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, 2023

or

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

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

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

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

15 East 5th Street, Suite 1100, Tulsa, Oklahoma 74103
(Address of principal executive offices and zip code)

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

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

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

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

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

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

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

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

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

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

As of February 7, 2024 there were 27,304,734 shares of the Company's common stock, $0.01 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue	$ 175,042	$ 193,840	$ 372,701	$ 402,271
Cost of revenue	164,453	195,142	350,253	390,565
Gross profit (loss)	10,589	(1,302)	22,448	11,706
Selling, general and administrative expenses	15,731	17,545	32,844	34,356
Goodwill impairment	—	12,316	—	12,316
Restructuring costs	—	1,278	—	2,565
Operating loss	(5,142)	(32,441)	(10,396)	(37,531)
Other income (expense):				
Interest expense	(319)	(916)	(644)	(1,288)
Interest income	162	46	312	70
Other (Note 3)	2,454	484	4,716	(590)
Loss before income tax expense	(2,845)	(32,827)	(6,012)	(39,339)
Provision for federal, state and foreign income taxes	6	—	6	—
Net loss	$ (2,851)	$ (32,827)	$ (6,018)	$ (39,339)
Basic loss per common share	$ (0.10)	$ (1.22)	$ (0.22)	$ (1.46)
Diluted loss per common share	$ (0.10)	$ (1.22)	$ (0.22)	$ (1.46)
Weighted average common shares outstanding:				
Basic	27,377	26,999	27,314	26,916
Diluted	27,377	26,999	27,314	26,916

See accompanying notes.

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

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net loss	$ (2,851)	$ (32,827)	$ (6,018)	$ (39,339)
Other comprehensive income (loss), net of tax:				
Foreign currency translation loss	562	1,265	24	(488)
Comprehensive loss	$ (2,289)	$ (31,562)	$ (5,994)	$ (39,827)

See accompanying notes.

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

	December 31, 2023	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 47,160	$ 54,812
Accounts receivable, less allowances (December 31, 2023—$408 and June 30, 2023—$1,061)	158,182	145,764
Costs and estimated earnings in excess of billings on uncompleted contracts	40,426	44,888
Inventories	8,441	7,437
Income taxes receivable	449	496
Prepaid expenses	8,470	5,741
Other current assets	4,184	3,118
Total current assets	267,312	262,256
Restricted cash	25,000	25,000
Property, plant and equipment - net	42,486	47,545
Operating lease right-of-use assets	18,992	21,799
Goodwill	29,131	29,120
Other intangible assets, net of accumulated amortization	2,202	3,066
Other assets, non-current	19,711	11,718
Total assets	$ 404,834	$ 400,504

See accompanying notes.

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

	December 31, 2023	June 30, 2023
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 61,887	$ 76,365
Billings on uncompleted contracts in excess of costs and estimated earnings	117,273	85,436
Accrued wages and benefits	13,804	13,679
Accrued insurance	5,781	5,579
Operating lease liabilities	3,981	4,661
Other accrued expenses	2,339	1,815
Total current liabilities	205,065	187,535
Deferred income taxes	26	26
Operating lease liabilities	18,655	20,660
Borrowings under asset-backed credit facility	—	10,000
Other liabilities, non-current	2,178	799
Total liabilities	225,924	219,020
Commitments and contingencies		
Stockholders’ equity:		
Matrix Service Company stockholders' equity:		
Common stock—$0.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of December 31, 2023 and June 30, 2023; 27,300,485 and 27,047,318 shares outstanding as of December 31, 2023 and June 30, 2023, respectively	279	279
Additional paid-in capital	140,668	140,810
Retained earnings	52,899	58,917
Accumulated other comprehensive loss	(8,745)	(8,769)
	185,101	191,237
Treasury stock, at cost — 587,732 shares as of December 31, 2023, and 840,899 shares as of June 30, 2023	(6,191)	(9,753)
Total stockholders' equity	178,910	181,484
Total liabilities and stockholders’ equity	$ 404,834	$ 400,504

See accompanying notes.

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

	Six Months Ended	
	December 31, 2023	December 31, 2022
Operating activities:		
Net loss	$ (6,018)	$ (39,339)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	5,692	7,177
Goodwill impairment	—	12,316
Stock-based compensation expense	3,785	3,747
Loss (gain) on sale of property, plant and equipment (Note 3)	(4,589)	42
Other	125	82
Changes in operating assets and liabilities increasing (decreasing) cash:		
Accounts receivable	(19,752)	(28,125)
Costs and estimated earnings in excess of billings on uncompleted contracts	4,462	(1,836)
Inventories	(1,004)	1,993
Other assets and liabilities	(1,763)	(5,170)
Accounts payable	(14,303)	5,253
Billings on uncompleted contracts in excess of costs and estimated earnings	31,837	34,656
Accrued expenses	2,257	(8,381)
Net cash provided (used) by operating activities	729	(17,585)
Investing activities:		
Capital expenditures	(859)	(2,843)
Proceeds from asset sales (Note 3)	2,806	31
Net cash provided (used) by investing activities	1,947	(2,812)

See accompanying notes.

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

	Six Months Ended	
	December 31, 2023	December 31, 2022
Financing activities:		
Advances under asset-backed credit facility	$ 10,000	$ 10,000
Repayments of advances under asset-backed credit facility	(20,000)	(10,000)
Proceeds from issuance of common stock under employee stock purchase plan	$ 91	$ 136
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(456)	(310)
Net cash used by financing activities	(10,365)	(174)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	37	(336)
Net decrease in cash, cash equivalents and restricted cash	(7,652)	(20,907)
Cash, cash equivalents and restricted cash, beginning of period	79,812	77,371
Cash, cash equivalents and restricted cash, end of period	$ 72,160	$ 56,464
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Income taxes	$ (43)	$ —
Interest	$ 647	$ 1,056
Non-cash investing and financing activities:		
Purchases of property, plant and equipment on account	$ 71	$ 476

See accompanying notes.

Matrix Service Company
Condensed Consolidated Statements of Changes in Stockholders' Equity
(In thousands, except share data)
(unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balances, September 30, 2023	$ 279	$ 139,773	$ 55,750	$ (9,307)	$ (7,372)	$ 179,123
Net loss	—	—	(2,851)	—	—	(2,851)
Other comprehensive income	—	—	—	562	—	562
Issuance of restricted stock (86,783 shares)	—	(1,131)	—	—	1,131	—
Treasury shares sold to Employee Stock Purchase Plan (3,864 shares)	—	(4)	—	—	50	46
Stock-based compensation expense	—	2,030	—	—	—	2,030
Balances, December 31, 2023	$ 279	$ 140,668	$ 52,899	$ (8,745)	$ (6,191)	$ 178,910
Balances, September 30, 2022	$ 279	$ 137,651	$ 104,766	$ (9,928)	$ (11,517)	$ 221,251
Net loss	—	—	(32,827)	—	—	(32,827)
Other comprehensive income	—	—	—	1,265	—	1,265
Issuance of restricted stock (54,702 shares)	—	(1,085)	—	—	1,085	—
Treasury shares sold to Employee Stock Purchase Plan (17,111 shares)	—	(269)	—	—	340	71
Stock-based compensation expense	—	1,692	—	—	—	1,692
Balances, December 31, 2022	$ 279	$ 137,989	$ 71,939	$ (8,663)	$ (10,092)	$ 191,452

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balances, June 30, 2023	$ 279	$ 140,810	$ 58,917	$ (8,769)	$ (9,753)	$ 181,484
Net loss	—	—	(6,018)	—	—	(6,018)
Other comprehensive income	—	—	—	24	—	24
Issuance of restricted stock (297,026 shares)	—	(3,868)	—	—	3,868	—
Treasury shares sold to Employee Stock Purchase Plan (11,465 shares)	—	(59)	—	—	150	91
Treasury shares purchased to satisfy tax withholding obligations (55,324 shares)	—	—	—	—	(456)	(456)
Stock-based compensation expense	—	3,785	—	—	—	3,785
Balances, December 31, 2023	$ 279	$ 140,668	$ 52,899	$ (8,745)	$ (6,191)	$ 178,910
Balances, June 30, 2022	$ 279	$ 139,854	$ 111,278	$ (8,175)	$ (15,530)	$ 227,706
Net loss	—	—	(39,339)	—	—	(39,339)
Other comprehensive loss	—	—	—	(488)	—	(488)
Issuance of restricted stock (259,529 shares)	—	(5,149)	—	—	5,149	—
Treasury shares sold to Employee Stock Purchase Plan (30,144 shares)	—	(463)	—	—	599	136
Treasury shares purchased to satisfy tax withholding obligations (52,864 shares)	—	—	—	—	(310)	(310)
Stock-based compensation expense	—	3,747	—	—	—	3,747
Balances, December 31, 2022	$ 279	$ 137,989	$ 71,939	$ (8,663)	$ (10,092)	$ 191,452

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

Note 1 – Basis of Presentation and Significant Accounting Policies

Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. The information furnished reflects all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results of operations, cash flows and financial position for the interim periods presented. The accompanying condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2023, included in our Annual Report on Form 10-K for the year then ended. The results of operations for the three and six month periods ended December 31, 2023 may not necessarily be indicative of the results of operations for the full year ending June 30, 2024.

Significant Accounting Policies

Our significant accounting policies are detailed in “Note 1 - Summary of Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended June 30, 2023.

Accounting Standards Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which expands disclosures about a public entity’s reportable segments and requires enhanced information about a reportable segment’s expenses, interim segment profit or loss, and how a public entity’s chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. The update will be effective for annual periods beginning after December 15, 2023 (fiscal 2025). We are assessing the effect of this update on our consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands disclosures in an entity’s income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be effective for annual periods beginning after December 15, 2024 (fiscal 2026). We are assessing the effect of this update on our consolidated financial statements and related disclosures.

Other accounting pronouncements issued but not effective until after December 31, 2023 are not expected to have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

Note 2 – Revenue

Remaining Performance Obligations

We had $749.4 million of remaining performance obligations yet to be satisfied as of December 31, 2023. We expect to recognize $437.1 million of our remaining performance obligations as revenue within the next twelve months.

Contract Balances

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

	December 31, 2023	June 30, 2023	Change
		(In thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 40,426	$ 44,888	$ (4,462)
Billings on uncompleted contracts in excess of costs and estimated earnings	(117,273)	(85,436)	(31,837)
Net contract liabilities	$ (76,847)	$ (40,548)	$ (36,299)

The difference between the beginning and ending balances of our CIE and BIE primarily results from the timing of revenue recognized relative to the billings on the associated contract. The amount of revenue recognized during the six months ended December 31, 2023 that was included in the June 30, 2023 BIE balance was $78.3 million. This revenue consists primarily of work performed during the period on contracts with customers that had advance billings.

Progress billings in accounts receivable at December 31, 2023 and June 30, 2023 included retentions to be collected within one year of $14.7 million and $16.3 million, respectively. Contract retentions collectible beyond one year are included in other assets, non-current in the Condensed Consolidated Balance Sheets and totaled $17.6 million as of December 31, 2023 and $10.0 million as of June 30, 2023.

Unpriced Change Orders and Claims

Costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unpriced change orders and claims of $11.8 million at December 31, 2023 and $9.7 million at June 30, 2023. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings. The determination of our legal basis for a claim requires significant judgment. Generally, collection of amounts related to unpriced change orders and claims is expected within twelve months. However, since customers may not pay these amounts until final resolution of related claims, collection of these amounts may extend beyond one year.

Disaggregated Revenue

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

Geographic Disaggregation:

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
		(In thousands)		
United States	$ 156,409	$ 170,290	$ 333,959	$ 346,470
Canada	14,548	20,885	31,421	45,810
Other international	4,085	2,665	7,321	9,991
Total Revenue	$ 175,042	$ 193,840	$ 372,701	$ 402,271

Contract Type Disaggregation:

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
		(In thousands)		
Fixed-price contracts	$ 97,711	$ 105,283	$ 214,468	$ 214,756
Time and materials and other cost reimbursable contracts	77,331	88,557	158,233	187,515
Total Revenue	$ 175,042	$ 193,840	$ 372,701	$ 402,271

Revisions in Estimates

During fiscal 2023, unfavorable changes in the estimated recovery of change orders and increased forecasted costs to complete and closeout certain midstream gas processing construction work in the Process and Industrial Facilities segment resulted in a reduction of gross profit of $9.6 million and $9.4 million during the three and six months ended December 31, 2022, respectively. This was primarily the result of the client not approving adequate compensation to us for the impact that excessive scope changes had on our ability to progress the work according to forecast and for the impacts of global supply chain issues and inflation.

Note 3 – Property, Plant and Equipment

Building Disposals

During the second quarter of fiscal 2024, we sold a facility in Catoosa, Oklahoma for $2.7 million in net proceeds, which resulted in a gain of $2.0 million. Proceeds were received in January 2024. The gain was included in Other income in the Condensed Consolidated Statements of Income. The facility was previously utilized for our industrial cleaning business, which was sold during the fourth quarter of fiscal 2023. The Catoosa, Oklahoma facility was closed as it was no longer strategic to the future of the business.

During the first quarter of fiscal 2024, we sold a previously utilized facility in Burlington, Ontario for $2.7 million in net proceeds, which resulted in a gain of $2.5 million. The gain was included in Other income in the Condensed Consolidated Statements of Income. We closed this previously utilized facility during the second quarter of fiscal 2023 because it was no longer strategic to the future of the business.

Note 4 – Goodwill

During the second quarter of fiscal 2023,we had indicators of a potential impairment and performed an interim impairment test within the Process and Industrial Facilities segment. We concluded that its $12.3 million of goodwill was fully impaired and recognized the impairment in operating income during the three and six months ended December 31, 2022. We did not record any impairments during the three and six months ended December 31, 2023.

Note 5 – Debt

On September 9, 2021, the Company and our primary U.S. and Canada operating subsidiaries entered into an asset-based credit agreement, which was amended on October 5, 2022 and December 29, 2023 (as amended, the "ABL Facility"), with Bank of Montreal, as Administrative Agent, Swing Line Lender and a Letter of Credit Issuer, and the lenders named therein. The maximum amount of loans under the ABL Facility is limited to $90.0 million. The ABL Facility's available borrowings may be increased by an amount not to exceed $15.0 million, subject to certain conditions, including obtaining additional commitments. The ABL Facility is intended to be used for working capital, capital expenditures, issuances of letters of credit and other lawful purposes. Our obligations under the ABL Facility are guaranteed by substantially all of our U.S. and Canadian subsidiaries and are secured by a first lien on all our assets and the assets of our co-borrowers and guarantors under the ABL Facility. The ABL Facility matures, and any outstanding amounts become due and payable, on September 9, 2026.

The maximum amount that we may borrow under the ABL Facility is subject to a borrowing base, which is based on restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves. We are required to maintain a minimum of $25.0 million of restricted cash at all times, but such amounts are also included in the borrowing base. The borrowing base is recalculated on a monthly basis and at December 31, 2023, our borrowing base was $69.1 million. During the quarter ended December 31, 2023, the Company repaid all outstanding borrowings under the ABL Facility. The Company had $10.0 million in letters of credit outstanding as of December 31, 2023, which resulted in availability of $59.1 million under the ABL Facility.

Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate of either a base rate (“Base Rate”), an Adjusted Term Secured Overnight Financing Rate ("Adjusted Term SOFR"), or at the Canadian Prime Rate, plus an applicable margin. The Adjusted Term SOFR is defined as (i) the SOFR plus (ii) 11.448 basis points for a one-month tenor and 26.161 basis points for a three-month tenor; provided that the Adjusted Term SOFR cannot be below zero. The Base Rate is defined as a fluctuating interest rate equal to the greater of: (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) Adjusted Term SOFR for one month period plus 1.00%; or (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for Base Rate and Canadian Prime Rate borrowings, which includes either U.S. or Canadian prime rate, and between 2.00% and 2.50% for Adjusted Term SOFR borrowings. Interest is payable either (i) monthly for Base Rate or

Canadian Prime Rate borrowings or (ii) the last day of the interest period for Adjusted Term SOFR borrowings, as set forth in the ABL Facility. The fee for undrawn amounts is 0.25% per annum and is due quarterly.

The ABL Facility contains customary conditions to borrowings, events of default and covenants, including, but not limited to, covenants that restrict our ability to sell assets, engage in mergers and acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay cash dividends, issue equity instruments, make distribution or redeem or repurchase capital stock. In the event that our availability is less than the greater of (i) $15.0 million and (ii) 15.00% of the commitments under the ABL Facility then in effect, a consolidated Fixed Charge Coverage Ratio of at least 1.00 to 1.00 must be maintained. We were in compliance with all covenants of the ABL Facility as of December 31, 2023.

Note 6 – Income Taxes

Effective Tax Rate

Our effective tax rates were zero for each of the three and six months ended December 31, 2023 and 2022. The effective tax rates during fiscal 2024 were impacted by valuation allowances of $1.2 million and $1.4 million placed on deferred tax assets during the three and six months ended December 31, 2023, respectively. The effective tax rates during fiscal 2023 were impacted by valuation allowances of $8.4 million and $9.8 million placed on deferred tax assets during the three and six months ended December 31, 2022, respectively.

Valuation Allowance

We placed a valuation allowance on our deferred tax assets in the second quarter of fiscal 2022 due to the existence of a cumulative loss over a three-year period. We will continue to place valuation allowances on newly generated deferred tax assets and will realize the benefit associated with the deferred tax assets for which the valuation allowance has been provided to the extent we generate taxable income in the future.

Note 7 – Commitments and Contingencies

Insurance Reserves

We maintain insurance coverage for various aspects of our operations. However, we retain exposure to potential losses through the use of deductibles, self-insured retentions and coverage limits.

Typically, our contracts require us to indemnify our customers for injury, damage or loss arising from the performance of our services and provide warranties for materials and workmanship. We may also be required to name the customer as an additional insured up to the limits of insurance available, or we may be required to purchase special insurance policies or surety bonds for specific customers or provide letters of credit in lieu of bonds to satisfy performance and financial guarantees on some projects. We maintain a performance and payment bonding line sufficient to support the business. We generally require our subcontractors to indemnify us and our customer and name us as an additional insured for activities arising out of the subcontractors' work. We also require certain subcontractors to provide additional insurance policies, including surety bonds in favor of us, to secure the subcontractors' work or as required by the subcontract.

There can be no assurance that our insurance and the additional insurance coverage provided by our subcontractors will fully protect us against a valid claim or loss under the contracts with our customers.

Litigation

During fiscal 2020, we commenced litigation in an effort to collect an account receivable from an iron and steel customer on a reimbursable contract following the deterioration of the relationship. In connection with our suit, the customer filed certain counterclaims against us. In September 2023, a jury returned a verdict in our favor and awarded us the full contract balance. We received full payment of $16.8 million in October 2023.

During fiscal 2023, we completed cost reimbursable construction services for a customer at a mining and minerals facility. In late fiscal 2023, after numerous attempts to collect outstanding receivables, we filed a notice of default for lack of payment of outstanding balances, and in early fiscal 2024, we filed a lien on the facility. The customer responded by commencing litigation against us, alleging breach of contract and breach of express warranty. We deny all claims and filed a countersuit against the customer for failure to pay outstanding amounts of accounts receivable, which totaled $5.6 million as of December 31, 2023. Litigation is unpredictable, however, based on the terms of the contract with this customer, we believe we are entitled to collect the full amount owed under the contract.

During fiscal 2022, we filed an arbitration demand in an effort to collect outstanding balances of $32.7 million from a customer for which we completed a crude oil storage terminal project. The customer has filed counterclaims for liquidated damages and miscellaneous warranty items. We deny all claims and believe we are entitled to collect the full amount owed under the contract. Our hearing for this matter is currently scheduled for October 2024.

We believe we have set appropriate reserves for the matters described above based on our evaluation of the possible outcomes of the litigation. We and our subsidiaries are participants in various other legal actions. It is the opinion of management that none of the other known legal actions will have a material impact on our financial position, results of operations or liquidity.

Note 8 – Earnings per Common Share

Basic earnings per share ("Basic EPS") is calculated based on the weighted average shares outstanding during the period. Diluted earnings per share ("Diluted EPS") includes the dilutive effect of nonvested restricted stock shares. In the event we report a loss, nonvested restricted stock shares are not included since they are anti-dilutive.

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

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(In thousands, except per share data)			
Basic EPS:				
Net loss	$ (2,851)	$ (32,827)	$ (6,018)	$ (39,339)
Weighted average shares outstanding	27,377	26,999	27,314	26,916
Basic loss per share	$ (0.10)	$ (1.22)	$ (0.22)	$ (1.46)
Diluted EPS:				
Net loss	$ (2,851)	$ (32,827)	$ (6,018)	$ (39,339)
Diluted weighted average shares outstanding	27,377	26,999	27,314	26,916
Diluted loss per share	$ (0.10)	$ (1.22)	$ (0.22)	$ (1.46)

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

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(In thousands)			
Nonvested restricted stock shares	949	34	757	65

Note 9 – Segment Information

We report our results of operations through three reportable segments: Storage and Terminal Solutions, Utility and Power Infrastructure, and Process and Industrial Facilities.

- **Storage and Terminal Solutions**: primarily consists of engineering, procurement, fabrication, and construction services related to cryogenic and other specialty tanks and terminals for LNG, NGLs, hydrogen, ammonia, propane, butane, liquid nitrogen/liquid oxygen, and liquid petroleum. We also perform work related to traditional aboveground crude oil and refined product storage tanks and terminals. This segment also includes terminal balance of plant work, truck and rail loading/offloading facilities, and marine structures as well as storage tank and terminal maintenance and repair. Finally, we manufacture and sell precision engineered specialty tank products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.

- **Utility and Power Infrastructure**: primarily consists of engineering, procurement, fabrication, and construction services to support growing demand for LNG utility peak shaving facilities. We also perform traditional electrical work for public and private utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, and upgrades and maintenance including live wire work. Work may also include emergency and storm restoration services. We also provide construction services to a variety of power generation facilities, including natural gas fired facilities in simple or combined cycle configurations.

- **Process and Industrial Facilities**: primarily consists of plant maintenance, repair, and turnarounds in the downstream and midstream markets for energy clients including refining and processing of crude oil, fractionating, and marketing of natural gas and natural gas liquids. We also perform engineering, procurement, fabrication, and construction for refinery upgrades and retrofits for renewable fuels. We also construct thermal vacuum test chambers for aerospace and defense industries and other infrastructure for industries including petrochemical, sulfur, mining and minerals primarily in the extraction of non-ferrous metals, cement, agriculture, wastewater treatment facilities and other industrial customers.

We evaluate performance and allocate resources based on operating income. We eliminate intersegment sales; therefore, no intercompany profit or loss is recognized. Corporate selling, general and administrative expenses are excluded from our three reportable segments in order to align controllable costs with the responsibility of segment management, and to be consistent with how our chief operating decision-maker assesses segment performance and allocates resources. Segment assets consist primarily of accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, property, plant and equipment, right-of-use lease assets, goodwill and other intangible assets.

Matrix Service Company
Notes to Condensed Consolidated Financial Statements
(unaudited)
Results of Operations
(In thousands)

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Gross revenue				
Storage and Terminal Solutions	$ 63,074	$ 63,130	$ 154,053	$ 140,420
Utility and Power Infrastructure	40,144	50,589	72,539	95,459
Process and Industrial Facilities	71,526	80,789	146,664	167,526
Corporate	1,233	—	1,233	—
Total gross revenue	$ 175,977	$ 194,508	$ 374,489	$ 403,405
Less: Inter-segment revenue				
Storage and Terminal Solutions	$ 714	$ 614	$ 1,549	$ 971
Utility and Power Infrastructure	—	54	—	54
Process and Industrial Facilities	221	—	239	109
Corporate	—	—	—	—
Total inter-segment revenue	$ 935	$ 668	$ 1,788	$ 1,134
Consolidated revenue				
Storage and Terminal Solutions	$ 62,360	$ 62,516	$ 152,504	$ 139,449
Utility and Power Infrastructure	40,144	50,535	72,539	95,405
Process and Industrial Facilities	71,305	80,789	146,425	167,417
Corporate	1,233	—	1,233	—
Total consolidated revenue	$ 175,042	$ 193,840	$ 372,701	$ 402,271
Gross profit (loss)				
Storage and Terminal Solutions	$ 1,838	$ 1,648	$ 6,790	$ 9,213
Utility and Power Infrastructure	1,415	2,426	5,111	4,139
Process and Industrial Facilities	6,671	(5,131)	11,749	(801)
Corporate	665	(245)	(1,202)	(845)
Total gross profit	$ 10,589	$ (1,302)	$ 22,448	$ 11,706
Selling, general and administrative expenses				
Storage and Terminal Solutions	$ 4,338	$ 5,450	$ 8,967	$ 9,608
Utility and Power Infrastructure	1,978	1,787	3,526	3,525
Process and Industrial Facilities	2,206	3,682	5,293	7,752
Corporate	7,209	6,626	15,058	13,471
Total selling, general and administrative expenses	$ 15,731	$ 17,545	$ 32,844	$ 34,356
Goodwill impairment & restructuring costs				
Storage and Terminal Solutions	$ —	$ 383	$ —	$ 906
Utility and Power Infrastructure	—	—	—	37
Process and Industrial Facilities	—	12,698	—	13,012
Corporate	—	513	—	926
Total goodwill impairment & restructuring costs	$ —	$ 13,594	$ —	$ 14,881
Operating income (loss)				
Storage and Terminal Solutions	$ (2,500)	$ (4,185)	$ (2,177)	$ (1,301)
Utility and Power Infrastructure	(563)	639	1,585	577
Process and Industrial Facilities	4,465	(21,511)	6,456	(21,565)
Corporate	(6,544)	(7,384)	(16,260)	(15,242)
Total operating loss	$ (5,142)	$ (32,441)	$ (10,396)	$ (37,531)

Total assets by segment were as follows (in thousands):

	December 31, 2023	June 30, 2023
Storage and Terminal Solutions	$ 161,409	$ 139,333
Utility and Power Infrastructure	66,501	67,630
Process and Industrial Facilities	92,688	90,514
Corporate	84,236	103,027
Total segment assets	$ 404,834	$ 400,504

Note 10 – Restructuring Costs

In fiscal 2020, we initiated a business improvement plan to increase profitability and reduce our cost structure in order to help us become more competitive and deliver higher quality service. As a result of specific events, including the effects of the COVID-19 pandemic and related market disruptions, the Company expanded its business improvement plan.

The business improvement plan consisted of an initial phase of discretionary cost reductions, workforce reductions, reduction of capital expenditures and the reduction in size or closure of certain offices in order to increase the utilization of our staff and bring the cost structure of the business in line with revenue volumes. In fiscal 2022, we commenced a second phase of our plan to focus on centralization of support functions, including business development, accounting, human resources, procurement and project services into shared service centers. During the three and six months ended December 31, 2022, we incurred restructuring costs of $1.3 million and $2.6 million, respectively. The restructuring costs were primarily related to severance and other personnel-related costs in connection with the second phase of our plan as well as the closure of an underperforming operating location. Our restructuring efforts were substantially complete as of June 30, 2023.

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

FORWARD-LOOKING STATEMENTS

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

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

- amounts and nature of future project awards, revenue and margins from each of our segments;
- our ability to generate sufficient cash from operations, access our credit facility, or raise cash in order to meet our short and long-term capital requirements;
- our ability to comply with the covenants in our credit agreement;
- the impact to our business from economic, market or business conditions in general and in the natural gas, power, oil, petrochemical, agricultural and mining industries in particular;
- the impact of inflation on our operating expenses and our business operations;
- the likely impact of new or existing regulations or market forces on the demand for our services;
- the impact to our business from disruptions to supply chains, inflation and availability of materials and labor;
- our expectations with respect to the likelihood of a future impairment;
- our expectations regarding pending litigation; and
- expansion and other trends of the industries we serve.

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

- any risk factors discussed in this Form 10-Q, Form 10-K for the fiscal year ended June 30, 2023, and in our other filings with the Securities and Exchange Commission;
- economic, market or business conditions in general and in the natural gas, power, oil, petrochemical, agricultural and mining industries in particular;
- the transition to renewable energy sources and its impact on our current customer base;
- the under- or over-utilization of our work force;
- delays in the commencement or progression of major projects, whether due to permitting issues or other factors;
- reduced creditworthiness of our customer base and the higher risk of non-payment of receivables;
- the inherently uncertain outcome of current and future litigation;
- the adequacy of our reserves for claims and contingencies; and
- changes in laws or regulations, including the imposition, cancellation or delay of tariffs on imported goods.

Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business operations. We assume no obligation to update publicly, except as required by law, any such forward-looking statements, whether as a result of new information, future events or otherwise.

RESULTS OF OPERATIONS

Overview

We report our results of operations through three reportable segments: Storage and Terminal Solutions, Utility and Power Infrastructure, and Process and Industrial Facilities.

- **Storage and Terminal Solutions**: primarily consists of engineering, procurement, fabrication, and construction services related to cryogenic and other specialty tanks and terminals for LNG, NGLs, hydrogen, ammonia, propane, butane, liquid nitrogen/liquid oxygen, and liquid petroleum. We also perform work related to traditional aboveground crude oil and refined product storage tanks and terminals. This segment also includes terminal balance of plant work, truck and rail loading/offloading facilities, and marine structures as well as storage tank and terminal maintenance and repair. Finally, we manufacture and sell precision engineered specialty tank products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.
- **Utility and Power Infrastructure**: primarily consists of engineering, procurement, fabrication, and construction services to support growing demand for LNG utility peak shaving facilities. We also perform traditional electrical work for public and private utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, and upgrades and maintenance including live wire work. Work may also include emergency and storm restoration services. We also provide construction services to a variety of power generation facilities, including natural gas fired facilities in simple or combined cycle configurations.
- **Process and Industrial Facilities**: primarily consists of plant maintenance, repair, and turnarounds in the downstream and midstream markets for energy clients including refining and processing of crude oil, fractionating, and marketing of natural gas and natural gas liquids. We also perform engineering, procurement, fabrication, and construction for refinery upgrades and retrofits for renewable fuels. We also construct thermal vacuum test chambers for aerospace and defense industries and other infrastructure for industries including petrochemical, sulfur, mining and minerals primarily in the extraction of non-ferrous metals, cement, agriculture, wastewater treatment facilities and other industrial customers.

Operational Update

During the second quarter of fiscal 2024, we continued to make progress on efforts to position the company for profitable growth. Another quarter of strong project awards contributed to a total of $1.4 billion of project awards in the last 12 months, and the highest backlog in the company's history. Many of these project awards are large construction projects that will generate revenues over a multi-year period with expected gross margins at our pre-pandemic historical gross margin range. While the time to convert these awards to revenue is dependent on a variety of factors, many outside of our control, we expect modest growth in the third quarter of this fiscal year, and a substantial recovery of revenues in the fourth quarter and beyond. We have also improved project execution, resulting in strong direct gross margins in all three of our segments. We tightly managed costs, with selling, general and administrative expenses at their lowest level since 2014. These efforts have produced a cost structure that we expect to leverage for enhanced gross margins and operating income as revenue volumes return. We have also closely managed our balance sheet. During the second quarter of fiscal 2024, we repaid all outstanding borrowings on our ABL Facility while simultaneously growing our cash balance by $19.8 million. The result is a strong financial position, which will provide the foundation for future growth. The combination of these factors positions the company for significantly improved financial performance in the near term.

Backlog

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

- fixed-price awards;
- minimum customer commitments on cost plus arrangements; and

- certain time and material arrangements in which the estimated value is firm or can be estimated with a reasonable amount of certainty in both timing and amounts.

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

The following table provides a summary of changes in our backlog for the three months ended December 31, 2023:

	Storage and Terminal Solutions	Utility and Power Infrastructure	Process and Industrial Facilities	Total
	(In thousands)			
Backlog as of September 30, 2023	$ 595,160	$ 450,212	$ 344,461	$ 1,389,833
Project awards	125,249	41,374	64,176	230,799
Revenue recognized	(62,360)	(40,144)	(71,305)	(173,809)
Backlog as of December 31, 2023	$ 658,049	$ 451,442	$ 337,332	$ 1,446,823
Book-to-bill ratio[1]	2.0	1.0	0.9	1.3

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

The following table provides a summary of changes in our backlog for the six months ended December 31, 2023:

	Storage and Terminal Solutions	Utility and Power Infrastructure	Process and Industrial Facilities	Total
	(In thousands)			
Backlog as of June 30, 2023	$ 270,659	$ 459,518	$ 359,921	$ 1,090,098
Project awards	539,894	64,463	123,836	728,193
Revenue recognized	(152,504)	(72,539)	(146,425)	(371,468)
Backlog as of December 31, 2023	$ 658,049	$ 451,442	$ 337,332	$ 1,446,823
Book-to-bill ratio[1]	3.5	0.9	0.8	2.0

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

In the Storage and Terminal Solutions segment, we booked $125.2 million of project awards during the second quarter of fiscal 2024. Included in project awards was scope growth on an existing LNG storage construction project award, and a tank and terminal construction project. During the six months ended December 31, 2023, we booked $539.9 million of project awards, which included a significant LNG storage construction project. This segment includes significant opportunities for storage infrastructure projects related to natural gas, LNG, ammonia, hydrogen, NGLs and other forms of renewable energy. We believe LNG and hydrogen projects will be key growth drivers for this segment. Bidding activity on LNG projects has been strong.

In the Utility and Power Infrastructure segment, we booked $41.4 million of project awards during the second quarter of fiscal 2024. Included in project awards was a significant power delivery construction project. During the six months ended December 31, 2023, we booked $64.5 million of project awards. Project opportunities and bidding activity are strong for both the power delivery portion of the business and LNG peak shaving.

In the Process and Industrial Facilities segment, backlog decreased by 2.1% as we booked $64.2 million of project awards during the second quarter of fiscal 2024. Project awards during the quarter were driven by contract growth on a refinery retrofit project at a biodiesel facility and spending related to refinery maintenance and turnaround operations. During the six months ended December 31, 2023, we booked $123.8 million of project awards. We continue to see increasing opportunities in mining and minerals, chemicals, aerospace, and renewables. In addition, we are pursuing opportunities for hydrogen and carbon capture projects across a number of different markets.

Project awards in all segments are cyclical and are typically the result of a sales process that can take several months or years to complete. It is common for awards to shift from one period to another as the timing of awards is dependent upon a number of factors including changes in market conditions, permitting, off take agreements, project financing and other factors. Backlog volatility may increase for some segments from time to time when individual project awards are less frequent, but more significant. There is an inherent lag between the time a project is awarded and when it begins to have a material impact on revenue. In some cases, this lag can be between three and six months or longer, depending on finalization of scopes, contracts, permits, and facility process requirements. Additionally, awards for larger construction projects may be recognized as revenue over a multi-year period as the projects may take a few years to complete.

Three months ended December 31, 2023 Compared to the Three months ended December 31, 2022

Consolidated

Consolidated revenue was $175.0 million for the three months ended December 31, 2023, compared to $193.8 million in the same period last year. The decrease was primarily related to the Process and Industrial Facilities and Utility Power and Infrastructure segments, which decreased by $9.5 million and $10.4 million, respectively.

Consolidated gross profit increased to $10.6 million in the three months ended December 31, 2023 compared to a gross loss of $1.3 million in the same period last year. Gross margin (loss) increased to 6.0% in the three months ended December 31, 2023 compared to (0.7)% in the same period last year. Gross margins in the second quarter of fiscal 2024 were positively impacted by strong project execution partially offset by the under-recovery of construction overhead costs. Gross margins in the second quarter of fiscal 2023 were also negatively impacted by the under-recovery of construction overhead costs, as well as unfavorable changes in the estimated recovery of change orders and increased forecasted costs to complete certain midstream gas processing projects, and continued work on previously-booked projects with reduced gross margins awarded in a highly competitive time period.

Consolidated SG&A expenses were $15.7 million in the three months ended December 31, 2023 compared to $17.5 million in the same period last year. SG&A expenses continue to benefit from the Company's cost control measures. In addition, the timing of project pursuits resulted in lower pursuit costs in the quarter ended December 31, 2023. We remain active in the market as we pursue additional project opportunities.

In the prior year quarter ended December 31, 2022, we recorded a goodwill impairment of $12.3 million. We did not have any goodwill impairment in the quarter based upon the improved market and performance outlook. See Item 1. Financial Statements, Note 4 - Goodwill, for more information about the impairment.

The Company did not incur any restructuring costs during the second quarter of fiscal 2024. During the second quarter of fiscal 2023, we closed an underperforming office and ceased its associated operations, which resulted in $1.3 million of restructuring costs. See Item 1. Financial Statements, Note 10 - Restructuring Costs, for more information about our business improvement plan. Our restructuring efforts were substantially complete as of June 30, 2023.

Interest expense was $0.3 million in the three months ended December 31, 2023 compared to $0.9 million in the three months ended December 31, 2022. Interest expense in the three months ended December 31, 2023 and December 31, 2022 consisted primarily of interest on debt outstanding, unused capacity fees, amortization of deferred debt issuance costs, letter of credit fees and other interest. Interest expense decreased due to the repayment of borrowing under the ABL credit facility during the second quarter of fiscal 2024.

Other income during the three months ended December 31, 2023 included a gain of $2.0 million on the sale of a facility in Catoosa, Oklahoma. We received $2.7 million in net proceeds from the sale. The proceeds were received in January 2024. The facility was previously utilized for our industrial cleaning business, which was sold during the fourth quarter of fiscal 2023. This completes the divestiture and closure of a non-core service offering of the business as part of our strategy to focus the business on core markets.

Our effective tax rates for the three months ended December 31, 2023 and December 31, 2022 were zero. The effective tax rates during both periods were impacted by valuation allowances of $1.2 million and $8.4 million, respectively, placed on deferred tax assets generated during the quarters. We placed a valuation allowance on our deferred tax assets due to the existence of a cumulative loss over a three-year period. We will continue to place valuation allowances on newly generated deferred tax assets and will realize the benefit associated with the deferred tax assets for which the valuation allowance has been provided to the extent we generate taxable income in the future.

For the three months ended December 31, 2023, we had a net loss of $2.9 million, or $0.10 per fully diluted share, compared to a net loss of $32.8 million, or $1.22 per fully diluted share, in the three months ended December 31, 2022.

Storage and Terminal Solutions

Revenue for the Storage and Terminal Solutions segment was $62.4 million in the three months ended December 31, 2023 compared to $62.5 million in the same period last year. The revenue volume in the recent quarter was impacted by low levels of material procurement on recently awarded projects. The Company expects higher revenue volume as it moves through the remainder of fiscal 2024 and into fiscal 2025 as it transitions recent large specialty storage project awards through contracting, project planning and mobilization.

The segment gross margin was 2.9% for the three months ended December 31, 2023 compared to a gross margin of 2.6% in the same period last year. Strong direct margins during the quarter were offset by under-recovery of construction overhead costs. We have allocated additional resources to this segment to support recent awards and anticipated higher revenue volume in the second half of fiscal 2024. We expect continued award strength in this segment in the next two quarters that will increase revenue volumes and provide more stability in future quarters. With revenue increases in this segment, we expect to reach full recovery of construction overhead costs in the fourth quarter of fiscal 2024.

Utility and Power Infrastructure

Revenue for the Utility and Power Infrastructure segment was $40.1 million in the three months ended December 31, 2023 compared to $50.5 million in the same period last year. The decrease is primarily due to lower volumes of power delivery and power generation work. The Company expects higher revenue volume as it moves through the remainder of fiscal 2024 and into fiscal 2025 as it transitions recent large LNG peak shaver project awards through contracting, project planning and mobilization.

The segment gross margin was 3.5% in the second quarter of fiscal 2024 compared to a gross margin of 4.8% in the same period last year. In the current quarter, strong project execution in this segment was offset by under-recovery of construction overhead costs due to lower revenue volumes. The segment gross margin in the second quarter of fiscal 2023 was negatively impacted by previously-booked projects with reduced gross margins awarded in a highly competitive time period.

Process and Industrial Facilities

Revenue for the Process and Industrial Facilities segment was $71.3 million in the three months ended December 31, 2023 compared to $80.8 million in the same period last year. Decreases in revenue volumes from midstream gas processing, industrial cleaning, and mining and minerals work were partially offset by increases in work for a renewable energy facility and thermal vacuum chambers.

The segment gross margin (loss) was 9.4% for the three months ended December 31, 2023 compared to (6.4)% in the same period last year. Project execution improved in the second quarter of fiscal 2024 resulting in a significantly improved gross margin despite the lower revenue volume. The segment gross margin (loss) in the second quarter of fiscal 2023 was negatively impacted by unfavorable changes in the estimated recovery of change orders and increased forecasted costs to complete certain midstream gas processing construction work. The project reduced gross profit by $9.6 million during the three months ended December 31, 2022. The segment gross margin (loss) in the second quarter of fiscal 2023 was also negatively impacted by the under recovery of construction overhead costs and continued work on previously-booked projects with reduced gross margins awarded in a highly competitive time period.

Corporate

Unallocated corporate revenue and expenses were $6.5 million during the three months ended December 31, 2023 compared to $7.4 million in the same period last year. The decrease was primarily due to the favorable resolution of a long-standing legal dispute with an iron and steel customer, which resulted in the recognition of $1.2 million of revenue.

Six Months Ended December 31, 2023 Compared to the Six Months Ended December 31, 2022

Consolidated

Consolidated revenue was $372.7 million for the six months ended December 31, 2023, compared to $402.3 million in the same period last year. On a segment basis, revenue decreased in the Utility and Power Infrastructure and Process and Industrial Facilities segments by $22.9 million and $21.0 million, respectively. These decreases were partially offset by a $13.1 million increase in revenue in the Storage and Terminal Solutions segment.

Consolidated gross profit increased to $22.4 million in the six months ended December 31, 2023 compared to a gross profit of $11.7 million in the same period last year. Gross margin increased to 6.0% in the six months ended December 31, 2023 compared to a gross margin of 2.9% in the same period last year. Gross margins in the first six months of fiscal 2024 were positively impacted by strong project execution, partially offset by the under-recovery of construction overhead costs. We expect this under-recovery to be temporary as we have maintained overhead resources at levels needed to support higher revenue volumes in the fourth quarter of fiscal 2024. Gross margins in the first six months of fiscal 2023 were also negatively impacted by the under-recovery of construction overhead costs, as well as unfavorable changes in the estimated recovery of change orders and increased forecasted costs to complete certain midstream gas processing projects, continued work on previously-booked projects with reduced gross margins awarded in a highly competitive time period.

Consolidated SG&A expenses were $32.8 million in the six months ended December 31, 2023 compared to $34.4 million in the same period last year. Consolidated SG&A expenses for the first half of fiscal 2024 continue to benefit from the Company's cost control measures, with lower costs in a number of categories, including pursuit costs, salaries, professional fees, depreciation, and rent. These decreases were partially offset by an additional $1.9 million of expense associated with the variable accounting for cash-settled stock-based compensation, which increased due to a higher stock price.

In the prior year period ended December 31, 2022, we recorded a goodwill impairment of $12.3 million. We did not have any goodwill impairment in the current period based upon the improved market and performance outlook. See Item 1. Financial Statements, Note 4 - Goodwill, for more information about the impairment.

The Company did not incur any restructuring costs during the six months ended December 31, 2023. During the six months ended December 31, 2022, we incurred $2.6 million of restructuring costs, which included severance and other personnel-related costs in connection with our restructuring plan. Additionally, we closed an underperforming office and ceased its associated operations, which resulted in $0.7 million of restructuring costs. See Item 1. Financial Statements, Note 10 - Restructuring Costs, for more information about our business improvement plan. Our restructuring efforts were substantially complete as of June 30, 2023.

Interest expense was $0.6 million in the six months ended December 31, 2023 compared to $1.3 million in the six months ended December 31, 2022. Interest expense in both periods consisted primarily of interest on debt outstanding, unused capacity fees, amortization of deferred debt issuance costs and letter of credit fees. Interest expense decreased due to lower average outstanding borrowings.

Other income during the six months ended December 31, 2023, included a gain of $2.0 million from the sale of a facility in Catoosa, Oklahoma for $2.7 million in net proceeds. The proceeds were received in January 2024. The facility was previously utilized for our industrial cleaning business, which was sold during the fourth quarter of fiscal 2023. Additionally, in the first quarter of fiscal 2024, we recognized a gain of $2.5 million on the sale of a previously utilized facility in Burlington, Ontario. We received $2.7 million in net proceeds from the sale. We closed this previously utilized facility during the second quarter of fiscal 2023 because it was no longer strategic to the future of the business.

Our effective tax rates for the six months ended December 31, 2023 and December 31, 2022 were zero. The effective tax rates during both periods were impacted by valuation allowances of $1.4 million and $9.8 million, respectively, placed on deferred tax assets generated during the quarters. We placed a valuation allowance on our deferred tax assets in the second quarter of fiscal 2022 due to the existence of a cumulative loss over a three-year period. We will continue to place valuation allowances on newly generated deferred tax assets and will realize the benefit associated with the deferred tax assets for which the valuation allowance has been provided to the extent we generate taxable income in the future.

For the six months ended December 31, 2023, we had a net loss of $6.0 million or $0.22 per fully diluted share, compared to a net loss of $39.3 million, or $1.46 per fully diluted share, in the six months ended December 31, 2022.

Storage and Terminal Solutions

Revenue for the Storage and Terminal Solutions segment was $152.5 million in the six months ended December 31, 2023 compared to $139.4 million in the same period last year. The increase in segment revenue is primarily a result of work on large construction projects awarded in the previous fiscal year, partially offset by lower volumes of work on tanks and terminals projects.

The segment gross margin was 4.5% for the six months ended December 31, 2023 compared to a gross margin of 6.6% in the same period last year. Strong direct margins during the period were offset by under-recovery of construction overhead costs. We have allocated additional resources to this segment to support recent awards and additional revenue in the fourth quarter of fiscal 2024. As these revenues increase, we expect to reach full recovery of construction overhead costs in the second half of fiscal 2024. The fiscal 2023 segment gross margin was positively impacted by strong project execution, partially offset by low revenue volume, which led to under-recovery of construction overhead costs.

Utility and Power Infrastructure

Revenue for the Utility and Power Infrastructure segment was $72.5 million in the six months ended December 31, 2023 compared to $95.4 million in the same period last year. The decrease is primarily due to a decrease in of power generation and power delivery work.

The segment gross margin was 7.0% for the six months ended December 31, 2023 compared to a gross margin of 4.3% in the same period last year. The segment gross margin for the first half of fiscal 2024 was positively impacted by strong project execution which led to favorable project closeouts. This was partially offset by the under-recovery of construction overhead costs due low revenue volumes. The segment gross margin for second quarter ended December 31, 2023 was negatively impacted by previously-booked projects with reduced gross margins awarded in a highly competitive time period.

Process and Industrial Facilities

Revenue for the Process and Industrial Facilities segment was $146.4 million in the six months ended December 31, 2023 compared to $167.4 million in the same period last year. Decreases in revenue volumes from midstream gas processing, industrial facilities, mining and minerals, and refinery turnarounds work were partially offset by increases in work for a renewable energy facility and thermal vacuum chambers.

The segment gross margin was 8.0% for the six months ended December 31, 2023 compared to a gross loss of (0.5)% in the same period last year. Project execution was significantly improved in the second quarter of fiscal 2024 resulting in a significantly improved gross margin despite the lower revenue volume. The segment gross margin in the first half of fiscal 2024 was negatively impacted by the under-recovery of construction overhead costs due to low revenue volume. Otherwise, project execution was generally strong in this segment including the completion of a midstream gas processing project in line with our previous forecast. The segment gross margin in the first half of fiscal 2023 was negatively impacted by work on a midstream gas processing project that experienced increases in forecasted costs to complete in the prior year, which reduced the remaining margin realized on the project. In addition, low revenue volumes resulted in under-recovery of construction overhead costs, which negatively impacted segment gross margin.

Corporate

Unallocated corporate revenues and expenses were $16.3 million during the six months ended December 31, 2023 compared to $15.2 million in the same period last year. The increase was primarily due to higher cash-settled stock-based compensation due to an increase in the price of our stock and legal costs related to a jury trial that resulted in a verdict in our favor, partially offset by the recognition of $1.2 million of revenue due to the favorable resolution of that dispute, see Note 7 - Commitments and Contingencies, Litigation, for more information.

Non-GAAP Financial Measures

Adjusted Net Loss

We have presented Adjusted net loss, which we define as Net loss before restructuring costs, gain on sale of assets, and the tax impact of these adjustments, because we believe it better depicts our core operating results. We believe that the line item on our Condensed Consolidated Statements of Income entitled “Net loss” is the most directly comparable GAAP measure to Adjusted net loss. Since Adjusted net loss is not a measure of performance calculated in accordance with GAAP, it should not be considered in isolation of, or as a substitute for, Net loss as an indicator of operating performance. Adjusted net loss, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, this measure is not a measure of our ability to fund our cash needs. As Adjusted net loss excludes certain financial information compared with Net loss, the most directly comparable GAAP financial measure, users of this financial information should consider the type of events and transactions that are excluded. Our non-GAAP performance measure, Adjusted net loss, has certain material limitations as follows:

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

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

- It does not include gain on the sale of assets. While these sales occurred outside the normal course of business, any measure that excludes this gain has inherent limitations since the sales resulted in material inflows of cash.

A reconciliation of Net loss to Adjusted net loss follows:

Reconciliation of Net Loss to Adjusted Net Loss(1)
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net loss, as reported	$ (2,851)	$ (32,827)	$ (6,018)	$ (39,339)
Goodwill impairment	—	12,316	—	12,316
Restructuring costs	—	1,278	—	2,565
Gain on sale of assets(2)	(2,006)	—	(4,542)	—
Tax impact of adjustments(3)	—	—	—	—
Adjusted net loss	$ (4,857)	$ (19,233)	$ (10,560)	$ (24,458)
Loss per share, as reported	$ (0.10)	$ (1.22)	$ (0.22)	$ (1.46)
Adjusted loss per share	$ (0.18)	$ (0.71)	$ (0.39)	$ (0.91)

(1) Beginning with the first quarter of fiscal 2024, the definition of Adjusted net loss and Adjusted loss per share was updated to no longer include changes in the valuation allowance of deferred tax assets. Prior period information has been adjusted to conform to the updated definition of Adjusted net loss and Adjusted loss per share.
(2) Represents gain on the sale of our Burlington, ON office in the first quarter of FY24 and the gain on the sale of our Catoosa, OK facility in the second quarter of FY24. See Item 1, Note 3 - Property, Plant and Equipment, Building Disposals, for more information.
(3) Represents the tax impact of the adjustments to Net loss, calculated using the applicable effective tax rate of the adjustment, including the impacts related to our valuation allowance on deferred tax assets.

Adjusted EBITDA

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

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

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

- It does not include gain on the sale of assets. While this sale occurred outside the normal course of business, any measure that excludes this gain has inherent limitations since the sale resulted in a material inflow of cash.

- It does not include equity-settled stock-based compensation expense. Stock-based compensation represents material amounts of equity that are awarded to our employees and directors for services rendered. While the expense is non-cash, we historically release vested shares out of our treasury stock, which has been replenished by using cash to periodically repurchase our stock. Therefore, any measure that excludes stock-based compensation has material limitations.

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

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

A reconciliation of Net loss to Adjusted EBITDA follows:

	Three Months Ended		Six Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(In thousands)			
Net loss	$ (2,851)	$ (32,827)	$ (6,018)	$ (39,339)
Goodwill impairment	—	12,316	—	12,316
Restructuring costs	—	1,278	—	2,565
Gain on sale of assets[(1)]	(2,006)	—	(4,542)	—
Stock-based compensation[(2)]	2,030	1,692	3,785	3,747
Interest expense	319	916	644	1,288
Provision (benefit) for federal, state and foreign income taxes	6	—	6	—
Depreciation and amortization	2,781	3,535	5,692	7,177
Adjusted EBITDA	$ 279	$ (13,090)	$ (433)	$ (12,246)

(1) Represents gain on the sale of our Burlington, ON office in the first quarter of FY24 and the gain on the sale of our Catoosa, OK facility in the second quarter of FY24. See Item 1, Note 3 - Property, Plant and Equipment, Building Disposals, for more information.
(2) Represents only the equity-settled portion of our stock-based compensation expense.

Seasonality and Other Factors

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Overview

We define liquidity as the ongoing ability to pay our liabilities as they become due, fund business operations and meet all monetary contractual obligations. Our primary sources of liquidity at December 31, 2023 were unrestricted cash and cash equivalents on hand, capacity under our ABL Facility, and cash generated from operations. Unrestricted cash and cash equivalents at December 31, 2023 totaled $47.2 million and availability under the ABL Facility totaled $59.1 million, resulting in total liquidity of $106.3 million. During the second quarter of fiscal 2024, cash and cash equivalents increased $19.8 million and total liquidity increased $26.0 million as a result of cash provided by operating activities partially offset by the repayment of borrowings under the ABL credit facility.

The following table provides cash and cash equivalents, restricted cash and total cash in the Condensed Consolidated Balance Sheets (in thousands):

	December 31, 2023	September 30, 2023	June 30, 2023
Cash and cash equivalents	$ 47,160	$ 27,359	$ 54,812
Restricted cash	25,000	25,000	25,000
Total cash, cash equivalents and restricted cash	$ 72,160	$ 52,359	$ 79,812

The following table provides a summary of changes in our liquidity for the three months ended December 31, 2023 (in thousands):

Liquidity at September 30, 2023	$ 80,252
Cash provided by operating activities	29,604
Proceeds from asset sales	188
Capital expenditures	(381)
Increase in availability under ABL Facility	6,217
Cash used by financing activities	(9,954)
Effect of exchange rate changes on cash	344
Liquidity at December 31, 2023	$ 106,270

The following table provides a summary of changes in our liquidity for the six months ended December 31, 2023 (in thousands):

Liquidity at June 30, 2023	$ 92,554
Cash provided by operating activities	729
Proceeds from asset sales	2,806
Capital expenditures	(859)
Increase in availability under ABL Facility	21,368
Cash used by financing activities	(10,365)
Effect of exchange rate changes on cash	37
Liquidity at December 31, 2023	$ 106,270

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

- changes in costs and estimated earnings in excess of billings on uncompleted contracts and billings on uncompleted contracts in excess of costs due to contract terms that determine the timing of billings to customers and the collection of those billings:
    - some cost-plus and fixed-price customer contracts are billed based on milestones which may require us to incur significant expenditures prior to collections from our customers;

    - some fixed-price customer contracts allow for significant upfront billings at the beginning of a project, which temporarily increases liquidity near term;
    - time and material contracts are normally billed in arrears. Therefore, we are routinely required to carry these costs until they can be billed and collected; and
    - some of our large construction projects may require security in the form of letters of credit or significant retentions. Retentions are normally held until certain contractual milestones are achieved;
- other changes in working capital, including the timing of tax payments and refunds; and
- capital expenditures.

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

- contract disputes;
- collection issues, including those caused by weak commodity prices, economic slowdowns or other factors which can lead to credit deterioration of our customers;
- strategic investments in new operations or divestitures of existing operations;
- borrowing constraints under our ABL Facility and maintaining compliance with all covenants contained in the ABL Facility;
- acquisitions and disposals of businesses or assets; and
- purchases of shares under our stock buyback program.

ABL Credit Facility

On September 9, 2021, the Company and our primary U.S. and Canada operating subsidiaries entered into an asset-based credit agreement, which was amended on October 5, 2022 and December 29, 2023 (as amended, the "ABL Facility"), with Bank of Montreal, as Administrative Agent, Swing Line Lender and a Letter of Credit Issuer, and the lenders named therein. The maximum amount of loans under the ABL Facility is limited to $90.0 million. The ABL Facility's available borrowings may be increased by an amount not to exceed $15.0 million, subject to certain conditions, including obtaining additional commitments. The ABL Facility is intended to be used for working capital, capital expenditures, issuances of letters of credit and other lawful purposes. Our obligations under the ABL Facility are guaranteed by substantially all of our U.S. and Canadian subsidiaries and are secured by a first lien on all our assets and the assets of our co-borrowers and guarantors under the ABL Facility. The ABL Facility matures, and any outstanding amounts become due and payable, on September 9, 2026.

The maximum amount that we may borrow under the ABL Facility is subject to a borrowing base, which is based on restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves. We are required to maintain a minimum of $25.0 million of restricted cash at all times, but such amounts are also included in the borrowing base. The borrowing base is recalculated on a monthly basis and at December 31, 2023, our borrowing base was $69.1 million. During the quarter ended December 31, 2023, the Company repaid all outstanding borrowings under the ABL Facility. The Company had $10.0 million in letters of credit outstanding, which resulted in availability of $59.1 million under the ABL Facility.

Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate of either a base rate (“Base Rate”), an Adjusted Term Secured Overnight Financing Rate ("Adjusted Term SOFR"), or at the Canadian Prime Rate, plus an applicable margin. The Adjusted Term SOFR is defined as (i) the SOFR plus (ii) 11.448 basis points for a one-month tenor and 26.161 basis points for a three-month tenor; provided that the Adjusted Term SOFR cannot be below zero. The Base Rate is defined as a fluctuating interest rate equal to the greater of: (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) Adjusted Term SOFR for one month period plus 1.00%; or (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for Base Rate and Canadian Prime Rate borrowings, which includes either U.S. or Canadian prime rate, and between 2.00% and 2.50% for Adjusted Term SOFR borrowings. Interest is payable either (i) monthly for Base Rate or

Canadian Prime Rate borrowings or (ii) the last day of the interest period for Adjusted Term SOFR borrowings, as set forth in the ABL Facility. The fee for undrawn amounts is 0.25% per annum and is due quarterly.

The ABL Facility contains customary conditions to borrowings, events of default and covenants, including, but not limited to, covenants that restrict our ability to sell assets, engage in mergers and acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay cash dividends, issue equity instruments, make distribution or redeem or repurchase capital stock. In the event that our availability is less than the greater of (i) $15.0 million and (ii) 15.00% of the commitments under the ABL Facility then in effect, a consolidated Fixed Charge Coverage Ratio of at least 1.00 to 1.00 must be maintained. We were in compliance with all covenants of the ABL Facility as of December 31, 2023.

Cash Flow for the Six Months Ended December 31, 2023

Cash Flows provided by Operating Activities

Cash provided by operating activities for the six months ended December 31, 2023 totaled $0.7 million. The various components are as follows:

Net Cash Used by Operating Activities
(In thousands)

Net loss	$ (6,018)
Depreciation and amortization	5,692
Stock-based compensation	3,785
Other non-cash expenses	125
Gain on sale of property, plant and equipment	(4,589)
Cash effect of changes in operating assets and liabilities	1,734
Net cash provided by operating activities	$ 729

Cash effect of changes in operating assets and liabilities at December 31, 2023 in comparison to June 30, 2023 include the following:

- Accounts receivable, excluding credit losses recognized during the period, increased by $19.8 million during the six months ended December 31, 2023, which decreased cash flows from operating activities. The variance is primarily attributable to the timing of billing and collections.

- Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE") decreased $4.5 million, which increased cash flows from operating activities. Billings on uncompleted contracts in excess of costs and estimated earnings ("BIE") increased $31.8 million, which increased cash flows from operating activities. CIE and BIE balances can experience significant fluctuations based on business volumes and the timing of when job costs are incurred and the timing of customer billings and payments.

- Inventories, income taxes receivable, prepaid expenses, other current assets, operating right-of-use lease assets and other assets, non-current, increased $0.1 million during the six months ended December 31, 2023, which decreased cash flows from operating activities. These operating assets can fluctuate based on the timing of inventory builds and draw-downs, accrual and receipt of income taxes receivable; prepayments of certain expenses; lease commencement, passage of time, expiration, or termination of operating leases; business volumes; and other timing differences.

- Accounts payable, accrued wages and benefits, accrued insurance, operating lease liabilities, other accrued expenses, and other liabilities, non-current decreased by $14.7 million during the six months ended December 31, 2023, which decreased cash flows from operating activities. These operating liabilities can fluctuate based on the timing of vendor payments; accruals; lease commencement, lease payments, expiration, or termination of operating leases; business volumes; and other timing differences.

Cash Flows Provided by Investing Activities

Investing activities provided $1.9 million of cash in the six months ended December 31, 2023 primarily due to proceeds from asset sales, partially offset by capital expenditures. In the first quarter of fiscal 2024, we sold a previously utilized facility in Burlington, Ontario for $2.7 million in net proceeds. In the second quarter of fiscal 2024, we sold a facility in Catoosa, Oklahoma. Proceeds from this sale of $2.7 million were received in January 2024 and will be reflected in our cash flows in the third quarter of fiscal 2024. We closed these previously utilized facilities as they was no longer strategic to the future of the business. Capital expenditures of $0.9 million during the first quarter of fiscal 2024 primarily consisted of transportation equipment.

Cash Flows Used by Financing Activities

Financing activities used $10.4 million of cash in the six months ended December 31, 2023 primarily due to $10.0 million in advances and $20.0 million in repayments under our ABL facility. As of December 31, 2023, we have no outstanding borrowings under our ABL facility.

Dividend Policy

We have never paid cash dividends on our common stock and the terms of our ABL Facility limit dividends to stock dividends only. Any future dividend payments will depend on the terms of our ABL Facility, our financial condition, capital requirements and earnings as well as other relevant factors.

Stock Repurchase Program

We may repurchase common stock pursuant to the Stock Buyback Program, which was approved by the board of directors in November 2018. Under the program, the aggregate number of shares repurchased may not exceed 2,707,175 shares. We may repurchase our stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and are not obligated to purchase any shares. The program will continue unless and until it is modified or revoked by the Board of Directors. We made no repurchases under the program in the three months ended September 30, 2023 and have no current plans to repurchase stock. As of December 31, 2023, there were 1,349,037 shares available for repurchase under the Stock Buyback Program. The terms of our ABL Facility limit share repurchases to $2.5 million per fiscal year provided that we meet certain availability thresholds and do not violate our Fixed Charge Coverage Ratio financial covenant.

Treasury Shares

We had 587,732 treasury shares as of December 31, 2023 and intend to utilize these treasury shares in connection with equity awards under the our stock incentive plans and for sales to the Employee Stock Purchase Plan.

CRITICAL ACCOUNTING POLICIES

There have been no material changes in our critical accounting policies from those reported in our fiscal 2023 Annual Report on Form 10-K filed with the SEC. For more information on our critical accounting policies, see Part II, Item 7 of our fiscal 2023 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in market risk faced by us from those reported in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023, filed with the Securities and Exchange Commission. For more information on market risk, see Part II, Item 7A in our fiscal 2023 Annual Report on Form 10-K.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rule 13a-15(e).

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level at December 31, 2023.

There have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting during the quarter ended December 31, 2023.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

We are a party to a number of legal proceedings. See Part I., Item 1. Financial Statements, Note 7 - Commitments and Contingencies, Litigation, for a description of our material ongoing litigation.

Item 1A. Risk Factors

There were no material changes in our Risk Factors from those reported in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

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

Issuer Purchases of Equity Securities

We may repurchase common stock pursuant to the Stock Buyback Program, which was approved by the board of directors in November 2018. Under the program, the aggregate number of shares repurchased may not exceed 2,707,175 shares. As of December 31, 2023, 1,349,037 shares were available for repurchase under the stock buyback program. We may repurchase our stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and are not obligated to purchase any shares. The program will continue unless and until it is modified or revoked by the Board of Directors. The terms of our ABL Facility also limit share repurchases to $2.5 million per fiscal year provided that we meet certain availability thresholds and we do not violate our Fixed Charge Coverage Ratio financial covenant. We made no repurchases under the stock buyback program in the second quarter of fiscal 2024 and have no current plans to repurchase stock.

Dividend Policy

We have never paid cash dividends on our common stock and the terms of our ABL Facility limit dividends to stock dividends only. Any future dividend payments will depend on the terms of our ABL Facility, our financial condition, capital requirements and earnings as well as other relevant factors.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") by the Federal Mine Safety and Health Administration. We do not act as the owner of any mines, but as a result of our performing services or construction at mine sites as an independent contractor, we are considered an "operator" within the meaning of the Mine Act.

Information concerning mine safety violations or other regulatory matters required to be disclosed in this quarterly report under Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95.

Item 5. Other Information

During the three months ended December 31, 2023, none of our directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or Non-Rule 10b5-1, as each term is defined under Item 408(a) of Regulation S-K.

Item 6. Exhibits:

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

Exhibit No.	Description
Exhibit 10.1:	Second Amendment to Credit Agreement dated December 29, 2023 by and among, Matrix Service Company and certain subsidiaries thereof, certain financial institutions as lenders, and Bank of Montreal, as administrative agent
Exhibit 31.1:	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 – CEO.
Exhibit 31.2:	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 – CFO.
Exhibit 32.1:	Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002) – CEO.
Exhibit 32.2:	Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002) – CFO.
Exhibit 95:	Mine Safety Disclosure.
Exhibit 101.INS:	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH:	XBRL Taxonomy Schema Document.
Exhibit 101.CAL:	XBRL Taxonomy Extension Calculation Linkbase Document.
Exhibit 101.DEF:	XBRL Taxonomy Extension Definition Linkbase Document.
Exhibit 101.LAB:	XBRL Taxonomy Extension Labels Linkbase Document.
Exhibit 101.PRE:	XBRL Taxonomy Extension Presentation Linkbase Document.
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURE

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

MATRIX SERVICE COMPANY

Date: February 8, 2024

By: /s/ Kevin S. Cavanah

Kevin S. Cavanah
Vice President and Chief Financial Officer

SECOND AMENDMENT TO CREDIT AGREEMENT

This **SECOND AMENDMENT TO CREDIT AGREEMENT** (this "Amendment") is made and entered into as of December 29, 2023, by and among MATRIX SERVICE COMPANY, a Delaware corporation ("Matrix"), MATRIX SERVICE INC., an Oklahoma corporation ("Matrix Service"), MATRIX PDM ENGINEERING, INC., a Delaware corporation ("Matrix PDM Engineering"), MATRIX NORTH AMERICAN CONSTRUCTION, INC., an Oklahoma corporation ("Matrix Oklahoma"), together with each other Person from time to time a "US Borrower" thereunder (together with Matrix, Matrix Service, Matrix PDM Engineering and Matrix Oklahoma, each individually, a "US Borrower" and collectively, "US Borrowers), MATRIX SERVICE CANADA ULC, an Alberta unlimited liability corporation ("Matrix ULC"), MATRIX SME CANADA ULC, a Nova Scotia unlimited company ("Matrix SME Canada"), MATRIX NORTH AMERICAN CONSTRUCTION LTD., an Ontario corporation ("Matrix North America"), together with each other Person from time to time a "Canadian Borrower" thereunder (together with Matrix ULC, Matrix SME Canada and Matrix North America, each a "Canadian Borrower" and collectively, "Canadian Borrowers" and together with US Borrowers, each individually, as a "Borrower" and collectively, "Borrowers"), MATRIX SERVICE INTERNATIONAL, LLC, a Delaware limited liability company ("Matrix Service International"), MATRIX INTERNATIONAL ENGINEERING, LLP, a Delaware limited liability partnership ("Matrix International Engineering"), MATRIX APPLIED TECHNOLOGIES, INC., a Delaware corporation ("Matrix Applied"), MSI FEDERAL CONTRACTING, LLC, a Delaware limited liability company ("MSI"), MATRIX PDM, LLC, an Oklahoma limited liability company ("Matrix PDM"), MATRIX PDM ENGINEERING LTD., a Nova Scotia company limited by shares ("Matrix PDM Canada"), MATRIX NORTH AMERICAN CONSTRUCTION, LLC, a Delaware limited liability company ("Matrix Delaware"), MATRIX SME CANADA, INC., a Delaware corporation ("Matrix SME Delaware"), and together with each other Person from time to time a "Guarantor" thereunder (together with Matrix Service International, Matrix International Engineering, Matrix Applied, MSI, Matrix PDM, Matrix PDM Canada, Matrix Delaware and Matrix SME Delaware, each individually, a "Guarantor" and collectively, "Guarantors"), the Lenders party hereto, and **BANK OF MONTREAL**, as administrative agent for the Lenders (in such capacity, "Agent").

RECITALS:

WHEREAS, reference is hereby made to that certain Credit Agreement, dated as of September 9, 2021, by and among the Borrowers, the other Loan Parties party thereto, the lenders from time to time party thereto (the "Lenders"), and Agent (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used and not otherwise defined herein being used herein as therein defined); and

WHEREAS, the Borrowers have requested and Agent and the Lenders have agreed, subject to the terms and conditions of this Amendment, to make certain amendments to the Credit Agreement as provided for herein.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

SECTION 1. Amendments to the Credit Agreement. Effective as of the Second Amendment Effective Date, Section 1.01 of the Credit Agreement is hereby amended as follows:

(a) The following definition of "Reset Date" is hereby added in the appropriate alphabetical order:

"Reset Date" means January 1, 2024, or if consented to (in writing) by the Administrative Agent at its sole option, the date of the most recent Equipment appraisal received and approved by the Administrative Agent.

(b) The definition of "NOLV" is amended and restated to read in its entirety as follows:

"NOLV" means, with respect to the Borrowers' Equipment, the net orderly liquidation value of such Equipment, (a percentage of the Cost of such Equipment) that might be realized at an orderly, negotiated sale held within a reasonable period of time, net of all liquidation expenses, as determined from time to time by reference to the most recent appraisal received by the Administrative Agent conducted by an independent appraiser engaged by the Administrative Agent; provided that on the first day of each calendar month (commencing with ***the calendar month in which the most recent Reset Date occurred***), the NOLV that is otherwise determined above for any particular Equipment shall be reduced on a straight-line basis, which reduction shall be calculated by (1) first dividing such NOLV by 84 and (2) next multiplying that quotient by the number of full calendar months that have been completed after the ***Reset Date***.

SECTION 2. No Waiver. Nothing in this Amendment shall directly or indirectly whatsoever either: (i) be construed as a waiver of any covenant or provision of the Credit Agreement, any other Loan Document, or any other contract or instrument by or among any Loan Party and the Agent and/or the Secured Parties, (ii) impair, prejudice or otherwise adversely affect any right of the Agent or the Secured Parties at any time to exercise any right, privilege or remedy in connection with the Credit Agreement, any other Loan Document or any other contract or instrument, or (iii) constitute any course of dealing or other basis for altering any obligation of the Loan Parties or any right, privilege or remedy of the Agent or the Lenders under the Credit Agreement, any other Loan Document or any other contract or instrument by or among any Loan Party and the Agent and/or the Secured Parties or constitute any consent by the Agent or the Lenders to any prior, existing or future violations of the Credit Agreement or any other Loan Document.

SECTION 3. Conditions to Effectiveness. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent in a manner satisfactory to the Agent (the first date upon which all such conditions have been satisfied being herein called the "Second Amendment Effective Date"):

(a) The Agent shall have received this Amendment, duly executed by the Loan Parties, satisfactory in form and substance to the Agent.

(b) The representations and warranties contained in this Amendment shall be true and correct in all respects.

(c) The Loan Parties shall have paid (x) to Agent an amendment fee in an aggregate amount equal to $20,000 (the "Amendment Fee"), which Amendment Fee shall be fully earned and due and payable on the Second Amendment Effective Date and (y) all other fees, costs and expenses (including, without limitation, all legal fees and expenses of Holland & Knight LLP) of the Agent as set forth in Section 8 hereof.

The Loan Parties shall be deemed to represent and warrant to the Agent and the Lenders that the foregoing conditions have been satisfied upon the release of its signatures to this Amendment.

SECTION 4. Ratifications and Further Assurances.

(a) The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and the other Loan Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. The Loan Parties, the Agent and the Lenders agree that the Credit Agreement and the other Loan Documents, as amended hereby, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

(b) Each Loan Party confirms that all of its obligations under the Loan Documents are in full force and effect and are performable in accordance with their respective terms without setoff, defense, counter-claim or claims in recoupment. Each Loan Party further confirms that the term "Obligations", as used in the Credit Agreement, shall include all Obligations of the Loan Parties under the Credit Agreement, any promissory notes issued under the Credit Agreement and each other Loan Document.

SECTION 5. Representations and Warranties. Each Loan Party hereby represents and warrants to the Agent and the Lenders that (a) the execution, delivery and performance of this Amendment and any and all other Loan Documents executed and/or delivered in connection herewith by such Loan Party have been authorized by all requisite organizational action on the part of such Loan Party and will not violate the organizational or governing documents of such Loan Party; (b) before and after giving effect to this Amendment, the representations and warranties contained in Article VI of the Credit Agreement and in the other Loan Documents, or which are contained in any document furnished at any time under or in connection herewith or therewith, are true and correct in all material respects (or in all respects if qualified by materiality) on and as of the Second Amendment Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (or in all respects if qualified by materiality) as of such earlier date, and for the purposes of this Amendment, the representations and warranties contained in subsections (a) and (b) of Section 6.05 of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 7.01 of the Credit Agreement; (c) after giving effect to this Amendment, no Default or Event of Default under the Credit Agreement has occurred and is continuing; (d) such Loan Party is in compliance with all covenants and agreements contained in the Credit Agreement and the other Loan Documents, as applicable, as amended hereby; and (e) such Loan Party has not amended its organizational or governing documents since the date of execution of the Credit Agreement other than as has been previously disclosed and delivered to the Agent.

SECTION 6. Survival of Representations and Warranties. All representations and warranties made in the Credit Agreement or any other Loan Document, including, without limitation, any document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by the Agent or any Lender or any closing shall affect the representations and warranties or the right of the Agent and the Lenders to rely upon them.

SECTION 7. Reference to Credit Agreement. Each of the Credit Agreement and the other Loan Documents, and any and all other Loan Documents, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement, as amended hereby, are hereby amended so that any reference in the Credit Agreement and such other Loan Documents to the Credit Agreement shall mean a reference to the Credit Agreement, as amended hereby, and any reference in the Credit Agreement and such other Loan Documents to any other Loan Document amended by the provisions of this Amendment shall mean a reference to such other Loan Documents, as amended hereby.

SECTION 8. Expenses. As provided in the Credit Agreement, the Loan Parties agree to pay on demand all reasonable costs and out-of-pocket expenses incurred by the Agent and the Lenders in connection with the preparation, negotiation, and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the reasonable fees and expenses of the Agent's and the Lenders' respective legal counsel, and all reasonable costs and out-of-pocket expenses incurred by the Agent and the Lenders in connection with the enforcement or preservation of any rights under the Credit Agreement, as modified hereby, or any other Loan Documents, including, without, limitation, the reasonable fees and expenses of the Agent's and the Lenders' respective legal counsel and consultants retained by the Agent and the Lenders or retained by the Agent's and the Lenders' legal counsel.

SECTION 9. Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable. Furthermore, in lieu of such invalid or unenforceable provision there shall be added as a part of this Amendment a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

SECTION 10. Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the Agent, the Lenders, and the Loan Parties and their respective successors and assigns, except that no Loan Party may assign or transfer any of its rights or obligations hereunder without the prior written consent of the Agent.

SECTION 11. Counterparts. This Amendment may be executed in one or more counterparts (including via electronic transmission), each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

SECTION 12. Effect of Waiver. No consent or waiver, express or implied, by the Agent and the Lenders to or for any breach of or deviation from any covenant or condition by any Loan Party shall be deemed a consent to or waiver of any other breach of the same or any other covenant, condition or duty.

SECTION 13. Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

SECTION 14. Applicable Law. This Amendment and all other Loan Documents executed pursuant hereto shall be deemed to have been made and to be performable in and shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 15. Final Agreement. THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, EACH AS AMENDED HEREBY, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF ON THE DATE THIS AMENDMENT IS EXECUTED. THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AMENDMENT OF ANY PROVISION OF THIS AMENDMENT SHALL BE MADE, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY THE LOAN PARTIES AND THE AGENT.

SECTION 16. **Release. BORROWERS AND GUARANTORS HEREBY ACKNOWLEDGE THAT THEY HAVE NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF ITS LIABILITY TO REPAY THE "OBLIGATIONS" OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM AGENT OR ANY SECURED PARTY. BORROWERS AND GUARANTORS HEREBY VOLUNTARILY AND KNOWINGLY RELEASE AND FOREVER DISCHARGE AGENT AND EACH SECURED PARTY AND THEIR RESPECTIVE PREDECESSORS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES (INCLUDING ALL STRICT LIABILITIES) WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AGREEMENT IS EXECUTED, WHICH BORROWERS AND GUARANTORS MAY NOW OR HEREAFTER HAVE AGAINST AGENT, EACH SECURED PARTY OR THEIR RESPECTIVE PREDECESSORS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM ANY "LOANS", INCLUDING, WITHOUT LIMITATION, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE CREDIT AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT.**

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Amendment has been executed on the date first written above, to be effective as the respective date set forth above.

AGENT

BANK OF MONTREAL

By: /s/ Daniel Duffy
Name: Daniel Duffy
Title: Director

LENDERS

BANK OF MONTREAL

By: /s/ Daniel Duffy
Name: Daniel Duffy
Title: Director

BANK OF MONTREAL

By: /s/ Helen Alvarez-Hernandez
Name: Helen Alvarez-Hernandez
Title: Managing Director

<u>BORROWERS</u>:

MATRIX SERVICE COMPANY,
a Delaware corporation

By: <u>/s/ Kevin S. Cavanah</u>
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX SERVICE INC.,
an Oklahoma corporation

By: <u>/s/ Kevin S. Cavanah</u>
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX PDM ENGINEERING, INC.,
an Delaware corporation

By: <u>/s/ Kevin S. Cavanah</u>
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX NORTH AMERICAN CONSTRUCTION, INC.,
an Oklahoma corporation

By: <u>/s/ Kevin S. Cavanah</u>
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX SERVICE CANADA ULC,
an Alberta unlimited liability corporation
By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX SME CANADA ULC,
a Nova Scotia unlimited company
By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX NORTH AMERICAN CONSTRUCTION LTD.,
an Ontario corporation
By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

GUARANTORS:

MATRIX SERVICE INTERNATIONAL, LLC, a Delaware limited liability company

By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX INTERNATIONAL ENGINEERING, LLP,
a Delaware limited liability partnership

By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX APPLIED TECHNOLOGIES, INC.,
a Delaware corporation

By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MSI FEDERAL CONTRACTING, LLC,
a Delaware limited liability company

By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX PDM, LLC,
an Oklahoma limited liability company

By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX PDM ENGINEERING LTD.,
a Nova Scotia company limited by shares

By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX NORTH AMERICAN CONSTRUCTION, LLC,
a Delaware limited liability company

By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

MATRIX SME CANADA, INC.
a Delaware corporation

By: /s/ Kevin S. Cavanah
Name: Kevin S. Cavanah
Title: Chief Financial Officer

EXHIBIT 31.1

CERTIFICATIONS

I, John R. Hewitt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matrix Service Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2024

/s/ John R. Hewitt

John R. Hewitt
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Kevin S. Cavanah, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matrix Service Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2024

/s/ Kevin S. Cavanah

Kevin S. Cavanah
Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report of Matrix Service Company (the “Company”) on Form 10-Q for the period ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John R. Hewitt, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

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

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

Date: February 8, 2024

/s/ John R. Hewitt
John R. Hewitt
President and Chief Executive Officer

EXHIBIT 32.2

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

In connection with the Quarterly Report of Matrix Service Company (the “Company”) on Form 10-Q for the period ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kevin S. Cavanah, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

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

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

Date: February 8, 2024

/s/ Kevin S. Cavanah
Kevin S. Cavanah
Vice President and Chief Financial Officer

Exhibit 95

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

The following table provides information for the three months ended December 31, 2023:

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations(1)	Section 104(b) Orders(2)	Section 104(d) Citations and Orders(3)	Section 110(b)(2) Violations(4)	Section 107(a) Orders(5)	Total Dollar Value of MSHA Assessments Proposed ($)	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e)(6) (yes/no)	Received Notice of Potential to Have Pattern of Violations Under Section 104(e)(7) (yes/no)	Total Number of Legal Actions Pending as of Last Day of Period	Total Number of Legal Actions Initiated During Period	Total Number of Legal Actions Resolved During Period
Freeport-McMoran Bagdad Mine, 02-00137	1	—	—	—	—	—	—	No	No	—	—	—

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

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

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

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

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

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

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