MATRIX SERVICE COMPANY


LNG PEAK SHAVING FACILITY
TUCSON, AZ

2022

ANNUAL REPORT

PURPOSE

Working to build a better future, improve quality of life, and create long-term value for our people, business partners, shareholders, and communities.

VISION

To be the company of choice for engineering, constructing, and maintaining the energy and industrial infrastructure that people rely on around the world.

VALUES

COMMITMENT TO SAFETY
INTEGRITY
POSITIVE RELATIONSHIPS
STEWARDSHIP
COMMUNITY INVOLVEMENT
DELIVER THE BEST

MATRIX SERVICE COMPANY

A LETTER FROM OUR CEO.

OUR FISCAL 2022 WAS A YEAR MARKED BY THE BEGINNINGS OF A TURNAROUND IN OUR EXISTING MARKETS, STRENGTHENING OF OUR POSITION IN NEW MARKETS, AND TRANSFORMATION OF OUR ORGANIZATION TO IMPROVE PERFORMANCE AND OUTCOMES FOR ALL STAKEHOLDERS.

As demonstrated by our best book-to-bill in nearly two years, project award cycles have accelerated, with multiple awards of smaller projects in key strategic markets.

Our opportunity pipeline has continued to grow with a wide range of projects in strategic growth markets. We have positioned ourselves to take advantage of the vast project opportunities ahead of us, and we expect continued backlog build and improving revenue as we move through fiscal 2023.

The macroeconomic environment, global energy markets, and transition toward a low carbon economy, all support the critical role Matrix will fulfill in supporting necessary infrastructure investments being made by our clients. Concerns over global energy security – heightened by Russia's invasion of Ukraine – has bolstered our clients' infrastructure investment plans to ensure reliable, clean energy. Severe weather events, aging infrastructure, and unreliable renewable power generation further support these plans as the need for critical upgrades and repairs, as well as new construction of peak shaving facilities and investments in the power grid, are made evident. Global supply chain disruptions and inflation have also made way for a North American industrial renaissance supporting further infrastructure investments to domestically produce the necessary products and elements needed to support quality of life here and across the world.

TRANSFORMING THE FUTURE

As we partner with our clients on the projects ahead, we are keenly aware of our role in developing and implementing solutions for these and other projects that will transform the future for generations to come. Accordingly, we are focused on making sure Matrix is positioned to achieve its objectives for growth, profitability, and sustainable long-term shareholder value.

While our journey is not complete, we are well on our way to becoming a different company than we were just two short years ago. Specifically, we continue to:

- Build operational and business development bench strength in end markets such as natural gas, LNG, ammonia, hydrogen and other renewable fuels – all critical to a low carbon economy;
- Improve our performance and position in electrical infrastructure, which creates significant growth opportunities for the enterprise;
- Advance our leading market position in aerospace, where we hold a niche position in thermal vacuum chambers, used to test satellites and key space equipment;
- Advance our position in chemicals and mining and minerals;
- Support our traditional energy clients as they maintain, improve, and invest in new infrastructure for their mid- and downstream crude oil facilities.

We also carefully evaluated our own operational structure and are implementing an enterprise-wide organizational transformation that will bring greater efficiency and effectiveness to our operations, improve our performance, and provide better client support. In doing so, quality is being elevated to the same level as our industry-leading safety culture. This focus and investment in quality is a cornerstone to improving the performance of all aspects of our business.

We continue to invest in our people through training and development and our commitment to diversity, equity, and inclusion – both of which are critical to our future growth and success. Led from the top, these aspects of social sustainability are critically important to achieving our objectives, and benefit from concerted efforts across our own organization, on our project sites, through our relationships with suppliers and vendors, and in service to our communities.

Finally, we continue to advance our commitment to Environmental, Social, and Governance (ESG). Most notably in fiscal 2022, we established our framework for climate-related risks based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This, together with the Sustainability Accounting Standards Board (SASB) framework adopted last year, will further ensure that both financial risks and opportunities related to climate change become an integral part of our risk management and strategic planning processes.

In closing, I am incredibly proud of our employees and their ongoing resilience, dedication, and commitment to achieving our objectives during these incredibly challenging times.

As we look toward fiscal 2023, we do so with great optimism and confidence. Our client relationships are strong, significant projects are nearing award, the project opportunity pipeline is substantial, we are organized for the future, and the Company's business is sound.

Thank you for your continued investment and trust in Matrix Service Company.

Respectfully,

John R. Hewitt
President and Chief Executive Officer

SHAREHOLDER INFORMATION

CORPORATE OFFICES
5100 E. Skelly Dr., Ste. 100
Tulsa, OK 74135
Phone: 918 838 8822
Fax: 918 838 8810

NOTICE OF ANNUAL MEETING
The Annual Meeting of Stockholders will be virtual and held on December 5th, 2022 at 10:00 a.m. CT. To attend virtually please visit:
VirtualShareholderMeeting.com/MTRX2022

STOCK TRANSFER AGENT & REGISTRAR
Computershare Trust Company, N.A.
250 Royall St.
Canton, MA 02021

WEBSITES
MatrixServiceCompany.com
MatrixPDM.com
MatrixNAC.com
MatrixService.com
MatrixAppliedTech.com

COMMON STOCK DATA
Matrix Service Company's Common Stock is traded on NASDAQ Global Select Market under the Ticker Symbol: "MTRX"

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS
Deloitte & Touche LLP
6100 S. Yale Ave., Ste. 2010
Tulsa, OK 74136

INVESTOR AND MEDIA RELATIONS, STOCKHOLDER RELATIONS & AVAILABLE INFORMATION
Matrix Service Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission may be obtained by writing to:

Kevin S. Cavanah
Vice President and Chief Financial Officer
Matrix Service Company
5100 E. Skelly Dr., Ste. 100
Tulsa, OK 74135

Cherokee LNG
Ball Ground, GA

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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 June 30, 2022

or

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

For the transition period from to

Commission File No. 001-15461

MATRIX SERVICE COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**73-1352174**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5100 E. Skelly Drive, Suite 500 Tulsa, Oklahoma	**74135**
(Address of Principal Executive Offices)	**(Zip Code)**

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

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

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant 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 the registrant's common stock held by non-affiliates computed by reference to the price at which the common stock was last sold as of the last business day of the registrant's most recently completed second quarter was approximately $195 million.

The number of shares of the registrant's common stock outstanding as of October 7, 2022 was 26,972,621 shares.

Documents Incorporated by Reference

Certain sections of the registrant's definitive proxy statement relating to the registrant's 2022 annual meeting of stockholders, which definitive proxy statement will be filed within 120 days of the end of the registrant's fiscal year, are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. Business

FORWARD-LOOKING STATEMENTS

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

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

- amounts and nature of future project awards, revenue and margins from each of our segments;
- our ability to generate sufficient cash from operations, access our credit facility, or raise cash in order to meet our short and long-term capital requirements;
- our ability to comply with the covenants in our credit agreement;
- the impact to our business from economic, market or business conditions in general and in the oil, natural gas, power, petrochemical, agricultural and mining industries in particular;
- the impact of inflation on our operating expenses and our business operations;
- the likely impact of new or existing regulations or market forces on the demand for our services;
- the impact to our business of the COVID-19 pandemic and its related disruptions to supply chains, inflation and availability of materials and labor;
- our expectations with respect to the likelihood of a future impairment; and
- expansion and other trends of the industries we serve.

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

- the risk factors discussed in Item 1A of this Annual Report and listed from time to time in our filings with the Securities and Exchange Commission (‘‘SEC’’);
- economic, market or business conditions in general and in the oil, natural gas, power, petrochemical, agricultural and mining industries in particular;
- the transition to renewable energy sources and its impact on our current customer base;
- the under- or over-utilization of our work force;
- delays in the commencement or progression of major projects, whether due to permitting issues or other factors;
- reduced creditworthiness of our customer base and the higher risk of non-payment of receivables;
- the inherently uncertain outcome of current and future litigation;
- the adequacy of our reserves for claims and contingencies; and
- changes in laws or regulations, including the imposition, cancellation or delay of tariffs on imported goods.

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

BACKGROUND

We began operations in 1984 as an Oklahoma corporation under the name of Matrix Service. In 1989, we incorporated in the State of Delaware under the name of Matrix Service Company. We provide engineering, fabrication, construction, and maintenance services to support critical energy infrastructure and industrial markets. We maintain regional offices throughout the United States, Canada and other international locations, and operate through separate union and merit subsidiaries.

We are licensed to operate in all 50 states, in four Canadian provinces and in other international locations. Our principal executive offices are located at 5100 E. Skelly Drive, Suite 500, Tulsa, Oklahoma 74135. Our telephone number is (918) 838-8822. Unless the context otherwise requires, all references herein to ‘‘Matrix Service Company’’, ‘‘Matrix’’, the ‘‘Company’’ or to ‘‘we’’, ‘‘our’’, and ‘‘us’’ are to Matrix Service Company and its subsidiaries.

We believe we have an obligation to better the world in which we live and work – to do today’s work in a manner that advances and protects tomorrow’s world for future generations. Across the ideals of environmental stewardship, social responsibility, governance, diversity, inclusiveness and equity, we are committed to ensuring our business strategies, policies, and practices align with sustainability goals where we can have the greatest impact globally and in our own local communities. We are committed to fulfilling our purpose today by safely engineering, constructing, and maintaining essential infrastructure that provides a better, brighter future for tomorrow.

WEBSITE ACCESS TO REPORTS

Our public website is matrixservicecompany.com. We make available free of charge through the ‘‘Investor Relations’’ section of our website our annual reports to stockholders, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including exhibits, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Any materials we file with or furnish to the SEC are also maintained on the SEC website (sec.gov).

The information contained on our website, or available by hyperlink from our website, is not incorporated into this Annual Report or other documents we file with, or furnish to, the SEC. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included in the ‘‘Investor Relations’’ section of our website. Investors should monitor that section of our website for press releases, investor presentations, SEC filings and public conference calls and webcasts.

While not our primary means of communication, investors can also learn more about us by visiting our social media channels. We encourage investors, the media, and others interested in us to review the information posted on our Facebook site (facebook.com/matrixservicecompany), our LinkedIn account (linkedin.com/company/matrix-service-company) and our Twitter account (twitter.com/matrixserviceco). Investors, the media or other interested parties can subscribe to the Twitter feed at the address listed above. The information contained in our social media accounts is not incorporated into this Annual Report or other documents we file with, or furnish to, the SEC.

OPERATING SEGMENTS

We operate our business through three reportable segments:

- **Utility and Power Infrastructure**: consists of power delivery services provided to investor-owned utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, upgrades and maintenance, as well as emergency and storm restoration services. We also provide engineering, fabrication, and construction services for LNG utility peak shaving facilities, and construction and maintenance services to a variety of power generation facilities, including natural gas fired facilities, in simple or combined cycle configuration.
- **Process and Industrial Facilities**: primarily serves customers in the downstream and midstream petroleum industries who are engaged in refining crude oil and processing, fractionating, and marketing of natural gas and natural gas liquids. We also serve customers in various other industries such as petrochemical, sulfur, mining and minerals companies engaged primarily in the extraction of non-ferrous metals, aerospace and defense, cement, agriculture, and other industrial customers. Our services include plant maintenance, turnarounds, industrial cleaning services, engineering, fabrication, and capital construction.

- **Storage and Terminal Solutions**: consists of work related to aboveground storage tanks and terminals. We also include work related to cryogenic and other specialty storage tanks and terminals, including LNG, liquid nitrogen/liquid oxygen, liquid petroleum, hydrogen and other specialty vessels such as spheres in this segment, as well work related to marine structures and truck and rail loading/offloading facilities. Our services include engineering, fabrication, construction, and maintenance and repair, which includes planned and emergency services for both tanks and full terminals. Finally, we offer tank products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.

OTHER BUSINESS MATTERS

Customers and Marketing

We provided services to approximately 400 customers in fiscal 2022. Most of our revenue comes from long-term customer relationships. One customer accounted for $87.2 million or 12.3% of our consolidated revenue in fiscal 2022, which was primarily included in the Process and Industrial Facilities segment. Another customer accounted for $78.1 million or 11.0% of our consolidated revenue in fiscal 2022, all of which was included in the Utility and Power Infrastructure segment. No other customers individually accounted for more than 10% of our consolidated revenue in fiscal 2022. See Part II, Item 8. Financial Statement and Supplementary Data, Note 13 - Segment Information, for more information about concentration of revenue by segment.

We market our services and products primarily through our marketing and business development personnel, senior professional staff and our operating management. We competitively bid most of our projects; however, we have a number of preferred provider relationships with customers who award us work through long-term agreements. Our projects have durations ranging from a few days to multiple years.

Competition

We compete with local, regional, national and international contractors and service providers. Competitors vary with the markets we serve with few competitors competing in all of the markets we serve or in providing all of the services we provide. Contracts are generally awarded based on price, quality, safety performance, schedule, experience and customer satisfaction.

Backlog

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

- fixed-price awards;
- minimum customer commitments on cost plus arrangements; and
- certain time and material arrangements in which the estimated value is firm or can be estimated with a reasonable amount of certainty in both timing and amounts.

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

The following table provides a summary of changes in our backlog in fiscal 2022:

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Total
	(In thousands)			
Backlog as of June 30, 2021	$ 170,043	$ 134,777	$ 157,741	$ 462,561
Project awards	152,109	412,358	270,212	834,679
Revenue recognized	(220,093)	(254,848)	(232,839)	(707,780)
Backlog as of June 30, 2022	$ 102,059	$ 292,287	$ 195,114	$ 589,460
Book-to-bill ratio[1]	0.7	1.6	1.2	1.2

(1) Calculated by dividing project awards by revenue recognized.

In the Utility and Power Infrastructure segment, backlog decreased by 40.0% as we booked $152.1 million of project awards in fiscal 2022. Our opportunity pipeline for LNG peak shaving projects continues to be promising, however those awards, while significant, can be less frequent. Bidding activity is strong in the power delivery portion of the business. During fiscal 2022, we received several key contracts for electrical infrastructure services including substation and transmission line rebuilds, relay upgrades, and fiber installation.

In the Process and Industrial Facilities segment, backlog increased by 116.9% as we booked $412.4 million of project awards in fiscal 2022. Client spending related to refinery maintenance operations has returned to near-normal pre-pandemic levels. During fiscal 2022, we received key awards for two thermal vacuum chamber projects, a midstream gas processing plant, a borate mining facility, a refinery capital project, and other renewable energy capital projects. We continue to see strong demand for thermal vacuum chambers in the coming quarters, as well as increasing opportunities in mining and minerals, and chemicals. In addition, we are seeing more opportunities for midstream gas work, including some larger scale projects.

In the Storage and Terminal Solutions segment, backlog increased by 23.7% as we booked $270.2 million of project awards during fiscal 2022. This segment includes significant opportunities for storage infrastructure projects related to natural gas, LNG, ammonia, hydrogen, NGLs and other forms of renewable energy. We believe LNG and hydrogen projects in particular will be key growth drivers for this segment. Bidding activity on LNG projects has been strong and we have been positioning ourselves for growth in hydrogen by entering into key relationships, such as the signing of a memorandum of understanding (''MOU'') with Korea Gas Corporation in August 2022 to support South Korea's development of a hydrogen economy as it transforms itself from natural gas and the signing of a MOU with Chart Industries, Inc. in January of 2021 to support the development of hydrogen solutions. Oil and natural gas producers have remained cautious with capital spending, which has limited opportunities in crude oil tanks and terminals. However, the price of crude oil and natural gas increased significantly during fiscal 2022, which, if sustained, may lead to higher production volumes and more opportunities for crude oil tanks, terminals and export facilities in the coming quarters.

Project awards in all segments are cyclical and are typically the result of a sales process that can take several months or years to complete. It is common for awards to shift from one period to another as the timing of awards is dependent upon a number of factors including changes in market conditions, permitting, off take agreements, project financing and other factors. Backlog volatility may increase for some segments from time to time when individual project awards are less frequent, but more significant. We expect to recognize approximately 83% of our total backlog reported as of June 30, 2022 as revenue within fiscal 2023.

Seasonality and Other Factors

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

Our business can also be affected, both positively and negatively, by seasonal factors such as energy demand or weather conditions including hurricanes, snowstorms, and abnormally low or high temperatures. Some of these seasonal factors may cause some of our offices and projects to close or reduce activities temporarily. In addition to the above noted factors, the general timing of project starts and completions could exhibit significant fluctuations.

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

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

Material Sources and Availability

The COVID-19 pandemic and increased demand and competition for qualified labor have resulted in disruptions to global supply chains, which have led to higher prices for some of the materials we need to run our business, including, but not limited to, structural steel, steel piping, rebar, valves, copper, electrical components, fabricated products and equipment, and delivery freight. We have been proactive with managing our procurement processes to help reduce the impacts of rising materials prices on our business and to help ensure we continue to have the materials we need available. However, rising prices and the potential for materials shortages have created additional risk into bidding and executing work profitably.

The timing of normalization of the global supply chains is uncertain and will depend on several factors, including the speed of recovery from the pandemic, producer capacity, the level of imports, worldwide demand, tariffs on imported goods and other market conditions.

Insurance

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

Typically our contracts require us to indemnify our customers for injury, damage or loss arising from the performance of our services and provide warranties for materials. We may also be required to name the customer as an additional insured up to the limits of insurance available, to purchase special insurance policies or surety bonds for specific customers or to provide letters of credit in lieu of bonds to satisfy performance and financial guarantees on some projects. We maintain a performance and payment bonding line sufficient to support the business. We generally require our subcontractors to indemnify us and our customers and name us as an additional insured for activities arising out of the subcontractors' work. We also require certain subcontractors to provide additional insurance policies, including surety bonds in favor of us, to secure the subcontractors' work. There can be no assurance that our insurance and the additional insurance coverage provided by our subcontractors will fully protect us against a valid claim or loss under the contracts with our customers.

Human Capital Management

Employees

Successful execution of our business strategy is dependent on attracting, developing, and retaining key employees who represent our core values and the communities we serve. Our people are our greatest resource, which makes our certification in fiscal 2022 as a Great Place To Work® — for the sixth consecutive year — both a point of pride and an invaluable tool for continuous improvement supporting our objective of remaining an employer of choice.

Given the nature of our work, the size of our employee population can vary significantly throughout the year because of the number, type, and size of projects we have in progress at any particular time. As of June 30, 2022, we had 2,810 employees worldwide. Of those employees, 677 were employed in office-based positions and 2,133 were employed in field or craft positions. The breakdown by country was: 2,467 located in the United States, 309 in Canada, and 34 across other international locations. At the end of fiscal 2022, 45% of our overall workforce and 28% of our management team was represented by women and minorities. Recognizing that commitment to Diversity, Equity and Inclusion (DEI) begins at the top, in fiscal 2022, Matrix increased the overall diversity of our Independent Board Members to 43%, with 29% female and 14% ethnically diverse.

The percentage of our employees represented by unions as of June 30, 2022, was approximately 30%. Operating under collective bargaining agreements with various unions, our union employees are provided with benefits including health and welfare, pension, training programs and competitive compensation plans. We have not experienced any strikes or work stoppages in recent years and are proud that our relationships with our employees and labor unions are strong.

Business Ethics and Core Values

Our employees are entrusted with engineering, constructing, and maintaining the complex, critical infrastructure that supports modern daily living and quality of life. Ethics and integrity are foundational in our ability to be successful and are engrained in our culture and core values. Across all areas of our business, we maintain focus on compliance and doing the right thing, and integrity is essential to every aspect of our business, in both policy and practice. Accordingly, we are committed to ensuring compliance with all applicable laws and regulations, and to maintaining the highest standards of ethical conduct in accordance with our code of conduct.

Health and Safety

Ensuring the safety of our employees and those around us is integral to who we are, and paramount to our success and sustainability. The journey to achieving and maintaining a zero-incident safety performance requires robust training along with comprehensive policies, processes, and systems to plan, perform, report, measure, review, and improve our performance. We have incorporated safety as a key performance metric in our incentive compensation plan by measuring our annual Total Recordable Incident Rate (“TRIR”), which is calculated by multiplying the number of recordable incidents by 200,000 and dividing that number by the total hours worked each year. This metric is also used by others in our industry, which allows for a more objective comparison of our performance. Our TRIR was 0.51, 0.28, and 0.50 during fiscal years 2022, 2021, and 2020, respectively.

Diversity, Equity, and Inclusion (DEI)

Foundational to attracting, developing, and retaining a diverse, engaged workforce is our commitment to making sure our employees feel safe, know they are valued, that their work matters, and that they are provided opportunities to achieve their maximum potential. We believe when we value each other’s differences and encourage everyone’s voice to be heard, we can break down the barriers that stifle ideas and opportunities.

In fiscal 2022, we continued to advance and strengthen our culture. We launched our first Employee Resource Groups (ERGs), creating employee-led pathways for inclusion. We also continued year-round learning opportunities on unconscious bias and other DEI-specific topics and enhanced our DEI education offering available to all employees through Matrix University. We strengthened our accountability by increasing the diversity of our independent Board Members based on gender and ethnicity; establishing our ERG Executive Sponsor Program; advancing development of an employee survey designed to measure effectiveness of our DEI efforts and setting the framework for data analysis to identify opportunities for improvement. We also continued our participation in CEO Action for Diversity & Inclusion and participated in a variety of community events including Advancing Oklahoma, a state-wide conversation on race, where Matrix leadership served on the committee that developed comprehensive programming to engage participants in discussions about race and history, the criminal justice system, everyday conversations, education, business, image and attitudes, advocacy, and the future.

Total Rewards Package

As part of our compensation philosophy and to attract and retain superior talent, we offer and maintain market-competitive total rewards programs for our employees. In addition to base salaries, additional programs include incentive and project bonus opportunities, comprehensive healthcare coverage and insurance benefits, Company matched retirement plans, health savings and flexible spending accounts, an Employee Stock Purchase Plan, paid holidays and other paid time off, family leave, and flexible work schedules where possible. Other offerings include employee assistance programs with 365/24/7 access to resources and support, and Matrix HealthMatters, our robust wellness program that provides resources and education to help employees and their families get and stay healthy, focusing wholistically on physical, mental and financial health.

Training and Employee Development Programs

Investment in continuous learning is essential to providing industry-leading expertise and service to our clients, continuous improvement across our organization, and meaningful career development opportunities for our people. From in-person to online courses, formalized and other specialized training, our employees benefit from opportunities to strengthen their leadership and management competencies, improve communication and interpersonal skills, and advance their technical proficiency. Through Matrix University, our people have access to resources that include a robust Learning Management System (LMS) that provides enterprise-wide access for employees to a number of online learning modules and support tools.

Our employees also benefit from the Matrix Performance Development Program, designed for collaborative development of annual performance goals and to promote continuous, transparent feedback between employees and their supervisors.

Employee Engagement

We also empower our employees to donate time, talent, and resources through Company-led initiatives, employee matching, and paid volunteer time off. Each year, our employees collectively log thousands of hours participating in individual community service projects in addition to hours they invest serving on boards and participating in Company-sponsored charitable events. We also provide direct corporate financial support to nonprofit organizations in the communities where we live and work.

Patents and Proprietary Technology

Our subsidiaries have several patents and continue to pursue new ideas and innovations to better serve our customers in several areas of our business. The Flex-A-Span® and Flex-A-Seal® trademarks are utilized to market our unique seals for floating roof tanks. The FastFroth® trademark is utilized to market our unique industrial cleaning process. The Flowdome® trademark is used to market our geodesic dome tank roofs. Our SwingMaster® trademark is used to market our central type swing joints. The patent for the Training Tank for Personnel Entry, Exit and Rescue relates to a training device that can be used to train personnel on equipment that is made to simulate confined space scenarios. We hold two separate patents for Pipe Lifting and Orienting Apparatus and Method that is used to raise and lower pipes and to move them around the upper surface of floating roof of tanks. The Batten Joint for an Internal Floating Roof of a Fluid Tank allows us to overcome many of the disadvantages associated with other types of joints used for internal floating roofs for floating tanks.

We also hold a perpetual license to use various patents and technologies related to LNG storage tanks, liquid nitrogen/liquid oxygen storage tanks, liquid petroleum gas storage tanks and thermal vacuum chambers.

While our intellectual property is not our main business, we believe that the ability to use these patents, trademarks, and technology enables us to expand our presence in the markets we serve and minimizes the development costs typically associated with organic growth.

Regulation

Health and Safety Regulations

Our operations are subject to regulation by the U.S. Department of Labor Occupational Safety and Health Administration (''OSHA'') and Mine Safety and Health Administration (''MSHA''), the U.S. Department of Transportation, and to regulation under state laws and by the Canadian Workers' Compensation Board and its Workplace Health, Safety and Compensation Commission. Regulations promulgated by these agencies require employers and independent contractors to implement work practices, medical surveillance systems and personnel protection programs to protect employees from workplace hazards and exposure to hazardous chemicals and materials. In recognition of the potential for accidents within various scopes of work, these agencies have enacted strict and comprehensive safety regulations. We have established and consistently reinforce and monitor compliance with comprehensive programs intended to ensure that we comply with all applicable health and safety regulations to protect the safety of our workers, subcontractors and customers. While we believe that we operate safely and prudently, there can be no assurance that accidents will not occur or that we will not incur substantial liability in connection with the operation of our businesses. In order to minimize the financial exposure resulting from potential accidents associated with our work, we maintain liability insurance to limit losses that could result from our work.

Environmental

We believe we have an obligation to better the world in which we live and work – to do today's work in a manner that advances and protects tomorrow's world for future generations. Across our organization, from our project sites to our offices, we are committed to environmental stewardship and to continuously seeking better, more sustainable ways to perform our work in existing and new markets, including renewables.

Our operations and the operations of our customers are subject to extensive and changing environmental laws and regulations. These laws and regulations relate primarily to air and water pollutants and the management and disposal of hazardous materials. We are exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or hazardous materials.

In order to limit costs incurred as a result of environmental exposure, we maintain contractor's pollution liability insurance that covers liability that may be incurred as a result of accidental releases of hazardous materials.

We believe that we are currently in compliance, in all material aspects, with all applicable environmental laws and regulations. We do not expect any material charges in subsequent periods relating to environmental conditions that currently exist and do not currently foresee any significant future capital spending relating to environmental matters.

Item 1A. Risk Factors

The following risk factors should be considered with the other information included in this Annual Report on Form 10-K. As we operate in a continuously changing environment, other risk factors may emerge which could have a material adverse effect on our results of operations, financial condition and cash flow.

Risk Factors Related to Our Business and Operations

Our results of operations depend upon the award of new contracts and the timing of those awards.

Our revenue is derived primarily from contracts awarded on a project-by-project basis. Generally, it is difficult to predict whether and when we will be awarded a new contract due to lengthy and complex bidding and selection processes, changes in existing or forecasted market conditions, customers' access to financing, governmental regulations, permitting and environmental matters. Because our revenue are derived from contract awards, our results of operations and cash flows can fluctuate materially from period to period.

The uncertainty associated with the timing of contract awards may reduce our short-term profitability as we balance our current capacity with expectations of future contract awards. If an expected contract award is delayed or not received, we could incur costs to maintain an idle workforce that may have a material adverse effect on our results of operations. Alternatively, we may decide that our long-term interests are best served by reducing our workforce and incurring increased costs associated with severance and termination benefits, which also could have a material adverse effect on our results of operations in the period incurred. Reducing our workforce could also impact our results of operations if we are unable to adequately staff projects that are awarded subsequent to a workforce reduction.

Demand for our products and services is cyclical and is vulnerable to the level of capital and maintenance spending of our customers and to downturns in the industries and markets we serve, as well as conditions in the general economy.

The demand for our products and services depends upon the existence of construction and maintenance projects primarily in the energy markets, including LNG, hydrogen, renewable energy, midstream and downstream petroleum, and other heavy industries in the United States and Canada. Therefore, it is likely that our business will continue to be cyclical in nature and vulnerable to general downturns in the United States, Canadian and world economies and negative changes in commodity and energy prices, which could adversely affect the demand for our products and services.

The availability of engineering and construction projects is dependent upon economic conditions and the outlook for renewable energy, hydrogen, natural gas, oil, petrochemical, industrial, and power industries, and specifically, the level of capital expenditures on energy infrastructure. Our failure to obtain projects, the delay of project awards, the cancellation of projects or delays in the execution of contracts has resulted and may continue to result in under-utilization of our resources, which could adversely impact our revenue, margins, operating results and cash flow. There are numerous factors beyond our control that influence the level of maintenance and capital expenditures of our customers, including:

- the demand for alternative and renewable energy products, including hydrogen;
- ability and demand to export LNG and other hydrocarbon products;
- the demand for natural gas, oil and electricity;
- current or projected commodity prices, including natural gas, oil, power and mineral prices;
- refining margins;
- the ability of energy and industrial companies to generate, access and deploy capital;
- interest rates;
- technological challenges and advances;
- tax incentives, including those for alternative energy projects;
- regulatory restraints on the rates that power companies may charge their customers; and
- local, national and international political and economic conditions.

Our profitability could be negatively impacted if we are not able to maintain appropriate utilization of our workforce.

The extent to which we utilize our workforce affects our profitability. If we under utilize our workforce, our project gross margins and overall profitability suffer in the short-term. If we over utilize our workforce, we may negatively impact safety, employee satisfaction and project execution. The utilization of our workforce is impacted by numerous factors including:

- our estimate of the headcount requirements for various operating units based upon our forecast of the demand for our products and services;
- our ability to maintain our talent base and manage attrition;
- productivity;
- our ability to schedule our portfolio of projects to efficiently utilize our employees and minimize downtime between project assignments; and
- our need to invest time and resources into functions such as training, business development, employee recruiting, and sales that are not chargeable to customer projects.

An inability to attract and retain qualified personnel, and in particular, engineers, project managers, and skilled craft workers, could impact our ability to perform on our contracts, which could harm our business and impair our future revenue and profitability.

Our ability to attract and retain qualified engineers, project managers, skilled craftsmen and other experienced professionals in accordance with our need is an important factor in our ability to maintain profitability and grow our business. The market for these professionals is competitive, particularly during periods of economic growth when the supply is limited. We cannot provide any assurance that we will be successful in our efforts to retain or attract qualified personnel when needed. Therefore, when we anticipate or experience growing demand for our services, we may incur additional cost to maintain a professional staff in excess of our current contract needs in an effort to have sufficient qualified personnel available to address this anticipated demand. If we do incur additional compensation and benefit costs, our customer contracts may not allow us to pass through these costs.

Competent and experienced engineers, project estimators, project managers, and craft workers are especially critical to the profitable performance of our contracts, particularly on our fixed-price contracts where superior design and execution of the project can result in profits greater than originally estimated or where inferior design and project execution can reduce or eliminate estimated profits or even result in a loss.

Our project managers are involved in most aspects of contracting and contract execution, including:

- supervising the bidding process, including providing estimates of significant cost components, such as material and equipment needs, and the size, productivity and composition of the workforce;
- negotiating contracts;
- supervising project performance, including performance by our employees, subcontractors and other third-party suppliers and vendors;
- estimating costs for completion of contracts that is used to estimate amounts that can be reported as revenue and earnings on the contract under the percentage-of-completion method of accounting;
- negotiating requests for change orders and the final terms of approved change orders; and
- determining and documenting claims by us for increased costs incurred due to the failure of customers, subcontractors and other third-party suppliers of equipment and materials to perform on a timely basis and in accordance with contract terms.

The loss of one or more of our significant customers could adversely affect us.

One or more customers have in the past and may in the future contribute a material portion of our revenue in any one year. Because these significant customers generally contract with us for specific projects or for specific periods of time, we may lose these customers from year to year as the projects or maintenance contracts are completed. The loss of business from any one of these customers could have a material adverse effect on our business or results of operations.

Our backlog is subject to unexpected fluctuations, adjustments and cancellations and does not include the full value of our long-term maintenance contracts, and therefore, may not be a reliable indicator of our future earnings.

Backlog may not be a reliable indicator of our future performance. We cannot guarantee that the revenue projected in our backlog will be realized or profitable. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts included in our backlog that could reduce the dollar amount of our backlog and the revenue and profits that we actually earn. Many of our contracts have termination rights. Therefore, project adjustments may occur from time to time to contracts in our backlog.

The terms of our contracts could expose us to unforeseen costs and costs not within our control, which may not be recoverable and could adversely affect our results of operations and financial condition.

A significant amount of our work is performed under fixed-price contracts. Under fixed-price contracts, we agree to perform the contract for a fixed price and, as a result, can improve our expected profit by superior execution, productivity, workplace safety and other factors resulting in cost savings. However, we could incur cost overruns above the approved contract price, which may not be recoverable. Under certain incentive fixed-price contracts, we may agree to share with a customer a portion of any savings we generate while the customer agrees to bear a portion of any increased costs we may incur up to a negotiated ceiling. To the extent costs exceed the negotiated ceiling price, we may be required to absorb some or all of the cost overruns.

Fixed-price contract prices are established based largely upon estimates and assumptions relating to project scope and specifications, personnel and productivity, material needs, and site conditions. These estimates and assumptions may prove inaccurate, or conditions may change due to factors out of our control, resulting in cost overruns, which we may be required to absorb and which could have a material adverse effect on our business, financial condition and results of operations. In addition, our profits from these contracts could decrease or we could experience losses if we incur difficulties in performing the contracts or are unable to secure fixed-pricing commitments from our manufacturers, suppliers and subcontractors at the time we enter into fixed-price contracts with our customers.

Under cost-plus and time-and-material contracts, we perform our services in return for payment of our agreed upon reimbursable costs plus a profit. The profit component is typically expressed in the contract either as a percentage of the reimbursable costs we actually incur or is factored into the rates we charge for labor or for the cost of equipment and materials, if any, we are required to provide. Our profit could be negatively impacted if our actual costs exceed the estimated costs utilized to establish the billing rates included in the contracts.

We may incur significant costs in providing services in excess of original project scope without having an approved change order.

After commencement of a contract, we may perform, without the benefit of an approved change order from the customer, additional services requested by the customer that were not contemplated in our contract price for various reasons, including customer changes or incomplete or inaccurate engineering, changes in project specifications and other similar information provided to us by the customer. Our construction contracts generally require the customer to compensate us for additional work or expenses incurred under these circumstances.

A failure to obtain adequate compensation for these matters could require us to record in the current period an adjustment to revenue and profit recognized in prior periods under the percentage-of-completion accounting method. Any such adjustments, if substantial, could have a material adverse effect on our results of operations and financial condition, particularly for the period in which such adjustments are made. We can provide no assurance that we will be successful in obtaining, through negotiation, arbitration, litigation or otherwise, approved change orders in an amount adequate to compensate us for our additional work or expenses.

Our business may be affected by difficult work sites and environments, which may adversely affect our overall business.

We perform our work under a variety of conditions, including, but not limited to, difficult terrain, difficult site conditions and busy urban centers where delivery of materials and availability of labor may be impacted. Performing work under these conditions can slow our progress, potentially causing us to incur contractual liability to our customers. These difficult conditions may also cause us to incur additional, unanticipated costs that we might not be able to pass on to our customers.

We are susceptible to severe weather conditions as a result of climate change or otherwise, which may harm our business and financial results.

Our business may be adversely affected by severe weather in areas where we have significant operations. Repercussions of severe weather conditions may include:

- curtailment of services;
- suspension of operations;
- inability to meet performance schedules in accordance with contracts and potential liability for liquidated damages;
- injuries or fatalities;
- weather related damage to our facilities or work-in-progress on project sites;
- disruption of information systems;
- inability to receive machinery, equipment and materials at job sites; and
- loss of productivity.

The frequency and severity of severe weather conditions may be enhanced by present and future changes to our climate.

Our business has been affected by inflation, supply chain disruptions and shortages of materials and labor.

Following the onset of the pandemic and with the ongoing conflict between Ukraine and Russia in Europe, there has been a high degree of volatility in commodity and energy markets that affect our client's businesses. In addition, inflation in the United States has reached multi-decade highs and has been increasing since the beginning of the fiscal year. In some cases we have had to bid more competitively than before to win work, which has compressed margins somewhat given the higher inflation. It is uncertain how this market environment will impact our business, both positively or negatively.

Domestic and foreign trade tariffs could raise the price and reduce the availability of raw materials to us, which could negatively impact our operating results and financial condition.

Domestic and foreign trade tariffs could raise the price and reduce the availability of raw materials such as steel plate and steel pipe, which are key materials used by us. Supplies of these materials are available throughout the United States and globally from numerous sources. We anticipate that adequate amounts of these materials will be available in the foreseeable future. However, if trade tariffs should significantly impact the price and availability of these materials, we could experience lower gross margins, operational inefficiencies and project delays.

Unsatisfactory safety performance may subject us to penalties, affect customer relationships, result in higher operating costs, negatively impact employee morale and result in higher employee turnover.

Our projects are conducted at a variety of sites including construction sites and industrial facilities. With each location, hazards are part of the day-to-day exposures that we must manage on a continuous basis to ensure our employees return home from work the same way they arrived. We understand that everyone plays a role with safety and everyone can make a difference with their active participation. With our proactive approach, our strategy is to identify the exposures and correct them before they result in an incident whether that involves an injury, damage or destruction of property, plant and equipment or an environmental impact. We are intensely focused on maintaining a strong safety culture and strive for zero incidents.

Although we have taken what we believe are appropriate precautions to adequately train and equip our employees, we have experienced serious accidents, including fatalities, in the past and may experience additional accidents in the future. Serious accidents may subject us to penalties, civil litigation or criminal prosecution. Claims for damages to persons, including claims for bodily injury or loss of life, could result in costs and liabilities, which could materially and adversely affect our financial condition, results of operations or cash flows. Poor safety performance could also jeopardize our relationships with our customers and increase our insurance premiums.

We are exposed to credit risk from customers. If we experience delays and/or defaults in customer payments, we could suffer liquidity problems or we could be unable to recover amounts owed to us.

Under the terms of our contracts, at times we commit resources to customer projects prior to receiving payments from customers in amounts sufficient to cover expenditures on these projects as they are incurred. Many of our fixed-price or cost-plus contracts require us to satisfy specified progress milestones or performance standards in order to receive a payment. Under these types of arrangements, we may incur significant costs for labor, equipment and supplies prior to receipt of payment. If the customer fails or refuses to pay us for any reason, there is no assurance we will be able to collect amounts due to us for costs previously incurred. In some cases, we may find it necessary to terminate subcontracts with suppliers engaged by us to assist in performing a contract, and we may incur costs or penalties for canceling our commitments to them. Delays in customer payments require an investment in working capital. If we are unable to collect amounts owed to us under our contracts, we may be required to record a charge against previously recognized earnings related to the project, and our liquidity, financial condition and results of operations could be adversely affected.

We contribute to multiemployer plans that could result in liabilities to us if those plans are terminated or if we withdraw from those plans.

We contribute to several multiemployer pension plans for employees covered by collective bargaining agreements. These plans are not administered by us and contributions are determined in accordance with provisions of negotiated labor contracts. The Employee Retirement Income Security Act of 1974, as amended by the Multiemployer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multiemployer plan in the event of the employer's withdrawal from, or upon termination of, such plan. If we terminate, withdraw, or partially withdraw from other multiemployer pension plans, we could be required to make significant cash contributions to fund that plan's unfunded vested benefit, which could materially and adversely affect our financial condition and results of operations; however, we are not currently able to determine the net assets and actuarial present value of the multiemployer pension plans' unfunded vested benefits allocable to us, if any, and we are not presently aware of the amounts, if any, for which we may be contingently liable if we were to withdraw from any of these plans. In addition, if the funding level of any of these multiemployer plans becomes classified as ''critical status'' under the Pension Protection Act of 2006, we could be required to make significant additional contributions to those plans.

A failure or outage in our operational systems or cyber security attacks on any of our systems, or those of third parties, may adversely affect our financial results.

We have become more reliant on technology to help increase efficiency in our business. We use numerous technologies to help run our operations, and this may subject our business to increased risks. Any cyber security attack that affects our facilities, our systems, our customers and any of our financial data could have a material adverse effect on our business. In addition, a cyber-attack on our customer and employee data may result in a financial loss, including potential fines for failure to safeguard data, and may damage our reputation. Third-party systems on which we rely could also suffer system failure. Any of these occurrences could disrupt our business, result in potential liability or reputational damage or otherwise have an adverse effect on our financial results.

We have experienced cybersecurity threats to our information technology infrastructure and have experienced cyber-attacks, attempts to breach our systems and other similar incidents. Such prior events have not had a material impact on our financial condition, results of operations or liquidity. However, future threats could cause harm to our business and our reputation, as well as negatively impact our results of operations materially. Our insurance coverage may not be adequate to cover all the costs related to cyber-attacks or disruptions resulting from such events.

Any security breach resulting in the unauthorized use or disclosure of certain personal information could put individuals at risk of identity theft and financial or other harm and result in costs to us in investigation, remediation, legal defense and in liability to parties who are financially harmed. We may incur significant costs to protect against the threat of information security breaches or to respond to or alleviate problems caused by such breaches. For example, laws may require notification to regulators, clients or employees and enlisting credit monitoring or identity theft protection in the event of a privacy breach. A cybersecurity attack could also be directed at our systems and result in interruptions in our operations or delivery of services to our clients and their customers. Furthermore, a material security breach could cause us to lose revenue, lose clients or cause damage to our reputation.

To reduce organizational risk from cybersecurity threats, we carry cyber liability insurance and have undertaken several initiatives in recent years. We strengthened our identity and access management capabilities by requiring multi-factor authentication, increased the threat detection efficiencies within our security information and event management capacity, and completed projects designed to reduce our organization's external attack surface. In addition, in the area of security awareness and training, we have updated our foundational curriculum, established mandatory recurring training requirements, and commenced periodic phishing campaign assessments.

We rely on internally and externally developed software applications and systems to support critical functions including project management, estimating, scheduling, human resources, accounting, and financial reporting. Any sudden loss, disruption or unexpected costs to maintain these systems could significantly increase our operational expense as well as disrupt the management of our business operations.

We rely on various software systems to conduct our critical operating and administrative functions. We depend on our software vendors to provide long-term software maintenance support for our information systems. Software vendors may decide to discontinue further development, integration or long-term software maintenance support for our information systems, in which case we may need to abandon one or more of our current information systems and migrate some or all of our project management, human resources, estimating, scheduling, accounting and financial information to other systems, thus increasing our operational expense as well as disrupting the management of our business operations.

Financial Risks

Our borrowing capacity under our Credit Agreement is determined by the size of our borrowing base and if the size of our borrowing base does not provide adequate liquidity, then we may need to raise additional capital in the future for working capital, capital expenditures and/or acquisitions, and we may not be able to do so on favorable terms or at all, which would impair our ability to operate our business or achieve our strategic plan.

Management believes it has sufficient cash on hand and will generate sufficient cash from operations to fund the business. However, should we require additional liquidity, there is risk that we will be unable access the amount of additional liquidity needed from our Credit Agreement if the level of assets included in the borrowing base is insufficient. The borrowing base includes restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves.

To the extent that cash on hand, cash flow from operations, and borrowing availability under the Credit Agreement are insufficient to make future investments, or provide needed working capital, we may require additional financing from other sources. Our ability to obtain such additional financing in the future will depend in part upon prevailing capital market conditions, as well as conditions in our business and our operating results; and those factors may affect our efforts to arrange additional financing on terms that are satisfactory to us. If adequate funds are not available, or are not available on acceptable terms, we may not be able to make future investments or respond to competitive challenges.

Our Credit Agreement imposes restrictions that may limit business alternatives.

Our Credit Agreement prohibits or limits us from making acquisitions, repurchasing equity, incurring additional debt, acquiring or disposing of assets, or making other distributions, including cash dividends. In addition, our Credit Agreement requires that we comply with a Fixed Charge Coverage Ratio financial covenant under certain conditions. These covenants and restrictions may impact our ability to effectively execute operating and strategic plans and our operating performance may not be sufficient to comply with the required covenants.

Our failure to comply with one or more of the covenants in our Credit Agreement could result in an event of default. We can provide no assurance that a default could be remedied, or that our creditors would grant a waiver or further amend the terms of the Credit Agreement.

Accounting Risks

Our use of percentage-of-completion accounting for fixed-price contracts and our reporting of profits for cost-plus contracts prior to contract completion could result in a reduction or elimination of previously reported profits.

Revenue for fixed-price contracts is recognized using the percentage-of-completion method of accounting. Under percentage-of-completion accounting, contract revenue and earnings are recognized ratably over the contract term based on the proportion of actual costs incurred to total estimated costs. In addition, some contracts contain penalty provisions for failure to achieve certain milestones, schedules or performance standards. We review our estimates of contract revenue, costs and profitability on a monthly basis. As a result, we may adjust our estimates on one or more occasions as a result of changes in cost estimates, change orders to the original contract, or claims against the customer for increased costs incurred by us due to customer-induced delays and other factors.

If estimates of costs to complete fixed-price contracts indicate a loss, a provision is made to accrue the total loss anticipated in the period the loss is determined. Contract profit estimates are also adjusted, on a percentage of completion basis, in the fiscal period in which it is determined that an adjustment is required. No restatements are made to prior periods. Further, many of our contracts contain various cost and performance incentives and penalties that impact the earnings we realize from our contracts, and adjustments related to these incentives and penalties are recorded on a percentage of completion basis in the period when estimable and probable.

As a result of the requirements of the percentage-of-completion method of accounting, the possibility exists that we could have estimated and reported a profit on a contract over several prior periods and later determine, as a result of additional information, that all or a portion of such previously estimated and reported profits were overstated. If this occurs, the full aggregate amount of the overstatement will be recognized in the period in which such change in estimate occurs.

Actual results could differ from the estimates and assumptions that we use to prepare our financial statements.

To prepare financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions, as of the date of the financial statements, which affect the reported values of assets, liabilities, revenue and expenses and disclosures of contingent assets and liabilities. Areas requiring significant estimation by our management include:

- contract costs and application of percentage-of-completion accounting;
- provisions for uncollectable receivables from customers for invoiced amounts;
- the amount and collectability of unpriced change orders and claims against customers;
- provisions for income taxes and related valuation allowances;
- recoverability of goodwill and intangible assets;
- valuation of assets acquired and liabilities assumed in connection with business combinations; and
- accruals for estimated liabilities, including litigation and insurance reserves.

Our actual results could materially differ from these estimates.

Earnings for future periods may be affected by impairment charges.

Because we have grown in part through acquisitions, goodwill and other acquired intangible assets represent a substantial portion of our assets. We perform annual goodwill impairment reviews in the fourth quarter of every fiscal year. In addition, we perform an impairment review whenever events or changes in circumstances indicate the carrying value of goodwill or an intangible or fixed asset may not be recoverable. As of June 30, 2022, we had $4.8 million of amortizing intangible assets and $42.1 million of non-amortizing goodwill representing 1.1% and 9.6% of our total assets, respectively.

Legal, Insurance, Regulatory and Compliance Risks

We are involved, and are likely to continue to be involved in legal proceedings, which will increase our costs and, if adversely determined, could have a material effect on our financial condition, results of operations, cash flows and liquidity.

We are currently a defendant in legal proceedings arising from the operation of our business, and it is reasonable to expect that we would be named in future actions. Many of the actions against us arise out of the normal course of performing services on project sites, and include workers' compensation claims, personal injury claims and contract disputes with our customers. From time to time, we are also named as a defendant for actions involving the violation of federal and state labor laws related to employment practices, wages and benefits. We may also be a plaintiff in legal proceedings against customers seeking to recover payment of contractual amounts due to us as well as claims for increased costs incurred by us resulting from, among other things, services performed by us at the request of a customer that are in excess of original project scope that are later disputed by the customer and customer-caused delays in our contract performance.

We maintain insurance against operating hazards in amounts that we believe are customary in our industry. However, our insurance policies include deductibles and certain coverage exclusions, so we cannot provide assurance that we are adequately insured against all of the risks associated with the conduct of our business. A successful claim brought against us in excess of, or outside of, our insurance coverage could have a material adverse effect on our financial condition, results of operations, cash flows and liquidity.

Litigation, regardless of its outcome, is expensive, typically diverts the efforts of our management away from operations for varying periods of time, and can disrupt or otherwise adversely impact our relationships with current or potential customers, subcontractors and suppliers. Payment and claim disputes with customers may also cause us to incur increased interest costs resulting from incurring indebtedness under our revolving line of credit or receiving less interest income resulting from fewer funds invested due to the failure to receive payment for disputed claims and accounts.

Our projects expose us to potential professional liability, product liability, pollution liability, warranty and other claims, which could be expensive, damage our reputation and harm our business. We may not be able to obtain or maintain adequate insurance to cover these claims.

We perform construction and maintenance services at large industrial facilities where accidents or system failures can be disastrous and costly. Any catastrophic occurrence in excess of our insurance limits at locations engineered or constructed by us or where our products are installed or services performed could result in significant professional liability, product liability, warranty and other claims against us by our customers, including claims for cost overruns and the failure of the project to meet contractually specified milestones or performance standards. Further, the rendering of our services on these projects could expose us to risks and claims by third parties and governmental agencies for personal injuries, property damage and environmental matters, among others. Any claim, regardless of its merit or eventual outcome, could result in substantial costs, divert management's attention and create negative publicity, particularly for claims relating to environmental matters where the amount of the claim could be extremely large. We may not be able to or may choose not to obtain or maintain insurance coverage for the types of claims described above. If we are unable to obtain insurance at an acceptable cost or otherwise protect against the claims described above, we will be exposed to significant liabilities, which may materially and adversely affect our financial condition and results of operations.

Employee, subcontractor or partner misconduct or our overall failure to comply with laws or regulations could harm our reputation, damage our relationships with customers, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, subcontractors or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with safety standards, laws and regulations, customer requirements, regulations pertaining to the internal controls over financial reporting, environmental laws and any other applicable laws or regulations. The precautions we take to prevent and detect these activities may not be effective, since our internal controls are subject to inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud.

Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, harm our reputation, damage our relationships with customers, reduce our revenue and profits and subject us to criminal and civil enforcement actions.

Environmental factors and changes in laws and regulations could increase our costs and liabilities.

Our operations are subject to environmental laws and regulations, including those concerning emissions into the air; discharges into waterways; generation, storage, handling, treatment and disposal of hazardous material and wastes; and health and safety.

Our projects often involve highly regulated materials, including hazardous wastes. Environmental laws and regulations generally impose limitations and standards for regulated materials and require us to obtain permits and comply with various other requirements. The improper characterization, handling, or disposal of regulated materials or any other failure by us to comply with federal, state and local environmental laws and regulations or associated environmental permits could subject us to the assessment of administrative, civil and criminal penalties, the imposition of investigatory or remedial obligations, or the issuance of injunctions that could restrict or prevent our ability to operate our business and complete contracted projects.

In addition, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), and comparable state and foreign laws, we may be required to investigate and remediate regulated materials. CERCLA and the comparable state laws typically impose liability without regard to whether a company knew of or caused the release, and liability for the entire cost of clean-up can be imposed upon any responsible party.

We are subject to numerous other laws and regulations including those related to business registrations and licenses, environment, workplace, employment, health and safety. These laws and regulations are complex, change frequently and could become more stringent in the future. It is impossible to predict the effect on us of any future changes to these laws and regulations. We can provide no absolute assurance that our operations will continue to comply with future laws and regulations or that the costs to comply with these laws and regulations and/or a failure to comply with these laws will not significantly adversely affect our business, financial condition and results of operations.

Climate change legislation or regulations restricting emissions of "greenhouse gases" could result in reduced demand for our services and products.

There has been an increased focus in the last several years on climate change in response to findings that emissions of carbon dioxide, methane and other greenhouse gases present an endangerment to public health and the environment. As a result, there have been a variety of regulatory developments, proposals or requirements and legislative initiatives as well as pressure from institutional investors to restrict the emission of greenhouse gases. The growing imperative on customers for whom we provide services to limit greenhouse gas emissions could affect demand for our products and services. Further, scientists have concluded that increasing greenhouse gas concentrations in the atmosphere may produce physical effects, such as increased severity and frequency of storms, droughts, floods and other climate events. Such climate events have the potential to adversely affect our operations or those of our customers, which in turn could have a negative effect on us.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to officials or others for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in parts of the world that have experienced corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We train our personnel concerning anti-bribery laws and issues, and we also inform our customers, vendors, and others who work for us or on our behalf that they must comply with anti-bribery law requirements. We also have procedures and controls in place to monitor compliance. We cannot assure that our internal controls and procedures always will protect us from the possible reckless or criminal acts committed by our employees or agents. If we are found to be liable for anti-bribery law violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others including our partners, agents, subcontractors or suppliers), we could suffer from criminal or civil penalties or other sanctions, including contract cancellations or debarment, and loss of reputation, any of which could have a material adverse effect on our business. Litigation or investigations relating to alleged or suspected violations of anti-bribery laws, even if ultimately such litigation or investigations demonstrate that we did not violate anti-bribery laws, could be costly and could divert management's attention away from other aspects of our business.

Economic, political and other risks associated with international operations could adversely affect our business.

A portion of our operations are conducted outside the United States, and accordingly, our business is subject to risks associated with doing business internationally, including changes in foreign currency exchange rates, instability in political or economic conditions, difficulty in repatriating cash proceeds, differing employee relations, differing regulatory environments, trade protection measures, and difficulty in administering and enforcing corporate policies which may be different than the normal business practices of local cultures.

General Risk Factors

Acquisitions may result in significant transaction expenses, and unidentified liabilities and risks associated with entering new markets. We may also be unable to profitably integrate and operate these businesses.

Any future acquisitions may result in significant transaction expenses, unexpected liabilities and other risks in addition to the integration and consolidation risks. If we make any future acquisitions, we will likely assume liabilities of the acquired business or have exposure to contingent liabilities that may not be adequately covered by insurance or indemnification, if any, from the former owners of the acquired business. These potential liabilities could have a material adverse effect on our business.

We may also not be able to successfully complete our ongoing integration of the operations, personnel and technology from our acquisitions. Because of their size and complexity, if we fail to complete our integration efforts successfully, we may experience interruptions in our business activities, a decrease in the quality of our services, a deterioration in our employee and customer relationships, and harm to our reputation, all of which could have a material adverse effect on our business, financial condition and results of operations. Our integration activities have required significant attention from management, which potentially decreases the time that management may devote to serve existing customers, attract new customers and develop new services and strategies. We may also experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration efforts may also impose substantial demands on our operations or other projects. We will have to actively strive to demonstrate to our existing customers that these integrations have not resulted in adverse changes in our standards or business focus. Our acquisitions have involved a significant capital commitment, and the return that we achieve on any capital invested may be less than the return achieved on our other projects or investments. There will be challenges in consolidating and rationalizing information technology platforms and administrative infrastructures. In addition, any delays or increased costs of integrating acquired companies could adversely affect our operations, financial results and liquidity.

We may not realize the growth opportunities, operating margins and synergies that are anticipated from acquisitions.

The benefits we expect to achieve as a result of an acquisition will depend, in part, on our ability to realize the anticipated growth opportunities, operating margins and synergies. Our success in realizing these growth opportunities, operating margins and synergies, and the timing of this realization, depends on the successful integration of the acquired business and operations with our existing business and operations. Even if we are able to integrate existing and acquired businesses successfully, this integration may not result in the realization of the full benefits of the growth opportunities, operating margins and synergies we currently expect within the anticipated time frame or at all. Accordingly, the benefits from an acquisition may be offset by costs incurred or delays in integrating the companies, which could cause our revenue assumptions and operating margin to be inaccurate.

We face substantial competition in each of our business segments, which may have a material adverse effect on our business.

We face competition in all areas of our business from regional, national and international competitors. Our competitors range from small, family-owned businesses to well-established, well-financed entities, both privately and publicly held, including many large engineering and construction companies and specialty contractors. We compete primarily on the basis of price, customer satisfaction, safety performance and programs, quality of our products and services, and schedule. As a result, an increase in the level of competition in one or more markets may result in lower operating margins than we have recently experienced.

Our common stock, which is listed on the NASDAQ Global Select Market, has experienced significant price and volume fluctuations. These fluctuations could continue in the future, and our stockholders may not be able to resell their shares of common stock at or above the purchase price paid.

The market price of our common stock may change significantly in response to various factors and events beyond our control, including the following:

- the risk factors described in this Item 1A;
- general conditions in our customers' industries;
- general conditions in the security markets;
- the significant concentration of ownership of our common stock in the hands of a small number of institutional investors;
- a shortfall in operating revenue or net income from that expected by securities analysts and investors; and
- changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industry.

Some companies that have volatile market prices for their securities have been subject to security class action suits filed against them. If a suit were to be filed against us, regardless of the outcome, it could result in substantial costs and a diversion of our management's attention and resources. This could have a material adverse effect on our business, results of operations and financial condition.

Future sales of our common stock may depress our stock price.

Sales of a substantial number of shares of our common stock in the public market or otherwise, either by us, a member of management or a major stockholder, or the perception that these sales could occur, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

We may issue additional equity securities, which could lead to dilution of our issued and outstanding stock.

The issuance of additional common stock, restricted stock units or securities convertible into our common stock could result in dilution of the ownership interest held by existing stockholders. We are authorized to issue, without stockholder approval 5,000,000 shares of preferred stock, par value $0.01 per share, in one or more series, which may give other stockholders dividend, conversion, voting, and liquidation rights, among other rights, which may be superior to the rights of holders of our common stock. In addition, we are authorized to issue, without stockholder approval, a significant number of additional shares of our common stock and securities convertible into either common stock or preferred stock.

Shareholder activists could cause a disruption to our business.

An activist investor may indicate disagreement with our strategic direction or capital allocation policies and may seek representation on our Board of Directors. Our business, operating results or financial condition could be adversely affected and may result in, among other things:

- increased operating costs, including increased legal expenses, insurance, administrative expenses and associated costs incurred in connection with director election contests;
- uncertainties as to our future direction, which could result in the loss of potential business opportunities and could make it more difficult to attract, retain, or motivate qualified personnel, and strain relationships with investors and customers; and
- reduction or delay in our ability to effectively execute our current business strategy and to implement new strategies.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal properties are as follows:

Location	Description of Facility	Segment	Interest
United States:			
Tulsa, Oklahoma	Corporate headquarters and regional office	All segments	Leased
Bellingham, Washington	Regional office, fabrication facility and warehouse	Process and Industrial Facilities, Storage and Terminal Solutions	Owned
Broomall, Pennsylvania	Regional office	All segments	Leased
Catoosa, Oklahoma	Fabrication facility, regional offices and warehouses	All segments	Leased & Owned(1)
Columbus, Ohio	Regional office	All segments	Leased
Houston, Texas	Regional offices and warehouse	All segments	Leased & Owned
Norco, California	Regional office and warehouse	Process and Industrial Facilities, Storage and Terminal Solutions	Leased
Orange, California	Regional office and fabrication and warehouse facility	Process and Industrial Facilities, Storage and Terminal Solutions	Leased
Pittsburgh, Pennsylvania	Regional office	All segments	Leased
Somerset, New Jersey	Regional office and warehouse	Utility and Power Infrastructure, Process and Industrial Facilities	Leased
Temperance, Michigan	Regional office and warehouse	Storage and Terminal Solutions	Owned
Tucson, Arizona	Regional office and warehouse	Process and Industrial Facilities, Storage and Terminal Solutions	Leased
International:			
Burlington, Ontario, Canada	Regional office	All segments	Owned
Leduc, Alberta, Canada	Regional office and warehouse	Storage and Terminal Solutions	Leased
Sarnia, Ontario, Canada	Regional office and warehouse	Storage and Terminal Solutions	Owned
Paju-si, Gyeonggi-do, South Korea	Fabrication facility, regional office and warehouse	Storage and Terminal Solutions	Owned
Sydney, New South Wales, Australia	Regional office	Storage and Terminal Solutions	Leased

(1) We constructed certain facilities on land acquired through ground leases with renewal options.

In addition to the locations listed above, we have smaller regional locations and temporary office facilities at numerous customer locations throughout the United States and Canada.

Item 3. Legal Proceedings

We are a party to a number of legal proceedings. We believe that the nature and number of these proceedings are typical for a company of our size engaged in our type of business and that none of these proceedings will result in a material effect on our business, results of operations, financial condition, cash flows or liquidity.

Item 4. Mine Safety Disclosures

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

Information concerning mine safety violations or other regulatory matters required to be disclosed in this annual report under Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Annual Report on Form 10-K.

PART II

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

Market Information

Our common stock trades on the NASDAQ Global Select Market under the trading symbol ''MTRX''. Substantially all of our stockholders maintain their shares in ''street name'' accounts and are not individually stockholders of record. As of September 30, 2022, there were 19 holders of record of our common stock.

Dividend Policy

We have never paid cash dividends on our common stock and the terms of our Credit Agreement limit dividends to stock dividends only (see Item 8. Financial Statements and Supplementary Data, Note 5 - Debt for more information about our Credit Agreement). Any future dividend payments will depend on the terms of our Credit Agreement, our financial condition, capital requirements and earnings as well as other relevant factors.

Issuer Purchases of Equity Securities

We may repurchase common stock pursuant to the Stock Buyback Program, which was approved by the board of directors in November 2018. Under the program, the aggregate number of shares repurchased may not exceed 2,707,175 shares. We may repurchase our stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and are not obligated to purchase any shares. The program will continue unless and until it is modified or revoked by the Board of Directors. We made no repurchases under the program in fiscal 2022 and have no current plans to repurchase stock. As of June 30, 2022, there were 1,349,037 shares available for purchase under the Stock Buyback Program. The terms of our Credit Agreement limit share repurchases to $2.5 million per fiscal year provided that that we meet certain availability thresholds and do not violate our Fixed Charge Coverage Ratio financial covenant.

Performance Graph

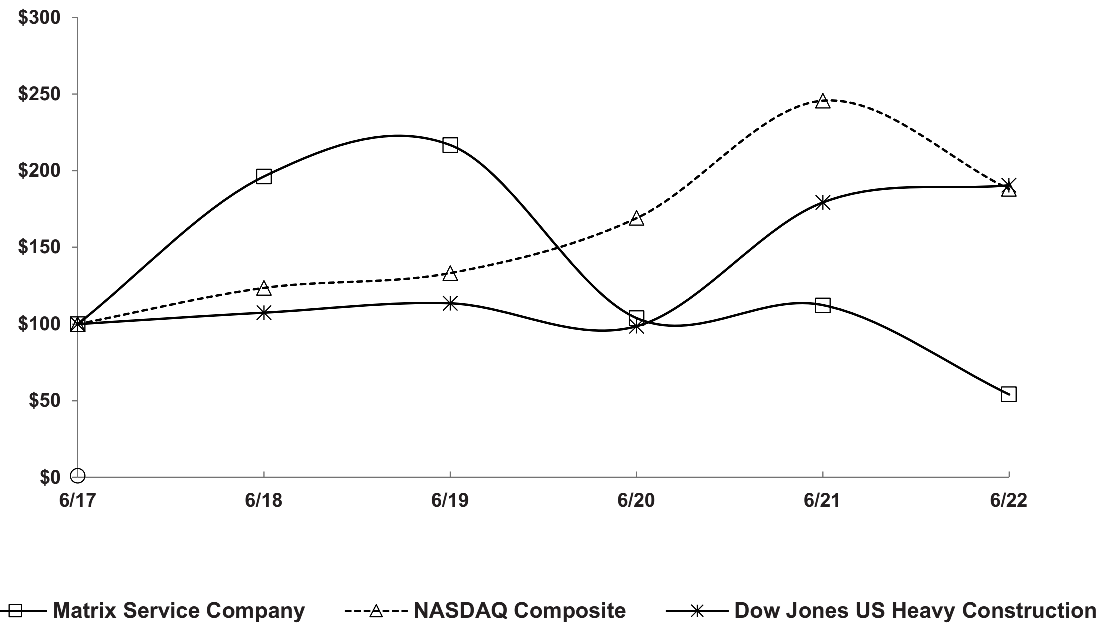
The following Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following graph compares, for the period from June 30, 2017 to June 30, 2022, the cumulative stockholder return on our common stock with the cumulative total return of the NASDAQ Composite Index and the Dow Jones U.S. Heavy Construction Index.

The graph below assumes an investment of $100 (with reinvestment of all dividends) in our common stock, the NASDAQ Composite Index, and the Dow Jones U.S. Heavy Construction Index on June 30, 2017 and tracks their relative performance through June 30, 2022. The stock price performance reflected in the following graph is not necessarily indicative of future stock performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Matrix Service Company, the NASDAQ Composite Index and the Dow Jones US Heavy Construction Index



*$100 invested on 6/30/17 in stock or index, including reinvestment of dividends.
Fiscal year ending June 30.

	June 30,					
	2017	2018	2019	2020	2021	2022
Matrix Service Company	$100.00	$196.26	$216.68	$103.96	$112.30	$ 54.12
NASDAQ Composite	$100.00	$123.60	$133.22	$169.11	$245.60	$188.07
Dow Jones US Heavy Construction	$100.00	$107.41	$113.48	$ 98.54	$179.38	$190.51

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). GAAP represents a comprehensive set of accounting and disclosure rules and requirements, the application of which requires management judgments and estimates including, in certain circumstances, choices between acceptable GAAP alternatives. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. Note 1 - Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements included in Part II, Item 8 - Financial Statements and Supplementary Data in this Annual Report on Form 10-K, contains a comprehensive summary of our significant accounting policies. The following is a discussion of our most critical accounting policies, estimates, judgments and uncertainties that are inherent in our application of GAAP.

RESULTS OF OPERATIONS

Reportable Segments

We operate our business through three reportable segments:

- **Utility and Power Infrastructure**: consists of power delivery services provided to investor-owned utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, upgrades and maintenance, as well as emergency and storm restoration services. We also provide engineering, fabrication, and construction services for LNG utility peak shaving facilities, and construction and maintenance services to a variety of power generation facilities, including natural gas fired facilities, in simple or combined cycle configuration.
- **Process and Industrial Facilities**: primarily serves customers in the downstream and midstream petroleum industries who are engaged in refining crude oil and processing, fractionating, and marketing of natural gas and natural gas liquids. We also serve customers in various other industries such as petrochemical, sulfur, mining and minerals companies engaged primarily in the extraction of non-ferrous metals, aerospace and defense, cement, agriculture, and other industrial customers. Our services include plant maintenance, turnarounds, industrial cleaning services, engineering, fabrication, and capital construction.
- **Storage and Terminal Solutions**: consists of work related to aboveground storage tanks and terminals. We also include work related to cryogenic and other specialty storage tanks and terminals, including LNG, liquid nitrogen/liquid oxygen, liquid petroleum, hydrogen and other specialty vessels such as spheres in this segment, as well work related to marine structures and truck and rail loading/offloading facilities. Our services include engineering, fabrication, construction, and maintenance and repair, which includes planned and emergency services for both tanks and full terminals. Finally, we offer tank products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.

Overview

The majority of the work for all segments is performed in the United States, with 9.5% of revenue generated internationally during fiscal 2022, 10.2% in fiscal 2021 and 7.3% in fiscal 2020. The percentage of revenue generated internationally decreased in fiscal 2022 compared to fiscal 2021 primarily due to higher levels of revenue generated domestically.

Significant period to period changes in revenue, gross profits and operating results between fiscal 2022 and fiscal 2021 are discussed below on a consolidated basis for each segment. A discussion of results of operations changes between fiscal 2021 and fiscal 2020 is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended June 30, 2021, which was filed with the SEC on September 13, 2021.

Matrix Service Company
Results of Operations
(In thousands)

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Corporate	Total
Fiscal Year 2022					
Consolidated revenue	$220,093	$254,848	$232,839	$ —	$707,780
Gross profit (loss)	(8,586)	9,270	262	(2,152)	(1,206)
Gross profit (loss) %	(3.9)%	3.6%	0.1%	—%	(0.2)%
Selling, general and administrative expenses	11,771	12,506	17,284	26,129	67,690
Goodwill impairment and restructuring costs	2,746	6,867	7,330	2,015	18,958
Operating loss	(23,103)	(10,103)	(24,352)	(30,296)	(87,854)
Operating loss %	(10.5)%	(4.0)%	(10.5)%	—%	(12.4)%
Fiscal Year 2021					
Consolidated revenue	$210,052	$199,917	$263,429	$ —	$673,398
Gross profit	1,506	17,642	13,617	—	32,765
Gross profit %	0.7%	8.8%	5.2%	—%	4.9%
Selling, general and administrative expenses	9,882	14,756	18,644	26,474	69,756
Restructuring costs	1,312	3,807	1,391	246	6,756
Operating loss	(9,688)	(921)	(6,418)	(26,720)	(43,747)
Operating loss %	(4.6)%	(0.5)%	(2.4)%	—%	(6.5)%
Variances Fiscal Year 2022 to Fiscal Year 2021 Increase/(Decrease)					
Consolidated revenue	$ 10,041	$ 54,931	$ (30,590)	$ —	$ 34,382
Gross profit (loss)	(10,092)	(8,372)	(13,355)	(2,152)	(33,971)
Selling, general and administrative expenses	1,889	(2,250)	(1,360)	(345)	(2,066)
Goodwill impairment and restructuring costs	1,434	3,060	5,939	1,769	12,202
Operating loss	(13,415)	(9,182)	(17,934)	(3,576)	(44,107)

Operational Update

Bidding activity, project award volumes, and revenue volumes all improved in fiscal 2022 as the economy recovered from the pandemic. However, delays in project starts on certain projects in our backlog as well as delays in awards of larger projects have negatively impacted our operating results. Therefore, we have not been able to generate enough revenue to fully recover construction overhead and SG&A costs despite significant reductions in our cost structure. In addition, projects bid during a competitive environment and increased forecasted costs to complete certain projects have further pressured profitability during the fiscal year (see the discussion of our fiscal 2022 results, and Part II, Item 8-Financial Statements and Supplementary Data, Note 2 - Revenue - Revisions in Estimates, for more information). Based on improving market conditions and strong bidding activity, we are expecting project awards to increase into fiscal 2023, which we expect to lead to higher revenue volume, increased cost leverage, better margins, and improved earnings.

In fiscal 2022, we commenced the second phase of our ongoing business improvement plan to focus on centralization of support functions, including business development, accounting, human resources, procurement and project services into shared service centers. Since the beginning of fiscal 2020, we estimate that we have reduced our cost structure by approximately $83 million, or approximately 30%, with approximately one-third of those reductions related to SG&A and the rest related to construction overhead, which is included in cost of revenue in the Consolidated Statements of Income. See Part II. Item 8. Financial Statements and Supplementary Data, Note 14 - Restructuring Costs, for more information about our business improvement plan.

In order to more clearly depict our core profitability, the following tables present our operating results after certain adjustments:

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

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
Net loss, as reported	$(63,900)	$(31,224)	$(33,074)
Restructuring costs incurred	646	6,756	14,010
Goodwill and intangible asset impairments	18,312	—	38,515
Gain on sale of facilities[2]	(32,392)	—	—
Accelerated amortization of deferred debt amendment fees[3]	1,518	—	—
Deferred tax valuation allowance[4]	17,943	—	—
Tax impact of adjustments and other net tax items	4,464	(1,739)	(8,644)
Adjusted net income (loss)	$(53,409)	$(26,207)	$ 10,807
Loss per fully diluted share, as reported	$ (2.39)	$ (1.18)	$ (1.24)
Adjusted earnings (loss) per fully diluted share	$ (2.00)	$ (0.99)	$ 0.40

(1) This table presents non-GAAP financial measures of our adjusted net income (loss) and adjusted earnings (loss) per fully diluted share for fiscal 2022, 2021 and 2020. The most directly comparable financial measures are net loss and loss per fully diluted share, respectively, presented in the Consolidated Statements of Income. We have presented these non-GAAP financial measures because we believe they more clearly depict our core operating results during the periods presented and provide a more comparable measure of our operating results to other companies considered to be in similar businesses. Since adjusted net income (loss) and adjusted earnings (loss) per fully diluted share are not measures of performance calculated in accordance with GAAP, they should be considered in addition to, rather than as a substitute for, the most directly comparable GAAP financial measures.

(2) Gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California (see Part II. Item 8-Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.)

(3) Interest expense in fiscal 2022 included $1.5 million of accelerated amortization of deferred debt amendment fees (see Part II. Item 8-Financial Statements and Supplementary Data, Note 5 - Debt, for more information).

(4) See Part II, Item 8-Financial Statements and Supplementary Data, Note 6 - Income Taxes, for more information about the deferred tax asset valuation allowance.

Reconciliation of Net Loss to Adjusted EBITDA

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

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

- It does not include gain on sale of facilities. While the sale occurred outside the normal course of business and similar sales are not expected to be recurring or sustainable, any measure that excludes this gain has inherent limitations since the sale resulted in a material inflow of cash.

- It does not include restructuring costs. Restructuring costs represent material costs that we incurred and are oftentimes cash expenses. Therefore, any measure that excludes restructuring costs has material limitations.
- It does not include stock-based compensation. Stock-based compensation represents material amounts of equity that are awarded to our employees and directors for services rendered. While the expense is non-cash, we release vested shares out of our treasury stock, which has historically been replenished by using cash to periodically repurchase our stock. Therefore, any measure that excludes stock-based compensation has material limitations.
- It does not include interest expense. Because we have borrowed money to finance our operations and to acquire businesses, pay commitment fees to maintain our senior secured revolving credit facility, and incur fees to issue letters of credit under the senior secured revolving credit facility, interest expense is a necessary and ongoing part of our costs and has assisted us in generating revenue. Therefore, any measure that excludes interest expense has material limitations.
- It does not include income taxes. Because the payment of income taxes is a necessary and ongoing part of our operations, any measure that excludes income taxes has material limitations.
- It does not include depreciation or amortization expense. Because we use capital and intangible assets to generate revenue, depreciation and amortization expense is a necessary element of our cost structure. Therefore, any measure that excludes depreciation or amortization expense has material limitations.

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
		(in thousands)	
Net loss	$(63,900)	$(31,224)	$(33,074)
Goodwill and other intangible asset impairment	18,312	—	38,515
Gain on sale of facilities[1]	(32,392)	—	—
Restructuring costs	646	6,756	14,010
Stock-based compensation	7,877	8,156	9,877
Interest expense	2,951	1,559	1,597
Provision (benefit) for federal, state and foreign income taxes	5,617	(12,039)	(3,570)
Depreciation and amortization	15,254	17,858	19,124
Adjusted EBITDA	$(45,635)	$ (8,934)	$ 46,479

(1) Gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California (see Part II. Item 8-Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.)

Fiscal 2022 Versus Fiscal 2021

Consolidated

Consolidated revenue was $707.8 million for fiscal 2022 compared to $673.4 million in fiscal 2021. On a segment basis, revenue increased in the Process and Industrial Facilities and Utility and Power Infrastructure segments by $54.9 million and $10.1 million, respectively. The increases were partially offset by a decrease in revenue of $30.6 million in the Storage and Terminal Solutions segment.

Consolidated gross profit (loss) was ($1.2) million in fiscal 2022 compared to $32.8 million in fiscal 2021. Gross margin (loss) was (0.2)% in fiscal 2022 compared to 4.9% in fiscal 2021. Gross margins in fiscal 2022 were negatively impacted by low revenue volume, which led to the under recovery of construction overhead costs. In addition, the competitive bidding environment and increased forecasts in costs to complete projects negatively impacted gross margins. Gross margins in fiscal 2021 were negatively impacted by lower than forecasted volume, which led to under recovery of construction overhead costs, lower than previously forecasted margins on large capital projects in the Utility and Power Infrastructure and Storage and Terminal Solutions segments, and an unfavorable settlement on a contract dispute in the Storage and Terminal Solutions segment.

Consolidated SG&A expenses were $67.7 million in fiscal 2022 compared to $69.8 million in fiscal 2021. The decrease in fiscal 2022 was primarily attributable to implemented cost reductions.

In the third quarter of fiscal 2022, we recorded $18.3 million of goodwill impairment. See Part II. Item 8, Financial Statements, Note 4 - Goodwill and Other Intangible Assets - Goodwill, for more information about the impairments.

As a result of actions taken to reduce our cost structure, we recorded $0.6 million of restructuring costs in fiscal 2022. These costs were net of a $1.6 million credit recorded in restructuring costs in the third quarter. The credit was due to a favorable settlement of a restructuring obligation related to our exit from the domestic iron and steel industry in fiscal 2020. See ''Operational Update'' in this Results of Operations section and Part II. Item 8, Financial Statements and Supplementary Data, Note 14 - Restructuring Costs, for more information.

Interest expense was $3.0 million in fiscal 2022 and $1.6 million in fiscal 2021. Interest expense in fiscal 2022 included $1.5 million of accelerated amortization of deferred debt amendment fees in the first quarter (see Part II. Item 8, Financial Statements, Note 5 - Debt, for more information.) The remaining interest expense in fiscal 2022 was comprised of letter of credit fees, unused capacity fees, interest on outstanding advances, and amortization of deferred debt issuance costs.

Other income included a $32.4 million gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California during the fourth quarter of fiscal 2022. See Part II. Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.

Our effective tax rate for fiscal 2022 was (9.6)% compared to 27.8% in fiscal 2021. The effective tax rate during fiscal 2022 was primarily impacted by a $17.9 million valuation allowance placed on our deferred tax assets. See Part II. Item 8, Financial Statements, Note 6 - Income Taxes, for more information about the valuation allowance. The effective tax rate during fiscal 2021 was positively impacted by a provision of the CARES Act that allowed us to carryback $5.2 million of the fiscal 2021 net operating loss to a period with a higher statutory federal income tax rate. The carryback benefit was offset by $2.8 million of valuation allowances on various deferred tax assets and $1.8 million of excess tax expense related to the vesting of stock-based compensation.

In fiscal 2022 and 2021, net loss was $63.9 million and $31.2 million, respectively; or $2.39 and $1.18 per fully diluted share, respectively.

Utility and Power Infrastructure

Revenue for the Utility and Power Infrastructure segment was $220.1 million in fiscal 2022 compared to $210.1 million in fiscal 2021. The increase is primarily due to higher volumes of power generation and power delivery work, partially offset by lower volumes of natural gas utility peak shaving and storm response service work.

The segment gross margin (loss) was (3.9)% in fiscal 2022 compared to 0.7% in fiscal 2021. Fiscal 2022 segment gross margin was materially impacted by changes in the forecasted costs to complete two large capital projects. Improved execution on the first project resulted in an increase in gross profit of $2.2 million during the second half of fiscal 2022. However, increases in the forecasted costs to complete this project during the first half of fiscal 2022 resulted in the project reducing gross profit by $3.6 million during the year. The increase in forecasted costs during the first half of the fiscal year was principally due to unexpected equipment repairs during commissioning that delayed the scheduled completion and increased the estimated costs to complete. We achieved a critical performance milestone during the second quarter of fiscal 2022, which significantly reduced our financial exposure on the project.

Increased forecasted costs to the complete the second project resulted in the project reducing gross profit by $2.2 million during the fourth quarter of fiscal 2022 and $0.1 million during fiscal 2022. We recognized $78.1 million of revenue on this project during the year at a near break-even margin as a result of the change in estimate. The increase in forecasted costs was the result of higher than anticipated subcontractor costs and labor costs as the project neared completion. We expect to complete the project during the second quarter of fiscal 2023.

The segment gross margin in fiscal 2022 was also negatively impacted by low revenue volume, which led to the under recovery of construction overhead costs, and by an unfavorable settlement of a claim with a customer in the first quarter of fiscal 2022.

Results of operations in fiscal 2021 were materially impacted by increases in the forecasted costs to complete a large capital project. This project reduced gross profit by $5.8 million in fiscal 2021. The changes in estimate were due to lower than previously forecasted productivity caused by excessive rain at the project site, the impact of COVID-19, and rework which led to higher costs and schedule compression. In addition, segment gross margin was negatively impacted by low volume, which led to the under recovery of construction overhead costs. These negative impacts were partially offset by good project execution in the remainder of the segment.

Process and Industrial Facilities

Revenue for the Process and Industrial Facilities segment was $254.8 million in fiscal 2022 compared to $199.9 million in fiscal 2021. The increase of $54.9 million is primarily due to higher levels of refinery maintenance and turnaround work.

The segment gross margin was 3.6% in fiscal 2022 compared to 8.8% in fiscal 2021. Despite generally strong project execution and higher volumes, the segment gross margin in fiscal 2022 was negatively impacted by an increase in forecasted costs to complete a midstream gas processing project. The project reduced gross profit by $8.7 million during fiscal 2022. The increase in forecasted costs was primarily due to poor performance of a now terminated subcontractor, which required rework, as well as supply chain and escalation issues, in order to meet our client's expectations. Segment gross margin was also negatively impacted by under recovered construction overhead costs in fiscal 2022.

Segment gross margin in fiscal 2021 was positively impacted by strong project execution and the positive impact of a one-time workers' compensation item recorded in the second quarter, but these positive impacts were partially offset by lower revenue volume, which led to the under recovery of construction overhead costs.

Storage and Terminal Solutions

Revenue for the Storage and Terminal Solutions segment was $232.8 million in fiscal 2022 compared to $263.4 million in fiscal 2021, a decrease of $30.6 million. The decrease in segment revenue is primarily a result of lower volumes of crude oil tank and terminal capital work.

The segment gross margin was 0.1% in fiscal 2022 compared to 5.2% in fiscal 2021. The fiscal 2022 segment gross margin was negatively impacted by low revenue volume, which led to under recovery of construction overhead costs and a lower than previously forecasted margin on a thermal energy storage tank repair and maintenance project due to changes in repair scope, expanded client weld testing and associated schedule delays, which reduced segment gross profit by $6.3 million. In addition, segment gross margin was negatively impacted by smaller competitively priced capital projects.

The fiscal 2021 segment gross margin was negatively impacted by increases in the costs to complete a large crude oil terminal project, partially offset by an increase in the estimated recovery of those costs. During the third quarter, we achieved mechanical completion on the project, demobilized and completed our assessment of unpriced change orders. The project's financial impact for fiscal 2021 was a $3.8 million reduction to gross profit. In addition, a settlement on a contract dispute over the construction of a crude oil terminal negatively impacted gross profit by $2.9 million in the fourth quarter. The settlement resulted in a cash receipt of $8.9 million in the first quarter of fiscal 2022, which enabled us to avoid future legal costs and litigation risk. Fiscal 2021 gross margin was also negatively impacted by low volume, which led to the under recovery of construction overhead costs.

Corporate

Unallocated corporate expenses were $30.3 million during fiscal 2022 compared to $26.7 million in the same period last year. The increase is primarily attributable to an increase in legal costs for outstanding litigation (see Item 8. Financial Statements, Note 7 - Commitment and Contingencies, for more information), third party consulting services and centralization of support costs related to restructuring activities (see ''Operational Update'' in this Results of Operations section), partially offset by cost reductions we implemented.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We define liquidity as the ongoing ability to pay our liabilities as they become due, fund business operations and meet all monetary contractual obligations. Our primary sources of liquidity at June 30, 2022 were unrestricted cash and cash equivalents on hand, capacity under our ABL Facility (see "ABL Credit Facility" in this Liquidity and Capital Resources section and Item 8. Financial Statements and Supplementary Data, Note 5 - Debt, for more information), and cash generated from operations. Unrestricted cash and cash equivalents at June 30, 2022 totaled $52.4 million and availability under the ABL Facility totaled $42.5 million, resulting in total liquidity of $94.8 million.

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the Consolidated Balance Sheets to the total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows (in thousands):

	June 30, 2022	June 30, 2021
Cash and cash equivalents	$52,371	$83,878
Restricted cash	25,000	—
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	$77,371	$83,878

The following table provides a summary of changes in our liquidity for the year ended June 30, 2022 (in thousands):

Liquidity at June 30, 2021	$ 83,878
Cash used by operating activities	(54,196)
Capital expenditures	(3,345)
Proceeds from asset sales[(1)]	39,018
Net borrowings under ABL Facility	15,000
Remaining availability under ABL Facility	42,460
Cash restricted in support of ABL Facility	(25,000)
Cash used by other financing activities	(2,301)
Effect of exchange rate changes on cash	(683)
Liquidity at June 30, 2022	$ 94,831

(1) Includes $37.4 million of proceeds from the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California during the fourth quarter of fiscal 2022. See Part II. Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information. The remaining asset sales comprised of equipment sold in the normal course of business.

There continues to be significant uncertainty regarding the near- and intermediate-term business impacts from supply chain disruptions, inflation, and the dislocation of certain energy and industrial markets following the onset of the COVID-19 Pandemic and the war between Ukraine and Russia. During fiscal 2022, low revenue volume, a competitive bidding environment, and increased forecasted costs to complete certain projects led to a $54.2 million use of cash by operating activities, which negatively impacted our liquidity position. However, we improved our liquidity position by entering into a sale-leaseback transaction during the fourth quarter of fiscal 2022, which resulted in $37.4 million in proceeds (see Part II. Item 8-Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.) In addition, we added $32.5 million of liquidity as a result of entering into the ABL Facility during the first quarter of fiscal 2022.

We continue to maintain adequate liquidity to support our near- to intermediate-term needs. We are taking the following actions:

- strategic review of business processes and organizational structure;
- proactive management of the cost structure and working capital; and
- eliminating all non-critical capital expenditures.

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

- changes in costs and estimated earnings in excess of billings on uncompleted contracts and billings on uncompleted contracts in excess of costs due to contract terms that determine the timing of billings to customers and the collection of those billings:
  - some cost plus and fixed price customer contracts are billed based on milestones which may require us to incur significant expenditures prior to collections from our customers;
  - some fixed price customer contracts allow for significant upfront billings at the beginning of a project, which temporarily increases liquidity near term;
  - time and material contracts are normally billed in arrears. Therefore, we are routinely required to carry these costs until they can be billed and collected; and
  - some of our large construction projects may require security in the form of letters of credit or significant retentions. The timing of collection of retentions is often uncertain;
- other changes in working capital; and
- capital expenditures.

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

- contract disputes, which can be significant;
- collection issues, including those caused by weak commodity prices, economic slowdowns or other factors which can lead to credit deterioration of our customers;
- issuances of letters of credit; and
- strategic investments in new operations.

Other factors that may impact long-term liquidity include:

- borrowing constraints under our credit facility and maintaining compliance with all covenants contained in the Credit Agreement;
- acquisitions and disposals of businesses; and
- purchases of shares under our stock buyback program.

Cash Flows Used by Operating Activities

Cash flows used by operating activities for the fiscal year ended June 30, 2022 totaled $54.2 million. Major components of cash flows used by operating activities for the year ended June 30, 2022 are as follows:

Net Cash Used by Operating Activities
(In thousands)

	Fiscal Year Ended June 30, 2022
Net loss	$(63,900)
Gain on sale of property, plant and equipment[1]	(33,114)
Goodwill impairment	18,312
Depreciation and amortization	15,254
Stock-based compensation expense	7,877
Deferred income tax	5,358
Other non-cash expenses	2,425
Cash effect of changes in operating assets and liabilities	(6,408)
Net cash used by operating activities	$(54,196)

(1) Gain on sale of property, plant and equipment includes a $32.4 million gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California (see Part II. Item 8-Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.) The remaining gain on the sale of property, plant and equipment comprised of equipment sold in the normal course of business.

Cash effect of changes in operating assets and liabilities at June 30, 2022 in comparison to June 30, 2021 include the following:

- Accounts receivable, excluding credit losses recognized during the period, increased \$6.6 million during fiscal 2022, which decreased cash flows from operating activities. The variance is primarily attributable to higher business volume and the timing of billing and collections.
- Costs and estimated earnings in excess of billings on uncompleted contracts (“CIE”) increased \$14.0 million, which decreased cash flows from operating activities. Billings on uncompleted contracts in excess of costs and estimated earnings (“BIE”) increased \$11.3 million, which increased cash flows from operating activities. CIE and BIE balances can experience significant fluctuations based on business volume and the timing of when job costs are incurred and the timing of customer billings and payments.
- Inventories, income taxes receivable, other current assets, operating right-of-use lease assets and other non-current assets increased \$1.1 million during fiscal 2022, which decreased cash flows from operating activities. These operating assets can fluctuate based on the timing of inventory builds and draw-downs, accrual and receipt of income taxes receivable, prepayments of certain expenses, leasing activity, business volume, and other timing differences.
- Accounts payable, accrued wages and benefits, accrued insurance, operating lease liabilities and other accrued expenses increased by \$12.2 million during fiscal 2022, which increased cash flows from operating activities. These operating liabilities can fluctuate based on the timing of vendor payments, accruals, leasing activities, business volume, and other timing differences.
- Other liabilities decreased by \$7.4 million, which decreased cash flows from operating activities. This decrease was primarily due to payment on the deferred payroll tax liability associated with the CARES Act. See Part II., Item 8. Financial Statements and Supplementary Data, Note 6 - Income Taxes for more information.

Cash Flows Provided by Investing Activities

Investing activities provided \$35.7 million of cash in the fiscal year ended June 30, 2022 primarily due to \$39.0 million of asset sales, including \$37.4 million in proceeds from the sale-leaseback of our regional office and fabrication and warehouse facilities located in Orange, California during the fourth quarter of fiscal 2022 (see Part II. Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.) The asset sale proceeds were partially offset by \$3.3 million of capital expenditures. Capital expenditures consisted of \$1.5 million for facilities, office equipment and software, and \$1.8 million for construction, fabrication, and transportation equipment.

Cash Flows Provided by Financing Activities

Financing activities provided \$12.7 million of cash in the fiscal year ended June 30, 2022 primarily due to the net borrowings of \$15.0 million under our ABL Facility, partially offset by \$1.3 million paid in fees to enter into the ABL Facility, and \$0.9 million paid to repurchase our stock for payment of withholding taxes due on equity-based compensation.

ABL Credit Facility

On October 5, 2022, we and our primary U.S. and Canada operating subsidiaries entered into the First Amendment and Waiver to Credit Agreement (the “Amendment”), which amended our asset-backed credit agreement (the “ABL Facility”), dated as of September 9, 2021 with Bank of Montreal, as Administrative Agent, Swing Line Lender and a Letter of Credit Issuer, and the lenders named therein. The Amendment (i) waives an event of default resulting from our failure to deliver the Administrative Agent and the lenders our audited financial statements for the fiscal year ended June 30, 2022 by September 28, 2022 (the “Audited Financial Statements”), provided we deliver the Audited Financial Statements by October 14, 2022, (ii) reduces the maximum amount of loans under the ABL Facility to \$90.0 million from \$100.0 million and (iii) replaces the London interbank offered rate with the forward term rate based on the secured overnight financing rate (the “SOFR”) as the interest rate benchmark.

The ABL Facility is guaranteed by substantially all of our remaining U.S. and Canadian subsidiaries. The ABL Facility available borrowings may be increased by an amount not to exceed \$15.0 million, subject to certain conditions, including obtaining additional commitments. The ABL Facility is intended to be used for working capital, capital expenditures, issuances of letters of credit and other lawful purposes. Our obligations under the ABL Facility are secured by a first lien on all our assets and the assets of our co-borrowers and guarantors under the ABL Facility.

The maximum amount that we may borrow under the ABL Facility is subject to a borrowing base, which is based on restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves. We are required to maintain a minimum of $25.0 million of restricted cash at all times, but such amounts are also included in the borrowing base. The ABL Facility matures and any outstanding amounts become due and payable on September 9, 2026. At June 30, 2022, our borrowing base was $80.8 million, we had $15.0 million of outstanding borrowings, and $23.3 million in letters of credit outstanding, which resulted in availability of $42.5 million under the ABL Facility.

Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate of either a base rate (''Base Rate''), an Adjusted Term SOFR (''Adjusted Term SOFR''), or at the Canadian Prime Rate, plus an applicable margin. The Adjusted Term SOFR is defined as (i) the SOFR plus (ii) 11.448 basis points for a one-month tenor and 26.161 basis points for a three-month tenor; provided that the Adjusted Term SOFR cannot be below zero. The Base Rate is defined as a fluctuating interest rate equal to the greater of: (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) Adjusted Term SOFR for one month period plus 1.00%; or (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for Base Rate and Canadian Prime Rate borrowings, which includes either U.S. or Canadian prime rate, and between 2.00% and 2.50% for Adjusted Term SOFR borrowings. Interest is payable either (i) monthly for Base Rate or Canadian Prime Rate borrowings or (ii) the last day of the interest period for Adjusted Term SOFR borrowings, as set forth in the ABL Facility. The fee for undrawn amounts is 0.25% per annum and is due quarterly. The interest rate in effect for borrowings outstanding at June 30, 2022, including applicable margin, was 6.00%.

The ABL Facility contains customary conditions to borrowings, events of default and covenants, including, but not limited to, covenants that restrict our ability to sell assets, engage in mergers and acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay cash dividends, issue equity instruments, make distribution or redeem or repurchase capital stock. In the event that our availability is less than the greater of (i) $15.0 million and (ii) 15.00% of the lesser of (1) the current borrowing base and (2) the commitments under the ABL Facility then in effect, a consolidated Fixed Charge Coverage Ratio of at least 1.00 to 1.00 must be maintained. We are in compliance with all covenants of the ABL Facility as of June 30, 2022.

Senior Secured Revolving Credit Facility

The ABL Facility replaced the Fifth Amended and Restated Credit Agreement (the ''Prior Credit Agreement''), that was entered into on November 2, 2020, and subsequently amended on May 4, 2021, by and among us and certain foreign subsidiaries, as Borrowers, various subsidiaries of ours, as Guarantors, JPMorgan Chase Bank, N.A., as Administrative Agent, Sole Lead Arranger and Sole Book Runner, and the other Lenders party thereto. The Prior Credit Agreement provided for a three-year senior secured revolving credit facility of $200.0 million that expired November 2, 2023. We had no borrowings and $41.3 million of letters of credit outstanding under the Prior Credit Agreement as of the date we commenced the ABL Facility. Interest expense during the fiscal 2022 included $1.5 million of accelerated amortization of deferred debt amendment fees associated with the Prior Credit Agreement.

Dividend Policy

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

Stock Repurchase Program

We may repurchase common stock pursuant to the Stock Buyback Program, which was approved by the board of directors in November 2018. Under the program, the aggregate number of shares repurchased may not exceed 2,707,175 shares. We may repurchase our stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and are not obligated to purchase any shares. The program will continue unless and until it is modified or revoked by the Board of Directors. We made no repurchases under the program in fiscal

2022 and have no current plans to repurchase stock. As of June 30, 2022, there were 1,349,037 shares available for repurchase under the Stock Buyback Program. The terms of our ABL Facility limit share repurchases to $2.5 million per fiscal year provided that we meet certain availability thresholds and do not violate our Fixed Charge Coverage Ratio financial covenant.

Treasury Shares

We had 1,097,703 treasury shares as of June 30, 2022 and intend to utilize these treasury shares in connection with equity awards under the our stock incentive plans and for sales to the Employee Stock Purchase Plan.

Material Cash Requirements from Contractual and Other Obligations

As of June 30, 2022, our short-term and long-term material cash requirements for known contractual and other obligations were as follows:

- Operating Leases: In the normal course of business, we lease real estate and equipment under various arrangements which are classified as operating leases. Future payments for such leases, excluding leases with initial terms of one year or less, were $31.7 million at June 30, 2022, with $7.0 million payable within the next 12 months. Refer to Part II. Item 8, Financial Statements, Note 8 - Leases, for more information about our lease obligations and the timing of expected future payments.
- Outstanding Debt and Interest Payments: As of June 30, 2022, the amount outstanding under our ABL Facility was $15.0 million. Based on the outstanding balance and interest rates applicable as of June 30, 2022, if we carried the borrowings to the maturity of the facility, we would make total interest payments on the outstanding debt of $6.8 million, with $1.6 million payable within the next 12 months. The outstanding borrowings are due on September 9, 2026 when the ABL Facility matures. Future interest payments will be determined based on prevailing interest rates during that time. Refer to Part II. Item 8, Financial Statements, Note 5 - Debt, for more information about the terms of our ABL Facility.
- Deferred Payroll Taxes: We have deferred $5.6 million of U.S. payroll tax as of June 30, 2022 through provisions of the Coronavirus Aid, Relief, and Economic Security Act (the ‘‘CARES Act’’). We must repay these deferred payroll taxes by December 31, 2022. Refer to Part II. Item 8, Financial Statements, Note 6 - Income Taxes, for more information about the deferred payroll taxes.

Off-Balance Sheet Arrangements and Other Commitments

The terms of our construction contracts frequently require that we obtain from surety companies, and provide to our customers, surety bonds as a condition to the award of such contracts. These surety bonds are issued in return for premiums, which vary depending on the size and type of the bond, and secure our payment and performance obligations under such contracts. We have agreed to indemnify the surety companies for amounts, if any, paid by them in respect of surety bonds issued on our behalf. Surety bonds expire at various times ranging from final completion of a project to a period extending beyond contract completion in certain circumstances. Such amounts can also fluctuate from period to period based upon the mix and level of our bonded operating activity. As of June 30, 2022, there were $140.6 million of surety bonds in force, of which we expect $90.3 million to expire within the next 12 months. We are not aware of any losses in connection with surety bonds that have been posted on our behalf, and we do not expect to incur significant losses in the foreseeable future.

We issue letters of credit under our ABL Facility in the normal course of business to support workers' compensation insurance programs or certain construction contracts. As of June 30, 2022, we had $23.3 million of letters of credit outstanding, nearly all of which expire within the next 12 months. The letters of credit that support our workers' compensation programs are expected to renew annually through the term of our credit facility. The letters of credit that support construction contracts carry expiration dates throughout fiscal 2023.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

General Information about our Contracts with Customers

Our revenue comes from contracts to provide engineering, procurement, fabrication and construction, repair and maintenance and other services. Our engineering, procurement and fabrication and construction services are usually provided in association with capital projects, which are commonly fixed-price contracts that are billed based on project milestones. Our repair and maintenance services typically are cost reimbursable or time and material based contracts and are billed monthly or, for projects of short duration, at the conclusion of the project. The elapsed time from award to completion of performance may exceed one year for capital projects.

Step 1: Contract Identification

We do not recognize revenue unless we have identified a contract with a customer. A contract with a customer exists when it has approval and commitment from both parties, the rights and obligations of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability is probable. We also evaluate whether a contract should be combined with other contracts and accounted for as a single contract. This evaluation requires judgment and could change the timing of the amount of revenue and profit recorded for a given period.

Step 2: Identify Performance Obligations

Next, we identify each performance obligation in the contract. A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services to the customer. Revenue is recognized separately for each performance obligation in the contract. Many of our contracts have one clearly identifiable performance obligation. However, many of our contracts provide the customer an integrated service that includes two or more of the following services: engineering, procurement, fabrication, construction, repair and maintenance services. For these contracts, we do not consider the integrated services to be distinct within the context of the contract when the separate scopes of work combine into a single commercial objective or capability for the customer. Accordingly, we generally identify one performance obligation in our contracts. The determination of the number of performance obligations in a contract requires significant judgment and could change the timing of the amount of revenue recorded for a given period.

Step 3: Determine Contract Price

After determining the performance obligations in the contract, we determine the contract price. The contract price is the amount of consideration we expect to receive from the customer for completing the performance obligation(s). In a fixed-price contract, the contract price is a single lump-sum amount. In reimbursable and time and materials based contracts, the contract price is determined by the agreed upon rates or reimbursements for time and materials expended in completing the performance obligation(s) in the contract.

A number of our contracts contain various cost and performance incentives and penalties that can either increase or decrease the contract price. These variable consideration amounts are generally earned or incurred based on certain performance metrics, most commonly related to project schedule or cost targets. We estimate variable consideration at the most likely amount of additional consideration to be received (or paid in the case of penalties), provided that meeting the variable condition is probable. We include estimated amounts of variable consideration in the contract price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the contract price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. We reassess the amount of variable consideration each accounting period until the uncertainty associated with the variable consideration is resolved. Changes in the assessed amount of variable consideration are accounted for prospectively as a cumulative adjustment to revenue recognized in the current period.

Step 4: Assign Contract Price to Performance Obligations

After determining the contract price, we assign such price to the performance obligation(s) in the contract. If a contract has multiple performance obligations, we assign the contract price to each performance obligation based on the stand-alone selling prices of the distinct services that comprise each performance obligation.

Step 5: Recognize Revenue as Performance Obligations are Satisfied

We record revenue for contracts with our customers as we satisfy the contracts' performance obligations. We recognize revenue on performance obligations associated with fixed-price contracts for engineering, procurement, fabrication and construction services over time since these services create or enhance assets the customer controls as they are being created or enhanced. We measure progress of satisfying these performance obligations by using the percentage-of-completion method, which is based on costs incurred to date compared to the total estimated costs at completion, since it best depicts the transfer of control of assets being created or enhanced to the customer.

We recognize revenue over time for reimbursable and time and material based repair and maintenance contracts since the customer simultaneously receives and consumes the benefit of those services as we perform work under the contract. As a practical expedient allowed under the revenue accounting standards, we record revenue for these contracts in the amount to which we have a right to invoice for the services performed provided that we have a right to consideration from the customer in an amount that corresponds directly with the value of the performance completed to date.

Costs incurred may include direct labor, direct materials, subcontractor costs and indirect costs, such as salaries and benefits, supplies and tools, equipment costs and insurance costs. Indirect costs are charged to projects based upon direct costs and overhead allocation rates per dollar of direct costs incurred or direct labor hours worked. Typically, customer contracts will include standard warranties that provide assurance that products and services will function as expected. We do not sell separate warranties.

We have numerous contracts that are in various stages of completion which require estimates to determine the forecasted costs at completion. Due to the nature of the work left to be performed on many of our contracts, the estimation of total cost at completion for fixed-price contracts is complex, subject to many variables and requires significant judgment. Estimates of total cost at completion are made each period and changes in these estimates are accounted for prospectively as cumulative adjustments to revenue recognized in the current period. If estimates of costs to complete fixed-price contracts indicate a loss, a provision is made through a contract write-down for the total loss anticipated.

Change Orders

Contracts are often modified through change orders, which are changes to the agreed upon scope of work. Most of our change orders, which may be priced or unpriced, are for goods or services that are not distinct from the existing contract due to the significant integration of services provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a change order on the contract price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis. For unpriced change orders, we estimate the increase or decrease to the contract price using the variable consideration method described in the Step 3: Determine Contract Price paragraph above. Unpriced change orders are more fully discussed in Note 7 - Commitments and Contingencies of the Notes to Financial Statements.

Claims

Sometimes we seek claims for amounts in excess of the contract price for delays, errors in specifications and designs, contract terminations, change orders in dispute or other causes of additional costs incurred by us. Recognition of amounts as additional contract price related to claims is appropriate only if there is a legal basis for the claim. The determination of our legal basis for a claim requires significant judgment. We estimate the change to the contract price using the variable consideration method described in the Step 3: Determine Contract Price paragraph above. Claims are more fully discussed in Note 7 - Commitments and Contingencies of the Notes to Financial Statements.

Costs and estimated earnings in excess of billings on uncompleted contracts included revenue for unpriced change orders and claims of $8.9 million at June 30, 2022 and $14.6 million at June 30, 2021. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings. Generally we expect collection of amounts related to unpriced change orders and claims within twelve months. However, customers may not pay these amounts until final resolution of related claims, which may extend beyond one year.

Goodwill

Goodwill represents the excess of the purchase price of acquisitions over the acquisition date fair value of the net identifiable tangible and intangible assets acquired. In accordance with current accounting guidance, goodwill is not amortized and is tested at least annually for impairment at the reporting unit level, which is a level below our reportable segments.

We perform our annual impairment test in the fourth quarter of each fiscal year, or in between annual tests whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable, to determine whether an impairment exists and to determine the amount of headroom. We define ''headroom'' as the percentage difference between the fair value of a reporting unit and its carrying value. The goodwill impairment test involves comparing management's estimate of the fair value of a reporting unit with its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, then goodwill is not impaired. If the fair value of a reporting unit is less than its carrying value, then goodwill is impaired to the extent of the difference, but the impairment may not exceed the balance of goodwill assigned to that reporting unit.

We utilize a discounted cash flow analysis, referred to as an income approach, and market multiples, referred to as a market approach, to determine the estimated fair value of our reporting units. For the income approach, significant judgments and assumptions including forecasted project awards, discount rate, anticipated revenue growth rate, gross margins, operating expenses, working capital needs and capital expenditures are inherent in the fair value estimates, which are based on our operating and capital budgets and on our strategic plan. As a result, actual results may differ from the estimates utilized in our income approach. For the market approach, significant judgments and assumptions include the selection of guideline companies, forecasted guideline company EBITDA and our forecasted EBITDA. The use of alternate judgments and/or assumptions could result in a fair value that differs from our estimate and could result in the recognition of additional impairment charges in the financial statements. As a test for reasonableness, we also consider the combined fair values of our reporting units to our market capitalization.

We performed our annual goodwill impairment test as of May 31, 2022, which resulted in no impairment. The fiscal 2022 test indicated that four reporting units with a combined total of $33.8 million of goodwill as of June 30, 2022 were at higher risk of future impairment. If our view of project opportunities or gross margins deteriorates, particularly for the higher risk reporting units, then we may be required to record an impairment of goodwill.

We considered the amount of headroom for each reporting unit when determining whether an impairment existed. The amount of headroom varies by reporting unit. Our significant assumptions, including revenue growth rates, gross margins, discount rate and other factors may change in the future based on the changing economic and competitive environment in which we operate. Assuming that all other components of our fair value estimate remain unchanged, a change in the following assumptions would have the following effect on headroom:

	Headroom Sensitivity Analysis				
	Goodwill as of June 30, 2022 (in thousands)	Baseline Headroom	Headroom if Revenue Growth Rate Declines by 100 Basis Points	Headroom if Gross Margin Declines by 100 Basis Points	Headroom if Discount Rate Increases by 100 Basis Points
Reporting Unit 1	$12,316	5%	-3%	-20%	-3%
Reporting Unit 2	$11,158	4%	-2%	-12%	-4%
Reporting Unit 3	$ 8,287	103%	87%	37%	83%
Reporting Unit 4	$ 6,112	23%	18%	1%	17%
Reporting Unit 5	$ 4,262	16%	9%	-17%	6%

In the third quarter, we concluded that goodwill impairment indicators existed based on the decline in the price of our stock and operating results that have underperformed our forecasts during the year. Accordingly, we performed an interim impairment test as of March 31, 2022 and concluded that there was $18.3 million of total impairment to goodwill, which was recorded as follows:

- $8.4 million in the Process and Industrial Facilities segment;
- $7.2 million in the Storage and Terminal Solutions segment; and
- $2.7 million in the Utility and Power Infrastructure segment.

Income Taxes

We use the asset and liability approach for financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances based on our judgments and estimates are established when necessary to reduce deferred tax assets to the amount expected to be realized in future operating results. We believe that realization of deferred tax assets in excess of the valuation allowance is more likely than not. Our estimates are based on facts and circumstances in existence as well as interpretations of existing tax regulations and laws applied to the facts and circumstances, with the help of professional tax advisors. Therefore, we estimate and provide for amounts of additional income taxes that may be assessed by the various taxing authorities.

Loss Contingencies

Various legal actions, claims and other contingencies arise in the normal course of our business. Contingencies are recorded in the consolidated financial statements, or are otherwise disclosed, in accordance with ASC 450-20, ‘‘Loss Contingencies’’. Specific reserves are provided for loss contingencies to the extent we conclude that a loss is both probable and estimable. We use a case-by-case evaluation of the underlying data and update our evaluation as further information becomes known. We believe that any amounts exceeding our recorded accruals should not materially affect our financial position, results of operations or liquidity. However, the results of litigation are inherently unpredictable and the possibility exists that the ultimate resolution of one or more of these matters could result in a material effect on our financial position, results of operations or liquidity.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our interest rate risk results primarily from our variable rate indebtedness under our ABL Facility, which is influenced by movements in short-term rates. Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate of either a base rate (‘‘Base Rate’’), an Adjusted Term SOFR (‘‘Adjusted Term SOFR’’), or at the Canadian Prime Rate, plus an applicable margin. The Adjusted Term SOFR is defined as (i) the SOFR plus (ii) 11.448 basis points for a one-month tenor and 26.161 basis points for a three-month tenor; provided that the Adjusted Term SOFR cannot be below zero. The Base Rate is defined as a fluctuating interest rate equal to the greater of: (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) Adjusted Term SOFR for one month period plus 1.00%; or (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for Base Rate and Canadian Prime Rate borrowings, which includes either U.S. or Canadian prime rate, and between 2.00% and 2.50% for Adjusted Term SOFR borrowings. Interest is payable either (i) monthly for Base Rate or Canadian Prime Rate borrowings or (ii) the last day of the interest period for Adjusted Term SOFR borrowings, as set forth in the ABL Facility. The fee for undrawn amounts is 0.25% per annum and is due quarterly. The interest rate in effect for borrowings outstanding at June 30, 2022, including applicable margin, was 6.00%.

Financial instruments with interest rate risk at June 30, 2022 were as follows:

	Maturity by Fiscal Year					
	2023	2024	2025	2026	2027	Fair Value as of June 30, 2022
	(in thousands)					
Long-term debt:						
Variable rate debt	$—	$—	$—	$—	$15,000	$15,000

If the interest in effect for borrowings outstanding at June 30, 2022, including applicable margin, increases 1.00%, then our interest expense would only increase $0.2 million, which would not have a material impact to our business.

Foreign Currency Risk

We have subsidiaries with operations in Canada and South Korea, which use the Canadian Dollar and South Korean Won, respectively, as their functional currencies. We also have a subsidiary with operations in Australia, but its functional currency is the U.S. Dollar since its sales are primarily denominated in U.S. Dollars.

Historically, movements in the Canadian Dollar to U.S. Dollar exchange rate have not significantly impacted our results. Also, we do not expect exchange rate fluctuations in our South Korean and Australian operations to materially impact our financial results since these operations represent an insignificant portion of our consolidated revenue and expenses. However, further growth in our Canadian, South Korean and/or Australian operations and/or significant fluctuations in the Canadian Dollar, South Korean Won and/or Australian Dollar to U.S. Dollar exchange rates could impact our financial results in the future.

Management has not entered into derivative instruments to hedge foreign currency risk, but periodically evaluates the materiality of our foreign currency exposure. To mitigate our risk, on occasion we convert Canadian Dollar balances into U.S. Dollars to settle U.S. Dollar amounts owed by our Canadian operations. A 10% unfavorable change in the Canadian Dollar against the U.S. Dollar would not have had a material impact on our financial results for the fiscal year ended June 30, 2022.

Commodity Price Risk

We have no direct commodity exposure, but we do have exposure to materials derived from certain commodities including steel plate, steel pipe, and copper, which are key materials we use. The COVID-19 Pandemic and the war between Russia and Ukraine has resulted in disruptions to global supply chains, which have led to higher prices for some of the materials we need to run our business. We mitigate these risks primarily by procuring materials upon contract execution to ensure that our purchase price approximates the costs included in the project estimate, and also by negotiating contract escalation clauses to cover unexpected costs due to fluctuations in materials costs. We have been proactive with managing our procurement processes to help reduce the impacts of rising materials prices on our business and to help ensure we continue to have the materials we need available. However, rising prices and the potential for materials shortages have interjected additional risk into bidding and executing work profitably.

Item 8. Financial Statements and Supplementary Data

Financial Statements of the Company

Financial Statement Schedules

The financial statement schedule is filed as a part of this report under Schedule II – Valuation and Qualifying Accounts for the three fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020 immediately following Notes to Consolidated Financial Statements. All other schedules are omitted because they are not applicable or the required information is shown in the financial statements, or notes thereto, included herein.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Matrix Service Company and its wholly-owned subsidiaries (the "Company") are responsible for establishing and maintaining adequate internal control over financial reporting. The 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 U.S. generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. 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 (iii) 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.

All internal control systems, no matter how well designed, have inherent limitations and cannot provide absolute assurance that all objectives will be met. Internal control over financial reporting is a process that involves diligence and is subject to lapses in judgment and human error. Internal control over financial reporting can also be circumvented by collusion or management override of controls. Because of these limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2022. In making this assessment, the Company's management used the criteria established in *Internal Control—Integrated Framework (2013)* set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework.

Management's assessment included an evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, overall control environment and information systems control environment. Based on this assessment, the Company's management has concluded that the Company's internal control over financial reporting as of June 30, 2022 was effective.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of June 30, 2022. Deloitte & Touche LLP's report on the Company's internal control over financial reporting is included herein.

John R. Hewitt **President and Chief Executive Officer**	**Kevin S. Cavanah** **Vice President and Chief Financial Officer**

October 11, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of
Matrix Service Company

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Matrix Service Company and subsidiaries (the ''Company'') as of June 30, 2022, 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 June 30, 2022 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 as of and for the year ended June 30, 2022, of the Company and our report dated October 11, 2022, expressed an unqualified opinion on those financial statements.

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 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.

Deloitte & Touche LLP

Tulsa, Oklahoma
October 11, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of
Matrix Service Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Matrix Service Company and subsidiaries (the ''Company'') as of June 30, 2022 and 2021, the related consolidated statements of income, comprehensive income, cash flows, and changes in stockholders' equity for each of the three years in the period ended June 30, 2022 and the related notes and the schedule listed in the Index at Item 8 (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 June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022, 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 June 30, 2022, 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 October 11, 2022 expressed an unqualified opinion on the Company's internal control over financial reporting.

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 Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue – Fixed Price Contracts – Refer to Notes 1 and 2 to the financial statements

Critical Audit Matter Description

The Company enters into contracts with customers to provide engineering, procurement, and fabrication and construction services, usually provided in association with capital projects, which commonly are fixed price contracts and are billed based on project milestones. Revenue on performance obligations associated with fixed-price contracts is recognized over time since these services create or enhance assets the customer controls as they are being created or enhanced. The Company measures progress of satisfying these performance obligations by using the percentage-of-completion method, which is based on costs incurred to date compared to the total estimated costs at completion. Due to the nature of work left to be performed on many of the Company's contracts, the estimation of total cost at completion for fixed price contracts is complex, subject to many variables and requires significant judgment. For the fiscal year ended June 30, 2022, revenue totaled $707.8 million, of which $421.2 million related to fixed-price contracts.

Given the significant judgment necessary to estimate total costs at completion for fixed price contracts, auditing these estimates required extensive audit effort due to the volume and complexity of the fixed price contracts and a high degree of auditor judgment when evaluating the results of audit procedures, including the involvement of our capital projects specialists for two selected fixed price contracts.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to estimated total costs at completion for fixed price contracts included the following, among others:

- We tested the effectiveness of controls over the recognition of revenue for fixed price contracts, including management's controls over estimates of total costs at completion.
- We evaluated the appropriateness and consistency of the methods and assumptions used by management to estimate total costs on fixed price contracts.
- We evaluated management's ability to accurately estimate contract costs by comparing current gross margin to historical gross margin for certain fixed price contracts open and completed during each quarter.
- We selected a sample of fixed price contracts and performed the following:
    - Evaluated gross margin changes over time for each selected contract from bid date to the testing date to evaluate management's historical and current estimates of total costs at completion.
    - Evaluated management's ability to estimate total costs at completion for each selected contract by performing corroborating inquiries with the Company's project managers and personnel involved with the selected contracts, including inquiries related to the timeline to completion and estimates of future costs to complete the contract.
- Selected a sample of estimates of future costs to complete for certain selected fixed price contracts and evaluated management's estimates of total costs at completion by performing one of the following:
    - Comparing management's estimates to documents such as management's work plans, customer purchase orders, third-party invoices from suppliers, and subcontractor agreements.
    - Developing independent estimates of total costs to completion and compared our estimates to management's estimates. Our independent estimates were based on information such as management's work plans, customer purchase orders, third-party invoices from suppliers, subcontractor agreements, and similar historical project experience.
- For two selected fixed price contracts, we used our capital projects specialists to assist us in evaluating (1) management's ability to estimate total costs at completion and (2) management's estimates of total costs at completion.

Goodwill – Certain Reporting Units – Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of management's estimate of the fair value of each reporting unit to its carrying value. The estimated fair value of each reporting unit was derived primarily by utilizing a discounted cash flow analysis based on the Company's operating and capital budgets and strategic plan. Significant judgments and assumptions including the revenue growth rate, forecasted gross margins, and discount rate are inherent in the fair value estimates. The use of alternate judgments and/or assumptions could result in a fair value that differs from management's estimate and could result in the recognition of additional impairment charges in the financial statements. The Company performed goodwill impairment tests as of March 31, 2022 and May 31, 2022, which resulted in $18.3 million of total impairment to goodwill in the third quarter of fiscal year 2022 and no impairment of goodwill in the fourth quarter of fiscal year 2022, respectively. Four reporting units with a combined total of $33.8 million of goodwill as of June 30, 2022 were at higher risk of future impairment than others and their estimated fair values exceed their carrying values by 4% to 23%. The Company's total goodwill was $42.1 million as of June 30, 2022.

We identified goodwill for four identified reporting units with a combined total of $33.8 million of goodwill as a critical audit matter because of the significant judgments made by management to estimate the fair values of these reporting units. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the revenue growth rate, forecasted gross margins, and discount rate.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the revenue growth rate, forecasted gross margins, and the discount rate used by management to estimate the fair value of the three identified reporting units included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value of the four identified reporting units, such as controls related to management's selection of the revenue growth rate and discount rate and forecasts of gross margins.
- We evaluated management's ability to accurately forecast the revenue growth rate and future gross margins by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's revenue growth rate and forecasted gross margins by comparing the forecasts to:
    - Historical revenue growth and gross margins.
    - Internal communications to management and the Board of Directors, including other forward estimates prepared or used by management for other accounting estimates.
    - Remaining performance obligations.
    - Information included in Company press releases as well as in analyst and industry reports for the Company and certain of its peer companies and in industry outlooks.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) the discount rate, including testing the source information underlying the determination of the discount rate, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rate selected by management.

Deloitte & Touche LLP

Tulsa, Oklahoma
October 11, 2022

We have served as the Company's auditor since 2006.

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

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
Revenue	$707,780	$673,398	$1,100,938
Cost of revenue	708,986	640,633	998,762
Gross profit (loss)	(1,206)	32,765	102,176
Selling, general and administrative expenses	67,690	69,756	86,276
Goodwill and other intangible asset impairment	18,312	—	38,515
Restructuring costs	646	6,756	14,010
Operating loss	(87,854)	(43,747)	(36,625)
Other income (expense):			
Interest expense	(2,951)	(1,559)	(1,597)
Interest income	90	126	1,270
Other (Note 3)	32,432	1,917	308
Loss before income tax expense (benefit)	(58,283)	(43,263)	(36,644)
Provision (benefit) for federal, state and foreign income taxes	5,617	(12,039)	(3,570)
Net loss	$ (63,900)	$ (31,224)	$ (33,074)
Basic loss per common share	$ (2.39)	$ (1.18)	$ (1.24)
Diluted loss per common share	$ (2.39)	$ (1.18)	$ (1.24)
Weighted average common shares outstanding:			
Basic	26,733	26,451	26,621
Diluted	26,733	26,451	26,621

See accompanying notes

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

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
Net loss	$(63,900)	$(31,224)	$(33,074)
Other comprehensive loss, net of tax:			
Foreign currency translation gain (loss) (net of tax expense (benefit) of $71, $223 and $(88) for the fiscal years ended June 30, 2022, 2021 and 2020, respectively)	(1,426)	1,624	(622)
Comprehensive loss	$(65,326)	$(29,600)	$(33,696)

See accompanying notes

Matrix Service Company
Consolidated Balance Sheets
(In thousands)

	June 30, 2022	June 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 52,371	$ 83,878
Accounts receivable, less allowances (2022 - $1,320; 2021 - $898)	153,879	148,030
Costs and estimated earnings in excess of billings on uncompleted contracts	44,752	30,774
Inventories	9,974	7,342
Income taxes receivable	13,547	16,965
Other current assets	12,889	4,230
Total current assets	287,412	291,219
Restricted cash	25,000	—
Property, plant and equipment - net	53,869	69,407
Operating lease right-of-use assets	22,067	22,412
Goodwill	42,135	60,636
Other intangible assets, net of accumulated amortization	4,796	6,614
Deferred income taxes	—	5,295
Other assets, non-current	5,514	11,973
Total assets	$440,793	$467,556
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 74,886	$ 60,920
Billings on uncompleted contracts in excess of costs and estimated earnings	65,106	53,832
Accrued wages and benefits	21,526	21,008
Accrued insurance	6,125	6,568
Operating lease liabilities	5,715	5,747
Other accrued expenses	4,427	5,327
Total current liabilities	177,785	153,402
Deferred income taxes	26	34
Operating lease liabilities	19,904	20,771
Borrowings under asset-backed credit facility	15,000	—
Other liabilities, non-current	372	7,810
Total liabilities	213,087	182,017
Commitments and contingencies		
Stockholders' equity:		
Common stock—$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of June 30, 2022 and June 30, 2021; 26,790,514 and 26,549,438 shares outstanding as of June 30, 2022 and June 30, 2021, respectively	279	279
Additional paid-in capital	139,854	137,575
Retained earnings	111,278	175,178
Accumulated other comprehensive loss	(8,175)	(6,749)
	243,236	306,283
Treasury stock, at cost — 1,097,703 and 1,338,779 shares as of June 30, 2022 and June 30, 2021, respectively	(15,530)	(20,744)
Total stockholders' equity	227,706	285,539
Total liabilities and stockholders' equity	$440,793	$467,556

See accompanying notes

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

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
Operating activities:			
Net loss	$(63,900)	$ (31,224)	$ (33,074)
Adjustments to reconcile net loss to net cash provided (used) by operating activities			
Depreciation and amortization	15,254	17,858	19,124
Goodwill and other intangible asset impairment (Note 4)	18,312	—	38,515
Stock-based compensation expense	7,877	8,156	9,877
Operating lease, fixed asset, and other intangible asset impairments due to restructuring (Note 14)	—	454	5,215
Deferred income tax	5,358	889	(3,630)
Gain on sale of property, plant and equipment (Note 3)	(33,114)	(1,201)	(767)
Provision for uncollectable accounts	738	85	1,158
Accelerated amortization of deferred debt amendment fees (Note 5)	1,518	—	—
Other	169	460	(7)
Changes in operating assets and liabilities increasing (decreasing) cash:			
Accounts receivable	(6,587)	11,109	56,603
Costs and estimated earnings in excess of billings on uncompleted contracts	(13,978)	28,774	36,535
Inventories	(2,632)	(882)	1,557
Other assets and liabilities	(530)	(21,916)	11,029
Accounts payable	13,654	(12,387)	(38,915)
Billings on uncompleted contracts in excess of costs and estimated earnings	11,274	(8,610)	(41,737)
Accrued expenses	(7,609)	5,464	(17,398)
Net cash provided (used) by operating activities	(54,196)	(2,971)	44,085
Investing activities:			
Capital expenditures	(3,345)	(4,354)	(18,539)
Proceeds from asset sales (Note 3)	39,018	2,090	1,423
Net cash provided (used) by investing activities	35,673	(2,264)	(17,116)
Financing activities:			
Advances under senior secured revolving credit facility	—	1,125	18,567
Repayments of advances under senior secured revolving credit facility	—	(10,913)	(14,357)
Advances under asset-backed credit facility	20,000	—	—
Repayments of advances under asset-backed credit facility	(5,000)	—	—
Payment of debt amendment fees	(1,263)	(1,275)	—
Open market purchase of treasury shares	—	—	(17,045)
Issuances of common stock	199	349	—
Proceeds from issuance of common stock under employee stock purchase plan	270	299	320
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(853)	(1,554)	(3,524)
Other	(654)	(355)	—
Net cash provided (used) by financing activities	12,699	(12,324)	(16,039)
Effect of exchange rate changes on cash	(683)	1,401	(609)
Net increase (decrease) in cash and cash equivalents	(6,507)	(16,158)	10,321
Cash, cash equivalents, and restricted cash, beginning of period (Note 1)	83,878	100,036	89,715
Cash, cash equivalents, and restricted cash, end of period (Note 1)	$ 77,371	$ 83,878	$100,036
Supplemental disclosure of cash flow information:			
Cash paid (received) during the period for:			
Income taxes	$ (2,864)	$ 451	$ 6,394
Interest	$ 2,773	$ 1,834	$ 2,148
Non-cash investing and financing activities:			
Purchases of property, plant and equipment on account	$ 54	$ 106	$ 48

See accompanying notes

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

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balances, June 30, 2019	$279	$137,712	$239,476	$(7,751)	$(17,759)	$351,957
Net loss	—	—	(33,074)	—	—	(33,074)
Other comprehensive loss	—	—	—	(622)	—	(622)
Treasury Shares sold to Employee Stock Purchase Plan (20,733 shares)	—	(19)	—	—	339	320
Issuance of deferred shares (542,279 shares)	—	(8,604)	—	—	8,604	—
Treasury shares repurchased to satisfy tax withholding obligations (181,081 shares)	—	—	—	—	(3,524)	(3,524)
Open market purchases of treasury shares (1,047,606 shares)	—	—	—	—	(17,045)	(17,045)
Stock-based compensation expense	—	9,877	—	—	—	9,877
Balances, June 30, 2020	279	138,966	206,402	(8,373)	(29,385)	307,889
Net loss	—	—	(31,224)	—	—	(31,224)
Other comprehensive income	—	—	—	1,624	—	1,624
Treasury Shares sold to Employee Stock Purchase Plan (29,171 shares)	—	(207)	—	—	506	299
Exercise of stock options (34,150 shares)	—	(257)	—	—	606	349
Issuance of deferred shares (515,218 shares)	—	(9,083)	—	—	9,083	—
Treasury shares repurchased to satisfy tax withholding obligations (170,629 shares)	—	—	—	—	(1,554)	(1,554)
Stock-based compensation expense	—	8,156	—	—	—	8,156
Balances, June 30, 2021	279	137,575	175,178	(6,749)	(20,744)	285,539
Net loss	—	—	(63,900)	—	—	(63,900)
Other comprehensive loss	—	—	—	(1,426)	—	(1,426)
Treasury Shares Sold to Employee Stock Purchase Plan (29,826 shares)	—	(307)	—	—	577	270
Exercise of stock options (19,550 shares)	—	(189)	—	—	388	199
Issuance of deferred shares (268,403 shares)	—	(5,102)	—	—	5,102	—
Treasury shares repurchased to satisfy tax withholding obligations (76,703 shares)	—	—	—	—	(853)	(853)
Stock-based compensation expense	—	7,877	—	—	—	7,877
Balances, June 30, 2022	$279	$139,854	$111,278	$(8,175)	$(15,530)	$227,706

See accompanying notes

Note 1—Summary of Significant Accounting Policies

Organization and Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of Matrix Service Company and its subsidiaries (''Matrix'', the ''Company'' or ''we'', ''our'', and ''us'' are to Matrix Service Company and its subsidiaries), all of which are wholly owned. Intercompany transactions and balances have been eliminated in consolidation.

We operate in the United States, Canada, South Korea and Australia. Our reportable segments are Utility and Power Infrastructure, Process and Industrial Facilities, and Storage and Terminal Solutions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We believe the most significant estimates and judgments are associated with revenue recognition, the recoverability tests that must be periodically performed with respect to our goodwill and other intangible assets, deferred tax assets, and the estimation of loss contingencies, including liabilities associated with litigation and with the self-insured retentions on our insurance programs. Actual results could materially differ from those estimates.

Revenue Recognition

General Information about our Contracts with Customers

Our revenue comes from contracts to provide engineering, procurement, fabrication and construction, repair and maintenance and other services. Our engineering, procurement and fabrication and construction services are usually provided in association with capital projects, which are commonly fixed-price contracts that are billed based on project milestones. Our repair and maintenance services typically are cost reimbursable or time and material based contracts and are billed monthly or, for projects of short duration, at the conclusion of the project. The elapsed time from award to completion of performance may exceed one year for capital projects.

Step 1: Contract Identification

We do not recognize revenue unless we have identified a contract with a customer. A contract with a customer exists when it has approval and commitment from both parties, the rights and obligations of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability is probable. We also evaluate whether a contract should be combined with other contracts and accounted for as a single contract. This evaluation requires judgment and could change the timing of the amount of revenue and profit recorded for a given period.

Step 2: Identify Performance Obligations

Next, we identify each performance obligation in the contract. A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services to the customer. Revenue is recognized separately for each performance obligation in the contract. Many of our contracts have one clearly identifiable performance obligation. However, many of our contracts provide the customer an integrated service that includes two or more of the following services: engineering, procurement, fabrication, construction, repair and maintenance services. For these contracts, we do not consider the integrated services to be distinct within the context of the contract when the separate scopes of work combine into a single commercial objective or capability for the customer. Accordingly, we generally identify one performance obligation in our contracts. The determination of the number of performance obligations in a contract requires significant judgment and could change the timing of the amount of revenue recorded for a given period.

Step 3: Determine Contract Price

After determining the performance obligations in the contract, we determine the contract price. The contract price is the amount of consideration we expect to receive from the customer for completing the performance obligation(s). In a fixed-price contract, the contract price is a single lump-sum amount. In reimbursable and time and materials based contracts, the contract price is determined by the agreed upon rates or reimbursements for time and materials expended in completing the performance obligation(s) in the contract.

A number of our contracts contain various cost and performance incentives and penalties that can either increase or decrease the contract price. These variable consideration amounts are generally earned or incurred based on certain performance metrics, most commonly related to project schedule or cost targets. We estimate variable consideration at the most likely amount of additional consideration to be received (or paid in the case of penalties), provided that meeting the variable condition is probable. We include estimated amounts of variable consideration in the contract price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the contract price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. We reassess the amount of variable consideration each accounting period until the uncertainty associated with the variable consideration is resolved. Changes in the assessed amount of variable consideration are accounted for prospectively as a cumulative adjustment to revenue recognized in the current period.

Step 4: Assign Contract Price to Performance Obligations

After determining the contract price, we assign such price to the performance obligation(s) in the contract. If a contract has multiple performance obligations, we assign the contract price to each performance obligation based on the stand-alone selling prices of the distinct services that comprise each performance obligation.

Step 5: Recognize Revenue as Performance Obligations are Satisfied

We record revenue for contracts with our customers as we satisfy the contracts' performance obligations. We recognize revenue on performance obligations associated with fixed-price contracts for engineering, procurement, fabrication and construction services over time since these services create or enhance assets the customer controls as they are being created or enhanced. We measure progress of satisfying these performance obligations by using the percentage-of-completion method, which is based on costs incurred to date compared to the total estimated costs at completion, since it best depicts the transfer of control of assets being created or enhanced to the customer.

We recognize revenue over time for reimbursable and time and material based repair and maintenance contracts since the customer simultaneously receives and consumes the benefit of those services as we perform work under the contract. As a practical expedient allowed under the revenue accounting standards, we record revenue for these contracts in the amount to which we have a right to invoice for the services performed provided that we have a right to consideration from the customer in an amount that corresponds directly with the value of the performance completed to date.

Costs incurred may include direct labor, direct materials, subcontractor costs and indirect costs, such as salaries and benefits, supplies and tools, equipment costs and insurance costs. Indirect costs are charged to projects based upon direct costs and overhead allocation rates per dollar of direct costs incurred or direct labor hours worked. Typically, customer contracts will include standard warranties that provide assurance that products and services will function as expected. We do not sell separate warranties.

We have numerous contracts that are in various stages of completion which require estimates to determine the forecasted costs at completion. Due to the nature of the work left to be performed on many of our contracts, the estimation of total cost at completion for fixed-price contracts is complex, subject to many variables and requires significant judgment. Estimates of total cost at completion are made each period and changes in these estimates are accounted for prospectively as cumulative adjustments to revenue recognized in the current period. If estimates of costs to complete fixed-price contracts indicate a loss, a provision is made through a contract write-down for the total loss anticipated.

Change Orders

Contracts are often modified through change orders, which are changes to the agreed upon scope of work. Most of our change orders, which may be priced or unpriced, are for goods or services that are not distinct from the existing contract due to the significant integration of services provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a change order on the contract price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis. For unpriced change orders, we estimate the increase or decrease to the contract price using the variable consideration method described in the Step 3: Determine Contract Price paragraph above. Unpriced change orders are more fully discussed in Note 7 - Commitments and Contingencies.

Claims

Sometimes we seek claims for amounts in excess of the contract price for delays, errors in specifications and designs, contract terminations, change orders in dispute or other causes of additional costs incurred by us. Recognition of amounts as additional contract price related to claims is appropriate only if there is a legal basis for the claim. The determination of our legal basis for a claim requires significant judgment. We estimate the change to the contract price using the variable consideration method described in the Step 3: Determine Contract Price paragraph above. Claims are more fully discussed in Note 7 - Commitments and Contingencies.

Cash, Cash Equivalents and Restricted Cash

We include as cash equivalents all investments with original maturities of three months or less which are readily convertible into cash. We have cash on deposit at June 30, 2022 with banks in the United States, Canada, South Korea and Australia in excess of Federal Deposit Insurance Corporation (''FDIC''), Canada Deposit Insurance Corporation (''CDIC''), Korea Deposit Insurance Corporation (''KDIC'') and Financial Claims Scheme (''FCS'') protection limits, respectively. The United States Dollar equivalent of Canadian, South Korean and Australian deposits totaled $5.7 million as of June 30, 2022.

The ABL Facility requires us to maintain a minimum of $25.0 million of restricted cash at all times. Since this cash must be restricted through the maturity date of the ABL Facility, which is beyond one year, we have classified this restricted cash as non-current in our Consolidated Balance Sheets. The following table provides a reconciliation of cash, cash equivalents and restricted cash in the Consolidated Balance Sheets to the total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows (in thousands):

	June 30, 2022	June 30, 2021
Cash and cash equivalents	$52,371	$83,878
Restricted cash	25,000	—
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	$77,371	$83,878

Accounts Receivable

Accounts receivable are carried on a gross basis, less the allowance for credit losses. We estimate the allowance for credit losses based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Our customers consist primarily of major integrated oil companies, independent refiners and marketers, power companies, petrochemical companies, pipeline companies, mining companies, contractors and engineering firms. We are exposed to the risk of individual customer defaults or depressed cycles in our customers' industries. To mitigate this risk, many of our contracts require payment as projects progress or advance payment in some circumstances. In addition, in most cases we can place liens against the property, plant or equipment constructed or terminate the contract if a material contract default occurs. Accounts are written off against the allowance for credit losses only after all reasonable collection attempts have been exhausted.

Retentions

Contract retentions collectable beyond one year are included in Other assets in the Consolidated Balance Sheets. Accounts payable retentions are generally settled within one year.

Loss Contingencies

Various legal actions, claims and other contingencies arise in the normal course of our business. Contingencies are recorded in the consolidated financial statements, or are otherwise disclosed, in accordance with ASC 450-20, ''Loss

Contingencies''. Specific reserves are provided for loss contingencies to the extent we conclude that a loss is both probable and estimable. We use a case-by-case evaluation of the underlying data and update our evaluation as further information becomes known. We believe that any amounts exceeding our recorded accruals should not materially affect our financial position, results of operations or liquidity. However, the results of litigation are inherently unpredictable, and the possibility exists that the ultimate resolution of one or more of these matters could result in a material effect on our financial position, results of operations or liquidity.

Inventories

Inventories consist primarily of steel plate and pipe and aluminum coil and extrusions. Cost is determined primarily using the average cost method and inventories are stated at the lower of cost or net realizable value.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. Depreciable lives are as follows: buildings—40 years, construction equipment—3 to 15 years, transportation equipment—3 to 5 years, and office equipment and software—3 to 10 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term.

Leases

We enter into lease arrangements for real estate, construction equipment and information technology equipment in the normal course of business. We determine if an arrangement is or contains a lease at inception of the arrangement. An arrangement is determined to be a lease if it conveys the right to control the use of identified property and equipment for a period of time in exchange for consideration. Operating lease right-of-use assets are recognized as the present value of future lease payments over the lease term as of the commencement date, plus any lease payments made prior to commencement, and less any lease incentives received. Operating lease liabilities are recognized as the present value of the future lease payments over the lease term as of the commencement date. Operating lease expense is recognized based on the undiscounted future lease payments over the remaining lease term on a straight-line basis. Lease expense related to short-term leases is recognized on a straight-line basis over the lease term.

Determinations with respect to lease term (including any renewals and terminations), incremental borrowing rate used to discount lease payments, variable lease expense and future lease payments require the use of judgment based on the facts and circumstances related to each lease. We consider various factors, including economic incentives, intent, past history and business need, to determine the likelihood that a renewal option will be exercised.

Right-of-use assets are evaluated for impairment in accordance with our policy for impairment of long-lived assets.

Impairment of Long-Lived Assets

We evaluate long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets used in operations may not be recoverable. The determination of whether an impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and, to the extent the carrying value exceeds the fair value of the assets, recording a loss provision.

For assets identified to be disposed of in the future, the carrying value of the assets are compared to the estimated fair value less the cost of disposal to determine if an impairment has occurred. Until the assets are disposed of, an estimate of the fair value is redetermined when related events or circumstances change.

Goodwill

Goodwill represents the excess of the purchase price of acquisitions over the acquisition date fair value of the net identifiable tangible and intangible assets acquired. In accordance with current accounting guidance, goodwill is not amortized and is tested at least annually for impairment at the reporting unit level, which is a level below our reportable segments.

We perform our annual impairment test in the fourth quarter of each fiscal year, or in between annual tests whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable, to determine whether an impairment exists and to determine the amount of headroom. We define "headroom" as the percentage difference between the fair value of a reporting unit and its carrying value. The goodwill impairment test involves comparing management's estimate of the fair value of a reporting unit with its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, then goodwill is not impaired. If the fair value of a reporting unit is less than its carrying value, then goodwill is impaired to the extent of the difference, but the impairment may not exceed the balance of goodwill assigned to that reporting unit.

We utilize a discounted cash flow analysis, referred to as an income approach, and market multiples, referred to as a market approach, to determine the estimated fair value of our reporting units. For the income approach, significant judgments and assumptions including forecasted project awards, discount rate, anticipated revenue growth rate, gross margins, operating expenses, working capital needs and capital expenditures are inherent in the fair value estimates, which are based on our operating and capital budgets and on our strategic plan. As a result, actual results may differ from the estimates utilized in our income approach. For the market approach, significant judgments and assumptions include the selection of guideline companies, forecasted guideline company EBITDA and our forecasted EBITDA. The use of alternate judgments and/or assumptions could result in a fair value that differs from our estimate and could result in the recognition of additional impairment charges in the financial statements. As a test for reasonableness, we also consider the combined fair values of our reporting units to our market capitalization.

Other Intangible Assets

Intangible assets that have finite useful lives are amortized by the straight-line method over their useful lives ranging from 6 years to 15 years. A finite intangible asset is considered impaired when its carrying amount is not recoverable and exceeds the asset's fair value. The carrying amount is deemed unrecoverable if it is greater than the sum of undiscounted cash flows expected to result from use and eventual disposition of the asset. An impairment loss is equal to the excess of the carrying amount over the fair value of the asset. If quoted market prices are not available, the fair values of the intangible assets are based on present values of expected future cash flows or royalties avoided using discount rates commensurate with the risks involved.

Insurance Reserves

We maintain insurance coverage for various aspects of our operations. However, we retain exposure to potential losses through the use of deductibles, coverage limits and self-insured retentions. We establish reserves for claims using a combination of actuarially determined estimates and case-by-case evaluations of the underlying claim data and update our evaluations as further information becomes known. Judgments and assumptions are inherent in our reserve accruals; as a result, changes in assumptions or claims experience could result in changes to these estimates in the future. If actual results of claim settlements are different than the amounts estimated, we may be exposed to future gains and losses that could be material.

Stock-Based Compensation

We have issued stock options, nonvested deferred share awards and cash-settled restricted share units under our long-term incentive compensation plans. The fair value of these awards is calculated at grant date. The fair value of time-based, nonvested deferred shares and cash-settled restricted share units is the value of our common stock at the grant date. The fair value of market-based nonvested deferred shares is based on several factors, including the probability that the market condition specified in the grant will be achieved, which is calculated using a Monte Carlo model. Cash-settled restricted share units must be settled in cash and are accounted for as liability-type awards and are remeasured at the end of each reporting period at fair value until settlement. For all awards, expense is recognized over the requisite service period with forfeitures recorded as they occur.

Income Taxes

We use the asset and liability approach for financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances based on our judgments and estimates are established when necessary to reduce deferred tax assets to the amount expected to be realized in future operating results. Our estimates are based on facts and circumstances in existence as well as interpretations of existing tax regulations and laws applied to the facts and circumstances, with the help of professional tax advisors. Therefore, we estimate and provide for amounts of additional income taxes that may be assessed by the various taxing authorities.

Foreign Currency

The functional currencies of our operations in Canada, South Korea and Australia are the Canadian Dollar, South Korean Won and U.S. Dollar, respectively. The functional currency of our Australian operations is the U.S. Dollar since its sales are primarily denominated in that currency. For subsidiaries with operations using a foreign functional currency, assets and liabilities are translated at the year-end exchange rates and the income statement accounts are translated at average exchange rates throughout the year. Translation gains and losses are reported in Accumulated Other Comprehensive Loss, net of tax, in the Consolidated Statements of Changes in Stockholders' Equity and in Other Comprehensive Income (Loss) in the Consolidated Statements of Comprehensive Income. Translation gains and losses are reversed from Accumulated Other Comprehensive Income (Loss) and are recognized in current period income in the event we dispose of an entity with accumulated translation gains or losses. Transaction gains and losses are reported as a component of Other income (expense) in the Consolidated Statements of Income.

Note 2 – Revenue

Remaining Performance Obligations

We had $484.2 million of remaining performance obligations yet to be satisfied as of June 30, 2022. We expect to recognize approximately $389.9 million of our remaining performance obligations as revenue within the next twelve months.

Contract Balances

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

	June 30, 2022	June 30, 2021	Change
		(In thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 44,752	$ 30,774	$ 13,978
Billings on uncompleted contracts in excess of costs and estimated earnings	(65,106)	(53,832)	(11,274)
Net contract liabilities	$(20,354)	$(23,058)	$ 2,704

The difference between the beginning and ending balances of our CIE and BIE primarily results from the timing of revenue recognized relative to its billings. The amount of revenue recognized during the fiscal year ended June 30, 2022 that was included in the prior period BIE balance was $49.2 million. This revenue consists primarily of work performed during the period on contracts with customers that had advance billings.

Progress billings in accounts receivable at June 30, 2022 and June 30, 2021 included retentions to be collected within one year of $16.1 million and $19.9 million, respectively. Contract retentions collectable beyond one year are included in other assets in the Consolidated Balance Sheets and totaled $4.0 million as of June 30, 2022 and $3.1 million as of June 30, 2021.

Disaggregated Revenue

Revenue disaggregated by reportable segment is presented in Note 13 - Segment Information. The following series of tables presents revenue disaggregated by geographic area where the work was performed and by contract type:

Geographic Disaggregation:

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
		(In thousands)	
United States	$640,512	$604,739	$1,020,083
Canada	63,045	61,703	70,133
Other international	4,223	6,956	10,722
Total	$707,780	$673,398	$1,100,938

Contract Type Disaggregation:

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
		(In thousands)	
Fixed-price contracts	$421,188	$444,042	$ 685,559
Time and materials and other cost reimbursable contracts	286,592	229,356	415,379
Total	$707,780	$673,398	$1,100,938

Typically, we assume more risk with fixed-price contracts since increases in cost to perform the work may not be recoverable. However, these types of contracts typically offer higher profits than time and materials and other cost reimbursable contracts when completed at or below the costs originally estimated. The profitability of time and materials and other cost reimbursable contracts is typically lower than fixed-price contracts and is usually less volatile than fixed-price contracts since the profit component is factored into the rates charged for labor, equipment and materials, or is expressed in the contract as a percentage of the reimbursable costs incurred.

Revisions in Estimates

Our results of operations were materially impacted by an increase in the forecasted costs to complete a midstream gas processing project in the Process and Industrial Facilities segment. The project reduced gross profit by $8.7 million during fiscal 2022. The increase in forecasted costs was primarily due to poor performance of a now terminated subcontractor, which required rework, as well as supply chain and escalation issues, in order to meet our client's expectations. We expect to complete the project during the second quarter of fiscal 2023.

Our results of operations were materially impacted by changes in the forecasted costs to complete two large capital projects in the Utility and Power Infrastructure segment. Improved project execution on the first project resulted in an increase in gross profit of $2.2 million during the second half of fiscal 2022. However, increases in the forecasted costs to complete this project during the first half of fiscal 2022 resulted in the project reducing gross profit by $3.6 million during fiscal 2022. The increase in forecasted costs during the first half of the fiscal year was principally due to unexpected equipment repairs during commissioning that delayed the scheduled completion and increased the estimated costs to complete. We achieved a critical performance milestone during the second quarter of fiscal 2022, which significantly reduced our financial exposure on the project.

Increased forecasted costs to the complete the second project resulted in the project reducing gross profit by $2.2 million during the fourth quarter of fiscal 2022 and $0.1 million during fiscal 2022. We recognized $78.1 million of revenue on this project during the year at a near break-even margin as a result of the change in estimate. The increase in forecasted costs was the result of higher than anticipated subcontractor costs and labor costs as the project neared completion. We expect to complete the project during the second quarter of fiscal 2023.

Our results of operations were materially impacted by an increase in the costs required to complete a thermal energy storage tank repair and maintenance project in the Storage and Terminal Solutions segment, which resulted in a decrease in gross profit of $6.3 million in fiscal 2022. The increase in costs was primarily due to changes in repair scope, expanded client weld testing and associated schedule delays. We achieved substantial completion on this project in the fourth quarter of fiscal 2022.

Note 3—Property, Plant and Equipment

The following table presents the components of our property, plant and equipment - net at June 30, 2022 and 2021:

	June 30, 2022	June 30, 2021
	(In thousands)	
Property, plant and equipment - at cost:		
Land and buildings	$ 34,788	$ 41,633
Construction equipment	93,036	94,453
Transportation equipment	48,999	50,510
Office equipment and software	43,823	42,706
Construction in progress	1,646	493
Total property, plant and equipment - at cost	222,292	229,795
Accumulated depreciation	(168,423)	(160,388)
Property, plant and equipment - net	$ 53,869	$ 69,407

Geographical Disaggregation of Long-Lived Assets

	Long-Lived Assets		
	June 30, 2022	June 30, 2021	June 30, 2020
		(In thousands)	
United States	$137,682	$157,442	$164,056
Canada	3,436	6,523	5,659
Other international	12,263	12,372	12,435
	$153,381	$176,337	$182,150

Sale-leaseback Transaction

We sold our regional office and fabrication and warehouse facilities located in Orange, California during the fourth quarter of fiscal 2022 for net proceeds of $37.4 million in cash. We recorded a gain of $32.4 million on the sale, which is included in other income in the Consolidated Statements of Income. In connection with the sale, we also entered into a leaseback agreement for a period up to 24 months while we locate replacement facilities. We are still fully committed to our operations in Southern California - we decided to enter into the sale and leaseback transaction to take advantage of the elevated real estate market valuations in Southern California.

Note 4—Goodwill and Other Intangible Assets

Goodwill

The changes in the carrying amount of goodwill by segment are as follows:

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Total
	(In thousands)			
Net balance at June 30, 2019	$ 31,840	$34,842	$26,686	$ 93,368
Goodwill impairment	(24,900)	(7,981)	—	(32,881)
Translation adjustment(1)	(35)	(15)	(68)	(118)
Net balance at June 30, 2020	6,905	26,846	26,618	60,369
Translation adjustment(1)	79	32	156	267
Net balance at June 30, 2021	6,984	26,878	26,774	60,636
Goodwill impairment	(2,659)	(8,445)	(7,208)	(18,312)
Translation adjustment(1)	(62)	(6)	(121)	(189)
Net balance at June 30, 2022	$ 4,263	$18,427	$19,445	$ 42,135

(1) The translation adjustments relate to the periodic translation of Canadian Dollar and South Korean Won denominated goodwill recorded as a part of prior acquisitions in Canada and South Korea, in which the local currency was determined to be the functional currency.

We performed our annual goodwill impairment test as of May 31, 2022, which resulted in no impairment. The fiscal 2022 test indicated that four reporting units with a combined total of $33.8 million of goodwill as of June 30, 2022 were at higher risk of future impairment. If our view of project opportunities or gross margins deteriorates, particularly for the higher risk reporting units, then we may be required to record an impairment of goodwill.

In the third quarter of fiscal 2022, we concluded that goodwill impairment indicators existed based on the decline in the price of our stock and operating results that have underperformed our forecasts during the year. Accordingly, we performed an interim impairment test as of March 31, 2022 and concluded that there was $18.3 million of total impairment to goodwill, which was recorded as follows:

- $8.4 million in the Process and Industrial Facilities segment;
- $7.2 million in the Storage and Terminal Solutions segment; and
- $2.7 million in the Utility and Power Infrastructure segment.

In the second quarter of fiscal 2020, we concluded that a goodwill impairment indicator existed in the Utility and Power Infrastructure segment based on the recent history of depressed gross margins and the second quarter's downward acceleration of revenue and gross margin. Accordingly, we performed an interim impairment test as of December 31, 2019, reflecting updated revenue and gross margin assumptions, and concluded that the reporting unit's $24.9 million of goodwill was fully impaired. Additionally, we concluded that a goodwill impairment indicator existed for a Process and Industrial Facilities segment reporting unit based on several second quarter events. These events included the deterioration of our relationship with a significant customer in the iron and steel industry in the second quarter. As a result, the customer canceled other previously awarded work and we received no subsequent business from this customer. Accordingly, we performed an interim impairment test as of December 31, 2019 and concluded that the reporting unit's $8.0 million of goodwill was fully impaired.

The estimated fair value of each segment was derived by utilizing a discounted cash flow analysis and market multiples of projected EBITDA. The key assumptions used are described in Note 1 - Summary of Significant Accounting Policies, and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies, Goodwill.

Other Intangible Assets

Information on the carrying value of other intangible assets is as follows:

		At June 30, 2022		
	Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			(In thousands)	
Intellectual property	10 to 15	$ 2,558	$ (2,276)	$ 282
Customer based	6 to 15	17,331	(12,817)	4,514
Total other intangible assets		$19,889	$(15,093)	$4,796

		At June 30, 2021		
	Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			(In thousands)	
Intellectual property	10 to 15	$ 2,483	$ (2,031)	$ 452
Customer based	6 to 15	17,354	(11,192)	6,162
Total other intangible assets		$19,837	$(13,223)	$6,614

Amortization expense totaled $1.8 million, $2.3 million, and $3.4 million in fiscal 2022, 2021, and 2020, respectively.

In the fourth quarter of fiscal 2020, we fully impaired a customer relationship intangible asset with a net book value of $1.2 million. The customer relationship primarily related to services in the Utility and Power Infrastructure segment which were impacted by our performance improvement plan (see Note 14 - Restructuring Costs). As a result, the customer relationship intangible asset was no longer recoverable. As of June 30, 2020, this intangible asset had a remaining useful life of approximately 2 years, a gross carrying amount of $6.3 million and accumulated amortization of $5.1 million. The impairment is included in restructuring costs in the Consolidated Statements of Income.

Also in the fourth quarter of fiscal 2020, we fully impaired a customer relationship intangible asset with a net book value of $0.4 million in connection with the closure of an underperforming operating unit in the Process and Industrial Facilities segment. The closure was part of our performance improvement plan (see Note 14 - Restructuring Costs). As of June 30, 2020, this intangible asset had a remaining useful life of approximately 4 years, a gross carrying amount of $0.9 million and accumulated amortization of $0.5 million. The impairment is included in the restructuring costs caption in the Consolidated Statements of Income.

In the second quarter of fiscal 2020, in connection with the factors disclosed for the Process and Industrial Facilities segment goodwill impairment above, we fully impaired a customer relationship with a net book value of $5.6 million. As of December 31, 2019, this intangible asset had a remaining useful life of 9 years, a gross carrying amount of $9.4 million and accumulated amortization of $3.8 million. The impairment is included within the goodwill and other intangible asset impairment caption in the Consolidated Statements of Income.

We estimate that future amortization of other intangible assets will be as follows (in thousands):

For year ending:	
June 30, 2023	$1,729
June 30, 2024	1,416
June 30, 2025	1,096
June 30, 2026	555
Total estimated amortization expense	$4,796

Note 5—Debt

ABL Credit Facility

On October 5, 2022, we and our primary U.S. and Canada operating subsidiaries entered into the First Amendment and Waiver to Credit Agreement (the ''Amendment''), which amended our asset-backed credit agreement (the ''ABL Facility''), dated as of September 9, 2021 with Bank of Montreal, as Administrative Agent, Swing Line Lender and a Letter of Credit Issuer, and the lenders named therein. The Amendment (i) waives an event of default resulting from our failure to deliver the Administrative Agent and the lenders our audited financial statements for the fiscal year ended June 30, 2022 by September 28, 2022 (the ''Audited Financial Statements''), provided we deliver the Audited Financial Statements by October 14, 2022, (ii) reduces the maximum amount of loans under the ABL Facility to $90.0 million from $100.0 million and (iii) replaces the London interbank offered rate with the forward term rate based on the secured overnight financing rate (the ''SOFR'') as the interest rate benchmark.

The ABL Facility is guaranteed by substantially all of our remaining U.S. and Canadian subsidiaries. The ABL Facility available borrowings may be increased by an amount not to exceed $15.0 million, subject to certain conditions, including obtaining additional commitments. The ABL Facility is intended to be used for working capital, capital expenditures, issuances of letters of credit and other lawful purposes. Our obligations under the ABL Facility are secured by a first lien on all our assets and the assets of our co-borrowers and guarantors under the ABL Facility.

The maximum amount that we may borrow under the ABL Facility is subject to a borrowing base, which is based on restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves. We are required to maintain a minimum of $25.0 million of restricted cash at all times, but such amounts are also included in the borrowing base. The ABL Facility matures and any outstanding amounts become due and payable on September 9, 2026. At June 30, 2022, our borrowing base was $80.8 million, we had $15.0 million of outstanding borrowings, and $23.3 million in letters of credit outstanding, which resulted in availability of $42.5 million under the ABL Facility.

Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate of either a base rate (''Base Rate''), an Adjusted Term SOFR (''Adjusted Term SOFR''), or at the Canadian Prime Rate, plus an applicable margin. The Adjusted Term SOFR is defined as (i) the SOFR plus (ii) 11.448 basis points for a one-month tenor and 26.161 basis points for a three-month tenor; provided that the Adjusted Term SOFR cannot be below zero. The Base Rate is defined as a fluctuating interest rate equal to the greater of: (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) Adjusted Term SOFR for one month period plus 1.00%; or (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for Base Rate and Canadian Prime Rate borrowings, which includes either U.S. or Canadian prime rate, and between 2.00% and 2.50% for Adjusted Term SOFR borrowings. Interest is payable either (i) monthly for Base Rate or Canadian Prime Rate borrowings or (ii) the last day of the interest period for Adjusted Term SOFR borrowings, as set forth in the ABL Facility. The fee for undrawn amounts is 0.25% per annum and is due quarterly. The interest rate in effect for borrowings outstanding at June 30, 2022, including applicable margin, was 6.00%.

The ABL Facility contains customary conditions to borrowings, events of default and covenants, including, but not limited to, covenants that restrict our ability to sell assets, engage in mergers and acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay cash dividends, issue equity instruments, make distribution or redeem or repurchase capital stock. In the event that our availability is less than the greater of (i) $15.0 million and (ii) 15.00% of the lesser of (1) the current borrowing base and (2) the commitments under the ABL Facility then in effect, a consolidated Fixed Charge Coverage Ratio of at least 1.00 to 1.00 must be maintained. We are in compliance with all covenants of the ABL Facility as of June 30, 2022.

Senior Secured Revolving Credit Facility

The ABL Facility replaced the Fifth Amended and Restated Credit Agreement (the ''Prior Credit Agreement''), that was entered into on November 2, 2020, and subsequently amended on May 4, 2021, by and among us and certain foreign subsidiaries, as Borrowers, various subsidiaries of ours, as Guarantors, JPMorgan Chase Bank, N.A., as Administrative Agent, Sole Lead Arranger and Sole Book Runner, and the other Lenders party thereto. The Prior

Credit Agreement provided for a three-year senior secured revolving credit facility of $200.0 million that expired November 2, 2023. We had no borrowings and $41.3 million of letters of credit outstanding under the Prior Credit Agreement as of June 30, 2021. Interest expense during fiscal 2022 included $1.5 million of accelerated amortization of deferred debt amendment fees associated with the Prior Credit Agreement.

Note 6—Income Taxes

Sources of Pretax Income (Loss)

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
		(In thousands)	
Domestic	$(53,258)	$(38,867)	$(32,660)
Foreign	(5,025)	(4,396)	(3,984)
Total	$(58,283)	$(43,263)	$(36,644)

Components of the Provision for Income Tax Expense (Benefit)

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
		(In thousands)	
Current:			
Federal	$ 230	$(13,154)	$ (376)
State	28	465	412
Foreign	1	(239)	23
	259	(12,928)	59
Deferred:			
Federal	2,504	774	(5,000)
State	2,858	(291)	(1,091)
Foreign	(4)	406	2,462
	5,358	889	(3,629)
	$5,617	$(12,039)	$(3,570)

Reconciliation Between the Expected Income Tax Provision Applying the Domestic Federal Statutory Tax Rate and the Reported Income Tax Provision

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
		(In thousands)	
Expected benefit for federal income taxes at the statutory rate	$(12,239)	$ (9,085)	$(7,695)
State income taxes, net of federal benefit	(1,971)	(1,240)	(768)
Impairment of non-deductible goodwill(1)	1,132	—	1,813
Charges without tax benefit	265	961	1,707
Change in valuation allowance(2)	17,943	2,797	3,062
Excess tax expense (benefit) on stock-based compensation	1,019	1,826	230
Research and development and other tax credits	(613)	(1,707)	(1,724)
Foreign tax differential	(232)	(96)	(132)
Federal rate differential net operating loss carryback(3)	141	(5,223)	—
Change in uncertain tax positions	(120)	(7)	20
Other	292	(265)	(83)
Provision (benefit) for federal, state and foreign income taxes	$ 5,617	$(12,039)	$(3,570)

(1) In fiscal 2022, we impaired $18.3 million of goodwill, which included $5.4 million of non-deductible goodwill. In fiscal 2020, we impaired $32.9 million of goodwill, which included $8.6 million of non-deductible goodwill. See Note 4 - Goodwill and Other Intangible Assets for more information about the impairments.

(2) In fiscal 2022, due to the existence of a cumulative loss over a three-year period, we recorded a full valuation allowance of $17.9 million against our deferred tax assets. These assets are primarily comprised of federal net operating losses, which have an indefinite carryforward, federal tax credits and state net operating losses. To the extent we generate taxable income in the future, or cumulative losses are no longer present and our future projections for growth or tax planning strategies are demonstrated, we will realize the benefit associated with the net operating losses for which the valuation allowance has been provided. In fiscal 2021, we placed $2.8 million of valuation allowances, including $1.5 million on certain state net operating loss carryforwards due to a recent history of cumulative losses for a subsidiary. In fiscal 2020, we placed $3.1 million of valuation allowances on net operating loss carryforwards and foreign tax credits primarily related to Canada.

(3) Relates to fiscal 2021 net operating losses carried back under provisions of the CARES Act to fiscal years 2016 and 2017 which had a 35% federal tax rate.

Significant Components of our Deferred Tax Assets and Liabilities

	June 30, 2022	June 30, 2021
	(In thousands)	
Deferred tax assets:		
Warranty reserve	$ 206	$ 206
Bad debt reserve	340	231
Paid-time-off accrual	315	747
Insurance reserve	1,019	1,229
Legal reserve	79	146
Net operating loss benefit and credit carryforwards	23,717	14,966
Accrued compensation and pension	736	690
Prepaid insurance	16	27
Stock compensation expense on nonvested deferred shares	1,910	1,895
Accrued losses	1,089	64
Restructuring reserve	160	725
Book over tax amortization	5,449	3,765
Deferred FICA	1,427	1,920
Foreign currency translation and other	1,002	665
Valuation allowance	(28,615)	(11,104)
Total deferred tax assets	8,850	16,172
Deferred tax liabilities:		
Tax over book depreciation	7,842	10,315
Receivable holdbacks and other	1,034	596
Total deferred tax liabilities	8,876	10,911
Net deferred tax asset (liability)	$ (26)	$ 5,261

As reported in the Consolidated Balance Sheets:

	June 30, 2022	June 30, 2021
	(In thousands)	
Deferred income tax assets	$ —	$5,295
Deferred income tax liabilities	(26)	(34)
Net deferred tax asset (liability)	$(26)	$5,261

Valuation Allowance

In fiscal 2022, due to the existence of a cumulative loss over a three-year period, we recorded a full valuation allowance of $17.9 million against our deferred tax assets. These assets are primarily comprised of federal net operating losses, which have an indefinite carryforward, federal tax credits and state net operating losses. To the extent we generate taxable income in the future, or cumulative losses are no longer present and our future projections for growth or tax planning strategies are demonstrated, we will realize the benefit associated with the net operating losses for which the valuation allowance has been provided.

Operating Loss and Tax Credit Carryforwards

We have net operating loss carryforwards and tax credit carryforwards in federal, state and foreign jurisdictions. The valuation allowance at June 30, 2022 and June 30, 2021 reduces the recognized tax benefit of these carryforwards to an amount that is more likely than not to be realized. The gross carryforwards will generally expire as shown below for each jurisdiction:

Operating Loss and Tax Credit Carryforwards	Expiration Period	Amount (in thousands)
Federal net operating loss	Indefinite	$27,207
Federal tax credits	June 2041 to June 2042	$ 1,700
Federal foreign tax credits	June 2023 to June 2025	$ 655
State net operating losses	June 2025 to indefinite	$73,889
State tax credits	June 2033 to indefinite	$ 912
Foreign net operating losses	June 2029 to June 2042	$37,379
Foreign tax credits	June 2035 to June 2042	$ 676

Net Operating Loss Carryback Refund

Through provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "CARES Act"), we had an income tax benefit from the ability to carryback the fiscal 2021 federal net operating loss to a period with a higher statutory federal income tax rate. We estimate that we will receive a $12.6 million tax refund in connection with this carryback, which is included in income taxes receivable in the Consolidated Balance Sheets.

Refund of Overpayment of Estimated Taxes

In January 2022, we received a $2.4 million tax refund in connection with overpayments of estimated taxes from prior years.

Deferred Payroll Taxes

As of June 30, 2022, we have a balance of $5.6 million remaining on U.S. payroll taxes we deferred through provisions of the CARES Act. We paid half of the original deferred payroll tax balance during the second quarter of fiscal 2022 and must repay the remaining balance by December 31, 2022. The remaining balance of deferred payroll taxes is included within accrued wages and benefits in the Consolidated Balance Sheets.

Other

In general, it is our practice and intention to reinvest the earnings of our foreign subsidiaries in our foreign operations. We do not provide for outside basis differences under the indefinite reinvestment assertion of ASC 740-30.

We file tax returns in multiple domestic and foreign taxing jurisdictions. With a few exceptions, we are no longer subject to examination by taxing authorities through fiscal 2017. At June 30, 2022, we updated our evaluation of our open tax years in all known jurisdictions. As of June 30, 2022, we have a $0.3 million liability for unrecognized tax positions and the payment of related interest and penalties. We treat the related interest and penalties as income tax expense. Due to the uncertainties related to these tax matters, we are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority will occur.

Note 7—Commitments and Contingencies

Insurance Reserves

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

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

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

Unpriced Change Orders and Claims

As of June 30, 2022 and June 30, 2021, costs and estimated earnings in excess of billings on uncompleted contracts included revenue for unpriced change orders and claims of $8.9 million and $14.6 million, respectively. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings. Generally we expect collection of amounts related to unpriced change orders and claims within twelve months. However, customers may not pay these amounts until final resolution of related claims, which may extend beyond one year.

Other

During the third quarter of fiscal 2020, we commenced litigation in an effort to collect accounts receivable from an iron and steel customer following the deterioration of the relationship in the second quarter of fiscal 2020. The unpaid receivable balance at June 30, 2022 was $17.0 million. Litigation is unpredictable, however, based on the terms of the contract with this customer, we believe we are entitled to collect the full amount owed under the contract.

We and our subsidiaries are participants in various legal actions. It is the opinion of management that none of the other known legal actions will have a material impact on our financial position, results of operations or liquidity.

Note 8— Leases

We enter into lease arrangements for real estate, construction equipment and information technology equipment in the normal course of business. Real estate leases accounted for approximately 96% of all right-of-use assets as of June 30, 2022. Most real estate and information technology equipment leases generally have fixed payments that follow an agreed upon payment schedule and have remaining lease terms ranging from less than a year to 14 years. Construction equipment leases generally have ''month-to-month'' lease terms that automatically renew as long as the equipment remains in use.

In fiscal 2021 we recorded $0.5 million of impairments to right-of-use assets related to leased office space that was closed in connection with our restructuring activities, see Note 14 – Restructuring Costs for additional information.

The components of lease expense in the Consolidated Statements of Income are as follows:

Lease expense	Location of Expense in Consolidated Statements of Income	Fiscal Years Ended June 30, 2022	June 30, 2021	June 30, 2020
			(in thousands)	
Operating lease expense	Cost of revenue and selling, general and administrative expenses	$ 7,511	$ 8,386	$12,274
Short-term lease expense[(1)]	Cost of revenue	24,225	25,912	37,371
Total lease expense		$31,736	$34,298	$49,645

(1) Primarily represents the lease expense of construction equipment that is subject to month-to-month rental agreements with expected rental durations of less than one year.

The future undiscounted lease payments, as reconciled to the discounted operating lease liabilities presented in our Consolidated Balance Sheets, were as follows:

Maturity Analysis:	June 30, 2022 (in thousands)
Fiscal 2023	$ 6,956
Fiscal 2024	5,654
Fiscal 2025	3,697
Fiscal 2026	3,400
Fiscal 2027	3,288
Thereafter	8,681
Total future operating lease payments	31,676
Imputed interest	(6,057)
Net present value of future lease payments.	25,619
Less: current portion of operating lease liabilities	5,715
Non-current operating lease liabilities	$19,904

The following is a summary of the weighted average remaining operating lease term and weighted average discount rate as of June 30, 2022:

Weighted-average remaining lease term (in years)	7.2 years
Weighted-average discount rate	5.0%

Supplemental cash flow information related to leases is as follows:

	Fiscal Year Ended June 30, 2022 (in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating lease payments	$8,060
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	$5,687

Note 9—Stockholders' Equity

Preferred Stock

We have 5.0 million shares of preferred stock authorized, none of which was issued or outstanding at June 30, 2022 or June 30, 2021.

Stock Repurchase Program

We may repurchase common stock pursuant to the Stock Buyback Program, which was approved by the board of directors in November 2018. Under the program, the aggregate number of shares repurchased may not exceed 2,707,175 shares. We may repurchase our stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and are not obligated to purchase any shares. The program will continue unless and until it is modified or revoked by the Board of Directors. We made no repurchases under the program in fiscal 2022 and have no current plans to repurchase stock. The terms of our ABL Facility limit share repurchases to $2.5 million per fiscal year provided that we meet certain availability thresholds and do not violate our Fixed Charge Coverage Ratio financial covenant. There were 1,349,037 shares available for repurchase under the November 2018 Program as of June 30, 2022.

Treasury Shares

In addition to the stock buyback program, we may withhold shares of common stock to satisfy the tax withholding obligations upon vesting of an employee's deferred shares. We withheld 76,703, 170,629, and 181,081 shares of common stock during fiscal 2022, 2021, and 2020, respectively, to satisfy these obligations. These shares were returned to our pool of treasury shares. We have 1,097,703 treasury shares as of June 30, 2022 and intend to utilize these treasury shares in connection with equity awards under our incentive plans and for sales to the Employee Stock Purchase Plan.

Note 10—Stock-Based Compensation

Total stock-based compensation expense for the fiscal years ended June 30, 2022, June 30, 2021, and June 30, 2020 was $7.9 million, $8.2 million and $9.9 million, respectively. Measured but unrecognized stock-based compensation expense at June 30, 2022 was $9.0 million, all of which related to nonvested deferred shares which are expected to be recognized as expense over a weighted average period of 1.7 years. We recognized excess tax expense of $1.0 million, $1.8 million, and $0.2 million related to stock-based compensation vesting for the fiscal years ended June 30, 2022, 2021, and 2020, respectively.

Plan Information

In November 2020, our stockholders approved the Matrix Service Company 2020 Stock and Incentive Compensation Plan (the "2020 Plan"), which provides stock-based and cash-based incentives for officers, directors and other key employees. Stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares and cash-based awards can be issued under this plan. Upon approval of the 2020 Plan, the 2018 Stock and Incentive Compensation Plan ("2018 Plan") was frozen with the exception of normal vesting and other activity associated with awards previously granted under the 2018 Plan. The 2018 Plan was preceded by the 2016 Stock Incentive Plan ("2016 Plan"), which was frozen upon approval of the 2018 Plan with the exception of normal vesting, forfeiture and other activity associated with awards previously granted under the 2016 Plan. Shares awarded under either the 2018 Plan or 2016 Plan that are subsequently forfeited or net settled for tax withholding purposes are returned to the treasury share pool and become available for grant under the 2020 Plan.

Awards totaling 1,725,000 shares have been authorized under the 2020 Plan. There were 1,392,706 shares available for grant under the 2020 Plan as of June 30, 2022.

Stock Options

We did not award any new stock options in fiscal years 2022, 2021, or 2020. The 19,550 options outstanding as of June 30, 2021 were exercised in the second quarter of fiscal 2022 at a weighted average exercise price of $10.19 per share. There were no options outstanding at June 30, 2022. The total intrinsic value of stock options exercised were less than $0.1 million during fiscal 2022 and $0.1 million during fiscal 2021. No stock options were exercised in fiscal 2020.

Nonvested Deferred Shares

We have issued nonvested deferred shares under the following types of arrangements:

- Time-based awards—Employee awards generally vest in four equal annual installments beginning one year after the grant date. Beginning in fiscal 2019, the award agreements contain a provision that accelerates the vesting for retirement eligible participants and participants that become retirement eligible during the vesting period and who elect to retire more than one year after the date of the award. The award is forfeited if retirement occurs before the first anniversary of the award. Settlement still occurs on the normal vesting schedules. Director awards vest one year after the grant date.
- Market-based awards—These awards are in the form of performance units which vest 3 years after the grant date only if our common stock achieves certain levels of total shareholder return when compared to the total shareholder return of a peer group of companies as selected by the Compensation Committee of the Board of Directors. The payout can range from zero to 200% of the original award depending on the

Company's relative total shareholder return during the performance period. These awards are settled in stock. As of June 30, 2022, there were approximately 163,000, 340,000, and 389,000 performance units that are scheduled to vest in fiscal 2023, fiscal 2024, and fiscal 2025, respectively, assuming target performance.

All awards under the 2020 Plan vest upon the death or disability of the participant or upon a change of control of the Company, provided that the successor company fails to assume or replace the awards in connection with that change of control event. If the successor company does assume the awards, then vesting of the awards will be accelerated in the event of an involuntary termination or other material adverse event that occurs in connection with or following the change of control. All awards prior to the 2020 Plan vest upon the death or disability of the participant or upon a change of control of the Company.

The grant date fair value of the time-based awards is determined by the market value of our common stock on the grant date. The grant date fair value of the market-based awards is calculated using a Monte Carlo model. For the fiscal 2022 grant, the model estimated the fair value of the award based on approximately 100,000 simulations of the future prices of our common stock compared to the future prices of the common stock of its peer companies based on historical volatilities. The model also took into account the expected dividends over the performance period of those peer companies which pay cash dividends.

Nonvested deferred share activity for the fiscal year ended June 30, 2022 is as follows:

	Shares	Weighted Average Grant Date Fair Value per Share
Nonvested shares at June 30, 2021	1,280,707	$17.07
Shares granted	696,227	$14.13
Shares vested and released	(268,403)	$13.92
Shares canceled	(242,743)	$25.50
Nonvested shares at June 30, 2022	1,465,788	$14.86

There were 665,597 and 490,322 deferred shares granted in fiscal 2021 and 2020 with average grant date fair values of $10.60 and $21.79 per share, respectively. There were 515,218 and 542,279 deferred shares that vested and were released in fiscal 2021 and 2020 with weighted average fair values of $16.99 and $19.43 per share, respectively. There were 119,904 deferred shares cancelled in fiscal 2021 with an average grant date fair value of $20.67. No deferred shares were cancelled in fiscal 2020.

Cash-Settled Restricted Share Units

We granted 231,219 and 238,848 cash-settled restricted share units during fiscal years 2022 and 2021, respectively; with weighted average fair values of $2.6 million and $2.3 million, respectively. No cash-settled restricted share units were granted in fiscal year 2020. There were 53,333 shares vested and released in fiscal 2022 with a weighted average fair value of $0.5 million. There were no cash-settled restricted shares vested or released in fiscal 2021 or 2020. There were 25,355 shares cancelled in fiscal 2022 with a weighted average fair value of $0.3 million. There were no cash-settled restricted shares cancelled in fiscal 2021 or 2020.

The grant date fair value of these awards is based on the price of our common stock and the number of shares awarded on the date of grant. The award must be settled in cash and is accounted for as a liability-type award. The expense is recognized over the requisite service period with remeasurement at the end of each reporting period at fair value until settlement. The requisite service period is based on the vesting provisions of the awards which generally occur in four equal annual installments beginning one year after the grant date. These awards contain the same retirement provisions described for time-based awards in the nonvested deferred shares section above.

We recognized $0.6 million and $1.0 million of expense in fiscal years 2022 and 2021, respectively, for cash-settled restricted share units, which was included in selling, general and administrative expenses and cost of revenue in the Consolidated Statements of Income. As of June 30, 2022, the liability for cash-settled restricted share units was $0.9 million and is included in accrued wages and benefits in the Consolidated Balance Sheets.

Note 11—Earnings per Common Share

Basic earnings per share (''EPS'') is calculated based on the weighted average shares outstanding during the period. Diluted earnings per share includes the dilutive effect of employee and director stock options and nonvested deferred shares. Stock options are considered dilutive whenever the exercise price is less than the average market price of the stock during the period and antidilutive whenever the exercise price exceeds the average market price of the common stock during the period. Nonvested deferred shares are considered dilutive (antidilutive) whenever the average market value of the shares during the period exceeds (is less than) the sum of the related average unamortized compensation expense during the period plus the related hypothetical estimated excess tax benefit that will be realized when the shares vest. Stock options and nonvested deferred shares are considered antidilutive in the event we report a net loss.

The computation of basic and diluted EPS is as follows:

	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
	(In thousands, except per share data)		
Basic EPS:			
Net loss	$(63,900)	$(31,224)	$(33,074)
Weighted average shares outstanding	26,733	26,451	26,621
Basic loss per share	$ (2.39)	$ (1.18)	$ (1.24)
Diluted EPS:			
Weighted average shares outstanding—basic	26,733	26,451	26,621
Diluted weighted average shares	26,733	26,451	26,621
Diluted loss per share	$ (2.39)	$ (1.18)	$ (1.24)

Note 12—Employee Benefit Plans

Defined Contribution Plans

We sponsor defined contribution savings plans for all eligible employees meeting length of service requirements. Under the primary plan, participants may contribute an amount up to 25% of pretax annual compensation subject to certain limitations. We match 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions. Our matching contributions vest immediately.

Our matching contributions were $5.3 million, $5.4 million, and $6.2 million in the fiscal years ended June 30, 2022, 2021, and 2020, respectively.

Multiemployer Pension Plans

We contribute to a number of multiemployer defined benefit pension plans in the U.S. and Canada under the terms of collective-bargaining agreements that cover our union-represented employees, who are represented by more than 100 local unions. The related collective-bargaining agreements between those organizations and us, which specify the rate at which we must contribute to the multi-employer defined pension plan, expire at different times between 2022 and 2025. Benefits under these plans are generally based on compensation levels and years of service.

For us, the financial risks of participating in multiemployer plans are different from single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

Under federal legislation regarding multiemployer pension plans, in the event of a withdrawal from a plan or plan termination, companies are required to continue funding their proportionate share of such plan's unfunded vested benefits. We are a participant in multiple union sponsored multiemployer plans, and, as a plan participant, our potential obligation could be significant. The amount of the potential obligation is not currently ascertainable because the information required to determine such amount is not identifiable or readily available.

Our participation in significant plans for the fiscal year ended June 30, 2022 is outlined in the table below. The ''EIN/Pension Plan Number'' column provides the Employer Identification Number (''EIN'') and the three digit plan number. The zone status is based on the latest information that the Company received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are generally less than 80 percent funded, and plans in the green zone are generally at least 80 percent funded. The ''FIP/RP Status Pending/Implemented'' column indicates plans for which a financial improvement plan (''FIP'') or a rehabilitation plan (''RP'') is either pending or has been implemented. The ''Surcharge Imposed'' column includes plans in a red zone status that require a payment of a surcharge in excess of regular contributions. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2022	Pension Protection Act Zone Status 2021	FIP/RP Status Pending or Implemented	Company Contributions Fiscal Year 2022	Company Contributions Fiscal Year 2021	Company Contributions Fiscal Year 2020	Surcharge Imposed
					(In thousands)			
Boilermaker-Blacksmith National Pension Trust	48-6168020/001	Yellow	Yellow	Implemented	$ 5,208	$ 4,003	$ 6,634	No
National Electrical Benefit Fund, IBEW locals 71, 126, 488, and 1319	53-0181657/001	Described below[(1)]	Green	NA	2,973	1,865	2,674	No
Joint Pension Fund Local Union 164 IBEW	22-6031199/001	Described below[(1)]	Described below [(1)]	Implemented	1,514	1,958	1,560	No
Joint Pension Fund of Local Union No 102 IBEW	22-1615726/001	Described below[(1)]	Green	NA	906	1,341	1,227	No
IBEW Local 456 Pension Plan	22-6238995/001	Green	Green	NA	734	595	427	No
Local 351 IBEW Pension Plan	22-3417366/001	Green	Green	NA	395	479	1,709	No
Steamfitters Local Union No 420 Pension Plan	23-2004424/001	Described below[(1)]	Red	Implemented	498	442	1,523	Yes
IBEW Local 654 Pension Plan	23-6538183/001	Green	Green	NA	857	818	1,021	No
Ohio Carpenters' Pension Fund, Locals 1090 and 351	34-6574360/001	Described below[(1)]	Red	Implemented	—	—	3,042	Yes
Iron Workers Pension Plan, Local 55	34-6682351/001	Described below[(1)]	Green	NA	—	—	2,951	No
Northwestern Ohio Plumbers and Pipefitters Pension, Local 50	34-6502487/001	Described below[(1)]	Green	NA	—	—	2,504	No
Indiana Laborers Pension Fund	35-6027150/001	Described below[(1)]	Green	NA	—	20	1,604	No
Iron Workers Mid-America Pension Plan, Local 395	36-6488227/001	Green	Green	NA	—	—	840	No
Pipefitters Retirement Fund, Local 597	62-6105084/001	Described below[(1)]	Green	NA	4	—	835	No
Iron Workers Pension Plan of Western Pennsylvania, Local 3	25-1283169/001	Green	Green	NA	—	—	500	No
		Contributions to other multiemployer plans			3,729	3,848	8,352	
		Total contributions made			$16,818	$15,369	$37,403	

(1) For the National Electrical Benefit Fund for Locals 71/126/488/1319, Local 164 IBEW Pension Plan, Local IBEW 102 IBEW Pension Plan, Steamfitters Local Union No. 420 Pension Plan, Locals 1090 and 351 of the Ohio Carpenters' Pension Fund, Iron Workers Pension Plan Local 55, Northwestern Ohio Plumbers and Pipefitters Pension Local 50, Indiana Laborers Pension Fund, and Pipefitters Retirement Fund Local 597, we have not received a funding notification that covers our fiscal year 2022 during the preparation of this Form 10-K. For Local 164 IBEW Pension Plan, we have not received a funding notification that covers our fiscal year 2021 either. Under Federal pension law, if a multiemployer pension plan is determined to be in critical or endangered status, the plan must provide notice of this status to participants, beneficiaries, the bargaining parties, the Pension Benefit Guaranty Corporation, and the Department of Labor. We also observed that these plans have not submitted any Critical or Endangered Status Notices to the Department of Labor for calendar years that we have not received notification. The Critical or Endangered Status Notices can be accessed at https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/public-disclosure/2022-funding-status-notices#2020-c-and-d.

Employee Stock Purchase Plan

The Matrix Service Company 2011 Employee Stock Purchase Plan (''ESPP'') was effective January 1, 2011. The ESPP allows employees to purchase shares through payroll deductions and members of the Board of Directors to purchase shares from amounts withheld from their cash retainers. Share purchases are limited to an aggregate market value of no greater than $60,000 per calendar year per participant and are purchased from us at the current market value with no discount to the participant. Contributions are with after tax earnings and are accumulated in non-interest bearing accounts for quarterly purchases of company stock. Upon the purchase of shares, the participants receive all stockholder rights including dividend and voting rights and are permitted to sell their shares at any time. We have made 1,000,000 shares available under the ESPP. The ESPP can be terminated at any time at the discretion of the Board of Directors and will automatically terminate once the plan shares are exhausted. Shares are issued from Treasury Stock under the ESPP. There were 29,826 shares issued in fiscal 2022, 29,171 shares in fiscal 2021, and 20,733 shares in fiscal 2020.

Note 13—Segment Information

In fiscal 2022, we operated our business through three reportable segments:

- **Utility and Power Infrastructure**: consists of power delivery services provided to investor-owned utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, upgrades and maintenance, as well as emergency and storm restoration services. We also provide engineering, fabrication, and construction services for LNG utility peak shaving facilities, and construction and maintenance services to a variety of power generation facilities, including natural gas fired facilities, in simple or combined cycle configuration.
- **Process and Industrial Facilities**: primarily serves customers in the downstream and midstream petroleum industries who are engaged in refining crude oil and processing, fractionating, and marketing of natural gas and natural gas liquids. We also serve customers in various other industries such as petrochemical, sulfur, mining and minerals companies engaged primarily in the extraction of non-ferrous metals, aerospace and defense, cement, agriculture, and other industrial customers. Our services include plant maintenance, turnarounds, industrial cleaning services, engineering, fabrication, and capital construction.
- **Storage and Terminal Solutions**: consists of work related to aboveground storage tanks and terminals. We also include work related to cryogenic and other specialty storage tanks and terminals, including LNG, liquid nitrogen/liquid oxygen, liquid petroleum, hydrogen and other specialty vessels such as spheres in this segment, as well work related to marine structures and truck and rail loading/offloading facilities. Our services include engineering, fabrication, construction, and maintenance and repair, which includes planned and emergency services for both tanks and full terminals. Finally, we offer tank products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.

We evaluate performance and allocate resources based on operating income. We eliminate intersegment sales; therefore, no intercompany profit or loss is recognized. Corporate selling, general and administrative expenses are excluded from our three reportable segments in order to better align controllable costs with the responsibility of segment management, and to be consistent with how our chief operating decision-maker assesses segment performance and allocates resources.

Segment assets consist primarily of accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, property, plant and equipment, right-of-use lease assets, goodwill and other intangible assets.

Results of Operations
(In thousands)

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Corporate	Total
Fiscal year ended June 30, 2022					
Gross revenue	$220,093	$258,497	$236,260	$ —	$ 714,850
Less: inter-segment revenue	—	3,649	3,421	—	7,070
Consolidated revenue	220,093	254,848	232,839	—	707,780
Gross profit (loss)	(8,586)	9,270	262	(2,152)	(1,206)
Selling, general and administrative expenses	11,771	12,506	17,284	26,129	67,690
Goodwill impairment and restructuring costs	2,746	6,867	7,330	2,015	18,958
Operating loss	(23,103)	(10,103)	(24,352)	(30,296)	(87,854)
Segment assets	94,059	104,078	141,084	101,572	440,793
Capital expenditures	29	254	338	2,724	3,345
Depreciation and amortization	3,812	5,659	5,540	243	15,254
Fiscal year ended June 30, 2021					
Gross revenue	$210,052	$201,472	$267,982	$ —	$ 679,506
Less: inter-segment revenue	—	1,555	4,553	—	6,108
Consolidated revenue	210,052	199,917	263,429	—	673,398
Gross profit	1,506	17,642	13,617	—	32,765
Selling, general and administrative expenses	9,882	14,756	18,644	26,474	69,756
Restructuring costs	1,312	3,807	1,391	246	6,756
Operating loss	(9,688)	(921)	(6,418)	(26,720)	(43,747)
Segment assets	81,717	106,619	160,782	118,438	467,556
Capital expenditures	1,183	834	1,136	1,201	4,354
Depreciation and amortization	4,127	6,018	7,456	257	17,858
Fiscal year ended June 30, 2020					
Gross revenue	$212,001	$424,710	$470,871	$ —	$1,107,582
Less: inter-segment revenue	—	2,839	3,805	—	6,644
Consolidated revenue	212,001	421,871	467,066	—	1,100,938
Gross profit (loss)	7,081	36,349	61,413	(2,667)	102,176
Selling, general and administrative expenses	10,047	24,266	26,386	25,577	86,276
Intangible asset impairments and restructuring costs	27,625	22,914	1,066	920	52,525
Operating income (loss)	(30,591)	(10,831)	33,961	(29,164)	(36,625)
Segment assets	67,398	138,734	187,167	124,011	517,310
Capital expenditures	3,285	7,523	4,921	2,810	18,539
Depreciation and amortization	3,054	8,014	7,743	313	19,124

Information about Significant Customers:

	Significant Customers as a Percentage of Segment Revenue			
	Consolidated	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions
Fiscal Year ended June 30, 2022				
Customer one	12.3%	—%	33.5%	0.8%
Customer two	11.0%	35.5%	—%	—%
Customer three	4.7%	15.1%	—%	—%
Fiscal Year ended June 30, 2021				
Customer one	12.9%	41.3%	—%	—%
Customer two	9.9%	—%	33.3%	0.1%
Customer three	7.0%	22.5%	—%	0.1%
Customer four	4.4%	—%	—%	11.2%
Fiscal Year ended June 30, 2020				
Customer one	9.7%	—%	25.4%	—%
Customer two	8.2%	42.7%	—%	—%
Customer three	8.2%	—%	—%	19.3%
Customer four	6.8%	—%	—%	16.1%
Customer five	2.0%	10.5%	—%	—%

Note 14—Restructuring Costs

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

The business improvement plan consists of an initial phase of discretionary cost reductions, workforce reductions, reduction of capital expenditures and the reduction in size or closure of certain offices in order to increase the utilization of our staff and bring the cost structure of the business in line with revenue volumes. In fiscal 2022, we commenced a second phase of our plan to focus on centralization of support functions, including business development, accounting, human resources, procurement and project services into shared service centers. The restructuring costs consist primarily of severance costs, facility closure costs, consulting fees and other liabilities.

Restructuring costs incurred are classified as follows:

	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Since Inception of Business Improvement Plan
	(in thousands)			
Utility and Power Infrastructure				
Severance and other personnel-related costs	$ 45	$1,199	$ 1,340	$ 2,584
Facility costs	—	113	235	348
Other intangible asset impairments	—	—	1,150	1,150
Other costs	1	—	—	1
Total Utility and Power Infrastructure	$ 46	$1,312	$ 2,725	$ 4,083
Process and Industrial Facilities				
Severance and other personnel-related costs	$ (22)	$2,951	$ 6,167	$ 9,096
Facility costs	17	431	2,757	3,205
Other intangible asset impairments	—	—	375	375
Other costs[(1)]	(1,597)	426	—	(1,171)
Total Process and Industrial Facilities	$(1,602)	$3,808	$ 9,299	$11,505
Storage and Terminal Solutions				
Severance and other personnel-related costs	$ 69	$1,231	$ 347	$ 1,647
Facility costs	—	159	720	879
Other costs	28	—	—	28
Total Storage and Terminal Solutions	$ 97	$1,390	$ 1,067	$ 2,554
Corporate				
Severance and other personnel-related costs	$ 504	$ 164	$ 919	$ 1,587
Facility costs	16	82	—	98
Other costs	1,585	—	—	1,585
Total Corporate	$ 2,105	$ 246	$ 919	$ 3,270
Total restructuring costs	$ 646	$6,756	$14,010	$21,412
Restructuring Costs by Type:				
Severance and other personnel-related costs	$ 596	$5,545	$ 8,773	$14,914
Total facility costs	33	785	3,712	4,530
Total other intangible asset impairments	—	—	1,525	1,525
Other costs	17	426	—	443
Total restructuring costs	$ 646	$6,756	$14,010	$21,412

(1) Other costs in the Process and Industrial Facilities segment consisted of a $1.6 million credit in the third quarter of fiscal 2022. The credit was due to a favorable settlement of a restructuring obligation related to our exit from the domestic iron and steel industry in fiscal 2020.

Matrix Service Company
Schedule II—Valuation and Qualifying Accounts
June 30, 2022, June 30, 2021, and June 30, 2020
(In thousands)

COL. A	COL. B	COL. C ADDITIONS		COL. D	COL. E
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts—Describe	Deductions—Describe	Balance at End of Period
Fiscal Year 2022					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 898	$ 738	$—	$ (316)(A)	$ 1,320
Valuation reserve for deferred tax assets	11,104	17,943	—	(432)(B)	28,615
Total	$12,002	$18,681	$—	$ (748)	$29,935
Fiscal Year 2021					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 905	$ 85	$—	$ (92)(C)	$ 898
Valuation reserve for deferred tax assets	7,763	2,797	—	544(D)	11,104
Total	$ 8,668	$ 2,882	$—	$ 452	$12,002
Fiscal Year 2020					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 923	$ 1,158	$—	$(1,176)(E)	$ 905
Valuation reserve for deferred tax assets	4,959	3,062	—	(258)(B)	7,763
Total	$ 5,882	$ 4,220	$—	$(1,434)	$ 8,668

(A) Relates to the write off of a $0.3 million account receivable that was fully reserved in a prior period.

(B) Relates to foreign currency translation for the portion of the valuation allowance on net operating loss and tax credit carryforwards in foreign jurisdictions.

(C) Primarily relates to a $0.1 million reserve that was recognized as a credit loss and ultimately written off within fiscal 2021.

(D) Relates to $1.1 million of foreign currency translation for the portion of the valuation allowance on net operating loss and tax credit carryforwards in foreign jurisdictions, partially offset by $0.6 million of fully reserved tax credits that expired in fiscal 2021.

(E) Primarily relates to a $0.6 million reserve that was recognized as a credit loss and ultimately settled and written off within fiscal 2020 and $0.3 million of payments received on a balance that was fully reserved.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2022. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level at June 30, 2022.

On September 12, 2022, we filed a form 12b-25 with the SEC to notify the Commission that we were not in a position to file this Form 10-K in a timely manner without unreasonable effort or expense for reasons described below. In the course of preparing our financial statements, we discovered that employee support and oversight time for a certain project was allocated to our general overhead expense category rather than to the specific project to which it should have been allocated. We conducted an internal review and determined the amount of misallocated time was immaterial. As a result of this issue, our Audit Committee engaged third-party advisors to conduct a review of the Company's internal control over financial reporting and findings of the investigation. The review confirmed our internal conclusion that the misallocated time was immaterial and the review supported management's conclusion that no material weakness in our internal control over financial reporting exists and that our internal control over financial reporting was effective at a reasonable assurance level at June 30, 2022.

Management's Report on Internal Control over Financial Reporting

See "Management's Report on Internal Control over Financial Reporting" set forth in Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes during the fourth quarter of fiscal 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to our directors and corporate governance is incorporated herein by reference to the sections entitled ''Proposal Number 1: Election of Directors'' and ''Corporate Governance and Board Matters'' in our definitive Proxy Statement for the 2022 Annual Meeting of Stockholders (''Proxy Statement''). The information required by this item with respect to our executive officers is incorporated herein by reference to the section entitled ''Executive Officer Information'' in the Proxy Statement.

We have adopted a Code of Business Conduct and Ethics applicable to all our directors, officers and employees, including the principal executive officer, principal financial officer and principal accounting officer. In addition, we have adopted Corporate Governance Guidelines for the Board of Directors and Charters for the Audit, Compensation and Nominating and Corporate Governance Committees of the Board of Directors. The current version of these corporate governance documents is publicly available in the ''Investors'' section of our website at matrixservicecompany.com under ''Corporate Governance.'' If we make any substantive amendments to the Code of Business Conduct and Ethics, or grant any waivers, including implicit waivers, from the Code of Business Conduct and Ethics applicable to the principal executive officer, principal financial officer or principal accounting officer, or any person performing similar functions, we will disclose such amendment or waiver on our website or in a report on Form 8-K.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the sections entitled ''Director Compensation,'' ''Compensation Discussion and Analysis'' and ''Executive Officer Compensation'' in the Proxy Statement.

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

The information required by this item is incorporated herein by reference to the sections entitled ''Securities Authorized for Issuance Under Executive Compensation Plans'' and ''Security Ownership of Certain Beneficial Owners and Management'' in the Proxy Statement.

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

The information required by this item is incorporated herein by reference to the section entitled ''Corporate Governance and Board Matters'' and ''Certain Relationships and Related Transactions'' in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference to the sections entitled ''Fees of Independent Registered Public Accounting Firm'' and ''Audit Committee Pre-Approval Policy'' in the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Financial Statements of the Company

The following financial statements and supplementary data are filed as a part of this report under ''Item 8—Financial Statements and Supplementary Data'' in this Annual Report on Form 10-K:

Financial Statements of the Company

(2) Financial Statement Schedules

The financial statement schedule is filed as a part of this report under Schedule II—Valuation and Qualifying Accounts June 30, 2022, June 30, 2021 and June 30, 2020, immediately following Notes to Consolidated Financial Statements. All other schedules are omitted because they are not applicable or the required information is shown in the financial statements, or notes thereto, included herein.

(3) The following documents are included as exhibits to this Annual Report on Form 10-K. The exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical hereafter.

3.1 Amended and Restated Certificate of Incorporation of Matrix Service Company (Appendix A to the Company's Proxy Statement filed October 7, 2016.

3.2 Second Amended and Restated Bylaws, effective as of May 4, 2017 (Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed May 10, 2017).

4.1 Description of the Company's Common Stock (Exhibit 4.2 to the Company's Annual Report on Form 10-K filed September 4, 2019).

+10.1 Matrix Service Company 2004 Stock Incentive Plan (Appendix B to the Company's Proxy Statement filed September 15, 2006).

+10.2 Amendment 1 to Matrix Service Company 2004 Stock Incentive Plan (Exhibit 10 to Amended Schedule 14A filed October 4, 2006).

+10.3	Amendment 2 to Matrix Service Company 2004 Stock Incentive Plan (Exhibit 10.6 to the Company's Annual Report on Form 10-K filed August 5, 2008).
+10.4	Amendment 3 to Matrix Service Company 2004 Stock Incentive Plan (Exhibit A to the Company's Proxy Statement filed September 11, 2009).
+10.5	Matrix Service Company 2016 Stock and Incentive Compensation Plan (Appendix B to the Company's Proxy Statement, filed October 7, 2016).
+10.6	Form of Restricted Stock Unit Award Agreement for Directors (2016 Stock and Incentive Compensation Plan) (Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed February 9, 2017).
+10.7	Form of Long-Term Incentive Award Agreement (2016 Stock and Incentive Compensation Plan) (Exhibit 10.11 to the Company's Annual Report on Form 10-K/A, filed September 19, 2018).
+10.8	Matrix Service Company 2018 Stock and Incentive Compensation Plan (Appendix A to the Company's Proxy Statement, filed September 21, 2018).
+10.9	Form of Restricted Stock Unit Award Agreement for Directors (2018 Stock and Incentive Compensation Plan) (Exhibit 10 to the Company's Quarterly Report on Form 10-Q, filed November 8, 2018).
+10.10	Form of Restricted Stock Unit Agreement for Employees (2018 Stock and Incentive Compensation Plan) (Exhibit 10.14 to the Company's Annual Report on Form 10-K, filed September 3, 2020).
+10.11	Form of Long-Term Incentive Award Agreement (2018 Stock and Incentive Compensation Plan) (Exhibit 10.15 to the Company's Annual Report on Form 10-K, filed September 3, 2020).
+10.12	Form of Amended and Restated Severance Agreement (Exhibit 10 to the Company's Current Report on Form 8-K filed November 15, 2016).
+10.13	Amended and Restated Deferred Compensation Plan for Members of the Board of Directors (Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed January 8, 2009).
+10.14	Amendment 1 to Amended and Restated Deferred Compensation Plan for Members of the Board of Directors (Exhibit 10 to the Company's Quarterly Report on Form 10-Q filed November 9, 2012).
+10.15	Matrix Service Company 2020 Stock and Incentive Compensation Plan (Appendix A to the Company's Proxy Statement filed on September 24, 2020)..
+10.16	Form of Long-Term Incentive Award Agreement (2020 Stock and Incentive Compensation Plan) (Exhibit 10.16 to the Company's Annual Report on Form 10-K filed September 13, 2021).
+10.17	Form of Restricted Stock Unit Award Agreement (2020 Stock and Incentive Compensation Plan) (Exhibit 10.17 to the Company's Annual Report on Form 10-K filed September 13, 2021).
+10.18	Form of Indemnification Agreement (Exhibit 10 to the Company's Quarterly Report on Form 10-Q filed November 7, 2019).
10.19	Credit Agreement dated as of September 9, 2021 by and among, Matrix Service Company and certain subsidiaries thereof, certain financial institutions as lenders, and Bank of Montreal, as administrative agent (Exhibit 10.19 to the Company's Annual Report on Form 10-K filed September 13, 2021).

+10.20	Amended and Restated Matrix Service Company 2021 Severance Plan for Executives (Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed May 10, 2022).
*10.21	Purchase and Sale Agreement dated June 9, 2022 by and between Matrix Service, Inc. and Pisces Logistics Acquisition LLC.
*21	Subsidiaries.
*23	Consent of Independent Registered Public Accounting Firm—Deloitte & Touche LLP.
*31.1	Certification Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002—CEO.
*31.2	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002—CFO.
*32.1	Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002)—CEO.
*32.2	Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002)—CFO.
*95	Mine Safety Disclosure.
*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101.SCH	XBRL Taxonomy Schema Document.
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
*101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

\+ Management Contract or Compensatory Plan.

Item 16. Form 10-K Summary

None

SIGNATURES

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

Matrix Service Company

Date : October 11, 2022

By: ______________________________

John R. Hewitt, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
Jim W. Mogg	Chairman of the Board of Directors	October 11, 2022
John R. Hewitt	President, Chief Executive Officer and Director (Principal Executive Officer)	October 11, 2022
Kevin S. Cavanah	Vice President and Chief Financial Officer (Principal Accounting and Principal Financial Officer)	October 11, 2022
Jose L. Bustamante	Director	October 11, 2022
Martha Z. Carnes	Director	October 11, 2022
John D. Chandler	Director	October 11, 2022
Carlin G. Conner	Director	October 11, 2022
Liane K. Hinrichs	Director	October 11, 2022
James H. Miller	Director	October 11, 2022

EXHIBIT 21

Matrix Service Company

Subsidiaries

Matrix Service Inc., an Oklahoma corporation

Matrix Service Canada ULC, an Alberta, Canada unlimited liability corporation

Matrix North American Construction, Inc., an Oklahoma corporation

Matrix North American Construction, Ltd., a Canadian corporation

Matrix North American Construction, LLC, a Delaware limited liability company

Matrix SME Canada, Inc., a Delaware corporation

Matrix SME Canada ULC, a Nova Scotia, Canada unlimited liability corporation

Matrix PDM Engineering, Inc., a Delaware corporation

Matrix PDM, LLC, an Oklahoma limited liability company

Matrix Applied Technologies, Inc., a Delaware corporation

Matrix International Holding Company, Ltd., a British corporation

Matrix Applied Technologies, Ltd., a South Korean corporation

Matrix Applied Technologies, Pty. Ltd., an Australian corporation

River Consulting, LLC, a Louisiana limited liability company

Matrix Products and Services S. de R.L. de C.V., a Mexican limited liability variable stock corporation

Matrix Service VI, LLC, a U.S. Virgin Island limited liability company

Mobile Aquatic Solutions, Inc., an Oklahoma corporation

MSI Federal Contracting, LLC, a Delaware limited liability company

Devco USA, LLC, an Oklahoma limited liability company

Houston Dynamics, LLC, a Qatar limited liability company

Matrix Service International, LLC, a Delaware limited liability company

Matrix Applied Technologies FZ-LLC, a UAE free zone company

Matrix Applied Technologies Pte Ltd, a Singapore limited company

Matrix PDM Engineering Ltd., a Nova Scotia limited company

Matrix Engineering & Technical Solutions, LLC, a Delaware limited liability company

Matrix Project Services, LLC, a Delaware limited liability company

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Exhibit 31.1

CERTIFICATIONS

I, John R. Hewitt, certify that:

1. I have reviewed this Annual Report on Form 10-K of Matrix Service Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 11, 2022

John R. Hewitt
President and Chief Executive Officer

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Exhibit 31.2

CERTIFICATIONS

I, Kevin S. Cavanah, certify that:

1. I have reviewed this Annual Report on Form 10-K of Matrix Service Company;

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

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

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

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

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

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

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

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

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

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

Date: October 11, 2022

Kevin S. Cavanah
Vice President and Chief Financial Officer

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EXHIBIT 32.1

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

In connection with the Annual Report of Matrix Service Company (the ''Company'') on Form 10-K for the period ending June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the ''Report''), I, John R. Hewitt, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

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

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

Date: October 11, 2022

John R. Hewitt
President and Chief Executive Officer

EXHIBIT 32.2

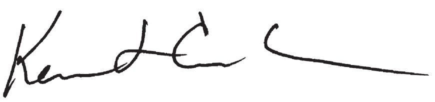
Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant
Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Matrix Service Company (the ''Company'') on Form 10-K for the period ending June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the ''Report''), I, Kevin S. Cavanah, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

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

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

Date: October 11, 2022



Kevin S. Cavanah
Vice President and Chief Financial Officer

BOARD OF DIRECTORS

Jim W. Mogg
Board Chair

John R. Hewitt
President and
Chief Executive Officer

Jose L. Bustamante
Director

Martha Z. Carnes
Chair of Audit Committee

John D. Chandler
Chair of Compensation
Committee

Carlin G. Conner
Director

Liane K. Hinrichs
Chair of Nominating
and Corporate Governance
Committee

James H. Miller
Director

EXECUTIVE OFFICERS

John R. Hewitt
President and
Chief Executive Officer

Kevin S. Cavanah
Vice President and
Chief Financial Officer

Alan R. Updyke
Vice President and Chief Operating
Officer and Interim President, Matrix NAC

Nancy E. Austin
Vice President and
Chief Administrative Officer

Rick J. Bennett
Vice President and
Chief Information Officer

Kevin A. Durkin
Vice President and Chief Business
Development and Strategy Officer

Justin D. Sheets
Vice President, General Counsel
and Corporate Secretary

Shawn P. Payne
President,
Matrix Service

Glyn A. Rodgers
President,
Matrix PDM Engineering

MATRIX SERVICE COMPANY

MATRIX SERVICE COMPANY

NASDAQ: MTRX