

# 2020

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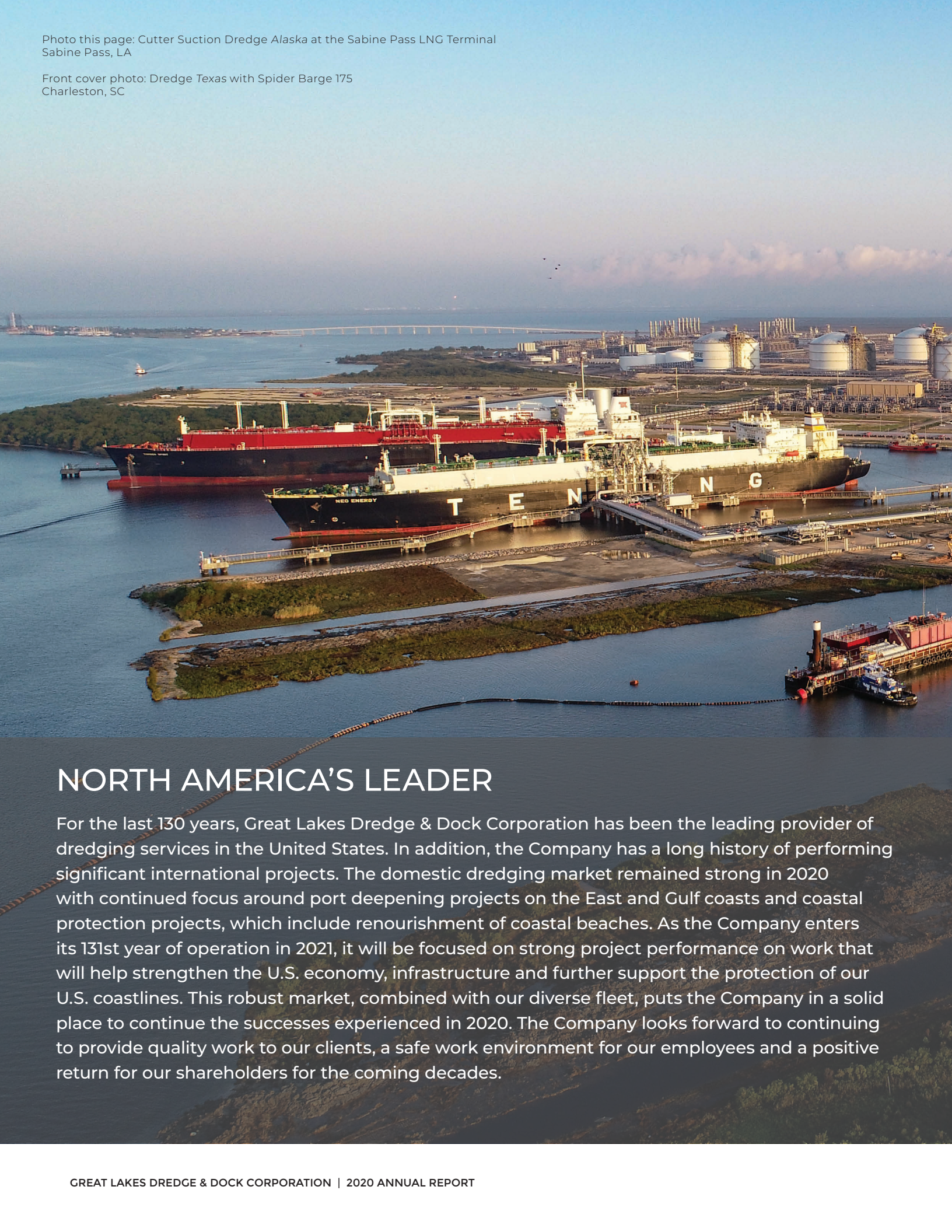
GREAT LAKES DREDGE & DOCK CORPORATION  
ANNUAL REPORT 2020





Photo this page: Cutter Suction Dredge Alaska at the Sabine Pass LNG Terminal  
Sabine Pass, LA

Front cover photo: Dredge Texas with Spider Barge 175  
Charleston, SC



## NORTH AMERICA'S LEADER

For the last 130 years, Great Lakes Dredge & Dock Corporation has been the leading provider of dredging services in the United States. In addition, the Company has a long history of performing significant international projects. The domestic dredging market remained strong in 2020 with continued focus around port deepening projects on the East and Gulf coasts and coastal protection projects, which include renourishment of coastal beaches. As the Company enters its 131st year of operation in 2021, it will be focused on strong project performance on work that will help strengthen the U.S. economy, infrastructure and further support the protection of our U.S. coastlines. This robust market, combined with our diverse fleet, puts the Company in a solid place to continue the successes experienced in 2020. The Company looks forward to continuing to provide quality work to our clients, a safe work environment for our employees and a positive return for our shareholders for the coming decades.



# FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts)

	2020	2019	2018	2017	2016
Revenue	\$ 733,601	\$ 711,518	\$ 620,795	\$ 592,159	\$ 637,468
Adjusted EBITDA from continuing operations <sup>(a)</sup>	\$ 151,058	\$ 135,590	\$ 100,419	\$ 35,195	\$ 78,662
Income (loss) from continuing operations <sup>(a)</sup>	\$ 66,103	\$ 55,668	\$ 11,015	\$ (15,368)	\$ 542
Diluted earnings (loss)**	\$ 1.00	\$ 0.86	\$ 0.17	\$ (0.25)	\$ 0.01
Total assets	\$ 958,024	\$ 897,552	\$ 730,271	\$ 832,357	\$ 893,588
Net debt***	\$ 107,225	\$ 135,848	\$ 298,992	\$ 413,502	\$ 380,380

\* Discussion and reconciliation of adjusted EBITDA from continuing operations to net income (loss) attributable to Great Lakes Dredge & Dock is included under Item 7 of our 10-K

\*\* Diluted earnings per share attributable to income from continuing operations

\*\*\* Net Debt represents outstanding debt less cash

(a) Adjusted EBITDA from continuing operations, excluding restructuring, was \$109,807 in 2018 and \$57,177 in 2017. Net income from continuing operations, excluding restructuring, was \$22,935 in 2018 and \$2,270 in 2017.





# 2020

## LETTER TO SHAREHOLDERS



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Lasse Petterson  
President & Chief Executive Officer

As I write this letter, I am reminded of all the changes, challenges and unknowns posed by the COVID-19 pandemic that we have faced throughout 2020. I am also reminded of the accomplishments and achievements that Great Lakes made in 2020 that will allow us continued success in 2021 and into the future. Therefore, before I continue, I want to thank all of our staff and crew members for their incredible dedication, perseverance, resiliency and commitment that contributed to our success throughout this challenging year. We faced the storm together and came out stronger with a good backlog, solid balance sheet, outstanding financial results and a contract placed for a new hopper dredge to continue our fleet renewal program.

To start the year, the first quarter had outstanding project performance with all vessels working and no scheduled dry docks, which generated record-breaking quarter results. In March, COVID-19 hit and we as a country and the entire world faced a pandemic that impacted every facet of our lives. During this unprecedented crisis, Great Lakes was fortunate to be able to continue working as a federally designated "Critical Infrastructure" company. As our staff transitioned to a remote working environment and our project operation staff and vessel crew members adjusted to new shift schedules, we continued to work and we stayed on track. We hoped for a quick resolution, yet we prepared for the worst, and as we have seen, the pandemic continued for the remainder of 2020 and is still impacting our lives. As stated, the health and safety of our employees was

our top priority. Great Lakes Incident & Injury Free® (IIF®) safety management program across the Company enabled us to respond quickly to COVID-19 challenges and allowed us to effectively respond to the crisis. We continued to focus on strong project performance, while ensuring the safety of our crew members and employees. We also continued to expect all projects to meet or exceed the established environmental and safety standards. Our ambition is to leave the areas that we touch in a better state as a result of the work that we perform. To support this philosophy, we continue to build relationships with all stakeholders, including non-government organizations and conservation groups, to focus on the protection of our marine environment. Our 2020 Environmental, Social and Governance report can be found on our website at [www.gldd.com](http://www.gldd.com).

Despite the challenges we faced, we are completing the year with net income from continuing operations of \$66.1 million, Adjusted EBITDA of \$151.1 million and a net debt balance of \$107.2 million. Our strong cash flow and balance sheet, and substantial liquidity, allowed us to not only withstand the economic storm as a result of the pandemic, but positioned us well to invest in our future. In 2020, we contracted to build a new mid-size hopper dredge, we upgraded several large cutter dredges, we decided to move our headquarters to Houston to be closer to our markets and clients and we invested in our shareholders through a \$75 million share repurchase program.



Dredge *Liberty Island*  
Great Egg Harbor, NY



Dredge *Ohio* preparing for return to the U.S.  
Bahrain



Beach Pump Out  
Charlotte County, FL



The domestic dredging market remained strong in 2020 despite the pandemic. We expect this trend to continue for the coming years as the market continues to be driven by projects for the U.S. Army Corps of Engineers, which include the large-scale port deepening projects along the East and Gulf coasts, as well as coastal protection projects, including the renourishment of coastal beaches that have been damaged after the major hurricane events of the past few years. In September, Great Lakes was awarded a \$105 million contract on the Jacksonville Harbor Construction Dredging Project. We expect to see the continuation of port deepening projects coming to bid similar to Jacksonville in the ports of Houston, Boston, Norfolk, Port Everglades, Corpus Christi and Mobile in the upcoming year. The market continues to improve for private clients, in particular in the energy industry, LNG and offshore wind. Late in 2020, we were pleased to announce the signing of the largest contract in Great Lakes' history for the Brownsville LNG project.

To meet the increased demand, in June 2020, Great Lakes announced the execution of a contract with Conrad Shipyard in Louisiana to build a new mid-sized hopper dredge, with expected delivery in the first quarter of 2023. This highly automated new build vessel will increase the capabilities of our hopper fleet in the coastal protection and maintenance markets. This build is presently on schedule and on budget. With this strategic build and ongoing productivity upgrades to our existing domestic dredges, we believe our fleet is well equipped to meet current demand and future growth in the market.

In addition to fleet improvements, in 2020, we announced the relocation of our corporate offices to Houston, Texas, from Oakbrook Terrace, Illinois. This move puts the Company closer to key regional markets, especially the Gulf Coast and the Mississippi River. To further support our strategy, earlier in the year the Company opened regional offices in Jacksonville, Florida, Staten Island, New York, and Houston, Texas, which have been historic market centers and important U.S. Army Corps district locations. These new

headquarters and regional office locations reflect our client-focused initiatives and growth potential, basing us closer to most of our public and private business opportunities and strengthening our efforts to attract and retain a specialized workforce. This is a significant step for the Company and one that will allow us to grow in the future.

While we continue to be focused on our core business, we are also exploring new opportunities that fit our core capabilities. Looking to the future, offshore wind presents an exciting new opportunity for Great Lakes. We believe this renewable energy resource will gain significant momentum in the U.S. in the coming years. Great Lakes announced in December that we are moving forward with the design and development of the first U.S. flagged Jones Act compliant, inclined fall-pipe vessel for subsea rock installation for the wind mill foundations. This vessel would represent a significant critical advancement in building the future of the new U.S. offshore wind industry and we believe this is the optimal time for us to leverage our extensive specialized vessel expertise to enter this exciting market now coming to the United States. We are committed to safe and sustainable operations and excited to make history with this landmark vessel.

Although we enter a new year still being challenged by the pandemic, we are confident that the decisions we made over the past year positioned Great Lakes well going into 2021. Great Lakes Dredge & Dock Corporation is the United States' premier dredging company and we will strengthen this position by continuously improving and ensuring that we are creating shareholder value while executing on our projects safely and efficiently.

On behalf of the executive leadership team and our Board of Directors, we are thankful to you, our shareholders; your commitment is valued and appreciated.



Dredge *Ellis Island* at Mississippi Coastal Improvement Program (MSCIP) Beach Nourishment, Ph. III  
Off Gulfport / Biloxi, MS



Crews from Spider Barge 175-185 and Derrick 1700  
Charleston Harbor Deepening



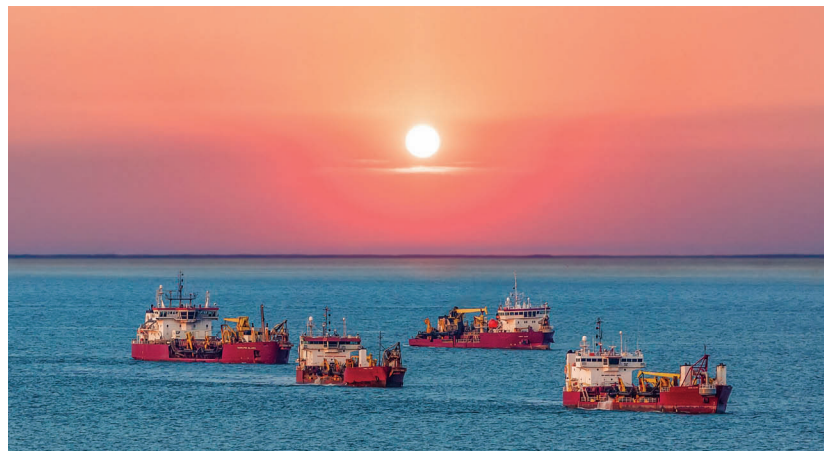
# INVESTING IN OUR FUTURE



*In 2020, GLDD contracted for the building of two new Multicat vessels (photo above left), to assist dredging operations and greatly increase the level of safety for our crews. Also contracted in 2020 was a new 6,500-cubic-yard capacity Trailing Suction Hopper Dredge (photo above right), with an expected delivery date of Q1 2023.*



Unloader No. 2  
Poplar Island, Chesapeake Bay, MD



Dredges Terrapin Island, Padre Island, Liberty Island, and Dodge Island  
York Spit Channel, VA



Mississippi Coastal Improvement Program (MSCIP) Beach Nourishment, Ph. III  
Off Gulfport / Biloxi, MS



Dredge Iowa  
Vicksburg, MS





# 2020 FORM 10-K

GREAT LAKES DREDGE & DOCK CORPORATION



Dredge Ellis Island Offshore Pumping  
Emerald Isle, NC  
Photo: Brad Styron







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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020  
or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 001-33225



Great Lakes Dredge & Dock Corporation  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
9811 Katy Freeway, Suite 1200, Houston, TX  
(Address of principal executive offices)

20-5336063  
(I.R.S. Employer  
Identification No.)  
77024  
(Zip Code)

(346) 359-1010

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, (Par Value \$0.0001)	GLDD	Nasdaq Stock Market, LLC

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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, 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of voting stock held by non-affiliates of the Registrant was \$586,573,144 at June 30, 2020. The aggregate market value was computed using the closing price of the common stock as of June 30, 2020 on the Nasdaq Stock Market. (For purposes of a calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.)

As of February 19, 2021, 65,120,437 shares of Registrant's Common Stock, par value \$.0001 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part of 10-K  
Part III

Documents Incorporated by Reference

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2021 Annual Meeting of Stockholders.



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### **Cautionary Note Regarding Forward-Looking Statements**

Certain statements in this Annual Report on Form 10-K may constitute “forward-looking” statements as defined in Section 27A of the Securities Act of 1933 (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), the Private Securities Litigation Reform Act of 1995 (the “PSLRA”) or in releases made by the Securities and Exchange Commission (“SEC”), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Great Lakes Dredge & Dock Corporation and its subsidiaries (“Great Lakes”), or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “would,” “could,” “should,” “seeks,” or “scheduled to,” or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws. Great Lakes cautions investors that any forward-looking statements made by Great Lakes are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to Great Lakes, include, but are not limited to, risks and uncertainties that are described in Item 1A. “Risk Factors” of this Annual Report on Form 10-K for the year ended December 31, 2020, and in other securities filings by Great Lakes with the SEC.

Although Great Lakes believes that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any forward-looking statements. Great Lakes’ future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in this Annual Report on Form 10-K are made only as of the date hereof and we do not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

## Part I

### Item 1. Business

The terms “we,” “our,” “ours,” “us,” “Great Lakes” and “Company” refer to Great Lakes Dredge & Dock Corporation and its subsidiaries.

#### Organization

Great Lakes is the largest provider of dredging services in the United States. In addition, the Company has a long history of performing significant international projects. The Company was founded in 1890 as Lydon & Drews Partnership and performed its first project in Chicago, Illinois. The Company changed its name to Great Lakes Dredge & Dock Company in 1905 and was involved in a number of marine construction and landfill projects along the Chicago lakefront and in the surrounding Great Lakes region. Great Lakes now provides dredging services in the East and Gulf Coasts of the United States and worldwide.

The Company operates in one operating segment, which is also the Company’s sole reportable segment and reporting unit.

During the second quarter of 2019, the Company completed the sale of its historical environmental & infrastructure business. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations and assets and liabilities held for sale and is no longer reflected in continuing operations. Refer to Note 14, “Business dispositions,” to the Company’s consolidated financial statements included in Item 15 of this Annual Report on Form 10-K.

#### Operations

Dredging generally involves the enhancement or preservation of the navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. Domestically, our work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. The Company’s “bid market” is defined as the aggregate dollar value of domestic dredging projects on which the Company bid or could have bid if not for capacity constraints or other considerations. The Company experienced an average combined bid market share in the U.S. of 39% over the prior three years, including 56%, 53%, 16% and 45% of the domestic capital, coastal protection, maintenance and rivers & lakes sectors, respectively.

Over its 130 year history, the Company has grown to be a leader in capital, coastal protection and maintenance dredging in the United States and is one of the oldest and most experienced dredging companies in the country. In addition, the Company has a long history of performing significant international projects. Over the prior three years, foreign dredging operations accounted for an average of 6% of the Company’s dredging revenues. The Company’s foreign projects are typically categorized in the capital work type, but are not included in the aforementioned bid market.

*Capital (domestic is 46% of 2020 revenues).* Capital dredging consists primarily of port expansion projects, which involve the deepening of channels and berthing basins to allow access by larger, deeper draft ships and the provision of land fill used to expand port facilities. In addition to port work, capital projects also include coastal restoration and land reclamations, trench digging for pipelines, tunnels and cables, and other dredging related to the construction of breakwaters, jetties, canals and other marine structures. Although capital work can be impacted by budgetary constraints and economic conditions, these projects typically generate an immediate economic benefit to the ports and surrounding communities.

*Coastal protection (27% of 2020 revenues).* Coastal protection projects generally involve moving sand from the ocean floor to shoreline locations where erosion threatens shoreline assets. Beach erosion is a continuous



problem that has intensified with the rise in coastal development and has become an important issue for state and local governments concerned with protecting beachfront tourism and real estate. Coastal protection via beach nourishment is often viewed as a better response to erosion than trapping sand through the use of sea walls and jetties, or relocating buildings and other assets away from the shoreline. Generally, coastal protection projects take place during the fall and winter months to minimize interference with bird and marine life migration and breeding patterns as well as coastal recreation activities.

*Maintenance (20% of 2020 revenues).* Maintenance dredging consists of the re-dredging of previously deepened waterways and harbors to remove silt, sand and other accumulated sediments. Due to natural sedimentation, most channels generally require maintenance dredging every one to three years, thus creating a recurring source of dredging work that is typically non-deferrable if optimal commercial navigability is to be maintained. In addition, severe weather such as hurricanes, flooding and droughts can also cause the accumulation of sediments and drive the need for maintenance dredging.

*Foreign (4% of 2020 revenues).* Foreign capital projects typically involve land reclamations, channel deepening and port infrastructure development. The Company targets foreign opportunities that are well suited to the Company's equipment and where it faces reduced competition from its European competitors. Maintaining a presence in foreign markets has enabled the Company to diversify its customer base and take advantage of differences in global economic development. Over the last two decades, the Company has performed dredging work in the Middle East, Africa, Australia, the Caribbean and Central and South America.

*Rivers & lakes (3% of 2020 revenues).* Domestic rivers and lakes dredging and related operations typically consist of lake and river dredging, inland levee and construction dredging, environmental restoration and habitat improvement and other marine construction projects. Although the Mississippi River has a large source of projects on which the Company bids, certain dredges used on these projects are more portable and able to be transported to take advantage of the fragmented market. Generally, inland river and lake projects in the northern U.S. take place in non-winter months because frozen waterways significantly reduce contractors' ability to operate and transport its equipment in the relevant geographies.

### ***Demand Drivers***

The Company believes that the following factors are important drivers of the demand for its services:

- *Deep port capital projects.* Most of the East Coast and Gulf ports have expansion plans that include deepening and widening in order to better compete for international trade. International trade, particularly in the intermodal container shipping business, has been undergoing significant change as a result of the Panama Canal expansion, which was completed in 2016. Many shipping lines have announced plans to deploy larger ships which, due to the channel dimension requirements, currently would not be able to use many U.S. ports. The first phase of a multi-year deepening effort of the Savannah Harbor Expansion Project was completed in 2018. Dredging commenced on two Charleston Entrance Channel projects during 2018 and the Company was successful in securing an additional phase of deepening. All three projects are expected to continue through 2021. The ports of Los Angeles and Long Beach are resuming expansion efforts to remain competitive with deepened East Coast ports. Deepening projects in Boston, Jacksonville, Tampa and Corpus Christi were awarded in 2018. Further, projects to deepen the Mississippi River and Port of Norfolk, Virginia are being expedited. In addition, during the fourth quarter of 2018, the President signed America's Water Infrastructure Act of 2018/Water Resources Development Act ("WRDA 2018") into law. The Company views the bill as a positive catalyst for the domestic dredging industry as it authorizes funding for critical infrastructure improvements that are needed throughout the U.S. Further, the bill authorizes studies for future water resources improvements and makes modifications to previous authorizations. The Company believes that port deepening and expansion work authorized under current and anticipated future legislation will continue to provide significant opportunities for the domestic dredging industry.

- Gulf coast restoration.* There has been continued focus on restoring the barrier islands and wetlands that provide natural protection from storms in the Gulf Coast area. Many restoration projects have commenced to repair coastal areas. Several additional projects are being planned by state and local governments to restore natural barriers. The State of Louisiana has completed a master plan calling for a \$50 billion investment in its coastal infrastructure, with a significant portion involving dredging. Additionally, during October 2015, BP plc settled the final Deepwater Horizon oil spill claims for approximately \$20 billion. This amount reflects the preliminary agreement which was reached in the second quarter of 2015 and includes \$5.5 billion related to Clean Water Act penalties. Several state and local governments have already reached agreements that resolve their claims in the disaster. During 2019, the Company was awarded an additional phase of the Mississippi coastal restoration project in the Gulf of Mexico. In 2020, the Company was awarded two coastal restoration projects in Louisiana by the Louisiana Coastal Protection and Restoration Agency. This work will be performed in 2021. Many of the Gulf States previously committed to spending a portion of the fines received to repair the natural resources impacted by the oil spill including on coastal restoration projects that include dredging. Although the bulk of the fines are to be paid over the next decade, the Company expects several coastal restoration projects envisioned by the Gulf States to come to fruition in the next couple of years providing a new source of domestic capital dredging projects on which the Company will bid. The annual bid market for domestic capital dredging, which includes deep port capital dredging and Gulf Coast restoration, averaged \$529 million over the prior three years.
- Substantial need for coastal protection.* Beach erosion is a recurring problem due to the normal ebb and flow of coastlines as well as the effects of severe storm activity. Growing populations in coastal communities and vital beach tourism are drawing attention to the importance of protecting beachfront assets. Over the past few years, both the federal government and state and local entities have funded beach work recognizing the essential role these natural barriers play in absorbing storm energy and protecting public and private property. With continued funding available for projects in the Northeast from the Superstorm Sandy supplemental appropriations, the Company expects to continue to see an increase in projects let for bid in the coastal protection market. As a result of the extreme storm systems in 2017 involving Hurricanes Harvey, Irma, and Maria, the Federal Government passed supplemental appropriations for disaster relief and recovery which includes \$17.4 billion for the U.S. Army Corps of Engineers (the “Corps”) to fund projects that will reduce the risk of future damage from flood and storm events. The Corps is progressing with its plans for this funding, and it is currently believed that over \$1.8 billion is expected to be added to its dredging related budget over the next few years. Most of this work is anticipated to be coastal protection related, but some funding has been provided for channel maintenance. During 2019, Congress passed an additional \$3.3 billion of supplemental appropriations for disaster relief funding as a result of Hurricane Florence and Hurricane Michael and that work is in process. The annual bid market for coastal protection over the prior three years averaged \$353 million.
- Required maintenance of U.S. ports.* The channels and waterways leading to U.S. ports have stated depths on which shippers rely when entering those ports. Due to naturally occurring sedimentation and severe weather, active channels require maintenance dredging to ensure that stated depths are at authorized levels. Consequently, the need to maintain channel depth creates a recurring source of dredging work that is non-deferrable if optimal navigability is to be preserved. The Corps is responsible for federally funded projects related to navigation and flood control of U.S. waterways. The maritime industry, including the ports, has repeatedly advocated for congressional efforts to ensure that a fully funded, recurring maintenance program is in place. In March 2018, Congress approved and the President signed an omnibus spending bill through fiscal year 2018. The spending bill continues the increases in the budget for the Corps and exceeds the increase in Harbor Maintenance Trust Fund (“HMTF”) spending for maintenance dredging as required by the 2014 Water Resources and Development Act. As noted above, WRDA 2018 was signed into law during the fourth quarter of 2018. Similar to past versions of the bill, WRDA 2018 language calls for full use of the HMTF for its intended purpose of maintaining future access to the waterways and ports that support our nation’s



economy. Further, WRDA 2018 ensures that Harbor Maintenance Tax (“HMT”) funding targets will increase by three percent over the prior year, even if the HMT revenue estimates decrease, to continue annual progress towards full use of the HMT by 2025. Additionally, on March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) which includes a provision that lifts caps on the HMTF, thereby allowing full access to future annual revenues. Through the increased appropriation of HMTF monies, the Company anticipates increased funding for harbor maintenance projects to be let for bid and an increase in maintenance dredging projects to be let for bid throughout 2021 and beyond. Congress has improved spending from the HMTF by providing the Corps with record annual budgets including 91% utilization of the HMTF in fiscal year 2020 and 92% in the recently passed fiscal year 2021 budget. The annual bid market for maintenance dredging over the prior three years averaged \$652 million.

- *Need to maintain safe navigability of the U.S. river system.* There are over 12,000 miles of commercially navigable inland waterways that move more than 566 million tons of commercial goods annually. Transportation by barge requires less energy, and therefore is both better for the environment and a more cost efficient way to move cargo than transportation by airplane, railcar or truck. Many industries rely on safe navigability of U.S. inland waterways as a primary means to transport goods and commodities such as coal, chemicals, petroleum, minerals, stones, metals and agricultural products. Natural sedimentation and other circumstances require that the inland waterway system be periodically dredged so that it can be used as intended. The Corps recognizes the need to maintain the safe navigability of U.S. waterways. The annual bid market for rivers and lakes dredging over the prior three years averaged \$71 million.
- *Domestic and international energy transportation.* The growth in demand for transportation of energy worldwide has driven the need for dredging to support new terminals, harbors, channels and pipelines. In addition, several Liquefied Natural Gas (“LNG”), petrochemical and crude oil projects are creating the need for port development in support of energy exports. The significant drop in crude oil prices during recent years may lead to a slowdown in the development of LNG export plants; however, the Company continues to expect that future global energy demand will necessitate improvements in the infrastructure base around sources of rich resources and in countries that import or export global energy.

For additional details regarding Operations, including financial information regarding our international and U.S. revenues and long-lived assets, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Item 8. “Financial Statements and Supplementary Data” in this Annual Report on Form 10-K.

## **Customers**

The dredging industry’s customers include federal, state and local governments, foreign governments and both domestic and foreign private concerns, such as utilities, oil and other energy companies. Most dredging projects are competitively bid, with the award going to the lowest qualified bidder. Customers generally have few economical alternatives to dredging services. The Corps is the largest dredging customer in the U.S. and has responsibility for federally funded projects related to navigation and flood control. In addition, the U.S. Coast Guard and the U.S. Navy are responsible for awarding federal contracts with respect to their own facilities. In 2020, approximately 79% of the Company’s dredging revenues were generated from 38 different contracts with federal agencies or third parties operating under contracts with federal agencies.

As a result of COVID-19, the U.S. Department of Homeland Security federally designated the Company as an essential business or “critical infrastructure” company that can maintain operations during the ongoing pandemic. As mentioned above, the Corps oversees the majority of these critical infrastructure projects and, in this capacity, has continued to follow their bid schedule and prioritize all types of dredging including port

maintenance and expansion and coastal protection projects that are necessary to avoid potential storm damage during the current hurricane season. Despite the uncertainty surrounding COVID-19, to date, the Corps is continuing to advertise new projects and the Company's project work is largely uninterrupted.

### **Bidding Process**

Most of the Company's contracts are obtained through competitive bidding on terms specified by the party inviting the bid. The types of equipment required to perform the specified service, project site conditions, the estimated project duration, seasonality, location and complexity of a project affect the cost of performing the contract and the price that dredging contractors will bid.

For contracts under its jurisdiction, the Corps typically prepares a fair and reasonable cost estimate based on the specifications of the project. To be successful, a bidder must be determined by the Corps to be a responsible bidder (i.e., a bidder that generally has the necessary equipment and experience to successfully complete the project as well as the ability to obtain a surety bid bond) and submit the lowest responsive bid that does not exceed 125% of the Corps' original estimate. Contracts for state and local governments are generally awarded to the lowest qualified bidder. Contracts for private customers are awarded based on the contractor's experience, equipment and schedule, as well as price. While substantially all of the Company's contracts are competitively bid, some government contracts are awarded through a sole source procurement process involving negotiation between the contractor and the government, while other projects are bid by the Corps through a "request for proposal" process. The request for proposal process benefits both Great Lakes and its customers as customers can award contracts based on factors beyond price, including experience, skill and specialized equipment.

### **Bonding and Foreign Project Guarantees**

For most domestic projects and some foreign projects, dredging service providers are required to obtain three types of bonds: bid bonds, performance bonds and payment bonds. These bonds are typically provided by large insurance companies. A bid bond is required to serve as a guarantee so that if a service provider's bid is chosen, the service provider will sign the contract. The amount of the bond is typically 20% of the service provider's bid, with a range generally between \$1 and \$10 million. After a contract is signed, the bid bond is replaced by a performance bond, the purpose of which is to guarantee that the job will be completed. If the service provider fails to complete a job, the bonding company would be required to complete the job and would be entitled to be paid the contract price directly by the customer. Additionally, the bonding company would be entitled to be paid by the service provider for any costs incurred in excess of the contract price. A service provider's ability to obtain performance bonds with respect to a particular contract depends upon the size of the contract, as well as the size of the service provider and its financial position. A payment bond is required to protect the service provider's suppliers and subcontractors in the event that the service provider cannot make timely payments. Payment bonds are generally written at 100% of the contract value.

The Company has bonding agreements with Argonaut Insurance Company, Berkley Insurance Company, Chubb Surety and Liberty Mutual Insurance Company, (collectively, the "Sureties") under which the Company can obtain performance, bid and payment bonds. The Company also has outstanding bonds with Travelers Casualty and Surety Company of America and Zurich American Insurance Company ("Zurich"). Great Lakes has never experienced difficulty in obtaining bonding for any of its projects and Great Lakes has never failed to complete a marine project in its 130 year history. For most foreign dredging projects, letters of credit or bank guarantees issued by foreign banks are required as security for the bid, performance and, if applicable, advance payment guarantees. The Company obtains its letters of credit under the Amended Credit Agreement (as defined below). Foreign bid guarantees are usually 2% to 5% of the service provider's bid. Foreign performance and advance payment guarantees are each typically 5% to 10% of the contract value.

### **Competition**

The U.S. dredging industry is highly fragmented with approximately 250 entities in the U.S. presently operating more than 850 dredges, primarily in maintenance dredging. Most of these dredges are smaller and



service the inland, as opposed to coastal, waterways, and therefore do not generally compete with Great Lakes except in our rivers & lakes market. Competition is determined by the size and complexity of the job; equipment bonding and certification requirements; and government regulations. Competition on rivers & lakes projects is determined primarily based on geographic reach, project execution capability and price. Great Lakes and three other companies comprised approximately 80% of the Company's defined bid market related to domestic capital, coastal protection, maintenance and rivers & lakes over the prior three years. Within the Company's bid market, competition is determined primarily on the basis of price. In addition, the Foreign Dredge Act of 1906 (the "Dredging Act") and Section 27 of the Merchant Marine Act of 1920 (the "Jones Act") provide significant barriers to entry with respect to foreign competition. Together these two laws prohibit foreign-built, chartered or operated vessels from competing in the U.S. See "Business—Government Regulations" below.

Competition in the international market is dominated by four large European dredging companies all of which operate larger equipment and fleets that are more extensive than the Company's fleet. Additionally, a large Chinese dredging company has emerged as a key player in the international market. There are also several governmentally supported dredging companies that operate on a local or regional basis. The Company targets opportunities that are well suited to its equipment and where it can be most competitive.

## **Equipment**

Great Lakes' fleet of dredges, material barges and other specialized equipment is the largest and most diverse in the U.S. The Company operates three principal types of dredging equipment: hopper dredges, hydraulic dredges and mechanical dredges.

*Hopper Dredges.* Hopper dredges are typically self-propelled and have the general appearance of an ocean-going vessel. The dredge has hollow hulls, or "hoppers," into which material is suctioned hydraulically through drag-arms. Once the hoppers are filled, the dredge sails to the designated disposal site and either (i) bottom dumps the material or (ii) pumps the material from the hoppers through a pipeline to a designated site. Hopper dredges can operate in rough waters, are less likely than other types of dredges to interfere with ship traffic, and can be relocated quickly from one project to another. Hopper dredges primarily work on coastal protection and maintenance projects. In the second quarter of 2020, the Company announced and made a down-payment for a contract to build a 6,500 cubic yard trailing suction hopper dredge with expected delivery in the first quarter of 2023.

*Hydraulic Dredges.* Hydraulic dredges remove material using a revolving cutterhead which cuts and churns the sediment on the channel or ocean floor and hydraulically pumps the material by pipe to the disposal location. These dredges are very powerful and can dredge some types of rock. Certain dredged materials can be directly pumped for miles with the aid of multiple booster pumps. Hydraulic dredges work with an assortment of support equipment, which help with the positioning and movement of the dredge, handling of the pipelines and the placement of the dredged material. Unlike hopper dredges, relocating hydraulic dredges and all their ancillary equipment requires specialized vessels and additional time, and their operations can be impacted by ship traffic and rough waters. There is a wide range of hydraulic dredges from our smaller rivers & lakes vessels that use pipe sizes ranging from 10" to 22" and operate at between 365 and 3,200 total horsepower, while the Company's other hydraulic dredges use pipe sizes ranging from 18" to 30" and operate at between 1,900 and 16,650 total horsepower.

*Mechanical Dredges.* There are two basic types of mechanical dredges: clamshell and backhoe. In both types, the dredge uses a bucket to excavate material from the channel or ocean floor. The dredged material is placed by the bucket into material barges, or "scows," for transport to the designated disposal area. The scows are emptied by bottom-dumping, direct pump-out or removal by a crane with a bucket. The backhoe dredge is capable of removing hard-packed sediments, blasted rock and debris and can work in tight areas such as along docks or terminals. Clamshell dredges with specialized buckets are ideally suited to handle softer silts and maintenance material requiring environmentally controlled excavation and disposal. Additionally, the Company owns an electric clamshell dredge which provides an advantage in those markets with stringent emissions standards.

*Scows.* The Company has the largest fleet of material barges in the domestic industry, which provides cost advantages when dredged material is required to be disposed far offshore or when material requires controlled disposal. The Company uses scows with its hydraulic dredges and mechanical dredges. Scows are an efficient and cost effective way to move material and increase dredging production. The Company has twelve scows in its fleet with a capacity ranging from 5,000 to 8,800 cubic yards. The Company is currently in the process of building three new scows, each 7,100 cubic yards in size.

In addition, the Company has numerous pieces of smaller equipment that support its dredging operations. Great Lakes' domestic dredging fleet is typically positioned on the East and Gulf Coasts, with a smaller number of vessels occasionally positioned on the West Coast, and with many of the rivers & lakes dredges on inland rivers and lakes. The mobility of the fleet enables the Company to move equipment in response to changes in demand.

The Company continually assesses its need to upgrade and expand its dredging fleet to take advantage of improving technology and to address the changing needs of the dredging market.

The Company is also committed to a reliability-assured maintenance program, which it believes is reflected in the long lives of most of its equipment and its low level of unscheduled downtime on jobs. To the extent that market conditions warrant the expenditures, Great Lakes can prolong the useful life of its vessels.

Certification of equipment by the U.S. Coast Guard and establishment of the permissible loading capacity by the American Bureau of Shipping ("A.B.S.") are important factors in the Company's dredging business. Many projects, such as coastal protection projects with offshore sand borrow sites and dredging projects in exposed entrance channels or with offshore disposal areas, are restricted by federal regulations to be performed only by dredges or scows that have U.S. Coast Guard certification and a load line established by A.B.S. The certifications indicate that the dredge is structurally capable of operating in open waters. The Company has more certified dredging vessels than any of the Company's domestic competitors and makes substantial investments to maintain these certifications.

### **Seasonality**

Seasonality generally does not have a significant impact on the Company's operations. However, many East Coast coastal protection projects are limited by environmental windows that require work to be performed in winter months to protect wildlife habitats. The Company can mitigate the impact of these environmental restrictions to a certain extent because the Company has the flexibility to reposition its equipment to project sites, if available, that are not limited by these restrictions. In addition, rivers and lakes in the northern U.S. freeze during the winter, significantly reducing the Company's ability to operate and transport its equipment in the relevant geographies. Fish spawning and flooding can affect dredging operations as well.

### **Weather**

The Company's ability to perform its contracts may depend on weather conditions. Inclement or hazardous weather conditions can delay the completion of a project, can result in disruption or early termination of a project, unanticipated recovery costs or liability exposure and additional costs. As part of bidding on fixed-price contracts, the Company makes allowances, consistent with historical weather data, for project downtime due to adverse weather conditions. In the event that the Company experiences adverse weather beyond these allowances, a project may require additional days to complete, resulting in additional costs and decreased gross profit margins. Conversely, favorable weather can accelerate the completion of the project, resulting in cost savings and increased gross profit margins. Typically, Great Lakes is exposed to significant weather in the first and fourth quarters, and certain projects are required to be performed in environmental windows that occur during these periods. See "Business-Seasonality" above.



Weather is difficult to predict and historical records exist for only the last 100-125 years. Changes in weather patterns may cause a deviation from project weather allowances on a more frequent basis and consequently increase or decrease gross profit margin, as applicable, on a project-by-project basis. In a typical year, the Company works on many projects in multiple geographic locations and experiences both positive and negative deviations from project weather allowances.

## **Backlog**

The Company's contract backlog represents its estimate of the revenues that will be realized under the portion of the contracts remaining to be performed. These estimates are based primarily upon the time and costs required to mobilize the necessary assets to and from the project site, the amount and type of material to be dredged and the expected production capabilities of the equipment performing the work. However, these estimates are necessarily subject to variances based upon actual circumstances. Because of these factors, as well as factors affecting the time required to complete each job, backlog is not always indicative of future revenues or profitability. In addition, a significant amount of the Company's backlog relates to federal government contracts, which can be canceled at any time without penalty, subject to the Company's right, in some cases, to recover the Company's actual committed costs and profit on work performed up to the date of cancellation. The Company's backlog may fluctuate significantly from quarter to quarter based upon the type and size of the projects the Company is awarded from the bid market. A quarterly increase or decrease of the Company's backlog does not necessarily result in an improvement or a deterioration of the Company's business. The Company's backlog includes only those projects for which the Company has obtained a signed contract with the customer. The components of the Company's backlog including dollar amount and other related information are addressed in more detail in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Bidding Activity and Backlog."

## **Human Capital Management**

At December 31, 2020, the Company employed 405 full-time salaried personnel in the U.S., including those in a corporate function. In addition, the Company employs U.S. hourly personnel, most of whom are unionized, on a project-by-project basis. Crews are generally available for hire on relatively short notice. During 2020, the Company employed an average of approximately 757 hourly personnel to meet domestic project requirements.

At December 31, 2020, the Company employed 24 foreign nationals and 7 local staff to manage and administer its Middle East operations. During 2020, the Company also employed a daily average of 20 hourly personnel to meet project requirements in the Middle East.

We seek to identify, recruit, retain, incentivize and integrate our existing and future employees. To achieve our goal of attracting and retaining the most talented employees in the industry, we offer competitive compensation and benefits that support their physical, financial, and emotional health. The principal objective of our equity incentive plans is to attract, retain and motivate selected employees and directors through the granting of stock-based compensation awards. We offer employees benefits including a 401(k) plan with employer contributions; health, life, and disability insurance; additional voluntary insurance; paid time off and parental leave; and paid counseling assistance.

## *Safety*

Safety of its employees is one of the Company's core values. The Company employs behavioral and system based programs utilizing an Incident & Injury Free<sup>®</sup> (IIF<sup>®</sup>) approach. The Company's safety culture is committed to training, behavioral based awareness and mutual responsibility for the wellbeing of its employees. The Company's goal is sustainable safety excellence. Incident prevention in all areas have top priority in the Company's business planning, in the overall conduct of its business, and in the operation and maintenance of our equipment (marine and land) and facilities.

During the ongoing COVID-19 pandemic, the health and safety of our employees are our primary goal. Our commitment to health and safety during the pandemic reaches for beyond our employees and embraces their families, our customers, and our community. The unique nature of our business requires many of our employees to live and work in close proximity to one another. We have instituted and strictly adhere to rigorous measures designed to provide our employees with a safe working environment and allow them to safely execute tasks. We follow enhanced safety and health protocols—including screenings, social distancing, and use of personal protective equipment. We have mandated and strictly implemented a robust at-home virus testing program, and mandate virus testing before boarding our vessels and before leaving our vessels. All other employees have been instructed to work remotely and have been provided the support and tools necessary for a successful remote working regime. Access to all of our facilities is restricted to only those employees who are required access to perform their work for the Company, and pre-access and periodic COVID testing is mandatory.

#### *Relocation of our Corporate Headquarters*

In October 2020, we announced that we would relocate our headquarters from Oakbrook Terrace, Illinois to Houston, Texas. We began the transition of key members of the management team to Houston in January 2021. While one of the objectives of the relocation was improving our ability to secure more public and private business opportunities in our core coastal areas, including the Gulf of Mexico, our relocation also provides us access to a unique talent pool that has roots in the maritime industries as well as world class engineering experience and innovation. Access to research and development initiatives at Texas A&M University, boasting the only dredging-focused course of study in the United States, is only 90 miles away, and two other campuses with emphasis on coastal and offshore studies are also nearby. The region is also known for its robust community college and technical school system that provides skilled labor and training to the maritime trades. Our new Houston location will allow us to increase our engagement with other local maritime businesses, giving us the opportunity to learn and improve by sharing the best industry practices for safety, operations, and innovation. The relocation also presents challenges, however, in that certain members of senior management have decided to leave the Company instead of relocating, and there is a possibility that other members of senior management or key employees may also decide not to relocate.

#### *Unions*

The Company is a party to numerous collective bargaining agreements in the U.S. that govern its relationships with its unionized hourly workforce. However, two unions represent a large majority of our dredging employees—the International Union of Operating Engineers (“IUOE”) Local 25 and the Seafarers International Union. The Company’s master and ancillary contracts with IUOE Local 25 expire in September 2021. Our agreements with Seafarers International Union expire in February 2023. The Company has not experienced any major labor disputes in the past five years and believes it has good relationships with the unions that represent a significant number of its hourly employees; however, there can be no assurances that the Company will not experience labor strikes or disturbances in the future.

#### **Government Regulations**

The Company is subject to government regulations pursuant to the Dredging Act, the Jones Act, the Shipping Act, 1916 (the “Shipping Act”) and the vessel documentation laws set forth in Chapter 121 of Title 46 of the United States Code. These statutes require vessels engaged in dredging in the navigable waters of the United States to be documented with a coastwise endorsement, to be owned and controlled by U.S. citizens, to be manned by U.S. crews, and to be built in the United States. The U.S. citizen ownership and control standards require the vessel-owning entity to be at least 75% U.S. citizen owned and prohibit the chartering of the vessel to any entity that does not meet the 75% U.S. citizen ownership test.

#### *Environmental Matters*

The Company’s operations, facilities and vessels are subject to various environmental laws and regulations related to, among other things: dredging operations; the disposal of dredged material; protection of wetlands;



storm water and waste water discharges; demolition activities; asbestos removal; transportation and disposal of wastes and materials; air emissions; and remediation of contaminated soil, sediments, surface water and groundwater. The Company is also subject to laws designed to protect certain marine species and habitats. Compliance with these statutes and regulations can delay appropriation and/or performance of particular projects and increase related project costs. Non-compliance can also result in fines, penalties and claims by third parties seeking damages for alleged personal injury, as well as damages to property and natural resources.

Certain environmental laws such as the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, and the Oil Pollution Act of 1990 impose strict and, under some circumstances joint and several, liability on owners and operators of facilities and vessels for investigation and remediation of releases and discharges of regulated materials, and also impose liability for related damages to natural resources. The Company’s past and ongoing operations involve the use, and from time to time the release or discharge, of regulated materials which could result in liability under these and other environmental laws. The Company has remediated known releases and discharges as deemed necessary, but there can be no guarantee that additional costs will not be incurred if, for example, third party claims arise or new conditions are discovered.

The Company’s projects may involve remediation, demolition, excavation, transportation, management and disposal of hazardous waste and other regulated materials. Various laws strictly regulate the removal, treatment and transportation of hazardous water and other regulated materials and impose liability for human health effects and environmental contamination caused by these materials. The Company takes steps to limit its potential liability by hiring qualified subcontractors from time to time to remove such materials from our projects, and some project contracts require the client to retain liability for hazardous waste generation.

Based on the Company’s experience and available information, the Company believes that the future cost of compliance with existing environmental laws and regulations (and liability for known environmental conditions) will not have a material adverse effect on the Company’s business, financial position, results of operations or cash flows. However, the Company cannot predict what environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental or health and safety laws or regulations or to respond to newly discovered conditions, such as future cleanup matters or other environmental claims.

### **Information about our Executive Officers**

The following table sets forth the names and ages of all of the Company’s executive officers and the positions and offices presently held by them.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Lasse J. Petterson	64	President, Chief Executive Officer and Director
Mark W. Marinko	59	Chief Financial Officer and Senior Vice President
David E. Simonelli	64	Chief Operating Officer
Vivienne R. Schiffer	61	Senior Vice President, Chief Legal Officer, Chief Compliance Officer and Corporate Secretary
James J. Tastard	56	Senior Vice President and Chief Human Resources and Administrative Officer
William H. Hanson	64	Senior Vice President—Government Relations and Business Development

*Lasse J. Petterson, President, Chief Executive Officer and Director*

Mr. Petterson has served as Chief Executive Officer (“CEO”) since May 2017 and was also named President in 2020. Mr. Petterson most recently had served as a private consultant to clients in the Oil & Gas sector and

served as Chief Operating Officer (“COO”) and Executive Vice President at Chicago Bridge and Iron (“CB&I”) from 2009 to 2013. Reporting directly to the CEO, he was responsible for all of CB&I’s engineering, procurement and construction project operations and sales. Prior to CB&I, Mr. Petterson was CEO of Gearbulk, Ltd., a privately held company that owns and operates one of the largest fleets of gantry craned open hatch bulk vessels in the world. He was also President and COO of AMEC Inc. Americas, a subsidiary of AMEC plc, a British multinational consulting, engineering and project management company. Prior to joining AMEC, Mr. Petterson served in various executive and operational positions for Aker Maritime, Inc., the deepwater division of Aker Maritime ASA of Norway over the course of 20 years. He spent the first nine years of his career in various positions at Norwegian Contractors, an offshore oil & gas platform contractor. Mr. Petterson holds both master’s and bachelor’s degrees from the Norwegian University of Technology.

*Mark W. Marinko, Senior Vice President and Chief Financial Officer*

Mr. Marinko has served as Senior Vice President and Chief Financial Officer since June 2014. Mr. Marinko was most recently President of the Consumer Services division at TransUnion leading the direct to consumer and business market, customer service, consumer compliance and marketing for the credit information company. Prior to his position as President, Mr. Marinko has been in increasing accounting and financial roles as Controller and Vice President of Finance at TransUnion since 1996. Prior to TransUnion, Mr. Marinko served as controller of Official Airline Guides. In his over 30 years of professional experience, Mr. Marinko has held roles specializing in accounting, finance, sales, systems and business operations. Mr. Marinko earned a Bachelor of Arts degree in Accounting and Business Administration from Augustana College.

*David E. Simonelli, Chief Operating Officer*

Mr. Simonelli was named Chief Operating Officer in March 2020. Mr. Simonelli was most recently President—Dredging Division, a title held since April 2010. Mr. Simonelli has overall responsibility for the Dredging Division which includes safety, estimating, engineering, domestic and international operations and plant and equipment. He was named a Vice President of the Company in 2002 and Special Projects Manager in 1996. He joined the Company in 1978 as a Civil Engineer and has since held positions of increasing responsibility in domestic and international operations and project management. Mr. Simonelli earned a Bachelor of Science degree in Civil and Environmental Engineering from the University of Rhode Island. He is a member of the Hydrographic Society, the American Society of Civil Engineers and the Western Dredging Association.

*Vivienne R. Schiffer, Senior Vice President, Chief Legal Officer, Chief Compliance Officer and Corporate Secretary*

Ms. Schiffer was named Senior Vice President, Chief Legal Officer, Chief Compliance Officer and Corporate Secretary in December 2020 when she joined the Company. Ms. Schiffer leads the Company’s legal and compliance organization, providing legal counsel. Ms. Schiffer’s specific responsibilities include the oversight of corporate governance, policy and regulatory strategy development, litigation, environmental matters, intellectual property, global corporate compliance and labor and employment laws. Ms. Schiffer was a corporate and securities partner in the global firm of Thompson & Knight, LLP, from 2003 to 2010. She was of counsel in the firm’s corporate and securities section from 2011 until 2020. She has over 37 years of experience and has held significant legal, business and operational leadership roles in the industrials sector.

*James J. Tastard, Senior Vice President and Chief Human Resources and Administrative Officer*

Mr. Tastard was named Senior Vice President and Chief Human Resources and Administrative Officer in October 2020. He is responsible for the Company’s Human Resources organization, talent management, leadership development and learning, compensation and benefits, employee relations, payroll, risk management, marketing and communications and environment, social and governance (ESG). Mr. Tastard most recently served as President and Founder of High Performance Network, LLC since 2018 as a strategic talent and

leadership consultant. Prior to consulting, he worked as Senior Vice President, Chief Human Resource Officer at Geokinetics, a global seismic oil and gas exploration company, from 2017 to 2018. From 2014 to 2016, Mr. Tastard was Vice President of Human Resources at Freeport LNG and from 2010 to 2014, Mr. Tastard was Vice President of Human Resources at Statoil (now Equinor). Prior to Statoil, between 2002 to 2009, Mr. Tastard was Senior Vice President Human Resources and Health, Safety and Environment at Aker Solutions. Mr. Tastard earned a bachelor's degree from California State University, Long Beach, an MBA from the University of Phoenix and a Ph.D. in Business, Organization and Management from Capella University.

*William H. Hanson, Senior Vice President—Government Relations & Business Development*

Mr. Hanson was named the Senior Vice President—Government Relations & Business Development in March 2020. He was named Vice President of the Company in 2004. He joined the Company in 1988. Mr. Hanson was most recently with Connolly Pacific of Long Beach, California. Prior to his work at Connolly Pacific, Mr. Hanson was with the U.S. Army Corps of Engineers. Mr. Hanson serves on several Federal Advisory Committees as well as on boards of groups with national and regional interest to the Company and several academic advisory boards related to ocean and coastal engineering. Mr. Hanson is an Ocean Engineering graduate of Texas A&M University where he was named a distinguished alumnus in 2013.

### **Availability of Information**

You may read and obtain copies of any materials Great Lakes files with the SEC, including without limitation, the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, free of charge, at the SEC's website, [www.sec.gov](http://www.sec.gov). Great Lakes' SEC filings are also available to the public, free of charge, on our corporate website, [www.gldd.com](http://www.gldd.com), at "Investors – Financials & Filings", as soon as reasonably practicable after Great Lakes electronically files such material with, or furnishes it to, the SEC. The reference to the Company's website does not constitute incorporation by reference of information contained on or accessible through such website.

### **Item 1A. Risk Factors**

The following risk factors address the material risks and uncertainties concerning our business. You should carefully consider the following risks and other information contained or incorporated by reference into this Annual Report on Form 10-K when evaluating our business and financial condition and an investment in our common stock. Should any of the following risks or uncertainties develop into actual events, such developments could have material adverse effects on our business, financial condition, cash flows or results of operations. Risks not currently known to the Company or that the Company currently deems to be immaterial may also materially and adversely affect the Company's business, operating results, financial condition and the actual outcome of matters as to which forward-looking statements are made in this report.

We have grouped our Risk Factors under captions that we believe describe various categories of potential risk. For the reader's convenience, we have not duplicated risk factors that could be considered to be included in more than one category.

### **Risk Factor Summary**

The following is a summary of the principal risks that could adversely affect, or have adversely affected, the Company's business, operating results and financial condition:

- The impact of the COVID-19 pandemic and related responsive measures, including project delays and increased expenditures;
- Our ability to obtain and retain federal government dredging and other contracts, which is impacted by the amount of government funding for dredging and other projects and the degree to which government funding is directed to the Corps and certain other customers, which could be impacted by extended federal government shutdowns or declarations of additional national emergencies;



- Our ability to qualify as an eligible bidder under government contract criteria and to compete successfully against other qualified bidders in order to obtain government dredging and other contracts;
- Cost over-runs, operating cost inflation and potential claims for liquidated damages, particularly with respect to our fixed cost contracts;
- The timing of our performance on contracts and new contracts being awarded to us;
- Significant liabilities that could be imposed were we to fail to comply with government contracting regulations;
- Increasing costs to operate and maintain aging vessels and comply with applicable regulations or standards;
- Equipment or mechanical failures;
- Impacts to our facilities and suppliers from pandemics, epidemics or outbreaks of infectious disease affecting our markets;
- Our international dredging operations;
- Instability and declining relationships amongst certain governments in the Middle East and the impact this may have on infrastructure investment, asset value of such operations, and local licensing, permitting and royalty issues;
- Capital and operational costs due to environmental regulations;
- Market and regulatory responses to climate change;
- Contract penalties for any projects that are completed late;
- Force majeure events, including natural disasters and terrorists' actions;
- Changes in the amount of our estimated backlog;
- Significant negative changes to large, single customer contracts from which a significant portion of our international revenue is derived;
- Unforeseen delays and cost overruns related to the construction of new vessels, including potential mechanical and engineering issues;
- Any failure to comply with Section 27 of the Jones Act provisions on coastwise trade, or if those provisions were modified or repealed;
- Fluctuations in fuel prices, particularly given our dependence on petroleum-based products;
- Our ability to obtain bonding or letters of credit and risks associated with draws by the surety on outstanding bonds or calls by the beneficiary on outstanding letters of credit;
- Acquisition integration and consolidation, including transaction expenses, unexpected liabilities and operational challenges and risks;
- Divestitures and discontinued operations, including retained liabilities from businesses that we sell or discontinue;
- Potential penalties and reputational damage as a result of legal and regulatory proceedings, including a pending criminal proceeding in Louisiana;
- Any liabilities imposed on us for the obligations of joint ventures, partners and subcontractors;
- Uncertainty regarding fiscal, immigration, and other policies of the current U.S. Presidential Administration;
- Increased costs of certain material used in our operations due to newly imposed tariffs;

- Unionized labor force work stoppages;
- Any liabilities for job-related claims under federal law, which does not provide for the liability limitations typically present under state law;
- Operational hazards, including any liabilities or losses relating to personal or property damage resulting from our operations;
- The relocation of our headquarters from Oakbrook Terrace, Illinois to Houston, Texas, including costs associated with the transition and risks relating to employee retention;
- Our ability to identify and contract with qualified MBE or DBE contractors to perform as subcontractors;
- Our substantial amount of indebtedness, which makes us more vulnerable to adverse economic and competitive conditions;
- Restrictions on the operation of our business imposed by financing covenants;
- Impacts of adverse capital and credit market conditions on our ability to meet liquidity needs and access capital;
- Our ability to maintain or expand our credit capacity;
- Limitations on our hedging strategy imposed by statutory and regulatory requirements for derivative transactions;
- Foreign exchange risks;
- Losses attributable to our investments in privately financed projects;
- Restrictions on foreign ownership of our common stock;
- Restrictions imposed by Delaware law and our charter on takeover transactions that stockholders may consider to be favorable;
- Restrictions on our ability to declare dividends imposed by our financing agreements and Delaware law;
- Significant fluctuations on the market price of our common stock, which may make it difficult for holders to resell our common stock when they want or at prices that they find attractive;
- Changes in previous recorded net revenue and profit as a result of the significant estimates made in connection with our methods of accounting for recognized revenue;
- Maintaining an adequate level of insurance coverage;
- Our ability to attract and retain key personnel and skilled labor;
- Disruptions, failures, data corruptions, cyber-based attacks or security breaches of the information technology systems on which we rely to conduct our business; and
- Impairments of our goodwill or other intangible assets.

### **Risks Related to the COVID-19 Pandemic**

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread worldwide and to every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic and on March 13, 2020 the United States declared a national emergency in response to the coronavirus outbreak. This outbreak has severely impacted global economic activity and many countries and states in the United States have reacted by instituting quarantines, mandating school and business closures and limiting travel.

Our clients, the Corps, private clients and other federal or state agencies, have been impacted by the COVID-19 pandemic. These impacts have led to delays in some of our projects. If the pandemic is prolonged, it may lead to additional delays or cancellations in current or future projects. Funds for dredging projects may also be diverted for public health, economic, or other priorities. Even after the COVID-19 pandemic has subsided, we may experience adverse impacts to our business as a result of its effect on global economies and financial markets, including any recession or economic downturn that has occurred or may occur in the future.

In addition to project delays, the COVID-19 pandemic may affect, our business, including, but not limited to, in the following ways:

- While much of our client base is federal, state, or other governmental entities, some of our clients may be unable to meet their payment obligations to us in a timely manner, including as a result of deteriorating financial condition or bankruptcy resulting from the COVID-19 pandemic and resulting economic impacts. Further, other third parties, such as suppliers, subcontractors, and other outside business partners, may experience significant disruptions in their ability to fulfill their obligations toward us, or they may not be able to fulfill their obligations to us at all.
- Many employers, including us, and governments continue to require all or a significant portion of employees to work from home or not go into their offices. While many of our employees can effectively perform their responsibilities while working remotely, much of our work is conducted on vessels, where our crew is required to live for extended periods of time. We have experienced, and may continue to experience, temporary work stoppages because of viral outbreaks on board our vessels. Temporary work stoppages may lead to decreased revenue and affect our ability to timely and satisfactorily complete our clients' projects.
- Viral outbreaks on board our vessels have required us, and may continue to require us, to incur additional expenses to protect the health and safety of our employees, our clients, and other business partners. These costs include regular, mandated testing for our employees before they leave their homes and travel to the vessel, before they board the vessel, and before they leave the vessel to return home; costs associated with accommodations for crew members who are quarantined or otherwise unable to board a vessel or return home; and overtime costs associated with the extended length of time crew members may be required to work or be available because of COVID-19 safety measures.
- In addition to existing travel restrictions implemented in response to the COVID-19 pandemic, jurisdictions may continue to close borders, impose prolonged quarantines and further restrict travel and business activity, which could impair our ability to support our operations and clients (both domestic and international), to source supplies through the global supply chain and to identify, pursue and capture new business opportunities, and which could continue to restrict the ability of our employees to access their workplaces. We also face the possibility of increased overhead or other expenses resulting from compliance with any future government orders or other measures enacted in response to the COVID-19 pandemic.

We are unable at this time to quantify the extent to which the continued global spread of the COVID-19 pandemic may adversely affect our business, financial condition, and results of operations, including the duration and magnitude of such impacts. The impacts from this unprecedented global event will depend on numerous evolving factors that we may not be able to accurately predict or assess. COVID-19, and the volatile regional and global economic conditions stemming from the pandemic, as well as reactions to future pandemics or resurgences of COVID-19, could also precipitate or aggravate the other risk factors that we identify in this Annual Report on Form 10-K, which in turn could materially adversely affect our business, financial condition and results of operations. There may be other adverse consequences to our business, financial condition and results of operations from the spread of COVID-19 that we have not considered or have not become apparent. As a result, we cannot assure you that if the COVID-19 pandemic persists or worsens, it would not have an adverse impact on our business, financial condition and results of operations.



## Risks Related to our Business

***A reduction in government funding for dredging or other contracts, or government cancellation of such contracts, could materially adversely affect our business operations, revenues and profits.***

A substantial portion of our revenue is derived from federal government contracts, particularly dredging contracts. Revenues related to dredging contracts with federal agencies or companies operating under contracts with federal agencies and the percentage as a total of dredging revenue for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,		
	2020	2019	2018
Federal government revenue (in US \$1,000)	\$582,949	\$581,157	\$468,421
Percent of revenue from federal government	79%	82%	75%

Amounts spent by the federal government on dredging are subject to the budgetary and legislative processes. We would expect the federal government to continue to improve and maintain ports as it has for many years, which will necessitate a certain level of federal spending. However, there can be no assurance that the federal government will allocate any particular amount or level of funds to be spent on dredging projects for any specified period. In addition, Congress must approve budgets that govern spending by many of the federal agencies we support. When Congress is unable to agree on budget priorities, and thus is unable to pass the annual budget on a timely basis, Congress typically enacts a continuing resolution. A continuing resolution allows U.S. federal government agencies to operate at spending levels approved in the previous budget cycle. Under a continuing resolution, funding may not be available for new projects or may be delayed on current projects. Any such funding delays would likely result in new projects being delayed or canceled and could have a material adverse effect on our revenue and operating results. Furthermore, a failure to complete the budget process and fund government operations pursuant to a continuing resolution may result in a U.S. federal government shutdown. An extended shutdown may result in us incurring substantial costs without reimbursement under our contracts and the delay or cancellation of key projects, which could have a material adverse effect on our revenue and operating results.

In addition, potential contract cancellations, modifications, protests, suspensions or terminations may arise from resolution of these issues and could cause our revenues, profits and cash flows to be lower. Federal government contracts can be canceled at any time without penalty to the government, subject to, in most cases, our contractual right to recover our actual committed costs and profit on work performed up to the date of cancellation. Accordingly, there can be no assurance that the federal government will not cancel any federal government contracts that have been or are awarded to us. Even if a contract is not cancelled, the government may elect to not award further work pursuant to a contract. There is no guarantee that the current Administration will not divert funds away from the Corps or from our other customers relying on funding from the federal government. There is also no guarantee that additional national emergencies will not be declared in the future. A significant reduction in government funding for dredging or remediation contracts could materially adversely affect our business, operations, revenues and profits.

***Our inability to qualify as an eligible bidder for government contracts or to compete successfully with other qualified bidders for certain contracts could materially adversely affect our business operations, revenues and profits.***

The U.S. government and various state, local and foreign government agencies conduct rigorous competitive processes for awarding many contracts. Some contracts include multiple award task order contracts in which several contractors are selected as eligible bidders for future work. We will face strong competition and pricing pressures for any additional contract awards from the U.S. government and other domestic and foreign government agencies, and we may be required to qualify or continue to qualify under various multiple award task

order contract criteria. Further, much of our work depends on our compliance with environmental and other regulations. Any claim by the government that we have violated any laws or regulations could result in our suspension or debarment from bidding for or being awarded government contracts. Our inability to qualify as an eligible bidder under government contract criteria could preclude us from competing for certain government contract awards. In addition, our inability to qualify as an eligible bidder, or to compete successfully when bidding for certain government contracts and to win those contracts, could materially adversely affect our business, operations, revenues and profits.

***Our significant amount of fixed-price contracts subjects us to risks associated with cost over-runs, operating cost inflation and potential claims for liquidated damages. If we are unable to accurately estimate our project costs our profitability could suffer.***

We conduct our business under various types of contracts where costs are estimated in advance of our performance. Most dredging contracts are fixed-price contracts where the customer pays a fixed price per unit (e.g., cubic yard) of material dredged. Fixed-price contracts carry inherent risks, including risks of losses from underestimating costs, operational difficulties, and other changes that can occur over the contract period. If our estimates prove inaccurate, if there are errors or ambiguities as to contract specifications, or if circumstances change due to, among other things, unanticipated conditions or technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, inclement or hazardous weather conditions, changes in cost of equipment or materials, or our suppliers' or subcontractor's inability to perform, then cost over-runs and delays in performance are likely to occur. We may not be able to obtain compensation for additional work performed or expenses incurred, or may be delayed in receiving necessary approvals or payments. Additionally, we may be required to pay liquidated damages upon our failure to meet schedule or performance requirements of our contracts. If we were to significantly underestimate the costs on one or more significant contracts, the resulting losses could have a material adverse effect on our business, operating results, cash flows or financial condition.

***Our quarterly and annual operating results may vary significantly based on the timing of contract awards and performance.***

Our quarterly and annual results of operations have fluctuated from period to period in the past and may continue to fluctuate in the future. Accordingly, you should not rely on the results of any past quarter or quarters as an indication of future performance in our business operations or valuation of our stock. Our operating results could vary greatly from period to period due to factors such as:

- the timing of contract awards and the commencement or progress of work under awarded contracts;
- inclement or hazardous weather conditions that may result in underestimated delays in dredging, disruption or early termination of projects, unanticipated recovery costs or liability exposure, and additional contract expenses;
- planned and unplanned equipment downtime, or equipment mobilization to and from projects;
- our ability to recognize revenue from pending change orders, which is recognized only when the parties to a contract approve a modification that either creates new, or changes existing, enforceable rights and obligations of the parties to the contract; and
- environmental restrictions requiring that certain projects be performed in winter months to protect wildlife habitats.

If our results of operations from quarter to quarter fail to meet the expectations of public market analysts and investors, our stock price could be negatively impacted. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Primary Factors that Determine Operating Profitability."

***If we fail to comply with government contracting regulations, we could be subject to significant potential liabilities and loss of revenue.***

Our contracts with federal, state, local and foreign governmental customers are subject to various procurement regulations and contract provisions. These regulations also subject us to examinations by government auditors and investigators, from time to time, to ensure compliance and to review costs. Violations of government contracting regulations could result in the imposition of civil and criminal penalties, which could include termination of contracts, forfeiture of profits, imposition of payments and fines and suspension or debarment from future government contracting. If we fail to continue to qualify for or are suspended from work under a government contract for any reason, we could suffer a material adverse effect on our business, operating results, cash flows or financial condition.

In addition, we may be subject to litigation brought by private individuals on behalf of the government relating to our government contracts, referred to in this annual report as “*qui tam*” actions, which could include claims for up to treble damages. *Qui tam* actions are sealed by the court at the time of filing. The only parties privy to the information in the complaint are the complainant, the U.S. government and the court. Therefore, it is possible that *qui tam* actions have been filed against us and that we are not aware of such actions or have been ordered by the court not to discuss them until the seal is lifted. Thus, it is possible that we are subject to liability exposure arising out of *qui tam* actions.

***Costs necessary to operate and maintain our vessels tend to increase with the age of the vessel and may also increase due to changes in applicable regulations or standards, which could decrease our profits.***

Capital expenditures and other costs necessary to operate and maintain our vessels tend to increase with the age of the vessel. Accordingly, it is likely that the operating costs of our vessels will increase.

The average age of our more significant vessels as of December 31, 2020, by equipment type, is as follows:

<u>Type of Equipment</u>	<u>Quantity</u>	<u>Average Age in Years</u>
Hydraulic Dredges	10	42
Hopper Dredges	5	29
Mechanical Dredges	5	48
Unloaders	1	37
Drillboats	1	37
Material and Other Barges	<u>112</u>	<u>24</u>
Total	<u>134</u>	<u>27</u>

Remaining economic life has not been presented, because it is not reasonably quantifiable. That is because, to the extent that market conditions warrant the expenditures, we can prolong the vessels’ lives. In our domestic market, we operate in an industry where a significant portion of our competitors’ equipment is of a similar age. It is common in the dredging industry to make maintenance and capital expenditures in order to extend the economic life of equipment.

In addition, changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations, standards imposed by vessel classification societies and customer requirements or competition, may require us to make significant additional expenditures. For example, if the U.S. Coast Guard enacts new standards, we may be required to incur expenditures for alterations or the addition of new equipment (e.g. more fuel-efficient engines). In order to satisfy any such requirements, we may need to take our vessels out of service for extended periods of time, with corresponding losses of revenues.



***Equipment or mechanical failures could result in increased costs, project delays and reduced revenues.***

The successful performance of contracts requires a high degree of reliability of our vessels, barges and other equipment. The average age of our marine fleet as of December 31, 2020 was 27 years. Breakdowns not only add to the costs of executing a project, but they can also delay the completion of subsequent contracts, which are scheduled to utilize the same assets. We operate a scheduled maintenance program in order to keep all assets in good working order, but despite this, breakdowns can and do occur, resulting in loss of revenue.

***A pandemic, epidemic or outbreak of an infectious disease affecting our markets or impacting our facilities or suppliers could adversely impact our business.***

If another pandemic, epidemic, or outbreak of an infectious disease or other public health crisis were to affect our markets or facilities or those of our suppliers, our business could be adversely affected. Another pandemic could cause disruptions in and restrictions on our ability to travel, and in the future these disruptions and restrictions could restrict our ability to perform work for future projects in different locations. If an infectious disease were to have a widespread outbreak at one or more of our vessels or facilities, our operations may be affected significantly, our productivity may be affected, key personnel necessary to conduct our operations or replacement crew may be unavailable, our ability to complete projects in accordance with our contractual obligations may be affected, and we may incur increased labor and materials costs. If the shipyards with which we contract were affected by an outbreak of infectious disease, repairs of our vessels as well as new construction may be delayed and we may incur increased labor and materials costs. In addition, we may experience difficulties with certain suppliers or with vendors in their supply chains, and our business could be affected if we become unable to procure essential supplies or services in adequate quantities and at acceptable prices.

Our clients, such as the Corps, private clients and other federal or state agencies, may be impacted by a pandemic, and if prolonged, these impacts may lead to cancellations or delays in projects. Funds for dredging projects may also be diverted for public health, economic, or other priorities. Overall, the potential impact of a pandemic, epidemic or outbreak of an infectious disease with respect to our markets or our facilities is difficult to predict and could adversely impact our business.

***Our international dredging operations subject us to competitive, political, regulatory and other risks.***

Revenue from foreign contracts and its percentage to total dredging revenue for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,		
	2020	2019	2018
Foreign revenue (in US \$1,000)	\$25,892	\$48,619	\$14,088
Percent of revenue from foreign countries	4%	7%	2%

The international dredging market is highly competitive, and competition in the international market is dominated by four large European dredging companies, all of which operate larger equipment and fleets that are more modern and extensive than the Company's. In addition, there are several governmentally supported dredging companies that operate on a local or regional basis. Competing for international dredging projects requires a substantial investment of resources, skilled personnel and capital investment in equipment and technology, and may adversely affect our ability to deploy resources for domestic dredging projects.

International operations subject us to additional potential risks, including:

- uncertainties concerning import and export license requirements, tariffs and other trade barriers;
- political and economic instability and risks of terrorist activities;
- reduced demand as a result of fluctuations in the price of oil, the primary export in the Middle East;
- difficulties in enforcing contractual rights and agreements through certain foreign legal systems;

- requirements of, and changes in, foreign laws, policies and regulations;
- local licensing, permitting and royalty issues, particularly with respect to our overseas operations in Bahrain and the Middle East;
- difficulties in staffing and managing international operations without additional expense;
- taxation issues;
- greater difficulty in accounts receivable collection and longer collection periods;
- compliance with the U.S. Foreign Corrupt Practices Act and international anticorruption laws;
- currency fluctuations;
- logistical and communication challenges; and
- inability to effectively insure against political, cultural and economic uncertainties, including acts of terrorism, civil unrest, war or other armed conflict.

In addition, our international operations are subject to U.S. and other laws and regulations regarding operations in foreign jurisdictions. These numerous and sometimes conflicting laws and regulations include anti-boycott laws, anti-competition laws, anti-corruption laws, tax laws, immigration laws, privacy laws and accounting requirements. There is a risk that some provisions may be breached, for example through inadvertence or mistake, fraudulent or negligent behavior of individual employees or of agents, or failure to comply with certain formal documentation requirements or otherwise. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to operate in one or more countries, which could have a material adverse effect on our business, results of operations or financial condition. In addition, military action, terrorist activities or continued unrest in the Middle East could affect the safety of our personnel in the region and significantly increase the costs of, or disrupt our operations in, the region and could have a material adverse effect on our business, operating results, cash flows or financial condition.

***Regional instability in the Middle East may adversely affect business conditions and may disrupt our operations.***

Saudi Arabia, Bahrain and other Middle East countries have experienced political turbulence in the recent past. Political uprisings and conflicts, including armed hostilities and civil unrest, may affect the political stability of the region. Tensions in the region between the U.S. and Iran have escalated, resulting in increased military and militia activity in Iraq and other Middle East countries. In addition, there has been a decline in the relationships between and amongst certain governments in the Middle East, such as continued conflicts between Saudi Arabia and Iran.

Deterioration in the political, economic, and social conditions or other relevant policies of the government, such as changes in laws or regulations, export restrictions, expropriation of our assets or resource nationalization, could materially and adversely affect our business, access to markets, financial condition, and results of operations. Similar civil unrest and political turbulence has occurred in other countries in the region.

In addition, such events may affect plans for infrastructure investment. If the government changes or significant restrictions are established, our dredging operations in the Middle East, including the value of our assets related to such operations, may be adversely affected.

***Environmental regulations could force us to incur capital and operational costs.***

Our industries, and more specifically, our operations, facilities and vessels and equipment, are subject to various environmental laws and regulations relating to, among other things: dredging operations; the disposal of

dredged material; protection of wetlands; storm water and waste water discharges; transportation and disposal of hazardous wastes and other regulated materials; air emissions; and disposal or remediation of contaminated soil, sediments, surface water and groundwater. We are also subject to laws designed to protect certain marine or land species and habitats. Compliance with these statutes and regulations can delay permitting and/or performance of particular projects and increase related project costs. These delays and increased costs could have a material adverse effect on our business, results of operations, cash flows or financial condition. Non-compliance can also result in fines, penalties and claims by third parties seeking damages for alleged personal injury, as well as damages to property and natural resources and suspension or debarment from future government contracting.

Certain environmental laws such as the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the Oil Pollution Act of 1990 impose strict and, under some circumstances, joint and several, liability on owners and lessees of land and facilities as well as owners and operators of vessels. Such obligations may include investigation and remediation of releases and discharges of regulated materials, and also impose liability for related damages to natural resources. Our past and ongoing operations involve the use, and from time to time the release or discharge, of regulated materials which could result in liability under these and other environmental laws. We have remediated known releases and discharges as deemed necessary, but there can be no guarantee that additional costs will not be incurred if, for example, third party claims arise or new conditions are discovered.

Our projects may involve excavation, remediation, demolition, transportation, management and disposal of hazardous waste and other regulated materials. Various laws strictly regulate the removal, treatment and transportation of hazardous waste and other regulated materials and impose liability for human health effects and environmental contamination caused by these materials. Services rendered in connection with hazardous substance and material removal and site development may involve professional judgments by licensed experts about the nature of soil conditions and other physical conditions, including the extent to which hazardous substances and materials are present, and about the probable effect of procedures to mitigate problems or otherwise affect those conditions. If the judgments and the recommendations based upon those judgments are incorrect, we may be liable for resulting damages, which may be material. The failure of certain contractual protections to protect us from incurring such liability, such as staying out of the ownership chain for hazardous waste and other regulated materials and securing indemnification obligations from our customers or subcontractors, could have a material adverse effect on our business, results of operations, revenues or profits.

Environmental requirements have generally become more stringent over time, for example in the areas of air emissions controls for vessels and ballast treatment and handling. New laws or stricter enforcement of existing laws or, the discovery of currently unknown conditions or accidental discharges of regulated materials in the future could cause us to incur additional costs for environmental matters which might be significant.

***We may be affected by market or regulatory responses to climate change.***

Increased concern about the potential impact of greenhouse gases (“GHG”), such as carbon dioxide resulting from combustion of fossil fuels, on climate change has resulted in efforts to regulate their emission. Legislation, international protocols, regulation or other restrictions on GHG emissions could also affect our customers. Such legislation or restrictions could increase the costs of projects for our customers or, in some cases, prevent a project from going forward, thereby potentially reducing the need for our services which could in turn have a material adverse effect on our operations and financial condition. Additionally, in our normal course of operations, we use a significant amount of fossil fuels. The costs of controlling our GHG emissions or obtaining required emissions allowances in response to any regulatory change in our industry could increase materially.

***Penalties for late completion of contracts could reduce our profits.***

In many instances, including in our fixed-price contracts, we guarantee that we will complete a project by a scheduled date. If we subsequently fail to complete the project as scheduled, we may be liable for any customer



losses resulting from such delay, generally in the form of contractually agreed-upon liquidated damages. In addition, failure to maintain a required schedule could cause us to default on our government contracts, giving rise to a variety of potential damages. To the extent that these events occur, the total costs of the project could exceed our original estimates, and we could experience reduced profits or, in some cases, a loss for that project.

***Force majeure events could negatively impact our business, operations, revenues, cash flows and profits.***

Force majeure or extraordinary events beyond the control of the contracting parties, such as natural and man-made disasters, as well as terrorist actions, could negatively impact the economies in which we operate. We typically negotiate contract language where we are allowed certain relief from force majeure events in private client contracts and review and attempt to mitigate force majeure events in both public and private client contracts. We remain obligated to perform our services after most extraordinary events subject to relief that may be available pursuant to a force majeure clause.

If a contract contains a force majeure provision, we may be able to obtain an extension of time to complete our obligations under such contract, but we will still be subject to our other contractual obligations in the event of such an extraordinary event. Because we cannot predict the length, severity or location of any potential force majeure event, it is not possible to determine the specific effects any such event may have on us. Depending on the specific circumstances of any particular force majeure event, or if we are unable to react quickly to such an event, our operations may be affected significantly, our productivity may be affected, our ability to complete projects in accordance with our contractual obligations may be affected, our payments from customers may be delayed and we may incur increased labor and materials costs, which could have a negative impact on our financial condition, relationships with customers or suppliers, and our reputation.

***The amount of our estimated backlog may change and may not be indicative of future revenues.***

Our contract backlog represents our estimate of the revenues that we will realize under the portion of the contracts remaining to be performed. These estimates are based primarily upon the time and costs required to mobilize the necessary assets to and from the project site, the amount and type of material to be dredged and the expected production capabilities of the equipment performing the work. However, these estimates are necessarily subject to variances based upon actual circumstances. From time to time, changes in project scope may occur with respect to contracts reflected in our backlog and could reduce the dollar amount of our backlog and the timing of the revenue and profits that we actually earn. Projects may remain in our backlog for an extended period of time because of the nature of the project and the timing of the particular services or equipment required by the project.

Because of these factors, as well as factors affecting the time required to complete each job, backlog is not necessarily indicative of future revenues or profitability. In addition, a significant amount of our backlog (70% in 2020) relates to federal government contracts, which can be canceled at any time without penalty to the government, subject, in most cases, to our contractual right to recover our actual committed costs and profit on work performed up to the date of cancellation.

Below is our backlog from federal government contracts as of December 31, 2020, 2019, and 2018 and the percentage of those contracts to total backlog as of the same date.

	<u>Year Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Federal government backlog (in US \$1,000)	\$390,345	\$486,612	\$586,568
Percentage of backlog from federal government	70%	83%	83%

At times we may have backlog with foreign governments that use local laws and regulations to change terms of a contract in backlog or to limit our ability to receive payment on a timely basis. Other contracts in backlog are

with state and local municipalities or private companies that may have funding constraints or impose restrictions on timing. The termination, modification or suspension of projects currently in backlog could have a material adverse effect on our business, operating results, cash flows or financial condition.

***Loss of a single customer contract could significantly decrease our international revenue.***

The Company has earned significant international revenue from governmental entities and private parties in the Middle East. Revenue from foreign projects has been concentrated in the Middle East which comprised 100% of our foreign dredging revenues in each of the years ended December 31, 2020, 2019 and 2018. A single customer contract represented substantially all of the Company's foreign dredging revenue in the year ended December 31, 2020.

While the Company does not currently have significant operations or equipment in the Middle East, we may seek contracts there in the future. Certain factors have occurred suggesting that future revenues from projects with governments in the Middle East could decrease. Historically lower oil prices and the contraction in Middle East commercial and real estate development have slowed the rate of the region's infrastructure development. If the diplomatic relationship of the United States or our commercial relationship with governments in the Middle East is significantly negatively impacted or terminated, or we encounter significant difficulties in obtaining licensing or permits to do business in these countries, the Company's international revenues would be materially and adversely impacted. If the government of Bahrain or Saudi Arabia further curtails its infrastructure investment or diversifies its use of dredging vendors, our revenue from these customers could decline further.

Other Middle East governments have national dredging companies and may be incentivized to use the national dredging company of another Middle East government or have significant history with competitive dredging vendors other than the Company. The Company could lose future contracts for work in the Middle East to these competitors or could be forced to accept lower margins on contracts in order to utilize the equipment that is located in the Middle East. Lower utilization, workforce reductions or asset relocations could have a material adverse effect on our business, operating results, cash flows or financial condition.

***Unforeseen delays and cost overruns could delay or halt plans to build new vessels and, as a result, negatively impact our business strategy.***

We have previously disclosed our plans to build new vessels. Unknown mechanical or engineering issues involving new vessels could adversely affect the Company's business, operating results, cash flows or financial condition. Our future revenues and profitability will also be impacted to some extent by our ability to secure financing for new vessels and bring them into service within the timeline anticipated by the Company. The Company contracts with shipyards to build new vessels and currently has vessels under construction. Construction projects are subject to risks of delay and cost overruns, resulting from shortages of equipment, materials and skilled labor; lack of shipyard availability; unforeseen design and engineering problems; work stoppages; weather interference; unanticipated cost increases; unscheduled delays in the delivery of material and equipment; and financial and other difficulties at shipyards including labor disputes, shipyard insolvency and inability to obtain necessary certifications and approvals. A significant delay in the construction of new vessels or a shipyard's inability to perform under the construction contract could negatively impact the Company's ability to fulfill contract commitments and to realize timely revenues with respect to vessels under construction. Significant cost overruns or delays for vessels under construction could also adversely affect the Company's business, operating results, cash flows or financial condition. Changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations and customer requirements or competition, could also substantially increase the cost of such construction beyond what we currently expect such costs to be.

***Our business would be adversely affected if we failed to comply with Jones Act provisions on coastwise trade, or if those provisions were modified or repealed.***

We are subject to Section 27 of the Merchant Marine Act of 1920 (the "Jones Act") and other federal laws that restrict dredging in U.S. waters and maritime transportation between points in the United States to vessels

operating under the U.S. flag, built in the United States, at least 75% owned and operated by U.S. citizens and manned by U.S. crews. We are responsible for monitoring the ownership of our common stock to ensure compliance with these laws. If we do not comply with these restrictions, we would be prohibited from operating our vessels in the U.S. market, and under certain circumstances we would be deemed to have undertaken an unapproved foreign transfer, resulting in severe penalties, including permanent loss of U.S. dredging rights for our vessels, fines or forfeiture of the vessels.

In the past, interest groups have unsuccessfully lobbied Congress to modify or repeal the Jones Act to facilitate foreign flag competition for trades and cargoes currently reserved for U.S. flag vessels under the Jones Act. We believe that continued efforts may be made to modify or repeal the Jones Act or other federal laws currently benefiting U.S. flag vessels. If these efforts are ever successful, it could result in significantly increased competition and have a material adverse effect on our business, results of operations, cash flows or financial condition.

***Our operating costs depend significantly on the price of petroleum-based products, and price increases could adversely affect our profits.***

Fuel prices fluctuate based on market events outside of our control. We use diesel fuel and other petroleum-based products to operate our equipment used in our dredging contracts. Fluctuations in supplies relative to demand and other factors can cause unanticipated increases in their cost. Most of our contracts do not allow us to adjust our pricing for higher fuel costs during a contract term and we may be unable to secure price increases reflecting rising costs when renewing or bidding contracts. In addition, on January 1, 2020, the International Maritime Organization's regulations regarding use of low sulfur fuel went into effect, which subsequently increased the demand for low sulfur fuel. We use low sulfur fuel in many of our domestic operations, and future increases in the costs of fuel and other petroleum-based products used in our business, particularly if a bid has been submitted for a contract and the costs of those products have been estimated at amounts less than the actual costs thereof, could result in a lower profit, or even a loss, on one or more contracts.

***An inability to obtain bonding or letters of credit would limit our ability to obtain future contracts, which could, along with any draws on existing arrangements, adversely affect our business, operating results, cash flows and financial condition.***

We are generally required to post bonds in connection with our domestic dredging contracts and bonds or letters of credit with our foreign dredging contracts to ensure job completion if we ever fail to finish a project. We have entered into bonding agreements with the sureties, or the "Sureties", pursuant to which the Sureties issue bid bonds, performance bonds and payment bonds, and provide guarantees required by us in the day-to-day operations of our dredging business. The Company also has outstanding bonds with Travelers Casualty and Surety Company of America and Zurich. Historically, we have had a strong bonding capacity, but surety companies issue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of collateral as a condition to issuing any bonds. With respect to our foreign dredging business, we generally obtain letters of credit under our Amended Credit Agreement. However, access to our senior credit facility under our Amended Credit Agreement may be limited by failure to meet certain levels of availability or other defined financial or other requirements. If we are unable to obtain bonds or letters of credit on terms reasonably acceptable to us, our ability to take on future work would be severely limited.

In connection with the sale of our historical demolition business, we were obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project. In 2017, we were notified by Zurich of an alleged default triggered on a historical demolition surety performance bond in the aggregate amount of approximately \$20 million for failure of the contractor to perform in accordance with the terms of a project. Zurich drew upon the letter of credit in the amount of \$20.9 million. In order to fund the draw on the letter of credit, we had to increase the borrowings on our revolving credit facility. As the outstanding letters of credit previously reduced our availability under the revolving credit facility, this draw



down on our letter of credit did not impact our liquidity or capital availability. However, in the future, other defaults (or alleged defaults) triggered under any of our surety bonds could have a material adverse effect on our business, results of operations, cash flows or financial condition.

***Acquisitions involve integration, consolidation and strategic risks and may involve significant transaction expenses and unexpected liabilities, which could adversely affect our business and results of operations.***

We may seek business acquisition activities as a means of broadening our offerings and capturing additional market opportunities by our business units. We may be exposed to certain additional risks resulting from these activities. Acquisitions may expose us to operational challenges and risks, including:

- the effects of valuation methodologies which may not accurately capture the value proposition;
- the failure to integrate acquired businesses into our operations, financial reporting and controls with the efficiency and effectiveness initially expected resulting in a potentially significant detriment to our financial results and our operations as a whole;
- the management of the growth resulting from acquisition activities;
- the inability to capitalize on expected synergies;
- the assumption of liabilities of an acquired business (for example, litigation, tax liabilities, environmental liabilities), including liabilities that were contingent or unknown at the time of the acquisition and that pose future risks to our working capital needs, cash flows and the profitability of related operations;
- the assumption of unprofitable projects that pose future risks to our working capital needs, cash flows and the profitability of related operations;
- the risks associated with entering new markets;
- diversion of management's attention from our existing business;
- failure to retain key personnel, customers or contracts of any acquired business;
- potential adverse effects on our ability to comply with covenants in our existing debt financing;
- potential impairment of acquired intangible assets; and
- additional debt financing, which may not be available on attractive terms.

We may not have the appropriate management, financial or other resources needed to integrate any businesses that we acquire. Any future acquisitions may result in significant transaction expenses and unexpected liabilities.

***Divestitures and discontinued operations could negatively impact our business, and any retained liabilities could adversely affect our financial results.***

As part of our strategic process, we review our operations for assets and businesses which may no longer be aligned with our strategic initiatives and long-term objectives. For example, we have divested our historical environmental & infrastructure business and historical demolition business. We continue to review our assets and strategy and may pursue additional divestitures. Divestitures pose risks and challenges that could negatively impact our business, including required separation or carve-out activities and costs, disputes with buyers or potential impairment charges. We may also dispose of a business at a price or on terms that are less than we had previously anticipated or fail to close a transaction at all. Dispositions may also involve continued financial involvement, as we may be required to retain responsibility for, or agree to indemnify buyers against contingent liabilities related to a businesses sold, such as lawsuits, surety obligations, tax liabilities, or environmental matters. It may also be difficult to determine whether a claim from a third party stemmed from actions taken by

us or by another party and we may expend substantial resources trying to determine which party has responsibility for the claim. Under these types of arrangements, performance by the divested businesses or other conditions outside of our control could affect future financial results and such claims or conditions may divert management attention from our continuing business.

On April 24, 2014, the Company announced that it had completed the sale of its historical demolition business. In connection with the sale, the Company retained responsibility for various pre-closing liabilities and obligations and may incur costs and expenses related to these items and asset recoveries. It is possible that claims, which could be material, could be made against the Company pursuant to the agreement pursuant to which the Company's historical demolition business was sold. In connection with the sale of our historical demolition business, we were obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project. As noted above, if there should be a default (or alleged default) triggered under any of the surety bonds for the historical demolition business, it could have a material adverse effect on our ability to obtain bonds and on our business, results of operations, cash flows or financial condition.

During the second quarter of 2019, the Company completed the sale of the historical environmental & infrastructure business. The Company retained responsibility for pre-closing liabilities and indemnification for breaches of our representations and warranties in the sale agreement. If the buyer made a claim against any of our indemnifications or if any payments became due in connection with any pre-closing liability, they could be material to results of operations, cash flows or financial condition.

If we do not realize the expected benefits or synergies of any divestiture transaction or if we underestimated the valuation of the charge related to placing an asset held for sale in discontinued operations, our consolidated financial position, results of operations and cash flows could be negatively impacted. Any divestiture may result in a dilutive impact to our future earnings if we are unable to offset the dilutive impact from the loss of revenue associated with the divestiture, as well as significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition.

***We could face liabilities and/or damage to our reputation as a result of certain legal and regulatory proceedings, including a pending legal proceeding in Louisiana.***

We operate in a highly regulated environment with constantly evolving legal and regulatory frameworks. From time to time, we are subject to legal and regulatory proceedings in the ordinary course of our business. These include proceedings relating to aspects of our businesses that are specific to us and proceedings that are typical in the businesses in which we operate.

In particular, in June 2019, the U.S. Attorney's Office for the Eastern District of Louisiana informed the Company that it intends to file criminal charges against the Company alleging that the Company violated provisions of the Clean Water Act in connection with a September 2016 oil spill. The oil spill occurred during the Company's Cheniere Ronquille project, allegedly resulting in the discharge of around 160 barrels of crude oil in Bay Long, Louisiana. The Company vigorously denies the allegations. However, if the government initiates suspension or debarment proceedings pending the outcome of a trial on the matter, we may be prohibited from bidding for, entering into, or completing certain government projects, and if the Company is ultimately found guilty, suspension or debarment actions could occur. These suspension or debarment actions may be limited in time and scope, but we cannot guarantee that any such action will not have a material adverse effect on our business and operations. This matter is subject to many uncertainties, and it is possible that we may not be able to reach a favorable resolution before trial, or that we may be found guilty of the allegations. An adverse outcome of the matter could have a material adverse effect on our business, results of operations, cash flows or financial condition. Furthermore, a pending trial on the matter is likely to involve significant management time and attention. In addition, whether the ultimate outcome is favorable or unfavorable to us, the indictment and the

allegations against us will likely lead to negative publicity and press speculation about us, whether valid or not, which may harm our reputation and be damaging to our business, results of operations, cash flows or financial condition.

We are also currently a defendant in a number of other litigation matters, including those described in Item 3. “Legal Proceedings” of this Annual Report on Form 10-K. In certain of these matters, the plaintiffs are seeking large and/or indeterminate amounts of damages. These matters are also subject to many uncertainties, and it is possible that some of these matters could ultimately be decided, resolved or settled adversely to the Company. An adverse outcome in a legal or regulatory matter could, depending on the facts, have an adverse effect on our business, results of operations, cash flows or financial condition.

Furthermore, whether the ultimate outcomes are favorable or unfavorable, these matters can also have significant adverse reputational impacts, including negative publicity and press speculation about us, whether valid or not, which may be damaging to our business, results of operations, cash flows or financial condition.

***Liabilities for the obligations of our joint ventures, partners and subcontractors could materially decrease our profitability and liquidity.***

Some of our projects are performed through joint ventures and similar arrangements with other parties. In addition to the usual liability of contractors for the completion of contracts and the warranty of our work, if work is performed through a joint venture or similar arrangement, we also have potential liability for the work performed by the joint venture or arrangement or a performance or payment default by another member of the joint venture or arrangement. In these projects, even if we satisfactorily complete our project responsibilities within budget, we may incur additional unforeseen costs due to the failure of the other party or parties to the arrangement to perform or complete work, fund expenditures, or make payments in accordance with contract specifications. In some joint ventures and similar arrangements, we may not be the controlling member. In these cases, we may have limited control over the actions of the joint venture. In addition, joint ventures or arrangements may not be subject to the same requirements regarding internal controls and internal control over financial reporting that we follow. To the extent the controlling member makes decisions that negatively impact the joint venture or arrangement or internal control problems arise within the joint venture or arrangement, it could have a material adverse impact on our business, results of operations, cash flows or financial condition.

Depending on the nature of work required to complete the project, we may choose to subcontract a portion of the project. In our industries, the prime contractor is often responsible for the performance of the entire contract, including subcontract work. Thus, we are subject to the risk associated with the failure of one or more subcontractors to perform as anticipated. In addition, in some cases, we pay our subcontractors before our customers pay us for the related services. If we choose, or are required, to pay our subcontractors for work performed for customers who fail to pay, or delay paying us for the related work, we could experience a material decrease in profitability and liquidity.

***Uncertainty surrounding the new U.S. Presidential Administration’s domestic policy changes may adversely affect our business.***

The current U.S. Presidential administration has called for changes to fiscal, immigration and other policies, which may include changes to infrastructure spending. Our business is heavily dependent on government funding allocation decisions, and we cannot predict the impact, if any, that any domestic policy changes may have on our business. Until we know what changes are enacted and when, we will not know whether in total we benefit from, or are negatively affected by, such changes.

***New tariffs have increased our costs and could adversely affect our business operations, revenues and profits.***

In recent years, the United States has imposed Section 232 tariffs and other import taxes on certain steel and aluminum products, such as imported dredge-related machinery and pipes. These tariffs and other import taxes have increased the prices of these inputs. Increased prices for imported steel and aluminum products have lead



domestic sellers to respond with market-based increases to prices for such inputs as well. We cannot be sure of the ultimate effect such tariffs or any additional import taxes will have on our operating profits. If we are not able to pass these price increases on to our customers or to secure adequate alternative sources for such inputs on a timely basis, the tariffs and other import taxes may have a material adverse effect on our business operations, revenues and profits.

***Our business could suffer in the event of a work stoppage by our unionized labor force.***

We are a party to numerous collective bargaining agreements in the U.S. that govern our industry's relationships with our unionized hourly workforce. Two unions represent approximately 70% of our hourly dredging employees—the IUOE Local 25 and the Seafarers International Union. The Company's master and ancillary contracts with IUOE Local 25 expire in September 2021. The Company's master contract with Seafarers International Union expires in February 2023. The inability to successfully renegotiate contracts with these unions as they expire, or any future strikes, employee slowdowns or similar actions by one or more unions could have a material adverse effect on our ability to operate our business.

***Liabilities imposed by federal laws for job-related claims by seagoing employees could increase our costs and reduce our profitability.***

Substantially all of our maritime employees are covered by provisions of the Jones Act, the U.S. Longshore and Harbor Workers' Compensation Act, the Seaman's Wage Act and general maritime law. These laws typically operate to make liability limits established by state workers' compensation laws inapplicable to these employees and to permit these employees and their representatives to pursue actions against employers for job-related injuries in federal or state courts. Because we are not generally protected by the limits imposed by state workers' compensation statutes with respect to our seagoing employees, we have greater exposure for claims made by these employees as compared to industries whose employees are not covered by these provisions. Successful claims could materially increase our costs and reduce our profitability.

***The significant operating risks and hazards inherent in the operation of our business could result in personal or property damage, which could result in losses or liabilities to us.***

The dredging business is generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, encountering unusual or unexpected geological formations, cave-ins below water levels, collisions, disruption of transportation services, flooding and unexploded ordnance. These risks could result in personal injury, damage to, or destruction of, dredges, barges transportation vessels, other maritime vessels, other structures, buildings or equipment, environmental damage, performance delays, monetary losses or legal liability to third parties. We may also be exposed to disruption of our operations, early termination of projects, unanticipated recovery costs and loss of use of our equipment that may materially adversely affect our business, results of operations, cash flows or financial condition.

Our safety record is an important consideration for our customers. Some of our customers require that we maintain certain specified safety record guidelines to be eligible to bid for contracts with these customers. Furthermore, contract terms may provide for automatic termination or forfeiture of some of our contract revenue in the event that our safety record fails to adhere to agreed-upon guidelines during performance of the contract. As a result, if serious accidents or fatalities occur or our safety record were to deteriorate, we may be ineligible to bid on certain work, and existing contracts could be terminated or less profitable than expected. Adverse experience with hazards and claims could have a negative effect on our reputation with our existing or potential new customers and our prospects for future work.

***We may experience unexpected difficulties and incur unexpected costs in the relocation of our headquarters from Oakbrook Terrace, Illinois to Houston, Texas.***

In October 2020, we announced that we would relocate our headquarters from Oakbrook Terrace, Illinois to Houston, Texas. We began the relocation of key executives to Houston in January 2021. The objectives of the

relocation including securing more public and private business opportunities and attracting and retaining a specialized workforce may not materialize to the Company's expectations or as the Company envisions. Certain members of senior management have decided to leave the Company instead of moving to Houston, and it is possible that other members of senior management or key employees may decide not to relocate. The loss of services of members of senior management or other key employees could significantly delay or prevent the achievement of our strategic objectives and could adversely affect our business, financial condition and operating results. In addition, actual costs related to the relocation may exceed our estimates.

***We may be unable to identify and contract with qualified MBE or DBE contractors to perform as subcontractors, which could materially and adversely impact our financial position, results of operations, cash flows and liquidity.***

Certain of our government agency projects contain goals for minimum minority business enterprise ("MBE") and/or disadvantaged business enterprise ("DBE") participation clauses. If we subsequently fail to reach our goals for the minimum MBE and/or DBE participation, we may be held responsible for breach of contract, which may include restrictions on our ability to bid on future projects as well as monetary damages. To the extent we are responsible for monetary damages, the total costs of the project could exceed our original estimates, we could experience reduced profits or a loss for that project and there could be a material adverse impact to our financial position, results of operations, cash flows and liquidity.

### **Risks Related to our Financing**

***We have substantial indebtedness, which makes us more vulnerable to adverse economic and competitive conditions.***

We currently have a substantial amount of indebtedness. As of December 31, 2020, we had indebtedness of \$325.0 million, consisting of our senior subordinated notes. Currently, we have no borrowings on our revolving credit facility and approximately \$36.4 million of undrawn letters of credit, leaving \$163.2 million of additional borrowing capacity under our revolving credit facility. These figures exclude contingent obligations, including \$1.2 billion of performance bonds outstanding under the Company's agreements with the Sureties and other bonding agreements. Our level of indebtedness could:

- require us to dedicate a portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital and capital expenditures, pay dividends and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and our industries;
- affect our competitiveness compared to our less leveraged competitors;
- increase our exposure to both general and industry-specific adverse economic conditions; and
- limit, among other things, our ability to borrow additional funds.

We and our subsidiaries also may be able to incur substantial additional indebtedness in the future. The terms of our revolving credit facility and the indenture under which our senior subordinated notes are issued limit, but do not prohibit, us or our subsidiaries from incurring additional indebtedness. If new indebtedness is added to our current debt levels, the related risks that we and our subsidiaries now face could intensify.

***Covenants in our financing arrangements limit, and other future financing agreements may limit, our ability to operate our business.***

The credit agreement governing our senior revolving credit facility and the indenture governing our senior notes contain, and any of our other future financing agreements may contain covenants imposing operating and financial restrictions on our business.

For example, the credit agreement governing our senior revolving credit facility requires us to satisfy a fixed charge coverage ratio under certain circumstances. If we fail to satisfy such covenant, we would be in default and the lenders (through the administrative agent or collateral agent, as applicable) could elect to declare all amounts outstanding to be immediately due and payable, enforce their interests in the collateral pledged and/or restrict our ability to make additional borrowings, as applicable. The covenants in the credit agreement governing our senior revolving credit facility and the indenture governing our senior notes, subject to specified exceptions and to varying degrees, restrict our ability to, among other things:

- incur additional indebtedness;
- create, incur, assume or permit to exist any liens;
- enter into sale and leaseback transactions;
- enter into operating leases;
- make investments, loans and advancements;
- merge, consolidate or reorganize with, or dispose of all or substantially all assets to, a third party;
- sell assets;
- make acquisitions;
- pay dividends;
- enter into transactions with affiliates;
- prepay or redeem other indebtedness; and
- issue certain types of capital stock.

These restrictions may interfere with our ability to obtain financings or to engage in other business activities, which could have a material adverse effect on our results of operations, cash flows or financial condition.

***Adverse capital and credit market conditions may affect our ability to access capital and meet liquidity needs.***

The domestic and worldwide capital and credit markets may experience significant volatility, disruptions and dislocations with respect to price and credit availability. Should we need additional funds or to refinance our existing indebtedness, we may not be able to obtain such additional funds or refinancing on acceptable terms, or at all.

We need liquidity to pay our operating expenses, interest on our debt and dividends on our capital stock. Without sufficient liquidity, we will be forced to curtail our operations, and our business will suffer. The principal sources of our liquidity are cash flow from operations and borrowings under our senior revolving credit facility. Earnings from our operations and our working capital requirements can vary significantly from period to period based primarily on the mix of our projects underway and the percentage of project work completed during the period. Capital expenditures may also vary significantly from period to period. While we manage cash requirements for working capital and capital expenditure needs, unpredictability in cash collections and payments has required us in the past and may in the future require us to borrow on our line of credit from time to time to meet the needs of our operations.

In the event these resources do not satisfy our liquidity needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects if the level of our business activity decreased due to a market downturn. If internal sources of liquidity prove to be insufficient, we may not be able to successfully obtain additional financing on favorable terms, or at all.



***We may be unable to maintain or expand our credit capacity, which would adversely affect our operations and business.***

We use credit facilities to support our working capital and acquisition needs. If we exhaust our borrowing capacity under our Amended Credit Agreement, and cash flows from operations do not increase sufficiently, our ability to fund the working capital, capital expenditure and other needs of our existing operations could be constrained and our business and results of operations could be materially adversely affected. If we experience operational difficulties or our operating results do not improve, we may need to increase our available borrowing capacity or seek amendments to the terms of our Amended Credit Agreement. Our Amended Credit Agreement is scheduled to expire on May 3, 2024. We are seeking to enter into new arrangements on terms that are more favorable than the terms of the Amended Credit Agreement, but we cannot guarantee that we will be able to obtain financing on commercially reasonable terms or at all, or alternatively that we will be able to secure any additional capacity or amend our Amended Credit Agreement or do so on terms that are acceptable to us, in which case, our costs of borrowing could rise and our business and results of operations could be materially adversely affected.

***Regulatory requirements for derivative transactions could adversely impact our ability to hedge interest rate, currency or commodity risks.***

We may enter into interest rate swap agreements to manage the interest rate paid with respect to our fixed rate indebtedness, foreign exchange forward contracts to hedge currency risk and heating oil commodity swap contracts to hedge the risk that fluctuations in diesel fuel prices will have an adverse impact on cash flows associated with our domestic dredging contracts. The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) and regulations adopted by a number of U.S. federal regulatory agencies created a comprehensive statutory and regulatory framework for derivative transactions, including foreign currency and other over-the-counter derivative hedging transactions. While a number of provisions of Dodd-Frank have been implemented, certain key provisions have not yet been implemented or remain subject to uncertainty. Furthermore, certain provisions of Dodd-Frank may be modified or repealed in the future. Any substantial change in the financial regulatory environment could create additional new compliance costs for us or cause us to alter the manner in which we manage risk, which could have a materially adverse effect on our business. The rules adopted or to be adopted under Dodd-Frank may significantly reduce our ability to execute strategic hedges to manage our interest expense, reduce our fuel commodity uncertainty and hedge our currency risk thus protecting our cash flows. In addition, the banks and other derivatives dealers who are our contractual counterparties are required to comply with extensive regulation under Dodd-Frank. The cost of our counterparties’ compliance will likely be passed on to customers such as ourselves, thus potentially decreasing the benefits to us of hedging transactions and potentially reducing our profitability.

***We may be subject to foreign exchange risks, which could result in large cash losses.***

We are exposed to market risk associated with changes in foreign currency exchange rates. The primary foreign currency to which the Company has exposure is the Bahraini dinar. Our international contracts may be denominated in foreign currencies, which will result in additional risk of fluctuating currency values and exchange rates, hard currency shortages and controls on currency exchange. Changes in the value of foreign currencies could increase our U.S. dollar costs for, or reduce our U.S. dollar revenues from, our foreign operations. Any increased costs or reduced revenues as a result of foreign currency fluctuations could affect our profits. The value of the Bahraini dinar has historically been pegged to the value of the U.S. dollar, which has effectively eliminated the foreign currency risk with respect to that currency. However, if the Bahraini dinar were no longer to be so pegged, whether due to civil unrest in Bahrain or otherwise, the Company could become subject to additional, and substantial, foreign currency risk.

***Our investments in, and extensions of payment terms for, privately financed projects could result in significant losses.***

We have participated and may continue to participate in privately financed projects that enable state and local governments and other customers to finance dredging, such as dredging of local navigable waterways and

lakes, coastal protection and infrastructure projects. These projects typically include the facilitation of non-recourse financing and the provision of dredging, environmental, infrastructure, and related services. We may incur contractually reimbursable costs and may accept extended payment terms, extend debt financing and/or make an equity investment in an entity prior to, in connection with, or as part of project financing, and in some cases we may be the sole or primary source of the project financing. Project financing may also involve the use of real estate, environmental, wetlands or similar credits. If a project is unable to obtain other financing on terms acceptable to it in amounts sufficient to repay or redeem our investments, we could incur losses on our investments and any related contractual receivables. After completion of these projects, the return on our equity investments can be dependent on the operational success of the project and market factors or sale of the aforementioned credits, which may not be under our control. As a result, we could sustain a loss of part or all of our equity investments in such projects or have to recognize the value of the credits at a lower amount than expected in the contract bid.

### **Risks Related to our Stock**

#### ***Our common stock is subject to restrictions on foreign ownership.***

We are subject to government regulations pursuant to the Dredging Act, the Jones Act, the Shipping Act and the vessel documentation laws set forth in Chapter 121 of Title 46 of the United States Code. These statutes require vessels engaged in the transport of merchandise or passengers or dredging in the navigable waters of the U.S. to be owned and controlled by U.S. citizens. The U.S. citizenship ownership and control standards require the vessel-owning entity to be at least 75% U.S.-citizen owned. Our certificate of incorporation contains provisions limiting non-citizenship ownership of our capital stock. If our board of directors determines that persons who are not citizens of the U.S. own more than 22.5% of our outstanding capital stock or more than 22.5% of our voting power, we may redeem such stock. The required redemption price could be materially different from the current price of our common stock or the price at which the non-citizen acquired the common stock. If a non-citizen purchases our common stock, there can be no assurance that they will not be required to divest the shares and such divestiture could result in a material loss. Such restrictions and redemption rights may make our equity securities less attractive to potential investors, which may result in our common stock having a lower market price than it might have in the absence of such restrictions and redemption rights.

#### ***Delaware law and our charter documents may impede or discourage a takeover that our stockholders may consider favorable.***

The provisions of our certificate of incorporation and bylaws may deter, delay or prevent a third-party from acquiring us. These provisions include:

- limitations on the ability of stockholders to amend our charter documents, including stockholder supermajority voting requirements;
- the inability of stockholders to call special meetings;
- a classified board of directors with staggered three-year terms;
- advance notice requirements for nominations for election to the board of directors and for stockholder proposals; and
- the authority of our board of directors to issue, without stockholder approval, up to 1,000,000 shares of preferred stock with such terms as the board of directors may determine and to issue additional shares of our common stock.

We are also subject to the protections of Section 203 of the Delaware General Corporation Law, which prevents us from engaging in a business combination with a person who acquires at least 15% of our common stock for a period of three years from the date such person acquired such common stock, unless board or stockholder approval was obtained.

These provisions could have the effect of delaying, deferring or preventing a change in control of our company, discourage others from making tender offers for our shares, lower the market price of our stock or impede the ability of our stockholders to change our management, even if such changes would be beneficial to our stockholders.

***Our stockholders may not receive dividends, including because of restrictions in our debt agreements or Delaware law.***

Our ability to pay dividends is restricted by the agreements governing our debt, including our Amended Credit Agreement, our bonding agreements and the indenture governing our senior unsecured notes. In addition, under Delaware law, our board of directors may not authorize payment of a dividend unless it is either paid out of our surplus, as calculated in accordance with the Delaware General Corporation Law, or, if we do not have a surplus, it is paid out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. To the extent we do not have adequate surplus or net profits, we will be prohibited from paying dividends.

***Significant fluctuations in the market price of our common stock may affect the ability of holders to resell our common stock at prices that they find attractive.***

The price of our common stock on the NASDAQ Global Market constantly changes. We expect that the market price of our common stock will continue to fluctuate. The market price of our common stock may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- changes in market conditions;
- quarterly variations in our operating results;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;
- announcements of strategic developments, significant contracts, acquisitions and other material events by us or our competitors;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- future sales of our equity or equity-related securities;
- changes in the economy and the financial markets;
- departures of key personnel;
- changes in governmental regulations; and
- geopolitical conditions, such as acts or threats of terrorism, political instability, civil unrest or military conflicts.

In addition, in recent years, global stock markets have experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock, regardless of our operating results.

Volatility in the financial markets could cause a decline in our stock price, which could trigger an impairment of the goodwill of individual reporting units that could be material to our consolidated financial statements. A significant drop in the price of our stock could also expose us to the risk of securities class action lawsuits, which could result in substantial costs and divert management's attention and resources, which could adversely affect our business. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom are awarded equity securities, the value of which is dependent on the performance of our stock price.

## General Risk Factors

***Our methods of accounting for recognizing revenue involve significant estimates and could result in a change in previously recorded revenue and profit.***

We recognize revenue on our projects using generally accepted accounting principles in the United States (“GAAP”) including the percentage-of-completion method prior to December 31, 2017 and guidance from Revenue from Contracts with Customers, as amended (commonly referred to as ASC 606) subsequent to year-end December 31, 2017. The majority of our work is performed on a fixed-price basis. Contract revenue is recorded over time based on estimates which we develop from information known to us at the time of recording, but which may change. The cumulative impact of revisions to estimates is reflected in the period in which these changes are experienced or become known. Given the risks associated with the variables in these types of estimates, it is possible for actual costs to vary from estimates previously made, which may result in reductions or reversals of previously recorded net revenues and profits.

***Our current insurance coverage may not be adequate, and we may not be able to obtain insurance at acceptable rates, or at all.***

We maintain various insurance policies, including hull and machinery, pollution liability, general liability and personal injury. We partially self-insure risks covered by our policies. While we reserve for such self-insured exposures when appropriate for accounting purposes, we are not required to, and do not, specifically set aside funds for the self-insured portion of claims. We may not have insurance coverage or sufficient insurance coverage for all exposures potentially arising from a project. Furthermore, in situations where there is insurance coverage, if multiple policies are involved, we may be subject to a number of self-retention or deductible amounts which in the aggregate could have an adverse effect on our business, results of operations, cash flows or financial condition. At any given time, we are subject to Jones Act personal injury claims and claims from general contractors and other third parties for personal injuries. Our insurance policies may not be adequate to protect us from liabilities that we incur in our business. We may not be able to obtain similar levels of insurance on reasonable terms, or at all. Our inability to obtain such insurance coverage at acceptable rates or at all could have a material adverse effect on our business, results of operations, cash flows or financial condition.

***If we are unable to attract and retain skilled labor and key personnel, including governance personnel, our business, results of operations, cash flows or financial condition could be materially and adversely affected.***

Our ability to attract and retain reliable, qualified personnel is a significant factor that enables us to successfully bid for and profitably complete our work. This includes members of our board of directors, management, project managers, estimators, skilled engineers, supervisors, foremen, equipment operators and laborers. The loss of the services of any of our management could have a material adverse effect on us. If we do not succeed in retaining our current key employees and attracting, developing and retaining new highly-skilled employees, our reputation may be harmed and our operations and future earnings may be negatively impacted. We may not be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy. We have from time to time experienced, and may in the future experience, shortages of certain types of qualified equipment operating personnel. The supply of experienced engineers, project managers, field supervisors and other skilled workers may not be sufficient to meet current or expected demand. If we are unable to hire employees with the requisite skills, we may also be forced to incur significant training expenses. The occurrence of any of the foregoing could have an adverse effect on our business, results of operations, cash flows or financial condition.

In addition, any abrupt changes in our management or board of directors may lead to concerns regarding the direction or stability of our business, which may be exploited by our competitors, result in the loss of business opportunities, cause concern to our current or potential customers or suppliers, or make it more difficult to retain existing personnel or attract and retain new personnel. Changes in management or the board could be time-consuming, result in significant additional costs to us and could be disruptive of our operations and divert the time and attention of management and our employees away from our business operations and executing on our



strategic plan. The unexpected loss of members of our board of directors or senior management team could be disruptive to our operations, jeopardize our ability to raise additional funding and have an adverse effect on our business. The failure of our directors or any new members of our board of directors or management to perform effectively could have a significant negative impact on our business, financial condition and results of operations.

***Disruption, failure, data corruption, cyber-based attacks or security breaches of our IT systems could adversely affect our business and results of operations.***

We rely on information technology (“IT”) systems in order to achieve our business objectives, including to transmit and store electronic information, to capture knowledge of our business including vessel operation systems containing information about production, efficiency and vessel positioning, to conduct our accounting, financial and treasury activities, to store historical financial, project and proprietary information, to monitor our vessel maintenance and engine systems, and to communicate within the organization and with customers, suppliers, partners and other third parties. Our portfolio of hardware and software products, solutions and services and our enterprise IT systems may be vulnerable to damage or disruption caused by circumstances beyond our control such as catastrophic events, power outages, natural disasters and computer system or network failures. The Company’s IT systems may also be subject to cybersecurity attacks including malware, other computer viruses or malicious software, spoofing or phishing email attacks, attempts to gain unauthorized access to our data, the unauthorized release, corruption or loss of its data, loss or damage to its data delivery systems and other electronic security breaches. The failure or disruption of our IT systems to perform as anticipated for any reason could disrupt our business and result in decreased performance, significant remediation costs, transaction errors, loss of data, processing inefficiencies, downtime, failure to properly estimate the work or costs associated with projects, litigation and the loss of customers or suppliers. A significant disruption or failure could have a material adverse effect on our business, operating results, cash flows or financial condition.

***Impairments to our goodwill or other intangible assets could negatively affect our financial condition and results of operations.***

Under current accounting guidelines, we must assess, at least annually and potentially more frequently, whether the value of our goodwill and other intangible assets have been impaired. Any impairment of goodwill or other intangible assets as a result of such analysis would result in a non-cash charge against earnings, which charge could materially adversely affect our business, operating results, cash flows or financial condition. We test goodwill annually for impairment in the third quarter of each year, or more frequently should circumstances dictate. A significant and sustained decline in our future cash flows, a significant adverse change in the economic environment, slower growth rates or our stock price falling below our net book value per share for a sustained period could result in the need to perform additional impairment analysis in future periods. If we were to conclude that a future write-down of goodwill or other intangible assets is necessary, then we would be required to record a non-cash charge against earnings, which, in turn, could have a material adverse effect on our business, results of operations, cash flows or financial condition.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

The Company owns or leases the properties described below. The Company believes that its existing facilities are adequate for its operations.

<u>Location</u>	<u>Type of Facility</u>	<u>Size</u>		<u>Leased or Owned</u>
Staten Island, NY	Yard	4.4	Acres	Owned
Morgan City, LA	Yard	6.4	Acres	Owned
Norfolk, VA	Yard	15.3	Acres	Owned
Channelview, TX	Office	1,302	Square feet	Leased
Cape Girardeau, MO	Office	726	Square feet	Owned
Cape Girardeau, MO	Storage	7,200	Square feet	Owned
Cape Girardeau, MO	Yard	18.4	Acres	Owned
Houston, TX	Office	2,894	Square feet	Leased
Jacksonville, FL	Office	4,171	Square feet	Leased
Oakbrook Terrace, IL	Office	44,219	Square feet	Leased
Houston, TX	Office	23,336	Square feet	Leased

**Item 3. Legal Proceedings**

For additional discussion of certain litigation involving the Company, see the disclosures under “Legal proceedings and other contingencies” included within Note 13, “Commitments and contingencies,” to the Company’s consolidated financial statements.

**Item 4. Mine Safety Disclosures**

Not applicable.

## Part II

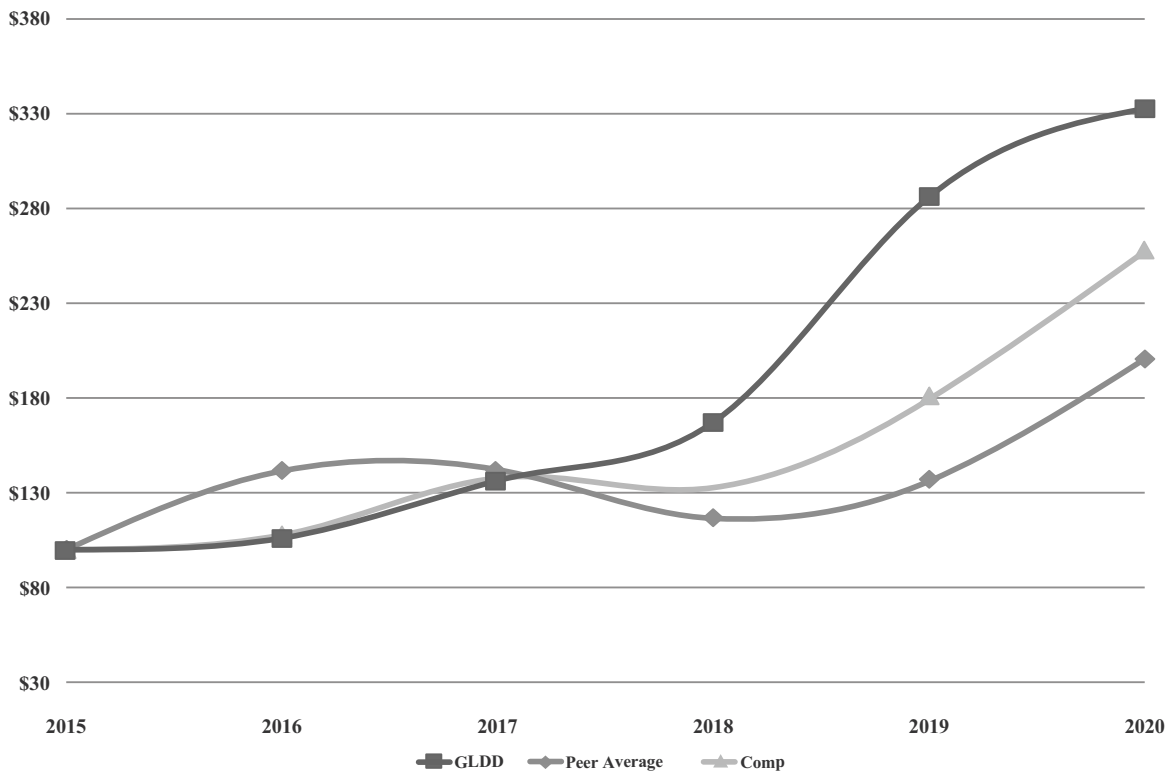
### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Information

Our common stock is traded under the symbol “GLDD” on the NASDAQ Global Market.

The graph below shows the cumulative total return to stockholders of the Company’s common stock during a five year period ended December 31, 2020, the last trading day of our 2020 fiscal year, compared with the return on the NASDAQ Composite Index and a group of our peers which we use internally as a benchmark for our performance. The graph assumes initial investments of \$100 each on December 31, 2015, in GLDD stock (assuming reinvestment of all dividends paid during the period), the NASDAQ Composite Index and the peer group companies, collectively.

**COMPARISON OF 5 YEAR CUMULATIVE RETURN\***  
**Among Great Lakes Dredge & Dock Corporation, Peer Average and NASDAQ Composite Index**



\* \$100 invested on December 31, 2015 in stock or index, including reinvestment of dividends. Fiscal year ended December 31.

	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Great Lakes Dredge & Dock Corp	\$100.00	\$106.06	\$136.36	\$167.17	\$286.11	\$332.58
Peer Average (see below)	100.00	141.52	142.01	116.35	136.11	200.53
NASDAQ Composite Index	100.00	107.50	137.86	132.51	179.19	257.38

The peer group in the graph above is comprised of the following member companies:

<u>Company</u>	<u>Ticker</u>
Aegion Corporation, successor to Insituform Technologies, Inc.	AEGN
Ameresco	AMRC
Argan, Inc.	AGX
Badger Daylighting Ltd	BADFF
Construction Partners Inc	ROAD
Hill International	HIL
IES Holdings	IESC
Infrastructure & Energy Alternatives	IEA
Limbach Holdings	LMB
Logistec Corporation	LGT
Matrix Service Company	MTRX
Mistras Group	MG
MYR Group Inc.	MYRG
NV5 Global Inc	NVEE
Orion Marine Group, Inc.	ORN
Seacor Holdings	CKH
Sterling Construction Company, Inc.	STRL
Team, Inc.	TISI
Tidewater Inc.	TDW

Given the usage of this peer group for compensation purposes and the fact that each peer is a capital intensive business, the Company deems it appropriate to also use this peer group for showing the comparative cumulative total return to stockholders of Great Lakes.

### **Holders of Record**

As of February 19, 2021, the Company had approximately 21 shareholders of record of the Company's common stock. A substantial number of holders of the Company's common stock are "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

### **Dividends**

The Company does not currently pay dividends to its common stockholders. The declaration and payment of future dividends will be at the discretion of Great Lakes' board of directors and depends on many factors, including general economic and business conditions, the Company's strategic plans, financial results and condition, legal requirements including restrictions and limitations contained in the Company's senior credit agreement, bonding agreements and the indenture relating to the senior unsecured notes and other factors the board of directors deems relevant. Accordingly, the Company cannot ensure the size of any such dividend or that the Company will pay any future dividend.



### Issuer Purchases of Equity Securities

The following table provides information regarding purchases of the Company's common stock by the Company during the year ended December 31, 2020:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Aggregate Dollar Value That May Yet Be Purchased Under the Plans or Programs (1)</u>
September 1, 2020—September 30, 2020	424,739	\$9.09	424,739	\$71,140,429
October 1, 2020—October 31, 2020	1,400	\$9.23	1,400	\$71,127,473
December 1, 2020—December 31, 2020	—	\$ —	—	\$71,127,473
Total	<u>426,139</u>	<u>\$9.09</u>	<u>426,139</u>	<u>\$71,127,473</u>

- (1) On August 4, 2020, the Company announced a share repurchase program approved by its board of directors, authorizing, but not obligating, the repurchase of up to an aggregate amount of \$75,000,000 of its common stock, up to a pre-determined price ceiling per our internal guidance, from time to time through July 31, 2021.

## Item 6. Selected Financial Data

The following table sets forth selected financial data and should be read in conjunction with Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Company’s audited consolidated financial statements and notes thereto included elsewhere in this annual report. The selected financial data presented below have been derived from the Company’s consolidated financial statements; items may not sum due to rounding.

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(in millions except shares in thousands and per share data)				
Contract revenues	\$ 733.6	\$ 711.5	\$ 620.8	\$ 592.2	\$ 637.5
Costs of contract revenues	562.4	557.8	509.3	549.4	552.1
Gross profit	171.2	153.8	111.5	42.7	85.3
General and administrative expenses	62.8	59.1	55.1	57.2	55.3
Proceeds from loss of use claim	(1.7)	(4.6)	—	—	—
(Gain) loss on sale of assets — net	(1.6)	1.1	3.7	4.8	3.1
Operating income (loss)	111.8	98.1	52.6	(19.3)	27.0
Interest expense — net	(26.6)	(27.5)	(33.6)	(26.0)	(23.5)
Equity in loss of joint ventures	—	—	—	(1.5)	(2.4)
Loss on extinguishment of debt	—	—	—	(2.3)	—
Other income (expense)	1.1	0.3	(2.6)	—	(0.8)
Income (loss) from continuing operations before income taxes	86.3	70.9	16.5	(49.1)	0.4
Income tax (provision) benefit	(20.2)	(15.3)	(5.4)	33.8	0.2
Income (loss) from continuing operations	66.1	55.7	11.0	(15.4)	0.5
Loss from discontinued operations, net of income taxes	—	(6.3)	(17.3)	(15.9)	(8.7)
Net income (loss)	<u>\$ 66.1</u>	<u>\$ 49.3</u>	<u>\$ (6.3)</u>	<u>\$ (31.3)</u>	<u>\$ (8.2)</u>
Basic earnings (loss) per share attributable to income from continuing operations (1)	\$ 1.02	\$ 0.88	\$ 0.18	\$ (0.25)	\$ 0.01
Basic loss per share attributable to loss on discontinued operations, net of income taxes	—	(0.10)	(0.28)	(0.26)	(0.14)
Basic earnings (loss) per share	<u>\$ 1.02</u>	<u>\$ 0.78</u>	<u>\$ (0.10)</u>	<u>\$ (0.51)</u>	<u>\$ (0.13)</u>
Basic weighted average shares	64,743	63,597	62,236	61,365	60,744
Diluted earnings (loss) per share attributable to income from continuing operations (1)	\$ 1.00	\$ 0.86	\$ 0.17	\$ (0.25)	\$ 0.01
Diluted loss per share attributable to loss on discontinued operations, net of income taxes	—	(0.10)	(0.27)	(0.26)	(0.14)
Diluted earnings (loss) per share	<u>\$ 1.00</u>	<u>\$ 0.76</u>	<u>\$ (0.10)</u>	<u>\$ (0.51)</u>	<u>\$ (0.13)</u>
Diluted weighted average shares	65,872	65,042	63,607	61,365	61,367

	<u>2020</u>	<u>Year Ended December 31,</u>			<u>2016</u>
		<u>2019</u>	<u>2018</u>	<u>2017</u>	
		(in millions)			
Other Data:					
Adjusted EBITDA from continuing operations (2)	\$151.1	\$135.6	\$100.4	\$ 35.2	\$ 78.7
Net cash flows from operating activities	78.9	192.5	137.7	21.5	38.7
Net cash flows used in investing activities	(43.2)	(25.8)	(35.1)	(58.2)	(65.5)
Net cash flows (used in) from financing activities	(6.3)	(14.2)	(85.5)	34.2	30.8
Depreciation expense	38.2	37.1	50.4	56.0	54.8
Maintenance expense	67.1	62.4	44.2	50.1	54.8
Capital expenditures	47.6	48.6	53.7	63.9	84.3

- (1) Refer to Note 2, “Earnings per share,” in the Company’s consolidated financial statements for the years ended December 31, 2020, 2019 and 2018 and above information for additional details regarding these calculations.
- (2) See definition of Adjusted EBITDA from continuing operations in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	<u>2020</u>	<u>As of December 31,</u>			<u>2016</u>
		<u>2019</u>	<u>2018</u>	<u>2017</u>	
		(in millions)			
Balance Sheet Data:					
Cash and cash equivalents	\$216.5	\$187.0	\$ 34.5	\$ 15.9	\$ 11.2
Working capital	186.4	96.8	43.6	111.9	127.4
Total assets	958.0	897.6	730.3	832.4	893.6
Long-term debt, promissory notes and subordinated notes	323.7	322.8	322.0	428.1	390.4
Total stockholder’s equity	346.7	279.4	214.9	221.3	247.9

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### **Overview**

Great Lakes is the largest provider of dredging services in the United States. In addition, the Company has a long history of performing significant international projects. The Company operates in one reportable segment.

Dredging generally involves the enhancement or preservation of the navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. Domestically, our work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. Capital dredging consists primarily of port expansion projects, which involve the deepening of channels and berthing basins to allow access by larger, deeper draft ships and the provision of land fill used to expand port facilities. In addition to port work, capital projects also include coastal restoration and land reclamations, trench digging for pipelines, tunnels, and cables and other dredging related to the construction of breakwaters, jetties, canals and other marine structures. Coastal protection projects generally involve moving sand from the ocean floor to shoreline locations where erosion threatens shoreline assets. Maintenance dredging consists of the re-dredging of previously deepened waterways and harbors to remove silt, sand and other accumulated sediments. Due to natural sedimentation, most channels generally require maintenance dredging every one to three years, thus creating a recurring source of dredging work that is typically non-deferrable if optimal commercial navigability is to be maintained. In addition, severe weather such as hurricanes, flooding and droughts can also cause the accumulation of sediments or severe erosion and drive the need for maintenance and coastal protection dredging. Rivers & lakes dredging and related operations typically consist of lake and river dredging, flood control dredging, inland levee and construction dredging, environmental restoration and habitat improvement and other marine construction projects.

During the second quarter of 2019, the Company completed the sale of our historical environmental & infrastructure business. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations and assets and liabilities held for sale and is no longer reflected in continuing operations. Refer to Note 14, “Business dispositions,” to our consolidated financial statements included in Item 15 of this Annual Report on Form 10-K.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread worldwide and to every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic and on March 13, 2020 the United States declared a national emergency in response to the coronavirus outbreak. This outbreak has severely impacted global economic activity and many countries and states in the United States have reacted by instituting quarantines, mandating school and business closures and limiting travel.

On March 28, 2020, dredging was specifically listed in the U.S. Department of Homeland Security’s “Advisory Memorandum on Identification of Essential Critical Infrastructure Workers During COVID-19 Response” which federally designates the Company as an essential business or “critical infrastructure” company that can maintain operations during the ongoing pandemic. The Company’s largest domestic dredging customer is the U.S. Army Corps of Engineers (the “Corps”); the Corps oversees the majority of these critical infrastructure projects and, in this capacity, has continued to follow their bid schedule and prioritize all types of dredging including port maintenance and expansion and coastal protection projects that are necessary to avoid potential storm damage during hurricane season. Despite the uncertainty surrounding COVID-19, to date, the Corps is continuing to advertise new projects and the Company’s project work has only experienced minor delays.

Executive Management established a COVID-19 Command Team that meets several times each week to update contingency plans and address the challenges related to maintaining operations in this evolving economic environment. The Company’s primary focus has been the health and safety of its employees. The Company has



implemented new paid leave policies and additional sanitary and safety measures to mitigate the risk of infection to employees. On vessels and job sites, the Company has instituted fewer employee shift changes and increased sanitary and social distancing measures. Although we have had crew members on certain of our vessels contract COVID-19, such instances have not to date had a material impact on our business. Since March, the Company's corporate employees have effectively transitioned to a remote working environment and have discontinued non-essential travel to follow recommended physical and social distancing guidelines in order to reduce the risk of infection. The Company is following the protocols published by the U.S. Centers for Disease Control and Prevention, the World Health Organization and state and local governments. As the Company's employees, customers and communities are facing significant challenges, the Company cannot predict how COVID-19 will evolve or the impact it, or actions taken to contain it, will have on future results. As of December 31, 2020, the Company experienced some project delays due to COVID-19 but overall business has not been significantly impacted. Due to the uncertainty that surrounds this virus, the Company will be continually evaluating safety and operational contingency plans and the potential future impact that this evolving environment has on the Company's business, financial condition and results of operations.

In 2020, the U.S. government enacted the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and other legislation which contain tax incentives designed to help businesses deal with the current economic turmoil caused by the pandemic. The coronavirus relief tax acts provide emergency economic stimulus which, among other things, includes various tax provisions relating to refundable payroll tax credits, deferment of the employer side of certain payroll taxes and social security payments, net operating loss carryback periods, alternative minimum tax credit refunds and modifications to the net interest deduction limitations. The Company has elected to defer the employer side of certain payroll taxes and expects to pay such amounts when due in 2021 and 2022.

In 2020, the Company announced the relocation of its headquarters from Illinois to Houston, Texas, with the new Houston office lease beginning in January 2021. The relocation will place the Company closer to key regional customers and new markets, especially along the Gulf Coast and the Mississippi River.

The Company's bid market is defined as the aggregate dollar value of domestic dredging projects on which we bid or could have bid if not for capacity constraints or other considerations ("bid market"). We experienced an average combined bid market share in the U.S. of 39% over the prior three years, including 56%, 53%, 16% and 45% of the domestic capital, coastal protection, maintenance and rivers & lakes sectors, respectively.

The Company's fleet, which includes 20 dredges, 17 material transportation barges, one drillboat, and numerous other support vessels, is the largest and most diverse fleet of any U.S. dredging company. Our fleet of dredging equipment can be utilized on one or many types of work and in various geographic locations. This flexible approach to our fleet utilization, driven by the project scope and equipment, enables us to move equipment in response to changes in demand for dredging services to take advantage of the most attractive opportunities.

As mentioned above, the Company's largest domestic customer is the Corps, which has responsibility for federally funded projects related to navigation and flood control of U.S. waterways. Multi-jurisdictional cost sharing arrangements are allowing the Corps to utilize funds from sources other than the federal budget to prioritize additional projects where waterway infrastructure improvements can have an impact to large regions. Although some of a project's funding may ultimately be derived from multiple sources, the Corps maintains the authority over the project and is our customer. In 2020, our revenues earned from contracts with federal government agencies were approximately 79% of total revenue, up from our prior three year average of 74%.

## **Contract Revenues**

Most of the Company's contracts are obtained through competitive bidding on terms specified by the party inviting the bid. The types of equipment required to perform the specified service, project site conditions, the estimated project duration, seasonality, location and complexity of a project affect the cost of performing the contract and the price that contractors will bid.

Fixed-price contracts, which comprise substantially all of the Company's revenue, will most often represent a single performance obligation as the promise to transfer the individual services is not separately identifiable from other promises in the contracts and, therefore, not distinct. We capitalize certain pre-contract and pre-construction costs, and defer recognition over the life of the contract. Our performance obligations are satisfied over time and revenue is recognized using contract fulfillment costs incurred to date compared to total estimated costs at completion, also known as cost-to-cost, to measure progress towards completion. Contract modifications are changes in the scope or price (or both) of a contract that are approved by the parties to the contract. We recognize a contract modification when the parties to a contract approve a modification that either creates new, or changes existing, enforceable rights and obligations of the parties to the contract. Contract modifications are included in the transaction price only if it is probable that the modification estimate will not result in a significant reversal of revenue. Revisions in estimated gross profit percentages are recorded in the period during which the change in circumstances is experienced or becomes known. As the duration of most of our contracts are one year or less, the cumulative net impact of these revisions in estimates, individually and in the aggregate across our projects, does not significantly affect our results across annual reporting periods. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined.

### **Costs and Expenses**

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance and long-term rentals), subcontracts, fuel, supplies, short-term rentals and project overhead. Hourly labor generally is hired on a project-by-project basis. The Company is a party to numerous collective bargaining agreements in the U.S. that govern our relationships with our unionized hourly workforce.

### **Primary Factors that Determine Operating Profitability**

The Company's results of operations for a calendar or quarterly period are generally determined by the following three factors:

- *Bid wins and dredge employment*— The Company recognizes backlog upon a project being awarded. We begin to recognize revenues when a dredging contract commences a major activity on the project. The period prior to the commencement of a major activity for dredging projects can range from 45 days to six months depending on the complexity of the project and environmental work windows. Although our dredging fleet is subject to downtime for scheduled periodic maintenance and regulatory dry dockings, we seek to maximize our revenues by employing our dredging fleet on a full-time basis. If a dredge is idle (i.e., the dredge is not employed on a dredging project or undergoing scheduled periodic maintenance and repair), we do not earn revenue with respect to that dredge during the time period for which it is idle.
- *Project and dredge mix* — The Company's domestic dredging projects generally involve capital, maintenance, coastal protection and rivers & lakes work, while our foreign dredging projects generally involve capital work. In addition, our projects vary in duration which is generally driven by the type of work undertaken. In general, projects of longer duration result in less dredge downtime in a given period. For example, capital deepening projects generally span several years due to their complexity and environmental windows. Moreover, our dredges have different physical performance capabilities and typically work on certain types of dredging projects. Accordingly, our dredges have different daily revenue generating capacities.

We generally expect to achieve different levels of gross profit margin (i.e., gross profit divided by revenues) for work performed on the different types of dredging projects and for work performed by different types of dredges. Our expected gross margin for a project is based upon our estimates at the time of the bid. Although we seek to bid on and win projects that will maximize our gross margin, we cannot control the type of dredging projects that are available for bid from time to time, the type of

dredge that is needed to complete these projects, the competitive landscape at the time of bid or the time schedule upon which these projects are required to be completed. As a result, in some quarters the Company works on a mix of dredging projects that, in the aggregate, have relatively high expected gross margins (based on project type and dredges employed) and in other quarters, we work on a mix of dredging projects that, in the aggregate, have relatively low expected gross margins (based on project type and dredges employed).

- *Project execution*—The Company seeks to execute all of our projects consistent with or at a higher production than our as-bid project estimates. In general, our ability to achieve our project estimates depends upon many factors including soil conditions, weather, variances from estimated project conditions, equipment mobilization time periods, unplanned equipment downtime or other events or circumstances beyond our control. If we experience any of these events and circumstances, the completion of a project will often be accelerated or delayed, as applicable, and, consequently, we will experience project results that are better or worse than our estimates. We do our best to estimate for events and circumstances that are not within our control; however, these situations are inherent in dredging.

### **Critical Accounting Policies and Estimates**

The Company's significant accounting policies are discussed in the Notes to our consolidated financial statements included in Item 15 of this Annual Report on Form 10-K. The application of certain of these policies requires significant judgments or an estimation process that can affect our results of operations, financial position and cash flows, as well as the related footnote disclosures. We base our estimates on historical experience and other assumptions that we believe are reasonable. If actual amounts are ultimately different from previous estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. The following accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating our reported financial results.

*Cost-to-cost method of revenue recognition*— Revenue is recognized using contract fulfillment costs incurred to date compared to total estimated costs at completion, also known as cost-to-cost, to measure progress towards completion. Additionally, we capitalize certain pre-contract and pre-construction costs, and defer recognition over the life of the contract. In preparing estimates, we draw on our extensive experience in the dredging businesses. We use this experience in conjunction with the project specifications to select equipment and to design a production technique for a project. We also utilize our database of historical dredging information which includes daily costs, mobilization and dredge production references on the same or similar projects to ensure that our estimates are as accurate as possible, given current circumstances. The daily costs and project duration are significant factors in our cost estimates to complete the project. Weather events, mechanical delays or other unplanned downtime instances may cause the actual costs to complete the project to differ from these estimates.

Contract modifications are changes in the scope or price (or both) of a contract that are approved by the parties to the contract. We recognize a contract modification when the parties to a contract approve a modification that either creates new, or changes existing, enforceable rights and obligations of the parties to the contract. Contract modifications are included in the transaction price only if it is probable that the modification estimate will not result in a significant reversal of revenue. Contract modifications are routine in the performance of the Company's contracts. In most instances, contract modifications are for services that are not distinct, and, therefore, are accounted for as part of the existing contract. Revisions in estimated gross profit percentages are recorded in the period during which the change in circumstances is experienced or becomes known. As the duration of most of the Company's contracts is one year or less, the cumulative net impact of these revisions in estimates, individually and in the aggregate across projects, does not significantly affect results across annual reporting periods. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined.

*Impairment of goodwill*—Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. The Company believes that this estimate is a critical accounting estimate because: (i) goodwill is a material asset and (ii) the impact of an impairment could be material to the consolidated balance sheet and consolidated statement of operations. We perform our annual impairment test as of July 1 each year.

When conducting the annual impairment test for goodwill, the Company can choose to assess qualitative factors to determine whether it is more likely than not the fair value of the reporting unit is below its carrying value. If a qualitative assessment determines an impairment is more likely than not, the Company is required to perform a quantitative impairment test. Otherwise, no further analysis is required. The Company also may elect to forego this step and just perform the quantitative impairment test.

In the current year, the Company assessed the fair value of our reporting unit using both a market-based approach and an income-based approach. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. The income approach is dependent on a number of factors, including estimates of future market growth trends, forecasted revenues and expenses, appropriate discount rates and other variables. The estimates are based on assumptions that we believe to be reasonable, but such assumptions are subject to unpredictability and uncertainty. Changes in these estimates and assumptions could materially affect the determination of fair value, and may result in the impairment of goodwill in the event that actual results differ from those estimates.

The market approach measures the value of a reporting unit through comparison to comparable companies. Under the market approach, the Company uses the guideline public company method by applying estimated market-based enterprise value multiples to the reporting unit's estimated revenue and Adjusted EBITDA. We analyze companies that perform similar services or are considered peers. Due to the fact that there are no public companies that are direct competitors, we weigh the results of this approach less than the income approach.

The Company has one operating segment which is also our one reportable segment and reporting unit. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations and assets and liabilities held for sale and is no longer reflected in continuing operations. We performed our annual goodwill impairment test as of July 1, 2020 with no indication of impairment as of the test date. As of the test date, the fair value of the reporting unit was substantially in excess of its carrying value. We will perform the next scheduled annual test of goodwill in the third quarter of 2021 should no triggering events occur which would require a test prior to the next annual test. At December 31, 2020 and 2019, our goodwill was \$76.6 million.



## Results of Operations—Fiscal Years Ended December 31, 2020, 2019 and 2018

The following table sets forth the components of net income attributable to common stockholders of Great Lakes Dredge & Dock Corporation and Adjusted EBITDA from continuing operations, as defined below, as a percentage of contract revenues for the years ended December 31 2020, 2019 and 2018. The selected financial data presented below have been derived from the Company’s consolidated financial statements; items may not sum due to rounding.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contract revenues	100.0%	100.0%	100.0%
Costs of contract revenues	<u>(76.7)</u>	<u>(78.4)</u>	<u>(82.0)</u>
Gross profit	23.3	21.6	18.0
General and administrative expenses	(8.6)	(8.3)	(8.9)
Proceeds from loss of use claim	0.2	0.6	—
Gain (loss) on sale of assets—net	<u>0.2</u>	<u>(0.2)</u>	<u>(0.6)</u>
Operating income	15.1	13.7	8.5
Interest expense—net	(3.6)	(3.9)	(5.4)
Other income (expense)	<u>0.2</u>	<u>—</u>	<u>(0.4)</u>
Income from continuing operations before income taxes	11.7	9.8	2.7
Income tax provision	<u>(2.8)</u>	<u>(2.1)</u>	<u>(0.9)</u>
Income from continuing operations	8.9	7.7	1.8
Loss from discontinued operations, net of income taxes	<u>—</u>	<u>(0.9)</u>	<u>(2.8)</u>
Net income (loss)	8.9	6.8	(1.0)
Adjusted EBITDA from continuing operations	<u>20.6%</u>	<u>19.1%</u>	<u>16.2%</u>

### Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations, as provided herein, represents net income (loss) attributable to common stockholders of Great Lakes Dredge & Dock Corporation, adjusted for net interest expense, income taxes, depreciation and amortization expense, debt extinguishment, accelerated maintenance expense for new international deployments, goodwill or asset impairments and gains on bargain purchase acquisitions. Adjusted EBITDA from continuing operations is not a measure derived in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company presents Adjusted EBITDA from continuing operations as an additional measure by which to evaluate our operating trends. We believe that Adjusted EBITDA from continuing operations is a measure frequently used to evaluate performance of companies with substantial leverage and that our primary stakeholders (i.e., its stockholders, bondholders and banks) use Adjusted EBITDA from continuing operations to evaluate our period to period performance. Additionally, management believes that Adjusted EBITDA from continuing operations provides a transparent measure of our recurring operating performance and allows management to readily view operating trends, perform analytical comparisons and identify strategies to improve operating performance. For this reason, we use a measure based upon Adjusted EBITDA to assess performance for purposes of determining compensation under our incentive plan. Adjusted EBITDA from continuing operations should not be considered an alternative to, or more meaningful than, amounts determined in accordance with GAAP including: (a) operating income as an indicator of operating performance; or (b) cash flows from operations as a measure of liquidity. As such, the Company’s use of Adjusted EBITDA from continuing operations, instead of a GAAP measure, has limitations as an analytical tool, including the inability to determine profitability or liquidity due to the exclusion of accelerated maintenance expense for new international deployments, goodwill or asset impairments, gains on bargain purchase acquisitions, net interest expense and income tax expense and the associated significant cash requirements and the exclusion of depreciation and amortization, which represent significant and unavoidable operating costs given the level of indebtedness and capital expenditures needed to maintain our business. For

these reasons, we use operating income to measure our operating performance and use Adjusted EBITDA from continuing operations only as a supplement. The following is a reconciliation of Adjusted EBITDA from continuing operations to net income (loss) attributable to common stockholders of Great Lakes Dredge & Dock Corporation (in thousands):

	Year Ended December 31,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net income (loss)	\$ 66,103	\$ 49,339	\$ (6,293)
Loss from discontinued operations, net of income taxes	<u>—</u>	<u>(6,329)</u>	<u>(17,309)</u>
Income from continuing operations	66,103	55,668	11,016
Adjusted for:			
Interest expense—net	26,585	27,524	33,578
Income tax provision	20,187	15,253	5,437
Depreciation expense	<u>38,183</u>	<u>37,145</u>	<u>50,389</u>
Adjusted EBITDA from continuing operations	<u>\$151,058</u>	<u>\$135,590</u>	<u>\$100,420</u>

### Components of Contract Revenues

The following table sets forth, by type of work, the Company's contract revenues for the years ended December 31, (in thousands):

<u>Revenues</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital—U.S.	\$336,163	\$299,706	\$333,037
Capital—foreign	25,892	48,619	14,088
Coastal protection	201,361	182,369	175,923
Maintenance	148,767	104,753	53,427
Rivers & lakes	<u>21,418</u>	<u>76,071</u>	<u>44,320</u>
Total revenues	<u>\$733,601</u>	<u>\$711,518</u>	<u>\$620,795</u>

### Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Total revenue was \$733.6 million in 2020, an increase of \$22.1 million, or 3.1%, from 2019 total revenue of \$711.5 million. The increase was largely attributable to increases in domestic capital, coastal protection and maintenance revenues as compared to the prior year. This increase was partially offset by a decrease in rivers & lakes and foreign capital revenues during the current year as compared to the prior year. The Company categorizes revenue by service type to understand the market in which we operate and to assess how we are performing on bidding work or projects and are generating revenue from backlog.

Domestic capital dredging revenues increased \$36.5 million, or 12.2%, to \$336.2 million in 2020 when compared to 2019 revenues of \$299.7 million. The increase in domestic capital dredging revenue was primarily driven by greater revenue earned from deepening projects in Charleston and Jacksonville and a coastal restoration project in Mississippi in the current year when compared to the prior year period. This increase was partially offset by a greater amount of revenue earned on deepening projects in Tampa, Corpus Christi and on the Delaware River during the prior year. We earned 78% of backlog relating to our capital dredging operations that had been carried forward from December 31, 2019.

Revenues from foreign dredging operations in 2020 totaled \$25.9 million, a decrease of \$22.7 million, or 46.7%, from 2019 revenues of \$48.6 million. The decrease in foreign dredging revenue was driven by decreased revenue earned on a project in Bahrain in 2020 as compared to 2019. We earned 78% of backlog relating to our foreign dredging operations that had been carried forward from December 31, 2019.

Coastal protection revenues were \$201.4 million in 2020, an increase of \$19.0 million, or 10.4%, from \$182.4 million in 2019. The increase in coastal protection revenue for the year ended December 31, 2020 was mostly attributable to a greater amount of revenue earned on projects in Florida, Louisiana and Georgia in the current year as compared to the prior year. This increase was partially offset by a greater amount of revenue earned on projects in North Carolina and Delaware during the prior year when compared to the current year. We earned 100% of backlog relating to coastal protection operations that had been carried forward from December 31, 2019.

Revenues from maintenance dredging projects in 2020 were \$148.8 million, an increase of \$44.0 million, or 42.0%, from \$104.8 million in 2019. The increase in maintenance revenue during the current year was mostly attributable to revenue earned on projects in Maryland, Virginia, New York and New Jersey. This increase was partially offset by greater revenue earned on projects in Texas, North Carolina and South Carolina in the prior year when compared to the current year. We earned 100% of backlog relating to maintenance dredging projects that had been carried forward from December 31, 2019.

Rivers & lakes revenues were \$21.4 million for 2020, a decrease of \$54.7 million, or 71.9%, from \$76.1 million in 2019. The decrease in rivers & lakes revenue during the current year was mostly attributable to a greater amount of revenue earned during the prior year on a large flood mitigation project in Texas as a result of Hurricane Harvey, as well as a project in Louisiana, when compared to the current year. This decrease was partially offset by revenue earned on projects in Mississippi and Nebraska in the current year. We earned 97% of backlog relating to rivers & lakes operations that had been carried forward from December 31, 2019.

Gross profit for the year ended December 31, 2020 increased by \$17.4 million, or 11.3%, to \$171.2 million from \$153.8 million for the year ended December 31, 2019. Gross profit margin (gross profit divided by revenue) for the full year 2020 was 23.3%, higher than prior year gross profit margin of 21.6%. The higher gross profit for 2020 was driven by an increase in the profitability of the Company's domestic capital, coastal protection and maintenance projects in the current year. This increase in profitability was partially offset by lower gross profit results in the rivers & lakes dredging projects during the prior year.

General and administrative expenses totaled \$62.8 million for the year ended December 31, 2020, up from \$59.1 million for the year ended December 31, 2019. The increase in general and administrative expense for the full year 2020 as compared to 2019 was attributable to an increase in payroll and benefits, mostly related to an increase in severance pay, increases in technical and consulting fees and increases in legal fees of \$1.1 million, \$0.8 million and \$0.6 million, respectively. Additionally, there were increases related to relocation costs and office expenses in the current year when compared to the prior year.

Operating income was \$111.8 million and \$98.1 million for the years ended December 31, 2020 and 2019, respectively. The increase in operating income during the year ended December 31, 2020 was a result of higher gross profit, as described above. This increase was partially offset by higher general and administrative expense compared to the prior year, as described above. Additionally, there was a \$1.6 million gain on sale of assets as well as \$2.9 million lower proceeds from loss of use claims for the year ended December 31, 2020 when comparing to the prior year.

The Company's net interest expense for 2020 totaled \$26.6 million compared to \$27.5 million in 2019. The decrease in interest expense was attributable to a decrease of \$0.5 million in extinguishment of debt and \$0.6 million of amortization of deferred financing fees when compared to the prior year period. Additionally, \$0.6 million of capitalized interest contributed to the decrease in the current year when compared to the prior year. These decreases were offset by a \$1.0 million decrease in interest income when comparing the current year to the prior year.

Income tax provision in 2020 was \$20.2 million, compared to an income tax provision of \$15.3 million in 2019. The change in income tax provision is primarily related to higher pretax income during the current year, as

described above. The effective tax rate for the year ended December 31, 2020 was 23.4%, above the effective tax rate of 21.5% for the same period of 2019. The lower effective tax rate in the prior year was due to a change in deferred state tax rate that did not repeat in the current year.

For the year ended December 31, 2020, net income from continuing operations was \$66.1 million compared to net income of \$55.7 million for the year ended December 31, 2019. The increase in net income from continuing operations for the year ended December 31, 2020 was driven by the increase to gross profit, as described above, a \$1.6 million gain on sale of assets, a decrease of interest expense, as described above, and an increase to other income of \$0.8 million. This increase was partially offset by an increase to general and administrative expense, as described above, a \$4.9 million increase in income tax provision and a decrease in proceeds of a loss of use claim of \$2.9 million, during the current year when compared to the prior year.

Adjusted EBITDA from continuing operations (as defined and reconciled on page 49) was \$151.1 million and \$135.6 million for the years ended December 31, 2020 and 2019, respectively. The increase in Adjusted EBITDA from continuing operations of \$15.5 million, up 11.4% from 2019 was attributable to higher gross profit, excluding depreciation, a \$1.6 million in gain on sale of assets, and an increase to other income of \$0.8 million. This increase was partially offset by an increase to general and administrative expense, as described above and a decrease in proceeds of a loss of use claim of \$2.9 million, during the current year when compared to the prior year.

#### **Year Ended December 31, 2019 Compared to Year Ended December 31, 2018**

For a discussion comparing our consolidated operating results from the year ended December 31, 2019 with the year ended December 31, 2018, refer to Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Year Ended December 31, 2019 Compared to Year Ended December 31, 2018” in our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the Commission on February 26, 2020.

#### **Bidding Activity and Backlog**

The following table sets forth, by type of work, the Company’s backlog as of the dates indicated (in thousands):

<b>Backlog</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Capital—U.S.	\$320,920	\$347,377	\$447,139
Capital—foreign	6,865	30,571	73,112
Coastal protection	97,986	141,039	81,068
Maintenance	125,090	60,891	56,189
Rivers & lakes	8,515	9,528	49,583
Total Backlog	<u>\$559,376</u>	<u>\$589,406</u>	<u>\$707,091</u>

The Company’s contract backlog represents our estimate of the revenues that will be realized under the portion of the contracts remaining to be performed. These estimates are based primarily upon the time and costs required to mobilize the necessary assets to and from the project site, the amount and type of material to be dredged and the expected production capabilities of the equipment performing the work. However, these estimates are necessarily subject to variances based upon actual circumstances. Because of these factors, as well as factors affecting the time required to complete each job, backlog is not always indicative of future revenues or profitability. Also, 70% of our 2020 backlog relates to federal government contracts, which can be canceled at any time without penalty to the government, subject to our contractual right to recover our actual committed



costs and profit on work performed up to the date of cancellation. Our backlog may fluctuate significantly from quarter to quarter based upon the type and size of the projects we are awarded from the bid market. A quarterly increase or decrease of our backlog does not necessarily result in an improvement or a deterioration of our business. Our backlog includes only those projects for which we have obtained a signed contract with the customer.

Approximately 90% of the Company's backlog at December 31, 2020 is expected to be completed and converted to revenue in 2021.

The 2020 domestic dredging bid market totaled \$1,792 million, which is in line with the 2019 domestic dredging bid market of \$1,786 million. Total domestic dredging bid market for the current year period included awards for additional phases of the Jacksonville, Charleston and Corpus Christi deepening projects, two coastal restoration projects in Louisiana, maintenance work on the Ohio and Mississippi River, hopper maintenance work on the West Coast and a liquefied natural gas ("LNG") capital project in Louisiana. There were increases in domestic capital, maintenance and rivers and lakes projects let to bid in the current period and decreases in coastal protection projects. The Company won 39% of the overall 2020 domestic bid market, up from a 26% win rate of the overall 2019 domestic bid market. Variability in contract wins from period to period is not unusual. We believe trends in our win rate over the prior three year periods provide a historical background against which current year results can be compared.

The Company's December 31, 2020 contracted backlog was \$559.4 million. This represents a decrease of \$30.0 million, or 5.1%, over our December 31, 2019 backlog of \$589.4 million. These amounts do not reflect approximately \$472.3 million of domestic low bids pending formal award and additional phases ("options") pending on projects currently in backlog, including two large LNG projects. At December 31, 2019, the amount of domestic low bids pending award was \$201.3 million. Backlog at December 31, 2020 and 2019 includes deepening projects in Charleston and Jacksonville totaling approximately \$216 million and \$254 million, respectively.

The Company won 49%, or \$308.7 million, of the domestic capital dredging projects awarded in 2020, compared to 20%, or \$65.4 million, in the prior year. During 2020, the Company was awarded an additional phase of the Jacksonville Deepening project for \$105 million, an additional phase of the Charleston Deepening project for \$53 million, three projects in Louisiana which consisted of two coastal restoration projects of \$30 million and \$28 million, respectively, and an LNG project for a private client. Domestic capital dredging work made up \$320.9 million, or 57%, of our December 31, 2020 contracted backlog. During 2020, we continued to earn revenue on deepening projects in Charleston, Jacksonville and Corpus Christi and a coastal restoration project in Mississippi, which were in backlog at December 31, 2019. We expect 85% of our domestic capital backlog at December 31, 2020 to be performed in 2021, with the remainder to be performed in 2022. Government funded projects coming into the pipeline include additional phases of the Boston, Charleston, Jacksonville and Corpus Christi deepenings, as well as new deepenings for ports in Mobile, Alabama and the Everglades in Florida. These deepenings continue the trend of ensuring all East Coast and Gulf of Mexico ports will be able to accommodate the deeper draft vessels currently used on several trade routes. The nation's governors continue to show commitment to their respective ports through engagement and funding. Finally, Congress has also shown a commitment to ports and waterways, providing record annual budgets for the Corps for port deepening and channel maintenance. In addition to this port work, a greater amount of coastal restoration and rehabilitation projects are being funded in the Gulf Coast region as the states utilize available monies for ecosystem priorities, a portion of which is allocated to dredging.

Foreign capital dredging backlog decreased to \$6.9 million at December 31, 2020 from \$30.6 million at the end of 2019. During 2020, the Company continued to earn revenue on a project in the Middle East which was in backlog at December 31, 2019. We expect substantially all of our foreign capital backlog at December 31, 2020 to be performed in the first half of 2021.

The Company won 65%, or \$152.3 million, of the coastal protection projects awarded in 2020, compared to 47%, or \$247.4 million, in the prior year. During 2020, the Company was awarded coastal protection projects of \$31 million in North Carolina, \$24 million in New Jersey and \$21 million in Florida. We have contracted backlog related to coastal protection of \$98.0 million at December 31, 2020 compared to \$141.0 million at the end of 2019. During the year ended December 31, 2020, the Company continued to earn revenue on coastal protection projects in New York, North Carolina, and Florida which were in backlog at December 31, 2019. We expect substantially all of our coastal protection backlog at December 31, 2020 to be performed in 2021. Coastal protection and storm impacts continue to provide the major impetus for coastal project investment at federal and state levels. As a result of the extreme storm systems in prior years involving Hurricanes Harvey, Irma, and Maria, the U.S. Congress passed supplemental appropriations for disaster relief and recovery which includes \$17.4 billion for the Corps to fund projects that will reduce the risk of future damage from flood and storm events. The Corps is beginning to provide visibility on its plans for this money, and it is expected that approximately \$1.8 billion will be allocated to dredging-related work. Most of this work is anticipated to be coastal protection related, but some funding may be provided for channel maintenance. During 2019, an additional \$3.3 billion of supplemental appropriations was approved for disaster relief funding as a result of Hurricane Florence and Hurricane Michael.

The Company won 27%, or \$199.7 million, of the maintenance dredging projects awarded in 2020 compared to 16%, or \$142.6 million, in 2019. During 2020 we were awarded maintenance projects of \$45 million in Louisiana, \$22 million in Florida and \$18 million in Maryland and Virginia. During the year ended December 31, 2020, we continued to work on projects in Maryland, North Carolina and Florida which were in backlog at December 31, 2019. Our contracted maintenance dredging backlog at December 31, 2020 of \$125.1 million is \$64.2 million higher than the backlog of \$60.9 million at December 31, 2019. We expect substantially all of our maintenance dredging backlog at December 31, 2020 to be performed in 2021. Past Water Resources Development Act (“WRDA”) bills called for full use of the Harbor Maintenance Trust Fund (“HMTF”) for its intended purpose of maintaining future access to the waterways and ports that support our nation’s economy. On March 27, 2020, the U.S. government enacted the CARES Act which includes a provision that lifts caps on the HMTF, thereby allowing full access to future annual revenues. The 2020 Water Resources Development Act (WRDA) legislation was included in the Consolidated Appropriations Act 2021 signed into law on December 27, 2020. This continues the trend of WRDA legislation in each session of Congress since 2014. The legislation provides access to the \$9.3 billion in unspent HMTF tax collections, establishes a funds distribution process for HMTF funding and approves projects to proceed to construction. Through the increased appropriation of HMTF monies, the Company anticipates increased funding for harbor maintenance projects to be let for bid.

The Company won 17%, or \$32.1 million, of the rivers & lakes projects in the markets where the group operates during the current year, compared to 48%, or \$11.5 million, in 2019. During the current year, we were awarded new work in Texas, Mississippi and Nebraska. For the year ended December 31, 2020, we continued to earn revenue on a large project in Texas which was in backlog at December 31, 2019. We have contracted dredging backlog related to rivers & lakes of \$8.5 million at December 31, 2020, which is \$1.0 million lower than the backlog of \$9.5 million at December 31, 2019. We expect substantially all of our rivers & lakes backlog at December 31, 2020 to be performed in 2021.

### ***Liquidity and Capital Resources***

The Company’s principal sources of liquidity are net cash flows provided by operating activities, borrowings under our revolving credit facility and proceeds from issuances of long-term debt. See Note 6, “Long-term debt,” to our consolidated financial statements included in Item 15 of this Annual Report on Form 10-K. Our principal uses of cash are to meet debt service requirements, finance capital expenditures, and provide working capital and other general corporate purposes.

On August 4, 2020, the Company announced that its board of directors approved a share repurchase program, authorizing, but not obligating, the repurchase of up to an aggregate amount of \$75.0 million of its common stock from time to time through July 31, 2021.

The Company's net cash provided by operating activities of continuing operations for the years ended December 31, 2020, 2019 and 2018 totaled \$78.9 million, \$201.8 million and \$141.7 million, respectively. Normal increases or decreases in the level of working capital relative to the level of operational activity impact cash flow from operating activities. The decrease in cash provided by operating activities of continuing operations during 2020 compared to the same period in the prior year was driven by billings and collections on large projects during the prior period as well as an increase in working capital due to an increase in receivables during the current year when compared to the same period in the prior year. This decrease was partially offset by an increase in net income in the current year when compared to the prior year period. Cash provided by operating activities for the year ended December 31, 2019 was up compared to 2018 due to higher net income during 2019.

The Company's net cash flows used in investing activities of continuing operations for the years ended December 31, 2020, 2019 and 2018 totaled \$43.2 million, \$43.8 million and \$35.5 million, respectively. Investing activities in all periods primarily relate to normal course upgrades and capital maintenance of our dredging fleet. In the second quarter of 2020, the Company announced and made a down payment for a contract to build a 6,500 cubic yard trailing suction hopper dredge with expected delivery in the first quarter of 2023. In 2020 and 2019, we received \$4.5 million and \$5.6 million, respectively, in proceeds from dispositions of property and equipment. During 2018, we received \$4.5 million in cash proceeds from a sale-leaseback of a dredge as well as \$9.4 million in proceeds from the sale of underperforming and underutilized assets identified through our strategic review. Further, we bought out two leases for \$14.3 million as part of the restructuring initiative of disposing underperforming assets during the year ended December 31, 2018.

The Company's net cash flows used in financing activities of continuing operations for the years ended December 31, 2020, 2019 and 2018 totaled \$6.3 million, \$14.1 million and \$83.9 million, respectively. The decrease in cash used in financing activities primarily relates to changes in the net repayments on the Company's revolving credit facility in the prior year of \$11.5 million compared to none in the current year. Of the previously announced \$75.0 million share repurchase program, the Company repurchased \$3.9 million of common stock during 2020. Additionally, we paid \$2.3 million in financing fees on the Amended Credit Agreement for the senior secured credit facility during 2019. The Company has the ability to call the bonds at par in May 2021. During 2018, we made net repayments on the Company's revolving credit facility of \$83.5 million.

The Company maintains a favorable cash on hand position and revolver availability and as a result is well positioned for changes in the current economic environment. To date, the Company has not had a significant operational or financial impact as a result of the ongoing coronavirus (COVID-19) pandemic but will continue to assess the potential economic impact that the virus and actions taken to contain it could have on the Company's operations and liquidity.

#### *Commitments, contingencies and liquidity matters*

Refer to Note 6, "Long-term debt," in the Notes to Condensed Consolidated Financial Statements for discussion of the Company's Amended Credit Agreement. Additionally, refer to Note 13, "Commitments and contingencies," in the Notes to Condensed Consolidated Financial Statements for discussion of the Company's surety agreements.

#### *Senior notes*

In May 2017, the Company issued \$325 million in aggregate principal amount of our 8% Senior Notes due May 15, 2022 ("8% Senior Notes"). Approximately \$283 million of the net proceeds from the issuance of the 8% Senior Notes were used to prepay all of our 7.375% senior notes due February 2019, including a tender premium and accrued and unpaid interest. Interest on the 8% Senior Notes is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2017. The 8% Senior Notes are senior unsecured obligations of the Company and will be guaranteed on a senior unsecured basis by the guarantors and any other subsidiary guarantors that from time to time become parties to the indenture. The terms of the indenture will,

among other things, limit the ability of the Company and its restricted subsidiaries to (i) pay dividends, or make certain other restricted payments or investments; (ii) incur additional indebtedness and issue disqualified stock; (iii) create liens on their assets; (iv) transfer and sell assets; (v) enter into certain business combinations with third parties or into certain other transactions with affiliates; (vi) create restrictions on dividends or other payments by our restricted subsidiaries; and (vii) create guarantees of indebtedness by restricted subsidiaries. These covenants are subject to a number of important limitations and exceptions that are described in the indenture.

#### *Other*

The future declaration and payment of dividends will be at the discretion of the Company's board of directors and will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition and legal requirements, including restrictions and limitations contained in the Amended Credit Agreement, surety bonding agreement and the indenture relating to our senior notes. Accordingly, we cannot make any assurances as to the size of any such dividend or that it will pay any such dividend in future quarters.

The Company believes our cash and cash equivalents, our anticipated cash flows from operations and availability under our revolving credit facility will be sufficient to fund our operations, capital expenditures and the scheduled debt service requirements for the next twelve months. Beyond the next twelve months, our ability to fund our working capital needs, planned capital expenditures, scheduled debt payments and dividends, if any, and to comply with all the financial covenants required under the Amended Credit Agreement, depends on our future operating performance and cash flows, which in turn are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control.

#### *Contractual Obligations*

The following table summarizes the Company's contractual cash obligations at December 31, 2020. Additional information related to these obligations can be found in Note 6, "Long-term debt," and Note 13, "Commitments and contingencies," to our consolidated financial statements.

	<b>Obligations coming due in year(s) ending:</b>				
	<b>Total</b>	<b>2021</b>	<b>2022 - 2024</b>	<b>2025 - 2027</b>	<b>2028 and beyond</b>
Senior notes (1)	361.8	26.0	335.8	—	—
Operating lease commitments	72.8	22.2	41.6	9.0	—
<b>Total</b>	<b>\$434.6</b>	<b>\$48.2</b>	<b>\$377.4</b>	<b>\$ 9.0</b>	<b>\$—</b>

(1) Includes cash interest payments calculated at stated fixed rate of 8.000%.

#### *Other Off-Balance Sheet and Contingent Obligations*

The Company had outstanding letters of credit relating to foreign contract guarantees and insurance payment liabilities totaling \$36.4 million at December 31, 2020. We have granted liens on a substantial portion of the owned operating equipment as security for borrowings under the Amended Credit Agreement and other indebtedness.

At December 31, 2020, the Company had outstanding performance bonds with a notional amount of \$1,187.9 million of which \$17.4 million relates to projects from our historical environmental & infrastructure businesses. The revenue value remaining in backlog related to the projects in continuing operations totaled \$524.4 million.



Certain foreign projects performed by the Company have warranty periods, typically spanning no more than one to three years beyond project completion, whereby we retain responsibility to maintain the project site to certain specifications during the warranty period. Generally, any potential liability of the Company is mitigated by insurance, shared responsibilities with consortium partners, and/or recourse to owner-provided specifications.

The Company considers it unlikely that it would have to perform under any of the aforementioned contingent obligations.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

At December 31, 2020, the Company had long-term senior notes outstanding with a recorded face value of \$325.0 million. The fair value of these existing notes, which bear interest at a fixed rate of 8.000%, was \$333.3 million at December 31, 2020 based on market prices. Assuming a 10% decrease in interest rates from the rates at December 31, 2020 the fair value of this fixed rate debt would have increased to \$337.0 million.

A significant operating cost for the Company is diesel fuel, which represents approximately 8% of our costs of contract revenues. We use fuel commodity forward contracts, typically with durations of less than one year, to reduce the impacts of changing fuel prices on operations. We do not purchase fuel hedges for trading purposes. Based on our 2021 projected domestic fuel consumption, a 10% increase in the average price per gallon of fuel would have an immaterial effect on fuel expense, after the effect of fuel commodity contracts in place at December 31, 2020. At December 31, 2020 we had outstanding arrangements to hedge the price of a portion of our fuel purchases related to domestic dredging work in backlog, representing approximately 80% of its anticipated domestic fuel requirements through December 2020. As of December 31, 2020, there were 11.9 million gallons remaining on these contracts. Under these agreements, we will pay fixed prices ranging from \$1.12 to \$1.90 per gallon. At December 31, 2020, the fair value asset on these contracts was estimated to be \$1.7 million, based on quoted market prices and is recorded in other current assets. A 10% change in forward fuel prices would result in an immaterial change in the fair value of fuel hedges outstanding at December 31, 2020.

#### **Item 8. Financial Statements and Supplementary Data**

The consolidated financial statements (including financial statement schedules listed under Item 15 of this Report) of the Company called for by this Item, together with the Report of Independent Registered Public Accounting Firm dated February 24, 2021, are set forth on pages 67 to 93 inclusive, of this Report, and are hereby incorporated by reference into this Item. Financial statement schedules not included in this Report have been omitted because they are not applicable or because the information called for is shown in the consolidated financial statements or notes thereto.

## Quarterly Results of Operations (Unaudited)

The following tables set forth our unaudited quarterly results of operations for 2020 and 2019. We have prepared this unaudited information on a basis consistent with the audited consolidated financial statements contained in this report and this unaudited information includes all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of our results of operations for the quarters presented. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations and is no longer reflected in continuing operations. You should read this quarterly financial data along with the Condensed Consolidated Financial Statements and the related notes to those statements included in our Quarterly Reports on Form 10-Q filed with the Commission. The operating results for any quarter are not necessarily indicative of the results for the annual period or any future period.

	<u>March 31,</u>	<u>June 30,</u>	<u>Quarter Ended September 30,</u>	<u>December 31,</u>
	Unaudited			
	(dollars in millions except shares in thousands and per share data)			
<b>2020</b>				
Contract revenues	\$ 217.7	\$ 167.9	\$ 175.8	\$ 172.1
Costs of contract revenues	(149.2)	(134.9)	(139.5)	(138.8)
Gross profit	68.5	33.0	36.4	33.4
General and administrative expenses	(15.6)	(14.8)	(14.9)	(17.5)
Proceeds from loss of use claim	—	—	1.7	—
Gain on sale of assets — net	0.1	0.0	—	1.4
Operating income	53.0	18.3	23.2	17.3
Interest expense — net	(6.6)	(6.7)	(6.7)	(6.5)
Other income (expense)	(1.1)	0.6	0.2	1.5
Income before income taxes	45.3	12.1	16.6	12.3
Income tax provision	(11.3)	(3.1)	(4.1)	(1.7)
Net income	<u>\$ 34.0</u>	<u>\$ 9.0</u>	<u>\$ 12.5</u>	<u>\$ 10.6</u>
Basic earnings per share	\$ 0.53	\$ 0.14	\$ 0.19	\$ 0.16
Basic weighted average shares	64.5	64.9	64.9	64.8
Diluted earnings per share	\$ 0.52	\$ 0.14	\$ 0.19	\$ 0.16
Diluted weighted average shares	65.7	65.8	65.9	66.0

	<u>March 31,</u>	<u>June 30,</u>	<u>Quarter Ended September 30,</u>	<u>December 31,</u>
	Unaudited			
	(dollars in millions except shares in thousands and per share data)			
<b>2019</b>				
Contract revenues	\$ 192.6	\$ 184.8	\$ 169.8	\$ 164.3
Costs of contract revenues	<u>(142.8)</u>	<u>(147.3)</u>	<u>(137.9)</u>	<u>(129.7)</u>
Gross profit	49.9	37.5	31.8	34.6
General and administrative expenses	(14.8)	(14.6)	(13.5)	(16.2)
Proceeds from loss of use claim	—	—	—	4.6
Gain (loss) on sale of assets — net	<u>(0.3)</u>	<u>(0.1)</u>	<u>0.0</u>	<u>(0.8)</u>
Operating income	34.8	22.8	18.4	22.2
Interest expense — net	(7.6)	(7.2)	(6.3)	(6.5)
Other income (expense)	<u>0.2</u>	<u>0.1</u>	<u>(0.0)</u>	<u>0.0</u>
Income before income taxes	27.4	15.7	12.0	15.8
Income tax provision	<u>(6.8)</u>	<u>(4.2)</u>	<u>(3.2)</u>	<u>(1.0)</u>
Income from continuing operations	20.5	11.5	8.8	14.8
Income (loss) from discontinued operations, net of income taxes	<u>(3.4)</u>	<u>(3.3)</u>	<u>(0.9)</u>	<u>1.2</u>
Net income	<u>\$ 17.2</u>	<u>\$ 8.2</u>	<u>\$ 8.0</u>	<u>\$ 16.0</u>
Basic earnings per share attributable to income from continuing operations	\$ 0.33	\$ 0.18	\$ 0.14	\$ 0.23
Basic income (loss) per share attributable to income (loss) from discontinued operations, net of tax	<u>(0.05)</u>	<u>(0.05)</u>	<u>(0.02)</u>	<u>0.02</u>
Basic earnings per share	\$ 0.28	\$ 0.13	\$ 0.12	\$ 0.25
Basic weighted average shares	62.9	63.6	63.9	64.0
Diluted earnings per share attributable to income from continuing operations	\$ 0.32	\$ 0.18	\$ 0.14	\$ 0.23
Diluted income (loss) per share attributable to income (loss) from discontinued operations, net of tax	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>	<u>\$ 0.02</u>
Diluted earnings per share	\$ 0.27	\$ 0.13	\$ 0.12	\$ 0.25
Diluted weighted average shares	64.6	65.0	65.1	65.3

Note: Items may not sum due to rounding.

## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### **Disclosure Controls and Procedures.**

##### *a) Evaluation of disclosure controls and procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act") as of December 31, 2020. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act (a) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure and (b) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as designed and implemented, were effective as of December 31, 2020. Notwithstanding the foregoing, a control system, no matter how well designed, implemented and operated can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports.

##### *b) Changes in internal control over financial reporting*

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### *c) Management's annual report on internal control over financial reporting*

The management of Great Lakes Dredge & Dock Corporation, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f), and 15d-15(f) under the Securities Exchange Act of 1934). Management has used the framework set forth in the report entitled *Internal Control—Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to evaluate the effectiveness of the Company's internal control over financial reporting.

The phrase internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and overseen by our Board of Directors, management and other personnel, 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, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with general accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and



- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Neither internal control over financial reporting nor disclosure controls and procedures can provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Internal control over financial reporting and disclosure controls are processes that involve human diligence and compliance, and are subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting and disclosure controls also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented, detected or reported on a timely basis by internal control over financial reporting or disclosure controls. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design safeguards for these processes that will reduce, although may not eliminate, these risks.

Our independent registered public accounting firm, Deloitte & Touche LLP, who audited Great Lakes' consolidated financial statements included in this Annual Report on Form 10-K, has issued a report on Great Lakes' internal control over financial reporting, which is included herein.

Management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Great Lakes Dredge & Dock Corporation

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Great Lakes Dredge & Dock Corporation and subsidiaries (the “Company”) as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2020, of the Company and our report dated February 24, 2021 expressed an unqualified opinion on those financial statements and financial statement schedule.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Chicago, Illinois  
February 24, 2021

## **Item 9B. Other Information**

None.

## **Part III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

Information regarding our executive officers is incorporated by reference herein from the discussion under Item 1. “Business—Information about our Executive Officers” in this Annual Report on Form 10-K.

#### **Code of Ethics**

The Company has adopted a written code of business conduct and ethics that applies to all of our employees, including our principal executive officer, principal financial officer, controller, and persons performing similar functions. The Company’s code of ethics can be found on our website at [www.gldd.com](http://www.gldd.com). We will post on our website any amendments to or waivers of the code of business conduct and ethics for executive officers or directors, in accordance with applicable laws and regulations.

The remaining information called for by this Item 10 is incorporated by reference herein from the discussions under the headings “Election of Directors,” “Corporate Governance,” “Security Ownership of Certain Beneficial Owners and Management” and “Delinquent Section 16(a) Reports” in the definitive Proxy Statement for the 2021 Annual Meeting of Stockholders.

### **Item 11. Executive Compensation**

The information required by Item 11 of Form 10-K is incorporated by reference herein from the discussions under the headings “Executive Compensation Tables,” “Compensation Discussion and Analysis,” “Corporate Governance” and “CEO Pay Ratio” in the definitive Proxy Statement for the 2021 Annual Meeting of Stockholders.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by Item 12 of Form 10-K is incorporated by reference herein from the discussion under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by Item 13 of Form 10-K is incorporated by reference herein from the discussions under the headings “Corporate Governance” and “Potential Payments Upon Termination or Change of Control” and “Certain Relationships and Related Transactions” in the definitive Proxy Statement for the 2021 Annual Meeting of Stockholders.

### **Item 14. Principal Accounting Fees and Services**

The information required by Item 14 of Form 10-K is incorporated by reference herein from the discussion under the heading “Matters Related to Independent Registered Public Accounting Firm” in the definitive Proxy Statement for the 2021 Annual Meeting of Stockholders.

## **Part IV**

### **Item 15. Exhibits, Financial Statement Schedules**

#### **(a) Documents filed as part of this report**

##### **1. Financial Statements**

The financial statements are set forth on pages 67 to 93 of this Report and are incorporated by reference in Item 8 of this Report.

##### **2. Financial Statement Schedules**

All other schedules, except Schedule II—Valuation and Qualifying Accounts on page 94, are omitted because they are not required or the required information is shown in the financial statements or notes thereto.

##### **3. Exhibits**

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the “Exhibit Index” which is attached hereto and incorporated by reference herein.

### **Item 16. Form 10-K Summary**

None.

# GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Great Lakes Dredge & Dock Corporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Great Lakes Dredge & Dock Corporation and subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2021, expressed an unqualified opinion on the Company’s internal control over financial reporting.

### Change in Accounting Principle

The Company has changed its method of accounting for leases in the year ended December 31, 2019 due to the adoption of Accounting Standard Update No. 2016-02, *Leases (Topic 842)*.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

## **Revenue Recognition – Estimated Costs at Completion— Refer to Notes 1 & 10 to the financial statements**

### *Critical Audit Matter Description*

During 2020 the Company's contract revenues were \$733.6 million, all of which represented revenue recognized over time as work progressed on individual contracts. The Company recognizes revenue on its contracts utilizing the cost-to-cost method for determining progress toward completion of each contract. Revenue is recognized using contract fulfillment costs incurred to date compared to total estimated fulfillment costs at completion. Daily costs and project duration are significant factors in management's estimate of fulfillment costs at completion.

We identified estimated contract fulfillment costs at completion used in revenue recognition as a critical audit matter because of the judgments inherent in management's estimates related to contracts that were in progress at December 31, 2020. This required extensive audit effort and a high degree of auditor judgment when performing audit procedures on the total estimated contract fulfillment costs which underlie management's determination of revenue on contracts in progress.

### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to contract fulfillment costs incurred to date and management's estimates of the total costs at completion for contracts in progress included the following, among others:

- We tested the effectiveness of controls over revenue recognition, including management's controls over contract fulfillment costs incurred to date and estimated total costs at completion.
- We selected a sample of contracts with customers and we performed the following:
  - Compared the total revenue amounts used by management to the consideration expected to be received based on current rights and obligations under the contracts and any modifications that were agreed with the customers.
  - Evaluated management's ability to achieve the estimates of total cost by inquiring with the Company's project managers and engineers, comparing the estimates to management's work plans, and comparing expected profit margins to those achieved on similar contracts.
  - For certain contracts, we performed virtual meetings with the project site managers and utilized global positioning system tracking technology to virtually validate equipment deployed on-site and discuss the contract activities with operational management.
  - Tested the mathematical accuracy of management's calculation of revenue
- We tested the accuracy and occurrence of contract fulfillment costs incurred to date by selecting a sample of costs from contract cost general ledger detail and obtaining supporting documentation in the form of invoices or pay statements and time-charged records.
- We compared total actual costs incurred on projects completed during the year to management's estimates as of the prior year end to evaluate management's ability to accurately forecast total contract fulfillment costs at completion.

/s/ Deloitte & Touche LLP

Chicago, Illinois  
February 24, 2021

We have served as the Company's auditor since 1991.

**Great Lakes Dredge & Dock Corporation and Subsidiaries**

**Consolidated Balance Sheets  
As of December 31, 2020 and 2019  
(in thousands, except per share amounts)**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$216,510	\$186,995
Accounts receivable—net	38,990	19,785
Contract revenues in excess of billings	32,106	22,560
Inventories	34,689	30,189
Prepaid expenses	3,091	1,525
Other current assets	37,307	39,658
Total current assets	362,693	300,712
PROPERTY AND EQUIPMENT—Net	383,042	374,596
OPERATING LEASE ASSETS	65,188	72,612
GOODWILL	76,576	76,576
INVENTORIES—Noncurrent	58,413	61,126
ASSETS HELD FOR SALE— Noncurrent	2,900	3,970
OTHER	9,212	7,960
<b>TOTAL</b>	<b>\$958,024</b>	<b>\$897,552</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 71,308	\$ 76,091
Accrued expenses	52,899	51,225
Operating lease liabilities	19,472	21,351
Billings in excess of contract revenues	32,608	55,266
Total current liabilities	176,287	203,933
LONG-TERM DEBT	323,735	322,843
OPERATING LEASE LIABILITIES—Noncurrent	45,879	51,131
DEFERRED INCOME TAXES	56,466	35,740
OTHER	8,989	4,506
Total liabilities	611,356	618,153
<b>COMMITMENTS AND CONTINGENCIES (Note 13)</b>		
<b>EQUITY:</b>		
Common stock—\$.0001 par value; 90,000 authorized, 65,023 and 64,283 shares issued and outstanding at December 31, 2020 and December 31, 2019, respectively.	6	6
Additional paid-in capital	304,757	302,189
Accumulated retained earnings (accumulated deficit)	40,937	(23,091)
Accumulated other comprehensive income	968	295
Total equity	346,668	279,399
<b>TOTAL</b>	<b>\$958,024</b>	<b>\$897,552</b>

See notes to consolidated financial statements.

**Great Lakes Dredge & Dock Corporation and Subsidiaries**  
**Consolidated Statements of Operations**  
**For the Years Ended December 31, 2020, 2019 and 2018**  
(in thousands, except per share amounts)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CONTRACT REVENUES	\$733,601	\$711,518	\$620,795
COSTS OF CONTRACT REVENUES	<u>562,373</u>	<u>557,761</u>	<u>509,335</u>
GROSS PROFIT	171,228	153,757	111,460
OPERATING EXPENSES:			
GENERAL AND ADMINISTRATIVE EXPENSES	62,757	59,110	55,108
PROCEEDS FROM LOSS OF USE CLAIM	(1,723)	(4,619)	—
(GAIN) LOSS ON SALE OF ASSETS—Net	<u>(1,571)</u>	<u>1,138</u>	<u>3,731</u>
Total operating income	111,765	98,128	52,621
OTHER EXPENSE:			
Interest expense—net	(26,585)	(27,524)	(33,578)
Other income (expense)	<u>1,110</u>	<u>317</u>	<u>(2,590)</u>
Total other expense	(25,475)	(27,207)	(36,168)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	86,290	70,921	16,453
INCOME TAX PROVISION	<u>(20,187)</u>	<u>(15,253)</u>	<u>(5,437)</u>
INCOME FROM CONTINUING OPERATIONS	66,103	55,668	11,016
Loss from discontinued operations, net of income taxes	<u>—</u>	<u>(6,329)</u>	<u>(17,309)</u>
NET INCOME (LOSS)	<u>\$ 66,103</u>	<u>49,339</u>	<u>\$ (6,293)</u>
Basic earnings per share attributable to income from continuing operations	\$ 1.02	\$ 0.88	\$ 0.18
Basic loss per share attributable to loss on discontinued operations, net of income taxes	<u>—</u>	<u>(0.10)</u>	<u>(0.28)</u>
Basic earnings (loss) per share	\$ 1.02	\$ 0.78	\$ (0.10)
Basic weighted average shares	64,743	63,597	62,236
Diluted earnings per share attributable to income from continuing operations	\$ 1.00	\$ 0.86	\$ 0.17
Diluted loss per share attributable to loss on discontinued operations, net of income taxes	<u>—</u>	<u>(0.10)</u>	<u>(0.27)</u>
Diluted earnings (loss) per share	\$ 1.00	\$ 0.76	\$ (0.10)
Diluted weighted average shares	65,872	65,042	63,607

See notes to consolidated financial statements.

**Great Lakes Dredge & Dock Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**For the Years Ended December 31, 2020, 2019 and 2018**  
(in thousands)

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net income (loss)	\$66,103	\$49,339	\$ (6,293)
Currency translation adjustment—net of tax (1)	—	—	1,513
Net unrealized (gain) loss on derivatives—net of tax (2)	673	4,104	(5,325)
Other comprehensive income (loss)—net of tax	673	4,104	(3,812)
Comprehensive income (loss)	\$66,776	\$53,443	\$(10,105)

- (1) Net of income tax provision of \$(1,017) for the year ended December 31, 2018.
- (2) Net of income tax (provision) benefit of \$217, \$(421) and \$775 for the years ended December 31, 2020, 2019 and 2018, respectively.

See notes to consolidated financial statements.



**Great Lakes Dredge & Dock Corporation and Subsidiaries**  
**Consolidated Statements of Equity**  
**For the Years Ended December 31, 2020, 2019 and 2018**  
(in thousands)

	Great Lakes Dredge & Dock Corporation shareholders							Total
	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	
BALANCE—January 1, 2018	61,897	\$ 6	(278)	\$(1,433)	\$289,821	\$(67,101)	\$ 3	\$221,296
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	(1,577)	—	(1,577)
Share-based compensation	132	—	—	—	5,425	—	—	5,425
Vesting of restricted stock units, including impact of shares withheld for taxes	520	—	—	—	(1,205)	—	—	(1,205)
Exercise of stock options and purchases from employee stock plans	281	—	—	—	1,094	—	—	1,094
Net loss	—	—	—	—	—	(6,293)	—	(6,293)
Other comprehensive loss—net of tax	—	—	—	—	—	—	(3,812)	(3,812)
<b>BALANCE—December 31, 2018</b>	<b>62,830</b>	<b>\$ 6</b>	<b>(278)</b>	<b>\$(1,433)</b>	<b>\$295,135</b>	<b>\$(74,971)</b>	<b>\$(3,809)</b>	<b>\$214,928</b>
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	2,802	—	2,802
Share-based compensation	73	—	—	—	8,395	—	—	8,395
Vesting of restricted stock units, including impact of shares withheld for taxes	873	—	—	—	(5,008)	—	—	(5,008)
Exercise of stock options and purchases from employee stock purchase plan	785	—	—	—	4,839	—	—	4,839
Cancellation of treasury stock	(278)	—	278	1,433	(1,172)	(261)	—	—
Net income	—	—	—	—	—	49,339	—	49,339
Other comprehensive income— net of tax	—	—	—	—	—	—	4,104	4,104
<b>BALANCE—December 31, 2019</b>	<b>64,283</b>	<b>\$ 6</b>	<b>—</b>	<b>\$ —</b>	<b>\$302,189</b>	<b>\$(23,091)</b>	<b>\$ 295</b>	<b>\$279,399</b>
Share-based compensation	94	—	—	—	6,754	—	—	6,754
Vesting of restricted stock units, including impact of shares withheld for taxes	741	—	—	—	(4,748)	—	—	(4,748)
Exercise of stock options and purchases from employee stock purchase plan	331	—	—	—	2,360	—	—	2,360
Repurchase of common stock	(426)	—	—	—	(1,798)	(2,075)	—	(3,873)
Net income	—	—	—	—	—	66,103	—	66,103
Other comprehensive income—net of tax	—	—	—	—	—	—	673	673
<b>BALANCE—December 31, 2020</b>	<b>65,023</b>	<b>\$ 6</b>	<b>—</b>	<b>\$ —</b>	<b>\$304,757</b>	<b>\$ 40,937</b>	<b>\$ 968</b>	<b>\$346,668</b>

See notes to consolidated financial statements.

**Great Lakes Dredge & Dock Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2020, 2019 and 2018**  
(in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 66,103	\$ 49,339	\$ (6,293)
Loss from discontinued operations, net of income taxes	—	(6,329)	(17,309)
	<hr/>	<hr/>	<hr/>
Income from continuing operations	66,103	55,668	11,016
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:			
Depreciation expense	38,183	37,145	50,389
Deferred income taxes	20,508	15,134	5,760
(Gain) loss on dispositions of property and equipment	(1,571)	1,138	3,731
Other non-cash restructuring items	—	—	2,337
Amortization of deferred financing fees	1,611	2,746	3,504
Unrealized foreign currency gain	—	—	(231)
Share-based compensation expense	6,754	6,908	4,643
Changes in assets and liabilities:			
Accounts receivable	(19,205)	44,994	(8,364)
Contract revenues in excess of billings	(9,546)	(4,607)	54,881
Inventories	(2,383)	(1,939)	(921)
Prepaid expenses and other current assets	1,466	(8,539)	11,976
Accounts payable and accrued expenses	(3,328)	12,546	(1,480)
Billings in excess of contract revenues	(22,658)	37,473	7,524
Other noncurrent assets and liabilities	3,013	3,120	(3,093)
	<hr/>	<hr/>	<hr/>
Net cash flows provided by operating activities of continuing operations	78,947	201,787	141,672
Net cash flows used in operating activities of discontinued operations	—	(9,238)	(4,019)
	<hr/>	<hr/>	<hr/>
Cash provided by operating activities	78,947	192,549	137,653
<b>INVESTING ACTIVITIES:</b>			
Purchases of property and equipment	(47,621)	(49,412)	(49,422)
Proceeds from dispositions of property and equipment	4,450	5,592	13,880
	<hr/>	<hr/>	<hr/>
Net cash flows used in investing activities of continuing operations	(43,171)	(43,820)	(35,542)
Net cash flows provided by investing activities of discontinued operations	—	18,056	425
	<hr/>	<hr/>	<hr/>
Cash used in investing activities	(43,171)	(25,764)	(35,117)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>FINANCING ACTIVITIES:</b>			
Repayments of debt	—	—	(298)
Deferred financing fees	—	(2,388)	—
Taxes paid on settlement of vested share awards	(4,748)	(5,008)	(1,205)
Exercise of stock options and purchases from employee stock plans	2,360	4,839	1,094
Repurchase of common stock	(3,873)	—	—
Borrowings under revolving loans	—	—	29,000
Repayments of revolving loans	—	(11,500)	(112,500)
Net cash flows used in financing activities of continuing operations	(6,261)	(14,057)	(83,909)
Net cash flows used in financing activities of discontinued operations	—	(191)	(1,547)
Cash (used in) provided by financing activities	(6,261)	(14,248)	(85,456)
Effect of foreign currency exchange rates on cash and cash equivalents	—	—	26
Net increase in cash, cash equivalents and restricted cash	29,515	152,537	17,106
Cash, cash equivalents and restricted cash at beginning of period	186,995	34,458	17,352
Cash, cash equivalents and restricted cash at end of period	<u>\$216,510</u>	<u>\$186,995</u>	<u>\$ 34,458</u>
<b>Supplemental Cash Flow Information</b>			
Cash paid for interest	<u>\$ 26,430</u>	<u>\$ 24,942</u>	<u>\$ 30,855</u>
Cash paid for income taxes	<u>\$ 392</u>	<u>\$ 366</u>	<u>\$ 290</u>
<b>Non-cash Investing and Financing Activities</b>			
Property and equipment purchased but not yet paid	<u>\$ 6,693</u>	<u>\$ 6,473</u>	<u>\$ 7,303</u>
Repayments of debt with proceeds from sale-leaseback transactions	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,034</u>

See notes to consolidated financial statements.

## GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF December 31, 2020 AND 2019 AND FOR THE

YEARS ENDED December 31, 2020, 2019 AND 2018

(In thousands, except per share amounts or as otherwise noted)

#### 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**—Great Lakes Dredge & Dock Corporation and its subsidiaries (the “Company” or “Great Lakes”) are in the business of marine construction, primarily dredging. The Company is the largest provider of dredging services in the United States. In addition, the Company has a long history of performing significant international projects. The mobility of the Company’s fleet enables the Company to move equipment in response to changes in demand for dredging services

**Principles of Consolidation and Basis of Presentation**—The consolidated financial statements include the accounts of Great Lakes Dredge & Dock Corporation and its majority-owned subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. The equity method of accounting is used for investments in unconsolidated investees in which the Company has significant influence, but not control. Other investments, if any, are carried at cost.

**Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Revenue and Cost Recognition on Contracts**—Revenue is recognized using contract fulfillment costs incurred to date compared to total estimated costs at completion, also known as cost-to-cost, to measure progress towards completion. Additionally, the Company capitalizes certain pre-contract and pre-construction costs, and defers recognition over the life of the contract. The Company’s performance obligations are satisfied over time and revenue is recognized using the cost-to-cost method, described above. Contract modifications are changes in the scope or price (or both) of a contract that are approved by the parties to the contract. The Company recognizes a contract modification when the parties to a contract approve a modification that either creates new, or changes existing, enforceable rights and obligations of the parties to the contract. Contract modifications are routine in the performance of the Company’s contracts. In most instances, contract modifications are for services that are not distinct, and, therefore, are accounted for as part of the existing contract. Contract modifications are included in the transaction price only if it is probable that the modification estimate will not result in a significant reversal of revenue. Revisions in estimated gross profit percentages are recorded in the period during which the change in circumstances is experienced or becomes known. As the duration of most of the Company’s contracts is one year or less, the cumulative net impact of these revisions in estimates, individually and in the aggregate across projects, does not significantly affect results across annual reporting periods. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined.

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance and long-term rentals), subcontracts, fuel, supplies, short-term rentals and project overhead. Hourly labor generally is hired on a project-by-project basis. The Company is a party to numerous collective bargaining agreements in the U.S. that govern its relationships with its unionized hourly workforce.

**Classification of Current Assets and Liabilities**—The Company includes in current assets and liabilities amounts realizable and payable in the normal course of contract completion, unless completion of such contracts extends significantly beyond one year.

**Cash Equivalents**—The Company considers all highly liquid investments with a maturity at purchase of three months or less to be cash equivalents.

**Accounts Receivable**—Accounts receivable represent amounts due or billable under the terms of contracts with customers, including amounts related to retainage. The Company anticipates collection of retainage generally within one year, and accordingly presents retainage as a current asset. The Company provides an allowance for estimated uncollectible accounts receivable based on historical and expected losses and when events or conditions indicate that amounts outstanding are not recoverable.

**Inventories**—Inventories consist of pipe and spare parts used in the Company’s dredging operations. Pipe and spare parts are purchased in large quantities; therefore, a certain amount of pipe and spare part inventories is not anticipated to be used within the current year and is classified as long-term. Spare part inventories are stated at weighted average historical cost, and are charged to expense when used in operations. Pipe inventory is recorded at cost and amortized to expense over the period of its use.

**Property and Equipment**—Capital additions, improvements, and major renewals are classified as property and equipment and are carried at depreciated cost. Maintenance and repairs that do not significantly extend the useful lives of the assets or enhance the capabilities of such assets are charged to expenses as incurred. Depreciation is recorded over the estimated useful lives of property and equipment using the straight-line method and the mid-year depreciation convention. The estimated useful lives by class of assets are:

<u>Class</u>	<u>Useful Life (years)</u>
Buildings and improvements	10
Furniture and fixtures	5-10
Vehicles, dozers, and other light operating equipment and systems	3-5
Heavy operating equipment (dredges and barges)	10-30

Leasehold improvements are amortized over the shorter of their remaining useful lives or the remaining terms of the leases.

**Goodwill**—Goodwill represents the excess of acquisition cost over fair value of the net assets acquired. Goodwill is tested annually for impairment in the third quarter of each year, or more frequently should circumstances dictate. GAAP requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

When conducting the annual impairment test for goodwill, the Company can choose to assess qualitative factors to determine whether it is more likely than not the fair value of the reporting unit is below its carrying value. If a qualitative assessment determines an impairment is more likely than not, the Company is required to perform a quantitative impairment test. Otherwise, no further analysis is required. The Company also may elect to forego this step and just perform the quantitative impairment test.

The Company assesses the fair values of its reporting unit using both a market-based approach and an income-based approach. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. The income approach is dependent on a number of factors, including estimates of future market growth trends, forecasted revenues and expenses, appropriate discount rates and other variables. The estimates are based on assumptions that the Company believes to be reasonable, but such assumptions are subject to unpredictability and uncertainty. Changes in these estimates and assumptions could materially affect the determination of fair value, and may result in the impairment of goodwill in the event that actual results differ from those estimates.

The market approach measures the value of a reporting unit through comparison to comparable companies. Under the market approach, the Company uses the guideline public company method by applying estimated market-based enterprise value multiples to the reporting unit’s estimated revenue and Adjusted EBITDA. The Company analyzes companies that performed similar services or are considered peers. Due to the fact that there



are no public companies that are direct competitors, the Company weighs the results of this approach less than the income approach.

The Company has one operating segment which is also the Company's one reportable segment and reporting unit of which the Company tests goodwill for impairment. The historical environmental & infrastructure segment, which the Company sold during the second quarter of 2019, has been retrospectively presented as discontinued operations and assets and liabilities held for sale and is no longer reflected in continuing operations. The Company performed its most recent annual test of impairment as of July 1, 2020 with no indication of impairment as of the test date. As of the test date, the fair value of the reporting unit was substantially in excess of its carrying value. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2021 should no triggering events occur which would require a test prior to the next annual test.

**Long-Lived Assets**—Long-lived assets are comprised of property and equipment subject to amortization. Long-lived assets to be held and used are reviewed for possible impairment whenever events indicate that the carrying amount of such assets may not be recoverable by comparing the undiscounted cash flows associated with the assets to their carrying amounts. If such a review indicates an impairment, the carrying amount would be reduced to fair value. No triggering events were identified in 2020 or 2019. If long-lived assets are to be disposed, depreciation is discontinued, if applicable, and the assets are reclassified as held for sale at the lower of their carrying amounts or fair values less estimated costs to sell.

**Self-insurance Reserves**—The Company self-insures costs associated with its seagoing employees covered by the provisions of Jones Act, workers' compensation claims, hull and equipment liability, and general business liabilities up to certain limits. Insurance reserves are established for estimates of the loss that the Company may ultimately incur on reported claims, as well as estimates of claims that have been incurred but not yet reported. In determining its estimates, the Company considers historical loss experience and judgments about the present and expected levels of cost per claim. Trends in actual experience are a significant factor in the determination of such reserves.

**Income Taxes**—The provision for income taxes includes federal, foreign, and state income taxes currently payable and those deferred because of temporary differences between the financial statement and tax basis of assets and liabilities. Recorded deferred income tax assets and liabilities are based on the estimated future tax effects of differences between the financial and tax basis of assets and liabilities, given the effect of currently enacted tax laws. Refer to Note 8, Income Taxes.

**Hedging Instruments**—At times, the Company designates certain derivative contracts as a cash flow hedge as defined by GAAP. Accordingly, the Company formally documents, at the inception of each hedge, all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives to highly-probable forecasted transactions.

The Company formally assesses, at inception and on an ongoing basis, the effectiveness of hedges in offsetting changes in the cash flows of hedged items. Hedge accounting treatment may be discontinued when (1) it is determined that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item (including hedged items for forecasted future transactions), (2) the derivative expires or is sold, terminated or exercised, (3) it is no longer probable that the forecasted transaction will occur or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate. If management elects to stop hedge accounting, it would be on a prospective basis and any hedges in place would be recognized in accumulated other comprehensive income (loss) until all the related forecasted transactions are completed or are probable of not occurring.

**Recent Accounting Pronouncements**—In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-04 ("ASU 2020-04"), *Reference Rate Reform (Topic 848): Facilitation of the*

*Effects of Reference Rate Reform on Financial Reporting.* The amendment provides optional expedients and exceptions to applying the guidance on contract modifications, hedge accounting and other transactions to simplify the accounting for transitioning from the London Interbank Offered Rate (“LIBOR”), and other interbank offered rates expected to be discontinued, to alternative reference rates. The guidance in this update was effective upon its issuance; if elected, it is to be applied prospectively through December 31, 2022. The Company is currently evaluating the effect the potential adoption of this ASU will have on the Company’s consolidated financial statements.

## 2. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock.

The computations for basic and diluted earnings per share for the years ended December 31, 2020, 2019 and 2018 are as follows:

(shares in thousands)	<u>2020</u>	<u>2019</u>	<u>2018</u>
Income from continuing operations	\$66,103	\$55,668	\$ 11,016
Loss on discontinued operations, net of income taxes	—	(6,329)	(17,309)
Net income (loss)	\$66,103	\$49,339	\$ (6,293)
Weighted-average common shares outstanding — basic	64,743	63,597	62,236
Effect of stock options and restricted stock units	1,129	1,445	1,371
Weighted-average common shares outstanding — diluted	<u>65,872</u>	<u>65,042</u>	<u>63,607</u>
Earnings per share from continuing operations — basic	\$ 1.02	\$ 0.88	\$ 0.18
Earnings per share from continuing operations — diluted	\$ 1.00	\$ 0.86	\$ 0.17

For the years ended December 31, 2020, 2019 and 2018 the following amounts of NQSOs and RSUs were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method, as such NQSOs and RSUs were determined to be anti-dilutive:

(shares in thousands)	<u>2020</u>	<u>2019</u>	<u>2018</u>
Effect of stock options and restricted stock units	1	16	1,285

## 3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 9,992	\$ 9,992
Buildings and improvements	1,315	5,071
Furniture and fixtures	17,251	16,299
Operating equipment	<u>762,350</u>	<u>738,375</u>
Total property and equipment	<u>790,908</u>	<u>769,737</u>
Accumulated depreciation	<u>(407,866)</u>	<u>(395,141)</u>
Property and equipment — net	<u>\$ 383,042</u>	<u>\$ 374,596</u>

Operating equipment of \$2,900 and \$3,970 was classified as held for sale, excluded from property and equipment, as of December 31, 2020 and 2019, respectively.

Depreciation expense was \$38,183, \$37,145 and \$50,389, for the years ended December 31, 2020, 2019 and 2018, respectively.

For more information about changes in assets held for sale and depreciation expense related to the Company's restructuring refer to Note 12, Restructuring Charges.

#### 4. LEASES

The Company leases certain operating equipment and office facilities under long-term operating leases expiring at various dates through 2028. Leases with an initial term greater than twelve months are recorded on the Company's balance sheet as an operating lease asset and operating lease liability and are measured at the present value of lease payments over the lease term. Substantially all of the Company's leases are classified as operating leases. Leases with an initial term of twelve months or less with purchase options or extension options that are not reasonably certain to be exercised are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The equipment leases contain renewal or purchase options that specify prices at the then fair value upon the expiration of the lease terms. The leases also contain default provisions that are triggered by an acceleration of debt maturity under the terms of the Company's Amended Credit Agreement, or, in certain instances, cross default to other equipment leases and certain lease arrangements require that the Company maintain certain financial ratios comparable to those required by its Amended Credit Agreement. Additionally, the leases typically contain provisions whereby the Company indemnifies the lessors for the tax treatment attributable to such leases based on the tax rules in place at lease inception. The tax indemnifications do not have a contractual dollar limit. To date, no lessors have asserted any claims against the Company under these tax indemnification provisions.

The exercise of lease renewal options is at the Company's sole discretion and is considered in the measurement of operating lease assets and operating lease liabilities when it is reasonably certain the Company will exercise the option. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

##### *Lease cost*

The Company's lease costs are recorded in cost of contract revenues and general and administrative expenses. For the years ended December 31, 2020 and 2019, respectively, lease costs are as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating lease cost	\$ 24,602	\$27,259
Short-term lease cost	<u>87,534</u>	<u>70,382</u>
Total lease cost	<u>\$112,136</u>	<u>\$97,641</u>

Total rent expense under long-term operating lease arrangements for the year ended December 31, 2018 was \$21,160. This excludes expenses for equipment and facilities rented on a short-term, as-needed basis. For more information about charges to rent expense during 2018 related to the Company's restructuring refer to Note 12, Restructuring Charges.

### ***Lease terms and commitments***

As recorded on the balance sheet, the Company's maturity analysis of its operating lease liabilities as of December 31, 2020 is as follows:

2021	\$22,247
2022	18,467
2023	13,321
2024	9,768
2025	5,053
Thereafter	<u>3,975</u>
Minimum lease payments	72,831
Imputed interest	<u>7,480</u>
Present value of minimum operating lease payments	<u>\$65,351</u>

As most of the Company's leases do not provide an implicit rate, the Company used its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. At the date of adoption of ASC 842, the Company used the incremental borrowing rate as of December 31, 2018, for operating leases that commenced prior to that date.

Additional information related to the Company's leases as of December 31, 2020 and 2019, respectively, is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Weighted average remaining lease term	4.1 years	4.2 years
Weighted average discount rate	6.2%	6.7%

Supplemental information related to leases during the year ended December 31, 2020 and 2019, respectively, is as follows:

	<u>Year Ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Operating cash flows from operating leases	\$(25,064)	\$(27,235)
Operating lease liabilities arising from obtaining new operating lease assets	\$ 22,746	\$ 13,149

### **5. ACCRUED EXPENSES**

Accrued expenses at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Payroll and employee benefits	\$21,675	\$16,859
Insurance	14,754	15,702
Interest	3,285	3,284
Contract reserves	2,491	6,248
Income and other taxes	2,164	1,597
Other	<u>8,530</u>	<u>7,535</u>
Total accrued expenses	<u>\$52,899</u>	<u>\$51,225</u>

## 6. LONG-TERM DEBT

Long-term debt at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Revolving credit facility	\$ —	\$ —
8% Senior Notes	<u>323,735</u>	<u>322,843</u>
Total	<u>\$323,735</u>	<u>\$322,843</u>

### *Credit agreement*

On May 3, 2019, the Company, Great Lakes Dredge & Dock Company, LLC, NASDI Holdings, LLC, Great Lakes Dredge & Dock Environmental, Inc., Great Lakes Environmental & Infrastructure Solutions, LLC, Great Lakes U.S. Fleet Management, LLC, and Drews Services LLC (collectively, the “Credit Parties”) entered into an amended and restated revolving credit and security agreement (as amended, supplemented or otherwise modified from time to time, the “Amended Credit Agreement”) with certain financial institutions from time to time party thereto as lenders, PNC Bank, National Association, as Agent (the “Agent”), PNC Capital Markets, CIBC Bank USA, Suntrust Robinson Humphrey, Inc. and Bank of America, N.A., as Joint Lead Arrangers and Joint Bookrunners, and HSBC USA, N.A., as Documentation Agent. The Amended Credit Agreement amends and restates the prior Revolving Credit and Security Agreement dated as of December 30, 2016 (as amended, the “Prior Credit Agreement”) by and among the financial institutions from time to time party thereto as lenders, the Agent and the Credit Parties party thereto, such that the terms and conditions of the Prior Credit Agreement have been subsumed and replaced in their entirety by the terms and conditions of the Amended Credit Agreement, including the amount available under the revolving credit facility. The terms of the Amended Credit Agreement are summarized below.

The Amended Credit Agreement provides for a senior secured revolving credit facility in an aggregate principal amount of up to \$200,000 of which the full amount is available for the issuance of standby letters of credit. The maximum borrowing capacity under the Amended Credit Agreement is determined by a formula and may fluctuate depending on the value of the collateral included in such formula at the time of determination. The Amended Credit Agreement also includes an increase option that will allow the Company to increase the senior secured revolving credit facility by an aggregate principal amount of up to \$100,000. This increase is subject to lenders providing incremental commitments for such increase, the Credit Parties having adequate borrowing capacity and provided that no default or event of default exists both before and after giving effect to such incremental commitment increase.

The Amended Credit Agreement contains customary representations and affirmative and negative covenants, including a springing financial covenant that requires the Credit Parties to maintain a fixed charge coverage ratio (ratio of earnings before income taxes, depreciation and amortization, net interest expenses, non-cash charges and losses and certain other non-recurring charges, minus capital expenditures, income and franchise taxes, to net cash interest expense plus scheduled cash principal payments with respect to debt plus restricted payments paid in cash) of not less than 1.10 to 1.00. The Amended Credit Agreement also contains customary events of default (including non-payment of principal or interest on any material debt and breaches of covenants) as well as events of default relating to certain actions by the Company’s surety bonding providers. The obligations of the Credit Parties under the Amended Credit Agreement will be unconditionally guaranteed, on a joint and several basis, by each existing and subsequently acquired or formed material direct and indirect domestic subsidiary of the Company. Borrowings under the Amended Credit Agreement will be used to pay fees and expenses related to the Amended Credit Agreement, finance acquisitions permitted under the Amended Credit Agreement, finance ongoing working capital and for other general corporate purposes. The Amended Credit Agreement matures on May 3, 2024; provided that the maturity date shall be accelerated to the date that is ninety-one days prior to the scheduled maturity date of the Company’s unsecured senior notes if the Company fails to refinance its unsecured senior notes prior to their scheduled maturity date. The refinanced 8% Senior



Notes must have a maturity on or after the date that is 180 days after the maturity date of the Amended Credit Agreement.

The obligations under the Amended Credit Agreement are secured by substantially all of the assets of the Credit Parties. The outstanding obligations thereunder shall be secured by a valid first priority perfected lien on substantially all of the U.S. flagged and located vessels of the Credit Parties and a valid perfected lien on all domestic accounts receivable and substantially all other assets of the Credit Parties, subject to the permitted liens and interests of other parties (including the Company's surety bonding providers).

Interest on the senior secured revolving credit facility of the Amended Credit Agreement is equal to either a Domestic Rate option or LIBOR option, at the Company's election. As of the Closing Date, (a) the Domestic Rate option is the highest of (1) the base commercial lending rate of PNC Bank, National Association, as publicly announced, (2) the sum of the federal funds open rate plus 0.5% and (3) the sum of the daily LIBOR rate plus 1.0%, so long as a daily LIBOR rate is offered, ascertainable and not unlawful plus an interest margin of 0.5%; and (b) the LIBOR Rate option is the rate that applies for the applicable interest period on the Bloomberg page BBAMI (or such other substitute page or alternate source as agreed) plus an interest margin of 1.5%. After the date on which a borrowing base certificate is required to be delivered under Section 9.2 of the Amended Credit Agreement (commencing with the fiscal quarter ended September 30, 2019, the "Adjustment Date"), the Domestic Rate option will be the Domestic Rate plus an interest margin ranging between 0.5% and 1.0% and the LIBOR Rate option will be the LIBOR Rate plus an interest margin ranging between 1.5% and 2.0%, in each case, depending on the quarterly average undrawn availability on the Amended Credit Agreement.

The Company had no borrowings on the revolver, \$36,407 and \$35,779 of letters of credit outstanding and \$163,231 and \$163,729 of availability under the Amended Credit Agreement as of December 31, 2020 and 2019, respectively. The availability under the Amended Credit Agreement is suppressed by \$362 and \$492 as of December 31, 2020 and 2019, respectively, as a result of certain limitations set forth in the Amended Credit Agreement.

#### ***Senior notes and subsidiary guarantors***

The Company has outstanding \$325,000 of 8.000% senior notes ("8% Senior Notes") due May 15, 2022. In May 2017, the Company issued the 8% Senior Notes at 100% of face value resulting in net proceeds of \$321,653, net of underwriting fees. In connection with the issuance of the 8% Senior Notes, the Company retired all of its \$275,000 of 7.375% senior notes due February 2019 for \$282,638, which included a tender premium and accrued and unpaid interest. The Company used the remaining net proceeds from the debt offering to reduce the Company's indebtedness under its prior Credit Agreement.

The Company's obligations under these Senior Notes are guaranteed by certain of the Company's 100% owned domestic subsidiaries. Such guarantees are full, unconditional and joint and several. The parent company issuer has no independent assets or operations and all non-guarantor subsidiaries have been determined to be minor.

#### ***Other***

The Company enters into note arrangements to finance certain vessels and ancillary equipment. In February 2018, the Company completed a sale-leaseback of a vessel yielding net proceeds of \$4,500. Included in this transaction was the retirement of the asset and related equipment note.

The scheduled principal payments through the maturity date of the Company's long-term debt at December 31, 2020, are as follows:

<b>Years Ending December 31,</b>	
2021	\$ —
2022	325,000
2023	—
2024	—
2025	—
Thereafter	—
<b>Total</b>	<u><u>\$325,000</u></u>

The Company incurred amortization of deferred financing fees for its long term debt of \$1,611, \$2,231 and \$3,504 for each of the years ended December 31, 2020, 2019 and 2018. Such amortization is recorded as a component of interest expense.

## 7. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established by GAAP that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The accounting guidance describes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices 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 the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. At times, the Company holds certain derivative contracts that it uses to manage foreign currency risk or commodity price risk. The Company does not hold or issue derivatives for speculative or trading purposes. The fair values of these financial instruments are summarized as follows:

<u>Description</u>	<u>At December 31, 2020</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fuel hedge contracts	<u>\$1,739</u>	<u>\$—</u>	<u>\$1,739</u>	<u>\$—</u>

<u>Description</u>	<u>At December 31, 2019</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fuel hedge contracts	<u>\$ 849</u>	<u>\$—</u>	<u>\$ 849</u>	<u>\$—</u>

### ***Fuel hedge contracts***

The Company is exposed to certain market risks, primarily commodity price risk as it relates to the diesel fuel purchase requirements, which occur in the normal course of business. The Company enters into heating oil commodity swap contracts to hedge the risk that fluctuations in diesel fuel prices will have an adverse impact on cash flows associated with its domestic dredging contracts. The Company's goal is to hedge approximately 80% of the eligible fuel requirements for work in domestic backlog.

As of December 31, 2020, the Company was party to various swap arrangements to hedge the price of a portion of its diesel fuel purchase requirements for work in its backlog to be performed through December 2021. As of December 31, 2020, there were 11.9 million gallons remaining on these contracts which represent approximately 80% of the Company's forecasted domestic fuel purchases through December 2021. Under these swap agreements, the Company will pay fixed prices ranging from \$1.12 to \$1.90 per gallon.

At December 31, 2020 and 2019, the fair value asset of the fuel hedge contracts were estimated to be \$1,739 and \$849, respectively, and are recorded in other current assets. For fuel hedge contracts considered to be highly effective, the losses reclassified to earnings from changes in fair value of derivatives, net of cash settlements and taxes, for the year ended December 31, 2020 were \$5,825. The remaining gains and losses included in the accumulated other comprehensive income (loss) at December 31, 2020 will be reclassified into earnings over the next twelve months, corresponding to the period during which the hedged fuel is expected to be utilized. Changes in the fair value of fuel hedge contracts not considered highly effective are recorded as cost of contract revenues in the Statement of Operations. The fair value of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines fair values of these fuel hedges using Level 2 inputs.

The Company is exposed to counterparty credit risk associated with non-performance of its various derivative instruments. The Company's risk would be limited to any unrealized gains on current positions. To help mitigate this risk, the Company transacts only with counterparties that are rated as investment grade or higher. In addition, all counterparties are monitored on a continuous basis.

The fair value of the fuel hedge contracts outstanding as of December 31, 2020 and 2019 is as follows:

	<u>Balance Sheet Location</u>	<u>Fair Value at December 31,</u>	
		<u>2020</u>	<u>2019</u>
Asset derivatives:			
Derivatives designated as hedging instruments			
Fuel hedge contracts	Other current assets	\$1,739	\$849

### ***Assets and liabilities measured at fair value on a nonrecurring basis***

All other nonfinancial assets and liabilities measured at fair value in the financial statements on a nonrecurring basis are subject to fair value measurements and disclosures. Nonfinancial assets and liabilities included in the consolidated balance sheets and measured on a nonrecurring basis consist of goodwill and long-lived assets. Assets included within assets held for sale are reclassified from property and equipment at fair value less cost to sell. Goodwill and long-lived assets are measured at fair value to test for and measure impairment, if any, at least annually for goodwill or when necessary for both goodwill and long-lived assets.

### ***Accumulated other comprehensive income (loss)***

Changes in the components of the accumulated balances of other comprehensive income (loss) are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cumulative translation adjustments—net of tax	\$ —	\$ —	\$ 1,513
Derivatives:			
Reclassification of derivative (gains) losses to earnings—net of tax	5,825	1,458	(1,569)
Change in fair value of derivatives—net of tax	<u>(5,152)</u>	<u>2,646</u>	<u>(3,756)</u>
Net unrealized (gain) loss on derivatives—net of tax	673	4,104	(5,325)
Total other comprehensive income (loss)	<u>\$ 673</u>	<u>\$4,104</u>	<u>\$(3,812)</u>

Adjustments reclassified from accumulated balances of other comprehensive income (loss) to earnings are as follows:

	<u>Statement of Operations Location</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Derivatives:				
Fuel hedge contracts	Costs of contract revenues	\$7,703	\$1,975	\$(2,125)
	Income tax (provision) benefit	<u>1,878</u>	<u>517</u>	<u>(556)</u>
		<u>\$5,825</u>	<u>\$1,458</u>	<u>\$(1,569)</u>

The Company substantially completed the liquidation of the investment in its Brazil and Australia operations during 2018. This liquidation resulted in the reversal of the Company's cumulative translation adjustment. Adjustments reclassified from accumulated balances of other comprehensive income (loss) to earnings are as follows:

	<u>Statement of Operations Location</u>	<u>2018</u>
Cumulative translation adjustment:	Other expense	\$(2,337)
	Income tax benefit	<u>612</u>
		<u>\$(1,725)</u>

### ***Other financial instruments***

The carrying value of financial instruments included in current assets and current liabilities approximates fair value due to the short-term maturities of these instruments. Based on timing of the cash flows and comparison to current market interest rates, the carrying value of the senior revolving credit agreement approximates fair value. In May 2017, the Company issued a total of \$325,000 of 8.000% senior notes due May 15, 2022, which were outstanding at December 31, 2020 (See Note 6, Long-Term Debt). The 8% Senior Notes are senior unsecured obligations of the Company and its subsidiaries that guarantee the Senior Notes. The fair value of the senior notes was \$333,320 at December 31, 2020, which is a Level 1 fair value measurement as the senior notes value was obtained using quoted prices in active markets. It is impracticable to determine the fair value of outstanding letters of credit or performance, bid and payment bonds due to uncertainties as to the amount and timing of future obligations, if any.

## 8. INCOME TAXES

The Company's income tax provision (benefit) from continuing and discontinued operations for the year ended December 31, 2020 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Income tax provision from continuing operations	\$20,187	\$15,253	\$ 5,437
Income tax benefit from discontinued operations	—	(4,556)	(6,162)
Income tax provision (benefit)	<u>\$20,187</u>	<u>\$10,697</u>	<u>\$ (725)</u>

The Company's income (loss) from continuing operations before income tax from domestic and foreign continuing operations for the years ended December 31, 2020, 2019 and 2018 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Domestic operations	\$94,826	89,344	\$ 26,878
Foreign operations	(8,536)	(18,423)	(10,425)
Total income (loss) from continuing operations before income tax	<u>\$86,290</u>	<u>\$ 70,921</u>	<u>\$ 16,453</u>

The provision (benefit) for income taxes from continuing operations as of December 31, 2020, 2019 and 2018 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Federal:			
Current	\$ —	\$ —	\$ —
Deferred	17,464	14,052	3,702
State:			
Current	128	212	48
Deferred	3,023	989	1,687
Foreign:			
Current	(428)	—	—
Deferred	—	—	—
Total	<u>\$20,187</u>	<u>\$15,253</u>	<u>\$5,437</u>

The Company's income tax provision (benefit) from continuing operations reconciles to the provision at the statutory U.S. federal income tax rate of 21% for the years ended December 31, 2020, 2019 and 2018, as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax provision (benefit) at statutory U.S. federal income tax rate	\$18,121	\$14,893	\$3,455
State income tax — net of federal income tax benefit	3,124	3,049	937
Change in state law regarding NOL carryforwards	—	—	658
Change in deferred state tax rate	—	(1,835)	—
Stock based compensation	(1,212)	(1,266)	(8)
Nondeductible officer compensation	1,212	1,021	201
Research and development tax credits	(674)	(452)	(218)
Changes in unrecognized tax benefits	—	(56)	14
Changes in valuation allowance	—	(3)	116
Other	(384)	(98)	282
Income tax provision (benefit)	<u>\$20,187</u>	<u>\$15,253</u>	<u>\$5,437</u>



At December 31, 2020 and 2019, the Company had loss carryforwards for federal income tax purposes of \$92,328 and \$137,100 respectively, which expire between 2034 and 2037.

At December 31, 2020 and 2019, the Company had gross net operating loss carryforwards for state income tax purposes totaling \$170,738 and \$223,634, respectively, which expire between 2023 and 2039. Due to changes in state tax law enacted during 2016 in a certain state, a valuation allowance was established. The Company has established a valuation allowance that was \$1,628 as of December 31, 2020 and \$1,778 as of December 31, 2019. The Company believes that the remaining net operating losses, net of the valuation allowance, will be fully utilized in future periods.

The Company also has foreign gross net operating loss carryforwards of approximately \$2,414 and \$6,777 as of December 31, 2020 and 2019, of which expire between 2020 and 2030. At December 31, 2020 and 2019, a full valuation allowance has been established for the deferred tax asset of \$845 and \$1,717 related to foreign net operating loss carryforwards, respectively, as the Company believes it is more likely than not that the net operating loss carryforwards will not be realized.

The Company does not expect that total unrecognized tax benefits will significantly increase or decrease within the next 12 months. Below is a tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of each period.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Unrecognized tax benefits — January 1	\$—	\$ 157	\$157
Gross increases — tax positions in prior period	—	—	—
Gross increases — current period tax positions	—	—	—
Gross decreases — expirations	—	—	—
Gross decreases — tax positions in prior period	—	(157)	—
Unrecognized tax benefits — December 31,	<u>\$—</u>	<u>\$ —</u>	<u>\$157</u>

The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense. As of December 31, 2020 and December 31, 2019 the Company had no interest and penalties recorded and as of December 31, 2018 it had approximately \$71 of interest and penalties recorded.

The Company files income tax returns at the U.S. federal level and in various state and foreign jurisdictions. U.S. federal income tax years prior to 2017 are closed and no longer subject to examination. With few exceptions, the statute of limitations in state taxing jurisdictions in which the Company operates has expired for all years prior to 2016. In foreign jurisdictions in which the Company operates, years prior to 2015 are closed and are no longer subject to examination.

The Company's deferred tax assets (liabilities) at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Operating lease assets	\$ 16,501	\$ 18,301
Accrued liabilities	8,212	7,426
Federal NOLs	19,389	28,791
Foreign NOLs	845	1,717
State NOLs	7,256	9,505
Tax credit carryforwards	3,250	2,620
Charitable contribution	—	66
Valuation allowance	<u>(2,473)</u>	<u>(3,495)</u>
Total deferred tax assets	<u>52,980</u>	<u>64,931</u>
Deferred tax liabilities:		
Depreciation and amortization	(92,547)	(82,115)
Operating lease liabilities	(16,460)	(18,334)
Other liabilities	<u>(439)</u>	<u>(222)</u>
Total deferred tax liabilities	<u>(109,446)</u>	<u>(100,671)</u>
Net noncurrent deferred tax liabilities	<u>\$ (56,466)</u>	<u>\$ (35,740)</u>

Deferred tax assets relate primarily to reserves and other liabilities for costs and expenses not currently deductible for tax purposes as well as net operating loss and other carryforwards. Deferred tax liabilities relate primarily to the cumulative difference between book depreciation and amounts deducted for tax purposes. The Company evaluates its ability to realize deferred tax assets by considering all available positive and negative evidence. This evidence includes its cumulative earnings or losses in recent years. The Company further considers the impact on these cumulative earnings or losses of discontinued operations and other divested operations and joint ventures, restructuring charges and other nonrecurring adjustments that are not indicative of its ability to generate taxable income in future periods. The Company also considers sources of taxable income, such as the amount and timing of realization of its deferred tax liabilities relative to the timing of expiration of loss carryforwards. When it is estimated to be more likely than not that all or some portion of deferred tax assets will not be realized, the Company establishes a valuation allowance for the amount of such deferred tax assets considered to be unrealizable. After evaluating the positive and negative evidence for future realization of deferred tax assets, the Company recorded valuation allowances for foreign net operating loss carryforwards and certain state net operating loss carryforwards to reduce the balance of these deferred tax assets at December 31, 2020 and 2019 as it was more likely than not that the balance of these tax items would not be realized. By contrast, after evaluating the positive and negative evidence, the Company concluded that it was more likely than not that the deferred federal income tax asset and remaining state net operating loss carryforwards recorded at December 31, 2020 and 2019 would ultimately be realized and determined that no valuation allowance was required.

## 9. SHARE-BASED COMPENSATION

The Company's 2017 Long-Term Incentive Plan ("Incentive Plan") permits the granting of stock options, stock appreciation rights, restricted stock and restricted stock units to its employees and directors for up to 3.3 million shares of common stock, plus an additional 1.7 million shares underlying equity awards issued under the 2007 Long-Term Incentive Plan. The Company may also issue share-based compensation as inducement awards to new employees upon approval of the Board of Directors.

Compensation cost charged to expense related to share-based compensation arrangements was \$6,754, \$6,908 and \$4,643, for the years ended December 31, 2020, 2019 and 2018, respectively.

### *Non-qualified stock options*

The NQSO awards were granted with an exercise price equal to the market price of the Company's common stock at the date of grant. The option awards generally vest in three equal annual installments commencing on the first anniversary of the grant date, and have ten year exercise periods.

The fair value of the NQSOs was determined at the grant date using a Black-Scholes option pricing model, which requires the Company to make several assumptions. The risk-free interest rate is based on the U.S. Treasury yield curve in effect for the expected term of the option at the time of grant. The annual dividend yield on the Company's common stock is based on estimates of future dividends during the expected term of the NQSOs. The expected life of the NQSOs was determined from historical exercise data providing a reasonable basis upon which to estimate the expected life. The volatility assumptions were based on historical volatility of Great Lakes. There is not an active market for options on the Company's common stock and, as such, implied volatility for the Company's stock was not considered. Additionally, the Company's general policy is to issue new shares of registered common stock to satisfy stock option exercises or grants of restricted stock. No NQSO awards were granted in 2020, 2019 and 2018. The aggregate intrinsic value of stock options represents the difference between market value on the date of exercise and the option price. The aggregate intrinsic value of stock options exercised during 2020, 2019 and 2018 was \$779, \$2,534 and \$116, respectively.

A summary of stock option activity under the Incentive Plan as of December 31, 2020, and changes during the year ended December 31, 2020, is presented below:

<u>Options</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted- Average Remaining Contract Term (yrs)</u>	<u>Aggregate Intrinsic Value (\$000's)</u>
Outstanding as of January 1, 2020	504	\$6.87		
Granted	—	—		
Exercised	(226)	6.68		
Forfeited or Expired	—	—		
Outstanding as of December 31, 2020	<u>278</u>	<u>\$6.99</u>	<u>2.0</u>	<u>\$1,785</u>
Vested at December 31, 2020	278	\$6.99	2.0	\$1,785

### *Restricted stock units*

RSUs can either vest in equal portions over the three year vesting period or vest in one installment on the third anniversary of the grant date. The fair value of RSUs was based upon the Company's stock price on the date of grant. A summary of the status of the Company's non-vested RSUs as of December 31, 2020, and changes during the year ended December 31, 2020, is presented below:

<u>Nonvested Restricted Stock Units</u>	<u>Shares</u>	<u>Weighted-Average Grant- Date Fair Value</u>
Outstanding as of January 1, 2020	1,809	\$6.00
Granted	851	8.90
Vested	(1,192)	5.71
Forfeited	<u>(62)</u>	<u>6.66</u>
Outstanding as of December 31, 2020	<u>1,406</u>	<u>\$8.00</u>
Expected to vest at December 31, 2020	1,132	\$7.52

As of December 31, 2020, there was \$4,374 of total unrecognized compensation cost related to non-vested RSUs granted under the Incentive Plan. That cost for non-vested RSUs is expected to be recognized over a weighted-average period of 1.9 years.

The Incentive Plan permits the employee to use vested shares from RSUs to satisfy the grantee's U.S. federal income tax liability resulting from the issuance of the shares through the Company's retention of that number of common shares having a market value as of the vesting date equal to such tax obligation up to the minimum statutory withholding requirements. The amount related to shares used for such tax withholding obligations was approximately \$4,748 and \$5,008 for the years ended December 31, 2020 and 2019, respectively.

#### ***Director compensation***

The Company uses a combination of cash and share-based compensation to attract and retain qualified candidates to serve on its Board of Directors. Compensation is paid to non-employee directors. Directors who are employees receive no additional compensation for services as members of the Board or any of its committees. Share-based compensation is paid pursuant to the Incentive Plan. Each non-employee director of the Company receives an annual retainer of \$155, payable quarterly in arrears, and is generally paid 50% in cash and 50% in common stock or deferred restricted stock units of the Company. Directors may elect to receive some or all of the cash retainer in common stock or deferred restricted stock units. In 2020, the Chairman of the Board received an additional \$100 of annual compensation, paid 100% in common stock.

In the years ended December 31, 2020, 2019 and 2018, 79 thousand, 78 thousand and 156 thousand shares, respectively, of the Company's common stock or restricted stock units were issued to non-employee directors under the Incentive Plan.

## **10. REVENUE**

The Company's revenue is derived from contracts for services with federal, state, local and foreign governmental entities and private customers. Revenues are generally derived from the enhancement or preservation of navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock.

#### ***Performance obligations***

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account upon which the Company's revenue is calculated. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue as the performance obligation is satisfied. Fixed-price contracts, which comprise substantially all of the Company's revenue, will most often represent a single performance obligation as the promise to transfer the individual services is not separately identifiable from other promises in the contracts and, therefore, not distinct.

The Company's performance obligations are satisfied over time and revenue is recognized using contract fulfillment costs incurred to date compared to total estimated costs at completion, also known as cost-to-cost, to measure progress towards completion. As the Company's performance creates an asset that the customer controls, this method provides a faithful depiction of the transfer of an asset to the customer. Generally, the Company has an enforceable right to payment for performance completed to date.

The majority of the Company's contracts are completed in a year or less. At December 31, 2020, the Company had \$559,376 of remaining performance obligations, which the Company refers to as total backlog. Approximately 90% of the Company's backlog will be completed in 2021 with the remaining balance expected to be completed by 2022.

#### ***Transaction price***

The transaction price is calculated using the Company's estimated costs to complete a project. These costs are based on the types of equipment required to perform the specified service, project site conditions, the estimated project duration, seasonality, location and complexity of a project.

The nature of the Company's contracts gives rise to several types of variable consideration, including pay on quantity dredged for dredging projects and dredging project contract modifications. Estimated pay quantity is the amount of material the Company expects to dredge for which it will receive payment. Estimated quantity to be dredged is calculated using engineering estimates based on current survey data and the Company's knowledge based on historical project experience.

### **Revenue by category**

Domestically, the Company's work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. Foreign projects typically involve capital work.

The following table sets forth, by type of work, the Company's contract revenues for the years ended December 31, 2020, 2019 and 2018:

<b>Revenues</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Capital—U.S.	\$336,163	\$299,706	\$333,037
Capital—foreign	25,892	48,619	14,088
Coastal protection	201,361	182,369	175,923
Maintenance	148,767	104,753	53,427
Rivers & lakes	21,418	76,071	44,320
Total revenues	<u>\$733,601</u>	<u>\$711,518</u>	<u>\$620,795</u>

The following table sets forth, by type of customer, the Company's contract revenues for the years ended December 31, 2020, 2019 and 2018:

<b>Revenues</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Federal government	\$582,949	\$581,157	\$468,421
State and local government	85,737	71,398	93,499
Private	39,023	10,344	44,787
Foreign	25,892	48,619	14,088
Total revenues	<u>\$733,601</u>	<u>\$711,518</u>	<u>\$620,795</u>

### **Contract balances**

Billings on contracts are generally submitted after verification with the customers of physical progress and are recognized as accounts receivable in the balance sheet. For billings that do not match the timing of revenue recognition, the difference between amounts billed and recognized as revenue is reflected in the balance sheet as either contract revenues in excess of billings or billings in excess of contract revenues. Certain pre-contract and pre-construction costs are capitalized and reflected as contract assets in the balance sheet. Customer advances, deposits and commissions are reflected in the balance sheet as contract liabilities.

Accounts receivable at December 31, 2020 and December 31, 2019 are as follows:

	<b>2020</b>	<b>2019</b>
Completed contracts	\$12,347	\$ 3,444
Contracts in progress	21,239	9,490
Retainage	5,968	7,415
	39,554	20,349
Allowance for doubtful accounts	(564)	(564)
Total accounts receivable—net	<u>\$38,990</u>	<u>\$19,785</u>



The components of contracts in progress at December 31, 2020 and December 31, 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$ 199,964	\$ 104,620
Amounts billed	<u>(168,569)</u>	<u>(86,074)</u>
Costs and earnings in excess of billings for contracts in progress	31,395	18,546
Costs and earnings in excess of billings for completed contracts	<u>2,823</u>	<u>6,126</u>
Total contract revenues in excess of billings	<u>\$ 34,218</u>	<u>\$ 24,672</u>
Current portion of contract revenues in excess of billings	\$ 32,106	\$ 22,560
Long-term contract revenues in excess of billings	<u>2,112</u>	<u>2,112</u>
Total contract revenues in excess of billings	<u>\$ 34,218</u>	<u>\$ 24,672</u>
Billings in excess of costs and earnings:		
Amounts billed	\$(550,468)	\$(628,491)
Costs and earnings for contracts in progress	<u>517,860</u>	<u>573,225</u>
Total billings in excess of contract revenues	<u>\$ (32,608)</u>	<u>\$ (55,266)</u>

At December 31, 2020 and 2019, costs to fulfill contracts with customers recognized as an asset were \$10,501 and \$10,300, respectively, and are recorded in other current assets and other noncurrent assets. These costs relate to pre-contract and pre-construction activities. During the years ended December 31, 2020 and 2019 the company amortized pre-contract and pre-construction costs of \$15,541 and \$11,468, respectively.

The Company's largest domestic customer is the U.S. Army Corps of Engineers (the "Corps"), which has responsibility for federally funded projects related to navigation and flood control of U.S. waterways. In 2020, 2019 and 2018, 79.5%, 81.7% and 75.5%, respectively, of contract revenues were earned from contracts with federal government agencies, including the Corps, as well as other federal entities such as the U.S. Coast Guard and U.S. Navy. During the year ended December 31, 2020 and 2019, respectively, the Company recognized \$616 and \$2,103 of revenue related to the use of equipment by a customer working on a federal government contract. At December 31, 2020 and 2019, approximately 42.6% and 54.6% respectively, of accounts receivable, including contract revenues in excess of billings and retainage, were due on contracts with federal government agencies. The Company depends on its ability to continue to obtain federal government contracts, and indirectly, on the amount of federal funding for new and current government dredging projects. Therefore, the Company's operations can be influenced by the level and timing of federal funding.

The Company derived revenues and gross profit from foreign project operations for the years ended December 31, 2020, 2019, and 2018, as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contract revenues	\$ 25,892	\$ 48,619	\$ 14,088
Costs of contract revenues	<u>(34,529)</u>	<u>(66,347)</u>	<u>(19,866)</u>
Gross profit	<u>\$ (8,637)</u>	<u>\$(17,728)</u>	<u>\$ (5,778)</u>

In 2020, 2019 and 2018, foreign revenues were primarily from work done in the Middle East. The majority of the Company's long-lived assets are marine vessels and related equipment. At any point in time, the Company may employ certain assets outside of the U.S., as needed, to perform work on the Company's foreign projects. As of December 31, 2020 and 2019, long-lived assets with a net book value of \$5,255 and \$31,872, respectively, were located outside of the U.S., currently our assets outside of the U.S. do not include dredges. Revenue from foreign projects has been concentrated in the Middle East which comprised less than 10% in 2020, 2019 and 2018. At December 31, 2020 and 2019, approximately 12% and 29%, respectively, of total accounts receivable, including retainage and contract revenues in excess of billings, were due on contracts in the Middle East.

## 11. RETIREMENT PLANS

The Company sponsors two 401(k) savings plans, one covering substantially all non-union salaried employees (“Salaried Plan”), a second covering its hourly employees (“Hourly Plan”). Under the Salaried Plan and the Hourly Plan, individual employees may contribute a percentage of compensation and the Company will match a portion of the employees’ contributions. The Salaried Plan also includes a discretionary profit-sharing component, permitting the Company to make discretionary employer contributions to all eligible employees of these plans. Additionally, the Company sponsors a Supplemental Savings Plan in which the Company makes contributions for certain key executives. The Company’s expense for matching, discretionary and Supplemental Savings Plan contributions for 2020, 2019 and 2018, was \$5,557, \$5,168 and \$5,060, respectively.

The Company also contributes to various multiemployer pension plans pursuant to collective bargaining agreements. In 2020, 2019 and 2018, the Company contributed \$4,929, \$4,517 and \$4,207 respectively to all of the multiemployer plans that provide pension benefits in its continuing operations. The information available to the Company about the multiemployer plans in which it participates, whether via request to the plan or publicly available, is generally dated due to the nature of the reporting cycle of multiemployer plans and legal requirements under the Employee Retirement Income Security Act (“ERISA”) as amended by the Multiemployer Pension Plan Amendments Act (“MPPAA”). Based upon these plans’ most recently available annual reports, the Company’s contributions to these plans were less than 5% of each plan’s total contributions.

The Company does not expect any future increased contributions to have a material negative impact on its financial position, results of operations or cash flows for future years. The risks of participating in multiemployer plans are different from single employer plans as assets contributed are available to provide benefits to employees of other employers and unfunded obligations from an employer that discontinues contributions are the responsibility of all remaining employers. In addition, in the event of a plan’s termination or the Company’s withdrawal from a plan, the Company may be liable for a portion of the plan’s unfunded vested benefits. However, information from the plans’ administrators is not available to permit the Company to determine its share, if any, of unfunded vested benefits.

## 12. RESTRUCTURING CHARGES

In 2017, a strategic review was begun to improve the Company’s financial results in both domestic and international operations enabling debt reduction, improvements in return on capital and the continued renewal of its extensive fleet with new and efficient dredges to best serve its domestic and international clients. Management executed a plan to reduce general and administrative and overhead expenses, retire certain underperforming and underutilized assets, write-off pre-contract costs on a project that was never formally awarded and that the Company no longer intends to pursue and closeout the Company’s Brazil operations. The cumulative amounts incurred to date as a result of this plan, including amounts presented in discontinued operations, including severance costs of \$3,549, asset retirements of \$32,309, pre-contract costs of \$6,441 and closeout costs of \$4,194. Restructuring activities were completed in 2018.

Restructuring charges recognized for the above actions for the year ended December 31, 2018 are summarized as follows:

	<u>2018</u>
Costs of contract revenues—depreciation	\$ 6,759
Costs of contract revenues—other	2,292
General and administrative expenses	185
Loss on sale of assets—net	4,572
Other expense	<u>2,337</u>
Total	<u>16,145</u>

### 13. COMMITMENTS AND CONTINGENCIES

#### *Commercial commitments*

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some environmental & infrastructure projects. The Company has bonding agreements with Argonaut Insurance Company, Berkley Insurance Company, Chubb Surety and Liberty Mutual Insurance Company under which the Company can obtain performance, bid and payment bonds. The Company also has outstanding bonds with Travelers Casualty and Surety Company of America and Zurich American Insurance Company (“Zurich”). Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from \$1,000 to \$10,000. At December 31, 2020, the Company had outstanding performance bonds with a notional amount of approximately \$1,187,933, of which \$17,401 relates to projects from the Company’s historical environmental & infrastructure businesses. The revenue value remaining in backlog related to the projects of continuing operations totaled approximately \$524,375.

In connection with the sale of its historical demolition business, the Company was obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project and issued Zurich a letter of credit related to this exposure. In February 2017, the Company was notified by Zurich of an alleged default triggered on a historical demolition surety performance bond in the aggregate of approximately \$20,000 for failure of the contractor to perform in accordance with the terms of a project. In May 2017, Zurich drew upon the letter of credit in the amount of \$20,881. In order to fund the draw on the letter of credit in May 2017, the Company had to increase the borrowings on its revolving credit facility. As the outstanding letters of credit previously reduced the Company’s availability under the revolving credit facility, this draw down on the Company’s letter of credit did not impact its liquidity or capital availability.

Pursuant to the terms of sale of its historical demolition business, the Company received an indemnification from the buyer for losses resulting from the bonding arrangement. The Company intends to aggressively pursue enforcement of the indemnification provisions. The Company has recovered some funds but cannot estimate the total amount of recoveries related to the indemnification or resolution of the Company’s responsibilities under the surety bond.

Certain foreign projects performed by the Company have warranty periods, typically spanning no more than one to three years beyond project completion, whereby the Company retains responsibility to maintain the project site to certain specifications during the warranty period. Generally, any potential liability of the Company is mitigated by insurance, shared responsibilities with consortium partners, and/or recourse to owner-provided specifications.

#### *Legal proceedings and other contingencies*

As is customary with negotiated contracts and modifications or claims to competitively bid contracts with the federal government, the government has the right to audit the books and records of the Company to ensure compliance with such contracts, modifications, or claims, and the applicable federal laws. The government has the ability to seek a price adjustment based on the results of such audit. Any such audits have not had, and are not expected to have, a material impact on the financial position, operations, or cash flows of the Company.

Various legal actions, claims, assessments and other contingencies arising in the ordinary course of business are pending against the Company and certain of its subsidiaries. The Company will defend itself vigorously on all matters. These matters are subject to many uncertainties, and it is possible that some of these matters could ultimately be decided, resolved, or settled adversely to the Company. Although the Company is subject to various claims and legal actions that arise in the ordinary course of business, except as described below, the Company is not currently a party to any material legal proceedings or environmental claims. The Company records an accrual when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe any of these proceedings, individually or in the aggregate, would be expected to have a material effect on results of operations, cash flows or financial condition.

On April 23, 2014, the Company completed the sale of NASDI, LLC (“NASDI”) and Yankee Environmental Services, LLC (“Yankee”), which together comprised the Company’s historical demolition business, to a privately owned demolition company. On January 14, 2015, the Company and its subsidiary, NASDI Holdings, LLC, brought an action in the Delaware Court of Chancery to enforce the terms of the Company’s agreement to sell NASDI and Yankee. Under the terms of the agreement, the Company received cash of \$5,309 and retained the right to receive additional proceeds based upon future collections of outstanding accounts receivable and work in process existing at the date of close. The Company seeks specific performance of the buyer’s obligation to collect and to remit the additional proceeds, and other related relief. Defendants have filed counterclaims alleging that the Company misrepresented the quality of its contracts and receivables prior to the sale. The Company denies defendants’ allegations.

In June 2019, the U.S. Attorney’s Office for the Eastern District of Louisiana informed the Company that it intends to file criminal charges against the Company in connection with a September 2016 oil spill. The oil spill occurred during the Company’s Cheniere Ronquille project, allegedly resulting in the discharge of around 160 barrels of crude oil in Bay Long, Louisiana. The Company has cooperated with the U.S. Attorney’s Office in its investigation of the oil spill and believes that criminal charges are not warranted. While we contest claims of criminal responsibility in this matter, the government may initiate suspension or debarment proceedings against us, pending the outcome of a trial on the matter, which might prohibit us from bidding for, entering into or completing certain government projects. If the Company is ultimately found guilty, suspension or debarment actions could occur automatically.

On September 27, 2019, the EPA Region 4 filed an administrative complaint against the Company relating to a project the Company performed at PortMiami from 2013-2015. The EPA is alleging violations of Section 103 of the Marine Protection, Research, and Sanctuaries Act (“MPRSA”) and failure to report violations of the MPRSA. The EPA has calculated and proposed that the administrative court issue a penalty in the total amount of \$973. The Company disagrees with the EPA on whether violations occurred and, if any violation did occur, the appropriate penalty calculation.

The Company has not accrued any amounts with respect to the above matters as the Company does not believe, based on information currently known to it, that a loss relating to these matters is probable, and an estimate of a range of potential losses relating to these matters cannot reasonably be made.

#### 14. BUSINESS DISPOSITIONS

##### *Discontinued operations*

During the second quarter of 2019, the Company completed the sale of the historical environmental & infrastructure business. Under the terms of the agreement, the Company received cash of \$17,500 in the second quarter of 2019 and received an additional \$857 in the third quarter of 2019.

The results of the business have been reported in discontinued operations as follows:

	<u>2019</u>	<u>2018</u>
Revenue	\$25,040	\$ 76,843
Loss before income taxes from discontinued operations	\$ (8,253)	\$ (9,361)
Loss on disposal of assets held for sale	(2,632)	(14,110)
Income tax benefit	<u>4,556</u>	<u>6,162</u>
Loss from discontinued operations, net of income taxes	<u>\$ (6,329)</u>	<u>\$ (17,309)</u>

**Great Lakes Dredge & Dock Corporation**  
**Schedule II—Valuation and Qualifying Accounts**  
**For the Years Ended December 31, 2020, 2019 and 2018**  
(In thousands)

Description	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending balance</u>
Year ended December 31, 2018				
Allowances deducted from assets to which they apply:				
Allowances for doubtful accounts	\$ —	\$200	\$ —	\$ 200
Valuation allowance for deferred tax assets	<u>4,294</u>	<u>492</u>	<u>—</u>	<u>4,786</u>
Total	<u>\$4,294</u>	<u>\$692</u>	<u>\$ —</u>	<u>\$4,986</u>
Year ended December 31, 2019				
Allowances deducted from assets to which they apply:				
Allowances for doubtful accounts	\$ 200	\$364	\$ —	\$ 564
Valuation allowance for deferred tax assets	<u>4,786</u>	<u>—</u>	<u>(1,291)</u>	<u>3,495</u>
Total	<u>\$4,986</u>	<u>\$364</u>	<u>\$(1,291)</u>	<u>\$4,059</u>
Year ended December 31, 2020				
Allowances deducted from assets to which they apply:				
Allowances for doubtful accounts	\$ 564	\$—	\$ —	\$ 564
Valuation allowance for deferred tax assets	<u>3,495</u>	<u>—</u>	<u>(1,022)</u>	<u>2,473</u>
Total	<u>\$4,059</u>	<u>\$—</u>	<u>\$(1,022)</u>	<u>\$3,037</u>



## I. EXHIBIT INDEX

<u>Number</u>	<u>Document Description</u>
2.1	Amended and Restated Agreement and Plan of Merger dated as of December 22, 2003, among Great Lakes Dredge & Dock Corporation, GLDD Acquisitions Corp., GLDD Merger Sub, Inc. and Vectura Holding Company LLC. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on January 6, 2004).
2.2	Agreement and Plan of Merger by and among GLDD Acquisitions Corp., Aldabra Acquisition Corporation, and certain shareholders of Aldabra Acquisition Corporation and GLDD Acquisitions Corp., dated as of June 20, 2006. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on June 22, 2006).
3.1	Amended and Restated Certificate of Incorporation of Great Lakes Dredge & Dock Holdings Corp., effective December 26, 2006 (now renamed Great Lakes Dredge & Dock Corporation). (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Registration Statement on Form 8-A12B filed with the Commission on December 26, 2006).
3.2	Amended and Restated Bylaws of Great Lakes Dredge & Dock Corporation, dated as of May 14, 2015. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 20, 2015).
3.3	Certificate of Ownership and Merger of Great Lakes Dredge & Dock Corporation with and into Great Lakes Dredge & Dock Holdings Corp. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on December 29, 2006).
4.1	Description of Great Lakes Dredge & Dock Corporation Securities Registered Pursuant to Section 12 of the Exchange Act. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K filed with the Commission on February 26, 2020).
4.2	Indenture, dated May 24, 2017, by and among the Company, certain subsidiary guarantors named therein and Wells Fargo Bank, National Association, as trustee. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 24, 2017).
4.3	Specimen Common Stock Certificate for Great Lakes Dredge & Dock Corporation. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K filed with the Commission on March 22, 2007).
10.1	Agreement of Indemnity, dated as of April 7, 2015, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Great Lakes Environmental & Infrastructure Solutions, LLC, Magnus Pacific, LLC, Terra Contracting, LLC, Terra Fluid Management, LLC and Liberty Mutual Insurance Company and its subsidiaries and affiliates. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 6, 2015).
10.2	Agreement of Indemnity, dated as of April 13, 2015, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Great Lakes Environmental & Infrastructure Solutions, LLC, Magnus Pacific, LLC, Terra Contracting, LLC, Terra Fluid Management, LLC and Berkley Insurance Company and/or Berkley Regional Insurance Company. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 6, 2015).

Number	Document Description
10.3	Agreement of Indemnity, dated as of April 7, 2015, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Great Lakes Environmental & Infrastructure Solutions, LLC, Magnus Pacific, LLC, Terra Contracting, LLC, Terra Fluid Management, LLC and Argonaut Insurance Company. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 6, 2015).
10.4	Agreement of Indemnity, dated as of April 7, 2015, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Great Lakes Environmental & Infrastructure Solutions, LLC, Magnus Pacific, LLC, Terra Contracting, LLC, Terra Fluid Management, LLC and Westchester Fire Insurance Company or any of its affiliates, including any other company that is part of or added to ACE Holdings, Inc. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 6, 2015).
10.5	Amended and Restated Management Equity Agreement dated December 26, 2006 by and among Aldabra Acquisition Corporation, Great Lakes Dredge & Dock Holdings Corp. and each of the other persons identified on the signature pages thereto. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on December 29, 2006).†
10.6	Amended and Restated Employment Agreement between Great Lakes Dredge & Dock Corporation and David E. Simonelli, dated as of May 8, 2014. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on August 4, 2015).†
10.7	Employment Agreement between Great Lakes Dredge & Dock Corporation and Lasse Petterson, dated as of April 28, 2017. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 1, 2017).†
10.8	Separation Agreement, dated December 31, 2020, between Great Lakes Dredge & Dock Corporation and Kathleen M. LaVoy.†*
10.9	Second Amended and Restated Great Lakes Dredge & Dock Company, LLC Annual Bonus Plan effective as of January 1, 2012 (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on January 17, 2012).†
10.10	401(k) Savings Plan. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K filed with the Commission on March 30, 2005).†
10.11	Amended and Restated Great Lakes Dredge & Dock Corporation Supplemental Savings Plan effective January 1, 2014. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K filed with the Commission on March 11, 2014).†
10.12	Form of Investor Rights Agreement among Aldabra Acquisition Corporation, Great Lakes Dredge & Dock Holdings Corp., Madison Dearborn Capital Partners IV, L.P., certain stockholders of Aldabra Acquisition Corporation and certain stockholders of GLDD Acquisitions Corp. (Incorporated by reference to Great Lakes Dredge & Dock Holding Corp.'s Registration Statement on Form S-4 filed with the Commission on August 24, 2006).
10.13	Great Lakes Dredge & Dock Corporation 2007 Long-Term Incentive Plan. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Definitive Proxy Statement on Schedule 14A, filed with the Commission on April 4, 2012).†
10.14	Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 17, 2017).†

Number	Document Description
10.15	Form of Great Lakes Dredge & Dock Corporation Restricted Stock Unit Award Agreement pursuant to the Great Lakes Dredge & Dock Corporation 2007 Long-Term Incentive Plan. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 3, 2016).†
10.16	Form of Great Lakes Dredge & Dock Corporation Restricted Stock Unit Award Agreement pursuant to the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 4, 2018). †
10.17	Form of Great Lakes Dredge & Dock Corporation Performance-Based Restricted Stock Unit Award Agreement (Three Year Form) pursuant to the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 4, 2018). †
10.18	Form of Great Lakes Dredge & Dock Corporation Performance-Based Restricted Stock Unit Award Agreement (Two Year Form) pursuant to the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 4, 2018). †
10.19	Restricted Stock Unit Award Notice pursuant to the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 3, 2019). †
10.20	Performance-Based Restricted Stock Unit Award Notice pursuant to the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 3, 2019). †
10.21	Great Lakes Dredge & Dock Corporation Director Deferral Plan (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K filed with the Commission on February 28, 2018).†
10.22	Purchase Agreement, dated May 18, 2017, by and among the Company, certain subsidiary guarantors named therein and Deutsche Bank Securities Inc., as representative of the initial purchasers named therein. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 24, 2017).
10.23	Registration Rights Agreement, dated May 24, 2017, by and among the Company, certain subsidiary guarantors named therein and Deutsche Bank Securities Inc., as representative of the initial purchasers named therein. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 24, 2017).
10.24	Amended and Restated Revolving Credit and Security Agreement dated as of May 3, 2019 by and among Great Lakes Dredge & Dock Corporation, as Borrower, each other Credit Party party hereto from time to time, the financial institutions which are now or which hereafter become a party hereto as lenders, PNC Capital Markets, CIBC Bank, USA, Suntrust Robinson Humphrey, Inc., and Bank of America, N.A., as joint lead arrangers and joint bookrunners, HSBC Bank USA, N.A., as documentation agent, and PNC Bank, National Association, as lender and as agent (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on August 2, 2019). (1)

Number	Document Description
10.25	Agreement of Indemnity, dated as of September 7, 2011, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Lydon Dredging and Construction Company, Ltd., Fifty-Three Dredging Corporation, Dawson Marine Services Company, Great Lakes Dredge & Dock Environmental, Inc. f/k/a Great Lakes Caribbean Dredging, Inc., NASDI, LLC, NASDI Holdings Corporation, Yankee Environmental Services, LLC, Great Lakes Dredge & Dock (Bahamas) Ltd. and Zurich American Insurance Company and its subsidiaries and affiliates. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K filed with the Commission on March 29, 2013).
10.26	First Rider to the General Agreement of Indemnity, dated as of June 4, 2012, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Lydon Dredging and Construction Company, Ltd., Fifty-Three Dredging Corporation, Dawson Marine Services Company, Great Lakes Dredge & Dock Environmental, Inc. f/k/a Great Lakes Caribbean Dredging, Inc., Great Lakes Dredge & Dock (Bahamas) Ltd. and Zurich American Insurance Company and its subsidiaries and affiliates. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on August 4, 2015).
10.27	Agreement dated December 27, 2016. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on December 30, 2016).
10.28	Vessel Construction Agreement, dated June 5, 2020 by and between Conrad Shipyard, L.L.C., and Great Lakes Dredge & Dock Company, LLC. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on August 4, 2020). (1)
14.1	Code of Business Conduct and Ethics. (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 18, 2016).
21.1	Subsidiaries of Great Lakes Dredge & Dock Corporation. *
23.1	Consent of Deloitte & Touche LLP. *
31.1	Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101.INS	Inline XBRL Instance Document. *
101.SCH	Inline XBRL Taxonomy Extension Schema. *
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase. *
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase. *
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase. *
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase. *
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101) *

(1) Portions of this exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K. The omitted information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

\* Filed herewith

† Compensatory plan or arrangement







# CORPORATE INFORMATION

## GREAT LAKES DREDGE & DOCK CORPORATION

### CORPORATE HEADQUARTERS & DREDGING OPERATIONS OFFICE

Great Lakes Dredge & Dock Corporation  
9811 Katy Freeway, Suite 1200  
Houston, TX 77024  
346-359-1010 | [info@glidd.com](mailto:info@glidd.com)

### REGIONAL DREDGING OFFICES

Gulf Regional Office  
Two Riverway, Suite 1130  
Houston, TX 77056  
346-271-7701 | [GulfRegion@glidd.com](mailto:GulfRegion@glidd.com)

Southeast Regional Office  
10151 Deerwood Park Blvd.  
Bldg. 300, Suite 115  
Jacksonville, FL 32256  
904-834-5234 | [SoutheastRegion@glidd.com](mailto:SoutheastRegion@glidd.com)

Northeast Regional Office  
2747 Richmond Terr.  
Staten Island, NY 10303  
718-981-2700 | [NortheastRegion@glidd.com](mailto:NortheastRegion@glidd.com)

Midwest Regional Office  
1 Parkview Plaza, Suite 800  
Oakbrook Terrace, IL 60181  
630-574-3000 | [info@glidd.com](mailto:info@glidd.com)

Middle East Division  
Flat 32, Building 870  
Road 3618, Block 436  
Al Seef District, P.O. Box 50628  
Kingdom of Bahrain  
+973 17471929 | [MEinfo@glidd.com](mailto:MEinfo@glidd.com)

### INTERNATIONAL OFFICE

9811 Katy Freeway, Suite 1200  
Houston, TX 77024  
346-359-1010 | [info@glidd.com](mailto:info@glidd.com)

### YARD LOCATIONS

Staten Island, NY  
Norfolk, VA  
Morgan City, LA  
Cape Girardeau, MO  
Little Rock, AR

### BOARD OF DIRECTORS

*Chairman of the Board*  
Lawrence Dickerson

#### *Directors*

Elaine Dorward-King, Ph.D  
Ryan Levenson  
Lasse Petterson  
Kathleen M. Shanahan  
Ronald Steger  
Michael Steuert

### ANNUAL MEETING

Wednesday, May 5, 2021 - 8am (CDT)  
Great Lakes Dredge & Dock Corporation  
9811 Katy Freeway, Suite 1200  
Houston, TX 77024

### INVESTOR INQUIRIES

For additional financial documents and information:

- [gliddcorp.com](http://gliddcorp.com)
- 630-574-3024
- [investorrelations@glidd.com](mailto:investorrelations@glidd.com)

### STOCK LISTING

Great Lakes Dredge & Dock Corporation  
NASDAQ Symbol GLDD

### TRANSFER AGENT

Broadridge Corporate Issuer Solutions, Inc.  
1155 Long Island Ave.  
Edgewood, NY 11717

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### GREAT LAKES DREDGE & DOCK CORPORATION

- ✓ Established 1890
- ✓ Committed to creating an Incident & Injury-Free® (IIF®) working environment
- ✓ Registered to do business worldwide
- ✓ Certified ISO 9001:2000 for International Operations
- ✓ An equal-opportunity employer





GLDD practices effective environmental, safety, social and governance processes in everything we do. Our people seek and develop technical innovations so that our work can be completed efficiently and responsibly, and we are committed to executing all projects with robust environmental and safety standards.

Caminada Headland Back Barrier Marsh, shown in the photo above, was created along the Louisiana coastline to renourish approximately 900 acres of wetlands degraded by subsidence and hurricanes.



ECONOMIC GROWTH  
COASTAL RESILIENCE  
NATURAL INFRASTRUCTURE

IT ALL STARTS WITH  
DREDGING®

2020

Dredge No. 58 at St. John's River Deepening  
Jacksonville, FL



GREAT LAKES DREDGE & DOCK CORPORATION  
9811 Katy Freeway | Suite 1200 | Houston, TX | 77024 | 346-359-1010 | gldd.com | info@gldd.com  
2020 Annual Report