquidity), our Fixed Charge Coverage Ratio is less than 1.1:1.0, or if we otherwise fail to perform or otherwise comply with certain of our covenants or other agreements under the Amended Credit Agreement, it would result in an event of default under the Amended Credit Agreement, which could result in some or all of our then-outstanding indebtedness becoming immediately due and payable.

At June 30, 2022, we had \$4.1 million in outstanding letters of credit with Wells Fargo and outstanding borrowings of \$96.9 million under our revolving credit facility.

Operating Activities

Our cash flow from operations is not only influenced by cyclical demand for our services, operating margins and the type of services we provide, but can also be influenced by working capital needs such as the timing of our receivable collections. Working capital needs are generally lower during our fiscal first and second quarters due to the seasonality that we experience in many regions of the country; however, a seasonal decline in working capital may be offset by needs associated with higher growth or acquisitions. Currently, our working capital needs are higher than they have been historically, as a result of growth of our business, rising commodity prices, and the impact of supply chain disruptions.

Operating activities used net cash of \$17.8 million during the nine months ended June 30, 2022, as compared to \$35.1 million of net cash provided in the nine months ended June 30, 2021. The decrease in operating cash flow resulted from lower earnings and an increase in working capital, including an increase in inventory, during the nine months ended June 30, 2022. In addition to the impact on inventory of higher commodity prices, supply chain disruptions have resulted in longer lead times for deliveries, and reduced availability for certain products we procure, particularly copper wire. As a result, we have increased the amount of inventory we are currently carrying in an effort to ensure the availability of materials to serve our customers. Both trade accounts receivable and costs in excess of billings also increased due to business activity growth. We also remitted \$7.0 million of payroll taxes previously deferred under the CARES Act.

Investing Activities

Net cash used in investing activities was \$26.9 million for the nine months ended June 30, 2022, compared to \$97.9 million for the nine months ended June 30, 2021. We used \$26.6 million for capital expenditures in the nine months ended June 30, 2022, primarily related to the acquisition of a new operating facility for our Wedlake business, as well as an additional facility to support the growth of our Residential business in Florida. During the nine months ended June 30, 2021, we used \$92.7 million to complete three acquisitions and \$5.4 million for capital expenditures.

Financing Activities

Net cash provided by financing activities for the nine months ended June 30, 2022 was \$38.7 million, compared to \$27.7 million for the nine months ended June 30, 2021. Net cash provided by financing activities for the nine months ended June 30, 2022 included net borrowings on our credit facility of \$56.5 million, partly offset by \$10.5 million used for repurchases of our common stock, including repurchases to satisfy statutory withholding requirements upon the vesting of employee stock compensation. Additionally, we distributed \$6.4 million to noncontrolling interests under operating agreements in connection with certain acquisitions. For the nine months ended June 30, 2021, net borrowings of \$31.1 million were partially offset by \$1.5 million used to repurchase our shares to satisfy statutory withholding requirements upon the vesting of employee stock compensation and \$1.2 million to purchase a noncontrolling interest.

Stock Repurchase Program

In 2015, our Board authorized a stock repurchase program for the purchase from time to time of up to 1.5 million shares of the Company's common stock, and on May 2, 2019, our Board authorized the repurchase from time to time of up to an additional 1.0 million shares of the Company's common stock under the stock repurchase program. Share purchases are made for cash in open market transactions at prevailing market prices or in privately negotiated transactions or otherwise. The timing and amount of purchases under the program are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. All or part of the repurchases may be implemented under a Rule 10b5-1 trading plan, which allows repurchases under pre-set terms at times when the Company might otherwise be prevented from purchasing under insider trading laws or because of self-imposed blackout periods. The program does not require the Company to purchase any specific number of shares and may be modified, suspended or reinstated at any time at the Company's discretion and without notice. We repurchased 244,889 shares pursuant to this program during the nine months ended June 30, 2022.

MATERIAL CASH REQUIREMENTS

From time to time, we may enter into firm purchase commitments for materials, such as copper or aluminum wire, which we expect to use in the ordinary course of business. These commitments are typically for terms of less than one year and require us to buy minimum quantities of materials at specific intervals at a fixed price over the term. As of June 30, 2022, we had commitments of \$12.1 million outstanding under agreements to purchase copper wire and other materials over the next 12 months in the ordinary course of business. There have been no other material changes in our material cash requirements from those disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021. We expect that cash and cash equivalents, cash flow from operations and availability under our revolving credit facility will be sufficient to satisfy cash requirements during at least the next 12 months.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Management is actively involved in monitoring exposure to market risk and continues to develop and utilize appropriate risk management techniques. Our exposure to significant market risks includes fluctuations in labor costs and commodity prices. We are also exposed to interest rate risk with respect to our outstanding borrowings under our revolving credit facility. For additional information see “*Disclosure Regarding Forward-Looking Statements*” in Part I of this Quarterly Report on Form 10-Q and our risk factors in Part I, Item 1A. “*Risk Factors*” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

Commodity Risk

Our exposure to significant market risks includes fluctuations in commodity prices for copper, aluminum, steel, electronic components, certain plastics, and fuel. Commodity price risks may have an impact on our results of operations due to the fixed-price nature of many of our contracts. Over the long term, we expect to be able to pass along a portion of these costs to our customers, as market conditions in the industries we serve will allow.

Interest Rate Risk

Floating rate debt, where the interest rate fluctuates periodically, exposes us to short-term changes in market interest rates. All of the long-term debt outstanding under our revolving credit facility is structured on floating rate terms. We currently do not maintain any hedging contracts that would limit our exposure to variable rates of interest when we have outstanding borrowings under our revolving credit facility. Our credit agreement uses SOFR as the benchmark for establishing the interest rate charged on our borrowings. If SOFR were to increase, our interest payment obligations on any then-outstanding borrowings would increase, having a negative effect on our cash flow and financial condition. A one percentage point increase in the interest rate on our long-term debt outstanding under the credit facility as of June 30, 2022 would cause a \$0.9 million pre-tax annual increase in interest expense.

Item 4. Controls and Procedures

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 of the Exchange Act, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2022, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings, see Note 12, “Commitments and Contingencies – Legal Matters” in the Notes to our Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed under Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

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

Date	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plan ⁽²⁾
April 1, 2022 – April 30, 2022	—	\$—	—	810,618
May 1, 2022 – May 31, 2022	85,887	\$28.99	85,887	724,731
June 1, 2022 – June 30, 2022	100,000	\$30.77	100,000	624,731
Total	185,887	\$29.94	185,887	624,731

(1) The total number of shares purchased includes shares purchased pursuant to the plan described in footnote (2) below.

(2) In 2015, our Board authorized a stock repurchase program for the purchase of up to 1.5 million shares of the Company’s common stock from time to time, and on May 2, 2019, authorized the repurchase from time to time of up to an additional 1.0 million shares of the Company’s common stock under the stock repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of IES Holdings, Inc., as amended by the Certificate of Amendment thereto, effective May 24, 2016 (composite), (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2016).
3.2	Amended and Restated Bylaws of IES Holdings, Inc., effective April 28, 2021. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q filed on April 30, 2021).
4.1	Specimen common stock certificate. (Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed on December 9, 2016).
10.1	Third Amended and Restated Credit and Security Agreement, dated April 28, 2022 by and among IES Holdings, Inc., each of the other Borrowers and Guarantors named therein and Wells Fargo Bank, National Association, as Administrative Agent. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on April 29, 2022).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Jeffrey L. Gendell, Chief Executive Officer ⁽¹⁾
31.2	Rule 13a-14(a)/15d-14(a) Certification of Tracy A. McLaughlin, Senior Vice President, Chief Financial Officer and Treasurer ⁽¹⁾
32.1	Section 1350 Certification of Jeffrey L. Gendell, Chief Executive Officer ⁽²⁾
32.2	Section 1350 Certification of Tracy A. McLaughlin, Senior Vice President, Chief Financial Officer and Treasurer ⁽²⁾
101.INS	Inline 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 ⁽¹⁾
101.SCH	XBRL Schema Document ⁽¹⁾
101.LAB	XBRL Label Linkbase Document ⁽¹⁾
101.PRE	XBRL Presentation Linkbase Document ⁽¹⁾
101.DEF	XBRL Definition Linkbase Document ⁽¹⁾
101.CAL	XBRL Calculation Linkbase Document ⁽¹⁾
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

(1) Filed herewith.

(2) Furnished herewith.

CERTIFICATION

I, Jeffrey L. Gendell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of IES Holdings, Inc.;
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: August 4, 2022

/s/ JEFFREY L. GENDELL

Jeffrey L. Gendell

Chief Executive Officer as Principal Executive Officer

CERTIFICATION

I, Tracy A. McLauchlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of IES Holdings, Inc.;
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: August 4, 2022

/s/ TRACY A. MCLAUHLIN

Tracy A. McLauchlin

Senior Vice President, Chief Financial Officer and Treasurer
as Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of IES Holdings, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2022 (the "Report"), I, Tracy A. McLauchlin, Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: August 4, 2022

By:

/s/ TRACY A. MCLAUHLIN

Tracy A. McLauchlin
Senior Vice President, Chief Financial Officer and Treasurer
as Principal Financial Officer