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DELTA REPORT

10-Q

LMB - LIMBACH HOLDINGS, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1357
CHANGES	268
DELETIONS	605
ADDITIONS	484

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

FORM 10-Q

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

For the quarterly period ended September 30, 2023 March 31, 2024

OR

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

Commission File Number 001-36541

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LIMBACH HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware, USA	**46-5399422**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
797 Commonwealth Drive, Warrendale, Pennsylvania	**15086**
(Address of principal executive offices)	(Zip Code)

1-412-359-2100
(Registrant's telephone number, including area code)

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 $0.0001 per share	LMB	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐☒
Non-accelerated filer	☒☐	Smaller reporting company	☒
		Emerging growth company	☐

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

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

As of November 6, 2023 May 6, 2024, there were 11,003,424 11,183,076 shares of the registrant's common stock, $0.0001 par value per share, outstanding.

LIMBACH HOLDINGS, INC.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including all documents incorporated by reference, contains forward-looking statements regarding Limbach Holdings, Inc. (the "Company," "Limbach" "we" or "our") and represents our expectations and beliefs concerning future events. These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties. The forward-looking statements included herein or incorporated herein by reference include or may include, but are not limited to, (and you should read carefully) statements that are predictive in nature, depend upon or refer to future events or conditions, or use or contain words, terms, phrases, or expressions such as "achieve," "forecast,", "plan," "propose," "strategy," "envision," "hope," "will," "continue," "potential," "expect," "believe," "anticipate," "project," "estimate," "predict," "intend," "should," "could," "may," "might," or similar words, terms, phrases or expressions or the negative of any of these terms. Any statements in this Quarterly Report on Form 10-Q that are not based upon historical fact are forward-looking statements and represent our best judgment as to what may occur in the future.

These forward-looking statements are based on information available as of the date of this Quarterly Report on Form 10-Q and the Company management's' current expectations, forecasts and assumptions, and involve a number of judgments, known and unknown risks and uncertainties and other factors, many of which are outside the control of the Company and its directors, officers and affiliates. Accordingly, forward-looking statements should not be relied upon as representing the Company's views as of any subsequent date. The Company does not undertake any obligations to update, add or to otherwise correct any forward-looking statements contained herein to reflect events or circumstances after the date they were made, whether as a result of new information, future events, inaccuracies that become apparent after the date hereof or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, the Company's results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include (i) intense competition in our industry; (ii) ineffective management of the size and cost of our operations; (iii) our dependence on a limited number of customers; (iv) unexpected adjustments to our backlog or cancellations of order in our backlog; (v) cost of overruns under our contracts; (vi) timing of the award and performance of new contracts; (vii) significant costs in excess of the original project scope and contract amount without having an approved change order; (viii) our failure to adequately recover on claims brought by us against contractors, project owners or other project participants for additional contract costs; (ix) risks associated with placing significant decision making powers with our subsidiaries' management; (x) acquisitions, divestitures, and other strategic transactions could fail to achieve financial or strategic objectives, disrupt our ongoing business, and adversely impact our results of operations; (xi) unanticipated or unknown liabilities arising in connection with acquisitions or divestitures; (xii) design errors and omissions in connection with Design/Build and Design/Assist contracts; (xiii) (xii) delays and/or defaults in customer payments; (xiv) (xiii) unsatisfactory safety performance; (xv) our inability to properly utilize our workforce; (xvi) (xiv) labor disputes with unions representing our employees; (xvii) (xv) strikes or work stoppages; (xviii) loss of service from certain key personnel; (xix) operational inefficiencies due to our inability to attract and retain qualified managers, employees, joint venture partners, subcontractors and suppliers; (xx) (xvi) misconduct by our employees, subcontractors or partners, or our overall failure to comply with laws or regulations; (xxi) (xvii) our dependence on subcontracts and suppliers of equipment and materials; (xxii) (xviii) price increases in materials; (xxiii) (xix) changes in energy prices; (xxiv) (xx) our inability to identify and contract with qualified Disadvantaged Business Enterprise ("DBE") contractors to perform as subcontractors; (xxv) (xxi) reputational harm arising from our participation in construction joint ventures; (xxvi) (xxii) any difficulties in the financial and surety markets; (xxvii) (xxiii) our inability to obtain necessary insurance due to difficulties in the insurance markets; (xxviii) (xxiv) our use of the cost-to-cost method of accounting could result in a reduction or reversal of previously recorded revenue or profits; (xxix) (xxv) impairment charges for goodwill and intangible assets; (xxx) (xxvi) unexpected expenses arising from contractual warranty obligations; (xxxi) (xxvii) increased costs or limited supplies of raw materials and products used in our operations arising from recent and potential changes in U.S. trade policies and retaliatory responses from other countries; (xxxii) (xxviii) rising inflation and/or interest rates, or deterioration of the United States economy and conflicts around the world; (xxxiii) (xxix) increased debt service obligations due to our variable rate indebtedness; (xxxiv) (xxx) failure to remain in compliance with covenants under our debt and credit agreements or service our indebtedness; (xxxv) (xxxi) our inability to generate sufficient cash flow to meet all of our existing or potential future debt service obligations; (xxxvi) (xxxii) significant expenses and liabilities arising under our obligation to contribute to multiemployer pension plans; (xxxvii) (xxxiii) a pandemic, epidemic or outbreak of an infectious disease in the markets in which we operate or that otherwise impacts our facilities or suppliers; (xxxviii) COVID-19 vaccination mandates applicable to us and certain of our employees, causing our inability to pursue certain work, an increase in attrition rates or absenteeism within our labor force, challenges securing future labor needs, inefficiencies connected to employee turnover, and costs associated with implementation and on-going compliance; (xxxvix) (xxxiv) future climate change; (xl) (xxxv) market or regulatory responses to climate change; (xxxvi) increasing scrutiny and changing expectations from investors and customers with respect to our environmental, social and governance practices; (xxxvii) adverse weather conditions, which may harm our business and financial results ; (xli) results; (xxxviii) information technology system failures, network disruptions or cyber security breaches, events or attacks; (xlii) (xxxix) changes to our outsourced software or infrastructure vendors as well as any sudden loss, breach of security, disruption or unexpected data or vendor loss associated with our information technology systems; (xl) changes in laws, regulations or requirements, or a material failure of any of our subsidiaries or us to

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comply with any of them; (xliii) (xli) becoming barred from future government contracts due to violations of the applicable rules and regulations; (xlv) (xlii) costs associated with compliance with environmental, safety and health regulations; (xlvi) (xliii) our failure to comply with immigration laws and labor

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regulations; (xl) disruptions due to the conflict in Ukraine; and (xlvii) (xliv) those factors described under Part I, Item 1A "Risk Factors" of the Company's most recent Annual Report on Form 10-K.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LIMBACH HOLDINGS, INC.
Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share and per share data)	*(in thousands, except share and per share data)*	September 30, 2023	December 31, 2022	*(in thousands, except share and per share data)*	March 31, 2024	December 31, 2023
ASSETS	**ASSETS**			**ASSETS**		
Current assets:	Current assets:			Current assets:		
Cash and cash equivalents	Cash and cash equivalents	$ 57,473	$ 36,001			

Restricted cash	Restricted cash	65	113
Accounts receivable (net of allowance for credit losses of $295 and net of allowance for doubtful accounts of $234 as of September 30, 2023 and December 31, 2022, respectively)		103,511	124,442
Accounts receivable (net of allowance for credit losses of $330 and $292 as of March 31, 2024 and December 31, 2023, respectively)			
Contract assets	Contract assets	47,853	61,453
Income tax receivable		—	95
Other current assets			
Other current assets			
Other current assets	Other current assets	5,346	3,886
Total current assets	Total current assets	214,248	225,990
Property and equipment, net			
Property and equipment, net			
Property and equipment, net	Property and equipment, net	19,377	18,224
Intangible assets, net	Intangible assets, net	16,586	15,340
Goodwill	Goodwill	13,703	11,370
Operating lease right-of-use assets	Operating lease right-of-use assets	15,845	18,288
Deferred tax asset	Deferred tax asset	4,830	4,829
Other assets	Other assets	613	515
Total assets	Total assets	$ 285,202	$ 294,556
LIABILITIES	**LIABILITIES**		
LIABILITIES			
LIABILITIES			
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Current portion of long-term debt			
Current portion of long-term debt			
Current portion of long-term debt	Current portion of long-term debt	$ 2,472	$ 9,564
Current operating lease liabilities	Current operating lease liabilities	3,562	3,562
Accounts payable, including retainage	Accounts payable, including retainage	56,589	75,122
Contract liabilities	Contract liabilities	46,692	44,007
Accrued income taxes	Accrued income taxes	502	1,888
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	26,724	24,942

Total current liabilities	Total current liabilities	136,541	159,085	
Long-term debt	Long-term debt	19,437	21,528	
Long-term operating lease liabilities	Long-term operating lease liabilities	13,240	15,643	
Other long-term liabilities	Other long-term liabilities	1,854	2,858	
Total liabilities	Total liabilities	171,072	199,114	
Commitments and contingencies (Note 13)	Commitments and contingencies (Note 13)			Commitments and contingencies (Note 13)
STOCKHOLDERS' EQUITY	**STOCKHOLDERS' EQUITY**			
Common stock, $0.0001 par value; 100,000,000 shares authorized, issued 11,183,076 and 10,471,410, respectively, and 11,003,424 and 10,291,758 outstanding, respectively		1	1	
STOCKHOLDERS' EQUITY				
STOCKHOLDERS' EQUITY				
Common stock, $0.0001 par value; 100,000,000 shares authorized, issued 11,447,738 and 11,183,076, respectively, and 11,268,086 and 11,003,424 outstanding, respectively				
Common stock, $0.0001 par value; 100,000,000 shares authorized, issued 11,447,738 and 11,183,076, respectively, and 11,268,086 and 11,003,424 outstanding, respectively				
Common stock, $0.0001 par value; 100,000,000 shares authorized, issued 11,447,738 and 11,183,076, respectively, and 11,268,086 and 11,003,424 outstanding, respectively				
Additional paid-in capital	Additional paid-in capital	90,992	87,809	
Treasury stock, at cost (179,652 shares at both period ends)	Treasury stock, at cost (179,652 shares at both period ends)	(2,000)	(2,000)	
Retained earnings	Retained earnings	25,137	9,632	
Total stockholders' equity	Total stockholders' equity	114,130	95,442	
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$ 285,202	$ 294,556	

The accompanying notes are an integral part of these condensed consolidated financial statements

LIMBACH HOLDINGS, INC.
Condensed Consolidated Statements of Operations (Unaudited)

Three Months Ended March 31,	
Three Months Ended March 31,	

	Three Months Ended March 31,
(in thousands, except share and per share data)	
(in thousands, except share and per share data)	
(in thousands, except share and per share data)	
Revenue	
Revenue	
Revenue	
Cost of revenue	
Cost of revenue	
Cost of revenue	
Gross profit	
Gross profit	
Gross profit	
Operating expenses:	
Operating expenses:	
Operating expenses:	
Selling, general and administrative	
Selling, general and administrative	
Selling, general and administrative	
Change in fair value of contingent consideration	
Change in fair value of contingent consideration	
Change in fair value of contingent consideration	
Amortization of intangibles	
Amortization of intangibles	
Amortization of intangibles	
Total operating expenses	
Total operating expenses	
Total operating expenses	
Operating income	
Operating income	
Operating income	
Other income (expenses):	
Other income (expenses):	
Other income (expenses):	
Interest expense	
Interest expense	
Interest expense	
Interest income	
Interest income	
Interest income	
Gain (loss) on disposition of property and equipment	
Gain (loss) on disposition of property and equipment	
Gain (loss) on disposition of property and equipment	

(in thousands, except share and per share data)		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenue		$ 127,768	$ 122,357	$ 373,659	$ 353,299
Cost of revenue		96,524	97,503	287,675	288,785
Gross profit		31,244	24,854	85,984	64,514
Operating expenses:					
Selling, general and administrative		20,967	18,688	62,433	56,113
Change in fair value of contingent consideration		161	386	464	1,151
Amortization of intangibles		288	386	1,054	1,184
Total operating expenses		21,416	19,460	63,951	58,448
Operating income		9,828	5,394	22,033	6,066
Other income (expenses):					
Interest expense		(437)	(547)	(1,615)	(1,511)
Interest income		377	—	624	—
Gain on disposition of property and equipment		68	150	28	262
Loss on early termination of operating lease		—	—	—	(849)
Loss on early debt extinguishment		—	—	(311)	—
Gain on change in fair value of interest rate swap		116	298	153	298
Gain (loss) on change in fair value of interest rate swap					
Gain (loss) on change in fair value of interest rate swap					
Gain (loss) on change in fair value of interest rate swap					
Total other income (expenses)					
Total other income (expenses)					
Total other income (expenses)	Total other income (expenses)	124	(99)	(1,121)	(1,800)
Income before income taxes	Income before income taxes	9,952	5,295	20,912	4,266
Income tax provision		2,760	1,654	5,407	1,275
Income before income taxes					
Income before income taxes					
Income tax (benefit) provision					
Income tax (benefit) provision					
Income tax (benefit) provision					
Net income					
Net income					
Net income	Net income	$ 7,192	$ 3,641	$ 15,505	$ 2,991
Earnings Per Share (“EPS”)	_Earnings Per Share (“EPS”)_				
Earnings Per Share (“EPS”)					
Earnings Per Share (“EPS”)					
Earnings per common share:					
Earnings per common share:					

Earnings per common share:	Earnings per common share:				
Basic	Basic	$ 0.66	$ 0.35	$ 1.45	$ 0.29
Basic					
Basic					
Diluted					
Diluted					
Diluted	Diluted	$ 0.61	$ 0.34	$ 1.33	$ 0.28
Weighted average number of shares outstanding:	Weighted average number of shares outstanding:				
Weighted average number of shares outstanding:					
Weighted average number of shares outstanding:					
Basic					
Basic					
Basic	Basic	10,962,622	10,444,987	10,695,973	10,429,671
Diluted	Diluted	11,789,137	10,690,434	11,671,819	10,595,061
Diluted					
Diluted					

The accompanying notes are an integral part of these condensed consolidated financial statements

LIMBACH HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

		Number of Shares						
(in thousands, except share amounts)	***(in thousands, except share amounts)***	**Common stock**	**Treasury stock**	**Common stock**	**Additional paid-in capital**	**Treasury stock, at cost**	**Retained earnings**	**Stockholders' equity**
Balance at December 31, 2022		10,471,410	(179,652)	$ 1	$ 87,809	$ (2,000)	$ 9,632	$ 95,442
Balance at December 31, 2023								
Stock-based compensation	Stock-based compensation	—	—	—	1,133	—	—	1,133
Shares issued related to vested restricted stock units	Shares issued related to vested restricted stock units	250,548	—	—	—	—	—	—
Tax withholding related to vested restricted stock units	Tax withholding related to vested restricted stock units	—	—	—	(428)	—	—	(428)

	Number of Shares						
(in thousands, except share amounts)	**Common stock**	**Treasury stock**	**Common stock**	**Additional paid-in capital**	**Treasury stock, at cost**	**Retained earnings**	**Sto**

Shares issued related to employee stock purchase plan	Shares issued related to employee stock purchase plan	10,997	—	—	97	—	—	97
Net income								
Balance at March 31, 2024								
Net income		—	—	—	—	—	2,993	2,993
Balance at March 31, 2023		10,732,955	(179,652)	$ 1	$ 88,611	$ (2,000)	$ 12,625	$ 99,237
Stock-based compensation		—	—	—	1,101	—	—	1,101
Shares issued related to the exercise of warrants		213,361	—	—	—	—	—	—
Net income		—	—	—	—	—	5,320	5,320
Balance at June 30, 2023		10,946,316	(179,652)	$ 1	$ 89,712	$ (2,000)	$ 17,945	$ 105,658
Stock-based compensation		—	—	—	1,140	—	—	1,140
Shares issued related to vested restricted stock units		1,151	—	—	—	—	—	—
Shares issued related to employee stock purchase plan		6,664	—	—	140	—		140
Shares issued related to the exercise of warrants		228,945	—	—	—	—		—
Net income		—	—	—	—	—	7,192	7,192
Balance at September 30, 2023		11,183,076	(179,652)	$ 1	$ 90,992	$ (2,000)	$ 25,137	$ 114,130

		Common Stock						Number of Shares						
(in thousands, except share amounts)	*(in thousands, except share amounts)*	Number of shares outstanding	Par value amount	Additional paid-in capital	Retained earnings	Stockholders' equity	*(in thousands, except share amounts)*	Common stock	Treasury stock	Common stock	Additional paid-in capital	Treasury stock, at cost	Retained earnings	Stockholders' equity
Balance at December 31, 2021		10,304,242	$ 1	$ 85,004	$ 2,833	$ 87,838								
Balance at December 31, 2022														
Stock-based compensation	Stock-based compensation	—	—	599	—	599								
Shares issued related to vested restricted stock units	Shares issued related to vested restricted stock units	105,928	—	—	—	—								
Tax withholding related to vested restricted stock units	Tax withholding related to vested restricted stock units	—	—	(148)	—	(148)								
Shares issued related to employee stock purchase plan	Shares issued related to employee stock purchase plan	12,898	—	98	—	98								
Net loss		—	—	—	(1,516)	(1,516)								
Balance at March 31, 2022		10,423,068	$ 1	$ 85,553	$ 1,317	$ 86,871								

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Stock-based compensation	—	—	575	—	575
Net income					
Net income					
Net income					
Balance at March 31, 2023					
Net income	—	—	—	866	866
Balance at June 30, 2022	10,423,068	$ 1	$ 86,128	$ 2,183	$ 88,312
Stock-based compensation	—	—	806	—	806
Shares issued related to employee stock purchase plan	24,592	—	111	—	111
Net income	—	—	—	3,641	3,641
Balance at September 30, 2022	10,447,660	$ 1	$ 87,045	$ 5,824	$ 92,870

The accompanying notes are an integral part of these condensed consolidated financial statements

LIMBACH HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)

		Nine Months Ended September 30,			Three Months Ended March 31,	
(*in thousands*)	**(*in thousands*)**	**2023**	**2022**	**(*in thousands*)**	**2024**	**2023**
Cash flows from operating activities:	**Cash flows from operating activities:**			**Cash flows from operating activities:**		
Net income	Net income	$15,505	$ 2,991			
Adjustments to reconcile net income to cash provided by operating activities:	Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation and amortization	Depreciation and amortization	5,751	6,173			
Provision for credit losses / doubtful accounts		186	235			
Depreciation and amortization						
Depreciation and amortization						
Provision for credit losses						
Stock-based compensation expense	Stock-based compensation expense	3,374	1,980			
Noncash operating lease expense	Noncash operating lease expense	2,843	3,336			
Amortization of debt issuance costs	Amortization of debt issuance costs	69	100			

Deferred income tax provision	Deferred income tax provision	(1)	(1,077)
Gain on sale of property and equipment		(28)	(262)
Loss on early termination of operating lease		—	849
(Gain) loss on sale of property and equipment			
Loss on change in fair value of contingent consideration	Loss on change in fair value of contingent consideration	464	1,151
Loss on early debt extinguishment		311	—
Gain on change in fair value of interest rate swap		(153)	(298)
Loss on change in fair value of contingent consideration			
Loss on change in fair value of contingent consideration			
(Gain) loss on change in fair value of interest rate swap			
(Gain) loss on change in fair value of interest rate swap			
(Gain) loss on change in fair value of interest rate swap			
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		
Changes in operating assets and liabilities:			
Changes in operating assets and liabilities:			
Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	21,896	(21,906)
Contract assets	Contract assets	14,014	18,597
Other current assets	Other current assets	(1,459)	698
Accounts payable, including retainage	Accounts payable, including retainage	(18,703)	(53)
Prepaid income taxes	Prepaid income taxes	95	(101)
Accrued taxes payable	Accrued taxes payable	(1,386)	1,763
Contract liabilities	Contract liabilities	2,312	15,810

Operating lease liabilities	Operating lease liabilities	(2,803)	(3,264)
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	1,997	(3,612)
Payment of contingent consideration liability in excess of acquisition-date fair value		(1,224)	—
Other long-term liabilities	Other long-term liabilities	400	(130)
Net cash provided by operating activities		43,460	22,980
Other long-term liabilities			
Other long-term liabilities			
Net cash (used in) provided by operating activities			
Cash flows from investing activities:	**Cash flows from investing activities:**		
ACME Transaction, net of cash acquired		(4,883)	—
Proceeds from sale of property and equipment	Proceeds from sale of property and equipment	370	442
Proceeds from sale of property and equipment			
Proceeds from sale of property and equipment			
Advances from joint ventures			
Purchase of property and equipment	Purchase of property and equipment	(1,720)	(725)
Net cash used in investing activities	Net cash used in investing activities	(6,233)	(283)
Cash flows from financing activities:	**Cash flows from financing activities:**		
Payments on Wintrust and A&R Wintrust Term Loans		(21,452)	(11,571)
Proceeds from Wintrust Revolving Loan		10,000	15,194
Payments on Wintrust Revolving Loan		—	(15,194)
Payments on A&R Wintrust Term Loans			
Proceeds from financing transaction (see Note 6)		—	5,400
Payments on financing liability		—	(7)
Payments on A&R Wintrust Term Loans			

Payments on A&R Wintrust Term Loans			
Payment of contingent consideration liability up to acquisition-date fair value		(1,776)	—
Payments on finance leases	Payments on finance leases	(1,991)	(2,051)
Payments of debt issuance costs		(50)	(427)
Payments on finance leases			
Payments on finance leases			
Taxes paid related to net-share settlement of equity awards			
Taxes paid related to net-share settlement of equity awards			
Taxes paid related to net-share settlement of equity awards	Taxes paid related to net-share settlement of equity awards	(847)	(363)
Proceeds from contributions to Employee Stock Purchase Plan	Proceeds from contributions to Employee Stock Purchase Plan	313	265
Net cash used in financing activities	Net cash used in financing activities	(15,803)	(8,754)
Increase in cash, cash equivalents and restricted cash		21,424	13,943
(Decrease) increase in cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash, beginning of period	Cash, cash equivalents and restricted cash, beginning of period	36,114	14,589
Cash, cash equivalents and restricted cash, end of period	Cash, cash equivalents and restricted cash, end of period	$57,538	$28,532
Supplemental disclosures of cash flow information	**Supplemental disclosures of cash flow information**		
Noncash investing and financing transactions:	Noncash investing and financing transactions:		
Earnout liability associated with the ACME Transaction		$ 1,121	$ —

Noncash investing and financing transactions:			
Noncash investing and financing transactions:			
Right of use assets obtained in exchange for new operating lease liabilities			
Right of use assets obtained in exchange for new operating lease liabilities			
Right of use assets obtained in exchange for new operating lease liabilities	Right of use assets obtained in exchange for new operating lease liabilities	1,043	—
Right of use assets obtained in exchange for new finance lease liabilities	Right of use assets obtained in exchange for new finance lease liabilities	4,062	2,171
Right of use assets disposed or adjusted modifying operating lease liabilities		(643)	2,396
Right of use assets disposed or adjusted modifying finance lease liabilities			
Right of use assets disposed or adjusted modifying finance lease liabilities			
Right of use assets disposed or adjusted modifying finance lease liabilities	Right of use assets disposed or adjusted modifying finance lease liabilities	(77)	(77)
Interest paid	Interest paid	1,482	1,425
Cash paid for income taxes	Cash paid for income taxes	$ 6,718	$ 768

The accompanying notes are an integral part of these condensed consolidated financial statements

LIMBACH HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 – Business and Organization

Limbach Holdings, Inc. (the "Company," "we" or "us"), a Delaware corporation headquartered in Warrendale, Pennsylvania, was formed on July 20, 2016 as a result of a business combination with Limbach Holdings LLC ("LHLLC"). The Company is a building systems solutions firm who strives to be an indispensable partner to building owners with expertise mission critical mechanical (heating, ventilation, air conditioning), electrical, and plumbing infrastructure. The Company's focus is in the design, prefabrication, installation, management six vertical markets: healthcare, industrial and maintenance of heating, ventilation, air-conditioning ("HVAC"), mechanical, electrical, plumbing manufacturing, data centers, life science, higher education, and controls systems. cultural and entertainment. The Company provides comprehensive facility services consisting with expertise in the management and maintenance of mechanical, construction, full HVAC service electrical, plumbing and maintenance, energy audits and retrofits, controls systems who uniquely combines engineering and design build services, constructability evaluation, equipment and materials selection, offsite/prefabrication construction, and the complete range of sustainable building solutions with field installation expertise to provide custom solutions. The Company's customers operate Company has more than 1,300 team members in diverse industries including, but not limited to, data centers 19 offices across the eastern United States and healthcare, industrial and light manufacturing, cultural and entertainment, higher education, and life science facilities. The Company operates primarily in the Northeast, Mid-Atlantic, Southeast Eastern and Midwest regions of the United States.

The Company operates in two segments, (i) General Contractor Relationships ("GCR"), in which the Company generally manages new construction or renovation projects that involve primarily HVAC, plumbing, or electrical services awarded to the Company by general contractors or construction managers, and (ii) Owner Direct Relationships ("ODR"), in which the Company performs owner direct projects and/or provides maintenance or service primarily on HVAC, mechanical, plumbing or electrical systems, building controls and specialty contracting projects direct to, or assigned by, building owners or property managers, and (ii) General Contractor Relationships ("GCR"), in which the Company generally manages new construction or renovation projects that involve primarily mechanical, plumbing, or electrical services awarded to the Company by general contractors or construction managers. This work is primarily performed under fixed price, modified fixed price, and time and material contracts over periods of typically less than two years.

Note 2 – Significant Accounting Policies

Basis of Presentation

References in these financial statements to the Company refer collectively to the accounts of Limbach Holdings, Inc. and its wholly-owned subsidiaries, including LHLLC, Limbach Facility Services LLC ("LFS"), Limbach Company LLC ("LC LLC"), Limbach Company LP, Harper Limbach LLC, Harper Limbach Construction LLC, Limbach Facility & Project Solutions LLC, Jake Marshall, LLC ("JMLLC"), Coating Solutions, LLC ("CSLLC") and , ACME Industrial Piping, LLC ("ACME") and Industrial Air, LLC ("Industrial Air") for all periods presented, unless otherwise indicated. All intercompany balances and transactions have been eliminated.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and with the requirements of Form 10-Q and Rule 8-03 of Regulation S-X for smaller reporting companies. Consequently, certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. Readers of this report should refer to the consolidated financial statements and the notes thereto included in the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 8, 2023 March 13, 2024.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements for assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenue and expenses during the reported period, and the accompanying notes. Management believes that its most significant estimates and assumptions have been based on reasonable and supportable assumptions and the resulting estimates are reasonable for use in the preparation of the condensed consolidated financial statements. The Company's significant estimates include estimates associated with revenue recognition on construction contracts, costs incurred through each balance sheet date, intangibles, property and equipment, fair value accounting for acquisitions, insurance reserves, income tax valuation allowances, fair value of contingent consideration arrangements and contingencies. If the underlying estimates and assumptions upon which the condensed consolidated financial statements are based change in the future, actual amounts may differ from those included in the accompanying condensed consolidated financial statements.

Unaudited Interim Financial Information

The accompanying interim Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Stockholders' Equity and Condensed Consolidated Statements of Cash Flows for the

periods presented are unaudited. Also, within the notes to the condensed consolidated financial statements, the Company has included unaudited information for these interim periods. These unaudited interim condensed consolidated financial statements have been prepared in accordance with GAAP. In the Company's opinion, the accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary for a fair statement of the Company's financial position as of September 30, 2023 March 31, 2024, its results of operations and equity for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 and its cash flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023. The results for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2023 December 31, 2024.

The Condensed Consolidated Balance Sheet as of December 31, 2022 December 31, 2023 was derived from the Company's audited financial statements included in its Annual Report on Form 10-K filed with the SEC on March 8, 2023 March 13, 2024, but is presented as condensed and does not contain all of the footnote disclosures from the annual financial statements.

Recently Adopted Recent Accounting Standards Pronouncements

In June 2016, November 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This update aims to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. The update also requires disclosure regarding the chief operating decision maker and expands the interim segment disclosure requirements. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of ASU 2023-07 on its consolidated financial statements.

In December 2023, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* *2023-09, Improvements to Income Tax Disclosures (Topic 326)*740). This update requires entities to disclose additional information with respect to the effective tax rate reconciliation and to disclose the disaggregation by jurisdiction of income tax expense and income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, Measurement of Credit Losses on Financial Instruments, which introduced an expected credit loss methodology for the measurement and recognition of credit losses on most financial instruments, including trade receivables and off-balance sheet credit exposure. Under this guidance, an entity is required to consider a broader range of information to estimate expected credit losses, which may result in earlier recognition of losses. This ASU also requires disclosure of information regarding how a company developed its allowance, including changes in the factors that influenced management's estimate of expected credit losses and the reasons for those changes. with early adoption permitted. The Company adopted ASU 2016-13 on January 1, 2023 using the modified retrospective method, whereby the guidance was applied prospectively as of the date of adoption and prior periods are not restated. The adoption of this ASU did not have a material impact on the Company's financial position or results of operations.

The Company assessed the scope of its financial assets and determined that the guidance associated with ASU 2016-13 is relevant to its trade accounts receivable and contract assets, including retainage. The Company's trade receivables include amounts from work completed in which it has billed or has an unconditional right to bill its customers. The majority of the Company's trade receivables are contractually due in less than a year. The Company further assessed the guidance based on its segment portfolio of receivables. While the Company's construction-type GCR and ODR financial assets are often in the same subset of customers and industries, the Company's construction-type related project work is typically bonded and the customers to which they perform work are well-known, solvent and have no history of material receivable write-offs. On the contrary, the Company's service-type work, in particular its ODR core service work, is smaller in nature and is usually more susceptible to customer write-offs. As such, there is greater risk of credit loss on the Company's ODR-related service-type receivables. The Company's contract assets include amounts due under retainage provisions and costs and estimated earnings in excess of billings on uncompleted contracts. The Company has policies and procedures in place where it reviews claims and change orders on a quarterly basis to determine legal entitlement and recoverability in accordance with ASC Topic 606. As such, the Company has determined the risk of credit loss on its contracts assets to be remote.

The Company develops its allowances for credit losses, which represent an estimate of expected losses over the remaining contractual life of its ODR-related service-type receivables, using an aging method. Under the aging method, the Company assigns its accounts receivable to a level of delinquency and applies a loss rate to each class. Loss rates are determined based on historical loss experiences with customers, the consideration of a customer's financial condition, current market economic conditions and a forecast of future economic conditions when appropriate. When the Company becomes aware of a customer's inability to meet its financial obligation, a specific reserve is recorded to reduce the receivable to the expected amount to be collected.

As part of the Company's analysis of expected credit losses, it may analyze receivables with customers on an individual basis in situations where such accounts receivables exhibit unique risk characteristics and are not expected to experience similar losses to the rest of their class.

Recent Accounting Pronouncements

The FASB has issued ASU 2020-04, *Reference Rate Reform (Topic 848)*: Facilitation of the Effects of Reference Rate Reform on Financial Reporting in March 2020. This new guidance provides optional expedients for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform, on financial reporting. The risk of termination of the London Interbank Offered Rate (LIBOR), has caused regulators to undertake reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based that are less susceptible to manipulation. ASU 2020-04 was effective between March 12, 2020 and December 31, 2022. However, in December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, extending the sunset date under Topic 848 from December 31, 2022 to December 31, 2024 to align the temporary accounting relief guidance with the expected LIBOR cessation date of June 30, 2023.

In addition, in January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848)*: Scope. The amendments in this update refine the scope for certain optional expedients and exceptions for contract modifications and hedge accounting to apply to derivative contracts and certain hedging relationships affected by the discounting transition. As a result of ASU 2022-06, an entity may now elect to apply the amendments in this update from the beginning of an interim period beginning as of March 12, 2020, through December 31, 2024. The Company has evaluated currently evaluating the impact of adopting the reference rate reform guidance (both ASU 2020-04 and ASU 2021-01) 2023-09 on its consolidated financial statements and has determined that these pronouncements did not have a significant impact. As discussed in Note 6, the A&R Credit Agreement removed LIBOR as a benchmark rate and now utilizes SOFR (as defined in the A&R Credit Agreement) as its replacement. During the second quarter of 2023, the Company entered into the Second A&R Credit Agreement (as defined in Note 6), which also utilizes SOFR as a benchmark rate. In addition, the Company's interest rate swap utilizes SOFR as its benchmark rate.statements.

In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20)* and *Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity and amends the scope guidance for contracts in an entity's own equity. The ASU addresses how convertible instruments are accounted for in the calculation of diluted earnings per share by using the if-converted method. The guidance is effective for all entities for fiscal years beginning after March 31, 2024, albeit early adoption is permitted no earlier than fiscal years beginning after December 15, 2020. Management is currently assessing the impact of this pronouncement on its condensed consolidated financial statements.

Note 3 – Acquisitions

ACME Transaction

On July 3, 2023 (the "Effective "ACME Effective Date"), the Company, LFS and ACME, (the "Acquired Company"), and the owner of the Acquired Company ACME (the "Seller" "ACME Seller") entered into a Purchase Agreement (the "Purchase "ACME Purchase Agreement") pursuant to which LFS purchased all of the outstanding equity interests in the Acquired Company ACME from the ACME Seller (the "ACME Transaction"). The ACME Transaction closed on the ACME Effective Date. As a result of the ACME Transaction, the Acquired Company ACME became a wholly-owned indirect subsidiary of the Company. ACME specializes in performing industrial maintenance, capital project work, and emergency services for specialty chemical and manufacturing clients, and is a leading mechanical solutions provider for hydroelectric producers. The acquisition expands the Company's market share within its existing operating footprint, provides further exposure to an attractive customer base and supports the Company's continued ODR growth strategy.

Total consideration paid by the Company for the ACME Transaction at closing was $5.0 million (the "Closing "ACME Closing Purchase Price"), consisting of cash paid to the ACME Seller, subject to typical adjustments for working capital. Of the consideration paid to the ACME Seller, approximately $0.4 million is being held in escrow for indemnification purposes. The purchase price is subject to customary post-closing adjustments. In addition, the ACME Seller may receive up to an aggregate of $2.5 million in cash, consisting of two individual tranches of $0.5 million and $2.0 million pursuant to the terms of the ACME Purchase Agreement, if the gross profit of the Acquired Company ACME equals or exceeds (i) $2.0 million in the 12-month period beginning on the ACME Effective Date (the "First ACME Earnout Period") or (ii) $2.5 million in the 12-month period beginning on the first anniversary of the ACME Effective Date (the "Second ACME Earnout Period" and together with the First ACME Earnout Period, the "ACME Earnout Payments"). Notwithstanding the foregoing, if ACME's Adjusted EBITDA, as defined within the ACME Purchase Agreement, for calendar year 2023 equaled or exceeded $2.5 million then the Company would have been required to pay the ACME Seller $2.5 million, and the ACME Seller would not have been entitled to any further payment. This particular earnout condition was not met as of December 31, 2023.

The Company recorded $0.3 million in acquisition-related expenses associated with professional fees related to the ACME Transaction during the three and nine months ending September 30, 2023 year-ended December 31, 2023, which are were included in selling, general and administrative expense in the condensed consolidated statement of operations.

Allocation of Purchase Price. The ACME Transaction was accounted for as a business combination using the acquisition method. The following table summarizes the preliminary purchase price and estimated fair values of assets acquired and liabilities assumed as of the ACME Effective Date, with any excess of purchase price over estimated fair value of the identified net assets acquired recorded as goodwill. As a result of the acquisition, the Company recognized $2.3 million of goodwill, all of which was allocated to the ODR segment and fully deductible for tax purposes. Such goodwill primarily related to anticipated future earnings. The fair value estimates for the assets acquired and liabilities assumed, as well as the Company's estimates and assumptions, were subject to change as the Company obtained additional information during the measurement period. During the measurement period, if the Company obtained new information regarding facts and circumstances that existed as of the ACME Effective Date that, if known, would have resulted in revised estimated values of those assets or liabilities, the Company would accordingly revise its fair value estimates and purchase price allocation. Measurement period adjustments are reflected as if the adjustments had been made as of the ACME Effective Date. The impact of all changes that do not qualify as measurement period adjustments would have been included in current period earnings. The Company finalized its purchase price allocation during the fourth quarter of 2023.

The following table summarizes the preliminary allocation of the fair value of the assets and liabilities of the ACME Transaction as of the ACME Effective Date by the Company.

(in thousands)	**Purchase Price Allocation**	**Measurement Period Adjustments(1)**	**Final Purchase Price Allocation**
Consideration:			
Cash	$ 5,181	$ —	$ 5,181
Earnout provision	1,121	393	1,514
Total Consideration	6,302	393	6,695
Fair value of assets acquired:			
Cash and cash equivalents	298	—	298
Accounts receivable	1,150	—	1,150
Contract assets	414	—	414
Property and equipment	488	—	488
Operating lease right-of-use assets	301	—	301
Intangible assets	2,300	500	2,800
Amount attributable to assets acquired	4,951	500	5,451
Fair value of liabilities assumed:			
Accounts payable, including retainage	170	—	170
Current operating lease liabilities	195	—	195
Accrued expenses and other current liabilities	138	—	138
Contract liabilities	373	—	373
Long-term operating lease liabilities	106	—	106
Amount attributable to liabilities assumed	982	—	982
Goodwill	$ 2,333	$ (107)	$ 2,226

(1) Measurement period adjustments recorded during the year-ended December 31, 2023 included changes in the purchase price allocation and total consideration, resulting in a net decrease of approximately $0.1 million to goodwill. The measurement period adjustments resulted primarily from valuation inputs pertaining to ACME's intangible assets and earnout provision attributes based on facts and circumstances that existed, but were not known, as of the ACME acquisition date.

(in thousands)		*Purchase Price Allocation*
Consideration:		
Cash	*$*	*5,181*
Earnout provision		*1,121*
Total Consideration		*6,302*
Fair value of assets acquired:		
Cash and cash equivalents		*298*
Accounts receivable		*1,150*
Contract assets		*414*
Property and equipment		*488*
Operating lease right-of-use assets		*301*
Intangible assets		*2,300*
Amount attributable to assets acquired		*4,951*
Fair value of liabilities assumed:		
Accounts payable, including retainage		*170*
Current operating lease liabilities		*195*
Accrued expenses and other current liabilities		*138*
Contract liabilities		*373*
Long-term operating lease liabilities		*106*
Amount attributable to liabilities assumed		*982*
Goodwill	*$*	*2,333*

Industrial Air Transaction

For working capital items, such as cash On November 1, 2023 (the “IA Effective Date”), the Company, LFS and cash equivalents, accounts receivable, other current assets, accounts payable Industrial Air, and accrued expenses and other current liabilities, the Acquired Company's carrying value was assumed owner of Industrial Air (the “IA Seller”) entered into a Purchase Agreement (the “IA Purchase Agreement”) pursuant to represent the fair value of these assets due to the current nature which LFS purchased all of the assets and liabilities. There was no difference between outstanding equity interests in Industrial Air from the contract value and fair value of accounts receivable acquired.

IA Seller (the “Industrial Air Transaction”). The estimated fair value of property and equipment, generally consisting of vehicles, machinery, and equipment, was estimated using Industrial Air Transaction closed on the cost approach. Significant unobservable inputs in the estimate of fair value under this approach included management's assumptions about the replacement costs for similar assets, the relative age of the acquired assets and any potential economic or functional obsolescence associated with the acquired assets. IA Effective Date. As a result of the Industrial Air Transaction, Industrial Air became a wholly-owned indirect subsidiary of the Company. Industrial Air serves industrial customers throughout the Southeast United States and along the Eastern seaboard, focusing on delivering engineered air handling systems, including air conditioning and air filtration, along with controls systems and maintenance work. In addition, Industrial Air manufactures a wide range of components for air conditioning and filtration systems. The Industrial Air Transaction provides the Company with a presence in an attractive and growing geographic market, where the acquired entity has a strong ODR customer base and supports the Company’s continued ODR growth strategy.

Total consideration paid by the Company for the Industrial Air Transaction at closing was $13.5 million (the “IA Closing Purchase Price”), consisting of cash paid to the IA Seller, subject to typical adjustments for working capital. Of the consideration paid to the IA Seller, approximately $1.4 million is being held in escrow for indemnification purposes. The purchase price is subject to customary post-closing adjustments. In addition, the IA Seller may receive up to an aggregate of $6.5 million in cash, consisting of two individual tranches of $3.0 million and $3.5 million pursuant to the terms of the Industrial Air Purchase Agreement, if the gross profit of Industrial Air equals or exceeds (i) $7.6 million in the 12-month period beginning on the IA Effective Date (the “First IA Earnout Period”) or (ii) $8.8 million in the 12-month period beginning on the first anniversary of the IA Effective Date (the “Second IA Earnout Period” and together with the First IA Earnout Period, the “IA Earnout Payments”). However, if the gross profit of Industrial Air is less than $7.6 million but exceeds $6.6 million during the First IA Earnout Period then the IA Seller shall receive a portion of the deferred payment made on a pro rata basis. Similarly, if the gross profit of Industrial Air is less than $8.8 million but exceeds $7.8 million during the Second IA Earnout Period then the IA Seller shall receive a portion of the deferred payment made on a pro rata basis.

Allocation of Purchase Price. The Industrial Air Transaction was accounted for as a business combination using the acquisition method. The following table summarizes the preliminary purchase price and estimated fair values of assets acquired and liabilities assumed as of the IA Effective Date, with any excess of purchase price over estimated fair value of the property identified net assets acquired recorded as goodwill. As a result of the acquisition, the Company recognized $2.8 million of goodwill, all of which was allocated to the ODR segment and equipment represented a Level 3 fully deductible for tax purposes. Such goodwill primarily related to anticipated future earnings. The Company's accounting for this acquisition is preliminary. The fair value measurement.

As part estimates for the assets acquired and liabilities assumed, as well as the Company's estimates and assumptions are subject to change as the Company obtains additional information during the measurement period. During the measurement period, if the Company obtained new information regarding facts and circumstances that existed as of the IA Effective Date that, if known, would have resulted in revised estimated values of those assets or liabilities, the Company would accordingly revise its fair value estimates and purchase price allocation. Measurement period adjustments are reflected as if the adjustments had been made as of the IA Effective Date. The impact of all changes that do not qualify as measurement period adjustments would have been included in current period earnings. The Company finalized its purchase price allocation during the Company identified certain definite-lived intangible assets associated with customer relationships with third-party customers and first quarter of 2024.

The following table summarizes the acquired trade name and trademarks. The fair value allocation of the customer relationships with third-party customers was determined using the multi-period excess earning method under the income approach. The multi-period excess earnings method is a variation of the discounted cash-flow analysis, which isolates the cash flows that can be associated with a single intangible asset and measures fair value by discounting it back to present value. The fair value of the acquired trade name and trademarks intangible asset was determined using an income approach, specifically known as the relief-from-royalty method. This method requires identifying the future revenue that would be generated by the trademark, multiplying it by a royalty rate deemed to be avoided through ownership of the asset and discounting the projected royalty savings amounts back to the acquisition date. The royalty rate used in the valuation was based on a consideration of market rates for similar categories of assets. Some of the more significant estimates and assumptions inherent in determining the fair value of the identifiable intangible assets are associated with forecasting cash flows and profitability, which represent Level 3 inputs.

The Company calculates amortization liabilities of the acquired intangible assets using Industrial Air Transaction as of the straight-line method over the estimated useful lives of each acquired intangible assets. Amortization expense recorded in the consolidated statements of operations for the period from the IA Effective Date to September 30, 2023 was approximately $0.1 million. The estimated annual amortization expense for by the remainder of 2023 is approximately $0.1 million, and $0.3 million for each of the next five years. Company.

Intangible assets, net

(in thousands)		Purchase Price Allocation		Measurement Period Adjustments(1)		Final Purchase Price Allocation
Consideration:						
Cash	$	11,527	$	—	$	11,527
Earnout provision		3,165		—		3,165
Total Consideration		14,692		—		14,692
Fair value of assets acquired:						
Cash and cash equivalents		1,149		—		1,149
Accounts receivable		5,200		—		5,200
Inventory		1,290		(59)		1,231
Contract assets		220		—		220
Other current assets		993		—		993
Property and equipment		1,447		—		1,447
Operating lease right-of-use assets(2)		3,756		—		3,756
Intangible assets		8,720		—		8,720
Amount attributable to assets acquired		22,775		(59)		22,716
Fair value of liabilities assumed:						
Accounts payable, including retainage		885		—		885
Current operating lease liabilities		475		—		475
Contract liabilities		6,900		—		6,900
Accrued expenses and other current liabilities		347		—		347
Long-term operating lease liabilities		2,254		—		2,254
Amount attributable to liabilities assumed		10,861		—		10,861
Goodwill	$	2,778	$	59	$	2,837

(1)Measurement period adjustments recorded during the quarter ending March 31, 2024 included adjustments to certain working capital items resulting in an increase of approximately $0.1 million to goodwill. The measurement period adjustments resulted primarily from information that existed, but was not known, as of September 30, 2023 are detailed below. Industrial Air's acquisition date.

(in thousands)		Gross Carrying Amount		Accumulated Amortization		Net Intangible Assets	Weighted Average Useful Life (Years)
Trade name and trademarks	$	400	$	(18)	$	382	5.5
Customer relationships		1,900		(46)		1,854	10.3
Total	$	2,300	$	(64)	$	2,236	6.3

The aforementioned contingent ACME Earnout Payments are associated with the achievement of specified gross profit milestones. The Company estimated that the fair value(2) As a result of the ACME Earnout Payments Industrial Air Transaction, the Company recognized a $1.0 million below-market lease, which was approximately $1.1 million at recorded as an increase to the date of acquisition, of which the majority of this balance was included in other long-term liabilities in the Company's operating lease right-of-use assets on its consolidated balance sheet as of

September 30, 2023. the IA Effective Date. The Company determined below-market lease will be amortized to amortization expense over the initial fair value of the ACME Earnout Payments based on the Monte Carlo Simulation method, which represented a Level 3 measurement. As of the Effective Date, the ACME Earnout Payments associated with the ACME Transaction were valued utilizing discount rates of 8.65% and 14.49%. The discount rates were calculated using the build-up method with a risk-free rate commensurate with the term of the ACME Earnout Payments based on the U.S. Treasury Constant Maturity Yield and certain metric risk premiums determined with reference to a long-term risk free rate, a weighted average cost of capital and certain adjustments for operational leverage. Subsequent to the Effective Date, the ACME Earnout Payments are re-measured at fair value each reporting period. Changes in the estimated fair value of the contingent payments subsequent to the acquisition date are recognized immediately in earnings. remaining lease term.

Note 4 – Revenue from Contracts with Customers

The Company generates revenue from construction type contracts, primarily consisting of fixed-price contracts, to deliver HVAC, mechanical, plumbing, and electrical construction services to its customers. The duration of its contracts generally ranges from three months to two years. Revenue from fixed price contracts is recognized on the cost-to-cost method, measured by the relationship of total cost incurred to total estimated contract costs. Revenue from time and materials contracts is recognized as services are performed. The Company believes that its extensive experience in HVAC, mechanical, plumbing, and electrical projects, and its internal cost review procedures during the bidding process, enable it to reasonably estimate costs and mitigate the risk of cost overruns on fixed price contracts.

The Company generally invoices customers on a monthly basis, based on a schedule of values that breaks down the contract amount into discrete billing items. Costs and estimated earnings in excess of billings on uncompleted contracts are recorded as a contract asset until billable under the contract terms. Billings in excess of costs and estimated earnings on uncompleted contracts are recorded as a contract liability until the related revenue is recognizable. The Company classifies contract assets and liabilities that may be settled beyond one year from the balance sheet date as current, consistent with the length of time of the Company's project operating cycle.

Contract assets

Contract assets include amounts due under retainage provisions and costs and estimated earnings in excess of billings on uncompleted contracts. The components of the contract asset balances as of the respective dates were as follows:

(in thousands)	***(in thousands)***	**September 30, 2023**	**December 31, 2022**	**Change**	***(in thousands)***	**March 31, 2024**	**December 31, 2023**	**Change**
Contract assets	Contract assets							
Costs and estimated earnings in excess of billings on uncompleted contracts	Costs and estimated earnings in excess of billings on uncompleted contracts	$ 26,007	$ 33,573	$ (7,566)				
Costs and estimated earnings in excess of billings on uncompleted contracts								
Costs and estimated earnings in excess of billings on uncompleted contracts								
Retainage receivable	Retainage receivable	21,846	27,880	(6,034)				
Total contract assets	Total contract assets	$ 47,853	$ 61,453	$(13,600)				

Retainage receivable represents amounts invoiced to customers where payments have been partially withheld, typically 10%, pending the completion of certain milestones, satisfaction of other contractual conditions or the completion of the project. Retainage agreements vary from project to project and balances could be outstanding for several months or years depending on a number of circumstances such as contract-specific terms, project performance and other variables that may arise as the Company makes progress towards completion.

Contract assets represent the excess of contract costs and profits (or contract revenue) over the amount of contract billings to date and are classified as a current asset. Contract assets result when either: (1) the appropriate contract revenue amount has been recognized over time in accordance with ASC Topic 606, but a portion of the revenue recorded cannot be currently billed due to the billing terms defined in the contract, or (2) costs are incurred related to certain claims and unapproved change orders. Claims occur when there is a dispute regarding both a change in the scope of work and the price associated with that change. Unapproved change orders occur when a change in the scope of work results in additional work being performed before the parties have agreed on the corresponding change in the contract price. The Company routinely estimates recovery related to claims and unapproved change orders as a form of variable consideration at the most likely amount it expects to receive and to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Claims and unapproved change orders are billable upon the agreement and resolution between the contractual parties and after the execution of contractual amendments. Increases in claims and unapproved change orders typically result from costs being incurred against existing or new positions; decreases normally result from resolutions and subsequent billings.

The current estimated net realizable value on such items as recorded in contract assets and contract liabilities in the condensed consolidated balance sheets was $19.7 $19.3 million and $28.5 $19.5 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The Company currently anticipates that the majority of such amounts will be approved or executed within one year. The resolution of those claims and unapproved change orders that may require litigation or other forms of dispute resolution proceedings may delay the timing of billing beyond one year.

Contract liabilities

Contract liabilities include billings in excess of contract costs and provisions for losses. The components of the contract liability balances as of the respective dates were as follows:

(in thousands)	***(in thousands)***	**September 30, 2023**	**December 31, 2022**	**Change**	***(in thousands)***	**March 31, 2024**	**December 31, 2023**	**Change**
Contract liabilities	Contract liabilities							
Billings in excess of costs and estimated earnings on uncompleted contracts	Billings in excess of costs and estimated earnings on uncompleted contracts	$ 46,545	$ 43,806	$ 2,739				
Billings in excess of costs and estimated earnings on uncompleted contracts								
Billings in excess of costs and estimated earnings on uncompleted contracts								
Provisions for losses	Provisions for losses	147	201	(54)				
Total contract liabilities	Total contract liabilities	$ 46,692	$ 44,007	$ 2,685				

Billings in excess of costs and estimated earnings on uncompleted contracts represent the excess of contract billings to date over the amount of contract costs and profits (or contract revenue) recognized to date. The balance may fluctuate depending on the timing of contract billings and the recognition of contract revenue.

Provisions for losses are recognized in the condensed consolidated statements of operations at the uncompleted performance obligation level for the amount of total estimated losses in the period that evidence indicates that the estimated total cost of a performance obligation exceeds its estimated total revenue.

The net (overbilling) underbilling position for contracts in process consisted of the following:

(in thousands)	**September 30, 2023**	**December 31, 2022**
Revenue earned on uncompleted contracts	$ 625,765	$ 678,014
Less: Billings to date	(646,303)	(688,247)
Net (overbilling) underbilling	$ (20,538)	$ (10,233)

(in thousands)	**September 30, 2023**	**December 31, 2022**
Costs in excess of billings and estimated earnings on uncompleted contracts	$ 26,007	$ 33,573
Billings in excess of costs and estimated earnings on uncompleted contracts	(46,545)	(43,806)
Net (overbilling) underbilling	$ (20,538)	$ (10,233)

(in thousands)	**March 31, 2024**	**December 31, 2023**
Revenue earned on uncompleted contracts	$ 540,169	$ 551,120
Less: Billings to date	(556,224)	(563,860)
Net (overbilling) underbilling	$ (16,055)	$ (12,740)

(in thousands)	**March 31, 2024**	**December 31, 2023**

Costs and estimated earnings in excess of billings on uncompleted contracts	$	25,006	$	29,247
Billings in excess of costs and estimated earnings on uncompleted contracts		(41,061)		(41,987)
Net (overbilling) underbilling	$	(16,055)	$	(12,740)

Revisions in Contract Estimates

The Company recorded revisions in its contract estimates for certain GCR ODR and ODR GCR projects. During the three months ended September 30, 2023 March 31, 2024, the Company recorded material gross profit write-ups on three GCR two ODR projects for a total of $3.1 $2.0 million inclusive of that had a $1.2 million write-up related to the settlement of a past claim, and one material GCR project net gross profit write-down for $0.7 impact of $0.5 million and one material ODR project gross profit write-down for $0.6 million. During the nine months ended

September 30, 2023, the Company recorded or more. There were no material gross profit write-ups on two GCR projects for a total of $2.2 million, inclusive of a $1.2 million write-up related to write-downs recognized during the settlement of a past claim, and one material GCR project gross profit write-down for $0.5 million and one material ODR project gross profit write-down for $0.7 million. three months ended March 31, 2024. During the three months ended September 30, 2022 March 31, 2023, the Company did not record any material gross profit write-ups or write-downs that had a net gross profit impact of $0.5 million or more. During the nine months ended September 30, 2022, the Company recorded material gross profit write-ups on two GCR projects for a total of $2.0 million and two material GCR project gross profit write-downs for a total of $1.1 million.

Remaining Performance Obligations

Remaining performance obligations represent the transaction price of firm orders for which work has not been performed and exclude unexercised contract options. The Company's remaining performance obligations include projects that have a written award, a letter of intent, a notice to proceed or an agreed upon work order to perform work on mutually accepted terms and conditions.

As of September 30, 2023 March 31, 2024, the aggregate amount of the transaction prices allocated to the remaining performance obligations of the Company's GCR ODR and ODR GCR segment contracts were $227.0 million $139.5 million and $138.1 million $163.0 million, respectively. The Company currently estimates that 27% 83% and 48% 68% of its ODR and GCR and ODR segment remaining performance obligations as of September 30, 2023 March 31, 2024, respectively, will be recognized as revenue during the remainder of 2023, 2024, with the substantial majority of remaining performance obligations to be recognized within 24 months, although the timing of the Company's performance is not always under its control.

Additionally, the difference between remaining performance obligations and backlog is due to the exclusion of a portion of the Company's ODR agreements under certain contract types from the Company's remaining performance obligations as these contracts can be canceled for convenience at any time by the Company or the customer without considerable cost incurred by the customer.

Note 5 – Goodwill and Intangibles

Goodwill

Goodwill was $13.7 $16.4 million and $11.4 million as of September 30, 2023 March 31, 2024 and December 31, 2022, respectively, December 31, 2023 and is entirely associated with the Company's ODR segment. The Company tests its goodwill and indefinite-lived intangible assets allocated to its reporting units for impairment annually on October 1, or more frequently if events or circumstances indicate that it is more likely than not that the fair value of its reporting units and indefinite-lived intangible assets are less than their carrying amount. The Company has the option to assess goodwill for possible impairment by performing a qualitative analysis to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. A quantitative assessment is performed if the qualitative assessments results in a more-likely-than-not determination or if a qualitative assessment is not performed.

The Company did not recognize any impairment charges on its goodwill or intangible assets during the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

The following table summarizes the carrying amount and changes in goodwill associated with the Company's segments for the nine three months ended September 30, 2022 March 31, 2024 and for the year ended December 31, 2022 December 31, 2023.

(in thousands)	GCR		ODR		Total
Goodwill as of January 1, 2022	$ —	$	11,370	$	11,370
Goodwill as of December 31, 2022	—		11,370		11,370
Goodwill associated with the ACME Transaction	—		2,333		2,333
Goodwill as of September 30, 2023	$ —	$	13,703	$	13,703

(in thousands)	GCR		ODR		Total
Goodwill as of January 1, 2023	$ —	$	11,370	$	11,370
Goodwill associated with the ACME Transaction(1)	—		2,226		2,226

Goodwill associated with the Industrial Air Transaction	—	2,778	2,778
Goodwill as of December 31, 2023	—	16,374	16,374
Measurement period adjustments - Industrial Air Transaction(2)	$ —	59	59
Goodwill as of March 31, 2024	$ —	$ 16,433	$ 16,433

(1) Includes certain adjustments, net, to preliminary estimates of fair value within the measurement period of up to one-year from the date of the ACME Transaction. Measurement period adjustments, net, relate primarily to an increase in certain definite-lived intangible assets, partially offset by an increase in total consideration associated with the earnout provision. See Note 3 – Acquisitions for further information.

(2) Includes certain adjustments to preliminary estimates of fair value within the measurement period of up to one-year from the date of the Industrial Air Transaction. Measurement period adjustments related to certain working capital adjustments. See Note 3 – Acquisitions for further information.

Intangible Assets

Intangible assets are comprised of the following:

(in thousands)	**Gross carrying amount**	**Accumulated amortization**	**Net intangible assets, excluding goodwill**
September 30, 2023			
Amortized intangible assets:			
Customer relationships – GCR – Jake Marshall	$ 570	$ (148)	$ 422
Customer relationships – ODR – Jake Marshall	3,050	(737)	2,313
Customer relationships – ODR – ACME	1,900	(46)	1,854
Customer relationships – ODR – Limbach	4,710	(3,944)	766
Favorable leasehold interests – Limbach	190	(109)	81
Backlog – GCR – Jake Marshall	260	(260)	—
Backlog – ODR – Jake Marshall	680	(680)	—
Trade name – Jake Marshall	1,150	(342)	808
Trade name – ACME	400	(18)	382
Total amortized intangible assets	12,910	(6,284)	6,626
Unamortized intangible assets:			
Trade name – Limbach(1)	9,960	—	9,960
Total unamortized intangible assets	9,960	—	9,960
Total amortized and unamortized assets, excluding goodwill	$ 22,870	$ (6,284)	$ 16,586

(in thousands)	**Gross carrying amount**	**Accumulated amortization**	**Net intangible assets, excluding goodwill**
March 31, 2024			
Amortized intangible assets:			
Customer relationships	$ 15,320	$ (5,645)	$ 9,675
Backlog	2,560	(1,750)	810
Trade name, trademarks and intellectual property	4,250	(723)	3,527
Total amortized intangible assets	22,130	(8,118)	14,012
Unamortized intangible assets:			
Trade name – Limbach(1)	9,960	—	9,960
Total unamortized intangible assets	9,960	—	9,960
Total amortized and unamortized assets, excluding goodwill	$ 32,090	$ (8,118)	$ 23,972

(1) The Company has determined that its trade name has an indefinite useful life. The Limbach trade name has been in existence since the Company's founding in 1901 and therefore is an established brand within the industry.

(in thousands)	Gross carrying amount		Accumulated amortization		Net intangible assets, excluding goodwill	
December 31, 2022						
Amortized intangible assets:						
Customer relationships – GCR – Jake Marshall	$	570	$	(87)	$	483
Customer relationships – ODR – Jake Marshall		3,050		(436)		2,614
Customer relationships – ODR – Limbach		4,710		(3,765)		945
Favorable leasehold interests – Limbach		190		(97)		93
Backlog – GCR – Jake Marshall		260		(178)		82
Backlog – ODR – Jake Marshall		680		(465)		215
Trade name – Jake Marshall		1,150		(202)		948
Total amortized intangible assets		10,610		(5,230)		5,380
Unamortized intangible assets:						
Trade name – Limbach		9,960		—		9,960
Total unamortized intangible assets		9,960		—		9,960
Total amortized and unamortized assets, excluding goodwill	$	20,570	$	(5,230)	$	15,340

(in thousands)	Gross carrying amount		Accumulated amortization		Net intangible assets, excluding goodwill	
December 31, 2023						
Amortized intangible assets:						
Customer relationships	$	15,320	$	(5,249)	$	10,071
Backlog		2,560		(1,264)		1,296
Trade name, trademarks and intellectual property		4,250		(578)		3,672
Total amortized intangible assets		22,130		(7,091)		15,039
Unamortized intangible assets:						
Trade name – Limbach		9,960		—		9,960
Total unamortized intangible assets		9,960		—		9,960
Total amortized and unamortized assets, excluding goodwill	$	32,090	$	(7,091)	$	24,999

Total amortization expense for the Company's definite-lived intangible assets was $0.3 $1.1 million and $0.4 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $1.1 million and $1.2 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

Note 6 – Debt

Long-term debt consists of the following obligations as of:

(in thousands)	*(in thousands)*	September 30, 2023	December 31, 2022	*(in thousands)*	March 31, 2024	December 31, 2023
A&R Wintrust Term Loan - term loan payable in quarterly installments of principal, plus interest through February 2026		—	21,453			
Wintrust Revolving Loans		10,000	—			

Finance leases – collateralized by vehicles, payable in monthly installments of principal, plus interest ranging from 3.96% to 8.60% through 2027		6,949	4,954
A&R Wintrust Revolving Loans			
A&R Wintrust Revolving Loans			
A&R Wintrust Revolving Loans			
Finance leases – collateralized by vehicles, payable in monthly installments of principal, plus interest ranging from 3.96% to 8.60% through 2031			
Financing liability	Financing liability	5,351	5,351
Total debt	Total debt	22,300	31,758
Less - Current portion of long-term debt	Less - Current portion of long-term debt	(2,472)	(9,564)
Less - Unamortized discount and debt issuance costs	Less - Unamortized discount and debt issuance costs	(391)	(666)
Long-term debt	Long-term debt	$ 19,437	$ 21,528

Wintrust Term and Revolving Loans

On February 24, 2021, LFS, LHLLC and the direct and indirect subsidiaries of LFS from time to time included as parties to the agreement (the “Wintrust Guarantors”) entered into a credit agreement (the “Wintrust Credit Agreement”) by and among LFS, LHLLC, Wintrust Guarantors, the lenders party thereto from time to time, Wheaton Bank & Trust Company, N.A., a subsidiary of Wintrust Financial Corporation (collectively, “Wintrust”), as administrative agent and L/C issuer, Bank of the West as documentation agent, M&T Bank as syndication agent, and Wintrust as lead arranger and sole book runner.

In accordance with the terms of the Wintrust Credit Agreement, Lenders provided to LFS (i) a $30.0 million senior secured term loan (the “Wintrust Term Loan”); and (ii) a $25.0 million senior secured revolving credit facility with a $5.0 million sublimit for the issuance of letters of credit (the “Wintrust Revolving Loan” and, together with the Wintrust Term Loan, the “Wintrust Loans”). Proceeds of the Wintrust Loans were used to refinance certain existing indebtedness, finance working capital and other general corporate purposes and fund certain fees and expenses associated with the closing of the Wintrust Loans.

The Wintrust Revolving Loan initially bore interest, at LFS’s option, at either LIBOR (with a 0.25% floor) plus 3.5% or a base rate (with a 3.0% floor) plus 0.50%, subject to a 50 basis point step-down based on the ratio between the senior debt of the Company and its subsidiaries to the EBITDA (earnings before interest, income taxes, depreciation and amortization) of LFS and its subsidiaries for the most recently ended four fiscal quarters. The Wintrust Term Loan initially bore interest, at LFS’s option, at either LIBOR (with a 0.25% floor) plus 4.0% or a base rate (with a 3.0% floor) plus 1.00%, subject to a 50 (for LIBOR) or 75 (for base rate) basis point step-down based on the Senior Leverage Ratio (as defined below).

LFS was initially required to make principal payments on the Wintrust Term Loan in $0.5 million installments on the last business day of each month commencing on March 31, 2021 with a final payment of all principal and interest not sooner paid on the Wintrust Term Loan due and payable on February 24, 2026.

In conjunction with the Company's acquisitions of JMLLC and CSLLC (the “Jake Marshall Transaction”), the Company entered into an amendment and restatement to the Wintrust Credit Agreement (the “A&R Wintrust Credit Agreement”). In accordance with the terms of the A&R Credit Agreement, Lenders provided to LFS (i) a $35.5 million senior secured term loan (the “A&R Wintrust Term Loan”); and (ii) a $25 million senior secured revolving credit facility with a $5 million sublimit for the issuance of letters of credit (the “A&R Wintrust Revolving Loan” and, together with the Term Loan, the “A&R Wintrust Loans”). The overall Wintrust Term Loan commitment under the A&R Wintrust Credit Agreement was recast at $35.5 million in connection with the A&R Credit Agreement. A portion of the A&R Wintrust Term Loan commitment was used to fund the closing purchase price of the Jake Marshall Transaction. The A&R Credit Agreement was also amended to: (i) permit the Company to undertake the Jake Marshall Transaction, (ii) make certain adjustments to the covenants under the A&R Credit Agreement (which were largely done to make certain adjustments for the Jake Marshall Transaction), (iii) allow for the Jake Marshall Earnout Payments (as defined in Note 8**)** under the Jake Marshall Transaction, and (iv) make other corresponding changes to the A&R Credit Agreement.

The A&R Wintrust Revolving Loan bore interest, at LFS's option, at either the Term SOFR (as defined in the A&R Credit Agreement) (with a 0.15% floor) plus 3.60%, 3.76% or 3.92% for a tenor of one month, three months or six months, respectively, or a base rate (as set forth in the A&R Credit Agreement) (with a 3.0% floor) plus 0.50%, subject to a 50 basis point step-down based on the ratio between the senior debt of the Company and its subsidiaries to the EBITDA of LFS and its subsidiaries for the most recently ended four fiscal quarters (the “Senior Leverage Ratio”). The A&R Wintrust Term Loan bore interest, at LFS's option, at either Term SOFR (with a 0.15% floor) plus 4.10%, 4.26% or 4.42% for a tenor of one month, three months or six months, respectively, or a base rate (with a 3.0% floor) plus 1.00%, subject to a 50 (for Term SOFR) or 75 (for base rate) basis point step-down based on the Senior Leverage Ratio.

The A&R Wintrust Term Loan was payable through a combination of (i) monthly installments of approximately $0.6 million due on the last business day of each month commencing on December 31, 2021, (ii) annual Excess Cash Flow payments as defined in the A&R Wintrust Credit Agreement, which are due 120 days after the last day of the Company's fiscal year and (iii) Net Claim Proceeds from Legacy Claims as defined in the A&R Wintrust Credit Agreement. Subject to defaults and remedies under the A&R Credit Agreement, the final payment of all principal and interest not sooner paid on the A&R Wintrust Term Loan was due and payable on February 24, 2026. Subject to defaults and remedies under the A&R Credit Agreement, the A&R Wintrust Revolving Loan would have matured and become due and payable by LFS on February 24, 2026. During the second quarter of 2022, the Company made certain Excess Cash Flow and Net Claim Proceeds payments of $3.3 million and $2.1 million, respectively, which concurrently reduced the outstanding A&R Wintrust Term Loan balance. In addition, during the third quarter of 2022, the Company made a Net Claim Proceeds payment of $0.6 million, which was also applied against the outstanding A&R Wintrust Term Loan balance.

The A&R Wintrust Loans were secured by (i) a valid, perfected and enforceable lien of the administrative agent on the ownership interests held by each of LFS and Wintrust Guarantors in their respective subsidiaries; and (ii) a valid, perfected and enforceable lien of the administrative agent on each of LFS and Wintrust Guarantors' personal property, fixtures and real estate, subject to certain exceptions and limitations. Additionally, the re-payment of the A&R Wintrust Loans shall be jointly and severally guaranteed by each Wintrust Guarantor.

The A&R Credit Agreement contained representations and warranties, covenants and events of default that are customary for facilities of this type, as more particularly described in the A&R Credit Agreement. The A&R Wintrust Loans also contain three financial maintenance covenants, including (i) a requirement to have as of the last day of each quarter for the senior leverage ratio of the Company and its subsidiaries not to exceed an amount beginning at 2.00 to 1.00, (ii) a fixed charge coverage ratio of not less than 1.20 to 1.00 as of the last day of each fiscal quarter, commencing with the fiscal quarter ending December 31, 2021, and (iii) no unfinanced capital expenditures, except for unfinanced capital expenditures in the ordinary course of business not exceeding in the aggregate $4.0 million during any fiscal year; and no default or event of default (as defined by the agreement) has occurred and is continuing, 50% of any portion of this annual limit, if not expended in the fiscal year for which it is permitted, may be carried over for expenditure in the next following fiscal year as stipulated by the agreement. LFS and its affiliates maintain various commercial and service relationships with certain members of the syndicate and their affiliates in the ordinary course of business.

On May 5, 2022, the Company, LFS and LHLLC entered into a first amendment and waiver to the A&R Wintrust Credit Agreement (the “First Amendment to the A&R Wintrust Credit Agreement”) with the lenders party thereto and Wintrust, as administrative agent. The First Amendment to the A&R Wintrust Credit Agreement modifies certain definitions within the A&R Wintrust Credit Agreement, and make other corresponding changes, including: (i) the definition of “EBITDA” to allow for the recognition of certain restructuring charges and lease breakage costs not previously specified, (ii) the definition of “Excess Cash Flow” to exclude the aggregate amount of the Earnout Payments paid in cash, (iii) the definition of “Total Funded Debt” to exclude certain capitalized lease obligations for real estate based on the approval of each lender and (iv) the definition of “Disposition” to include a clause for the sale and leaseback of certain real property based on the approval of each lender.

In July 2022, the Company entered into an interest rate swap agreement to manage the risk associated with a portion of its variable-rate long-term debt. The interest rate swap involves the exchange of fixed-rate and variable-rate payments without the exchange of the underlying notional amount on which the interest payments are calculated. The new swap agreement became effective on July 14, 2022 and will terminate on July 31, 2027. The notional amount of the swap agreement is $10.0 million with a fixed interest rate of 3.12%. If the one-month SOFR (as defined in the A&R Credit Agreement) is above the fixed rate, the counterparty pays the Company, and if the one-month SOFR is less than the fixed rate, the Company pays the counterparty, the difference between the fixed rate of 3.12% and the one-month SOFR. The Company has not designated this instrument as a hedge for accounting purposes. As a result, the change in fair value of the derivative instrument is recognized directly in earnings on the Company's condensed consolidated statements of operations as a gain or loss on interest rate swap. Refer to Note 8 for further information regarding this interest rate swap.

On September 28, 2022, the Company, LFS and LHLLC entered into a second amendment and waiver to the amended and restated Wintrust credit agreement (the “Second Amendment to the A&R Wintrust Credit Agreement”) with the lenders party thereto and Wintrust, as administrative agent. The Second Amendment to the A&R Wintrust Credit Agreement incorporates certain restricted payment provisions, among other things, to permit LFS to repurchase shares under the Company's Share Repurchase Program (as defined in Note 7).

On May 5, 2023, LFS, LHLLC and the direct and indirect subsidiaries of LFS from time to time included as parties to the agreement entered into the Second Amended and Restated Credit Agreement (the "Second A&R Credit Agreement") with the lenders party thereto and Wintrust, as administrative agent, which amends and restates the A&R Wintrust Credit Agreement. In accordance with the Second A&R Credit Agreement (i) lenders provided to LFS a $50.0 million senior secured revolving credit facility with a $5.0 million sublimit for the issuance of letters of credit, an increase of $25.0 million over the A&R Wintrust Revolving Loan, with a maturity date of February 24, 2028 (the "Second A&R Wintrust Revolving Loan"), and (ii) LFS repaid the then outstanding principal balance of the A&R Wintrust Term Loan using proceeds of the Second A&R Wintrust Revolving Loan. Prior to the execution of this agreement, the Company repaid $9.6 million of the then outstanding balance under the A&R Term Loan with cash on hand. As a result of the early repayment of the A&R Wintrust Term Loan and certain changes to the members of the loan syndicate under the Second A&R Wintrust Credit Agreement, the Company wrote off approximately $0.3 million of unamortized debt issuance costs, which are reported as a loss on early debt extinguishment on the Company's condensed consolidated statements of operations.

Prior to its repayment on May 5, 2023 and as of September 30, 2022, the interest rate in effect on the non-hedged portion of the A&R Wintrust Term Loan was 9.25% and 7.25%, respectively. For the period from January 1, 2023 through May 5, 2023, the Company incurred interest on the A&R Wintrust Term Loan at a weighted average annual interest rate of 8.76%. For the three and nine months ended September 30, 2022, the Company incurred interest on the A&R Wintrust Term Loan at a weighted average annual interest rate of 6.35% and 5.08%, respectively.

The Second A&R Wintrust Revolving Loan bears interest, at LFS's option, at either the Term SOFR (as defined in the Second A&R Credit Agreement) (with a 0.15% floor) plus 3.10% or the Prime Rate (as defined in the Second A&R Credit Agreement) (with a 3.0% floor), subject to a 50 basis point step-down based on the ratio between the senior debt of the Company and its subsidiaries to the EBITDA of LFS and its subsidiaries for the most recently ended four fiscal quarters.

The Second A&R Wintrust Revolving Loan is secured by (i) a valid, perfected and enforceable lien of the administrative agent on the ownership interests held by each of LFS and Wintrust Guarantors in their respective subsidiaries; and (ii) a valid, perfected and enforceable lien of the administrative agent on each of LFS and Wintrust Guarantors' personal property, fixtures and real estate, subject to certain exceptions and limitations. Additionally, the re-payment of the Second A&R Wintrust Revolving Loan is jointly and severally guaranteed by each Wintrust Guarantor.

The Second A&R Credit Agreement contains representations and warranties, covenants and events of default that are customary for facilities of this type, as more particularly described in the Second A&R Credit Agreement. The Second A&R Wintrust Revolving Loan also contains three financial maintenance covenants, including (i) a requirement to have as of the last day of each quarter for the senior leverage ratio of LFS and its subsidiaries not to exceed an amount beginning at 2.00 to 1.00, (ii) a fixed charge coverage ratio of not less than 1.20 to 1.00 as of the last day of each fiscal quarter, commencing with the fiscal quarter ending March 31, 2023, and (iii) no unfinanced capital expenditures, except for unfinanced capital expenditures in the ordinary course of business not exceeding in the aggregate $4.0 million during any fiscal year; and no default or event of default (as defined in the Second A&R Credit Agreement) has occurred and is continuing, 50% of any portion of this annual limit, if not expended in the fiscal year for which it is permitted, may be carried over for expenditure in the next following fiscal year as stipulated by the agreement.

On March 13, 2024, LFS, LHLLC, and other designated parties entered into a first amendment to the Second A&R Wintrust Credit Agreement (the "First Amendment to the Second A&R Wintrust Credit Agreement") with the lenders party thereto and Wintrust, as administrative agent. The First Amendment to the Second A&R Wintrust Credit Agreement makes certain amendments to the Second A&R Wintrust Credit Agreement, including: (i) modifying the definition of "L/C Sublimit" to increase the sublimit for the issuance of letters of credit from $5.0 million to $10.0 million, (ii) removing the requirement to deliver a Borrowing Base Certificate if outstanding Revolving Loans and Letters of Credit (as such terms are defined in the Second A&R Wintrust Credit Agreement) do not exceed $30.0 million, and (iii) removing certain financial covenants that restrict the Company's ability to make Unfinanced Capital Expenditures (as defined in the Second A&R Wintrust Credit Agreement).

As of September 30, 2023 March 31, 2024 and December 31, 2023, the Company had $10.0 million in borrowings outstanding under the Second A&R Wintrust Revolving Loan. As of December 31, 2022, the Company had no borrowings outstanding under the A&R Wintrust Revolving Loan. During the three and nine months ended September 30, 2023 March 31, 2024, the maximum outstanding borrowings under either the Company's revolving loan arrangements Second A&R Wintrust Revolving Loan at any time was $10.0 million during both periods and the average daily balance was approximately $10.0 million and $5.5 million, respectively. million. For the three and nine months ended September 30, 2023 March 31, 2024, the Company incurred interest on the Second A&R Wintrust Revolving Loan at a weighted average annual interest rate of 5.72% during both periods, , inclusive of the net impact associated with the Company's interest rate swap arrangement.

arrangement. During the three and nine months ended September 30, 2022 March 31, 2023, the maximum outstanding Company had no borrowings under against the A&R Wintrust Revolving Loan at any time was $3.5 million and $9.4 million, respectively, and the average daily balance was approximately $0.2 million and $0.1 million, respectively. For the three and nine months ended September 30, 2022, the Company incurred interest on the A&R Wintrust Revolving Loan at a weighted average annual interest rate of 5.25% and 4.78%, respectively. Loan.

At September 30, 2023 March 31, 2024, the Company had irrevocable letters of credit in the amount of $4.2 $5.2 million with its lender to secure obligations under its self-insurance program.

The following is a summary of the applicable margin and commitment fees payable on the Second A&R Wintrust Revolving Loan credit commitment:

Level	Senior Leverage Ratio	Applicable Margin for SOFR Revolver loans	Applicable Margin for Prime Revolving loans	Applicable Margin for commitment fee
I	Greater than 1.00 to 1.00	3.10 %	— %	0.25 %
II	Less than or equal to 1.00 to 1.00	2.60 %	(0.50)%	0.25 %

As of September 30, 2023 March 31, 2024, the Company was in compliance with all financial maintenance covenants as required by the Second A&R Wintrust Loans. Credit Agreement.

Sale-Leaseback Financing Transaction

On September 29, 2022, LC LLC and Royal Oak Acquisitions, LLC (the "Purchaser") consummated the purchase of the real property under a sale and leaseback transaction, with an aggregate value of approximately $7.8 million (a purchase price of approximately $5.4 million and $2.4 million in tenant improvement allowances), pursuant to a purchase agreement under which the Purchaser purchased from LC LLC the Company's facility and real property in Pontiac, MI (collectively, the "Pontiac Facility").

In connection with the sale and leaseback transaction, LC LLC and Featherstone St Pontiac MI LLC (the "Landlord") entered into a Lease Agreement (the "Lease Agreement"), dated September 29, 2022 (the "Lease Effective Date") for the Pontiac Facility. Commencing on the Lease Effective Date, pursuant to the Lease Agreement, LC LLC has leased the Pontiac Facility, subject to the terms and conditions of the Lease Agreement. The Lease Agreement provides for a term of 25 years (the "Primary Term"). The Lease Agreement also provides LC LLC with the option to extend the Primary Term by two separate renewal terms of five years each (each a "Renewal Term"). Under the terms of the Lease Agreement, the Company's annual minimum rent is $499,730, payable in monthly installments, subject to annual increases of approximately 2.5% each year under the Primary Term and for each year under the Renewal Terms, if exercised. LC LLC has a one-time option to terminate the Lease Agreement effective on the last day of the fifteenth lease year by providing written notice to the Landlord as more fully set forth in the Lease Agreement. The one-time termination option of the Lease Agreement would require LC LLC to pay to the Landlord a termination fee of approximately $1.7 million.

Pursuant to the terms and conditions set forth in the Lease Agreement, the Landlord has agreed to provide LC LLC with a tenant improvement allowance in an amount up to $2.4 million. LC LLC is responsible for the initial capital outlay and completion of the agreed upon improvement work. The Landlord will subsequently reimburse LC LLC for such items up to the stated allowance amount.

The Company accounted for the sale and leaseback arrangement as a financing transaction in accordance with ASC Topic 842, "*Leases*," as the Lease Agreement was determined to be a finance lease. The Company concluded the Lease Agreement met the qualifications to be classified as a finance lease due to the significance of the present value of the lease payments, using an implicit rate of 11.11% to reflect the Company's incremental borrowing rate associated with the $5.4 million purchase price as of the Lease Agreement date, compared to the fair value of the Pontiac Facility. The implicit rate associated with the aggregate purchase value, inclusive of tenant improvement allowances, was 6.53% as of the Lease Agreement date.

The presence of a finance lease indicates that control of the Pontiac Facility has not transferred to the Purchaser and, as such, the transaction was deemed a failed sale-leaseback and must be accounted for as a financing arrangement. As a result of this determination, the Company is viewed as having received the sale proceeds from the Purchaser in the form of a hypothetical loan collateralized by its leased facilities. The hypothetical loan is payable as principal and interest in the form of "lease payments" to the Purchaser. Principal repayments are recorded as a reduction to the financing liability. The Company will not derecognize the Pontiac Facility from its books for accounting purposes until the lease ends. No gain or loss was recognized under GAAP related to the sale and leaseback arrangement.

As of September 30, 2023, March 31, 2024, the financing liability was $4.9 $5.0 million, net of issuance costs, which was recognized within long-term debt on the Company's condensed consolidated balance sheets. For each of the three and nine months ended September 30, 2023, March 31, 2024 and 2023, approximately $0.1 million and $0.4 million of interest expense associated with the financing was recognized.

Note 7 – Equity

The Company's second amended and restated certificate of incorporation currently authorizes the issuance of 100,000,000 shares of common stock, par value $0.0001, and 1,000,000 shares of preferred stock, par value $0.0001.

Warrants

In conjunction with the Company's initial public offering, the Company issued Public Warrants, Private Warrants and $15 Exercise Price Sponsor Warrants. The Company issued certain Merger Warrants and Additional Merger Warrants in conjunction with the Company's business combination with LHLLC in July 2016 (the "Business Combination"). On July 20, 2021, the Public Warrants, Private Warrants, and Additional Merger Warrants expired by their terms. During the three months ended June 30, 2023, 2023, 600,000 $15 warrants exercisable for one share of common stock at an exercise price of $15.00 per share ("$15 Exercise Price Sponsor Warrants Warrants") and 163,444 606,476 warrants exercisable for one share of common stock at an exercise price of $12.50 per share ("Merger Warrants Warrants") were exercised on a cashless basis by the holders of the warrants, which resulted in the warrants being converted into 167,564 and 45,797 274,742 shares of the Company's common stock, respectively. For the period from July 1, 2023 through July 20, 2023, the holders of the Merger Warrants exercised 443,032 warrants on a cashless basis, which resulted in the Merger Warrants being converted into 228,945 shares of the Company's common stock. The remaining 23,167 unexercised Merger Warrants expired by their terms on July 20, 2023.

The following table summarizes the underlying shares of common stock with respect to outstanding warrants:

	September 30, 2023	December 31, 2022
$15 Exercise Price Sponsor Warrants(1)(2)	—	600,000
Merger Warrants(3)(4)	—	629,643
Total	—	1,229,643

(1) Exercisable for one share of common stock at an exercise price of $15.00 per share ("$15 Exercise Price Sponsor Warrants").

(2) Issued under a warrant agreement dated July 15, 2014, between Continental Stock Transfer and Trust Company, as warrant agent, and the Company.

(3) Exercisable for one share of common stock at an exercise price of $12.50 per share ("Merger Warrants").

(4) Issued to the sellers of LHLLC.

Incentive Plan

Upon the consummation of the Company's Business Combination, the Company adopted an omnibus incentive plan (the "Omnibus Incentive Plan") pursuant to which equity awards may be granted thereunder.

On March 25, 2022, the Board of Directors approved certain additional amendments to the Company's Omnibus Incentive Plan (the "2022 Amended and Restated Omnibus Incentive Plan") to increase the number of shares of the Company's common stock that may be issued pursuant to awards by 350,000, for a total of 2,600,000 shares, and extended the term of the plan so that it will expire on the tenth anniversary of the date the stockholders approve the 2022 Amended and Restated Omnibus Incentive Plan. The amendments were approved by the Company's stockholders at the Annual Meeting held on June 22, 2022.

On March 29, 2023, the Board of Directors approved certain amendments to the Company's Omnibus Incentive Plan (the "2023 Amended and Restated Omnibus Incentive Plan") to increase the number of shares of the Company's common stock that may be issued pursuant to awards by 450,000, for a total of 3,050,000 shares, and extended the term of the plan so that it will expire on the tenth anniversary of the date the stockholders approve the 2023 Amended and Restated Omnibus Incentive Plan. The amendments were acted upon by the Company's stockholders at the Annual Meeting held on June 22, 2023.

See Note 14 for a discussion of the Company's management incentive plans for restricted stock units ("RSUs") granted, vested, forfeited and remaining unvested.

Share Repurchase Program

In September 2022, the Company announced that its Board of Directors approved a share repurchase program (the "Share Repurchase Program") to repurchase shares of its common stock for an aggregate purchase price not to exceed $2.0 million. The share repurchase authority was valid through September 29, 2023. Share repurchases may have been executed through various means, including, without limitation, open market transactions, privately negotiated transactions or by other means in accordance with federal securities laws. The Share Repurchase Program did not obligate the Company to acquire any particular amount of common stock, and the program may have been suspended or terminated by the Company at any time at its discretion without prior notice. As of September 30, 2023 Through September 29, 2023, the Company has made share repurchases of approximately $2.0 million under its Share Repurchase Program.

Employee Stock Purchase Plan

Upon approval of the Company's stockholders on May 30, 2019, the Company adopted the Limbach Holdings, Inc. 2019 Employee Stock Purchase Plan (the "ESPP"). On January 1, 2020, the ESPP went into effect. The ESPP enables eligible employees, as defined by the ESPP, the right to purchase the Company's common stock through payroll deductions during

consecutive subscription periods at a purchase price of 85% of the fair market value of a common share at the end of each offering period. Annual purchases by participants are limited to the number of whole shares that can be purchased by an amount equal to ten percent of the participant's compensation or $5,000, whichever is less. Each offering period of the ESPP lasts six months, commencing on January 1 and July 1 of each year. The amounts collected from participants during a subscription period are used on the exercise date to purchase full shares of common stock. Participants may withdraw from an offering

before the exercise date and obtain a refund of amounts withheld through payroll deductions. Compensation cost, representing the 15% discount applied to the fair market value of common stock, is recognized on a straight-line basis over the six-month vesting period during which employees perform related services. Under the ESPP, 500,000 shares are authorized to be issued. In January 2023 and July 2023, 2024, the Company issued 10,997 and 6,664 2,989 shares of its common stock respectively, to participants in the ESPP who contributed to the plan during the offering periods period ending December 31, 2022 and June 30, 2023, respectively. December 31, 2023. In January 2022 and July 2022, 2023, the Company issued a total of 12,898 and 24,592 10,997 shares of its common stock respectively, to participants in the ESPP who contributed to the plan during the offering periods period ending December 31, 2021 and June 30, 2022, respectively. December 31, 2022. As of September 30, 2023 March 31, 2024, 388,956 385,967 shares remain available for future issuance under the ESPP.

Note 8 – Fair Value Measurements

The Company measures the fair value of financial assets and liabilities in accordance with ASC Topic 820 – *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 — inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date;
- Level 2 — inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities; and
- Level 3 — unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company believes that the carrying amounts of its financial instruments, including cash and cash equivalents, trade accounts receivable and accounts payable, consist primarily of instruments without extended maturities, which approximate fair value primarily due to their short-term maturities and low risk of counterparty default. The Company considers all highly liquid investments purchased with a maturity of 90 days or less on the date of purchase to be cash equivalents. Cash equivalents as of September 30, 2023 March 31, 2024 and December 31, 2023 consisted of overnight repurchase agreements in which cash from the Company's main operating checking account is invested overnight in highly liquid, short term investments, one U.S. Treasury Bill and certain investments in money market funds sponsored by a large financial institution. The Company had no such investments as of December 31, 2022. For the three and nine months ending September 30, 2023 March 31, 2024, the Company recognized interest income in the aggregate of approximately $0.4 million and $0.6 million associated with its overnight repurchase agreements, U.S. Treasury Bills and money market funds, respectively. funds. No interest income was recognized during the three months ended March 31, 2023. The Company has not experienced any losses in its cash and cash equivalents and management believes the Company is not exposed to significant credit risk with respect to such accounts.

			Fair Value at Reporting Date Using		
			Fair Value at Reporting Date Using		
(in thousands)					
(in thousands)					
(in thousands)	(in thousands)	September 30, 2023	Level 1	Level 2	Level 3
Cash equivalents:	Cash equivalents:				
Cash equivalents:					
Cash equivalents:					
Overnight repurchase agreements					
Overnight repurchase agreements					
Overnight repurchase agreements	Overnight repurchase agreements	$ 41,687	$ 41,687		
U.S. Treasury Bills	U.S. Treasury Bills	10,000	10,000	$ —	$ —
U.S. Treasury Bills					
U.S. Treasury Bills					
Money market fund					
Money market fund					
Money market fund					
Total					
Total					
Total					
		December 31, 2023			
		December 31, 2023			
		December 31, 2023			
Cash equivalents:					
Cash equivalents:					
Cash equivalents:					
Overnight repurchase agreements					
Overnight repurchase agreements					
Overnight repurchase agreements					
U.S. Treasury Bills					
U.S. Treasury Bills					
U.S. Treasury Bills					
Money market fund	Money market fund	3,750	3,750	—	—
Money market fund					
Money market fund					
Total	Total	$ 55,437	$ 55,437	$ —	$ —
Total					
Total					

The Company also believes that the carrying value of the Second A&R Wintrust Revolving Loan approximates its respective fair value due to the variable rate on such debt. As of September 30, 2023 March 31, 2024, the Company determined that the fair value of the Second A&R Wintrust Revolving Loan was $10.0 million. Such fair value was determined using discounted estimated future cash flows using level 3 inputs.

Earnout Payments

As a part of the total consideration for the Jake Marshall Transaction, the former owners of JMLLC and CSLLC may receive up to an aggregate of $6.0 million in cash, consisting of two tranches of $3.0 million, as defined in the purchase agreement, if the gross profit of the acquired companies equals or exceeds $10.0 million in (i) the approximately 12-month period from closing through December 31, 2022 (the "2022 Jake Marshall Earnout Period") or (ii) fiscal year 2023 (the "2023 Jake Marshall Earnout Period"), respectively (collectively, the "Jake Marshall Earnout Payments"). To the extent, however, that the gross profit of the acquired companies is less than $10.0 million, but exceeds $8.0 million, during any of the 2022 Jake Marshall Earnout Period or 2023 Jake Marshall Earnout Period, the $3.0 million amount will be prorated for such period. The Company initially recognized $3.1 million in contingent consideration, of which the entire balance was included in other long-term liabilities in the Company's condensed consolidated balance sheets on December 2, 2021. The fair value of contingent Jake Marshall Earnout Payments is based on generating growth rates on the projected gross margins of the acquired entities and calculating the associated contingent payments based on achieving the earnout targets, which are reassessed each reporting period. In April 2023 and 2024, the Company made a two separate payments in the amount of $3.0 million payment to the former owners of JMLLC and CSLLC related to the 2022 Jake Marshall Earnout Period. Based on Period and the Company's ongoing assessment of the fair value of contingent earnout liabilities, the Company recorded a net increase in the estimated fair value of such liabilities of $0.2 million and $0.5 million for the three and nine ended September 30, 2023, respectively, which was presented in change in fair value of contingent consideration in the Company's condensed consolidated statements of operations. During the three and nine months ended September 30, 2022, the Company recorded a net increase in the estimated fair value of such liabilities of $0.4 million and $1.2 million, 2023 Jake Marshall Earnout Period, respectively. The Company determined the fair value of the Earnout Payments by utilizing the Monte Carlo Simulation method, which represents a Level 3 measurement.

As a part of the total consideration for the ACME Transaction, the Company recognized $1.1 $1.5 million in contingent consideration on the ACME Effective Date. The fair value of contingent ACME Earnout Payments is based on generating growth rates on the projected gross margins of the Acquired Company ACME and calculating the associated contingent payments based on achieving the earnout targets, which are reassessed each reporting period. The Company determined the initial fair value of the ACME Earnout Payments based on the Monte Carlo Simulation method, which represented a Level 3 measurement. As of the Effective Date, the ACME Earnout Payments associated with the ACME Transaction were valued utilizing discount rates between 8.65% 12.96% and 14.49% 21.64%. The discount rates were calculated using the build-up method with a risk-free rate commensurate with the term of the ACME Earnout Payments based on the U.S. Treasury Constant Maturity Yield and certain metric risk premiums determined with reference to a long-term risk free rate, a weighted average cost of capital and certain adjustments for operational leverage.

As a part of the total consideration for the Industrial Air Transaction, the Company recognized $3.2 million in contingent consideration on the IA Effective Date. The fair value of contingent IA Earnout Payments is based on generating growth rates on the projected gross margins of Industrial Air and calculating the associated contingent payments based on achieving the earnout targets, which are reassessed each reporting period. The Company determined the initial fair value of the IA Earnout Payments based on the Monte Carlo Simulation method, which represented a Level 3 measurement. As of the IA Effective Date, the IA Earnout Payments associated with the Industrial Air Transaction were valued utilizing a discount rate of 13.68%. The discount rates were calculated using the build-up method with a risk-free rate commensurate with the term of the IA Earnout Payments based on the U.S. Treasury Constant Maturity Yield and certain metric risk premiums determined with reference to a long-term risk free rate, a weighted average cost of capital and certain adjustments for operational leverage.

Based on the Company's ongoing assessment of the fair value of contingent earnout liabilities, the Company recorded a net increase in the estimated fair value of such liabilities of $0.6 million and $0.1 million for the three months ended March 31, 2024 and 2023, respectively, which was presented in change in fair value of contingent consideration in the Company's consolidated statements of operations. The Company determined the fair value of the earnout payments by utilizing the Monte Carlo Simulation method, which represents a Level 3 measurement.

The following table presents the carrying values of the Company's contingent earnout payment obligations included in the accompanying condensed consolidated balance sheets, which approximated fair value at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

			Fair Value at Reporting Date Using		
			Fair Value at Reporting Date Using		
(in thousands)					
(in thousands)					
(in thousands)	**(in thousands)**	**September 30, 2023**	**Level 1**	**Level 2**	**Level 3**
Accrued expenses and other current liabilities:	Accrued expenses and other current liabilities:				
Accrued expenses and other current liabilities:					
Accrued expenses and other current liabilities:					

2023 Jake Marshall Earnout Period(1)					
2023 Jake Marshall Earnout Period(1)					
2023 Jake Marshall Earnout Period(1)					
First ACME Earnout Period					
First ACME Earnout Period					
First ACME Earnout Period					
First IA Earnout Period					
First IA Earnout Period					
First IA Earnout Period					
Other long-term liabilities:					
Other long-term liabilities:					
Other long-term liabilities:					
Second ACME Earnout Period					
Second ACME Earnout Period					
Second ACME Earnout Period					
Second IA Earnout Period					
Second IA Earnout Period					
Second IA Earnout Period					
Total					
Total					
Total					
			Fair Value at Reporting Date Using		
			Fair Value at Reporting Date Using		
			Fair Value at Reporting Date Using		
		December 31, 2023			
		December 31, 2023			
		December 31, 2023			
Accrued expenses and other current liabilities:					
Accrued expenses and other current liabilities:					
Accrued expenses and other current liabilities:					
2023 Jake Marshall Earnout Period					
2023 Jake Marshall Earnout Period					
2023 Jake Marshall Earnout Period	2023 Jake Marshall Earnout Period	$ 2,838	$ —	$ —	$ 2,838
First ACME Earnout Period	First ACME Earnout Period	12	—	—	12
First ACME Earnout Period					
First ACME Earnout Period					
First IA Earnout Period					
First IA Earnout Period					
First IA Earnout Period					
Other long-term liabilities:					
Other long-term liabilities:					
Other long-term liabilities:	Other long-term liabilities:				

Second ACME Earnout Period	Second ACME Earnout Period	1,109	—	—	1,109
Second ACME Earnout Period					
Second ACME Earnout Period					
Second IA Earnout Period					
Second IA Earnout Period					
Second IA Earnout Period					
Total	Total	$ 3,959	$ —	$ —	$ 3,959

		Fair Value at Reporting Date Using		
	December 31, 2022	Level 1	Level 2	Level 3
Accrued expenses and other current liabilities:				
2022 Jake Marshall Earnout Period (1)	$ 2,859	$ —	$ —	$ 2,859
Other long-term liabilities:	—			
2023 Jake Marshall Earnout Period	2,515	—	—	2,515
Total Total	$ 5,374	$ —	$ —	$ 5,374
Total				

(1) In April 2023, 2024, the Company made a $3.0 million payment to the former owners of JMLLC and CSLLC related to the 2022 2023 Jake Marshall Earnout Period.

Interest Rate Swap

The fair value of the interest rate swap is determined using widely accepted valuation techniques and reflects the contractual terms of the interest rate swap including the period to maturity, and while there are no quoted prices in active markets, it uses observable market-based inputs, including interest rate curves and implied volatilities. The fair value analysis also considers a credit valuation adjustment to reflect nonperformance risk of both the Company and the single counterparty. The fair value of the interest rate contract has been determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The interest rate swap is classified as a Level 2 item within the fair value hierarchy. As of September 30, 2023 March 31, 2024, the Company determined that the fair value of the interest rate swap was approximately $0.5 $0.3 million and is recognized in other assets on the Company's condensed consolidated balance sheets. For the three and nine months ended September 30, 2023 March 31, 2024, the Company recognized a gain of approximately $0.1 million and $0.2 million, respectively, on its condensed consolidated statements of operations associated with the change in fair value of the interest rate swap arrangement. For both the three and nine months ended September 30, 2022 March 31, 2023, the Company recognized a gain loss of $0.3 approximately $0.2 million on its condensed consolidated statements of operations associated with the change in fair value of the interest rate swap arrangement.

Note 9 – Earnings per Share

Earnings per Share

The Company calculates earnings per share in accordance with ASC Topic 260 - *Earnings Per Share ("EPS")*. Basic earnings per common share applicable to common stockholders is computed by dividing earnings applicable to common stockholders by the weighted-average number of common shares outstanding and assumed to be outstanding. Diluted EPS assumes the dilutive effect of outstanding common stock warrants, shares issued in conjunction with the Company's ESPP and RSUs, all using the treasury stock method.

The following table sets forth the computation of the basic and diluted earnings per share attributable to the Company's common shareholders stockholders for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three Months Ended September 30,	Nine Months Ended September 30,
	Three Months Ended March 31,	
	Three Months Ended March 31,	
	Three Months Ended March 31,	

(in thousands, except per share amounts)					
(in thousands, except per share amounts)					
(in thousands, except per share amounts)	*(in thousands, except per share amounts)*	**2023**	**2022**	**2023**	**2022**
EPS numerator:	EPS numerator:				
EPS numerator:					
EPS numerator:					
Net income					
Net income					
Net income	Net income	$ 7,192	$ 3,641	$ 15,505	$ 2,991
EPS denominator:	EPS denominator:				
EPS denominator:					
EPS denominator:					
Weighted average shares outstanding – basic					
Weighted average shares outstanding – basic					
Weighted average shares outstanding – basic	Weighted average shares outstanding – basic	10,963	10,445	10,696	10,430
Impact of dilutive securities	Impact of dilutive securities	826	245	976	165
Impact of dilutive securities					
Impact of dilutive securities					
Weighted average shares outstanding – diluted					
Weighted average shares outstanding – diluted					
Weighted average shares outstanding – diluted	Weighted average shares outstanding – diluted	11,789	10,690	11,672	10,595
EPS:	EPS:				
EPS:					
EPS:					
Basic					
Basic					
Basic	Basic	$ 0.66	$ 0.35	$ 1.45	$ 0.29
Diluted	Diluted	$ 0.61	$ 0.34	$ 1.33	$ 0.28
Diluted					
Diluted					

The following table summarizes the securities that were antidilutive or out-of-the-money, and therefore, were not included in the computations of diluted income per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Out-of-the-money warrants (see Note 7)	—	1,229,643	—	1,229,643
Service-based RSUs (See Note 14)	—	56	49	3,818
Performance and market-based RSUs(1)	—	197	153	842
Employee Stock Purchase Plan	33	233	1,114	1,301

Total	33	1,230,129	1,316	1,235,604

(1) For the three and nine months ended September 30, 2022, certain MRSU awards (each defined in Note 14) were not included in the computation of diluted income per common share because the performance and market conditions were not satisfied during the periods and would not be satisfied if the reporting date was at the end of the contingency period.

	Three Months Ended March 31,	
	2024	2023
Out-of-the-money warrants (see Note 7)	—	600,000
Performance based RSUs	261	—
Employee Stock Purchase Plan	—	1,561
Total	261	601,561

Note 10 – Income Taxes

The Company is taxed as a C corporation.

For interim periods, the provision for income taxes (including federal, state, local and foreign taxes) is calculated based on the estimated annual effective tax rate, adjusted for certain discrete items for the full fiscal year. Cumulative adjustments to the Company's estimate are recorded in the interim period in which a change in the estimated annual effective rate is determined. Each quarter the Company updates its estimate of the annual effective tax rate, and if its estimated tax rate changes, the Company makes a cumulative adjustment.

The following table presents our income tax (benefit) provision and our income tax rate for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
(in thousands, except percentages)	*(in thousands, except percentages)*	2023	2022	2023	2022
Income tax provision		$ 2,760	$ 1,654	$ 5,407	$ 1,275
(in thousands, except percentages)					
(in thousands, except percentages)					
Income tax (benefit) provision					
Income tax (benefit) provision					
Income tax (benefit) provision					
Income tax rate	Income tax rate	27.7 %	31.2 %	25.9 %	29.9 %
Income tax rate					
Income tax rate					

The U.S. federal statutory tax rate was 21% for each of the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. The difference between the U.S. federal statutory tax rate and the Company's effective tax rate period over period was primarily due to state income taxes, tax credits, other permanent adjustments and discrete tax items. In particular, the Company's effective rate for the quarters ended March 31, 2024 and 2023 are materially impacted by "excess tax benefits on stock-based compensation" recognized discretely during the quarter. This benefit reduced the effective tax rate by 35.1% and 10.2% for the three months ended March 31, 2024 and 2023 respectively, with the impact varying in prior years. The increase in the 2024 effective rate

reduction is primarily related to the higher stock price of the Company resulting in increased tax deductions for the Company upon vesting.

No valuation allowance was required as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

Note 11 – Operating Segments

As discussed in Note 1, the Company operates in two segments, (i) GCR, in which the Company generally manages new construction or renovation projects that involve primarily HVAC, plumbing, or electrical services awarded to the Company by general contractors or construction managers, and (ii) ODR, in which the Company provides maintenance or service primarily on HVAC, mechanical, plumbing or electrical systems, building controls and specialty contracting projects direct to, or assigned by, building owners or property managers, and (ii) GCR, in which the Company generally manages new construction or renovation projects that involve primarily mechanical, plumbing, or electrical services awarded to the Company by general contractors or construction managers. These segments are reflective of how the Company's Chief Operating Decision Maker ("CODM") reviews operating results for the purposes of allocating resources and assessing performance. The Company's CODM is comprised of its President and Chief Executive Officer and Executive Vice President and Chief Financial Officer.

In accordance with ASC Topic 280 – *Segment Reporting*, the Company has elected to aggregate all of the ODR work performed at branches into one ODR reportable segment and all of the GCR work performed at branches into one GCR reportable segment and all of the ODR work performed at branches into one ODR reportable segment. All transactions between segments are eliminated in consolidation.

On January 17, 2023, the Company announced its planned transition succession, pursuant to which Charles A. Bacon III stepped down as President and Chief Executive Officer on March 28, 2023, and Michael M. McCann, the Company's former Executive Vice President and Chief Operating Officer, was appointed President and Chief Executive Officer. Following the transition, the Company revised its segment presentation to align with how Mr. McCann assesses performance and makes resource allocation decisions for its operating segments, which is based on segment revenue and segment gross profit. Selling, general and administrative ("SG&A") expenses are no longer reported on a segment basis as the Company's current CODM does not review discrete segment financial information for SG&A in order to assess performance. Interest expense is not allocated to segments because of the corporate management of debt service.

The Company restated segment information for the historical periods presented herein to conform to the current presentation. This change in segment presentation does not affect the Company's unaudited condensed consolidated statements of operations, balance sheets or statements of cash flows.

All of the Company's identifiable assets are located in the United States, which is where the Company is domiciled.

Condensed consolidated segment information for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	***(in thousands)***	**2023**	**2022**	**2023**	**2022**
(in thousands)					
(in thousands)					
Statement of Operations Data:					
Statement of Operations Data:					
Statement of Operations Data:	**Statement of Operations Data:**				
Revenue:	Revenue:				
Revenue:					
Revenue:					
ODR					
ODR					
ODR					
GCR	GCR	$ 61,936	$ 62,653	$ 190,329	$ 200,921
ODR		65,832	59,704	183,330	152,378
GCR					
GCR					
Total revenue					
Total revenue					
Total revenue	Total revenue	127,768	122,357	373,659	353,299
Gross profit:	Gross profit:				
Gross profit:					
Gross profit:					
ODR					
ODR					
ODR					
GCR	GCR	11,970	9,648	33,560	26,700
ODR		19,274	15,206	52,424	37,814

GCR					
GCR					
Total gross profit					
Total gross profit					
Total gross profit	Total gross profit	31,244	24,854	85,984	64,514
Selling, general and administrative(1)	Selling, general and administrative(1)	20,967	18,688	62,433	56,113
Selling, general and administrative(1)					
Selling, general and administrative(1)					
Change in fair value of contingent consideration					
Change in fair value of contingent consideration					
Change in fair value of contingent consideration	Change in fair value of contingent consideration	161	386	464	1,151
Amortization of intangibles	Amortization of intangibles	288	386	1,054	1,184
Amortization of intangibles					
Amortization of intangibles					
Operating income					
Operating income					
Operating income	Operating income	$ 9,828	$ 5,394	$ 22,033	$ 6,066
Less unallocated amounts:					
Interest expense					
Interest expense					
Interest expense	Interest expense	(437)	(547)	(1,615)	(1,511)
Interest income	Interest income	377	—	624	—
Gain on disposition of property and equipment		68	150	28	262
Loss on early termination of operating lease		—	—	—	(849)
Loss on early debt extinguishment		—	—	(311)	—
Gain on change in fair value of interest rate swap		116	298	153	298
Interest income					
Interest income					
Gain (loss) on disposition of property and equipment					
Gain (loss) on disposition of property and equipment					
Gain (loss) on disposition of property and equipment					
Gain (loss) on change in fair value of interest rate swap					
Gain (loss) on change in fair value of interest rate swap					
Gain (loss) on change in fair value of interest rate swap					
Total unallocated amounts	Total unallocated amounts	124	(99)	(1,121)	(1,800)
Total unallocated amounts					
Total unallocated amounts					

Income before income taxes									
Income before income taxes									
Income before income taxes	Income before income taxes	$	9,952	$	5,295	$	20,912	$	4,266

(1) Included within selling, general and administrative expenses was $1.1 $1.2 million and $0.8 $1.1 million of stock based compensation expense for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. For the nine months ended September 30, 2023 and 2022, selling, general and administrative expenses included $3.4 million and $2.0 million of stock based compensation expenses, 2023, respectively.

The Company does not identify capital expenditures and total assets by segment in its internal financial reports due in part to the shared use of a centralized fleet of vehicles and specialized equipment. Interest expense is also not allocated to segments because of the Company's corporate management of debt service, including interest.

Note 12 - Leases

The Company leases real estate, trucks and other equipment. The determination of whether an arrangement is, or contains, a lease is performed at the inception of the arrangement. Classification and initial measurement of the right-of-use asset and lease liability are determined at the lease commencement date. The Company elected the short-term lease measurement and recognition exemption; therefore, leases with an initial term of 12 months or less are not recorded on the condensed consolidated balance sheets. Instead, the short-term leases are recognized in expense on a straight-line basis over the lease term.

The Company's arrangements include certain non-lease components such as common area and other maintenance for leased real estate, as well as mileage, fuel and maintenance costs related to leased vehicles. For all leased asset classes, the Company has elected to not separate non-lease components from lease components and will account for each separate lease component and non-lease component associated with the lease as a single lease component. The Company does not guarantee any residual value in its lease agreements, and there are no material restrictions or covenants imposed by lease arrangements. Real estate leases typically include one or more options to extend the lease. The Company regularly evaluates the renewal options, and when they are reasonably certain of exercise, the Company includes the renewal period in its lease term. For the Company's leased vehicles, the Company uses the interest rate implicit in its leases with the lessor to discount lease payments at the lease commencement date. When the implicit rate is not readily available, as is the case with the Company's real estate leases, the Company uses quoted borrowing rates on its secured debt.

Related Party Lease Agreements. In conjunction with the closing of the Jake Marshall Transaction, the Company entered into an operating lease for certain land and facilities owned by a former member of JMLLC who became a full-time employee of the Company. The lease term is 10 years and includes an option to extend the lease for two successive periods of two years each through November 2035. Base rent for the term of the lease is $37,500 per month for the first five years with payment commencing on January 1, 2022. The fixed rent payment is escalated to $45,000 per month for years 6 through 10 of the lease term. Fixed rent payments for the extension term shall be increased from $45,000 by the percentage increase, if any, in the consumer price index from the lease commencement date. In addition, under the agreement, the Company is required to pay its share of estimated property taxes and operating expenses, both of which are variable lease expenses.

In conjunction with the closing of the ACME Transaction, the Company entered into an operating lease for certain land and facilities owned by a former member of ACME who became a full-time employee of the Company. The lease term of the lease runs through December 31, 2024 and includes an option to extend the lease for one successive period of one year through December 2025. Base rent for the term of the lease is $17,000 per month for the first six months with payment commencing on July 1, 2023. The fixed rent payment is escalated to $18,000 per month for the twelve month period ending December 31, 2024. Fixed rent payments for the extension term shall be increased to $19,000. In addition, under the agreement, the Company is required to pay its share of estimated property taxes and operating expenses, both of which are variable lease expenses.

In conjunction with the closing of the Industrial Air Transaction, the Company entered into an operating lease for certain land and facilities owned by a former member of Industrial Air who became a full-time employee of the Company. The lease term of the lease runs through August 31, 2026 and includes an option to extend the lease for two successive periods of three years each through August 2032. Base rent for the term of the lease is $26,500 per month for the first thirty-three months with payment commencing on November 1, 2023. The fixed rent payment is escalated to $27,563 per month for the first three year extension period ending August 31, 2029 and to $28,941 per month for the second three year extension period ending on August 31, 2032. In addition, under the agreement, the Company is required to pay its share of estimated property taxes and operating expenses, both of which are variable lease expenses.

Southern California Sublease. In June, 2021, the Company entered into a sublease agreement with a third party for the entire ground floor of its leased space in Southern California, consisting of 71,787 square feet. Under the terms of the sublease agreement, the sublessee is obligated to pay the Company base rent of approximately $0.6 million per year, which is subject to a 3.0% annual rent increase, plus certain operating expenses and other costs. The initial lease term commenced in September 2021 and continues through April 30, 2027. As of September 30, 2023 March 31, 2024, the Company remains obligated under the original lease for such office space and, in the event the sublessee of such office space fails to satisfy its obligations under the sublease, the Company would be required to satisfy its obligations directly to the landlord under such original lease.

In addition, during the first quarter of 2022, the Company entered into an amendment to the aforementioned sublease agreement, which, among other things, expanded the sublease premises to include the entire second floor of its leased space in Southern California, consisting of 16,720 square feet. Under the terms of the amended sublease agreement, the sublessee is obligated to pay the Company base rent of approximately $0.8 million per year, which is subject to a 3.0% annual rent increase, plus certain operating expenses and other costs. The amended sublease term commenced in March 2022 and continues through April 30, 2027. For both the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company recorded approximately $0.3 million and $0.5 million, respectively, of income in selling, general and administrative expenses related to this sublease agreement. For the three and nine months ended September 30, 2022, the Company recorded approximately $0.2 million and $0.4 million, respectively, of income in selling, general and administrative expenses related to this sublease agreement.

Pittsburgh Lease Termination. In March, 2022, the Company entered into a lease termination agreement (the “Lease Termination Agreement”) to terminate, effective March 31, 2022, the lease associated with the Company’s office space located in Pittsburgh, Pennsylvania, which previously served as its corporate headquarters. Absent the Lease Termination Agreement, the lease would have expired in accordance with its terms in July 2025. Pursuant to the Lease Termination Agreement, in exchange for allowing the Company to terminate the lease early, the Company agreed to pay a termination fee in the aggregate of approximately $0.7 million in 16 equal monthly installments commencing on April 1, 2022. The Company recognized the full termination fee expense during the first quarter of 2022.

In connection with the lease termination, the Company recognized a gain of $0.1 million associated with the derecognition of the operating lease right-of-use asset and corresponding operating lease liabilities associated with the operating lease and recorded a $0.1 million loss on the disposal of leasehold improvements and moving expenses.

The following table summarizes the lease amounts included in the Company's condensed consolidated balance sheets:

(in thousands)	***(in thousands)***	**Classification on the Condensed Consolidated Balance Sheets**	**September 30, 2023**	**December 31, 2022**	***(in thousands)***	**Classification on the Condensed Consolidated Balance Sheets**	**March 31, 2024**	**December 31, 2023**
Assets	**Assets**							
Operating								
Operating								
Operating	Operating	Operating lease right-of-use assets(1)	$ 15,845	$ 18,288				
Finance	Finance	Property and equipment, net(2)(3)	9,217	7,402				
Total lease assets	Total lease assets		$ 25,062	$ 25,690				
Liabilities	**Liabilities**							
Liabilities								
Liabilities								
Current	Current							
Current								
Current								
Operating								
Operating								
Operating	Operating	Current operating lease liabilities	$ 3,562	$ 3,562				
Finance	Finance	Current portion of long-term debt	2,472	2,135				
Noncurrent	Noncurrent							
Operating	Operating	Long-term operating lease liabilities	13,240	15,643				
Operating								
Operating								
Finance	Finance	Long-term debt(4)	9,828	8,170				

Total lease liabilities	Total lease liabilities	$ 29,102	$ 29,510

(1) Operating lease assets are recorded net of accumulated amortization of $13.0 million $14.8 million at September 30, 2023 March 31, 2024 and $12.2 million $13.6 million at December 31, 2022 December 31, 2023.

(2) Includes approximately $1.0 million at both March 31, 2024 and December 31, 2023 related to a below-market lease recognized as a result of the Industrial Air Transaction, which was recorded as an increase to the Company's operating lease right-of-use assets on its condensed consolidated balance sheet. The below-market lease will be amortized to amortization expense over the remaining lease term.

(3) Finance lease vehicle assets are recorded net of accumulated amortization of $4.9 million at September 30, 2023 March 31, 2024 and $6.0 million $4.5 million at December 31, 2022 December 31, 2023.

(3) (4) Includes approximately $2.5 million and $2.6 $2.4 million of net property assets associated with the Company's Pontiac Facility as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

(4) (5) Includes approximately $5.4 million associated with the Company's sale and leaseback financing transaction. See Note 6 for further detail.

The following table summarizes the lease costs included in the Company's condensed consolidated statements of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

			Three Months Ended September 30,		**Nine Months Ended September 30,**	
			Three Months Ended March 31,			
			Three Months Ended March 31,			
			Three Months Ended March 31,			
(in thousands)						
(in thousands)						
(in thousands)	***(in thousands)***	**Classification on the Condensed Consolidated Statement of Operations**	**2023**	**2022**	**2023**	**2022**
Operating lease cost	Operating lease cost	Cost of revenue(1)	$ 543	$ 654	$ 1,626	$ 2,005
Operating lease cost	Operating lease cost	Selling, general and administrative(1)	635	622	1,892	1,957
Operating lease cost						
Operating lease cost						
Operating lease cost						
Operating lease cost						
Finance lease cost						
Finance lease cost						
Finance lease cost	Finance lease cost					
Amortization	Amortization	Cost of revenue(2)	714	684	2,012	2,020
Amortization						
Amortization						
Interest						
Interest						
Interest	Interest	Interest expense, net(2)	113	68	265	200
Total lease cost	Total lease cost		$ 2,005	$ 2,028	$ 5,795	$ 6,182
Total lease cost						
Total lease cost						

(1) Operating lease costs recorded in cost of revenue included $0.1 million and $0.2 million of variable lease costs for both the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $0.3 million and $0.4 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. In addition, $0.2 million $0.1 million of variable lease costs are included in selling, general and administrative for each of both the three months ended September 30, 2023 March 31, 2024 and 2022, and $0.4 million for each of the nine months ended September 30, 2023 and 2022. 2023, respectively. These variable costs consist of the Company's proportionate share of operating expenses, real estate taxes and utilities.

(2) Finance lease costs recorded in cost of revenue include variable lease costs of $0.9 million $1.0 million and $1.0 million $0.9 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $2.7 million and $2.8 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. These variable lease costs consist of fuel, maintenance, and sales tax charges.

The future undiscounted minimum finance lease payments, as reconciled to the discounted minimum lease obligation indicated on the Company's condensed consolidated balance sheets within current and long-term debt, less interest, and under current and long-term operating leases, less imputed interest, as of September 30, 2023 March 31, 2024 were as follows (in thousands):

		Finance Lease Obligations			Operating Lease Obligations			
		Finance Lease Obligations						
Year ending:	*Year ending:*	Vehicles	Pontiac Facility	Total Finance	Non-Related Party	Related Party(1)	Total Operating	Sublease Receipts(2)
Remainder of 2023		$ 813	$ 128	$ 941	$ 1,347	$ 218	$ 1,565	$ 224
2024		2,624	515	3,139	3,322	666	3,988	912
Year ending:								
Year ending:		Vehicles	Pontiac Facility	Total Finance	Non-Related Party	Related Party(1)	Total Operating	Sublease Receipts(2)
Remainder of 2024								
2025	2025	2,083	528	2,611	2,787	450	3,237	939
2026	2026	1,567	542	2,109	2,670	450	3,120	967
2027	2027	636	555	1,191	1,693	540	2,233	326
2028								
Thereafter	Thereafter	—	14,302	14,302	1,536	4,275	5,811	—
Total minimum lease payments	Total minimum lease payments	7,723	16,570	24,293	13,355	6,599	19,954	$ 3,369
Financing Component (3)	Financing Component (3)	(774)	(11,219)	(11,993)	(1,676)	(1,476)	(3,152)	
Net present value of minimum lease payments	Net present value of minimum lease payments	6,949	5,351	12,300	11,679	5,123	16,802	
Net present value of minimum lease payments								
Net present value of minimum lease payments								
Less: current portion of finance and operating lease obligations								
Less: current portion of finance and operating lease obligations								

Less: current portion of finance and operating lease obligations	Less: current portion of finance and operating lease obligations	(2,472)	—	(2,472)	(3,111)	(451)	(3,562)
Long-term finance and operating lease obligations	Long-term finance and operating lease obligations	$ 4,477	$ 5,351	$ 9,828	$ 8,568	$ 4,672	$ 13,240
Long-term finance and operating lease obligations							
Long-term finance and operating lease obligations							

(1) Associated with the aforementioned related party leases entered into with former members of JMLLC, ACME and ACME. Industrial Air.

(2) Associated with the aforementioned third party sublease.

(3) The financing component for finance lease obligations represents the interest component of finance leases that will be recognized as interest expense in future periods. The financing component for operating lease obligations represents the effect of discounting the lease payments to their present value.

The following is a summary of the lease terms and discount rates as of:

		September 30, 2023	**December 31, 2022**		
	March 31, 2024			**March 31, 2024**	**December 31, 2023**
Weighted average lease term (in years):	Weighted average lease term (in years):				
Operating					
Operating					
Operating	Operating	6.50	6.98	6.46	6.54
Finance (1)	Finance (1)	3.12	2.73	Finance (1) 3.05	3.10
Weighted average discount rate:	Weighted average discount rate:				
Weighted average discount rate:					
Weighted average discount rate:					
Operating					
Operating					
Operating	Operating	4.91 %	4.76 %	5.61 %	6.74 %
Finance (1)	Finance (1)	6.66 %	5.06 %	Finance (1) 6.75 %	5.33 %

(1) Excludes the weighted average lease term and weighted average discount rate associated with the aforementioned sale-leaseback financing transaction, which has a Primary Term of 25 years and utilized an implicit rate of 11.11%. See Note 6 for further detail.

The following is a summary of other information and supplemental cash flow information related to finance and operating leases:

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		Nine months ended September 30,				
		Three months ended March 31,				Three months ended March 31,
(in thousands)	*(in thousands)*	**2023**	**2022**	*(in thousands)*	**2024**	**2023**
Cash paid for amounts included in the measurement of lease liabilities:	Cash paid for amounts included in the measurement of lease liabilities:					
Operating cash flows from operating leases						
Operating cash flows from operating leases						
Operating cash flows from operating leases	Operating cash flows from operating leases	$3,478	$3,890			
Operating cash flows from finance leases	Operating cash flows from finance leases	227	200			
Financing cash flows from finance leases	Financing cash flows from finance leases	2,032	2,051			
Right-of-use assets exchanged for lease liabilities:	Right-of-use assets exchanged for lease liabilities:					
Operating leases	Operating leases	1,043	—			
Operating leases						
Operating leases						
Finance leases	Finance leases	4,062	2,171			
Right-of-use assets disposed or adjusted modifying operating leases liabilities		(643)	2,396			
Right-of-use assets disposed or adjusted modifying finance leases liabilities	Right-of-use assets disposed or adjusted modifying finance leases liabilities	$ (77)	(77)			

Right-of-use assets disposed or adjusted modifying finance leases liabilities
Right-of-use assets disposed or adjusted modifying finance leases liabilities

Note 13 – Commitments and Contingencies

Legal. The Company is continually engaged in administrative proceedings, arbitrations, and litigation with owners, general contractors, suppliers, employees, former employees and other unrelated parties, all arising in the ordinary courses of business. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the condensed consolidated financial statements. In the opinion of the Company's management, the current belief is that the results of these actions will not have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

On January 23, 2020, plaintiff, Bernards Bros. Inc. ("Bernards"), filed a complaint against the Company in Superior Court of the State of California for the County of Los Angeles. The complaint alleges that the Company's Southern California business unit refused to honor a proposal made to Bernards to act as a subcontractor on a construction project, and that, as a result of the wrongful failure to honor the proposal, Bernards suffered damages in excess of $3.0 million plus interest, including alleged increased costs for hiring a different subcontractor to perform the work. The Company has vigorously defended the suit. Per the agreement of the Company and Bernards, in January 2022, the Court appointed a private referee to manage the case and adjudicate the dispute. A trial took place before the referee in January 2023, and on April 30, 2023, the referee issued an Amended Statement of Decision awarding Bernards approximately $2.2 million. As of December 31, 2022, the Company had determined that a loss was probable, and, as such, recorded an estimated loss contingency in the amount of $2.2 million, which is included in accrued expenses and other current liabilities reported within the Company's consolidated balance sheets. In addition, the estimated loss contingency was recorded within selling, general and administrative expenses on the Company's consolidated statements of operations. The Company is currently evaluating its options to appeal the referee's decisions.

Surety. The terms of its construction contracts frequently require that the Company obtain from surety companies, and provide to its customers, payment and performance bonds ("Surety Bonds") as a condition to the award of such contracts. The Surety Bonds secure the Company's payment and performance obligations under such contracts, and the Company has agreed to indemnify the surety companies for amounts, if any, paid by them in respect of Surety Bonds issued on its behalf. In addition, at the request of labor unions representing certain of the Company's employees, Surety Bonds are sometimes provided to secure obligations for wages and benefits payable to or for such employees. Public sector contracts require Surety Bonds more frequently than private sector contracts, and accordingly, the Company's bonding requirements typically increase as the amount of public sector work increases. As of September 30, 2023 March 31, 2024, the Company had approximately $99.7 million $90.0 million in surety bonds outstanding. The Surety Bonds are issued by surety companies in return for premiums, which vary depending on the size and type of bond.

Collective Bargaining Agreements. Many of the Company's craft labor employees are covered by collective bargaining agreements. The agreements require the Company to pay specified wages, provide certain benefits and contribute certain amounts to multi-employer pension plans. If the Company withdraws from any of the multi-employer pension plans or if the plans were to otherwise become underfunded, the Company could incur additional liabilities related to these plans. Although the Company has been informed that some of the multi-employer pension plans to which it contributes have been classified as "critical" status, the Company is not currently aware of any significant liabilities related to this issue.

Self-insurance. The Company is substantially self-insured for workers' compensation and general liability claims, in the view of the relatively high per-incident deductibles the Company absorbs under its insurance arrangements for these risks. The Company purchases workers' compensation and general liability insurance under policies with per-incident deductibles of $250,000 per occurrence and a $4.4 million $3.9 million maximum aggregate deductible loss limit per year. Losses incurred over primary policy limits are covered by umbrella and excess policies up to specified limits with multiple excess insurers. The Company accrues for the unfunded portion of costs for both reported claims and claims incurred but not reported. The liability for unfunded reported claims and future claims is reflected on the consolidated balance sheets as current and non-current liabilities. The liability is determined by establishing a reserve for each reported claim on a case-by-case basis based on the nature of the claim and historical loss experience for similar claims plus an allowance for the cost of incurred but not reported claims. The current portion of the liability is included in accrued expenses and other current liabilities on the consolidated balance sheets. The non-current portion of the liability is included in other long-term liabilities on the consolidated balance sheets.

The Company is self-insured related to medical and dental claims under policies with annual per-claimant and annual aggregate stop-loss limits. The Company accrues for the unfunded portion of costs for both reported claims and claims incurred but not reported. The liability for unfunded reported claims and future claims is reflected on the consolidated balance sheets as a current liability in accrued expenses and other current liabilities.

The components of the self-insurance liability as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows:

(in thousands)	*(in thousands)*	**September 30, 2023**	**December 31, 2022**	*(in thousands)*	**March 31, 2024**	**December 31, 2023**

Current liability — workers' compensation and general liability	Current liability — workers' compensation and general liability	$ 99	$ 158
Current liability — medical and dental	Current liability — medical and dental	422	557
Non-current liability	Non-current liability	746	343
Total liability	Total liability	$ 1,267	$ 1,058
Restricted cash	Restricted cash	$ 65	$ 113

The restricted cash balance represents an imprest cash balance set aside for the funding of workers' compensation and general liability insurance claims. This amount is replenished either when depleted or at the beginning of each month.

Note 14 – Management Incentive Plans

The Company initially adopted the Omnibus Incentive Plan on July 20, 2016 for the purpose of: (a) encouraging the profitability and growth of the Company through short-term and long-term incentives that are consistent with the Company's

objectives; (b) giving participants an incentive for excellence in individual performance; (c) promoting teamwork among participants; and (d) giving the Company a significant advantage in attracting and retaining key employees, directors and consultants. To accomplish such purposes, the Omnibus Incentive Plan, and such subsequent amendments to the Omnibus Incentive Plan, provides that the Company may grant options, stock appreciation rights, restricted shares, RSUs, performance-based awards (including performance-based restricted shares and restricted stock units), other share based awards, other cash-based awards or any combination of the foregoing.

Following the approval of the 2023 Amended and Restated Omnibus Incentive Plan, the Company has reserved 3,050,000 shares of its common stock for issuance. The number of shares issued or reserved pursuant to the Omnibus Incentive Plan will be adjusted by the plan administrator, as they deem appropriate and equitable, as a result of stock splits, stock dividends, and similar changes in the Company's common stock. In connection with the grant of an award, the plan administrator may provide for the treatment of such award in the event of a change in control. All awards are made in the form of shares only.

Service-Based Awards

The Company grants service-based stock awards in the form of RSUs. Service-based RSUs granted to executives, employees, and non-employee directors vest ratably, on an annual basis, over three years and in the case of certain awards to non-employee directors, over one year. The grant date fair value of the service-based awards was equal to the closing market price of the Company's common stock on the date of grant. For both the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company recognized $0.5 million of stock-based compensation expense related to outstanding service-based RSUs. For both the nine months ended September 30, 2023 and 2022, the Company recognized $1.2 million of stock-based compensation expense related to outstanding service-based RSUs during both periods.

The following table summarizes the Company's service-based RSU activity for the nine three months ended September 30, 2023 March 31, 2024:

		Awards	Weighted-Average Grant Date Fair Value	Awards	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2022		280,275	$ 9.06		
Unvested at December 31, 2023					
Granted	Granted	164,413	11.94		
Vested	Vested	(163,354)	8.58		
Forfeited	Forfeited	(42,131)	10.63		
Unvested at September 30, 2023		239,203	$ 11.09		

Unvested
at March
31, 2024

Performance-Based Awards

The Company grants performance-based restricted stock units ("PRSUs") under which shares of the Company's common stock may be earned based on the Company's performance compared to defined metrics. The number of shares earned under a performance award may vary from zero to 150% of the target shares awarded, based upon the Company's performance compared to the metrics. The metrics used for the grant are determined by the Company's Compensation Committee of the Board of Directors and are based on internal measures such as the achievement of certain predetermined adjusted EBITDA EPS growth and EBITDA margin performance goals over a three year period.

The Company recognizes stock-based compensation expense for these awards over the vesting period based on the projected probability of achievement of the performance conditions as of the end of each reporting period during the performance period and may periodically adjust the recognition of such expense, as necessary, in response to any changes in the Company's forecasts with respect to the performance conditions. For both the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company recognized $0.7 million and $0.3 million, respectively, of stock-based compensation expense related to outstanding PRSUs. For the nine months ended September 30, 2023 and 2022, the Company recognized $2.2 million and $0.7 million, respectively, of stock-based compensation expense related to outstanding PRSUs.

The following table summarizes the Company's PRSU activity for the nine three months ended September 30, 2023 March 31, 2024:

	Awards	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2022	497,940	$ 8.32
Granted	289,092	12.77
Performance factor adjustment(1)	32,327	4.29
Vested	(121,827)	4.29
Forfeited	(116,911)	9.81
Unvested at September 30, 2023	580,621	$ 10.85

	Awards	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2023	580,621	$ 10.85
Granted	84,299	45.47
Performance factor adjustment(1)	54,067	12.78
Vested	(211,634)	12.78
Forfeited	(226)	45.47
Unvested at March 31, 2024	507,127	$ 15.99

(1) Performance-based awards covering the three year period ended December 31, 2022 December 31, 2023 were paid out in the first quarter of 2023 2024 based on the approval of the Company's Compensation Committee. The performance factor during the measurement period used to determine compensation payouts was 136.13% 134.3% of the pre-defined metric target of 100%, which resulted in a positive performance factor adjustment and the issuance of 32,327 of 54,067 shares as additional awards associated with the original grant.

Market-Based Awards

The vesting of the Company's market-based RSU ("MRSUs") was contingent upon the Company's closing price of a share of the Company's common stock on the Nasdaq Capital market, or such other applicable principal securities exchange or quotation system, achieving at least $18.00 over a period of eighty consecutive trading days during the three-year period commencing on August 1, 2018 and concluding on July 31, 2021. On September 4, 2020, the Compensation Committee of the Board of Directors of the Company approved amendments to modify the MRSUs to extend the measurement period to July 16, 2022. In addition to the market performance-based vesting condition, the vesting of such restricted stock unit was subject to continued employment from August 1, 2017 through the later of July 31, 2019 or the date on which the Compensation Committee certifies the achievement of the performance goal. The Company accounted for this amendment as a Type I modification and recognized approximately $0.2 million of incremental stock-based compensation expense over 1.26 years from the modification date based on an updated Monte Carlo simulation model. These awards expired on July 16, 2022 as the MRSU award market condition was not achieved.

Stock-Based Compensation Expense

Total recognized stock-based compensation expense amounted to $1.1 million $1.2 million and $0.8 million $1.1 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. For the nine months ended September 30, 2023 and 2022, the Company recognized stock-based compensation expense of $3.4 million and $2.0 million, 2023, respectively. The aggregate fair value as of the vest date of RSUs that vested during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $3.8 million $16.8 million and $1.1 $3.3 million, respectively. Total unrecognized stock-based compensation expense related to unvested RSUs which are probable of vesting was $3.9 million $8.3 million at September 30, 2023 March 31, 2024. These costs are expected to be recognized over a weighted average period of 1.68 2.05 years.

Note 15 – Subsequent Events

On November 1, 2023, the Company completed an acquisition of Greensboro, NC-based specialty mechanical contractor, Industrial Air, LLC ("Industrial Air"), for a purchase price at closing of $13.5 million in cash. The transaction also provides for an earnout of up to $6.5 million potentially being paid out over the next two years. Industrial Air serves industrial customers throughout the Southeast United States and along the Eastern seaboard, focusing on delivering engineered air handling systems, including air condition and air filtration, along with controls systems and maintenance work. In addition, Industrial Air manufactures a wide range of components for air conditioning and filtration systems.

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

The following discussion should be read in conjunction with the condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from our management's expectations. See "Cautionary Note Regarding Forward Looking Statements" contained above in this Quarterly Report on Form 10-Q. We assume The Company assumes no obligation to update any of these forward-looking statements. statements, unless required to do so by applicable law.

Unless the context otherwise requires, a reference to a "Note" herein refers to the accompanying Notes to Condensed Consolidated Financial Statements (Unaudited) contained in Part I, "Item 1. Financial Statements."

Overview

The Company is an integrated a building systems solutions solution firm whose expertise is in the design, modular prefabrication, installation, management that partners with building owners and maintenance of HVAC, facilities managers who have mission critical mechanical (heating, ventilation and air conditioning), electrical, and plumbing and control systems for commercial, institutional and light industrial markets. infrastructure. The Company operates primarily strives to be an indispensable partner to its customers by providing services that are essential to the operation of their businesses. The Company has more than 1,300 team members in 19 offices across the Northeast, Mid-Atlantic, Southeast and Midwest regions of the eastern United States. In February 2022, The Company's team members uniquely combine engineering expertise with field installation skills to provide custom solutions that leverage its full life-cycle capabilities, which allows it to address both the Company announced operational and capital projects needs of its strategic decision to wind down its Southern California GCR and ODR operations. The decision was made to better align the Company's customer geographic focus and to reduce losses related to unprofitable locations. The Company is currently in the closeout phases on its remaining Southern California business unit projects and expects to fully exit the Southern California region in 2023 aside from certain operational warranty obligations. However, the Company is party to the terms of a sublease agreement for its leased premises in Southern California through April 2027 and remains obligated under the original lease for such office space in the event the sublessee fails to satisfy its obligations under the sublease agreement. See Note 12 for further information on the Southern California Sublease. customers.

The Company's core market sectors consist of the following customer base with mission-critical systems:

- ◦• **Healthcare**, including research, acute care and inpatient hospitals for regional and national hospital groups, and pharmaceutical and biotech laboratories and manufacturing facilities;
- ◦• **Industrial and manufacturing**, including automotive, energy and general manufacturing plants;
- • **Data Centers,** including facilities composed of networked computers, storage systems and computing infrastructure that organizations use to assemble, process, store and disseminate large amounts of data;
- ◦ **Industrial and light manufacturing facilities**, including automotive, energy and general manufacturing plants;
- ◦ **Higher Education,** including both public and private colleges, universities and research centers;
- ◦ **Cultural and entertainment,** including sports arenas, entertainment facilities (including casinos) and amusement rides and parks; and
- ◦• **Life sciences,** including organizations and companies whose work is centered around research and development focused on living things. things;
- • **Higher Education,** including both public and private colleges, universities and research centers; and
- • **Cultural and entertainment,** including sports arenas, entertainment facilities (including casinos) and amusement rides and parks.

The Company operates in two segments, (i) GCR, in which the Company generally manages new construction or renovation projects that involve primarily HVAC, plumbing, or electrical services awarded to the Company by general contractors or construction managers, and (ii) ODR, in which the Company performs owner direct projects and/or provides maintenance or service primarily on HVAC, mechanical, plumbing or electrical systems, building controls and specialty contracting projects direct to, or assigned by, building owners or property managers. This work is managers, and (ii) GCR, in which the Company generally manages new construction or renovation projects that involve primarily performed under fixed price, modified fixed price, and time and material contracts over periods of typically less than two years. mechanical, plumbing, or electrical services awarded to the Company by general contractors or construction managers.

Key Components of Condensed Consolidated Statements of Operations

Revenue

The Company generates revenue principally from fixed-price construction contracts to deliver HVAC, mechanical, plumbing, and electrical construction services to its customers. The duration of the Company's Company's contracts generally ranges from three months to two years. Revenue from fixed price contracts is recognized on the cost-to-cost method, measured by the relationship of total cost incurred to total estimated contract costs. Revenue from time and materials service contracts is recognized as services are performed. The Company believes that its extensive experience in HVAC, mechanical, plumbing, and electrical projects, and its internal cost review procedures during the bidding process, enable it to reasonably estimate costs and mitigate the risk of cost overruns on fixed price contracts.

The Company generally invoices customers on a monthly basis based on a schedule of values that breaks down the contract amount into discrete billing items. Costs and estimated earnings in excess of billings are recorded as a contract asset until billable under the contract terms. Billings in excess of costs and estimated earnings are recorded as a contract liability until the related revenue is recognizable.

Cost of Revenue

Cost of revenue primarily consists of the labor, equipment, material, subcontract and other job costs in connection with fulfilling the terms of our the Company's contracts. Labor costs consist of wages plus taxes, fringe benefits and insurance. Equipment costs consist of the ownership and operating costs of company-owned assets, in addition to outside-rented equipment. If applicable, job costs include estimated contract losses to be incurred in future periods. Due to the varied nature of the Company's services, and the risks associated therewith, contract costs as a percentage of contract revenue have historically fluctuated, and it expects this fluctuation is expected to continue in future periods.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses consist primarily of personnel costs for its administrative, estimating, human resources, safety, information technology, legal, finance and accounting employees and executives. Also included are non-personnel costs, such as travel-related expenses, legal and other professional fees and other corporate expenses to support the growth of the Company's business and to meet the compliance requirements associated with operating as a public company. Those costs include accounting, human resources, information technology, legal personnel, additional consulting, legal and audit fees, insurance costs, board of directors' compensation and the costs of achieving and maintaining compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

Change in fair value of contingent consideration

The change in fair value of contingent consideration relates to the remeasurement of the contingent consideration arrangement arrangements resulting from both each of the Jake Marshall, LLC ("JMLLC"), Coating Solutions, LLC ("CSLLC") (together with JMLLC, the Jake Marshall Transaction), the ACME Transaction and ACME transactions. the Industrial Air Transaction. As a part of the total consideration for the Jake Marshall, Transaction, ACME and Industrial Air transactions, the Company initially recognized $3.1 $3.1 million, $1.5 million and $3.2 million, respectively, in contingent consideration associated with the Jake Marshall Earnout Payments. In addition, the Company initially recognized $1.1 million in contingent consideration associated with the ACME Earnout Payments. their respective earnout payments. The carrying value values of the Jake Marshall, ACME and ACME IA Earnout Payments is are subject to remeasurement at fair value at each reporting date through the end of the respective earnout periods with any changes in the fair value reported as a separate component of operating income in the condensed consolidated statements of operations. See Note 8 – Fair Value Measurements in the accompanying notes to the Company's condensed consolidated financial statements for further information.

Amortization of Intangibles

Amortization expense represents periodic non-cash charges that consist of amortization of various intangible assets primarily including favorable leasehold interests and certain customer relationships in the ODR segment. As a result of the Jake Marshall Transaction, the Company recognized, in the aggregate, an additional $5.7 million $5.7 million of intangible assets associated with customer relationships with third-party customers, the acquired trade name and acquired backlog. In addition, as a result of the ACME Transaction, the Company recognized, in the aggregate, an additional $2.3 $2.8 million of intangible assets associated with customer relationships with third-party customers and the acquired trade name. Both name, inclusive of the impact of certain measurement period adjustments. Lastly, as a result of the Industrial Air Transaction, the Company recognized, in the aggregate, an additional $8.7 million of intangible assets associated with customer relationships with third-party customers, the acquired trade name, trademarks and intellectual property and the acquired backlog. Each of the Jake Marshall, ACME and ACME-related Industrial Air-related intangible assets were recorded under the acquisition method of accounting at their estimated fair values at the acquisition date. See Note 3 5 – Goodwill and Intangible Assets for further discussion of information on the Company's acquired intangible assets as a result of the ACME Transaction. assets.

Other (Expenses) Income

Other (expenses) income consists primarily of interest expense incurred in connection with the Company's debt, a loss associated with the early termination of an operating lease, gains or losses associated with the disposition of property and equipment, changes in fair value of interest rate swaps, losses associated with the early extinguishment of debt and interest income earned from its overnight repurchase agreements, money market investments, U.S. Treasury Bills and the Company's interest rate swap agreement. Deferred financing costs are amortized to interest expense using the effective interest method.

Provision for Income Taxes

The Company is taxed as a C corporation and its financial results include the effects of federal income taxes, which will be paid at the parent level.

For interim periods, the The Company's provision for income taxes (including federal, state and local taxes) is calculated based on the estimated annual effective tax rate. The Company accounts for income taxes in accordance with ASC Topic 740 – - *Income Taxes*, which requires the use of the asset and liability method. Under this method, deferred tax assets and liabilities and income or expense are recognized for the expected future tax consequences of temporary differences between the financial statement carrying values

and their respective tax bases, using enacted tax rates expected to be applicable in the years in which the temporary differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in the provision for income taxes.

Impact of Acquisitions

In order to provide a more meaningful period-over-period discussion of the Company's operating results, the Company may discuss amounts generated or incurred (revenues, gross profit, selling, general and administrative expenses, and operating income) from companies acquired. The amounts discussed reflect the acquired companies' operating results in the current reported period only for the time period these entities were not owned by the Company in the comparable prior reported period.

During 2023, the Company acquired two companies for total consideration of $15.3 million, net of cash acquired and inclusive of certain measurement period adjustments. On July 3, 2023, the Company completed an acquisition of Chattanooga, TN-based specialty industrial contractor, ACME, for a purchase price at closing of $5.0 million in cash. The transaction also provides for an earnout of up to $2.5 million potentially being paid out over the next two years. ACME specializes in performing industrial maintenance, capital project work, and emergency services for specialty chemical and manufacturing clients, and is a leading mechanical solutions provider for hydroelectric producers. On November 1, 2023, the Company completed an acquisition of Greensboro, NC-based specialty mechanical contractor, Industrial Air, for a purchase price at closing of $13.5 million in cash. The transaction also provides for an earnout of up to $6.5 million potentially being paid out over the next two years. Industrial Air serves industrial customers throughout the Southeast United States and along the Eastern seaboard, focusing on delivering engineered air handling systems, including air condition and air filtration, along with controls systems and maintenance work. In addition, Industrial Air manufactures a wide range of components for air conditioning and filtration systems.

Divestitures

In February 2022, the Company announced its strategic decision to wind down its Southern California GCR and ODR operations. The decision was made to better align the Company's customer geographic focus and to reduce losses related to unprofitable locations. During 2023, the Company executed the closeout phases on its remaining Southern California business unit projects and has fully exited the Southern California region aside from certain operational warranty obligations. However, the Company is party to the terms of a sublease agreement for its leased premises in Southern California through April 2027 and remains obligated under the original lease for such office space in the event the sublessee fails to satisfy its obligations under the sublease agreement. See Note 12 – Leases in the accompanying notes to the Company's condensed consolidated financial statements for further information on the Southern California Sublease.

Operating Segments

The Company manages and measures the performance of its business in two operating segments: GCR and ODR. These segments are reflective of how the Company's CODM reviews operating results for the purposes of allocating resources and assessing performance. The Company's CODM is comprised of comprises its President and Chief Executive Officer and Executive Vice President and Chief Financial Officer.

In accordance with ASC Topic 280 – *Segment Reporting*, the Company has elected to aggregate all of the ODR work performed at branches into one ODR reportable segment and all of the GCR work performed at branches into one GCR reportable segment and all of the ODR work performed at branches into one ODR reportable segment. All transactions between segments are eliminated in consolidation.

As discussed in Note 11, on January 17, 2023, the Company announced its planned transition succession, pursuant to which Charles A. Bacon III stepped down as President and Chief Executive Officer on March 28, 2023, and Michael M. McCann, the Company's former Executive Vice President and Chief Operating Officer, was appointed President and Chief Executive Officer. Following the transition, the Company revised its segment presentation to align with how Mr. McCann assesses performance and makes resource allocation decisions for its operating segments, which is based on segment revenue and segment gross profit. SG&A expenses are no longer reported on a segment basis as the Company's current CODM does not review discrete segment financial information for SG&A in order to assess performance. Interest expense is not allocated to segments because of the corporate management of debt service.

The Company restated segment information for the historical periods presented herein to conform to the current presentation. This change in segment presentation does not affect the Company's unaudited condensed consolidated statements of operations, balance sheets or statements of cash flows.

Comparison of Results of Operations for the three months ended September 30, 2023 March 31, 2024 and 2022 2023

The following table presents operating results for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 in dollars and expressed as a percentage of total revenue (except as indicated below), as compared below:

		Three Months Ended September 30,	
		2023	**2022**
(in thousands except for percentages)	***(in thousands except for percentages)***		

(in thousands except for percentages)												
(in thousands except for percentages)												
Statement of Operations Data:												
Statement of Operations Data:												
Statement of Operations Data:	**Statement of Operations Data:**											
Revenue:	Revenue:											
Revenue:												
Revenue:												
ODR												
ODR												
ODR												
GCR	GCR	$61,936	48.5 %	$62,653	51.2 %							
ODR		65,832	51.5 %	59,704	48.8 %							
GCR												
GCR												
Total revenue												
Total revenue												
Total revenue	Total revenue	127,768	100.0 %	122,357	100.0 %							
Gross profit:	Gross profit:											
Gross profit:												
Gross profit:												
ODR												
ODR												
ODR							22,161	29.8	% [1]	15,909	27.1	% [1]
GCR	GCR	11,970	19.3 % [1]	9,648	15.4 % [1]	GCR	8,927	20.0	20.0 % [2]	10,318	16.6	16.6 % [2]
ODR		19,274	29.3 % [2]	15,206	25.5 % [2]							
Total gross profit	Total gross profit	31,244	24.5 %	24,854	20.3 %							
Selling, general and administrative[3]	Selling, general and administrative[3]	20,967	16.4 %	18,688	15.3 %							
Selling, general and administrative[3]												
Selling, general and administrative[3]												
Change in fair value of contingent consideration												
Change in fair value of contingent consideration												
Change in fair value of contingent consideration	Change in fair value of contingent consideration	161	0.1 %	386	0.3 %							
Amortization of intangibles	Amortization of intangibles	288	0.2 %	386	0.3 %							
Amortization of intangibles												
Amortization of intangibles												

Total operating income					
Total operating income					
Total operating income	Total operating income	9,828	7.7 %	5,394	4.4 %
Other income (expenses)	Other income (expenses)	124	0.1 %	(99)	(0.1)%
Other income (expenses)					
Other income (expenses)					
Total consolidated income before income taxes	Total consolidated income before income taxes	9,952	7.8 %	5,295	4.3 %
Income tax provision		2,760	2.2 %	1,654	1.4 %
Total consolidated income before income taxes					
Total consolidated income before income taxes					
Income tax (benefit) provision					
Income tax (benefit) provision					
Income tax (benefit) provision					
Net income	Net income	$ 7,192	5.6 %	$ 3,641	3.0 %
Net income					
Net income					

(1) As a percentage of GCR ODR revenue.

(2) As a percentage of ODR GCR revenue.

(3) Included within selling, general and administrative expenses was $1.1 $1.2 million and $0.8 $1.1 million of stock based compensation expense for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Revenue

		Three Months Ended September 30,					Three Months Ended March 31,							
		2023	2022	Increase/(Decrease)			2024		2023		Increase/(Decrease)			
(in thousands except for percentages)	*(in thousands except for percentages)*													
Revenue:	Revenue:													
Revenue:														
Revenue:														
ODR						ODR	$ 74,256		$ 58,718		$ 15,538		26.5	%
GCR	GCR	$ 61,936	$ 62,653	$ (717)	(1.1) %	GCR	44,720	62,291	62,291	(17,571)	(17,571)	(28.2)	(28.2)	%
ODR		65,832	59,704	6,128	10.3 %									
Total revenue	Total revenue	$127,768	$122,357	$ 5,411	4.4 %	Total revenue	$ 118,976	$	$ 121,009	$	$ (2,033)	(1.7)	(1.7)	%

Revenue for the three months ended September 30, 2023 increased March 31, 2024 decreased by $5.4 million $2.0 million compared to the three months ended September 30, 2022 March 31, 2023. ODR revenue increased by $15.5 million, or 26.5%, while GCR revenue decreased by $0.7 million $17.6 million, or 1.1%, while ODR revenue increased by $6.1 million, or 10.3% 28.2%. The increase in period over period ODR segment revenue was primarily due to the Company's continued focus on the accelerated growth of its ODR business. In addition, ODR segment revenue increased by approximately $1.5 million business and as a result of the ACME transaction. and Industrial Air transactions. These entities were not acquired entities of the Company for the three months ended March 31, 2023.

Gross Profit

	Three Months Ended September 30,	Three Months Ended March 31,

		2023	2022	Increase/(Decrease)			2024		2023		Increase/(Decrease)		
(in thousands except for percentages)	*(in thousands except for percentages)*												
Gross profit:	Gross profit:												
Gross profit:													
Gross profit:													
ODR						ODR	$22,161		$15,909		$6,252	39.3	%
GCR	GCR	$11,970	$ 9,648	$ 2,322	24.1 %	GCR	8,927	10,318	10,318	(1,391)	(1,391)	(13.5)	(13.5)%
ODR		19,274	15,206	4,068	26.8 %								
Total gross profit	Total gross profit	$31,244	$24,854	$ 6,390	25.7 %	Total gross profit	$31,088	$	$26,227	$	$4,861	18.5	18.5 %
Total gross profit as a percentage of consolidated total revenue	Total gross profit as a percentage of consolidated total revenue	24.5 %	20.3 %										
Total gross profit as a percentage of consolidated total revenue													
Total gross profit as a percentage of consolidated total revenue							26.1 %		21.7 %				

The Company's gross profit for the three months ended September 30, 2023 March 31, 2024 increased by $6.4 million $4.9 million compared to the three months ended September 30, 2022 March 31, 2023. GCR gross profit increased $2.3 million, or 24.1%, primarily due to higher margins on project work period over period. ODR gross profit increased $4.1 million $6.3 million, or 26.8% 39.3%, due to the combination of an increase in revenue and higher margins driven by contract mix. GCR gross profit decreased $1.4 million, or 13.5%, primarily due to lower revenue despite higher margins on project work period over period. The total gross profit percentage increased from 20.3% 21.7% for the three months ended September 30, 2022 March 31, 2023 to 24.5% 26.1% for the same period ended in 2023, 2024, mainly driven by the mix of higher margin ODR segment work, and becoming more selective when pursuing GCR work, as well and as a gross profit write-up result of $1.2 million during the quarter related to a settlement of a prior claim. From the Effective Date through September 30, 2023, the ACME Transaction generated approximately $0.4 million in gross profit, which was attributable to and Industrial Air transactions. These entities were not acquired entities of the ODR segment. Company for the three months ended March 31, 2023.

The Company recorded revisions in its contract estimates for certain GCR ODR and ODR GCR projects. During the three months ended September 30, 2023 March 31, 2024, the Company recorded material gross profit write-ups on three GCR two ODR projects for a total of $3.1 $2.0 million inclusive of that had a $1.2 million write-up related to a settlement of a past claim, and one material GCR project net gross profit write-down for $0.7 impact of $0.5 million and one or more. There were no material ODR project gross profit write-down for $0.6 million. write-downs recognized during the three months ended March 31, 2024. During the three months ended September 30, 2022 March 31, 2023, the Company did not record any material gross profit write-ups or write-downs that had a net gross profit impact of $0.5 million or more.

Selling, General and Administrative

		Three Months Ended September 30,				Three Months Ended March 31,							
		2023	2022	Increase/(Decrease)		2024		2023		Increase/(Decrease)			
(in thousands except for percentages)	*(in thousands except for percentages)*												
Selling, general and administrative	Selling, general and administrative	$20,967	$18,688	$ 2,279	12.2 %								
Selling, general and administrative													
Selling, general and administrative						$	22,876	$	21,050	$	1,826	8.7	%

Total selling, general and administrative as a percentage of consolidated total revenue	Total selling, general and administrative as a percentage of consolidated total revenue	16.4 %	15.3 %
Total selling, general and administrative as a percentage of consolidated total revenue			
Total selling, general and administrative as a percentage of consolidated total revenue		19.2 %	17.4 %

The Company's SG&A expense for the three months ended September 30, 2023 March 31, 2024 increased by approximately $2.3 million $1.8 million compared to the three months ended September 30, 2022 March 31, 2023. The increase in SG&A expense was primarily due to approximately $1.1 million of SG&A expenses incurred within the ACME and Industrial Air entities during the three months ended March 31, 2024 that were not acquired entities of the Company during the three months ended March 31, 2023.The Company's SG&A expense for the three months ended March 31, 2024 also increased due to a $1.4 million $0.4 million increase in professional fees, a $0.3 million increase in travel and entertainment expenses and a $0.2 million increase associated with payroll related expenses, expenses. As a $0.6 million increase associated with professional fees, which included costs associated with the ACME Transaction, and a $0.3 million increase in stock compensation expense. SG&A expense associated with the acquired entity in the ACME Transaction from the Effective Date through September 30, 2023 was approximately $0.3 million. Additionally, result of these factors, SG&A expense as a percentage of revenue was 16.4% increased to 19.2% for the three months ended September 30, 2023 and 15.3% March 31, 2024 as compared to 17.4% for the three months ended September 30, 2022 March 31, 2023.

Change in Fair Value of Contingent Consideration

The change in fair value of the Earnout Payments contingent consideration was a $0.2 million $0.6 million and a $0.4 million $0.1 million loss for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. These increases to the contingent liability were primarily attributable to the timing component and probability of meeting the gross profit margins associated with the contingent consideration arrangements as of September 30, 2023 March 31, 2024 and 2022. 2023.

Amortization of Intangibles

		Three Months Ended September 30,			Three Months Ended March 31,		
		2023	2022	Increase/(Decrease)	2024	2023	Increase/(Decrease)
(in thousands except for percentages)	***(in thousands except for percentages)***						
Amortization of intangibles (Corporate)	Amortization of intangibles (Corporate)	$288	$386	$ (98) (25.4) %			
Amortization of intangibles (Corporate)							
Amortization of intangibles (Corporate)					$ 1,057	$ 383	$ 674 176.0 %

Total amortization expense for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $0.3 million $1.1 million and $0.4 million, respectively. As a result of the ACME and Industrial Air transactions, the Company acquired certain intangible assets in which it recognized approximately $0.8 million of amortization expense for the three months ended March 31, 2024. See Note 5 - Goodwill and Intangible Assets for further information on the Company's intangible assets. In addition, see Note 3 for further discussion of the Company's acquired intangible assets as a result of the ACME Transaction.

Other Expenses

	Three Months Ended September 30,			Three Months Ended March 31,		
	2023	2022	Change	2024	2023	Change

(in thousands except for percentages)	(in thousands except for percentages)				
Other income (expenses):	Other income (expenses):				
Interest expense	Interest expense	$(437)	$(547)	$110	(20.1)%
Interest income	Interest income	377	—	377	100.0 %
Gain on disposition of property and equipment		68	150	(82)	(54.7)%
Gain on change in fair value of interest rate swap		116	298	(182)	100.0 %
Loss on early debt extinguishment		—	—	—	(100.0)%
Total other income (expenses)	Total other income (expenses)	$ 124	$ (99)	$223	225.3 %

Other income (expenses):					
Other income (expenses):					
Interest expense	$(475) $	$ (667) $	$ 192	(28.8)	(28.8) %
Interest income	562 —	— 562	562	100.0	100.0 %
Gain (loss) on disposition of property and equipment	491	(215)	706		(328.4) %
Gain (loss) on change in fair value of interest rate swap	149	(156)	305		(195.5) %
Total other income (expenses)					
Total other income (expenses)	$ 727	$(1,038)	$1,765		170.0 %

Total other income for the three months ended September 30, 2023 March 31, 2024 was $0.1 million $0.7 million as compared to total other expenses of $0.1 million $1.0 million for the three months ended September 30, 2022 March 31, 2023. The increase in total other income (expenses) was primarily driven by a $0.4 million $0.6 million increase in interest income related to the Company's overnight repurchase agreements, investments in U.S. Treasury Bills and money market funds. Interest expense for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 decreased by $0.1 million $0.2 million, which was the result of lower overall outstanding debt balance period-over-period despite higher interest rates on outstanding debt. period-over-period. In addition, during the three months ended March 31, 2024, the Company recognized a gain of $0.5 million related to the sale of certain property and equipment compared to a $0.2 million loss recognized in 2023.

Income Taxes

The Company recorded an income tax provision benefit of $2.8 million and $1.7 million $0.3 million for the three months ended September 30, 2023 and 2022, respectively. March 31, 2024 compared to an income tax provision of $0.6 million for the three months ended March 31, 2023. The effective tax rate was 27.7% (4.5)% and 31.2% 17.2% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The U.S. federal statutory tax rate was 21% for the three months ended September 30, 2023 and 2022. The difference between the U.S. federal statutory tax rate and the Company's effective tax rate for the three months ended September 30, 2023 and 2022 period over period was primarily due to state income taxes, tax credits, other permanent adjustments and discrete tax items.

Comparison of Results of Operations In particular, the Company's effective rate for the nine months quarters ended September 30, 2023 March 31, 2024 and 2022

The following table presents operating results for 2023 are materially impacted by "excess tax benefits on stock-based compensation" recognized discretely during the nine months ended September 30, 2023 and 2022 in dollars and expressed as a percentage of total revenue (except as indicated below), as compared below:

	Nine Months Ended September 30,

	2023			2022		
(in thousands except for percentages)						
Statement of Operations Data:						
Revenue:						
GCR	$	190,329	50.9 %	$	200,921	56.9 %
ODR		183,330	49.1 %		152,378	43.1 %
Total revenue		373,659	100.0 %		353,299	100.0 %
Gross profit:						
GCR		33,560	17.6 % (1)		26,700	13.3 % (1)
ODR		52,424	28.6 % (2)		37,814	24.8 % (2)
Total gross profit		85,984	23.0 %		64,514	18.3 %
Selling, general and administrative(3)		62,433	16.7 %		56,113	15.9 %
Change in fair value of contingent consideration		464	0.1 %		1,151	0.3 %
Amortization of intangibles		1,054	0.3 %		1,184	0.3 %
Total operating income		22,033	5.9 %		6,066	1.7 %
Other expenses		(1,121)	(0.3)%		(1,800)	(0.5)%
Total consolidated income before income taxes		20,912	5.6 %		4,266	1.2 %
Income tax provision		5,407	1.4 %		1,275	0.4 %
Net income	$	15,505	4.1 %	$	2,991	0.8 %

(1) As a percentage of GCR revenue.

(2) As a percentage of ODR revenue.

(3) Included within selling, general and administrative expenses was $3.4 million and $2.0 million of stock based compensation expense for quarter. This benefit reduced the nine months ended September 30, 2023 and 2022, respectively.

Revenue

	Nine Months Ended September 30,						
	2023		2022		Increase/(Decrease)		
(in thousands except for percentages)							
Revenue:							
GCR	$	190,329	$	200,921	$	(10,592)	(5.3)%
ODR		183,330		152,378		30,952	20.3 %
Total revenue	$	373,659	$	353,299	$	20,360	5.8 %

Revenue for the nine months ended September 30, 2023 increased by $20.4 million compared to the nine months ended September 30, 2022. GCR revenue decreased by $10.6 million, or 5.3%, while ODR revenue increased by $31.0 million, or 20.3%. The Company continued to focus on improving project execution and profitability by pursuing GCR opportunities that were smaller in size, shorter in duration, and where the Company can leverage its captive design and engineering services. The increase in period over period ODR segment revenue was primarily due to the Company's continued focus on the accelerated growth of its ODR business. In addition, ODR segment revenue increased by approximately $1.5 million as a result of the ACME transaction.

Gross Profit

	Nine Months Ended September 30,						
	2023		2022		Increase/(Decrease)		
(in thousands except for percentages)							
Gross profit:							
GCR	$	33,560	$	26,700	$	6,860	25.7 %
ODR		52,424		37,814		14,610	38.6 %
Total gross profit	$	85,984	$	64,514	$	21,470	33.3 %

Total gross profit as a percentage of consolidated total revenue	23.0 %	18.3 %

The Company's gross profit for the nine months ended September 30, 2023 increased by $21.5 million compared to the nine months ended September 30, 2022. GCR gross profit increased $6.9 million, or 25.7%, primarily due to higher margins despite lower revenue. ODR gross profit increased $14.6 million, or 38.6%, due to the combination of an increase in revenue and higher margins driven by contract mix. The total gross profit percentage increased from 18.3% for the nine months ended September 30, 2022 to 23.0% for the same period ended in 2023, mainly driven by the mix of higher margin ODR segment work and becoming more selective when pursuing GCR work. From the Effective Date through September 30, 2023, the ACME Transaction generated approximately $0.4 million in gross profit, which was attributable to the ODR segment.

The Company recorded revisions in its contract estimates for certain GCR and ODR projects. During the nine months ended September 30, 2023, the Company recorded material gross profit write-ups on two GCR projects for a total of $2.2 million, inclusive of a $1.2 million write-up related to a settlement of a past claim, and one material GCR project gross profit write-down for $0.5 million and one material ODR project gross profit write-down for $0.7 million. During the nine months ended September 30, 2022, the Company recorded material gross profit write-ups on two GCR projects for a total of $2.0 million and two material GCR project gross profit write-downs for a total of $1.1 million.

Selling, General and Administrative

	Nine Months Ended September 30,			
	2023	2022	Increase/(Decrease)	
(in thousands except for percentages)				
Selling, general and administrative	$ 62,433	$ 56,113	$ 6,320	11.3 %
Total selling, general and administrative as a percentage of consolidated total revenue	16.7 %	15.9 %		

The Company's SG&A expense for the nine months ended September 30, 2023 increased by approximately $6.3 million compared to the nine months ended September 30, 2022. The increase in SG&A expense was primarily due to a $4.7 million increase associated with payroll related expenses, a $1.4 million increase in stock compensation expense and $1.0 million related to CEO transition costs, partially offset by a $1.1 million decrease in rent related expenses. SG&A expense associated with the acquired entity in the ACME Transaction from the Effective Date through September 30, 2023 was approximately $0.3 million. Additionally, SG&A expense as a percentage of revenue was 16.7% for the nine months ended September 30, 2023 and 15.9% for the nine months ended September 30, 2022.

Change in Fair Value of Contingent Consideration

The change in fair value of the Earnout Payments contingent consideration was a $0.5 million and a $1.2 million loss for the nine months ended September 30, 2023 and 2022, respectively. These increases to the contingent liability were primarily attributable to the timing component and probability of meeting the gross profit margins associated with the contingent consideration arrangements as of September 30, 2023 and 2022.

Amortization of Intangibles

	Nine Months Ended September 30,			
	2023	2022	Increase/(Decrease)	
(in thousands except for percentages)				
Amortization of intangibles (Corporate)	$ 1,054	$ 1,184	$ (130)	(11.0)%

Total amortization expense for the nine months ended September 30, 2023 and 2022 was $1.1 million and $1.2 million, respectively. See Note 5 for further information on the Company's intangible assets.

Other Expenses

	Nine Months Ended September 30,			
	2023	2022	Change	
(in thousands except for percentages)				
Other (expenses) income:				
Interest expense	$ (1,615)	$ (1,511)	$ (104)	6.9 %
Interest income	624	—	$ 624	100.0 %
Gain on disposition of property and equipment	28	262	(234)	(89.3)%
Loss on change in fair value of interest rate swap	153	298	(145)	(48.7)%
Loss on early termination of operating lease	—	(849)	849	100.0 %
Loss on early debt extinguishment	(311)	—	(311)	(100.0)%
Total other expenses	$ (1,121)	$ (1,800)	$ 679	(37.7)%

Total other expenses for the nine months ended September 30, 2023 was $1.1 million as compared to $1.8 million for the nine months ended September 30, 2022. The decrease in total other expenses was primarily driven by a $0.6 million increase in interest income related to the Company's overnight repurchase agreements, investments in U.S. Treasury

Bills and money market funds, as well as a $0.1 million offset to interest expense as a result of the Company's interest rate swap agreement. In addition, during 2022, the Company recognized a $0.8 million loss as a result of the early termination of its Pittsburgh operating lease. See Note 12 for further information. The decrease in total other expenses was partially offset by a $0.3 million loss on early debt extinguishment recognized during 2023 and an increase in interest expense due to an increase in the average interest rate on the Company's outstanding borrowings in 2023 compared to the prior year.

Income Taxes

The Company recorded an income tax provision of $5.4 million and $1.3 million for the nine months ended September 30, 2023 and 2022, respectively. The effective tax rate was 25.9% by 35.1% and 29.9% for the nine months ended September 30, 2023 and 2022, respectively. The U.S. federal statutory tax rate was 21% 10.2% for the three months ended September 30, 2023 March 31, 2024 and 2022. 2023 respectively, with the impact varying in prior years. The difference between increase in the U.S. federal statutory 2024 effective rate reduction is primarily related to the higher stock price of the Company resulting in increased tax rate and the Company's effective tax rate deductions for the nine months ended September 30, 2023 and 2022 was primarily due to state income taxes, tax credits, other permanent adjustments and discrete tax items. Company upon vesting.

GCR ODR and ODR GCR Backlog Information

The Company refers to its estimated revenue on uncompleted contracts, including the amount of revenue on contracts for which work has not begun, less the revenue it had recognized under such contracts, as “backlog.” Backlog includes unexercised contract options. The Company’s backlog includes projects that have a written award, a letter of intent, a notice to proceed or an agreed upon work order to perform work on mutually accepted terms and conditions. Additionally, the difference between the Company’s backlog and remaining performance obligations is due to the portion of unexercised contract options that are excluded, under certain contract types, from the Company’s remaining performance obligations as these contracts can be canceled for convenience at any time by the Company or the customer without considerable cost incurred by the customer. Additional information related to the Company’s remaining performance obligations is provided in Note 4.

The Company's ODR backlog as of March 31, 2024 was $158.8 million compared to $147.0 million at December 31, 2023. These amounts reflect unrecognized revenue expected to be recognized over the remaining terms of our service contracts and projects. Based on historical trends, the Company currently estimates that 92% of its ODR backlog as of March 31, 2024 will

be recognized as revenue over the remainder of 2024. The Company believes its ODR backlog increased due to its continued focus on the accelerated growth of its ODR business.

In addition, the Company's GCR backlog as of September 30, 2023 March 31, 2024 was $227.0 million $163.0 million compared to $302.9 million $186.9 million at December 31, 2022 December 31, 2023. Projects are brought into backlog once the Company has been provided a written confirmation of award and the contract value has been established. At any point in time, the Company has a substantial volume of projects that are specifically identified and advanced in negotiations and/or documentation, however those projects are not booked as backlog until the Company has received written confirmation from the owner or the GC/CM of their intention to award the Company the contract and they

have directed the Company to begin engineering, designing, incurring construction labor costs or procuring needed equipment and material. The Company’s GCR projects tend to be built over a 12- to 24-month schedule depending upon scope and complexity. Most major projects have a preconstruction planning phase which may require months of planning before actual construction commences. The Company is occasionally employed to deliver a “fast-track” project, where construction commences as the preconstruction planning work continues. As work on the Company’s projects progress, it increases or decreases backlog to take into account its estimate of the effects of changes in estimated quantities, changes in conditions, change orders and other variations from initially anticipated contract revenue, and the percentage of completion of the Company’s work on the projects. Based on historical trends, the Company currently estimates that 27% 68% of its GCR backlog as of September 30, 2023 March 31, 2024 will be recognized as revenue over the remainder of 2023. 2024. Additionally, the reduction in GCR backlog has been intentional as the Company looks to focus on higher margin projects than historically, as well as its focus on smaller, higher margin owner direct projects.

In addition, ODR backlog as of September 30, 2023 was $157.7 million compared to $108.2 million at December 31, 2022. These amounts reflect unrecognized revenue expected to be recognized over the remaining terms of our service contracts and projects. Based on historical trends, the Company currently estimates that 45% of its ODR backlog as of September 30, 2023 will be recognized as revenue over the remainder of 2023. The Company believes its ODR backlog increased due to its continued focus on the accelerated growth of its ODR business. In addition, as of September 30, 2023, ODR backlog included approximately $1.5 million of backlog associated with the operations of ACME.

Of the total backlog at September 30, 2023, the Company expects to recognize approximately $132.6 million over the remainder of 2023.

Market Update

Although the Company has been experiencing strong demand, certain events continue to impact its business, including: including global economic conditions, the inflationary cost environment, elevated labor costs and disruption in our its supply chain, the coronavirus disease 2019 (“COVID-19”) pandemic, and the ongoing conflict between Russia and Ukraine. chain. The Company expects continued to experience elevated levels of cost inflation to persist through the remainder of during 2023, which has continued into 2024, although at lower levels than experienced in 2022. 2023. These headwinds have been partially mitigated in 2023 by pricing actions taken in response to the inflationary cost environment, supply chain productivity improvements and cost savings initiatives. The effects of inflation also have also resulted in central banks raising short-term interest rates, and, as a result, which have remained at increased levels. Therefore, the Company has experienced continued to experience an increase elevation in its interest expense in 2023. While the impacts of COVID-19 on the Company's business has moderated, there still remains uncertainty around the pandemic, relative to its effect on labor or other macroeconomic factors, its severity and duration, the continued availability and effectiveness of vaccines and actions taken by third parties or by government authorities in response, including restrictions, laws or regulations, or other responses. outstanding borrowings. Also, the ongoing conflict between Russia and Ukraine, and the sanctions imposed in response to this conflict, have increased global economic and political uncertainty and the conflict in the Middle East may add to these issues.

While the impact of these factors remains uncertain, the Company continues to evaluate the extent to which they may impact its business, financial condition or results of operations. There can be no assurance that the Company's actions will serve to mitigate such impacts in future periods. Further, while the Company believes its remaining performance obligations are firm, and its customers have not provided the Company with indications that they no longer wish to proceed with planned projects, prolonged delays in the receipt of critical equipment could result in the Company's customers seeking to terminate existing or pending agreements. Any of these events could have a material adverse effect on our the Company's business, financial condition and/or results of operations.

Outlook for 2024

The Company continues to focus on creating value for building owners by targeting opportunities for long-term relationships with the vision of becoming an indispensable partner to building owners with mission-critical systems. For 2023, 2024, the Company has taken key objectives of the Company's strategy are to improve profitability and plans generate quality growth in its operations, to enable sustainable and efficient building environments, to continue taking steps to focus on the following key areas: (i) improve profitability, operating cash flows and actions oriented to maintaining sufficient liquidity, (ii) focus on ODR-related work with an emphasis on dedicated account relationships (iii) invest investing in its workforce and (iv) improve project execution and profitability in its GCR segment by remaining selective and pursuing processes that avoid or reduce exposure to jobs that create potential financial challenges for the Company. acquire strategically synergistic businesses.

In focusing on improved profitability and cash flows, among other things, generating quality growth in its operation, the Company has dedicated and continues to dedicate, its resources toward the growth of its ODR segment as the scope of services provided within the Company's ODR segment typically yield higher margins when compared to its GCR segment work. The During fiscal year 2023, the Company eclipsed its ODR-related revenue target, generating a 50/50 segment revenue mix. For 2024, the Company reaffirms its focus on expanding the number and breadth of owner relationships that it serves on a direct basis and to leverage leveraging these expanded owner-direct relationships to deliver a broad suite of services. The Company believes it maintains a disciplined approach, capable of providing a full life-cycle of engineered solutions and craft expertise enabling it to be a one-stop-shop for building owners to maximize their investments in their mission-critical assets. In addition, the Company proactively manages its current accounts and maintains a high standard of dedication continues to those account relationships. The Company's primary focus is working with

customers where their systems are mission critical and have needs regardless of the macroeconomic environment. As it relates to the Company's ODR-related work, the Company has made substantial make investments to expand its ODR revenue by increasing the value it can offer to service and maintenance customers building owners and continues to evaluate areas in which it could expand the breadth of its service offerings to better serve its clients. The Company is focused on its differentiated business model that combines engineering, craft labor and a true partner approach, all of which creates value for its customers. This differentiated business model combines elements of traditional non-residential construction, building service and maintenance, energy services, data analytics and property management. Employee development underpins the Company's efforts to execute its 2023 2024 strategy. The Company is actively concentrating managerial and sales resources on training and hiring experienced employees to sell and profitably perform ODR-related work. services. In many locations, the Company has added

Additionally,

or upgraded its capabilities and the Company believes its investments and efforts have provided customer value and stimulated growth. The Company's team members uniquely combine engineering expertise with field installation skills to provide custom solutions that leverage its full life-cycle capabilities, which allows it to address both the operational and capital projects needs of its customers.

In the Company's GCR segment, its efforts continue to focus on improving project execution and profitability by pursuing opportunities that are smaller in size and shorter in duration than historically, and where it can further increase leverage its cash flow captive design and operating income by acquiring strategically synergistic companies that will supplement the Company's current business model, address capability gaps and enhance the breadth of its service offerings to better serve its clients. engineering services. The Company has dedicated, and continues to dedicate, its resources to seek opportunities to acquire businesses that have attractive market positions, a record of consistent positive cash flow, and desirable market locations. However, as a specialty contractor providing HVAC, plumbing, electrical and building controls design, engineering, installation and maintenance services in commercial, institutional and light industrial markets, our operating cash flows are subject to variability, including variability associated with winning, performing and closing work and projects.

The Company's operating cash flows are also impacted by the timing related to the resolution of the uncertainties inherent in the complex nature of the work that it performs, including claims and back charge settlements. Although the Company believes that it has adequate plans related to providing sufficient operating working capital and liquidity in the short-term, the complex nature of the work the Company performs, including related to claims and back charge settlements could prove those plans to be incorrect. If those plans prove to be incorrect, the Company's financial position, results of operations, cash flows and liquidity could be materially and adversely impacted.

As it relates to focusing on owner-direct work and the Company's focus on job selection and processes, the Company believes that it is appropriate in the current contracting environment to reduce risk and exposure to large, complex, non-owner direct projects where the trend has been for such jobs to provide risks that are difficult to mitigate. Currently, management believes the historical industry pricing and associated risks for this type of work does not align with the Company's stakeholders' expectations, and therefore, the Company is continuing continues to take steps to actively reduce these risks as it looks at future job selection and as it completes current jobs.

Additionally, the Company believes that it can further increase its cash flow and operating income by acquiring strategically synergistic companies that will increase the Company's geographic footprint, supplement the Company's current business model, address capability gaps and enhance the breadth of its service offerings to better serve its clients. The Company has dedicated and continues to dedicate its resources to seek opportunities to acquire and integrate businesses that have attractive market positions, supports the Company ODR growth strategy, expands and/or supplements the Company's current breadth of service offerings and is culturally compatible.

Given the broad suite of services offered to customers within the Company's market concentrations, management uses a variety of factors to attempt to predict the outlook for the Company. The Company monitors key competitors and customers in order to gauge relative performance and the outlook for the future. The Company regularly performs detailed evaluations of the different market verticals in which it serves to proactively detect trends and to adapt its strategies accordingly, including potential triggers and actions to be taken under recessionary scenarios. In addition, the Company believes its backlog is indicative of future revenue and thus are a key measure of anticipated performance.

The Company continues to monitor the impact that the inflationary cost environment has on its cost structure. Although global supply chain and resource constraints have improved throughout the year, the Company’s performance may be impacted by future developments that are uncertain. In addition, geopolitical risks and macroeconomic events could cause disruptions to operations, supply chains and end markets, tightening credit conditions, higher interest rates, global banking uncertainty and the possibility of deteriorating overall economic conditions which could negatively impact the Company’s business.

Seasonality, Cyclicality and Quarterly Trends

Severe weather can impact the Company’s operations. In the northern climates where it operates, and to a lesser extent the southern climates as well, severe winters can slow the Company’s productivity on construction projects, which shifts revenue and gross profit recognition to a later period. The Company’s maintenance operations may also be impacted by mild or severe weather. Mild weather tends to reduce demand for its maintenance services, whereas severe weather may increase the demand for its maintenance and time-and-materials services. The Company’s operations also experience mild cyclicality, as building owners typically work through maintenance and capital projects at an increased level during the third and fourth calendar quarters of each year.

Effect of Inflation and Tariffs

The prices of products such as steel, pipe, copper and equipment from manufacturers are subject to fluctuation and increases. It is difficult to accurately measure the impact of inflation, tariffs and price escalation due to the imprecise nature of the estimates required. However, these effects are, at times, material to our the Company’s results of operations and financial condition. During fiscal year years 2023 and 2022, and through the third quarter of 2023, we have Company experienced higher cost of materials on specific projects and delays in our its supply chain for equipment and service vehicles from the manufacturers, and we expect these higher costs and delays in our its supply chain to persist throughout 2023. persisted in 2024. When appropriate, we include the Company includes cost escalation factors into our its bids and proposals, as well as limit the acceptance time of our its bid. In addition, we are the Company is often able to mitigate the impact of future price increases by entering into fixed price purchase orders for materials and equipment and subcontracts on our its projects. Notwithstanding these efforts, if we experience the Company experiences significant disruptions to our its supply chain, we it may need to delay certain projects that would otherwise be accretive to our its business, and this may also impact the conversion rate of our its current backlog into revenue.

Liquidity and Capital Resources

Cash Flows

The Company's liquidity needs relate primarily to the provision of working capital (defined as current assets less current liabilities) to support operations, funding of capital expenditures, and investment in strategic opportunities. Historically, liquidity has been provided by operating activities and borrowings from commercial banks and institutional lenders.

The following table presents summary cash flow information for the periods indicated:

		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022		
		2024		2024	2023
(in thousands)	*(in thousands)*				
Net cash provided by (used in):					
Net cash (used in) provided by:					
Net cash (used in) provided by:					
Net cash (used in) provided by:					
Operating activities	Operating activities	$ 43,460	$22,980		
Investing activities	Investing activities	(6,233)	(283)		
Financing activities	Financing activities	(15,803)	(8,754)		
Net increase in cash, cash equivalents and restricted cash		$ 21,424	$13,943		

Net (decrease) increase in cash, cash equivalents and restricted cash			
Noncash investing and financing transactions:	Noncash investing and financing transactions:		
Earnout liability associated with the ACME Transaction		$ 1,121	$ —
Noncash investing and financing transactions:			
Noncash investing and financing transactions:			
Right of use assets obtained in exchange for new operating lease liabilities			
Right of use assets obtained in exchange for new operating lease liabilities			
Right of use assets obtained in exchange for new operating lease liabilities	Right of use assets obtained in exchange for new operating lease liabilities	1,043	—
Right of use assets obtained in exchange for new finance lease liabilities	Right of use assets obtained in exchange for new finance lease liabilities	4,062	2,171
Right of use assets disposed or adjusted modifying operating lease liabilities		(643)	2,396
Right of use assets disposed or adjusted modifying finance lease liabilities			
Right of use assets disposed or adjusted modifying finance lease liabilities			

Right of use assets disposed or adjusted modifying finance lease liabilities	Right of use assets disposed or adjusted modifying finance lease liabilities	(77)	(77)
Interest paid	Interest paid	1,482	1,425
Cash paid for income taxes	Cash paid for income taxes	$ 6,718	$ 768

The Company's cash flows are primarily impacted period to period by fluctuations in working capital. Factors such as the Company's contract mix, commercial terms, days sales outstanding ("DSO") and delays in the start of projects may impact the Company's its working capital. In line with industry practice, the Company accumulates costs during a given month then bills those costs in the current month for many of its contracts. While labor costs associated with these contracts are paid weekly and salary costs associated with the contracts are paid bi-weekly, certain subcontractor costs are generally not paid until the Company receives payment from its customers (contractual "pay-if-paid" terms). The Company has not historically experienced a large volume of write-offs related to its receivables and contract assets. The Company regularly assesses its receivables for collectability and provides allowances for credit losses where appropriate. The Company believes that its reserves for its expected credit losses are appropriate as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, but adverse changes in the economic environment may impact certain of its customers' ability to access capital and compensate the Company for its services, as well as impact project activity for the foreseeable future.

The Company's existing current backlog is projected to provide substantial coverage of forecasted GCR revenue for one year from the date of the financial statement issuance. The Company's current cash balance, together with cash it expects to generate from future operations along with borrowings available under its credit facility, are expected to be sufficient to finance its short- and long-term capital requirements (or meet working capital requirements) for at least the next twelve months. In addition to the future operating cash flows of the Company, along with its existing borrowing availability and access to financial markets, the Company currently believes it will be able to meet any working capital and future operating requirements, and capital investment forecast opportunities for at least the next twelve months.

The following table represents our the Company's summarized working capital information:

(in thousands, except ratios)	*(in thousands, except ratios)*	**September 30, 2023**	**December 31, 2022**	***(in thousands, except ratios)***	**March 31, 2024**	**December 31, 2023**
Current assets	Current assets	$ 214,248	$ 225,990			
Current liabilities	Current liabilities	(136,541)	(159,085)			
Net working capital	Net working capital	$ 77,707	$ 66,905			
Net working capital						
Net working capital						
Current ratio (1)	Current ratio (1)	1.57	1.42			

(1) Current ratio is calculated by dividing current assets by current liabilities.

As discussed above and in Note 6, as of September 30, 2023 March 31, 2024, the Company was in compliance with all financial maintenance covenants as required by its credit facility.

Cash Flows (Used in) Provided by Operating Activities

The following is a summary of the significant (uses) sources (uses) of cash from operating activities:

Nine Months Ended September 30,	**Three Months Ended March 31,**

(*in thousands*)	(*in thousands*)	2023	2022	Cash Inflow (outflow)	(*in thousands*)	2024	2023	Cash Inflow (outflow)
Cash flows from operating activities:	**Cash flows from operating activities:**							
Net income	Net income	$15,505	$ 2,991	$ 12,514				
Net income								
Net income								
Non-cash operating activities[1]	Non-cash operating activities[1]	12,816	12,187	629				
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:							
Accounts receivable								
Accounts receivable								
Accounts receivable	Accounts receivable	21,896	(21,906)	43,802				
Contract assets	Contract assets	14,014	18,597	(4,583)				
Other current assets	Other current assets	(1,459)	698	(2,157)				
Accounts payable, including retainage	Accounts payable, including retainage	(18,703)	(53)	(18,650)				
Prepaid income taxes	Prepaid income taxes	95	(101)	196				
Accrued taxes payable	Accrued taxes payable	(1,386)	1,763	(3,149)				
Accrued taxes payable								
Accrued taxes payable								
Contract liabilities	Contract liabilities	2,312	15,810	(13,498)				
Operating lease liabilities	Operating lease liabilities	(2,803)	(3,264)	461				
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	1,997	(3,612)	5,609				
Payment of contingent consideration liability in excess of acquisition-date fair value		(1,224)	—	(1,224)				
Other long-term liabilities	Other long-term liabilities	400	(130)	530				
Cash provided by working capital		15,139	7,802	7,337				

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Net cash provided by operating activities	$43,460	$22,980	$ 20,480

Other long-term liabilities

Other long-term liabilities

Cash (used in) provided by working capital

Net cash (used in) provided by operating activities

(1) Represents non-cash activity associated with depreciation and amortization, provision for credit losses, / doubtful accounts, stock-based compensation expense, operating lease expense, amortization of debt issuance costs, deferred income tax provision, gain or loss on sale of property and equipment, loss on early termination of operating lease, changes in fair value of contingent consideration and changes in the fair value of the Company's interest rate swap.

During the nine three months ended September 30, 2023 March 31, 2024, the Company generated $43.5 million used $3.9 million in cash from for its operating activities, which consisted of cash provided by used in working capital of $15.1 million $16.2 million, partly offset by non-cash adjustments of $12.8 million $4.7 million (primarily depreciation and amortization, stock-based compensation expense, operating lease expense and the change in fair value of contingent consideration) and net income for the period of $15.5 million $7.6 million. During the nine three months ended September 30, 2022 March 31, 2023, the Company generated $23.0 million $9.4 million from its operating activities, which consisted of cash provided by working capital of $7.8 million $1.8 million, $12.2 million $4.6 million of non-cash adjustments (primarily depreciation and amortization, stock-based compensation expense, operating lease expense and the change in fair value of contingent consideration and a loss from the early termination of an operating lease) consideration) and net income for the period of $3.0 million.

The increase decrease in operating cash flows during the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 was primarily attributable to a $43.8 million $22.7 million period-over-period cash inflow outflow related to the change in accounts receivable, which was due to the timing of cash receipts, inclusive of an aggregate $25.6 million in cash receipts associated with certain outstanding claim resolutions. receipts. This cash inflow outflow was partially offset by a $18.1 million $5.4 million cash outflow

inflow period-over-period related to the aggregate change in our contract assets and liabilities and a $18.7 million $0.9 million change in accounts payable, including retainage. The increase in our the Company's overbilled position was due to the timing of contract billings and the recognition of contract revenue, as well as the successful resolution of certain outstanding claims. The cash outflows inflow associated with our the Company's accounts payable was due to the timing of cash receipts and payments.

Cash Flows Used in Investing Activities

Cash flows used in investing activities were $6.2 million $2.0 million and $0.3 million $0.8 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Cash used in investing activities for the nine three months ended September 30, 2023 of $4.9 million represented cash outflows March 31, 2024 included $2.5 million, which was primarily associated with the ACME Transaction, net purchase of cash acquired. In addition, cash used in investing activities for the nine months ended September 30, 2023 included $1.7 million, which was used certain rental equipment to purchase property and equipment, expand customer service offerings, partially offset by $0.4 million $0.6 million in proceeds from the sale of property and equipment. For the nine three months ended September 30, 2022 March 31, 2023, $0.7 million $0.9 million was used to purchase property and equipment, partially offset by $0.4 million $0.1 million in proceeds from the sale of property and equipment.

The

Aside from the rental equipment purchased during the first quarter of 2024, the majority of our the Company's cash used for investing activities in both periods was for capital additions pertaining to tools and equipment, computer software and hardware purchases, office furniture and office related leasehold improvements.

Cash Flows Used in Financing Activities

Cash flows used in financing activities were $15.8 million $5.7 million for the nine three months ended September 30, 2023 March 31, 2024 compared to $8.8 million $3.2 million for the nine three months ended September 30, 2022 March 31, 2023. During the nine three months ended September 30, 2023 March 31, 2024, as a result of the execution of the Second A&R Wintrust Credit Agreement, the Company paid off approximately $5.2 million in taxes related to net share settlement of equity awards and $0.7 million for payments on finance leases. These cash financing outflows were partially offset by $0.2 million associated with proceeds from contributions to the remaining principal portion of ESPP.

For the three months ended March 31, 2023, the Company made A&R Wintrust Term Loan of $19.0 million. Prior to the termination of the A&R Wintrust Term Loan, the Company made principal payments of $2.4 million $1.9 million, consisting of monthly installment payments of $0.6 million. In addition, the Company paid approximately , $0.8 million in taxes related to net share settlement of equity awards $2.0 million and $0.6 million for payments on finance leases, and made a $3.0 million payment to the former owners of JMLLC and

CSLLC related to the 2022 Earnout Period, of which $1.7 million was recognized as a cash outflow from financing activities. These cash financing outflows were partially offset by $10.0 million in proceeds from borrowings under the Second A&R Wintrust Revolving Loan and $0.4 million associated with proceeds from contributions to the ESPP.

For the nine months ended September 30, 2022, the Company made principal payments of $11.6 million, consisting of monthly installment payments of $0.6 million, an Excess Cash Flow payment of $3.3 million and total Net Claim Proceeds payments of $2.7 million, payments on the A&R Wintrust Revolving Loan of $15.2 million, payments of $2.1 million on finance leases, $0.4 million in taxes related to net share settlement of equity awards and $0.4 million in payments for debt issuance costs. These financing cash outflows were partly offset by $15.2 million in proceeds from borrowings under the A&R Wintrust Revolving Loan, $5.4 million in proceeds from the sale-leaseback financing transaction and $0.3 million $0.2 million associated with proceeds from contributions to the ESPP.

The following table reflects our available funding capacity, subject to covenant restrictions, as of September 30, 2023 March 31, 2024:

(in thousands)				
Cash & cash equivalents[1]			$	57,473 48,239
Credit agreement:				
Second A&R Wintrust Revolving Loan	$	50,000		
Outstanding borrowings on the Second A&R Wintrust Revolving Loan		(10,000)		
Outstanding letters of credit		(4,170)	(5,165)	
Net credit agreement capacity available				35,830 34,835
Total available funding capacity			$	93,303 83,074

[1] The Company considers all highly liquid investments purchased with a maturity of 90 days or less on the date of purchase to be cash equivalents. Cash equivalents as of September 30, 2023 March 31, 2024 consisted of certain overnight repurchase agreements, as well as money market investments and one U.S. Treasury Bill.

Cash Flow Summary

Management continued to devote additional resources to its billing and collection efforts during the nine three months ended September 30, 2023 March 31, 2024. Management continues to expect that growth in our ODR business, which is less sensitive to the cash flow issues presented by large GCR projects, should positively impact our cash flow trends.

Provided that the Company's lenders continue to provide working capital funding, the Company believes based on its current forecast that its current cash and cash equivalents of $57.5 million $48.2 million as of September 30, 2023 March 31, 2024, cash payments to be received from existing and new customers, and availability of borrowing under the Second A&R Wintrust Revolving Loan (pursuant to which we had $35.8 million $34.8 million of availability as of September 30, 2023 March 31, 2024) will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Debt and Related Obligations

Long-term debt consists of the following obligations as of:

(in thousands)	*(in thousands)*	September 30, 2023	December 31, 2022	*(in thousands)*	March 31, 2024	December 31, 2023
	A&R Wintrust Term Loan - term loan payable in quarterly installments of principal, plus interest through February 2026	—	21,453			
	Wintrust Revolving Loans	10,000	—			
	Finance leases – collateralized by vehicles, payable in monthly installments of principal, plus interest ranging from 3.96% to 8.60% through 2027	6,949	4,954			
A&R Wintrust Revolving Loans						
A&R Wintrust Revolving Loans						
A&R Wintrust Revolving Loans						

Finance leases – collateralized by vehicles, payable in monthly installments of principal, plus interest ranging from 3.96% to 8.60% through 2031			
Financing liability	Financing liability	5,351	5,351
Total debt	Total debt	22,300	31,758
Less - Current portion of long-term debt	Less - Current portion of long-term debt	(2,472)	(9,564)
Less - Unamortized discount and debt issuance costs	Less - Unamortized discount and debt issuance costs	(391)	(666)
Long-term debt	Long-term debt	$ 19,437	$ 21,528

See Note 6 for further discussion.

Surety Bonding

In connection with our its business, we are the Company is occasionally required to provide various types of surety bonds that provide an additional measure of security to our its customers for our its performance under certain government and private sector contracts. Our The Company's ability to obtain surety bonds depends upon our its capitalization, working capital, past performance, management expertise and external factors, including the capacity of the overall surety market. Surety companies consider such factors in light of the amount of our the Company's backlog that we have it has currently bonded and their current underwriting standards, which may change from time-to-time. The bonds, we provide if any, the Company provides typically reflect the contract value. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had approximately $99.7 million $90.0 million and $129.6 million $90.9 million in surety bonds outstanding, respectively. We believe The Company believes that our its $800.0 million bonding capacity provides us with a significant competitive advantage relative to many of our competitors which we believe have limited bonding capacity. See Note 13 for further discussion.

Insurance and Self-Insurance

We purchase The Company purchases workers' compensation and general liability insurance under policies with per-incident deductibles of $250,000 per occurrence. Losses incurred over primary policy limits are covered by umbrella and excess policies up to specified limits with multiple excess insurers. We accrue The Company accrues for the unfunded portion of costs for both reported claims and claims incurred but not reported. The liability for unfunded reported claims and future claims is reflected on the consolidated balance sheets as current and non-current liabilities. The liability is computed by determining a reserve for each reported claim on a case-by-case basis based on the nature of the claim and historical loss experience for similar claims plus an allowance for the cost of incurred but not reported claims. The current portion of the liability is included in accrued expenses and other current liabilities on the consolidated balance sheets. The non-current portion of the liability is included in other long-term liabilities on the consolidated balance sheets.

We are The Company is self-insured related to medical and dental claims under policies with annual per-claimant and annual aggregate stop-loss limits. We accrue The Company accrues for the unfunded portion of costs for both reported claims and claims incurred but not reported. The liability for unfunded reported claims and future claims is reflected on the consolidated balance sheets as a current liability in accrued expenses and other current liabilities. See Note 13 for further discussion.

Multiemployer Pension Plans

We participate The Company participates in approximately 40 multiemployer pension plans ("MEPPs") MEPPs that provide retirement benefits to certain union employees in accordance with various collective bargaining agreements ("CBAs"). As one of many participating employers in these MEPPs, we are the Company is responsible with the other participating employers for any plan underfunding. Our The Company's contributions to a particular MEPP are established by the applicable CBAs; however, required contributions may increase based on the funded

status of an MEPP and legal requirements of the Pension Protection Act of 2006 (the "PPA"), which requires substantially underfunded MEPPs to implement a funding improvement plan ("FIP") or a rehabilitation plan ("RP") to improve their its funded status. Factors that could impact funded status of an MEPP include, without limitation, investment performance, changes in the participant demographics, decline in the number of contributing employers, changes in actuarial assumptions and the utilization of extended amortization provisions. Assets contributed to the MEPPs by us the Company may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to an MEPP, the unfunded obligations of the MEPP may be borne by the remaining participating employers.

An FIP or RP requires a particular MEPP to adopt measures to correct its underfunding status. These measures may include, but are not limited to an increase in a company's contribution rate as a signatory to the applicable CBA, or changes to the benefits paid to retirees. In addition, the PPA requires that a 5.0% surcharge be levied on employer contributions for the first year commencing shortly after the date the employer receives notice that the MEPP is in critical status and a 10.0% surcharge on each succeeding year until a CBA is in place with terms and conditions consistent with the RP.

We The Company could also be obligated to make payments to MEPPs if we it either cease ceases to have an obligation to contribute to the MEPP or significantly reduce our reduces its contributions to the MEPP because we reduce it reduces the number of employees who are covered by the relevant MEPP for various reasons, including, but not limited to, layoffs or closure of a subsidiary assuming the MEPP has unfunded vested benefits. The amount of such payments (known as a complete or partial withdrawal liability) would equal our the Company's proportionate share of the MEPPs' unfunded vested benefits. We believe The Company believes that certain of the MEPPs in which we participate it participates may have unfunded vested benefits. Due to uncertainty regarding future factors that could trigger withdrawal liability, we are the Company is unable to determine (a) the amount and timing of any future withdrawal liability, if any, and (b) whether our its participation in these MEPPs could have a material adverse impact on our its financial condition, results of operations or liquidity.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of the Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements for assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenue and expenses during the reported period, and the accompanying notes. Management believes that its most significant estimates and assumptions have been based on reasonable and supportable assumptions and the resulting estimates are reasonable for use in the preparation of the condensed consolidated financial statements. The Company's significant estimates include estimates associated with revenue recognition on construction contracts, costs incurred through each balance sheet date, intangibles, property and equipment, fair value accounting for acquisitions, insurance reserves, income tax valuation allowances, fair value of contingent consideration arrangements and contingencies. If the underlying estimates and assumptions upon which the condensed consolidated financial statements are based change in the future, actual amounts may differ from those included in the accompanying consolidated financial statements.

Management believes there have been no significant changes during the three months ended March 31, 2024, to the items that we disclosed as our critical accounting policies and estimates in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 – Significant Accounting Policies in the accompanying notes to the Company's consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2023.

Recent Accounting Pronouncements

See Note 2 to the Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); therefore, pursuant to Item 305(e) of Regulation S-K, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. Based on that evaluation as of September 30, 2023 March 31, 2024, our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that our Company's disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

Part II

Item 1. Legal Proceedings

See Note 13 for information regarding legal proceedings.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

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

Purchases of Equity Securities by the Issuer and the Affiliated Purchasers

In September 2022, the Company announced that its Board of Directors approved the Share Repurchase Program to repurchase shares of its common stock for an aggregate purchase price not to exceed $2.0 million. The share repurchase authority is valid through September 29, 2023. Share repurchases may be executed through various means, including, without limitation, open market transactions, privately negotiated transactions or by other means in accordance with federal securities laws. The Share Repurchase Program does not obligate the Company to acquire any particular amount of common stock, and the program may be suspended or terminated by the Company at any time at its discretion without prior notice. As of September 30, 2023, approximately $2.0 million of common stock was repurchased under its Share Repurchase Program, which was funded from the Company's available cash on hand. There were no shares repurchased during the three and nine months ended September 30, 2023.

Shares Issued from the Exercise of Warrants

During the three months ended September 30, 2023, the holders of the Merger Warrants exercised 443,032 warrants on a cashless basis, which resulted in the Merger Warrants being converted into 228,945 shares of the Company's common stock. The remaining 23,167 unexercised Merger Warrants expired by their terms on July 20, 2023. During the nine months ended September 30, 2023, 600,000 $15 Exercise Price Sponsor Warrants and 606,476 Merger Warrants were exercised on a cashless basis by the holders of the warrants, which resulted in the warrants being converted into, and the Company issuing, 167,564 and 274,742 shares of the Company's common stock, respectively. The Company received no proceeds from the cashless exercise of the $15 Exercise Price Sponsor Warrants or the Merger Warrants.

The above securities were issued in reliance upon an exemption from registration pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended. None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

At our 2022 Annual Meeting Rule 10b5-1 Trading Plans

The Company's executive officers and directors may from time to time enter into plans or arrangements for the purchase or sale of Stockholders held on June 22, 2022 (the "2022 Annual Meeting") its common shares that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. During the three months ended March 31, 2024, our stockholders approved, (i) the election of two Class C members no director or officer of the Company's Board Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Directors; (ii) the approval of an amendment to the Limbach Holdings, Inc. Amended and Restated Omnibus Incentive Plan, which included an increase in the number of authorized shares under the plan by 350,000 shares of the Company's common stock, par value $0.0001 per share; (iii) a non-binding advisory vote on the compensation of the Company's named executive officers; and (iv) the ratification of the appointment of the Company's independent registered public accounting firm for the fiscal year ending December 31, 2022 (the "Stockholder Actions").The Stockholder Actions are described more fully in the Company's definitive proxy statement for the 2022 Annual Meeting, filed with the Securities and Exchange Commission ("SEC") on April 29, 2022, and the voting results from the meeting are set forth in the Company's Current Report on Form 8-K filed with the SEC on June 23, 2022. The record date established for the 2022 Annual Meeting was April 22, 2022, which exceeded by one day the maximum of 60 days by which a record date is permitted to precede a meeting of stockholders under the Delaware General Corporation Law (the "DGCL") and the Company's Amended and Restated Bylaws. As was described in the Company's Current Report on Form 8-K filed with the SEC on August 16, 2023, the Company filed a petition seeking the approval of the Delaware Court of Chancery (the "Court"), pursuant to Section 205 of the DGCL, to validate the Stockholder Actions (the "Section 205 Petition"). OnRegulation S-K.

September 18, 2023, the Court granted a final order approving all of the relief requested by the Company in the Section 205 Petition, including validation of the Stockholder Actions (the "Final Order"). After the Court granted the Final Order, the Court also dismissed a purported putative class action and derivative lawsuit (the "Action") brought against the Company by Patrick Ayers (the "Plaintiff"). The Action was related to, but independent of, the Section 205 Petition and was dismissed as moot upon validation of the Section 205 Petition. The Action was dismissed with prejudice as to the Plaintiff and is deemed resolved by the Company, other than resolving an anticipated application for an award of attorneys' fees and reimbursement of expenses from the Plaintiff's attorneys. No compensation in any form has passed directly or indirectly from the Company to the Plaintiff or the

Plaintiff's attorneys in the Action, and no promise to give any such compensation has been made. The Company is currently in the process of attempting to resolve the application for the award of attorney's fees and reimbursement of expenses for the Plaintiff's attorneys.

Item 6. Exhibits

Exhibit	Description
3.1	Conformed Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on June 23, 2023).
3.2	Certificate of Designation of Class A Preferred Stock (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on July 26, 2016).
3.3	Certificate of Correction to Certificate of Designation of Class A Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on August 24, 2016).
3.4	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on April 17, 2023).
10.1	Promotion Letter First Amendment to the Second Amended and Restated Credit Agreement, dated January 17, 2023 -Michael M. McCann as of March 13, 2024, by and among Limbach Facility Services LLC, Limbach Holdings LLC, the other Loan Parties party thereto, the Lenders party thereto and Wheaton Bank & Trust Company, N.A., as Administrative Agent and L/C Issuer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on January 17, 2023 March 13, 2023).
10.2	Promotion Letter dated January 17, 2023- Jay Sharp (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on January 17, 2023).
10.3	Promotion Letter dated January 17, 2023- Nick Angerosa (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on January 17, 2023).
10.4	Employment Transition Agreement dated January 17, 2023, by and between Limbach Facility Services LLC, Limbach Holdings, Inc. and Charles A. Bacon, III (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on January 17, 2023).
10.5	Limbach Facility Services LLC Performance Bonus Plan for Executives (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on February 3, 2023).
10.6	The Second Amended and Restated Credit Agreement dated as of May 4, 2023, by and among Limbach Facility Services LLC, a Delaware limited liability company, Limbach Holdings LLC, a Delaware limited liability company, and the direct and indirect subsidiaries of the Borrower from time to time party to the agreement, as Guarantors, the various institutions from time to time party to the agreement, as Lenders, and Wheaton Bank & Trust Company, N.A., a subsidiary of Wintrust Financial Corporation, as Administrative Agent and L/C Issuer (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on May 8, 2023).
31.1 31.1*	Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 31.2*	Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 32.1*	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 32.2*	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Document.

*Filed herewith

SIGNATURES

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.

LIMBACH HOLDINGS, INC.

/s/ Michael M. McCann

Michael M. McCann
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Jayme L. Brooks

Jayme L. Brooks
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 8, 2023 May 8, 2024

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EXHIBIT 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael M. McCann, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 of Limbach Holdings, Inc. (the "registrant");

2. Based on my knowledge, this quarterly 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 quarterly 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 quarterly report;

4. The registrant's other certifying officer(s) 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 quarterly 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(s) 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.

/s/ Michael M. McCann

Michael M. McCann

President and Chief Executive Officer

Date: November 8, 2023 May 8, 2024

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jayme L. Brooks, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 of Limbach Holdings, Inc. (the "registrant");

2. Based on my knowledge, this quarterly 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 quarterly 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 quarterly report;

4. The registrant's other certifying officer(s) 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 quarterly 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(s) 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.

/s/ Jayme L. Brooks

Jayme L. Brooks

Executive Vice President and Chief Financial Officer

Date: November 8, 2023 May 8, 2024

EXHIBIT 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the this Quarterly Report on Form 10-Q of Limbach Holdings, Inc. (the "Company") for the quarter ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Michael M. McCann, the President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the undersigned's knowledge and belief:

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

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

Date: November 8, 2023 May 8, 2024

By /s/ Michael M. McCann

Michael M. McCann, President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the this Quarterly Report on Form 10-Q of Limbach Holdings, Inc. (the "Company") for the quarter ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Jayme L. Brooks, the Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the undersigned's knowledge and belief:

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

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

Date: November 8, 2023 May 8, 2024

By /s/ Jayme L. Brooks

Jayme L. Brooks, Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

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