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

# FORM 10-Q

**(Mark One)**

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended December 31, 2019**

**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** | **76-0542208** |
| **(State or other jurisdiction of incorporation or organization)** | **(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** |
| **Rights to Purchase Preferred Stock** | **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 | ☐ | Accelerated filer | ☑ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☑ |
| Emerging growth company | ☐ | | |

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

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

On January 31, 2020, there were 21,224,588 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 ability of our controlling stockholder to take action not aligned with other stockholders;
- the sale or disposition of all or any portion of the shares of our common stock held by our controlling stockholder, which, could trigger change of control provisions in a number of our material agreements, including our financing and surety arrangements and our executive severance plan, as well as exercisability of the purchase rights under our tax benefit protection plan;
- the possibility that certain tax benefits of our net operating losses may be restricted or reduced in a change in ownership or a change in the federal tax rate;
- the potential recognition of valuation allowances or write-downs on deferred tax assets;
- the inability to carry out plans and strategies as expected, including our inability to identify and complete acquisitions that meet our investment criteria in furtherance of our corporate strategy, or the subsequent underperformance of those acquisitions;
- limitations on the availability of sufficient credit or cash flow to fund our working capital needs and capital expenditures and debt service;
- difficulty in fulfilling the covenant terms of our credit facility, including liquidity, and other financial requirements, which could result in a default and acceleration of any indebtedness we may incur under our revolving credit facility;
- the possibility that we issue additional shares of common 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 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;
- 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;
- future capital expenditures and refurbishment, repair and upgrade costs; and delays in and costs of refurbishment, repair and upgrade projects;
- a general reduction in the demand for our services;
- our ability to enter into, and the terms of, future contracts;
- success in transferring, renewing and obtaining electrical and other licenses;
- challenges integrating new businesses into the Company or new types of work, products or processes into our segments;

- credit and capital market conditions, including changes in interest rates that affect the cost of construction financing and mortgages, and the inability for some of our customers to retain sufficient financing, which could lead to project delays or cancellations;
- backlog that may not be realized or may not result in profits;
- the possibility of errors when estimating revenue and progress to date on percentage-of-completion contracts;
- uncertainties inherent in estimating future operating results, including revenues, operating income or cash flow;
- complications associated with the incorporation of new accounting, control and operating procedures;
- closures or sales of facilities resulting in significant future charges, including potential warranty losses or other unexpected liabilities, or a significant disruption of our operations;
- 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;
- our ability to successfully manage projects;
- inaccurate estimates used when entering into fixed-priced contracts;
- the cost and availability of qualified labor and the ability to maintain positive labor relations;
- our ability to pass along increases in the cost of commodities used in our business, in particular, copper, aluminum, steel, fuel and certain plastics;
- a change in the mix of our customers, contracts or business;
- increases in bad debt expense and days sales outstanding due to liquidity problems faced by our customers;
- the recognition of potential goodwill, long-lived assets and other investment impairments;
- potential supply chain disruptions due to credit or liquidity problems faced by our suppliers;
- 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 possibility that our internal controls over financial reporting and our disclosure controls and procedures may not prevent all possible errors that could occur;
- disagreements with taxing authorities with regard to tax positions we have adopted;
- the recognition of tax benefits related to uncertain tax positions;
- the effect of litigation, claims and contingencies, including warranty losses, damages or other latent defect claims in excess of our existing reserves and accruals;
- growth in latent defect litigation in states where we provide residential electrical work for home builders not otherwise covered by insurance;
- interruptions to our information systems and cyber security or data breaches;
- liabilities under laws and regulations protecting the environment; and
- loss of key personnel and effective transition of new management.

You should understand that the foregoing, as well as other risk factors discussed in this document and those listed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019, 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 without limitation information concerning our controlling stockholder, 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)**

| | December 31, 2019 (Unaudited) | September 30, 2019 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 27,295 | $ 18,934 |
| Accounts receivable: | | |
| Trade, net of allowance of $1,009 and $1,184, respectively | 169,559 | 186,279 |
| Retainage | 32,992 | 29,214 |
| Inventories | 19,861 | 21,543 |
| Costs and estimated earnings in excess of billings | 27,941 | 29,860 |
| Prepaid expenses and other current assets | 12,088 | 10,625 |
| Total current assets | 289,736 | 296,455 |
| Property and equipment, net | 25,613 | 25,746 |
| Goodwill | 50,622 | 50,622 |
| Intangible assets, net | 25,740 | 26,623 |
| Deferred tax assets | 38,064 | 40,874 |
| Operating right of use assets | 34,940 | 0 |
| Other non-current assets | 5,150 | 4,938 |
| Total assets | $ 469,865 | $ 445,258 |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | 140,379 | 152,909 |
| Billings in excess of costs and estimated earnings | 45,555 | 40,563 |
| Total current liabilities | 185,934 | 193,472 |
| Long-term debt | 319 | 299 |
| Operating long-term lease liabilities | 23,718 | 0 |
| Other non-current liabilities | 2,206 | 1,945 |
| Total liabilities | 212,177 | 195,716 |
| Noncontrolling interest | 2,910 | 3,294 |
| 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 21,223,176 and 21,165,011 outstanding, respectively | 220 | 220 |
| Treasury stock, at cost, 826,353 and 884,518 shares, respectively | (11,998) | (12,483) |
| Additional paid-in capital | 192,499 | 192,911 |
| Retained earnings | 74,057 | 65,600 |
| Total stockholders’ equity | 254,778 | 246,248 |
| Total liabilities and stockholders’ equity | $ 469,865 | $ 445,258 |

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 December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Revenues | $ 276,043 | $ 243,842 |
| Cost of services | 225,828 | 202,241 |
| Gross profit | 50,215 | 41,601 |
| Selling, general and administrative expenses | 37,872 | 32,086 |
| Contingent consideration | 0 | 34 |
| Gain on sale of assets | (36) | (3) |
| Operating income | 12,379 | 9,484 |
| Interest and other (income) expense: | | |
| Interest expense | 239 | 547 |
| Other (income) expense, net | 141 | 47 |
| Income from operations before income taxes | 11,999 | 8,890 |
| Provision for income taxes | 3,469 | 1,907 |
| Net income | 8,530 | 6,983 |
| Net income attributable to noncontrolling interest | (28) | (99) |
| Comprehensive income attributable to IES Holdings, Inc. | $ 8,502 | $ 6,884 |
| | | |
| Earnings per share attributable to IES Holdings, Inc.: | | |
| Basic | $ 0.40 | $ 0.32 |
| Diluted | $ 0.39 | $ 0.32 |
| | | |
| Shares used in the computation of earnings per share: | | |
| Basic | 20,883,477 | 21,233,132 |
| Diluted | 21,148,312 | 21,261,065 |

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 December 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Treasury Stock | | | | |
| | Shares | Amount | Shares | Amount | APIC | Retained Earnings | Total Stockholders' Equity |
| BALANCE, September 30, 2019 | 22,049,529 | $ 220 | (884,518) | $ (12,483) | $ 192,911 | $ 65,600 | $ 246,248 |
| Issuances under compensation plans | — | — | 95,409 | 1,343 | (1,343) | — | — |
| Acquisition of treasury stock | — | — | (37,244) | (858) | — | — | (858) |
| Non-cash compensation | — | — | — | — | 931 | — | 931 |
| Increase in noncontrolling interest | — | — | — | — | — | (45) | (45) |
| Net income attributable to IES Holdings, Inc. | — | — | — | — | — | 8,502 | 8,502 |
| BALANCE, December 31, 2019 | 22,049,529 | $ 220 | (826,353) | $ (11,998) | $ 192,499 | $ 74,057 | $ 254,778 |

| | Three Months Ended December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Treasury Stock | | | | |
| | Shares | Amount | Shares | Amount | APIC | Retained Earnings | Total Stockholders' Equity |
| BALANCE, September 30, 2018 | 22,049,529 | $ 220 | (843,993) | $ (8,937) | $ 196,810 | $ 32,314 | $ 220,407 |
| Issuances under compensation plans | — | — | 212,688 | 2,252 | (2,252) | — | — |
| Cumulative effect adjustment from adoption of ASU 2014-09 | — | — | — | — | — | 102 | 102 |
| Acquisition of treasury stock | — | — | (132,121) | (2,211) | — | — | (2,211) |
| Non-cash compensation | — | — | — | — | 49 | — | 49 |
| Net income attributable to IES Holdings, Inc. | — | — | — | — | | 6,884 | 6,884 |
| BALANCE, December 31, 2018 | 22,049,529 | $ 220 | (763,426) | $ (8,896) | $ 194,607 | $ 39,300 | $ 225,231 |

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)**

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 8,530 | $ 6,983 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Bad debt expense | 21 | 38 |
| Deferred financing cost amortization | 101 | 77 |
| Depreciation and amortization | 2,362 | 2,372 |
| Gain on sale of assets | (36) | (3) |
| Non-cash compensation expense | 931 | 49 |
| Deferred income taxes | 2,815 | 1,907 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 16,699 | (9,750) |
| Inventories | 1,683 | (2,915) |
| Costs and estimated earnings in excess of billings | 1,918 | 7,015 |
| Prepaid expenses and other current assets | (6,291) | (3,012) |
| Other non-current assets | 74 | (1,449) |
| Accounts payable and accrued expenses | (22,772) | (3,552) |
| Billings in excess of costs and estimated earnings | 4,992 | 1,478 |
| Other non-current liabilities | (6) | (603) |
| Net cash provided by (used in) operating activities | 11,021 | (1,365) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (1,391) | (2,088) |
| Proceeds from sale of assets | 46 | 3 |
| Net cash used in investing activities | (1,345) | (2,085) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings of debt | 104,189 | 93 |
| Repayments of debt | (104,189) | (101) |
| Distribution to noncontrolling interest | (457) | 0 |
| Purchase of treasury stock | (858) | (2,211) |
| Net cash used in financing activities | (1,315) | (2,219) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 8,361 | (5,669) |
| CASH, CASH EQUIVALENTS, beginning of period | 18,934 | 26,247 |
| CASH, CASH EQUIVALENTS, end of period | $ 27,295 | $ 20,578 |
| | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | $ 273 | $ 524 |
| Cash paid for income taxes (net) | $ (707) | $ 92 |

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

## 1. BUSINESS AND ACCOUNTING POLICIES

*Description of the Business*

IES Holdings, Inc. is a holding company that owns and manages operating subsidiaries in business activities across a variety of end-markets. Our operations are currently organized into four principal business segments, based upon the nature of our current services:

- 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.
- 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.
- 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.
- Residential – Regional provider of electrical installation services for single-family housing and multi-family apartment complexes.

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 construction 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. Our service and maintenance business is generally not affected by seasonality. Our volume of business may be adversely affected by declines in construction projects resulting from adverse regional or national economic conditions. Quarterly results may also be materially affected by the timing of new construction projects. Results for our Infrastructure Solutions segment may be affected by the timing of outages 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 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, 2019. 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 STR Mechanical, LLC in fiscal 2016 and NEXT Electric, LLC ("NEXT Electric") 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 these interests had been redeemable at December 31, 2019, the redemption amount would have been $2,548. For the three months ended December 31, 2019 we recorded a decrease to retained earnings of $45 to increase the carrying amount of the noncontrolling interest in NEXT Electric to its redemption amount, if it had been redeemable at December 31, 2019.

*Leases*

We enter into various contractual arrangements for the right to use facilities, vehicles and equipment. We evaluate whether each of these arrangements contains a lease and classify all identified leases as either operating or finance. If the arrangement is subsequently modified, we re-evaluate our classification. The lease term generally ranges 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.

Upon commencement of the lease, we recognize a lease liability and corresponding right-of use ("ROU") asset for all leases with an initial term greater than twelve months. Lease liabilities represent the present value of our future lease payments over the expected lease term. As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rate as the discount rate in calculating the present value of the lease payments. The incremental borrowing rate is determined by identifying a synthetic credit rating for the consolidated company, where treasury functions are centrally managed, and adjusting the interest rates from associated indexes for differences in credit risk and interest rate risk. We have elected to combine the lease and nonlease components in the recognition of our lease liabilities across all classes of underlying assets. ROU assets represent our right to control the use of the leased asset during the lease and are recognized in an amount equal to the lease liability with adjustments for prepaid or accrued rent, lease incentives or unamortized initial direct costs. Costs associated with operating lease assets are recognized on a straight-line basis over the term of the lease. Our lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Certain lease contracts include obligations to pay for other services, such as operations and maintenance. Where the costs of these services can be identified as fixed or fixed-in-substance, the costs are included as part of the future lease payments. If the cost is not fixed at the inception of the lease, the cost is recorded as a variable cost in the period incurred.

*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, intangible assets and long-lived asset impairments and adjustments, allowance for doubtful accounts receivable, stock-based compensation, reserves for legal matters, realizability of deferred tax assets, unrecognized tax benefits and self-insured claims liabilities and related reserves.

*Accounting Standards Not Yet Adopted*

In June 2016, the FASB issued Accounting Standard Update No. 2016-13, Financial Instruments – Credit Losses (“ASU 2016-13”), which requires companies to consider historical experiences, current market conditions and reasonable and supportable forecasts in the measurement of expected credit losses, with further clarifications made in April 2019 and May 2019 with the issuances of Accounting Standard Updates No. 2019-04 and 2019-05. This update is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, although early adoption is permitted. We are currently evaluating the impact it will have on our Condensed Consolidated Financial Statements. We plan to adopt this standard on October 1, 2020.

In August 2018, the FASB issued Accounting Standard Update No. 2018-13, Fair Value Measurement Disclosure Framework (“ASU 2018-13”), to modify certain disclosure requirements for fair value measurements. Under the new guidance, registrants will need to disclose weighted average information for significant unobservable inputs for all Level 3 fair value measurements. The guidance does not specify how entities should calculate the weighted average, but requires them to explain their calculation. The new guidance also requires disclosing the changes in unrealized gain and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements of instruments held at the end of the reporting period. This guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, although early adoption is permitted for either the entire standard or only the provisions that eliminate or modify the requirements. We plan to adopt this standard on October 1, 2020, and do not expect the adoption to have a material effect on our Condensed Consolidated Financial Statements.

*Accounting Standards Recently Adopted*

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update No. 2016-02, Leases (“ASU 2016-02”). Under ASU 2016-02, lessees will need to recognize a right-of-use asset ("ROU") and a lease liability on our Balance Sheet for all leases, other than those that meet the definition of a short-term lease. For income statement purposes, leases must be classified as either operating or finance. Operating leases will result in straight-line expense, similar to current operating leases, while finance leases will be accounted for similar to current capital leases. We adopted ASU 2016-02 on October 1, 2019 using a modified retrospective transition approach. Using the optional transition method allowed under Accounting Standard Update No. 2018-11, prior period amounts were not adjusted retrospectively and continue to be reported using the previous accounting standards in effect for the period presented. We elected to utilize all of the available practical expedients with the exception of the practical expedient permitting the use of hindsight when determining the lease term and assessing impairment of ROU assets. Therefore, we did not reassess whether any of our existing or expired contracts contained leases or the classification of or initial direct costs included in our existing or expired leases.

The adoption of ASU 2016-02 resulted in the recognition of operating leases assets of approximately $32,434 and operating lease liabilities of approximately $32,237 on our Condensed Consolidated Balance Sheet at the adoption date. The difference between the operating lease assets and liabilities was primarily due to previously accrued rent expense relating to periods prior to October 1, 2019. The adoption did not have a significant impact on our Condensed Consolidated Statements of Comprehensive Income or Cash Flows. See Note 13, “Leases” for additional discussion of our lease accounting policies and expanded disclosures.

In June 2018, the FASB issued Accounting Standard Update No. 2018-07, Compensation—Stock Compensation (“ASU 2018-07”), to simplify the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments for employees, with certain exceptions. Under the new guidance, the cost for nonemployee awards may be lower and less volatile than under current GAAP because the measurement generally will occur earlier and will be fixed at the grant date. This update was adopted as of October 1, 2019 with no impact to our 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 56.9 percent of the Company’s outstanding common stock according to a From 4 filed with the SEC by Tontine on January 6, 2020. 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 losses (“NOLs”) for federal and state income tax purposes. On November 8, 2016, the Company implemented a tax benefit protection plan (the “NOL Rights Plan”). The NOL Rights Plan was designed to deter an acquisition of the Company's stock in excess of a threshold amount that could trigger a change in ownership within the meaning of Internal Revenue Code Section 382. There can be no assurance that the NOL Rights Plan will be effective in deterring a change in ownership or protecting the NOLs. Furthermore, a change of control would trigger the change of control provisions in a number of our material agreements, including our credit facility, bonding agreements with our sureties and our severance arrangements.

Jeffrey L. Gendell was appointed as a member of the Board of Directors and as Chairman of the Board in 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 of Directors 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 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 Letter 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 Letter 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 contract 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 increases to transaction price for approved and unapproved change orders, claims and incentives, and reductions to transaction price for liquidated damages. 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 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 excluded from 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.

*Costs of Obtaining a Contract*

In certain of our operations, we incur commission costs related to entering into a contract that we only incurred because of that contract. When this occurs, we capitalize that cost and amortize it over the expected term of the contract. At December 31, 2019, we had capitalized commission costs of $64.

We generally do not incur significant incremental costs related to obtaining or fulfilling a contract prior to the start of a project. When significant pre-contract costs are incurred, they will be capitalized and amortized on a percentage of completion basis over the life of the contract.

*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 2020 and 2019 revenue was derived from the following service activities. See details in the following tables:

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Commercial & Industrial | $ 67,743 | $ 72,583 |
| Communications | 84,289 | 69,325 |
| Infrastructure Solutions | | |
| Industrial Services | 11,111 | 12,223 |
| Custom Power Solutions | 20,172 | 17,256 |
| Total | 31,283 | 29,479 |
| Residential | | |
| Single-family | 54,874 | 50,476 |
| Multi-family and Other | 37,854 | 21,979 |
| Total | 92,728 | 72,455 |
| Total Revenue | $ 276,043 | $ 243,842 |

| | Three Months Ended December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Commercial & Industrial | Communications | Infrastructure Solutions | Residential | Total |
| Fixed-price | $ 63,835 | $ 62,027 | $ 29,491 | $ 92,728 | $ 248,081 |
| Time-and-material | 3,908 | 22,262 | 1,792 | — | 27,962 |
| Total revenue | $ 67,743 | $ 84,289 | $ 31,283 | $ 92,728 | $ 276,043 |

| | Three Months Ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Commercial & Industrial | Communications | Infrastructure Solutions | Residential | Total |
| Fixed-price | $ 65,830 | $ 48,829 | $ 27,511 | $ 72,455 | $ 214,625 |
| Time-and-material | 6,753 | 20,496 | 1,968 | — | 29,217 |
| Total revenue | $ 72,583 | $ 69,325 | $ 29,479 | $ 72,455 | $ 243,842 |

*Accounts Receivable*

Accounts receivable include amounts which we have billed or have an unconditional right to bill our customers. As of December 31, 2019, Accounts receivable included $11,369 of unbilled receivables for which we have an unconditional right to bill.

*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 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 balance sheet under the caption “Billings in excess of costs and estimated earnings”.

The net asset (liability) position for contracts in process consisted of the following:

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| Costs and estimated earnings on uncompleted contracts | $ 750,341 | $ 761,401 |
| Less: Billings to date and unbilled accounts receivable | (767,955) | (772,104) |
| | $ (17,614) | $ (10,703) |

The net asset (liability) position for contracts in process included in the accompanying consolidated balance sheets was as follows:

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| Costs and estimated earnings in excess of billings | $ 27,941 | $ 29,860 |
| Billings in excess of costs and estimated earnings | (45,555) | (40,563) |
| | $ (17,614) | $ (10,703) |

During the three months ended December 31, 2019, and 2018, we recognized revenue of $19,550 and $20,167 related to our contract liabilities at October 1, 2019 and 2018, respectively.

We did not have any impairment losses recognized on our receivables or contract assets for the three months ended December 31, 2019 or 2018.

*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 December 31, 2019, we had remaining performance obligations of $430,072. The Company expects to recognize revenue on approximately $379,950 of the remaining performance obligations over the next 12 months, with the remaining recognized thereafter.

For the three months ended December 31, 2019, net revenue recognized from our performance obligations satisfied in previous periods was not material.

**4. DEBT**

At December 31, 2019, and September 30, 2019, our long-term debt of $319 and $299, respectively, primarily related to loans on capital expenditures. At December 31, 2019, we also had $7,733 in outstanding letters of credit and total availability of $82,651 under our revolving credit facility without violating our financial covenants.

Pursuant to our Second Amended and Restated Credit and Security Agreement with Wells Fargo Bank, N.A. (as amended, the "Credit Agreement"), the Company is subject to the financial or other covenants disclosed in Item 7 of our Annual Report on Form 10-K for the year ended September 30, 2019. The Company was in compliance with the financial covenants as of December 31, 2019.

**5. PER SHARE INFORMATION**

The following tables reconcile the components of basic and diluted earnings per share for the three months ended December 31, 2019, and 2018:

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Numerator: | | |
| Net income attributable to common stockholders of IES Holdings, Inc. | $ 8,337 | $ 6,884 |
| Increase (decrease) in noncontrolling interest | 45 | — |
| Net income attributable to restricted stockholders of IES Holdings, Inc. | 120 | — |
| Net income attributable to IES Holdings, Inc. | $ 8,502 | $ 6,884 |
| | | |
| Denominator: | | |
| Weighted average common shares outstanding — basic | 20,883,477 | 21,233,132 |
| Effect of dilutive stock options and non-vested restricted stock | 264,835 | 27,933 |
| Weighted average common and common equivalent shares outstanding — diluted | 21,148,312 | 21,261,065 |
| | | |
| Earnings per share attributable to IES Holdings, Inc.: | | |
| Basic | $ 0.40 | $ 0.32 |
| Diluted | $ 0.39 | $ 0.32 |

For the three months ended December 31, 2019, and 2018, the average price of our common shares exceeded the exercise price of all of our outstanding options; therefore, all of our outstanding stock options were included in the computation of fully diluted earnings per share.

**6. OPERATING SEGMENTS**

We manage and measure performance of our business in four distinct operating segments: Commercial & Industrial, Communications, Infrastructure Solutions and Residential. 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 office provides general and administrative, as well as support services, to our four operating segments. Management allocates certain shared costs between segments for selling, general and administrative expenses and depreciation expense.

Segment information for the three months ended December 31, 2019, and 2018 is as follows:

| | Three Months Ended December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial & Industrial | Communications | Infrastructure Solutions | Residential | Corporate | Total |
| Revenues | $ 67,743 | $ 84,289 | $ 31,283 | $ 92,728 | $ — | $ 276,043 |
| Cost of services | 61,008 | 68,722 | 23,513 | 72,585 | — | 225,828 |
| Gross profit | 6,735 | 15,567 | 7,770 | 20,143 | — | 50,215 |
| Selling, general and administrative | 7,288 | 8,569 | 4,493 | 13,720 | 3,802 | 37,872 |
| Loss (gain) on sale of assets | (27) | (9) | — | — | — | (36) |
| Operating income (loss) | (526) | 7,007 | 3,277 | 6,423 | (3,802) | 12,379 |
| Other data: | | | | | | |
| Depreciation and amortization expense | $ 676 | $ 337 | $ 1,120 | $ 210 | $ 19 | $ 2,362 |
| Capital expenditures | $ 460 | $ 282 | $ 437 | $ 212 | $ — | $ 1,391 |
| Total assets | $ 80,612 | $ 113,574 | $ 112,413 | $ 77,109 | $ 86,157 | $ 469,865 |

| | Three Months Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial & Industrial | Communications | Infrastructure Solutions | Residential | Corporate | Total |
| Revenues | $ 72,583 | $ 69,325 | $ 29,479 | $ 72,455 | $ — | $ 243,842 |
| Cost of services | 63,908 | 57,359 | 23,552 | 57,422 | — | 202,241 |
| Gross profit | 8,675 | 11,966 | 5,927 | 15,033 | — | 41,601 |
| Selling, general and administrative | 6,716 | 6,934 | 4,481 | 11,137 | 2,818 | 32,086 |
| Contingent consideration | — | — | 34 | — | — | 34 |
| Loss (gain) on sale of assets | (3) | — | 0 | — | — | (3) |
| Operating income (loss) | 1,962 | 5,032 | 1,412 | 3,896 | (2,818) | 9,484 |
| Other data: | | | | | | |
| Depreciation and amortization expense | $ 626 | $ 415 | $ 1,094 | $ 209 | $ 28 | $ 2,372 |
| Capital expenditures | $ 852 | $ 500 | $ 187 | $ 447 | $ 102 | $ 2,088 |
| Total assets | $ 78,924 | $ 88,534 | $ 114,475 | $ 55,352 | $ 85,852 | $ 423,137 |

**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 752,614 shares were available for issuance at December 31, 2019.

*Stock Repurchase Program*

In 2015, our Board of Directors 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, 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 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 19,817 shares of our common stock during the three months ended December 31, 2019, in open market transactions at an average price of $22.51 per share. We repurchased 46,133 shares of our common stock during the three months ended December 31, 2018, in open market transactions at an average price of $16.08 per share.

*Treasury Stock*

During the three months ended December 31, 2019, we issued 95,409 shares of common stock from treasury stock to employees and repurchased 17,427 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. We also repurchased 19,817 shares of common stock on the open market pursuant to our stock repurchase program.

During the three months ended December 31, 2018, we issued 212,688 shares of common stock from treasury to employees and repurchased 85,988 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. We also repurchased 46,133 shares of common stock on the open market pursuant to our stock repurchase program.

*Restricted Stock*

We granted 49,579 restricted shares to executives during the three months ended December 31, 2019. These awards include restricted shares subject to the achievement of specified levels of cumulative net income before taxes, as well as shares that vest based on the passage of time. During the three months ended December 31, 2019, and 2018 we recognized $366 and $0 in compensation expense related to all restricted stock awards, respectively. At December 31, 2019, the unamortized compensation cost related to outstanding unvested restricted stock was $3,687.

*Director Phantom Stock Units*

Director phantom stock units ("Director PSUs") are primarily granted to the members of the Board of Directors as part of their overall compensation. These Director PSUs are paid via unrestricted stock grants to each director upon their departure from the Board of Directors or upon a change of control. We record compensation expense for the full value of the grant on the date of grant. During the three months ended December 31, 2019, and 2018, we recognized $100 and $42, respectively, in compensation expense related to these grants.

*Performance Based 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. On February 6, 2019, and December 4, 2019, the Company granted Employee PSUs, which, subject to the achievement of certain performance metrics, could result in the issuance of 264,815, and 39,767 shares of common stock, respectively. Of these Employee PSUs, 97,985 Employee PSUs have been forfeited, and 49,678 have vested. At December 31, 2019, a maximum of 156,919 shares of common stock may be issued under our outstanding Employee PSUs.

During the three months ended December 31, 2019 and 2018, we recognized $429 and zero in compensation expense, respectively, 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 and full-time employees of participating subsidiaries 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 December 31, 2019, and 2018, we recognized $385 and $423, respectively, in matching expense.

*Post Retirement Benefit Plans*

Certain individuals at one of the Company's locations are entitled to receive fixed annual payments pursuant to post retirement benefit plans. We had an unfunded benefit liability of $740 and $738 recorded as of December 31, 2019, and September 30, 2019, respectively, related to such plans.

## 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 the asset or liability is (1) 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, 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. Considerable 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 December 31, 2019, 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), and contingent consideration liabilities related to certain of our acquisitions.

Financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019, and September 30, 2019, are summarized in the following tables by the type of inputs applicable to the fair value measurements:

| | December 31, 2019 | | |
|---|---|---|---|
| | Total Fair Value | Quoted Prices (Level 1) | Significant Unobservable Inputs (Level 3) |
| Executive savings plan assets | $ 812 | $ 812 | $ — |
| Executive savings plan liabilities | (693) | (693) | — |
| Contingent consideration | (11) | — | (11) |
| Total | $ 108 | $ 119 | $ (11) |

| | September 30, 2019 | | |
|---|---|---|---|
| | Total Fair Value | Quoted Prices (Level 1) | Significant Unobservable Inputs (Level 3) |
| Executive savings plan assets | $ 763 | $ 763 | $ — |
| Executive savings plan liabilities | (646) | (646) | — |
| Contingent consideration | (11) | — | (11) |
| Total | $ 106 | $ 117 | $ (11) |

In fiscal years 2016, 2017 and 2018, we entered into contingent consideration arrangements related to certain acquisitions. At December 31, 2019, we estimated the fair value of these contingent consideration liabilities at $11. The table below presents a reconciliation of the fair value of these obligations, which used significant unobservable inputs (Level 3).

| | | Contingent Consideration Agreements |
|---|---|---|
| Fair value at September 30, 2019 | $ | 11 |
| Settlements | | — |
| Net adjustments to fair value | | — |
| Fair value at December 31, 2019 | $ | 11 |

**10. INVENTORY**

Inventories consist of the following components:

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| Raw materials | $ 3,863 | $ 4,104 |
| Work in process | 5,431 | 6,301 |
| Finished goods | 1,358 | 1,861 |
| Parts and supplies | 9,209 | 9,277 |
| Total inventories | $ 19,861 | $ 21,543 |

**11. GOODWILL AND INTANGIBLE ASSETS**

*Goodwill*

The following summarizes changes in the carrying value of goodwill by segment for the three months ended December 31, 2019:

| | Commercial & Industrial | Communications | Infrastructure Solutions | Residential | Total |
|---|---|---|---|---|---|
| Goodwill at September 30, 2019 | $ 6,976 | $ 2,816 | $ 30,812 | $ 10,018 | $ 50,622 |
| Divestitures | — | — | — | — | — |
| Adjustments | — | — | — | | — |
| Goodwill at December 31, 2019 | $ 6,976 | $ 2,816 | $ 30,812 | $ 10,018 | $ 50,622 |

*Intangible Assets*

Intangible assets consist of the following:

| | Estimated Useful Lives (in Years) | December 31, 2019 | | |
|---|---|---|---|---|
| | | Gross Carrying Amount | Accumulated Amortization | Net |
| Trademarks/trade names | 5-20 | $ 5,044 | $ (1,328) | $ 3,716 |
| Technical library | 20 | 400 | (126) | 274 |
| Customer relationships | 6-15 | 33,539 | (11,825) | 21,714 |
| Non-competition arrangements | 5 | 40 | (11) | 29 |
| Backlog and construction contracts | 1 | 251 | (244) | 7 |
| Total intangible assets | | $ 39,274 | $ (13,534) | $ 25,740 |

| | Estimated Useful Lives (in Years) | September 30, 2019 | | |
|---|---|---|---|---|
| | | Gross Carrying Amount | Accumulated Amortization | Net |
| Trademarks/trade names | 5-20 | $ 5,084 | $ (1,267) | $ 3,817 |
| Technical library | 20 | 400 | (121) | 279 |
| Customer relationships | 6-15 | 33,539 | (11,051) | 22,488 |
| Non-competition arrangements | 5 | 40 | (9) | 31 |
| Backlog and construction contracts | 1 | 599 | (591) | 8 |
| Total intangible assets | | $ 39,662 | $ (13,039) | $ 26,623 |

The weighted average useful life of our intangible assets at December 31, 2019, was 9.91 years.

**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.

*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 insureds 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 December 31, 2019, and September 30, 2019, we had $6,121 and $6,683, respectively, accrued for self-insurance liabilities. We are also subject to construction defect liabilities, primarily within our Residential segment. As of December 31, 2019, and September 30, 2019, we had $74 and $90, respectively, reserved for these claims. 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 December 31, 2019, and September 30, 2019, $7,533 and $6,268, respectively, of our outstanding letters of credit was utilized to collateralize our insurance program.

*Surety*

As of December 31, 2019, the estimated cost to complete our bonded projects was approximately $98,656. 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.

*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. At December 31, 2019, and September 30, 2019, $200 and $200, respectively, of our outstanding letters of credit were to collateralize our vendors.

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 December 31, 2019, we had no such material commitments.

**13. LEASES**

We enter into various contractual arrangements for the right to use facilities, vehicles and equipment. The lease term generally ranges 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 lease liabilities included in "Accounts payable and accrued expenses" in the Condensed Consolidated Balance Sheets were $11,040 as of December 31, 2019.

The maturities of lease liabilities as of December 31, 2019 are as follows:

| | Operating Leases | |
|---|---|---|
| Remainder of 2020 | $ | 8,750 |
| 2021 | | 9,273 |
| 2022 | | 7,268 |
| 2023 | | 4,966 |
| 2024 | | 3,123 |
| Thereafter | | 5,134 |
| Total undiscounted lease payments | $ | 38,523 |
| Less: imputed interest | | 3,765 |
| Present value of lease liabilities | $ | 34,758 |

The total future undiscounted cash flows related to lease agreements committed to but not yet commenced as of December 31, 2019, is $842.

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

| | Three Months Ended December 31, 2019 | |
|---|---|---|
| Operating lease cost | $ | 3,022 |
| Short-term lease cost | | 148 |
| Variable lease cost | | 177 |
| Total lease cost | $ | 3,347 |

Other information about lease amounts recognized in our consolidated financial statements is summarized as follows:

| | December 31, 2019 | |
|---|---|---|
| Operating cash flows used for operating leases | $ | 3,052 |
| Right-of-use assets obtained in exchange for new lease liabilities | $ | 5,150 |
| Weighted-average remaining lease term - operating leases | | 4.8 years |
| Weighted-average discount rate - operating leases | | 4.1% |

**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 year ended September 30, 2019, 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 year ended September 30, 2019, for a discussion of the Company's services and corporate strategy. IES Holdings, Inc., a Delaware corporation, is a holding company that owns and manages operating subsidiaries, comprised of providers of industrial products and infrastructure services, to a variety of end markets. Our operations are currently organized into four principal business segments: Commercial & Industrial, Communications, Infrastructure Solutions and Residential.

## RESULTS OF OPERATIONS

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

| | Three Months Ended December 31, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | $ | % | $ | % |
| | (Dollars in thousands, Percentage of revenues) | | | |
| Revenues | $ 276,043 | 100.0 % | $ 243,842 | 100.0 % |
| Cost of services | 225,828 | 81.8 % | 202,241 | 82.9 % |
| Gross profit | 50,215 | 18.2 % | 41,601 | 17.1 % |
| Selling, general and administrative expenses | 37,872 | 13.7 % | 32,086 | 13.2 % |
| Contingent consideration | — | — % | 34 | — % |
| Gain on sale of assets | (36) | — % | (3) | — % |
| Operating income | 12,379 | 4.5 % | 9,484 | 3.9 % |
| Interest and other (income) expense, net | 380 | 0.1 % | 594 | 0.2 % |
| Income from operations before income taxes | 11,999 | 4.3 % | 8,890 | 3.6 % |
| Provision for income taxes | 3,469 | 1.3 % | 1,907 | 0.8 % |
| Net income | 8,530 | 3.1 % | 6,983 | 2.9 % |
| Net income attributable to noncontrolling interest | (28) | — % | (99) | — % |
| Net income attributable to IES Holdings, Inc. | $ 8,502 | 3.1 % | $ 6,884 | 2.8 % |

Consolidated revenues for the three months ended December 31, 2019, were $32.2 million higher than for the three months ended December 31, 2018, an increase of 13.2%, with increases at our Communications, Infrastructure Solutions, and Residential segments, driven by strong demand. Revenues decreased at our Commercial & Industrial segment, where many of our markets remain highly competitive.

Consolidated gross profit for the three months ended December 31, 2019, increased $8.6 million compared with the three months ended December 31, 2018. Our overall gross profit percentage increased to 18.2% during the three months ended December 31, 2019, as compared to 17.1% during the three months ended December 31, 2018. Gross profit as a percentage of revenue increased at each of our segments, with the exception of our Commercial & Industrial segment. 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 December 31, 2019, our selling, general and administrative expenses were $37.9 million, an increase of $5.8 million, or 18.0%, over the three months ended December 31, 2018, driven by increased personnel costs at our operating segments in connection with their growth. This increase also includes an increase in stock based compensation expenses at the Corporate level. Selling, general and administrative expense as a percent of revenue increased from 13.2% for the three months ended December 31, 2018, to 13.7% for the three months ended December 31, 2019.

**Commercial & Industrial**

| | Three Months Ended December 31, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | $ | % | $ | % |
| | (Dollars in thousands, Percentage of revenues) | | | |
| Revenues | $ 67,743 | 100.0 % | $ 72,583 | 100.0 % |
| Cost of services | 61,008 | 90.1 % | 63,908 | 88.0 % |
| Gross profit | 6,735 | 9.9 % | 8,675 | 12.0 % |
| Selling, general and administrative expenses | 7,288 | 10.8 % | 6,716 | 9.3 % |
| Gain on sale of assets | (27) | — % | (3) | — % |
| Operating income | (526) | (0.8) % | 1,962 | 2.7 % |

*Revenue.* Revenues in our Commercial & Industrial segment decreased $4.8 million, or 6.7%, during the three months ended December 31, 2019, compared to the three months ended December 31, 2018. The decrease was largely driven by a reduction in time-and-material work, as well as lower demand for large, agricultural projects in the Midwest. The market for this segment’s services remains highly competitive.

*Gross Profit*. Our Commercial & Industrial segment’s gross profit during the three months ended December 31, 2019, decreased by $1.9 million, as compared to the three months ended December 31, 2018. The decrease is due to the reduction in volumes, as well as project inefficiencies at our Nebraska branch driven by weather and other factors. Gross margin as a percent of revenue decreased 2.1% to 9.9% during the three months ended December 31, 2019, as compared to the three months ended December 31, 2018, as a result of a reduction in efficiency, as well as the reduction in volumes resulting in a higher rate of fixed overhead costs as a percentage of revenue.

*Selling, General and Administrative Expenses.* Our Commercial & Industrial segment’s selling, general and administrative expenses during the three months ended December 31, 2019, increased $0.6 million, or 8.5%, compared to the three months ended December 31, 2018, as we have invested in improving our procurement process. Selling, general and administrative expenses as a percentage of revenue increased 1.5% to 10.8% during the three months ended December 31, 2019, compared to the three months ended December 31, 2018.

**Communications**

| | Three Months Ended December 31, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | $ | % | $ | % |
| | (Dollars in thousands, Percentage of revenues) | | | |
| Revenues | $ 84,289 | 100.0 % | $ 69,325 | 100.0 % |
| Cost of services | 68,722 | 81.5 % | 57,359 | 82.7 % |
| Gross profit | 15,567 | 18.5 % | 11,966 | 17.3 % |
| Selling, general and administrative expenses | 8,569 | 10.2 % | 6,934 | 10.0 % |
| Gain on sale of assets | (9) | — % | — | — % |
| Operating income | 7,007 | 8.3 % | 5,032 | 7.3 % |

*Revenue.* Our Communications segment’s revenues increased by $15.0 million during the three months ended December 31, 2019, or 21.6%, compared to the three months ended December 31, 2018. The increase primarily resulted from increased demand driven by several of our large data center customers. Revenues in our Communications segment can vary from quarter to quarter based on the capital spending cycles of our customers.

*Gross Profit.* Our Communications segment's gross profit during the three months ended December 31, 2019, increased by $3.6 million compared to the three months ended December 31, 2018. Gross profit as a percentage of revenue increased 1.2% to 18.5% as our margins benefitted from the impact of an increased volume of work on our fixed costs, as well as an increase in higher margin fixed-price contracts.

*Selling, General and Administrative Expenses.* Our Communications segment's selling, general and administrative expenses increased by $1.6 million, or 23.6%, during the three months ended December 31, 2019, compared to the three months ended December 31, 2018. The increase is a result of higher personnel cost, particularly related to continuing investment to support the growth of the business, along with higher incentive compensation expense in connection with improved profitability and cash flows. Selling, general and administrative expenses as a percentage of revenue in the Communications segment increased 0.2% to 10.2% of segment revenue during the three months ended December 31, 2019, compared to the three months ended December 31, 2018.

**Infrastructure Solutions**

| | Three Months Ended December 31, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | $ | % | $ | % |
| | (Dollars in thousands, Percentage of revenues) | | | |
| Revenues | $ 31,283 | 100.0 % | $ 29,479 | 100.0 % |
| Cost of services | 23,513 | 75.2 % | 23,552 | 79.9 % |
| Gross profit | 7,770 | 24.8 % | 5,927 | 20.1 % |
| Selling, general and administrative expenses | 4,493 | 14.4 % | 4,481 | 15.2 % |
| Contingent consideration | — | — % | 34 | 0.1 % |
| Operating income | 3,277 | 10.5 % | 1,412 | 4.8 % |

*Revenue.* Revenues in our Infrastructure Solutions segment increased $1.8 million during the three months ended December 31, 2019, an increase of 6.1% compared to the three months ended December 31, 2018. The increase in revenue was driven primarily by our generator enclosure business, where demand increased for enclosures to be used at data centers.

*Gross Profit*. Our Infrastructure Solutions segment's gross profit during the three months ended December 31, 2019, increased $1.8 million as compared to the three months ended December 31, 2018, primarily as a result of the increase in volume. Gross profit as a percentage of revenue increased 4.7% to 24.8%, as we benefited from the increased scale of operations combined with improved operational efficiencies.

*Selling, General and Administrative Expenses.* Our Infrastructure Solutions segment's selling, general and administrative expenses during the three months ended December 31, 2019, remained flat when compared to the three months ended December 31, 2018. Selling, general and administrative expense as a percent of revenue decreased from 15.2% to 14.4%, as we were able to scale our business effectively without adding significant general and administrative expense.

**Residential**

| | Three Months Ended December 31, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | $ | % | $ | % |
| | (Dollars in thousands, Percentage of revenues) | | | |
| Revenues | $ 92,728 | 100.0 % | $ 72,455 | 100.0 % |
| Cost of services | 72,585 | 78.3 % | 57,422 | 79.3 % |
| Gross profit | 20,143 | 21.7 % | 15,033 | 20.7 % |
| Selling, general and administrative expenses | 13,720 | 14.8 % | 11,137 | 15.4 % |
| Operating income | 6,423 | 6.9 % | 3,896 | 5.4 % |

*Revenue.* Our Residential segment's revenues increased by $20.3 million during the three months ended December 31, 2019, an increase of 28.0% as compared to the three months ended December 31, 2018. The increase is driven by our multi-family business, where revenues increased by $15.1 million for the three months ended December 31, 2019, compared with the three months ended December 31, 2018. Single-family revenue also increased by $4.4 million. Solar and cable service business increased by $0.7 million for the three months ended December 31, 2019, compared with the same period in the prior year.

*Gross Profit.* During the three months ended December 31, 2019, our Residential segment's gross profit increased by $5.1 million, or 34.0%, as compared to the three months ended December 31, 2018. The increase in gross profit was driven primarily by higher volumes. Gross profit as a percentage of revenue increased 1.0% to 21.7% during the three months ended December 31, 2019, as compared with the three months ended December 31, 2018, as we benefited from the increased scale of our operations.

*Selling, General and Administrative Expenses.* Our Residential segment's selling, general and administrative expense increased by $2.6 million, or 23.2%, during the three months ended December 31, 2019, compared to the three months ended December 31, 2018, primarily as a result of higher incentive compensation expense in connection with higher profitability. Selling, general and administrative expenses as a percentage of revenue in the Residential segment decreased to 14.8% of segment revenue during the three months ended December 31, 2019, compared to 15.4% in the three months ended December 31, 2018.

## INTEREST AND OTHER EXPENSE, NET

| | Three Months Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (In thousands) | |
| Interest expense | $ 138 | $ 470 |
| Deferred financing charges | 101 | 77 |
| Total interest expense | 239 | 547 |
| Other (income) expense, net | 141 | 47 |
| Total interest and other expense, net | $ 380 | $ 594 |

During the three months ended December 31, 2019, we incurred interest expense of $0.2 million primarily comprised of interest expense from our revolving credit facility with Wells Fargo Bank, N.A. (“Wells Fargo”), an average letter of credit balance of $7.0 million under our revolving credit facility and an average unused line of credit balance of $93.0 million under our revolving credit facility. This compares to interest expense of $0.5 million for the three months ended December 31, 2018, primarily comprised of interest expense from our revolving credit facility, an average letter of credit balance of $6.7 million under our revolving credit facility and an average unused line of credit balance of $63.0 million under our revolving credit facility.

## PROVISION FOR INCOME TAXES

We recorded income tax expense of $3.5 million for the three months ended December 31, 2019, compared to income tax expense of $1.9 million for the three months ended December 31, 2018. Expense for the quarter ended December 31, 2018 was partly offset by discrete benefits of $0.6 million, primarily related to the deduction of share-based compensation expense.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management’s discussion and analysis of financial condition and results of operations is based upon our Condensed Consolidated Financial Statements included in this report on Form 10-Q, which have been prepared in accordance with U.S. generally accepted accounting principles. 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 same 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.

## REMAINING PERORMANCE OBLIGATIONS AND BACKLOG

Remaining performance obligations represent the unrecognized revenue value of our contract 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 backlog:

| | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 |
|---|---|---|---|---|
| Remaining performance obligations | $ 430 | $ 452 | $ 487 | $ 424 |
| Agreements without an enforceable obligation (1) | 79 | 85 | 59 | 149 |
| Backlog | $ 509 | $ 537 | $ 546 | $ 573 |

(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 three months ended December 31, 2019, working capital exclusive of cash decreased by $7.5 million from September 30, 2019, reflecting a $15.1 million decrease in current assets excluding cash and a $7.5 million decrease in current liabilities during the period.

During the three months ended December 31, 2019, our current assets exclusive of cash decreased to $262.4 million, as compared to $277.5 million as of September 30, 2019. The decrease primarily relates to a $16.7 million decrease in accounts receivable, in connection with lower revenue for the three months ended December 31, 2019, as compared with the three months ended September 30, 2019. Days sales outstanding decreased to 59 at December 31, 2019, from 62 at September 30, 2019. 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.

During the three months ended December 31, 2019, our total current liabilities decreased by $7.5 million to $185.9 million, compared to $193.5 million as of September 30, 2019, primarily related to a decrease in accounts payable and accrued liabilities in connection with reduced activity in the three months ended December 31, 2019 compared with the three months ended September 30, 2019.

*Surety*

We believe the bonding capacity presently provided by our sureties is adequate for our current operations and will be adequate for our operations for the foreseeable future. As of December 31, 2019, the estimated cost to complete our bonded projects was approximately $98.7 million.

## LIQUIDITY AND CAPITAL RESOURCES

*The Revolving Credit Facility*

We maintain a $100 million revolving credit facility pursuant to a credit agreement with Wells Fargo that matures September 30, 2024 (as amended, the "Amended Credit Agreement").

The Amended Credit Agreement contains customary affirmative, negative and financial covenants as well as events of default.

As of December 31, 2019, 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 (as defined in the Amended Credit Agreement) of at least twenty percent (20%) of the Maximum Revolver Amount (as defined in the Amended Credit Agreement), or $20 million; with, for purposes of this covenant,

at least fifty percent (50%) of our Liquidity comprised of Excess Availability (as defined in the Amended Credit Agreement).

At December 31, 2019, our Liquidity was $109.9 million, our Excess Availability was $82.7 million (or greater than 50% of minimum Liquidity), and our Fixed Charge Coverage Ratio was 5.2:1.0.

If in the future our Liquidity falls below $20 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 indebtedness becoming immediately due and payable.

At December 31, 2019, we had $7.7 million in outstanding letters of credit with Wells Fargo and no outstanding borrowings.

*Operating Activities*

Our cash flow from operations is not only influenced by cyclicality, 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.

Operating activities provided net cash of $11.0 million during the three months ended December 31, 2019, as compared to $(1.4) million of net cash used in the three months ended December 31, 2018. The increase in operating cash flow resulted from an increase in earnings and a reduction of working capital in the three months ended December 31, 2019.

*Investing Activities*

Net cash used in investing activities was $1.3 million for the three months ended December 31, 2019, compared with $2.1 million for the three months ended December 31, 2018. We used cash of $1.4 million for purchases of fixed assets in the three months ended December 31, 2019. For the three months ended December 31, 2018, we used $2.1 million of cash for the purchase of fixed assets.

*Financing Activities*

Net cash used in financing activities for the three months ended December 31, 2019 was $1.3 million, compared with $2.2 million in the three months ended December 31, 2018. For the three months ended December 31, 2019, we drew and repaid $104.2 million on our revolving credit facility. We also used $0.9 million to repurchase our shares to satisfy statutory withholding requirements upon the vesting of employee stock compensation, as well as in conjunction with our stock repurchase plan. For the three months ended December 31, 2018, we used $2.2 million to repurchase our shares to satisfy statutory withholding requirements upon the vesting of employee stock compensation, as well as market repurchases under our stock repurchase plan.

*Stock Repurchase Program*

In 2015, our Board of Directors 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 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 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 19,817 shares pursuant to this program during the three months ended December 31, 2019.

## OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

There have been no material changes in our contractual obligations and commitments from those disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

**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 for copper, aluminum, steel 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. We are also exposed to interest rate risk with respect to our outstanding debt obligations on the Amended Credit Agreement. 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, 2019.

**Commodity Risk**

Our exposure to significant market risks includes fluctuations in commodity prices for copper, aluminum, steel and fuel. Commodity price risks may have an impact on our results of operations due to the fixed 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 construction industry will allow. The Company has not entered into any commodity price risk hedging instruments.

**Interest Rate Risk**

We are subject to interest rate risk on floating interest rate borrowings under our revolving credit facility. If LIBOR were to increase, our interest payment obligations on outstanding borrowings would increase, having a negative effect on our cash flow and financial condition. As we have no floating interest rate borrowings outstanding at December 31, 2019, we had no exposure to interest rate risk as of that date. We currently do not maintain any hedging contracts that would limit our exposure to variable rates of interest when we have outstanding borrowings. Floating rate debt, where the interest rate fluctuates periodically, exposes us to short-term changes in market interest rates.

**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 December 31, 2019, 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, 2019.

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

The following table presents information with respect to purchases of common stock of the Company made during the three months ended December 31, 2019:

| 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 as of December 31, 2019 (2) |
|---|---|---|---|---|
| October 1, 2019 – October 31, 2019 | 1,759 | $19.69 | 1,759 | 1,255,226 |
| November 1, 2019 – November 30, 2019 | 6,805 | $19.64 | 6,805 | 1,248,421 |
| December 1, 2019 – December 31, 2019 | 28,680 | $24.04 | 11,253 | 1,237,168 |
| Total | 37,244 | $23.03 | 19,817 | 1,237,168 |

(1) The total number of shares purchased includes shares purchased pursuant to the plan described in footnote (2) below.
(2) In 2015, our Board of Directors 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 — | Certificate of Designation of Series A Junior Participating Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 28, 2013) |
| 3.3 — | Amended and Restated Bylaws of IES Holdings, Inc., effective November 6, 2019 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 8, 2019) |
| 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) |
| 4.2 — | Tax Benefit Protection Plan Agreement by and between IES Holdings, Inc. and American Stock Transfer & Trust Company, LLC, as Rights Agent, dated as of November 8, 2016, including the form of Rights Certificate and Summary of Stockholder Rights Plan attached thereto as Exhibits A and B, respectively. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 9, 2016) |
| 10.1 — | Amended and Restated Long-Term Incentive Plan Annual Grant Program. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 6, 2019) * |
| 10.2 — | Form of IES Holdings, Inc. Amended and Restated 2006 Equity Incentive Plan Restricted Stock Award Agreement(1)* |
| 10.3 — | Form of IES Holdings, Inc. Amended and Restated 2006 Equity Incentive Plan Phantom Stock Unit Award Agreement(1)* |
| 31.1 — | Rule 13a-14(a)/15d-14(a) Certification of Gary S. Matthews, Chief Executive Officer (1) |
| 31.2 — | Rule 13a-14(a)/15d-14(a) Certification of Tracy A. McLauchlin, Senior Vice President, Chief Financial Officer and Treasurer (1) |
| 32.1 — | Section 1350 Certification of Gary S. Matthews, Chief Executive Officer (2) |
| 32.2 — | Section 1350 Certification of Tracy A. McLauchlin, 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.

* Management contract or compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 4, 2020.

**IES HOLDINGS, INC.**

By: /s/ TRACY A. MCLAUCHLIN

Tracy A. McLauchlin
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer and Authorized Signatory)

**IES HOLDINGS, INC.**
**AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN**
**RESTRICTED STOCK AWARD AGREEMENT**

THIS RESTRICTED STOCK AWARD AGREEMENT (this "**Agreement**") is made and entered into as of [ ] ("**Grant Date**") by and between IES Holdings, Inc. (f/k/a Integrated Electrical Services, Inc.), a Delaware corporation (the "**Company**"), and [ ] ("**Participant**") pursuant to the terms and conditions of the Company's Amended and Restated 2006 Equity Incentive Plan dated as of February 9, 2016 (the "**Plan**"), in respect of [ ] Shares of Restricted Stock. All capitalized terms not defined herein without a separate definition shall have the meanings set forth in the Plan.

Section 1. **Restricted Stock Award**. This Agreement governs an Award of Restricted Stock pursuant to the Plan (the "**Cumulative Income Shares**"). Each Cumulative Income Share shall be subject to the satisfaction of the performance and service conditions specified herein and the other terms and conditions set forth in this Agreement.

Section 2. **Performance Vesting Requirement**. The performance targets applicable to the Cumulative Income Shares are established to incent the Participant to cause the Company to achieve superior growth in the Company's net income over the Performance Period (as defined below). The number of Cumulative Income Shares that vest shall be based on the Company's achievement of cumulative Comprehensive Income Attributable to IES Holdings, Inc. before provision for income taxes and excluding employee stock compensation expense ("**Cumulative Income**") for the period from [ ] to [ ] (the "**Performance Period**") as compared to the target Cumulative Income for the Performance Period of $[ ] (the "**Target Cumulative Income**"). For the purpose of determining the number of Cumulative Income Shares that vest, Cumulative Income is calculated from the Company's audited financial statements for the years ended September 30, [ ], [ ], and [ ] in accordance with GAAP, except that it does not take into account any (i) gains or losses on the disposition of a business; (ii) restructuring charges; or (iii) Extraordinary Items as determined by the Committee, where "Extraordinary Items" means any item of income or expense that, taking into account the environment in which the Company operates, (a) possesses a high degree of abnormality and is of a type unrelated (or only incidentally related) to the Company's ordinary and typical activities and (b) is not reasonably expected to recur in the foreseeable future.

The table set forth in Schedule A sets forth the percentage, if any, of the total Cumulative Income Shares (the "**Target Cumulative Income Shares**") that shall be deemed vested based on the Company's achievement of Cumulative Income for the Performance Period (the "**Vesting Percentage**"). Any Cumulative Income Shares that do not vest upon the Scheduled Vesting Date (as defined in Section 3) based on Cumulative Income during the Performance Period shall be forfeited. Subject to Section 5, the determination of the final Cumulative Income for the Performance Period shall be made by the Committee in its sole discretion in accordance with the formula above.

Section 3. **Service Vesting Requirement**. Except as otherwise expressly specified below, in addition to the performance vesting requirements of Section 2, the Cumulative Income Shares shall become vested only if the Participant remains continuously employed by the Company or any majority-owned subsidiary thereof from the Grant Date until the earlier of (i) [ ] and (ii) the date that the Company files its Annual Report on Form 10-K for its fiscal year ending September 30, [ ] (the "**Scheduled Vesting Date**"). Except as otherwise provided in this Agreement, if the Participant does not remain continuously employed by the Company or any majority-owned subsidiary thereof from the Grant Date until the Scheduled Vesting Date, all of the unvested Cumulative Income Shares subject to this Award shall be immediately forfeited for no consideration and the Participant's rights with respect thereto shall cease upon termination of the Participant's employment.

Notwithstanding the foregoing and anything in this Agreement or the Plan to the contrary, the Integrated Electrical Services, Inc. (n/k/a IES Holdings, Inc.) Amended and Restated Executive Officer Severance Plan (the "**Severance Plan**") shall govern the treatment of unvested Cumulative Income Shares if the Participant's employment is terminated prior to the Scheduled Vesting Date due to the Participant's (i) death, (ii) Disability (as defined in the Severance Plan), or (iii) Qualifying Termination (as defined in the Severance Plan).

Section 4. **<u>Effect of a Change in Control</u>**. Notwithstanding the provisions of Sections 2 and 3 hereof or anything in the Severance Plan or in any other benefit plan or agreement to the contrary, other than as specified below, this Section 4 shall apply to determine the vesting of the unvested Cumulative Income Shares upon the occurrence of a Change in Control prior to the Scheduled Vesting Date.

If, immediately following the occurrence of the Change in Control, the value of the unvested Cumulative Income Shares is determined by reference to a class of stock that is publicly traded on an established U.S. securities market (a "**Publicly Traded Stock**"), including by reason of an adjustment pursuant to Section 5 or the assumption of this Award by the corporation surviving any merger or other corporate transaction or the publicly traded parent corporation thereof (the "**Successor Corporation**"), the performance conditions with respect to the Cumulative Income Shares shall be deemed met at target levels, and the Cumulative Income Shares shall become vested subject only to satisfaction of the service condition specified in Section 3.

If the value of the unvested Cumulative Income Shares is not determined by reference to a Publicly Traded Stock immediately following the occurrence of the Change in Control, whether because the Successor Corporation does not have Publicly Traded Stock or determines not to assume this Award, the unvested Cumulative Income Shares subject to this Award shall vest in full, with performance conditions deemed met at target levels, upon the occurrence of such Change in Control.

Section 5. **<u>Adjustments for Corporate Transactions</u>**. In the event that there shall occur any Recapitalization the number of (and, if applicable, securities related to) the Cumulative Income Shares be adjusted by the Committee in such manner as the Committee determines is necessary or appropriate to prevent any enhancement or diminution of the Participant's rights and opportunities hereunder. To the extent that the Cumulative Income Shares awarded herein shall be deemed to relate to a different number of Shares or different securities as a result of any such adjustment, such additional number of shares or other securities shall be subject to the restrictions of the Plan and this Agreement and the vesting conditions specified herein.

Section 6. **<u>Issuance of Restricted Stock</u>.**

(a) **Stock Certificates**. The Company either shall cause to be issued a certificate or certificates for the Cumulative Income Shares, registered in the Participant's name, or cause a book entry to be made with the Company's transfer agent evidencing the Cumulative Income Shares registered in the Participant's name. The Company shall appropriately legend any certificate related to the Cumulative Income Shares to reference the restrictions thereon as set forth in this Agreement.

(b) **Stockholder Rights**. The Participant shall have all the rights of a stockholder (including, without limitation, voting, dividend and liquidation rights) with respect to the Cumulative Income Shares, subject, however, to the restrictions of this Agreement.

(c) **Form of Issuance and Escrow**. For so long as the Cumulative Income Shares are not vested, the Company shall cause such certificate or certificates to be deposited in escrow if certificates are issued. If evidenced by book entry at the transfer agent the entry shall denote the Shares are restricted as to transfer. The Participant shall deliver to the Company a duly-executed blank Stock Power (in the form attached hereto as Schedule B).

Section 7. **<u>Tax Withholding</u>.** To the extent this Award results in compensation income to the Participant upon grant or vesting, the Participant must deliver to the Company at that time such amount of money as the Company may require to meet its tax withholding obligations under applicable laws or make such other arrangements to satisfy such withholding obligations as the Company, in its sole discretion, may approve; provided, however, that unless the Participant otherwise requests in writing or the Committee shall otherwise determine, the Company shall instead withhold or "net" from the Shares otherwise to be issued to the Participant the greatest number of whole Shares having a Fair Market Value not in excess of the maximum amount that may be withheld by law.

Section 8. **<u>Modification</u>.** Except to the extent permitted by the Plan, any modification of this Agreement will be effective only if it is in writing and signed by each party whose rights hereunder are affected thereby.

Section 9. **Golden Parachute Excise Tax**. Notwithstanding anything in this Agreement to the contrary, if the Participant is a "disqualified individual" (as defined in Section 280G(c) of the Code), and the payments and benefits to be provided to the Participant under this Agreement, together with any other payments and benefits to which the Participant has the right to receive from the Company or any other person, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code) (collectively, "**Participant's Parachute Payment**"), then the Participant's Parachute Payments (a) shall be reduced (but not below zero) so that the present value of such total amounts and benefits received by the Participant will be $1.00 less than three times the Participant's "base amount" (as defined in section 280G(b)(3) of the Code), so that no portion of the amounts to be received will be subject to the excise tax imposed by section 4999 of the Code or (b) shall be paid in full, whichever of (a) and (b) produces the better "net after-tax" benefit to the Participant (taking into account all applicable taxes, including any excise tax imposed under Section 4999 of the Code). To the extent that the Participant is party to any arrangement with the Company that provides for the payment of cash severance benefits, the benefits payable thereunder shall be reduced (but not below zero) in accordance with the provisions of such arrangement prior to any reduction in the benefits payable hereunder. The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith.

Section 10. **Restrictions on Transfer**. Neither this Award nor any Cumulative Income Shares covered hereby may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than to the Company as a result of forfeiture of the Cumulative Income Shares as provided herein.

Section 11. **Award Subject to Plan**. This Award of Cumulative Income Shares is subject to the terms of the Plan, the terms and provisions of which are hereby incorporated by reference. Unless otherwise expressly provided herein, nothing in this Agreement shall be construed to limit any authority afforded to the Committee pursuant to the terms of the Plan. In the event of a conflict or ambiguity between any term or provision contained herein and a term or provision of the Plan, the Plan will govern and prevail.

Section 12. **No Right of Employment**. Nothing in this Agreement shall confer upon the Participant any right to continue as an employee of, or other service provider to, the Company or any of its subsidiaries, nor interfere in any way with the right of Company or any such subsidiary to terminate the Participant's employment or other service at any time or to change the terms and conditions of such employment or other service.

Section 13. **No Guarantee of Tax Consequences**. None of the Board, the Committee, the Company or any affiliate of any of the foregoing make any commitment or guarantee that any federal, state, local or other tax treatment will (or will not) apply or be available to the Participant (or to any person claiming through or on behalf of the Participant) and shall have no liability or responsibility with respect to taxes (and penalties and interest thereon) imposed on the Participant (or on any person claiming through or on behalf of the Participant) as a result of this Agreement.

Section 14. **Clawback**. Notwithstanding any other provisions in the Plan or this Agreement, any compensation payable pursuant to this Agreement that is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

Section 15. **Data Privacy**. The Participant expressly authorizes and consents to the collection, possession, use, retention and transfer of personal data of the Participant, whether in electronic or other form, by and among Company, its Affiliates, third-party administrator(s) and other possible recipients, in each case for the exclusive purpose of implementing, administering, facilitating and/or managing the Participant's Awards under, and participation in, the Plan. Such personal data may include, without limitation, the Participant's name, home address and telephone number, date of birth, Social Security Number, social insurance number or other identification number, salary, nationality, job title and other job-related information, tax information, the number of securities held or sold by the Participant, and the details of all Awards (including any information contained in this Award and all Award-related materials) granted to the Participant, whether exercised, unexercised, vested, unvested, cancelled or outstanding.

Section 16. **Entire Agreement**. This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.

Section 17. **Successors and Assigns**. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's assigns and the legal representatives, heirs and legatees of the Participant's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

Section 18. **Severability**. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each provision of this Agreement shall be severable and enforceable to the extent permitted by law.

Section 19. **Counterparts**. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

Section 20. **Governing Law**. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the choice of law principles thereof.

[SIGNATURES ON NEXT PAGE]

By signing below, the Participant accepts this Award, and acknowledges and agrees that this Award of Cumulative Income Shares is granted under and governed by the terms and conditions of the Plan and this Agreement.

**PARTICIPANT:** **IES HOLDINGS, INC.**

| | |
|---|---|
| | By: |
| Name: | |
| | Its: |

**SCHEDULE A**

**AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN**
**RESTRICTED STOCK AWARD AGREEMENT**

**Determination of Percentage of Cumulative Income Shares Vested:**

| **Percentage of Target Cumulative Income Earned** | **Percentage of Shares of Target Cumulative Income Shares Vested (“Vesting Percentage”)** |
|---|---|
| 75% | 50% |
| 87.5% | 75% |
| 100% | 100% |

For the Performance Period, Cumulative Income earned will be calculated by the Committee and converted to a percentage of the Target Cumulative Income for the Performance Period. For example, based on Target Cumulative Income for the Performance Period of $180,873,000, if the actual Cumulative Income for the Performance Period is $162,785,700, the Percentage of Target Cumulative Income Earned for the Performance Period would be 90%. For achievement of Cumulative Income between any of the stated performance levels, the percentage of Target Cumulative Income Shares vested shall be determined by linear mathematical interpolation between such levels (*e.g.*, if 90% of the Target Cumulative Income for the Performance Period is earned, 80% will be the Vesting Percentage, and 80% of the Target Cumulative Income Shares will be vested). If less than 75% of the Target Cumulative Income for the Performance Period is achieved, the Vesting Percentage will be 0%. In no event will the Vesting Percentage be greater than 100%.

**SCHEDULE B**

**AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN**
**RESTRICTED STOCK AWARD AGREEMENT**

Stock Assignment Separate From Certificate

**[Please sign this document but do not date it. The date and information of the transferee will be completed if and when the shares are assigned.]**

FOR VALUE RECEIVED, hereby sells, assigns and transfers unto , ( ) shares of the common stock of IES Holdings, Inc. (f/k/a Integrated Electrical Services, Inc.), a Delaware corporation ("**Company**"), standing in his name on the books of the Company represented by Certificate No. (or electronic equivalent) herewith, and does hereby irrevocably constitute and appoint the Secretary of the Company with the power of attorney to transfer the said stock in the books of the Company with full power of substitution. This assignment may be executed by the Participant by means of electronic or digital signatures, which have the same force and effect as manual signatures.

Dated:

Signature of the Participant

Print Name

**IES HOLDINGS, INC.**
**AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN**
**FORM OF PHANTOM STOCK UNIT AWARD AGREEMENT**

THIS PHANTOM STOCK UNIT AWARD AGREEMENT (this “**Agreement**”) is made and entered into as of [ ] (“**Grant Date**”) by and between IES Holdings, Inc. (f/k/a Integrated Electrical Services, Inc.), a Delaware corporation (the “**Company**”), and [ ] (“**Participant**”) pursuant to the terms and conditions of the Company’s Amended and Restated 2006 Equity Incentive Plan dated as of February 9, 2016 (the “**Plan**”), in respect of an aggregate of [ ] Phantom Stock Units. All capitalized terms not defined herein without a separate definition shall have the meanings set forth in the Plan.

Section 1. **Phantom Stock Unit Award**. This Agreement governs an Award of Phantom Stock Units pursuant to the Plan. Each Phantom Stock Unit represents a contractual right in respect of one share of Stock, subject to the satisfaction in full of the performance and service conditions specified herein and the other terms and conditions set forth in this Agreement. The Participant is granted [ ] time-vesting Phantom Stock Units (the “**Time-Vesting Phantom Stock Units**”) and [ ] performance-based Phantom Stock Units (the “**Performance-Based Phantom Stock Units**”). For the purposes of this Agreement, “**Scheduled Vesting Date**” shall mean the earlier of (i) [ ] and (ii) the date that the Company files its Annual Report on Form 10-K for its fiscal year ending September 30, [ ].

Section 2. **Time-Vesting Phantom Stock Units**. Subject to the service requirement set forth in Section 4, the Time-Vesting Phantom Stock Units shall vest on the Scheduled Vesting Date and payment in respect of the Time-Vesting Phantom Stock Units that become vested on the Scheduled Vesting Date shall be made within 30 days following the Scheduled Vesting Date.

Section 3. **Performance-Based Phantom Stock Units**. The performance targets applicable to the Performance-Based Phantom Stock Units are established to incent the Participant and other key executives or officers of the Company to cause the Company to achieve superior growth in the Company’s net income over the period commencing on October 1, [ ] and ending on September 30, [ ] (the “**Performance Period**”). The number of Performance-Based Phantom Stock Units that vest shall be based on the Company’s achievement of cumulative Comprehensive Income Attributable to IES Holdings, Inc. before provision for income taxes and excluding employee stock compensation expense (“**Cumulative Income**”) for the Performance Period as compared to $[ ] (“**Target Cumulative Income**”). For the purpose of determining the number of Performance-Based Phantom Stock Units that vest, Cumulative Income is calculated from the Company’s audited financial statements for the years ended September 30, [ ], [ ], and [ ] in accordance with GAAP, except that it does not take into account any (i) gains or losses on the disposition of a business; (ii) restructuring charges; or (iii) Extraordinary Items as determined by the Committee, where “Extraordinary Items” means any item of income or expense that, taking into account the environment in which the Company operates, (a) possesses a high degree of abnormality and is of a type unrelated (or only incidentally related) to the Company’s ordinary and typical activities and (b) is not reasonably expected to recur in the foreseeable future.

The table set forth in Annex I sets forth the percentage, if any, of the Performance-Based Phantom Stock Units that shall be deemed vested for the Performance Period based on the Company’s achievement of Cumulative Income for the Performance Period (the “**Vesting Percentage**”). Payment in respect of Performance-Based Phantom Stock Units that become vested on the Scheduled Vesting Date shall be made within 30 days following the Scheduled Vesting Date. Any Performance-Based Phantom Stock Units that do not vest upon the Scheduled Vesting Date based on Cumulative Income during the Performance Period shall be forfeited. Subject to Section 5, the determination of the final Cumulative Income for the Performance Period shall be made by the Committee in its sole discretion in accordance with the formula above.

Section 4. **Service Vesting Requirement**. Except as otherwise expressly specified below, (i) in addition to the performance vesting requirements of Section 3, to the extent applicable, the Participant shall vest in the Phantom Stock Units only if the Participant remains continuously employed by the Company or any majority-owned subsidiary thereof from the Grant Date until the Scheduled Vesting Date; and (ii) if the Participant does not remain continuously employed by Company or any majority-owned subsidiary thereof from the date hereof until the Scheduled Vesting

Date, all of the unvested Phantom Stock Units subject to this Award shall be immediately forfeited for no consideration and the Participant's rights with respect thereto shall cease upon termination of the Participant's employment.

Notwithstanding the foregoing and anything in this Agreement or the Plan to the contrary, the Integrated Electrical Services, Inc. (n/k/a IES Holdings, Inc.) Amended and Restated Executive Officer Severance Plan (the "**Severance Plan**") shall govern the treatment of unvested Phantom Stock Units if the Participant's employment is terminated prior to the Scheduled Vesting Date due to the Participant's (i) death, (ii) Disability (as defined in the Severance Plan), or (iii) Qualifying Termination (as defined in the Severance Plan).

Section 5. **Effect of a Change in Control**. Notwithstanding the provisions of Section 4 hereof, or anything in the Severance Plan or in any other benefit plan or agreement to the contrary, this Section 5 shall apply in the event of a Change in Control prior to the Scheduled Vesting Date.

If, immediately following the occurrence of the Change in Control, the value of the Phantom Stock Units is determined by reference to a class of stock that is publicly traded on an established U.S. securities market (a "**Publicly Traded Stock**"), including by reason of an adjustment pursuant to Section 7 or the assumption of this Award by the corporation surviving any merger or other corporate transaction or the publicly traded parent corporation thereof (the "**Successor Corporation**"), the performance conditions with respect to the Performance-Based Phantom Stock Units shall be deemed met at maximum levels, and the Participant's rights with respect to the Time-Vesting Phantom Stock Units and the Performance-Based Phantom Stock Units shall become vested subject only to satisfaction of the service conditions specified in Section 4 and shall be payable as set forth in Sections 2, 3, and 4.

If the value of the unvested Phantom Stock Units is not determined by reference to a Publicly Traded Stock immediately following the occurrence of the Change in Control, whether because the Successor Corporation does not have Publicly Traded Stock or determines not to assume this Award, the unvested Phantom Stock Units subject to this Award shall vest in full, with performance conditions deemed met at maximum levels, upon the occurrence of such Change in Control. Any Phantom Stock Units that become vested pursuant to the foregoing sentence shall be payable within 30 days following the Change in Control.

Notwithstanding the foregoing, in any circumstance or transaction in which compensation payable pursuant to this Agreement would be deemed to be deferred compensation under Section 409A (as defined below), then "**Change in Control**" means, but only to the extent necessary to prevent such compensation from becoming subject to adverse tax consequences under Section 409A, a transaction or circumstance that satisfies the requirements of both (1) a Change in Control as defined in the Plan, and (2) a "change in control event" within the meaning of Treasury Regulation § 1.409A-3(i)(5).

Section 6. **Settlement**. Unless the Committee shall direct that the Company settle any Phantom Stock Units that become payable following the occurrence of a Change in Control in cash, the Phantom Stock Units shall be settled in Shares (or any other equity to which the Phantom Stock Units relate by reason of an adjustment pursuant to Section 7 or an assumption of this Award by a Successor Corporation). If the Committee determines to settle such Phantom Stock Units in cash, the amount of cash payable shall be based upon the Fair Market Value of a share of Stock (or any other equity to which the Phantom Stock Units relate by reason of an adjustment pursuant to Section 7) on the date of the Phantom Stock Units vest. Any payment made in settlement of Phantom Stock Units shall be subject to any and all applicable tax withholding requirements, which may be effected from any shares issuable in respect thereof by withholding therefrom up to the number of whole shares having a Fair Market Value equal to the maximum amount that may be withheld by law.

Section 7. **Adjustments for Corporate Transactions**. In the event that there shall occur any Recapitalization (i) the number of (and, if applicable, securities related to) the Phantom Stock Units and (ii) the Target Cumulative Income shall be adjusted by the Committee in such manner as the Committee determines is necessary or appropriate to prevent any enhancement or diminution of the Participant's rights and opportunities hereunder. To the extent that the Phantom Stock Units awarded herein shall be deemed to relate to a different number of Shares or different securities as a result of any such adjustment, such additional number of shares or other securities shall be subject to the restrictions of the Plan and this Agreement and the vesting conditions specified herein.

Section 8. **Modification**. Except to the extent permitted by the Plan, any modification of this Agreement will be effective only if it is in writing and signed by each party whose rights hereunder are affected thereby.

Section 9. **Golden Parachute Excise Tax**. Notwithstanding anything in this Agreement to the contrary, if the Participant is a "disqualified individual" (as defined in Section 280G(c) of the Code), and the payments and benefits to be provided to the Participant under this Agreement, together with any other payments and benefits to which the Participant has the right to receive from the Company or any other person, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code) (collectively, "**Participant's Parachute Payment**"), then the Participant's Parachute Payments (a) shall be reduced (but not below zero) by the minimum amount necessary so that no portion of the amounts to be received will be subject to the excise tax imposed by Section 4999 of the Code or (b) shall be paid in full, whichever of (a) and (b) produces the better "net after-tax" benefit to the Participant (taking into account all applicable taxes, including any excise tax imposed under Section 4999 of the Code). To the extent that the Participant is party to any arrangement with the Company that provides for the payment of cash severance benefits, the benefits payable thereunder shall be reduced (but not below zero) in accordance with the provisions of such arrangement prior to any reduction in the benefits payable hereunder. The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith.

Section 10. **Restrictions on Transfer**. Neither this Award nor any Phantom Stock Units covered hereby may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than to the Company as a result of forfeiture of the Phantom Stock Units as provided herein.

Section 11. **No Shareholder Rights**. The Phantom Stock Units granted pursuant to this Award, whether or not vested, will not confer upon the Participant any rights as a shareholder, including, without limitation, the right to receive or to be credited with any dividends or dividend equivalents or to vote any Shares, unless and until the Award is paid in Shares in accordance with the terms hereof. Nothing in this Section 11 shall be construed to override the right of a Participant to have the number of Phantom Stock Units adjusted in accordance with the provisions of Section 7 hereof.

Section 12. **Award Subject to Plan**. This Award of Phantom Stock Units is subject to the terms of the Plan, the terms and provisions of which are hereby incorporated by reference. Unless otherwise expressly provided herein, nothing in this Agreement shall be construed to limit any authority afforded to the Committee pursuant to the terms of the Plan. In the event of a conflict or ambiguity between any term or provision contained herein and a term or provision of the Plan, the Plan will govern and prevail.

Section 13. **No Right of Employment**. Nothing in this Agreement shall confer upon the Participant any right to continue as an employee of, or other service provider to, the Company or any of its subsidiaries, nor interfere in any way with the right of Company or any such subsidiary to terminate the Participant's employment or other service at any time or to change the terms and conditions of such employment or other service.

Section 14. **No Guarantee of Tax Consequences**. None of the Board, the Committee, the Company or any affiliate of any of the foregoing makes any commitment or guarantee that any federal, state, local or other tax treatment will (or will not) apply or be available to the Participant (or to any person claiming through or on behalf of the Participant) and shall have no liability or responsibility with respect to taxes (and penalties and interest thereon) imposed on the Participant (or on any person claiming through or on behalf of the Participant) as a result of this Agreement.

Section 15. **Section 409A**. Notwithstanding the other provisions hereof, this Agreement is intended to comply with or otherwise be exempt from the requirements of Section 409A of the Code and the regulations and administrative guidance promulgated thereunder ("**Section 409A**"), to the extent applicable, and this Agreement shall be interpreted to avoid any taxes or penalty sanctions under Section 409A. Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with or otherwise be exempt from Section 409A. All payments to be made upon a termination of the Participant's employment under this Agreement that constitute deferred compensation for purposes of Section 409A may only be made upon a "separation from service" under Section 409A. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. Any amount payable to the Participant pursuant to this Agreement during the six (6) month period immediately following the date of the Participant's termination of employment that is not otherwise exempt from Section 409A, then such amount shall hereinafter be referred to as the "**Excess Amount**." If at the time of the Participant's separation from service, the Company's (or any entity required to be aggregated with the Company under Section 409A) stock is publicly-traded on an established securities market or otherwise and the Participant is a "specified employee" (as defined in Section 409A), then the Company shall postpone the commencement of the payment of Excess Amount for six (6) months following the date of the Participant's termination of employment. The delayed Excess Amount shall be paid in a lump sum to the Participant on the Company's first normal payroll date following the date that is six (6) months following the date of the Participant's termination of employment. If the Participant dies during such six (6) month period and prior to the payment of the portion of the Excess Amount that is required to be delayed on account of Section 409A, such Excess Amount shall be paid to the Participant's estate within sixty (60) days after the Participant's death.

Section 16. **Clawback**. Notwithstanding any other provisions in the Plan or this Agreement, any compensation payable pursuant to this Agreement that is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

Section 17. **Data Privacy**. The Participant expressly authorizes and consents to the collection, possession, use, retention and transfer of personal data of the Participant, whether in electronic or other form, by and among Company, its Affiliates, third-party administrator(s) and other possible recipients, in each case for the exclusive purpose of implementing, administering, facilitating and/or managing the Participant's Awards under, and participation in, the Plan. Such personal data may include, without limitation, the Participant's name, home address and telephone number, date of birth, Social Security Number, social insurance number or other identification number, salary, nationality, job title and other job-related information, tax information, the number of securities held or sold by the Participant, and the details of all Awards (including any information contained in this Award and all Award-related materials) granted to the Participant, whether exercised, unexercised, vested, unvested, cancelled or outstanding.

Section 18. **Entire Agreement**. This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.

Section 19. **Successors and Assigns**. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's assigns and the legal representatives, heirs and legatees of the Participant's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

Section 20. **Severability**. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each provision of this Agreement shall be severable and enforceable to the extent permitted by law.

Section 21. **Counterparts**. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

Section 22. **Governing Law**. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the choice of law principles thereof.

[SIGNATURES ON NEXT PAGE]

By signing below, the Participant accepts this Award of Phantom Stock Units, and acknowledges and agrees that this Award is granted under and governed by the terms and conditions of the Plan and this Agreement.

**PARTICIPANT:** **IES HOLDINGS, INC.**

By:

**Annex I**

**Determination of Percentage of Performance-Based Phantom Stock Units Vested:**

| Percentage of Target Cumulative Income Earned | Vesting Percentage |
|---|---|
| 75% | 50% |
| 87.5% | 75% |
| 100% | 100% |
| 105% | 110% |
| 110% | 120% |

For the Performance Period, Cumulative Income earned will be calculated by the Committee and converted to a percentage of the Target Cumulative Income for that Performance Period, as set forth in Section 3. For example, if the Target Cumulative Income for a Performance Period is $74,000,000 and the actual Cumulative Income for the Performance Period is $66,600,000, the Percentage of Target Cumulative Income Earned for that Performance Period would be 90%. For achievement of Cumulative Income between any of the stated performance thresholds, the Vesting Percentage shall be determined by mathematical interpolation between such thresholds (*e.g.*, if 90% of the Target Cumulative Income for a Performance Period is earned, 80% will be the Vesting Percentage, and 80% of the Performance-Based Phantom Stock Units attributable to the Performance Period will be vested).

**Exhibit 31.1**

**CERTIFICATION**

I, Gary S. Matthews, 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: February 4, 2020

/s/ GARY S. MATTHEWS

Gary S. Matthews

Chief Executive Officer as Principal Executive Officer

**Exhibit 31.2**

**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: February 4, 2020

/s/ TRACY A. MCLAUCHLIN

Tracy A. McLauchlin

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

**Exhibit 32.1**

**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 December 31, 2019 (the “Report”), I, Gary S. Matthews, Chief Executive Officer 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: February 4, 2020 | By: | /s/ GARY S. MATTHEWS |
| | | Gary S. Matthews |
| | | Chief Executive Officer as Principal Executive Officer |

**Exhibit 32.2**

**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 December 31, 2019 (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: February 4, 2020 | By: | /s/ TRACY A. MCLAUCHLIN |
| | | Tracy A. McLauchlin |
| | | Senior Vice President, Chief Financial Officer and Treasurer<br>as Principal Financial Officer |