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 September 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______.

Commission file number: 001-38479

CONSTRUCTION PARTNERS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-0758017**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

290 Healthwest Drive, Suite 2
Dothan, Alabama 36303
(Address of Principal Executive Offices) (ZIP Code)
(334) 673-9763
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A common stock, par value $0.001	ROAD	The Nasdaq Stock Market LLC (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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant 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 Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold on March 31, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was $315,307,621.

As of December 9, 2020, the registrant had33,875,884 shares of Class A common stock, par value $0.001, and17,905,861 shares of Class B common stock, par value $0.001, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the registrant's fiscal year ended September 30, 2020 in connection with the registrant's 2021 annual meeting of stockholders are incorporated by reference into Part III of this report.

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Cautionary Statement Regarding Forward-Looking Statements

This report contains forward-looking statements that involve risks and uncertainties, such as statements related to future events, business strategy, future performance, future operations, backlog, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek,” “anticipate,” “plan,” “continue,” “estimate,” “expect,” “may,” “will,” “project,” “predict,” “potential,” “target,” “intend,” “could,” “might,” “should,” “believe,” “outlook” and similar expressions or their negative. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on management’s belief, based on currently available information, as to the outcome and timing of future events. These statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed in such forward-looking statements. When evaluating forward-looking statements, you should consider the risk factors and other cautionary statements described below under the heading “Risk Factors.” We believe that the expectations reflected in the forward-looking statements contained in this report are reasonable, but no assurance can be given that these expectations will prove to be correct. Important factors that could cause actual results or events to differ materially from those expressed in forward-looking statements include, but are not limited to:

- declines in public infrastructure construction and reductions in government funding, including the funding by transportation authorities and other state and local agencies;
- risks related to our operating strategy;
- competition for projects in our local markets;
- risks associated with our capital-intensive business;
- a pandemic, such as the pandemic related to the novel strain of coronavirus known as COVID-19 (“COVID-19”), and the measures that federal, state and local governments take to address it, which may exacerbate one or more of the risks mentioned herein and significantly disrupt or prevent us from operating our business for an extended period;
- government inquiries, requirements and initiatives, including those related to funding for public infrastructure construction, land usage, environmental, health and safety matters, and governmental contracting requirements and other laws and regulations;
- unfavorable economic conditions and restrictive financing markets;
- our ability to successfully identify, manage and integrate acquisitions;
- our ability to obtain sufficient bonding capacity to undertake certain projects;
- our ability to accurately estimate the overall risks, requirements or costs when we bid on or negotiate contracts that are ultimately awarded to us;
- the cancellation of a significant number of contracts or our disqualification from bidding for new contracts;
- risks related to adverse weather conditions;
- our substantial indebtedness and the restrictions imposed on us by the terms thereof;
- our ability to maintain favorable relationships with third parties that supply us with equipment and essential supplies;
- our ability to retain key personnel and maintain satisfactory labor relations;
- property damage and other claims and insurance coverage issues;
- the outcome of litigation or disputes, including employment-related, workers’ compensation and breach of contract claims;
- risks related to our information technology systems and infrastructure, including cybersecurity incidents;
- our ability to maintain effective internal control over financial reporting; and
- other events outside of our control.

These factors are not necessarily all of the important factors that could cause actual results or events to differ materially from those expressed in forward-looking statements. Other unknown or unpredictable factors could also cause actual results or events to differ materially from those expressed in the forward-looking statements. Our future results will depend upon various other risks and uncertainties, including those described under the heading “Risk Factors.” All forward-looking statements attributable to us are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date hereof. We undertake no obligation to update or revise any forward-looking statements after the date on which any such statement is made, whether as a result of new information, future events or otherwise, except as required by law.

PART I

Item 1. Business

Overview

We are a civil infrastructure company that specializes in the construction and maintenance of roadways across Alabama, Florida, Georgia, North Carolina and South Carolina. Through our wholly owned subsidiaries, we provide a variety of products and services to both public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports, and commercial and residential developments. Consistent with our vertical integration strategy, our primary operations consist of (i) manufacturing and distributing hot mix asphalt ("HMA") for both internal use and sales to third parties in connection with construction projects, (ii) paving activities, including the construction of roadway base layers and application of asphalt pavement, (iii) site development, including the installation of utility and drainage systems, (iv) mining aggregates, such as sand and gravel, that are used as raw materials in the production of HMA, and (v) distributing liquid asphalt cement for both internal use and sales to third parties in connection with HMA production.

Construction Partners, Inc. was formed as a Delaware corporation in 2007 as a holding company for its wholly owned subsidiary, Construction Partners Holdings, Inc., to facilitate an acquisition growth strategy in the HMA paving and construction industry. On December 31, 2019, Construction Partners Holdings, Inc. merged with and into Construction Partners, Inc., with Construction Partners, Inc. surviving the merger.

As used in this report, the terms "Company," "we," "our" and "us" refer to Construction Partners, Inc. and its subsidiaries, except when the context requires that those terms mean only the parent company or a particular subsidiary.

2020 Fiscal Year Developments

- *Florida Acquisitions.* We completed two acquisitions in Florida during the fiscal year, resulting in the addition of three HMA plants in Pensacola, DeFuniak Springs and Palm City, Florida. Both acquired businesses were located near or adjacent to markets in which we had preexisting operations and have benefited from those geographic synergies. These acquisitions have allowed us to serve new markets in central Florida and the western Florida panhandle.

- *Amendment to Credit Agreement.* On July 30, 2020, we entered into an Amended and Restated Credit Agreement with BBVA USA ("BBVA") and certain other lenders party thereto, which amended and restated our preexisting credit agreement (as amended and restated, the "Credit Agreement"). The Credit Agreement provides for a term loan (the "Term Loan") and a revolving credit facility (the "Revolving Credit Facility"). The July 2020 amendment and restatement, among other things, increased the aggregate amount of the lender commitments under the Revolving Credit Facility and the Term Loan and made certain other amendments and modifications to the terms of the Credit Agreement, including with respect to interest rate and our schedule for repayment of indebtedness thereunder. For more information about the Credit Agreement, see Note 11 - Debt to our consolidated financial statements included elsewhere in this report.

- *COVID-19.* We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including its impact on our customers, employees, suppliers, and vendors. We did not incur significant disruptions from COVID-19 during the fiscal year ended September 30, 2020, as road construction has been designated a "critical infrastructure" industry and an "essential business" in each state within our footprint, which has allowed us to continue to operate without significant delays related to state and local shelter-in-place orders. However, due to the uncertainties surrounding the COVID-19 pandemic, we are unable to predict the impact that COVID-19 will have on our financial position, operating results and cash flows in future periods. We continue to monitor risks to our business and to funding levels for transportation infrastructure arising from increasing transmission rates of COVID-19 and measures adopted by governmental and healthcare authorities to mitigate the impact of the pandemic, as further described in Item 1A. Risk Factors, included elsewhere in this report.

Our Industry

We operate in the large and growing highway and road construction industry and specifically within the asphalt paving materials and services segment. Asphalt paving mix is the most common roadway material used today due to its cost effectiveness, durability and reusability, and minimized traffic disruption during paving, as compared to concrete. Recent growth in our industry has been driven by federal, state and local Department of Transportation ("DOT") budgets, which annually earmark amounts for transportation and infrastructure spending. The federal Fixing America's Surface Transportation Act (the "FAST Act"), which was signed into law in 2015, provided funding for surface transportation infrastructure through September 30, 2020, and a continuing resolution approved in October 2020 extended the FAST Act surface transportation programs by one year and added $13.6 billion to the federal Highway Trust Fund. In addition, certain states within our markets have in recent years approved legislation that supports funding for construction of local road, bridge and transit projects. The non-discretionary nature of highway and road construction services and materials supports stable and consistent industry funding.

Projects and Customers

We provide construction products and services to both public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports, and commercial and residential sites in the southeastern United States. We provide a wide range of large sitework construction, including site development, paving, and utility and drainage systems construction, and supply the HMA required for the projects. Our projects consist of both new construction and maintenance services. Publicly and privately funded projects accounted for approximately 65.3% and 34.7%, respectively, of our fiscal 2020 construction contract revenues. Our public customers include federal agencies, state DOTs and local municipalities. Our private clients include commercial and residential developers and businesses.

Our largest customers are state DOTs. For the fiscal year ended September 30, 2020, the Alabama DOT and the North Carolina DOT accounted for 11.6% and 7.8% of our revenues, respectively. Other than the Alabama DOT, no other customer accounted for more than 10% of our revenues for such periods, and projects performed for all DOTs accounted for 32.5% of our revenues. Our 25 largest projects accounted for22.0% of our revenues for the fiscal year ended September 30, 2020.

Types of Contracts

Our public customer contracts are primarily fixed unit price contracts. Pricing on a fixed unit price contract is typically based on approved quantities. Our private customer contracts are primarily fixed total price contracts, also known as lump sum contracts, which require that the total amount of work be performed for a single price. We also occasionally enter into design-build contracts, which generally are performed under fixed total price contracts. For the majority of our contracts, we receive our final payment upon completion and final acceptance of the services that we were contracted to perform and delivery of the necessary contract closing documents, and our obligations to the owner are complete at that point. For some contracts, we are required to furnish a warranty on our construction. These warranties, when required, are usually one year in length, but can extend up to three years according to the owners' specifications. Historically, warranty claims have not been material to our business.

Contract Management

We identify potential contracts through a variety of sources, including: (i) subscriber services that consolidate and alert us to contracts open for bidding; (ii) posted solicitations by federal, state and local governmental entities through agency websites, disclosure of long-term infrastructure plans or advertising and other general solicitations; (iii) our business development efforts; and (iv) communications with other participants in our industry. We consider several factors that can create variability in contract performance and our financial results compared to our bid assumptions and methodologies on a contract. As a result, after determining the potential contracts that are available, we decide which contracts to pursue based on a non-exclusive list of factors, which include relevant skills required by the contract, the contract size and duration, availability of our personnel and equipment, size and makeup of our current contract backlog, our competitive advantages and disadvantages, our prior experience, the contracting agency or customer, the source of contract funding, the geographic location, the likely competition, the construction risks, the gross margin opportunities, the penalties or incentives and the type of contract.

To ensure the completeness and accuracy of our original bid analysis, the bid preparation for potential projects typically involves three phases.

- *Phase One*: We review the plans and specifications of the project so that we can identify (i) the various types of work involved and related estimated materials, (ii) the contract duration and schedule, and (iii) any unique or risky aspects of the project.
- *Phase Two*: We estimate the cost and availability of labor, materials and equipment, subcontractors and the project team required to complete the contract in accordance with the plans, specifications and construction schedule. Substantially all of our estimates are made on a per-unit basis for each bid item, with the typical contract containing 50 to 200 bid items.
- *Phase Three*: Management conducts a detailed review of the estimate. This review includes an analysis of assumptions regarding (i) cost, approach, means and methods of completing the project, (ii) staffing and productivity and (iii) risk. After concluding this detailed review of the cost estimate, management determines the appropriate profit margin to calculate the total bid amount. This profit amount varies according to management's perception of the degree of difficulty of the contract, the existing competitive climate, and the size and makeup of our contract backlog. Throughout this process, we work closely with our project managers so that all issues concerning a contract, including any risks, can be better understood and addressed as appropriate.

To ensure that subcontracting costs used in submitting bids for construction contracts do not change, we obtain firm quotations from our subcontractors before submitting a bid. Also, to mitigate the risk of material price changes, we obtain "not to exceed" quotations from our suppliers, which, for projects of longer duration, usually contain price escalator provisions. These quotations typically include quantity guarantees that are tied to our prime contract. We have no obligation for materials or subcontract services beyond those required to complete the respective contracts that we are awarded for which quotations have been provided.

After a contract has been awarded and during the construction phase, we monitor our progress by comparing actual costs incurred and quantities completed to date with budgeted amounts and the project schedule. We review our estimate of total forecasted revenue, cost and expected profit for each contract monthly.

During the normal course of some projects, we or our customer may initiate modifications or changes to the original contract to reflect, among other things, changes in quantities, specifications or design, method or manner of performance, facilities, materials, site conditions and period for completion of the work. Generally, the scope and price of these modifications are documented in a “change order” to the original contract and reviewed, approved and paid for in accordance with the normal change order provisions of the contract. Occasionally, we are asked to perform extra or change order work as directed by the customer even if the customer has not agreed in advance on the scope or price of the work to be performed. This process may result in disputes over whether the work performed is beyond the scope of the work included in the original contract plans and specifications or, even if the customer agrees that the work performed qualifies as extra work, the price that the customer is willing to pay for the extra work. These disputes may not be settled to our satisfaction. Even when the customer agrees to pay for the extra work, we may be required to fund the cost of such work for an extended period of time until the change order is approved and funded by the customer. In addition, any delay caused by the extra work may adversely impact the timely scheduling of other work on the contract (or on other contracts) and our ability to meet contract milestone dates. Historically, we have been successful at managing the impacts caused by change orders, and change orders have not had a material adverse effect on our business.

Most of our contracts with governmental agencies provide for termination at the convenience of the customer, with requirements to pay us for work performed through the date of termination. The termination of a government contract for the convenience of the customer is an extremely rare occurrence. Many of our contracts contain provisions that require us to pay liquidated damages if specified completion schedule requirements are not met. Historically, we have not been materially adversely affected by liquidated damages provisions.

We act as prime contractor on most of our construction projects. As prime contractor, we are responsible for the performance of the entire contract, including subcontract work. To manage the risk of non-performance by our subcontractors, we typically require the subcontractor to furnish a bond or other type of security to guarantee its performance and/or we retain payments in accordance with contract terms until their performance is complete. Disadvantaged business enterprise regulations require us to use our good faith efforts to subcontract a specified portion of contract work done for governmental agencies to certain types of disadvantaged contractors or suppliers.

Contract Backlog

At September 30, 2020, our contract backlog was $608.1 million, compared to $531.6 million at September 30, 2019. Contract backlog is a financial measure that generally reflects the dollar value of work that the Company expects to perform in the future. Although contract backlog is not a term recognized under generally accepted accounting principles in the United States (“GAAP”), it is a common measure used in our industry. We generally include a construction project in our contract backlog at the time it is awarded and to the extent we believe funding is probable. Our backlog generally consists of uncompleted work on contracts in progress and contracts for which we have executed a contract but have not commenced the work. For uncompleted work on contracts in progress, we include (i) executed change orders, (ii) pending change orders for which we expect to receive confirmation in the ordinary course of business and (iii) claims that we have made against our customers for which we have determined we have a legal basis under existing contractual arrangements and as to which we consider collection to be probable. Backlog of uncompleted work on contracts under which work was either in progress or had not yet begun was $469.7 million and $481.1 million at September 30, 2020 and 2019, respectively.

Our backlog also includes low bid/no contract jobs, which consist of (i) public bid jobs for which we were the low bidder and no contract has been executed and (ii) private work jobs for which we have been notified that we are the low bidder or have been given a notice to proceed, but no contract has been executed. Low bid/no contract backlog was $138.4 million and $50.5 million at September 30, 2020 and 2019, respectively. At September 30, 2020, we expected approximately 90% of our contract backlog to be completed during the next 12 months.

Certain customer contracts contain options that are exercisable at the discretion of our customer to award additional work to us, without requiring us to go through an additional competitive bidding process. In addition, some customer contracts also contain task orders that are signed under master contracts pursuant to which we perform work only when the customer awards specific task orders to us. Awarded contracts that include unexercised contract options and unissued task orders are included in contract backlog to the extent that such options are exercised or the issuance of such task orders is probable.

Substantially all of the contracts in our contract backlog, as well as unexercised contract options and unissued task orders, may be canceled or modified at the election of the customer. Historically, we have not experienced material amounts of contract cancellations or modifications. Many projects are added to our contract backlog and completed within the same fiscal year and therefore may not be reflected in our beginning or year-end contract backlog. Contract backlog does not include external sales of HMA, aggregates, and liquid asphalt cement.

Insurance and Bonding

We maintain general and excess liability, property, workers’ compensation and medical insurance, all in amounts consistent with industry practice.

In the ordinary course of our business, we are required to provide various types of surety bonds that provide an additional measure of security to the customer for our performance under certain public and private sector contracts. Our ability to obtain surety bonds depends on our capitalization, working capital, past performance, management expertise and external factors, including the capacity of the overall surety market. Surety companies consider such factors in light of the amount of our contract backlog that we have bonded and their underwriting standards. The capacity of the surety market is subject to market-based fluctuations driven primarily by the level of surety industry losses and the degree of surety market consolidation.

Competition

We compete against multiple competitors in many of the markets in which we operate. Competition is constrained in our industry because participants are limited by the distance that materials can be efficiently transported, resulting in a fragmented market with thousands of participants nationwide, many of which are local or regional operators. Our competitors typically range from small, family-owned companies focused on a single material, product or market to multinational corporations that offer a wide array of construction materials, products and paving and related services. Factors influencing our competitiveness include price, estimating abilities, knowledge of local markets and conditions, project management, financial strength, reputation for quality, aggregate materials availability, and machinery and equipment. We believe that we are well-positioned to compete effectively in the markets in which we operate.

Seasonality

The activity of our business fluctuates due to seasonality because our business is primarily conducted outdoors. Therefore, seasonal changes and other weather-related conditions, in particular extended snowy, rainy or cold weather in the winter, spring or fall and major weather events, such as hurricanes, tornadoes, tropical storms and heavy snows, can adversely affect our business and operations through a decline in both the use of our products and the demand for our services. In addition, construction materials production and shipment levels follow activity in the construction industry, which typically occurs in the spring, summer and fall. Warmer and drier weather during our third and fourth fiscal quarters typically result in higher activity and revenues during those quarters. Our first and second fiscal quarters typically have lower levels of activity due to adverse weather conditions. Our third fiscal quarter varies greatly with spring rains and wide temperature variations. A cool, wet spring increases drying time on projects, which can delay sales in the third fiscal quarter, while a warm, dry spring may facilitate earlier project commencement dates.

Sources and Availability of Raw Materials

We purchase raw materials, including, but not limited to, diesel fuel, liquid asphalt, other petroleum-based resources, sand and rock from numerous sources. With few exceptions, we do not enter into long-term agreements to purchase raw materials. We receive quotes from suppliers, most with a “not to exceed” price for the quoted product over the life of a project. In the HMA production process, components of a mix include virgin aggregates, such as sand and rock, liquid asphalt, and reclaimed asphalt pavement (“RAP”). We are able to internally supply RAP, a byproduct of asphalt resurfacing projects, to all of our HMA plants, and virgin aggregates in some of our market areas. The majority of our HMA plants sit in or near suppliers’ rock quarries, thereby reducing the hauling cost of material to our plant. The price and availability of raw materials may vary from year to year due to market conditions and production capacities. We do not expect a lack of availability of any raw materials over the next 12 months.

Government and Environmental Regulations

Our operations are subject to stringent and complex federal, state and local laws and regulations governing the environmental, health and safety aspects of our operations or otherwise relating to environmental protection. These laws and regulations impose numerous obligations and limitations on our operations, including:

- requirements to obtain a permit or other approval before conducting regulated activities;
- restrictions on the types, quantities and concentration of materials that can be released into the environment;
- limitation or prohibition of activities on certain lands lying within wilderness, wetlands, and other protected areas;
- requirements to comply with specific health and safety criteria addressing worker protection; and
- the imposition of substantial liabilities for pollution resulting from our operations.

Such federal laws include (i) the Resource Conservation and Recovery Act, the Pollution Prevention Act and the Comprehensive Environmental Response, Compensation and Liability Act, governing solid and hazardous waste management, (ii) the Clean Air Act and the Clean Water Act, protecting air and water resources, and (iii) the Emergency Planning and Community Right-to-Know Act and Toxic Substances Control Act, governing the management of hazardous materials, in addition to analogous state laws. Numerous governmental authorities, such as the Environmental Protection Agency and corresponding state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them. Such enforcement actions often involve difficult and costly compliance measures or corrective actions. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties, compensatory damages, the imposition of investigatory or remedial obligations, and the issuance of orders limiting or prohibiting some or all of our operations. In addition, we may experience delays in obtaining, or be unable to obtain, required permits, which may delay or interrupt our operations and limit our growth and revenue.

Certain environmental laws impose strict liability (i.e., no showing of "fault" is required) as well as joint and several liability for costs required to remediate and restore sites where hazardous substances, hydrocarbons or solid wastes have been stored or released. We may be required to remediate contaminated properties currently or formerly owned or operated by us, regardless of whether such contamination resulted from the conduct of others or from the consequences of our own actions that complied with applicable laws at the time those actions were taken. In connection with certain acquisitions, we could assume, or be required to provide indemnification against, environmental liabilities that could expose us to material losses. Furthermore, the existence of contamination at properties we own, lease or operate could result in increased operational costs or restrictions on our ability to use those properties as intended, including for mining purposes.

In certain instances, citizen groups also have the ability to bring legal proceedings against us if we are not in compliance with environmental laws, or to challenge our ability to receive environmental permits that we need to operate. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of our operations. Our insurance may not cover all environmental risks and costs or may not provide sufficient coverage if an environmental claim is made against us. Moreover, public interest in the protection of the environment has increased dramatically in recent years. The trend of more expansive and stringent environmental legislation and regulations applied to the construction industry could continue, resulting in increased costs of doing business and consequently affecting profitability.

We have incurred, and may in the future incur, significant capital and operating expenditures to comply with such laws and regulations. To the extent that laws are enacted or other governmental action is taken that restricts our operations or imposes more stringent and costly operating, waste handling, disposal and cleanup requirements, our business, prospects, financial condition or results of operations could be materially adversely affected.

We regularly monitor and review our operations, procedures, and policies for compliance with our operating permits and related laws and regulations. We believe that our operations and facilities, whether owned or leased, are in substantial compliance with applicable environmental laws and regulations and that any existing non-compliance is not likely to have a material adverse effect on our operations or financial condition.

Industrial operations, including equipment maintenance and storage, asphalt manufacturing and processing, underground storage tank usage, and other storage and use of hazardous materials and petroleum products, are conducted at our facilities, and in some cases, have been conducted at our facilities for more than 50 years. While we have conducted our operations in substantial compliance with applicable environmental laws, we have, from time to time, identified contamination associated with these activities at certain of our facilities. We have incurred costs in connection with the investigation and remediation of hazardous substances and petroleum products identified at several facilities, and investigation and remediation activities are ongoing at others. We may also become subject to similar liabilities in connection with prior and future acquisitions. We do not believe that liabilities associated with known or potential contamination at any of our facilities will have a material adverse effect on our operations or financial condition.

Employees and Human Capital Resources

As of September 30, 2020, we employed 646 salaried employees and 1,643 hourly employees. The total number of hourly personnel at a given time is subject to the volume of projects in progress and fluctuates on a seasonal basis. During fiscal year 2020, the number of hourly employees ranged from 1,605 to 1,678 employees and averaged 1,645 employees. We are not subject to any collective bargaining agreements with respect to any of our employees. We believe that we have strong relationships with our employees.

Our business depends on a readily available supply of management, supervisory and field personnel. Attracting, training and retaining key personnel has been and will remain critical to our success. Through the use of our management information systems, on-the-job training, and educational seminars, employees are trained to understand the importance of project execution. We place additional focus on training related to estimating, project management and project cost control. Our crews typically specialize in a specific phase of construction, such as grading or paving, with each crew member assigned to a specific task in order to maximize daily production. A core tenet of our organizational philosophy is to promote from within and offer advancement opportunities at all levels of employment, which helps us retain talented employees. Moreover, we proactively recruit additional talent in both conventional and creative manners to fill open positions when promoting internally is not an option. Like others in our industry, we experience some recurring employee turnover; however, we historically have been able to attract sufficient numbers of personnel to support the growth of our operations. Nonetheless, we continue to face competition for experienced workers in all of our markets.

We place a great emphasis on the safety of the public, our customers and our employees. To that end, we conduct extensive safety training programs, which have allowed us to maintain a high safety level at our worksites. All newly-hired employees undergo an initial safety orientation, and for certain types of projects and processes, we conduct specific hazard training programs. Our project foremen and superintendents conduct on-site safety meetings, and our full-time safety inspectors make random site safety inspections and perform assessments. In addition, certain operational employees are required to complete a safety course approved by the Occupational Safety and Health Administration ("OSHA") or the Mine Safety and Health Administration ("MSHA"), as applicable. Moreover, we promote a culture of safety by encouraging employees to immediately correct and report all unsafe conditions.

Website Information

The Company maintains a website at www.constructionpartners.net. Certain corporate governance information, filings with the Securities and Exchange Commission (the "SEC") and other information of potential interest to our stockholders are available free of charge through the "Investors" page of the Company's website. These include, for example, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K 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 (the "Exchange Act"). These documents are made available as soon as reasonably practicable after they are filed with, or furnished to, the SEC. Information on, or accessible through, the Company's website is not part of or incorporated into this Annual Report on Form 10-K. We have included the website address only as an inactive textual reference and do not intend for it to be an active link to the website. We will provide electronic or paper copies of our periodic and current reports to stockholders free of charge upon written request to: Construction Partners, Inc., Attention: Corporate Secretary, 290 Healthwest Drive, Suite 2, Dothan, Alabama 36303. In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding us and other issuers that file electronically with the SEC.

Item 1A. Risk Factors.

An investment in our Class A common stock involves risks. You should carefully read and consider the following risks, as well as all of the other information contained in this report, before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. As a result, the trading price of our Class A common stock could decline, and you could lose all or part of your investment. The risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently consider immaterial also may adversely affect us.

Risks Related to our Business

A significant slowdown or decline in economic conditions, particularly in the southeastern United States, could adversely impact our results of operations.

We currently operate in Alabama, Florida, Georgia, North Carolina and South Carolina. A significant slowdown or decline in economic conditions or uncertainty regarding the economic outlook in the United States generally, or in any of these states particularly, could reduce demand for infrastructure projects. Demand for infrastructure projects depends on overall economic conditions, the need for new or replacement infrastructure, the priorities placed on various projects funded by governmental entities and federal, state and local government spending levels. In particular, low tax revenues, credit rating downgrades, budget deficits and financing constraints, including timing and amount of federal funding and competing governmental priorities, could negatively impact the ability of government agencies to fund existing or new public infrastructure projects. In addition, any instability in the financial and credit markets could negatively impact our customers' ability to pay us on a timely basis, or at all, for work on projects already in progress, could cause our customers to delay or cancel construction projects in our contract backlog, and could create difficulties for customers to obtain adequate financing to fund new construction projects, including through the issuance of municipal bonds.

Our business depends on federal, state and local government spending for public infrastructure construction, and reductions in government funding could adversely affect our results of operations.

During the fiscal year ended September 30, 2020, we generated approximately 65.3% of our construction contract revenues from publicly funded construction projects at the federal, state and local levels. As a result, if publicly funded construction decreases due to reduced federal, state or local funding or otherwise, our financial condition, results of operations and liquidity could be materially adversely affected.

Federal highway bills provide spending authorizations that represent the maximum amounts available for federally funded construction projects. Each year, Congress passes an appropriation act establishing the amount that can be used for particular programs. The annual funding level is generally tied to receipts of highway user taxes placed in the federal Highway Trust Fund. Once Congress passes the annual appropriation, the federal government distributes funds to each state based on formulas or other procedures. States generally must spend these funds on the specific programs outlined in the federal legislation. In recent years, the Highway Trust Fund has faced insolvency as outlays have outpaced revenues. Annual shortfalls have been addressed primarily by short-term measures. As a result, we cannot be assured of the existence, timing or amount of future federal highway funding. Federal highway funding is also subject to uncertainties associated with congressional spending as a whole, including the potential impacts of budget deficits, government shutdowns and federal sequestration. Any reduction in federal highway funding, particularly in the amounts allocated to states in which we operate, could have a material adverse effect on our results of operations. While the incoming administration has announced an infrastructure stimulus plan, we cannot predict the impact, if any, that it or other proposed changes in law and regulations may have on our business.

Each state funds its infrastructure spending from specially allocated amounts collected from various state taxes, typically fuel taxes and vehicle fees, as well as from voter-approved bond programs. Shortages in state tax revenues can reduce the amount spent or delay expenditures on state infrastructure projects. Many states have experienced state-level funding pressures caused by lower tax revenues and an inability to finance approved projects. To address these pressures, some states have adopted measures to promote stable funding for infrastructure investment, including special-purpose taxes and increased fuel taxes. Any reduction in state infrastructure funding in the states in which we operate could have a material adverse effect on our results of operations.

We derive a significant portion of our revenues from state DOTs. The loss of our ability to competitively bid for certain projects or successfully contract with state DOTs could have a material adverse effect on our business.

Our largest customers are state DOTs. During the fiscal year ended September 30, 2020, the Alabama DOT and the North Carolina DOT accounted for 11.6% and 7.8% of our revenues, respectively, and projects performed for all DOTs accounted for 32.5% of our revenues. We believe that we will continue to rely on state DOTs for a substantial portion of our revenues for the foreseeable future. The loss or reduction of our ability to competitively bid for certain projects or successfully contract with a state DOT could have a material adverse effect on our financial condition, results of operation and liquidity. See Note 2 - Significant Accounting Policies, Concentration of Risks, to the consolidated financial statements included elsewhere in this report for information relating to concentrations of revenues by type of customer and for a description of our largest customers.

Government contracts generally are subject to a variety of governmental regulations, requirements and statutes, the violation or alleged violation of which could have a material adverse effect on our business.

Our contracts with governmental agencies are generally subject to specific procurement regulations, contract provisions and a variety of socioeconomic requirements relating to their formation, administration, performance and accounting and often include express or implied certifications of compliance. We may be subject to claims for civil or criminal fraud for actual or alleged violations of these governmental regulations, requirements or statutes. In addition, we may also be subject to *qui tam* litigation brought by private individuals on behalf of the government under the federal False Claims Act, which could include claims for treble damages. Further, if we fail to comply with any of these regulations, requirements or statutes, or if we have a substantial number of workplace safety violations, our existing government contracts could be terminated, and we could be suspended from government contracting or subcontracting, including federally funded projects at the state level. Even if we have not violated these regulations, requirements or statutes, allegations of violations or defending *qui tam* litigation could harm our reputation and require us to incur material costs to defend any such allegations or lawsuits. Any one or more of these events could have a material adverse effect on our financial condition, results of operations, cash flow and liquidity.

The cancellation of a significant number of contracts, our disqualification from bidding on new contracts and the unpredictable timing of new project opportunities could have a material adverse effect on our business.

Government contracts typically can be canceled at any time, with us receiving payment only for the work completed. The cancellation of an unfinished contract could result in lost revenues and cause our equipment to be idled for a significant period of time until other comparable work becomes available. In addition, we could be prohibited from bidding on certain government contracts if we fail to maintain qualifications required by those entities. For example, various laws, including those governing wages, benefits, overtime, working conditions, equal employment opportunity, affirmative action and drug testing, provide for mandatory suspension and/or debarment of contractors in certain circumstances involving violations of those laws. In addition, federal and state laws provide for discretionary suspension and/or debarment in certain circumstances, including as a result of being convicted of, or being found civilly liable for, fraud or a criminal offense in connection with obtaining, attempting to obtain or performing a public contract or subcontract. The scope and duration of any suspension or debarment may vary depending upon the facts of a particular case and the grounds for debarment. Finally, the timing of project awards is unpredictable and outside of our control. Project awards, including expansions of existing projects, often involve complex and lengthy negotiations and competitive bidding processes.

If we are unable to accurately estimate the overall risks, revenues or costs on our projects, we may incur contract losses or achieve lower profits than anticipated.

Pricing on fixed unit price contracts is based on approved quantities irrespective of our actual costs, and contracts with a fixed total price require that the work be performed for an agreed-upon price irrespective of our actual costs. We only generate profits on fixed unit price and fixed total price contracts when our revenues exceed our actual costs, which requires us to accurately estimate our costs, control our actual costs and avoid cost overruns. If our cost estimates are too low or if we do not perform the contract within our cost estimates, then cost overruns may cause us to incur a loss or cause the contract not to be as profitable as we expected. The costs incurred and profit realized, if any, on our contracts can vary, sometimes substantially, from our original projections due to a variety of factors, including, but not limited to:

- the failure to include materials or work in a bid, or the failure to estimate properly the quantities or costs needed to complete a fixed total price contract;
- delays caused by weather conditions or otherwise failing to meet scheduled acceptance dates;
- contract or project modifications or conditions creating unanticipated costs that are not covered by change orders;
- changes in the availability, proximity and costs of materials, including liquid asphalt cement, aggregates and other construction materials, as well as fuel and lubricants for our equipment;
- to the extent not covered by contractual cost escalators, variability in, and our inability to predict, the costs of diesel fuel, liquid asphalt and cement;
- the availability and skill level of workers;
- onsite conditions that differ from those assumed in the original bid;
- the failure by our suppliers, subcontractors, designers, engineers or customers to perform their obligations;
- fraud, theft or other improper activities by our suppliers, subcontractors, designers, engineers, customers or our own personnel;
- mechanical problems with our machinery or equipment;
- citations issued by a government authority, including OSHA or MSHA;
- difficulties in obtaining required government permits or approvals;
- changes in applicable laws and regulations;
- uninsured claims or demands from third parties for alleged damages arising from the design, construction or use and operation of a project of which our work is part; and
- public infrastructure customers seeking to impose contractual risk-shifting provisions that result in increased risks to us.

These and other factors may cause us to incur losses, which could have a material adverse effect on our financial condition, results of operations or liquidity.

Because our industry is capital-intensive and we have significant fixed and semi-fixed costs, our profitability is sensitive to changes in volume.

The property, plants and equipment needed to produce our products and provide our services can be very expensive. We must spend a substantial amount of capital to purchase and maintain such assets. Although we believe our current cash balance, along with our projected internal cash flows and available financing sources, will provide sufficient cash to support our currently anticipated operating and capital needs, if we are unable to generate sufficient cash to purchase and maintain the property, plants and equipment necessary to operate our business, or if the timing of payments on our receivables is delayed, we may be required to reduce or delay planned capital expenditures or to incur additional indebtedness. In addition, due to the level of fixed and semi-fixed costs associated with our business, particularly at our HMA production facilities, volume decreases could have a material adverse effect on our financial condition, results of operations or liquidity.

The success of our business depends, in part, on our ability to execute on our acquisition strategy, to successfully integrate acquired businesses and to retain key employees of acquired businesses.

Since our inception, we have acquired and integrated 23 complementary businesses, which have contributed significantly to our growth. We continue to evaluate strategic acquisition opportunities that have the potential to support and strengthen our business, including acquisitions in the southeastern United States, as part of our ongoing growth strategy. We cannot predict the timing or size of any future acquisitions. To successfully acquire a significant target, we may need to raise additional equity and/or incur additional indebtedness, which could increase our leverage level. There can be no assurance that we will be able to identify and complete acquisition transactions on favorable terms, or at all. The investigation of acquisition candidates and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments require substantial management time and attention and costs for accountants, attorneys and others. If we fail to complete any acquisition for any reason, including events beyond our control, the costs incurred up to that point for the proposed acquisition likely would not be recoverable.

Acquisitions typically require integration of the acquired company’s estimation, project management, finance, information technology, risk management, purchasing and fleet management functions. We may be unable to successfully integrate an acquired business into our existing business, and an acquired business may not be as profitable as we had expected or at all. Acquisitions involve risks that the acquired business will not perform as expected and that our expectations concerning the value, strengths and weaknesses of the acquired business will prove incorrect. Our inability to successfully integrate new businesses in a timely and orderly manner could increase costs, reduce profits or generate losses and prevent us from realizing expected rates of return on an acquired business. Factors affecting the successful integration of an acquired business include, but are not limited to, the following:

- our responsibility for certain liabilities of an acquired business, whether or not known to us, which could include, among other things, tax liabilities, product and other tort liabilities, breach of contract claims, environmental liabilities, permitting and regulatory compliance issues and liabilities for employment practices;
- our ability to retain local managers and key employees who are important to the operations of an acquired business;
- the attention required by our senior management and the management of an acquired business for integration efforts, which could decrease the time that they have to service and attract customers;
- our ability to effectively utilize new equipment that we acquire;
- the implementation of our financial and management information systems, business practices and policies;
- our pursuit of multiple acquisition opportunities simultaneously; and
- unforeseen expenses, complications and delays, including difficulties in employing sufficient staff and maintaining operational and management oversight.

In addition, potential acquisition targets may be in states in which we do not currently operate, which could result in unforeseen operating difficulties and difficulties in coordinating geographically dispersed operations, personnel and facilities and subject us to additional and unfamiliar legal requirements.

We cannot guarantee that we will achieve synergies and cost savings in connection with future acquisitions. Many of the businesses that we previously acquired, and businesses that we may acquire in the future, could have unaudited financial statements that are prepared by management and are not independently reviewed or audited, and such financial statements could be materially different if they were independently reviewed or audited. We cannot guarantee that we will continue to acquire businesses at valuations consistent with our prior acquisitions or that we will complete future acquisitions at all. We also cannot know whether there will be attractive acquisition opportunities at reasonable prices, that financing will be available or that we can successfully integrate acquired businesses into our existing operations. In addition, our results of operations from these acquisitions could, in the future, result in impairment charges for any of our intangible assets, including goodwill or other long-lived assets, particularly if economic conditions worsen unexpectedly.

We may lose business to competitors that underbid us and may be unable to compete favorably in our highly competitive industry.

Most of our project awards are determined through a competitive bidding process in which price is the determining factor. Because of the high cost of transporting HMA, our ability to win a project award is often influenced by the distance between a work site and our HMA plants. We compete against multiple competitors in many of the markets in which we operate. Some of our competitors are larger than we are and are vertically integrated. As a result, our competitors may be able to bid at lower prices than we can due to the location of their plants or as a result of their size or vertical integration advantages. Government funding for public infrastructure projects is limited, contributing to competition for the limited number of public projects available. An increase in competition may result in a decrease in new project awards to us at acceptable profit margins. In addition, in the event of a downturn in private residential and commercial construction, the competition for available public infrastructure projects could intensify, which could materially and adversely impact our financial condition, results of operations or liquidity.

We may be unable to obtain or maintain sufficient bonding capacity, which could preclude us from bidding on certain projects.

A significant number of our contracts require performance and payment bonds. Sureties typically issue or continue bonds on a project-by-project basis, and they can decline to do so at any time or require the posting of additional collateral as a condition thereto. Our ability to obtain performance and payment bonds primarily depends on our capitalization, working capital, past performance, management expertise, reputation and certain external factors, including the overall capacity of the surety market. Events that adversely affect the insurance and bonding markets generally may result in bonding becoming more difficult or costly to obtain in the future. If we are unable to obtain or renew a sufficient level of bonding, or if bonding costs were to increase, we may be precluded from bidding on certain projects or successfully contracting with certain customers, which could limit the aggregate dollar amount of contracts that we are able to pursue. In addition, even if we are able to successfully renew or obtain performance or payment bonds, we may be required to post letters of credit in connection with such bonds, which could negatively affect our liquidity and results of operations.

Our business is seasonal and subject to adverse weather conditions, which can adversely impact our business.

Our construction operations occur outdoors in an area of the country in which hurricanes, tornadoes, tropical storms are common and snow frequently occurs in certain markets in the winter. As a result, seasonal changes and adverse weather conditions, such as extended snowy, rainy or cold weather, can adversely affect our business operations through a decline in the use and production of HMA, a decline in the demand for our construction services, alterations and delays in our construction schedules, and reduced efficiencies in our contracting operations, resulting in under-utilization of crews and equipment and lower contract profitability. Climate change may lead to increased extreme weather and changes in precipitation and temperature, including natural disasters. Should the impact of climate change be significant or occur for lengthy periods of time, our financial condition or results of operations would be adversely affected.

We depend on our information technology systems and processes, which are subject to cybersecurity and data leakage risks.

We depend on information technology systems and infrastructure that could be damaged or interrupted by a variety of factors. Any significant breach, breakdown, destruction or interruption of these systems has the potential to negatively affect our operations. We could experience a business interruption, theft of information or reputational damage as a result of a cyber attack, such as the infiltration of a data center, or data leakage of confidential information either internally or through our third-party providers. Although we have invested in the protection of our data and information technology to reduce these risks and periodically test the security of our information systems network, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could have a material adverse effect on our financial condition, results of operations and liquidity. Similarly, our suppliers rely extensively on computer systems to process transactions and manage their businesses and, thus, are also at risk from, and may be impacted by, cybersecurity attacks. An interruption in the business operations of our suppliers and other third parties with which we do business resulting from a cybersecurity attack could indirectly impact our business operations.

Design-build contracts subject us to the risk of design errors and omissions.

Design-build contracts are used as a method of project delivery that provides the owner with a single point of responsibility for both design and construction. We generally subcontract design responsibility to architectural and engineering firms. However, in the event of a design error or omission that causes damages, there is a risk that the subcontractor and/or its errors and omissions insurance would not be able to absorb the full amount of the liability incurred. In this case, we may be responsible for the remaining liability, which could damage our reputation and adversely affect our financial position, results of operations, cash flows and liquidity.

From time to time, we enter into joint venture contracts to perform certain projects, and these arrangements expose us to certain risks and uncertainties that are outside of our control.

From time to time, we perform construction projects as part of a joint venture, under which our relationship to the other joint venture partners is governed by a written contract. Participation in these arrangements exposes us to risks and uncertainties, including the risk that our partners may fail to perform under the contracts, which could subject us to contractual liability. In addition, if our partners are not able or willing to provide their share of capital investment to fund the operations of the venture or the joint venture arrangement is terminated, there could be unanticipated costs to complete the project, or we could be liable for financial penalties or liquidated damages. In the event that we are not the controlling partner in the joint venture, we may have limited control over the decisions made with respect to the project. The occurrence of any of the foregoing could have a material adverse effect on our financial position, results of operations, cash flows and liquidity.

Our continued success requires us to hire, train and retain qualified personnel and subcontractors in a competitive industry.

The success of our business depends on our ability to attract, train and retain qualified, reliable personnel, including, but not limited to, our executive officers and key management personnel. In addition, we rely on engineers, project management personnel, and other employees and qualified subcontractors who possess the necessary and required experience and expertise to perform their respective services at a reasonable and competitive rate. Competition for these and other experienced personnel is intense, and it may be difficult to attract and retain qualified individuals with the requisite expertise and within the time frame demanded by our customers. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire, train and retain qualified personnel. Also, it could be difficult to replace personnel who hold credentials that may be required to perform certain government projects and/or who have significant government contract experience.

As some of our executives and other key personnel approach retirement age, we must provide for smooth transitions, which may require that we devote time and resources to identify and integrate new personnel into vacant leadership roles and other key positions. If we are unable to attract and retain a sufficient number of skilled personnel or effectively implement appropriate succession plans, our ability to pursue projects and our strategic plan may be adversely affected, the costs of executing both our existing and future projects may increase, and our financial performance may decline.

In addition, the cost of providing our services, including the extent to which we utilize our workforce, affects our profitability. For example, the uncertainty of contract award timing can present difficulties in matching our workforce size with our contracts. If an expected contract award is delayed or not received, we could incur costs resulting from excess staff or redundancy of facilities that could have a material adverse impact on our business, financial condition and results of operations.

Our failure to comply with immigration laws could result in significant liabilities, harm our reputation with our customers and disrupt our operations.

Although we take steps to verify the employment eligibility status of all our employees, some of our employees may, without our knowledge, be unauthorized workers. Unauthorized workers are subject to deportation and may subject us to fines or penalties and, if any of our workers are found to be unauthorized, we could experience adverse publicity that could make it more difficult to hire and retain qualified employees. Termination of a significant number of unauthorized employees may disrupt our operations, cause temporary increases in our labor costs as we train new employees and result in additional adverse publicity. We could also become subject to fines, penalties and other costs related to claims that we did not fully comply with all recordkeeping obligations of federal and state immigration laws. If we fail to comply with these laws, our operations may be disrupted, and we may be subject to fines or, in extreme cases, criminal sanctions. In addition, many of our customer contracts specifically require compliance with immigration laws, and, in some cases, our customers audit compliance with these laws. Further, several of our customers require that we ensure that our subcontractors comply with these laws with respect to the workers that perform services for them. A failure to comply with these laws or to ensure compliance by our subcontractors could damage our reputation and may cause our customers to cancel contracts with us or to not award future business to us. These factors could adversely affect our results of operations and financial position.

We depend on third parties for equipment and supplies essential to operate our business.

We rely on third parties to sell or lease real property, plants and equipment to us and to provide us with supplies, including liquid asphalt cement, aggregates and other construction materials necessary for our operations. The inability to purchase or lease the properties, plants or equipment that are necessary for our operations could severely impact our business. If we lose our supply contracts and receive insufficient supplies from third parties to meet our customers' needs, or if our suppliers experience price increases or disruptions to their business, such as labor disputes, supply shortages, financial or regulatory difficulties or distribution problems, our ability to bid for or complete contracts could be impaired, in which case our business, financial condition, results of operations, liquidity and cash flows would be materially and adversely affected.

We consume natural gas, electricity, diesel fuel, liquid asphalt and other petroleum-based resources that are subject to potential reliability issues, supply constraints and significant price fluctuations.

In our production and distribution processes, we consume significant amounts of natural gas, electricity, diesel fuel, liquid asphalt and other petroleum-based resources. The availability and pricing of these resources are subject to market forces that are beyond our control, such as unavailability due to refinery turnarounds, higher prices charged for petroleum-based products, and other factors. Furthermore, we are vulnerable to any reliability issues experienced by our suppliers, which also are beyond our control. Our suppliers contract separately for the purchase of such resources, and our sources of supply could be interrupted if our suppliers are unable to obtain these materials due to higher demand or other factors that interrupt their availability. Additionally, increases in the costs of fuel and other petroleum-based products utilized in our operations, particularly increases following a bid based on lower costs for such products, could result in a lower profit, or a loss, on a contract. Variability in the supply and prices of these resources could have a material adverse effect on our financial condition, results of operations and liquidity.

Our contract backlog is subject to reductions in scope and cancellations and therefore could be an unreliable indicator of our future earnings.

At September 30, 2020, our contract backlog was $608.1 million, compared to $531.6 million at September 30, 2019. Our contract backlog generally consists of construction projects for which we either have an executed contract or commitment with a client or have submitted the current low bid. Contract backlog does not include external sales of HMA, aggregates, and liquid asphalt cement. Moreover, our contract backlog reflects our expected revenues from the contract, commitment or bid, which is often subject to revision over time. We cannot guarantee that the revenues projected in our contract backlog will be realized or, if realized, will be profitable. Projects reflected in our contract backlog may be affected by project cancellations, scope adjustments, time extensions or other changes. Such changes may adversely affect the revenues and profit we ultimately realize on these projects.

Failure of our subcontractors to perform as expected could have a negative impact on our results.

We rely on third-party subcontractors to perform some of the work on many of our contracts, but we are ultimately responsible for the successful completion of their work. Although we often require bonding or other forms of guarantees from our subcontractors, we are not always able to obtain such bonds or guarantees. In situations where we are unable to obtain a bond or guarantee, we may be responsible for the failures on the part of our subcontractors to perform as anticipated. In addition, if the total costs of a project exceed our original estimates, we could experience reduced profits or a loss for that project.

The construction services industry is highly schedule-driven, and our failure to meet the schedule requirements of our contracts could adversely affect our reputation and/or expose us to financial liability.

In some instances, including in the case of many of our fixed unit price contracts, we guarantee that we will complete a project by a certain date. Any failure to meet the contractual schedule or satisfy the completion requirements set forth in our contracts could subject us to responsibility for costs resulting from the delay, generally in the form of contractually agreed-upon liquidated damages, liability for our customer's actual costs arising out of our delay, reduced profits or a loss on that project, and/or damage to our reputation, any of which could have a material adverse impact on our financial position, results of operations, cash flows and liquidity.

An inability to secure sufficient aggregate reserves could have a negative impact on our future results of operations.

Strict governmental regulations and the limited number of properties containing useful aggregate reserves have made it increasingly challenging and costly to obtain sufficient aggregates to support our business, both with respect to internal use and third-party sales. If we are unable to obtain adequate reserves to support our business, then our financial position, results of operations, cash flows and liquidity may be adversely affected.

Force majeure events, such as natural disasters, pandemics and terrorist attacks, and unexpected equipment failures could negatively impact our business, which may affect our financial condition, results of operations or cash flows.

Force majeure events, such as terrorist attacks, pandemics or natural disasters, have impacted, and could continue to negatively impact, the United States economy and the markets in which we operate. As an example, from time to time, we face unexpected severe weather conditions, evacuation of personnel and curtailment of services, increased labor and material costs or shortages, inability to deliver materials, equipment and personnel to work sites in accordance with contract schedules and loss of productivity. We seek to include language in our contracts with private customers that grants us certain relief in connection with force majeure events, and we attempt to mitigate the potential impact arising from force majeure events in both public and private customer contracts. However, the extra costs incurred as a result of these events may not be reimbursed by our customers, and we remain obligated to perform our services after most extraordinary events, subject to any relief that may be available pursuant to a force majeure clause. Additionally, our manufacturing processes depend on critical pieces of equipment, such as our HMA plants. This equipment, on occasion, may be out of service as a result of unanticipated failures or damage. Any significant interruption in production capability may require us to make significant capital expenditures to remedy problems or damage and cause us to lose revenues due to lost production time. These force majeure events may affect our operations or those of our customers or suppliers and could impact our revenues, production capability and ability to complete contracts in a timely manner.

Our business could be materially and adversely affected by a widespread outbreak of a contagious disease or other similar adverse public health development, such as COVID-19, or fear of such an event, and the measures that federal, state and local governments, agencies, law enforcement and health authorities implement to address it.

Our business could be adversely impacted by the effects of a widespread outbreak of a contagious disease, including the COVID-19 pandemic or a similar adverse public health development, as well as actions taken by federal, state and local governments, agencies, law enforcement and health authorities to contain the outbreak. Such an event in our markets could, among other things, result in employee absences or require us to temporarily close our facilities or project sites, which, in turn, could significantly and adversely affect our productivity and our ability to complete projects in accordance with our contractual obligations. In addition, a disruption in the supply chain for raw materials or equipment, whether as a result of facility closures or otherwise, could increase our labor and materials costs and impair our ability to manufacture HMA. Moreover, our customers – both public and private – who are adversely impacted could cancel or delay current or prospective projects and could become delinquent in their payments to us for work that we have performed. Although several of these risks have materialized in varying degrees as a result of the COVID-19 pandemic, none of these risks, individually or in the aggregate, have significantly impacted our operations to date.

Our business could also be negatively impacted over the medium-to-longer term if the disruptions related to the COVID-19 pandemic decrease consumer confidence generally or significantly prolong the current economic downturn, which could lead to a decline in public and private development projects and thereby reduce demand for our services. An economic slowdown caused by the outbreak of an infectious disease or other similar adverse public health development could cause, and in some cases have caused, the tax revenues received by federal, state and local government agencies to decline and thereby decrease the funding available for public projects. Such developments could (i) impair our ability to undertake construction projects in a typical manner or at all, generate revenues and cash flows, and/or access the capital or lending markets (or significantly increase the costs of doing so); (ii) increase the costs or decrease the supply of raw materials or equipment or the availability of subcontractors and other talent, including as a result of infections or quarantining; and/or (iii) result in the diversion of public funds that otherwise would be available for infrastructure projects to support public health efforts. The inherent uncertainty surrounding COVID-19, due in part to rapidly changing governmental directives, public health challenges and progress, and market reactions thereto, also makes it challenging for our management to estimate the impact of the COVID-19 pandemic on the future performance of our business.

A failure to obtain or maintain adequate insurance coverage could adversely affect our results of operations.

We maintain insurance coverage as part of our overall risk management strategy and pursuant to requirements contained in our financing agreements and in a majority of our contracts to maintain specific types and amounts of coverage. Although we have been able to obtain reasonably priced insurance coverage to meet our requirements in the past, there is no assurance that we will be able to do so in the future. For example, catastrophic events can result in decreased coverage limits, more limited coverage, and increased premium costs or deductibles. If we are unable to obtain adequate insurance coverage, we would be subject to increased out-of-pocket expenses in the event of a claim and we may not be able to procure certain contracts, either of which could materially adversely affect our financial position, results of operations, cash flows or liquidity.

We could incur material costs and losses as a result of claims that our products do not meet regulatory requirements or contractual specifications.

We provide our customers with products designed to comply with building codes or other regulatory requirements, as well as any applicable contractual specifications, including, but not limited to, with respect to durability, compressive strength and weight-bearing capacity. If our products do not satisfy these requirements and specifications, material claims may arise against us, our reputation could be damaged and, if any such claims are for an uninsured, non-indemnified or product-related matter, then resolution of such claim against us could have a material adverse effect on our financial condition, results of operations or liquidity.

We are, and may continue to be, involved in routine litigation and government inquiries in the ordinary course of business.

Due to the nature of our business, we are involved in routine litigation or subject to other disputes or claims related to our business activities, including, among other things, workers' compensation claims, employment-related disputes and issues related to liability, breach of contract or tortious conduct in connection with our performance of services and provision of materials. We are also subject to government inquiries in the ordinary course of business seeking information concerning our compliance with government construction contracting requirements and various laws and regulations, the outcome of which cannot be predicted with certainty. The outcomes of these inquiries and legal proceedings are not expected to have a material effect on our financial position or results of operations on an individual basis, although adverse outcomes in a significant number of such ordinary course inquiries and legal proceedings could, in the aggregate, have a material adverse effect on our financial condition and results of operations.

Environmental laws and regulations and any changes to, or liabilities arising under, such laws and regulations could have a material adverse effect on our financial condition, results of operations and liquidity.

Our operations are subject to stringent and complex federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection and public health and safety. These laws and regulations impose numerous obligations applicable to our operations, including requirements to obtain a permit or other approval before conducting regulated activities; restrictions on the types, quantities and concentration of materials that can be released into the environment; limitations on activities on certain lands lying within wilderness, wetlands, and other protected areas; and assessments of substantial liabilities for pollution resulting from our operations. For example, a number of governmental bodies have finalized, proposed or are contemplating legislative and regulatory actions to reduce emissions of greenhouse gases, such as monitoring, reporting and emissions control requirements for certain large sources of greenhouse gases and greenhouse gas cap-and-trade programs. Because we emit greenhouse gases through the manufacture of HMA products and through the combustion of fossil fuels as part of our mining and road construction services, any such laws and regulations applicable to jurisdictions in which we operate could require us to incur costs to reduce greenhouse gas emissions associated with our operations.

We have in the past been, and may in the future be, required to remediate contaminated properties currently or formerly owned or operated by us or third-party facilities that receive waste generated by our operations, regardless of whether such contamination resulted from our own actions or those of others and whether such actions complied with applicable laws at the time they were taken. In connection with certain acquisitions, we could assume, or be required to provide indemnification against, environmental liabilities that could expose us to material losses. Furthermore, the existence of contamination at properties that we own, lease or operate could result in increased operational costs or restrictions on our ability to use those properties as intended, including for mining purposes.

Numerous government authorities, such as the U.S. Environmental Protection Agency (the "EPA") and analogous state agencies, have the power to enforce compliance with these laws and the permits issued under them. Such enforcement actions often involve difficult and costly compliance measures or corrective actions. Certain environmental laws impose strict liability (i.e., no showing of "fault" is required) or joint and several liability for costs required to remediate and restore sites where hazardous substances, hydrocarbons or solid wastes have been stored or released. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties, compensatory damages, the imposition of investigatory or remedial obligations, and the issuance of orders limiting or prohibiting some or all of our operations. In addition, we may experience delays in obtaining, or be unable to obtain, required permits, which may delay or interrupt our operations and limit our growth and revenue.

In certain instances, citizen groups also have the ability to bring legal proceedings against us if we are not in compliance with environmental laws, or to challenge our ability to receive environmental permits that we need to operate. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of our operations. Our insurance may not cover all environmental risks and costs or may not provide sufficient coverage if an environmental claim is made against us. Moreover, public interest in the protection of the environment has increased dramatically in recent years. The trend of more expansive and stringent environmental legislation and regulations applied to our industry could continue, resulting in increased costs of doing business and, consequently, affecting profitability.

Our operations are subject to special hazards that may cause personal injury or property damage, subjecting us to liabilities and possible losses that may not be covered by insurance.

Operating hazards inherent in our business, some of which may be outside of our control, can cause personal injury and loss of life, damage to or destruction of property, and environmental damage. We maintain insurance coverage in amounts and against risks that we believe are consistent with industry practice, but this insurance may be inadequate or unavailable to cover all losses or liabilities we may incur in our operations. Our insurance policies are subject to varying levels of deductibles. Losses up to our deductible amounts are accrued based on our estimates of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. However, liabilities subject to insurance are difficult to estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the number of unreported incidents and the effectiveness of our safety programs. If we experience insurance claims or costs above our estimates, we may be required to use working capital to satisfy these claims rather than for maintaining or expanding our operations.

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations.

Our debt consists primarily of our borrowings under the Credit Agreement, which, as of September 30, 2020, provided for a $96.1 million Term Loan and a $50.0 million Revolving Credit Facility. A significant portion of our cash flow is required to pay interest and principal on our outstanding indebtedness, and we may be unable to generate sufficient cash flow from operations, or have future borrowings available, to enable us to repay our indebtedness or to fund other liquidity needs. Among other consequences, this level of indebtedness could:

- require us to use a significant percentage of our cash flow from operations for debt service and the satisfaction of repayment obligations, and not for other purposes;
- limit our ability to borrow money or issue equity to fund our working capital, capital expenditures, acquisitions and debt service requirements;
- cause our interest expense to increase if there is a general increase in interest rates, because a portion of our indebtedness bears interest at floating rates;
- limit our flexibility in planning for or reacting to changes in our business and future business opportunities;
- cause us to be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- make us more vulnerable to a downturn in our business or the economy; and

- limit our ability to exploit business opportunities.

Although the Credit Agreement restricts our ability to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and we could incur substantial additional indebtedness in compliance with these restrictions. This could reduce our ability to satisfy our current obligations and further exacerbate the risks to our financial condition described above.

The Credit Agreement restricts our ability to engage in some business and financial transactions.

The Credit Agreement contains a number of covenants that limit our ability to incur additional indebtedness or guarantees, create liens on assets, change our or our subsidiaries' fiscal year, enter into sale and leaseback transactions, enter into certain restrictive agreements, engage in mergers or consolidations, participate in partnerships and joint ventures, sell assets, incur additional liens, pay dividends or distributions and make other restricted payments, make investments, loans or advances, repay or amend the terms of subordinated indebtedness, make acquisitions, enter into certain operating leases, enter into certain hedge transactions, amend material contracts, and engage in certain transactions with affiliates.

The Credit Agreement also requires us to maintain a fixed charge coverage ratio and a consolidated leverage ratio and contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control). If an event of default occurs, the lenders under the Credit Agreement will be entitled to accelerate amounts due thereunder and take other actions permitted to be taken by a secured creditor. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all.

The previously announced phase-out of LIBOR, or the replacement of LIBOR with a different reference rate, may adversely affect the interest rate that we pay on our indebtedness.

The annual interest rates applicable to advances made under the Credit Agreement is calculated, at our option, by using either a base rate or LIBOR, in each case plus an applicable margin percentage that corresponds to our consolidated total leverage ratio. In 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it would phase out LIBOR by the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021, or whether alternative rates or benchmarks will be adopted. Changes in the method of calculating LIBOR, or the replacement of LIBOR with an alternative rate or benchmark, may adversely affect interest rates, including the rates we pay on borrowings under the Credit Agreement, and result in higher borrowing costs. The Credit Agreement provides that, upon the occurrence of certain triggering events relating to the end of LIBOR, we and the administrative agent under the Credit Agreement will select a different benchmark rate to replace LIBOR as the reference rate for interest accruing on certain advances. Changes in, or the inability to agree on, an alternative rate or benchmark may negatively impact the terms of such indebtedness.

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 could impair our ability to operate our business or achieve our growth objectives.

Our ongoing ability to generate cash is important for funding our continuing operations, making acquisitions and servicing our indebtedness. To the extent that existing cash balances and cash flow from operations, together with borrowing capacity under our Revolving Credit Facility, are insufficient to make investments or acquisitions 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 on prevailing market conditions, as well as conditions in our business and our operating results. Furthermore, if global economic, political or other market conditions adversely affect the financial institutions that provide credit to us, it is possible that our ability to draw upon our Revolving Credit Facility may be impacted. If adequate funds are not available, or are not available on acceptable terms, we may not be able to make certain investments, take advantage of acquisitions or other opportunities, or respond to competitive challenges, each of which could have a material adverse impact on our financial position, results of operations, cash flows and liquidity.

We may be unable to identify and contract with qualified "disadvantaged business enterprises" to perform as subcontractors, which could cause us to breach certain contracts with governmental customers.

Some of our contracts with governmental agencies contain minimum "disadvantaged business enterprise" ("DBE") participation clauses, which require us to maintain a requisite level of DBE participation. If we fail to obtain or maintain the required level of DBE participation, we could be held responsible for breach of contract. Such a breach could impair our ability to bid on future projects and could require us to pay monetary damages. To the extent that we are responsible for monetary damages, the total costs of the project could exceed our original estimates, we could experience reduced profits or a loss for that project and there could be a material adverse impact to our financial position, results of operations, cash flows or liquidity.

Failure to maintain safe work sites could result in significant losses, which could materially affect our business and reputation.

Because our employees and others are often in close proximity with mechanized equipment, moving vehicles, chemical substances and dangerous manufacturing processes, our construction and maintenance sites are potentially dangerous workplaces. Therefore, safety is a primary focus of our business and is critical to our reputation and performance. We are often responsible for safety on the project sites where we work. In addition, many of our customers require that we meet certain safety criteria to be eligible to bid on contracts, and some of our contract fees or profits are subject to satisfying safety criteria. Unsafe work conditions also can increase employee turnover, which increases project costs and therefore our overall operating costs. If we fail to implement effective safety procedures, our employees could be injured, the completion of a project could be delayed, or we could be exposed to investigations and possible litigation. Our failure to maintain adequate safety standards through our safety programs could also result in reduced profitability or the loss of projects or clients.

We may be required to record an impairment charge if we determine that goodwill recorded in connection with prior acquisitions has become impaired, and this determination requires us to make significant judgments and assumptions about the future that are inherently subject to risks and uncertainties.

At September 30, 2020 and 2019, we had $46.3 million and $38.5 million, respectively, of goodwill recorded on our Consolidated Balance Sheets. We assess goodwill for impairment annually or more often if required. Our assessments involve a number of estimates and assumptions that are inherently subjective and require significant judgment regarding highly uncertain matters that are subject to change. The use of different assumptions or estimates could materially affect the determination as to whether or not an impairment has occurred. In addition, if future events are less favorable than what we assumed or estimated in our impairment analysis, we may be required to record an impairment charge, which could have a material impact on our consolidated financial statements.

Our earnings are affected by the application of accounting standards and our critical accounting policies, which involve subjective judgments and estimates by our management. Our actual results could differ from the estimates and assumptions used to prepare our consolidated financial statements.

The accounting standards that we use in preparing our financial statements are often complex and require us to make significant estimates and assumptions in interpreting and applying those standards. These estimates and assumptions affect the reported values of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. We make critical estimates and assumptions involving accounting matters, including with respect to revenue recognition, contracts receivable including retainage, valuation of long-lived assets and goodwill, income taxes, accrued insurance costs and share-based payments and other equity transactions. These estimates and assumptions involve matters that are inherently uncertain and require us to make subjective and complex judgments. Although we believe we have the experience and processes to enable us to formulate appropriate assumptions and produce reasonably dependable estimates, these assumptions and estimates may change significantly in the future and could result in the reversal of previously recognized revenues and profit. If we used different estimates and assumptions or used different methods to determine these estimates, our financial results could differ, which could have a material negative impact on our financial condition and reported results of operations. For more information about our critical accounting policies and use of estimates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates.”

Risks Relating to Ownership of Our Class A Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with SunTx Capital Partners (“SunTx”) and its affiliates, which limits your ability to influence corporate matters.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. As of December 9, 2020, our outstanding Class B common stock represented approximately 84.1% of the total voting power of our outstanding common stock. The shares of Class B common stock are held primarily by SunTx, its affiliates and certain members of management. Because of the ten-to-one voting ratio between our Class B common stock and our Class A common stock, the holders of our Class B common stock collectively control a majority of the combined voting power of our common stock and therefore control the outcome of all matters submitted to our stockholders. This concentrated control limits or precludes the ability of holders of Class A common stock to influence corporate matters for the foreseeable future. Future transfers of shares of our Class B common stock generally may result in those shares converting into shares of our Class A common stock. The conversion of shares of our Class B common stock into our Class A common stock will have the effect, over time, of increasing the relative voting power of each remaining share of Class B common stock.

We have incurred, and expect to continue to incur, substantial costs as a result of being a public company, which may significantly affect our financial condition.

As a public company, we incur significant legal, accounting and other expenses associated with our financial reporting and corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and the Dodd-Frank Act of 2010 and rules implemented by the SEC. For example, as a publicly traded company, we are required to adopt policies regarding internal controls and disclosure controls and procedures, including the preparation of reports on internal control over financial reporting. These rules and regulations have made, and may continue to make, it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers.

For so long as we are an "emerging growth company," we will not be required to comply with certain disclosure requirements that are applicable to other public companies, and the reduced disclosure requirements applicable to emerging growth companies could make our Class A common stock less attractive to investors.

As an "emerging growth company," as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"), we have taken, and intend to continue to take, advantage of certain exemptions from various reporting requirements that are applicable to other public companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act ("Section 404"), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict whether investors will find our Class A common stock less attractive because we rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock, and our Class A common stock price may be more volatile. We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which our total revenues equals or exceeds $1.07 billion, (ii) September 30, 2023, the last day of the fiscal year following the fifth anniversary of our initial public offering, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities and (iv) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act. In addition, after we are no longer an emerging growth company, we expect to incur significant additional expenses and devote substantial management effort toward ensuring compliance with those requirements applicable to companies that are not emerging growth companies, including certain requirements of Section 404 that currently do not apply to us.

If we are unable to maintain effective internal control over financial reporting, investors could lose confidence in our consolidated financial statements and our Company, which could have a material adverse effect on our stock price.

We have designed and implemented a number of internal controls and other remedial measures that we believe will provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements in accordance with GAAP. A failure to maintain effective internal controls could result in a material misstatement of our consolidated financial statements that would not be prevented or detected on a timely basis, which could cause investors to lose confidence in our financial information or cause the trading price of our Class A common stock to decline and impact our liquidity, perceived creditworthiness and ability to complete acquisitions. Our independent registered public accounting firm has not assessed the effectiveness of our internal control over financial reporting and, under the JOBS Act, will not be required to provide an attestation report on the effectiveness of our internal control over financial reporting for so long as we qualify as an emerging growth company, which may increase the risk that weaknesses or deficiencies in our internal control over financial reporting go undetected.

We have incurred, and expect to continue to incur, significant costs related to certain requirements of Section 404. If we are unable to timely comply with such requirements, our profitability, stock price, results of operations and financial condition could be materially adversely affected.

We are required to comply with certain provisions of Section 404, which requires that we document and test our internal control over financial reporting and issue management's assessment of our internal control over financial reporting. Section 404 also requires that our independent registered public accounting firm opine on those internal controls when we cease to qualify for an exemption from the requirement to provide auditors' attestation on internal controls afforded to emerging growth companies under the JOBS Act. The out-of-pocket costs, the diversion of management's attention from running the day-to-day operations and operational changes caused by the need to comply with the requirements of Section 404 have been significant, and we expect to continue to incur substantial costs in connection with our compliance efforts. If we fail to comply with the requirements of Section 404, or if we or our auditors identify and report any material weaknesses, the accuracy and timeliness of the filing of our annual and quarterly reports may be materially adversely affected and could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our Class A common stock. In addition, a material weakness in the effectiveness of our internal control over financial reporting could result in an increased chance of fraud and the loss of customers, reduce our ability to obtain financing, subject us to investigations by the SEC or other regulatory authorities and require additional expenditures to comply with these requirements, each of which could have a material adverse effect on our business, results of operations and financial condition.

Future sales, or the perception of future sales, of Class A common stock by us or our existing stockholders in the public market could cause the market price for our Class A common stock to decline.

As of December 9, 2020, we had outstanding a total of 33,875,884 shares of our Class A common stock and 17,905,861 shares of our Class B common stock that are convertible at any time into an equal number of shares of our Class A common stock. The sale of shares of our Class A common stock, or the perception of future sales by us or our existing stockholders, could harm the prevailing market price of shares of our Class A common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

We have filed a "shelf" registration statement under the Securities Act of 1933, as amended (the "Securities Act") with respect to the issuance of up to $250 million in aggregate amount of various securities (including Class A common stock) by us and the sale of up to 19,225,000 shares of Class A common stock by SunTx. As of December 9, 2020, we had not issued any securities under the registration statement, and 5,511,074 shares of Class A common stock remained available for future sale by SunTx under the registration statement. In addition, shares held by our affiliates, including our directors, executive officers and SunTx, may also be sold in compliance with various exemptions from registration.

Pursuant to a registration rights agreement, SunTx and certain other stockholders will continue to have the right, subject to certain conditions, to require us to register the sale of their shares of common stock under the Securities Act. By exercising their registration rights and selling a large number of shares, these stockholders could cause the prevailing market price of our Class A common stock to decline. As of December 9, 2020, a total of 17,387,734 shares of our outstanding common stock were subject to potential future registration under the registration rights agreement. Registration of these shares would result in such shares becoming freely tradable upon effectiveness of the registration statement. As restrictions on resale end or if the stockholders who are party to the registration rights agreement exercise their registration rights, the market price of the shares of our Class A common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our Class A common stock or other securities.

In the future, we may also issue our securities in connection with offerings or acquisitions, and the number of shares issued or issuable thereafter could constitute a material portion of the then-outstanding shares of Class A common stock. Any such issuance would result in dilution to holders of our Class A common stock.

Affiliates of SunTx control us, and their interests may conflict with ours or yours in the future.

As of December 9, 2020, the SunTx funds beneficially owned approximately 16.3% of our Class A common stock and approximately 88.3% of our Class B common stock, representing 76.9% of the combined voting power of our common stock. Each share of our Class B common stock has ten votes per share, and each share of our Class A common stock has one vote per share. As a result, affiliates of SunTx have the ability to elect all of the members of our board of directors and thereby control our policies and operations, including the appointment of management, future issuances of our Class A common stock or other securities, the payment of dividends, if any, on our Class A common stock, our ability to incur or issue debt, amendments to our amended and restated certificate of incorporation and amended and restated bylaws, and our entry into extraordinary transactions. This concentration of voting control could deprive you of an opportunity to receive a premium for your shares of our Class A common stock as part of a sale of our Company and ultimately might affect the market price of our Class A common stock. In addition, we have engaged, and expect to continue to engage, in related party transactions involving SunTx and certain companies they control. As a result, the interests of affiliates of SunTx may not in all cases be aligned with your interests.

In addition, SunTx may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to you. For example, SunTx could cause us to make acquisitions that increase our indebtedness or cause us to sell revenue-generating assets. SunTx is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Our amended and restated certificate of incorporation provides that none of SunTx, any of its affiliates or any director who is not employed by us or his or her affiliates will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. SunTx also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

So long as SunTx and its affiliates continue to beneficially own a sufficient number of shares of our Class B common stock, they will continue to be able to effectively control our decisions, even if the number of shares of outstanding Class B common stock is limited in proportion to the total number of shares of common stock outstanding. For example, assuming our Class B common stock amounted to 15% of our total outstanding common stock, we would have 44,014,484 shares of Class A common stock outstanding and 7,767,261 shares of Class B common stock outstanding as of December 9, 2020. These outstanding shares of Class B common stock would collectively represent approximately 63.8% of the overall voting power of our common stock. Shares of our Class B common stock may be transferred to an unrelated third party if holders of a majority of the shares of our Class B common stock owned by SunTx and its affiliates consent to such transfer in writing in advance.

We may issue preferred stock with terms that could adversely affect the voting power or value of our Class A common stock.

Our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our Class A common stock with respect to dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our Class A common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or upon the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of our Class A common stock.

Provisions in our governing documents and Delaware corporate law make it more difficult to effect a change in control of our Company, which could adversely affect the price of our Class A common stock.

Certain provisions in our amended and restated certificate of incorporation and amended and restated bylaws and Delaware corporate law could delay or prevent a change in control of our Company, even if that change would be beneficial to our stockholders. Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make acquiring control of our Company difficult, including:

- a dual class common stock structure, which currently provides SunTx and its affiliates and the other holders of our Class B common stock with the ability to control the outcome of matters requiring stockholder approval, so long as they continue to beneficially own a sufficient number of shares of our Class B common stock, even if they own significantly less than 50% of the total number of shares of our outstanding common stock;

- a classified board of directors with three-year staggered terms;

- provisions regulating the ability of our stockholders to nominate directors for election or to bring matters for action at annual meetings of our stockholders;

- limitations on the ability of our stockholders to call a special meeting;

- the ability of our board of directors to adopt, amend or repeal bylaws, and the requirement that the affirmative vote of holders representing at least 66 2/3% of the voting power of all outstanding shares of capital stock be obtained for stockholders to amend our amended and restated bylaws;

- the requirement that the affirmative vote of holders representing at least 66 2/3% of the voting power of all outstanding shares of capital stock be obtained to remove directors or amend our amended and restated certificate of incorporation; and

- the authority of our board of directors to issue and set the terms of preferred stock without the approval of our stockholders.

These provisions also could discourage proxy contests and make it more difficult for you and other stockholders to elect directors and take other corporate actions. As a result, these provisions could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders, which may limit the price that investors are willing to pay for shares of our Class A common stock.

Our governing documents designate certain courts as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our amended and restated certificate of incorporation provides that, subject to limited exceptions, state courts within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any: (i) derivative action or proceeding brought on our behalf; (ii) action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders; (iii) action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law; or (iv) action asserting a claim against us that is governed by the internal affairs doctrine, and that if any action specified above is filed in a court other than a court located within the State of Delaware (each is referred to herein as a foreign action), the claiming party will be deemed to have consented to (a) the personal jurisdiction of state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the exclusive forum provision described above and (b) having service of process made upon such claiming party by service upon such claiming party's counsel in the foreign action as agent for such claiming party. In addition, our amended and restated bylaws provide that, unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States are, to the fullest extent permitted by law, the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. These provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions inapplicable to, or unenforceable in respect of, one or more covered proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

Because we are a "controlled company" under the listing standards of The Nasdaq Stock Market LLC and the rules of the SEC, our stockholders do not have, and may never have, certain corporate governance protections that are available to stockholders of companies that are not controlled companies.

SunTx and its affiliates control a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" under the listing standards of The Nasdaq Stock Market LLC and SEC rules. As a result, we are not required to comply with certain provisions requiring that (i) a majority of our directors be independent, (ii) the compensation of our executives be determined by independent directors or (iii) nominees for election to our board of directors be selected by independent directors. Because we intend to continue to take advantage of some or all of these exemptions, our stockholders may not have the protections that these rules are intended to provide. Our status as a controlled company could cause our Class A common stock to be less attractive to certain investors or otherwise reduce the trading price of our Class A common stock.

We do not intend to pay cash dividends on our Class A common stock in the foreseeable future, and therefore only appreciation, if any, of the price of our Class A common stock will provide a return to our stockholders.

We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends on our Class A common stock in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors deemed relevant by our board of directors. In addition, the Credit Agreement restricts our ability to pay cash dividends. As a result, only appreciation of the price of our Class A common stock, which may not occur, will provide a return to our stockholders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive office is located in Dothan, Alabama, in a building that we own. As of December 9, 2020, we operated (i) 46 HMA plants in Alabama, Florida, Georgia and North Carolina, (ii) nine quarries in Alabama, Georgia and Florida, and (iii) one liquid asphalt terminal in Florida. Our HMA plants operate at varying levels of utilization depending on market conditions. We maintain offices at our HMA plants and quarries as we determine to be appropriate under the circumstances. We consider our plants and other physical properties, whether owned or leased, to be suitable, adequate, and of sufficient productive capacity to meet the requirements of our business. However, we routinely evaluate the purchase or lease of additional properties or the consolidation of our properties as our business needs change.

The table below summarizes the locations and the nature of our ownership or leasehold interest in each of our asphalt plants and quarries. We own our liquid asphalt terminal.

	Asphalt Plants		Quarries	
Location	**Owned**	**Leased**	**Owned**	**Leased**
Alabama	8	6	3	2
Florida	9	1	1	—
Georgia	5	1	1	2
North Carolina	6	10	—	—

Item 3. Legal Proceedings.

Due to the nature of our business, we are involved in routine litigation or subject to other disputes or claims related to our business activities, including, among other things, workers' compensation claims, employment-related disputes and issues related to liability, breach of contract or tortious conduct in connection with our performance of services and provision of materials. We are also subject to government inquiries in the ordinary course of business seeking information concerning our compliance with government construction contracting requirements and various laws and regulations, the outcome of which cannot be predicted with certainty.

We are a party to an arbitration proceeding that commenced in March 2020 relating to a transaction in which a former stockholder of the Company agreed in March 2016 to sell shares of the Company's common stock to a third party, with the certificates representing the shares to be held in escrow and released over time as installment payments were made. In January 2017, the Company paid a cash dividend to its stockholders. The seller alleges that he was entitled to receive approximately $1.5 million in dividends with respect to shares for which the stock certificates were still in escrow at the time the dividend was paid. The seller also has claimed an unspecified amount of damages arising out of his allegation that the Company provided insufficient information to him prior to the transaction regarding the status and timing of the Company’s initial public offering in May 2018. The Company believes that it has meritorious defenses to the claims asserted against it and will defend itself vigorously in this proceeding; however, there can be no assurances that it will be successful in its efforts.

In the opinion of our management, after consultation with legal counsel, none of the pending inquiries, litigation, disputes or claims against us, if decided adversely to us, would have a material adverse effect on our financial condition, cash flows or results of operations.

Item 4. Mine Safety Disclosures.

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 C.F.R. Part 229.104) is included in Exhibit 95.1 to this report.

PART II

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

From our inception until April 2018, we maintained a single class of common stock. On April 23, 2018, we amended and restated our certificate of incorporation to effectuate a dual-class equity structure, which resulted in the conversion of each share of our then-outstanding common stock into 25.2 shares of Class B common stock and the initial authorization of Class A common stock for issuance.

Market for Our Common Stock

Our Class A common stock is listed and trades on the Nasdaq Global Select Market under the symbol "ROAD." Prior to its listing on the Nasdaq Global Select Market on May 4, 2018, there was no established public trading market for our Class A common stock. There is no established public trading market for our Class B common stock.

Holders

As of December 9, 2020, there were 33,875,884 shares of our Class A common stock outstanding, held by 8 stockholders of record. The actual number of beneficial holders of our Class A common stock is significantly greater than the number of record holders and includes stockholders who are beneficial owners, but whose shares are held by banks, brokers and other nominees. The last sale price for a share of our Class A common stock as reported on the Nasdaq Global Select Market on December 9, 2020 was $28.92.

As of December 9, 2020, there were 17,905,861 shares of our Class B common stock outstanding, held by 16 stockholders of record.

Dividends

Holders of our Class A and Class B common stock receive dividends if and when declared by our board of directors out of legally available funds. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. Any future determination as to the declaration and payment of dividends will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that our board of directors considers relevant. In addition, the terms of the Credit Agreement restrict our ability to pay cash dividends to the holders of our common stock unless, after giving effect to such dividend, we would remain in compliance with the financial covenants and, at the time any such dividend is made, no default or event of default exists or would result from the payment of such dividend.

Recent Sales of Unregistered Securities

We did not sell any of our equity securities during the period covered by this report that were not registered under the Securities Act.

Issuer Purchases of Equity Securities

During the quarter ended September 30, 2020, we did not purchase any of our equity securities that are registered under Section 12(b) of the Exchange Act.

Item 6. Selected Financial Data.

We are a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act, and therefore are not required to provide the information called for by this Item.

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

This discussion and analysis of our financial condition and results of operations is intended to assist in understanding and assessing the trends and significant changes in our results of operations and financial condition. Historical results may not be indicative of future performance. This discussion includes forward-looking statements that reflect our plans, estimates and beliefs. Such statements involve risks and uncertainties. Our actual results may differ materially from those contemplated by these forward-looking statements as a result of various factors, including those set forth under the headings "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements." This discussion should be read in conjunction with our audited consolidated financial statements and the notes thereto included elsewhere in this report. In this discussion, we use certain non-GAAP financial measures. An explanation of these non-GAAP financial measures and a reconciliation to the most directly comparable GAAP financial measures are included in this "Management's Discussion and Analysis of Financial Condition and Results of Operations." Investors should not consider non-GAAP financial measures in isolation or as substitutes for financial information presented in compliance with GAAP.

Overview

We are a civil infrastructure company that specializes in the building and maintenance of transportation networks. Our operations leverage a highly-skilled workforce, strategically located HMA plants, substantial construction assets and select material deposits. We provide construction products and services to both public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports and commercial and residential sites in the southeastern United States.

Our public projects are funded by federal, state and local governments and include roads, highways, bridges, airports and other forms of infrastructure. Public transportation infrastructure projects historically have been a relatively stable portion of state and federal budgets and represent a significant share of the United States construction market. Federal funds are allocated on a state-by-state basis, and each state is required to match a portion of the federal funds that it receives. Federal highway spending uses funds predominantly from the Highway Trust Fund, which derives its revenues from fuel taxes and other user fees.

In addition to public infrastructure projects, we provide a wide range of large site work construction and HMA paving services to private construction customers, including commercial and residential developers and local businesses.

Recent Developments

COVID-19

We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including its impact on our customers, employees, suppliers, and vendors. We did not incur significant disruptions from COVID-19 during the fiscal year ended September 30, 2020, as road construction has been designated a “critical infrastructure” industry and an “essential business” in each state within our footprint, which has allowed us to continue to operate without significant delays related to state and local shelter-in-place orders. In fact, in certain states in which we operate, including Florida and Alabama, some public projects were accelerated in order to leverage construction efficiencies driven by lower vehicle traffic during the shelter-in-place orders resulting from the COVID-19 pandemic.

However, due to the uncertainties surrounding the COVID-19 pandemic, we are unable to predict the impact that COVID-19 will have on our financial position, operating results and cash flows in future periods. We continue to monitor risks to our business arising from increasing transmission rates of COVID-19, including (i) our need to adopt enhanced safety and cleaning protocols, which have required significant time and attention from our management and workforce, (ii) employee absences, which could adversely affect our productivity and our ability to complete projects in accordance with our contractual obligations, and could require us to temporarily close our facilities or project sites, (iii) potential disruptions in our supply chains for raw materials or equipment, whether as a result of facility closures or otherwise, which could increase our labor and materials costs and impair our ability to manufacture hot-mix asphalt, and (iv) the impact of COVID-19 on our customers, which could cause these customers to cancel or delay current or prospective projects or become delinquent in their payments to us for work that we have performed. Several of these risks have materialized in varying degrees, but none of these risks, individually or in the aggregate, have significantly impacted our operations to date.

In addition, we continue to monitor the impact of COVID-19 on fuel and sales tax revenues, which in turn drive funding levels for public projects in our markets. For instance, a substantial portion of our revenues each quarter are derived from projects completed for various Departments of Transportation, including the Alabama Department of Transportation (“ALDOT”) and the North Carolina Department of Transportation (“NCDOT”), each of which has accounted for more than 10% of our consolidated revenues for various periods within the past two fiscal years, as further described under the heading “Concentration of Risks” in Note 2 – Significant Accounting Policies to the consolidated financial statements included elsewhere in this report. In North Carolina, the NCDOT has implemented several measures in recent months to address preexisting funding pressures that were exacerbated by the effects of the COVID-19 pandemic, including suspending preliminary engineering work on potential future projects, delaying commencement of certain pending projects and reducing the number and size of projects available for bid, which resulted in decreased revenue during the last quarter of the fiscal year ended September 30, 2020. However, recent legislative efforts and increased fuel tax receipts have facilitated the generation of cash reserves in excess of the statutory minimum (a prerequisite for future project lettings) and approvals for future bond issuances that will be used for funding projects in subsequent periods. Management believes that this market remains poised for future growth in light of its favorable population trends and adequate structural long-term funding mechanisms. In Alabama, the decline in gas tax revenue receipts related to reductions in fuel purchased by motorists in recent months has been largely offset by an increase in the fuel tax that became effective in late 2019.

The extent to which our operations may be impacted by the COVID-19 pandemic will depend on future developments, which are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning the severity of the pandemic and actions by government authorities to contain the outbreak or mitigate its impact. Furthermore, the impacts of a potential worsening of economic conditions and the continued disruptions to, and volatility in, the financial markets remain unknown.

How We Assess Performance of Our Business

Revenues

We derive our revenues predominantly by providing construction products and services for both public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports and commercial and residential sites. Our projects represent a mix of federal, state, municipal and private customers. We also derive revenues from the sale of HMA, aggregates, and liquid asphalt cement to customers. Revenues derived from projects are recognized as performance obligations are satisfied over time (formerly known as the percentage-of-completion method), measured by the relationship of total cost incurred compared to total estimated contract costs (cost-to-cost input method). Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to estimated costs and income, and are recognized in the period in which the revisions are determined. Revenues derived from the sale of HMA, aggregates, and liquid asphalt cement are recognized when the risks associated with ownership have passed to the customer.

Gross Profit

Gross profit represents revenues less cost of revenues. Cost of revenues consists of all direct and indirect costs associated with construction contracts, including raw materials, labor, equipment costs, depreciation, lease expenses, subcontract costs and other expenses at our HMA plants, aggregate mining facilities, and liquid asphalt cement terminal. Our cost of revenues is directly affected by fluctuations in commodity prices, primarily liquid asphalt and diesel fuel. From time to time, when appropriate, we limit our exposure to changes in commodity prices by entering into forward purchase commitments. In addition, our public infrastructure contracts often provide for price adjustments based on fluctuations in certain commodity-related product costs. These price adjustment provisions are in place for most of our public infrastructure contracts, and we seek to include similar provisions in our private contracts.

Depreciation, Depletion and Amortization

Property, plant and equipment are initially recorded at cost or, if acquired as a business combination, at fair value. Depreciation on property, plant and equipment is computed on a straight-line basis over the estimated useful life of the asset. Amortization expense is the periodic expense related to leasehold improvements and intangible assets. Leasehold improvements are amortized over the lesser of the life of the underlying asset or the remaining lease term. Our intangible assets were recognized as a result of certain acquisitions and are generally amortized on a straight-line basis over the estimated useful lives of the assets. Quarry reserves are depleted in accordance with the units-of-production method as aggregate is extracted, using the initial allocation of cost based on proven and probable reserves.

General and Administrative Expenses

General and administrative expenses include costs related to our operational offices that are not allocated to direct contract costs and expenses related to our corporate offices. These expenses consist primarily of salaries and personnel costs for our administration, finance and accounting, legal, information systems, human resources and certain managerial employees. General and administrative expenses also include acquisition expenses, audit, consulting and professional fees, stock-based compensation expense, travel, insurance, office space rental costs, property taxes and other corporate and overhead expenses.

Gain on Sale of Equipment, Net

In the normal course of business, we sell construction equipment for various reasons, including when the cost of maintaining the asset exceeds the cost of replacing it. The gain or loss on the sale of equipment reflects the difference between the carrying value at the date of disposal and the net consideration received from the sale of equipment during the period.

Interest Expense, Net

Interest expense, net primarily represents interest incurred on our long-term debt, such as the Term Loan and the Revolving Credit Facility, as well as the changes in fair values of interest swap agreements and amortization of deferred debt issuance costs. These amounts are partially offset by interest income earned on short-term investments of cash balances in excess of our current operating needs.

Other Key Performance Indicators — Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA represents net income before, as applicable from time to time, (i) interest expense, net, (ii) provision (benefit) for income taxes, (iii) depreciation, depletion and amortization of long-lived assets, (iv) equity-based compensation expense, (v) loss on the extinguishment of debt and (vi) certain management fees and expenses. Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of revenues for each period. These metrics are supplemental measures of our operating performance that are neither required by, nor presented in accordance with, GAAP. These measures have limitations as analytical tools and should not be considered in isolation or as an alternative to net income or any other performance measure derived in accordance with GAAP as an indicator of our operating performance. We present Adjusted EBITDA and Adjusted EBITDA Margin because management uses these measures as key performance indicators, and we believe that securities analysts, investors and others use these measures to evaluate companies in our industry. Our calculation of Adjusted EBITDA and Adjusted EBITDA Margin may not be comparable to similarly named measures reported by other companies. Potential differences may include differences in capital structures, tax positions and the age and book depreciation of intangible and tangible assets.

The following table presents a reconciliation of net income, the most directly comparable measure calculated in accordance with GAAP, to Adjusted EBITDA and the calculation of Adjusted EBITDA Margin for the periods presented (in thousands, except percentages):

	For the Fiscal Year Ended September 30,	
	2020	2019
Net income	$ 40,297	$ 43,121
Interest expense, net	3,113	1,861
Provision for income taxes	12,760	13,909
Depreciation, depletion and amortization of long-lived assets	39,301	31,231
Equity-based compensation expense	1,570	957
Management fees and expenses [(1)]	1,403	1,252
Adjusted EBITDA	$ 98,444	$ 92,331
Revenues	$ 785,679	$ 783,238
Adjusted EBITDA Margin	12.5 %	11.8 %

(1) Reflects fees and reimbursement of certain out-of-pocket expenses under a management services agreement with SunTx Capital Partners, the Company's controlling stockholder (see Note 17 - Related Parties to the consolidated financial statements included elsewhere in this report).

Results of Operations — Fiscal Year Ended September 30, 2020 Compared to Fiscal Year Ended September 30, 2019

The following table sets forth selected financial data for the fiscal years ended September 30, 2020 (“fiscal 2020”) and September 30, 2019 (“fiscal 2019”) (in thousands, except percentages):

	For the Fiscal Year Ended September 30,				Change from Fiscal 2019 to Fiscal 2020	
	2020		2019			
	Dollars	% of Revenues	Dollars	% of Revenues	$ Change	% Change
Revenues	$ 785,679	100.0 %	$ 783,238	100.0 %	$ 2,441	0.3 %
Cost of revenues	663,467	84.4 %	665,285	84.9 %	(1,818)	(0.3)%
Gross profit	122,212	15.6 %	117,953	15.1 %	4,259	3.6 %
General and administrative expenses	(68,597)	(8.7) %	(62,724)	(8.0) %	(5,873)	9.4 %
Gain on sale of equipment, net	1,616	0.2 %	1,909	0.2 %	(293)	(15.3)%
Operating income	55,231	7.1 %	57,138	7.3 %	(1,907)	(3.3)%
Interest expense, net	(3,113)	(0.4) %	(1,861)	(0.2) %	(1,252)	67.3 %
Other income	336	— %	416	— %	(80)	(19.2)%
Income before provision for income taxes and earnings from investment in joint venture	52,454	6.7 %	55,693	7.1 %	(3,239)	(5.8)%
Provision for income taxes	12,760	1.6 %	13,909	1.8 %	(1,149)	(8.3)%
Earnings from investment in joint venture	603	— %	1,337	0.2 %	(734)	(54.9)
Net income	$ 40,297	5.1 %	$ 43,121	5.5 %	$ (2,824)	(6.5)%
Adjusted EBITDA	$ 98,444	12.5 %	$ 92,331	11.8 %	$ 6,113	6.6 %

Revenues. Revenues for fiscal 2020 increased $2.5 million, or 0.3%, to $785.7 million from $783.2 million for fiscal 2019. Revenues in markets we served on September 30, 2019 decreased by $47.1 million during fiscal 2020, primarily due to a reduction in the number of projects available for bid in certain of our markets, including North Carolina, and our resulting efforts to manage our backlog and effectively utilize our workforce in light of the uncertainties caused by the COVID-19 pandemic. The decrease was offset by a $49.6 million increase in total revenue attributable to acquisitions that we completed during or subsequent to fiscal 2019.

Gross Profit. Gross profit for fiscal 2020 increased $4.2 million, or 3.6%, to $122.2 million from $118.0 million for fiscal 2019. The higher gross profit was the result of an increase in gross profit margin to 15.6% for fiscal 2020 from 15.1% for fiscal 2019, primarily due to efficient utilization of our plants and equipment, and the contribution from the liquid asphalt terminal, which we acquired during fiscal 2019 and allows us to purchase liquid asphalt at wholesale prices, thereby reducing our cost of revenues.

General and Administrative Expenses. General and administrative expenses for fiscal 2020 increased $5.9 million, or 9.4%, to $68.6 million from $62.7 million for fiscal 2019. The increase in general and administrative expenses for fiscal 2020 compared to fiscal 2019 was primarily the result of (i) a $2.9 million increase in overhead expenses attributable to acquisitions that we completed during or subsequent to fiscal 2019, (ii) a $3.1 million increase in management personnel payroll and benefits and (iii) a $0.6 million increase in stock-based compensation expense. These increases were partially offset by decreases in other general administrative expenses of $0.7 million.

Interest Expense, Net. Interest expense, net for fiscal 2020 increased $1.2 million, or 67.3%, to $3.1 million compared to $1.9 million for fiscal 2019. The increase in interest expense, net reflects a $0.3 million increase in interest expense and a decrease of $0.9 million in interest income. The increase in interest expense was due to an increase in the average principal debt balance outstanding for fiscal 2020 compared to fiscal 2019 and a $1.4 million charge to interest expense related to a change in the fair value of our interest rate swaps during fiscal 2020, compared to a $0.6 million charge during fiscal 2019. This increase was partially offset by a reduction in the interest rate on our debt compared to fiscal year 2019. The decrease in interest income was due to a decrease in interest rates earned on our deposits.

Provision for Income Taxes. Our effective tax rate decreased to 24.0% for fiscal 2020, from 24.4% for fiscal 2019. Our lower effective tax rate was the result of filing an amended consolidated state return, as a result of which the Company recorded an amended return benefit of $0.4 million related to the utilization of net operating loss carryforwards and a corresponding release of a valuation allowance.

Earnings from Investment in Joint Venture. During fiscal 2020 and 2019, we earned $0.6 million and $1.3 million of pre-tax income, respectively, from our 50% interest in the earnings of a joint venture that we entered into with a third party in November 2017 for the sole purpose of performing a construction project for ALDOT.

Net Income. Net income decreased $2.8 million, or 6.5%, to $40.3 million for fiscal 2020 compared to $43.1 million for fiscal 2019. This decrease in net income was primarily a result of higher general and administrative expenses and additional interest expense during fiscal 2020, and was substantially offset by higher gross profit. General and administrative expenses for fiscal 2020 increased $5.9 million, or 9.4%, to $68.6 million from $62.7 million for fiscal 2019.

Adjusted EBITDA and Adjusted EBITDA Margin. Adjusted EBITDA and Adjusted EBITDA Margin were $98.4 million and 12.5%, respectively, for fiscal 2020, compared to $92.3 million and 11.8%, respectively, for fiscal 2019. The increase in Adjusted EBITDA primarily resulted from the increase in gross profit, depreciation, depletion and amortization of long-lived assets for fiscal 2020 compared to fiscal 2019, partially offset by an increase in general and administrative expense and interest expense, net. The increase in the Adjusted EBITDA Margin was primarily the result of increased depreciation, depletion and amortization of long-lived assets. For a description of Adjusted EBITDA and Adjusted EBITDA Margin, as well as a reconciliation of Adjusted EBITDA to net income, see “How We Assess Performance of Our Business.”

Inflation and Price Changes

Inflation had an immaterial impact on our results of operations for fiscal 2020 and 2019 due to relatively low inflation in the United States and our ability to recover increasing costs by obtaining higher prices for our products, including through the use of sale price escalator clauses in most of our public sector infrastructure contracts. Inflation risk varies with the level of activity in our industry, the number, size and strength of competitors and the availability of products to supply a local market.

Liquidity and Capital Resources

Cash Flows Analysis

The following table sets forth our cash flows for the periods indicated (in thousands):

	For the Fiscal Year Ended September 30,	
	2020	**2019**
Net cash provided by operating activities, net of acquisitions	$ 105,173	$ 55,274
Net cash used in investing activities	(79,363)	(60,225)
Net cash provided by (used in) financing activities	41,887	(13,567)
Net change in cash and cash equivalents	$ 67,697	$ (18,518)

Operating Activities

During fiscal 2020, cash provided by operating activities, net of acquisitions, was $105.2 million, primarily as a result of:

- net income of $40.3 million, including $39.3 million of depreciation, depletion and amortization of long-lived assets;
- a decrease in prepaid expenses and other current assets of $8.1 million, primarily reflecting the $7.7 million payment received by certain of our subsidiaries from January 2020 to July 2020 in connection with a settlement agreement we entered into in April 2018; and
- a decrease in contracts receivable including retainage, net of $7.4 million due to a reduction in fiscal year 2020 fourth quarter job activity in certain of our markets, including North Carolina, compared to the prior year.

During fiscal 2019, cash provided by operating activities, net of acquisitions, was $55.3 million primarily as a result of:

- net income of $43.1 million, including $31.2 million of depreciation, depletion and amortization of long-lived assets;
- contracts receivable including retainage, net increasing by $20.6 million as a result of higher overall revenues; and
- inventory increasing by $8.8 million, of which $6.5 million related to our acquisition and operation of the liquid asphalt terminal and other acquisitions during fiscal 2019.

Investing Activities

During fiscal 2020, cash used in investing activities was $79.4 million, of which $30.2 million related to acquisitions completed in the period and $52.6 million of which was invested in property, plant and equipment, which included $11.5 million for the buyout of equipment leases, and was partially offset by $3.0 million of proceeds from the sale of equipment.

During fiscal 2019, cash used in investing activities was $60.2 million, $24.7 million of which related to acquisitions completed in the period and $42.5 million of which was invested in property, plant and equipment, which was partially offset by $4.5 million of proceeds from the sale of equipment.

Financing Activities

During fiscal 2020, cash provided by financing activities was $41.9 million. We received $72.3 million from proceeds on long-term debt, net of debt issuance costs and discounts, which was offset by $30.4 million of principal payments on long-term debt.

During fiscal 2019, cash used in financing activities was $13.6 million, primarily due to principal payments on long-term debt of $13.0 million during the period.

Credit Agreement

We and each of our subsidiaries are parties to the Credit Agreement, which provides for the Term Loan and the Revolving Credit Facility. At September 30, 2020 and 2019, we had $92.9 million and $44.7 million, respectively, of principal outstanding under the Term Loan, $0.0 million and $5.0 million, respectively, of principal outstanding under the Revolving Credit Facility, and availability of $39.3 million and $14.4 million, respectively, under the Revolving Credit Facility, including reduction for outstanding letters of credit. The obligations of our subsidiaries under the Term Loan and the Revolving Credit Facility are secured by a first priority security interest in substantially all of our assets.

The Credit Agreement requires the Company to satisfy certain financial covenants, including a minimum fixed charge coverage ratio of 1.20-to-1.00 and a maximum consolidated leverage ratio of 2.75-to-1.00, subject to certain adjustments. At September 30, 2020 and 2019, our fixed charge coverage ratio was 2.85-to-1.00 and 4.04-to-1.00, respectively, and our consolidated leverage ratio was 1.08-to-1.00 and 0.66-to-1.00, respectively.

From time to time, the Company has entered into interest rate swap agreements to hedge against the risk of changes in interest rates. These interest rate swap agreements do not meet the criteria for hedge accounting treatment in accordance with GAAP. At September 30, 2020 and 2019, the aggregate notional value of these interest rate swap agreements was $46.5 million and $21.5 million, respectively, and the fair value was $(1.7) million and $(0.3) million, respectively, which is included within other liabilities or other assets on the Company's Consolidated Balance Sheets.

For more information about the Credit Amendment, see Note 11 - Debt to the consolidated financial statements included elsewhere in this report.

Capital Requirements and Sources of Liquidity

During fiscal 2020 and fiscal 2019, our capital expenditures were approximately $52.6 million and $42.5 million, respectively. Our capital expenditures are typically made during the same fiscal year in which they are approved. At September 30, 2020, our commitments for capital expenditures were not material to our financial condition or results of operations on a consolidated basis. For fiscal 2021, we expect total capital expenditures to be $47.0 million to $50.0 million. Our capital expenditure budget is an estimate and is subject to change.

Historically, we have required significant amounts of cash in order to make capital expenditures, purchase materials and fund our organic expansion into new markets. Our working capital needs are driven by the seasonality and growth of our business, with our cash requirements increasing in periods of growth. Additional cash requirements resulting from our growth include the costs of additional personnel, production and distribution facilities, enhancements to our information systems, integration costs related to any acquisitions and our compliance with laws and rules applicable to public companies.

We have historically relied on cash available through credit facilities, in addition to cash from operations, to finance our working capital requirements and to support our growth. We regularly monitor potential capital sources, including equity and debt markets, in an effort to meet our planned capital expenditures and liquidity requirements. Our future success will depend on our ability to access outside sources of capital.

We believe that our operating cash flow and available borrowings under the Credit Agreement will be sufficient to fund our operations through September 30, 2021. However, future cash flows are subject to a number of variables, including the potential impacts of COVID-19, and significant additional capital expenditures will be required to conduct our operations. There can be no assurance that operations and other capital resources will provide sufficient cash to maintain planned or future levels of capital expenditures. In the event that we make one or more acquisitions and the amount of capital required is greater than the amount of cash on hand we have available for acquisitions at that time, we could be required to reduce the expected level of capital expenditures and/or seek additional capital. If we seek additional capital, we may do so through borrowings under the Credit Agreement, joint ventures, asset sales, offerings of debt or equity securities or other means. However, the unprecedented public health and governmental efforts to contain the spread of COVID-19 have created significant uncertainty as to general economic conditions for fiscal year 2021 and beyond, and our ability to engage in any such transactions may be constrained by economic conditions and other factors outside of our control. We cannot guarantee that additional capital will be available on acceptable terms or at all. If we are unable to obtain the funds we need, we may not be able to complete acquisitions that may be favorable to us or finance the capital expenditures necessary to conduct our operations.

Off-Balance Sheet Arrangements

As of September 30, 2020, the Company had aggregate letters of credit outstanding in the amount of $10.9 million and future purchase commitments of $1.3 million for diesel fuel. Other than the letters of credit and future purchase commitments described therein, we do not currently have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources. See Note 18 - Commitments and Contingencies to our consolidated financial statements included elsewhere in this report for additional information.

Critical Accounting Policies and Estimates

The discussion of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and assumptions on an ongoing basis. The results of our analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our consolidated financial statements.

Critical accounting policies are those policies that, in management’s view, are the most important in the portrayal of our financial condition and results of operations. The notes to the consolidated financial statements also include disclosure of significant accounting policies. The methods, estimates and judgments that we use in applying our accounting policies have a significant impact on the results that we report in our consolidated financial statements. These critical accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain. Those critical accounting policies and estimates that require the most significant judgment are discussed further below.

Revenue Recognition

The majority of our public construction contracts are fixed unit price contracts. Under fixed unit price contracts, we are committed to providing materials or services required by a contract at fixed unit prices (for example, dollars per ton of asphalt placed). Our private customer contracts are primarily fixed total price contracts, also known as lump sum contracts, which require that the total amount of work be performed for a single price. Revenues from fixed unit price and fixed total price construction contracts are recognized as performance obligations are satisfied over time (formerly known as the percentage-of-completion method), measured by the relationship of total cost incurred compared to total estimated contract costs (cost-to-cost input method). Under this method, revenues are recognized as costs are incurred in an amount equal to cost plus the related expected profit based on the ratio of costs incurred to estimated final costs. This cost-to-cost method is used because management considers it to be the best available measure of progress on these contracts. Contract costs consist of direct costs on contracts, including labor, materials, amounts payable to subcontractors and those indirect costs related to contract performance, such as equipment costs, insurance and employee benefits. Contract cost is recorded as incurred, and revisions in contract revenues and cost estimates are reflected in the accounting period when known. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those changes arising from contract change orders, penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Change orders are modifications of an original contract that effectively change the existing provisions of the contract without adding new provisions or terms. Change orders may include changes in specifications or designs, manner of performance, facilities, equipment, materials, sites and period of completion of the work. Either we or our customers may initiate change orders. We consider unapproved change orders to be contract variations for which we have a change of scope for which we believe we are contractually entitled to a higher price, but where a price change associated with the scope change has not yet been agreed upon with the customer. Costs associated with unapproved change orders are included in the estimated cost to complete the contracts and are treated as project costs as incurred. We recognize revenues equal to costs incurred on unapproved change orders when realization of price approval is probable. Unapproved change orders involve the use of estimates, and it is reasonably possible that revisions to the estimated costs and recoverable amounts may be required in future reporting periods to reflect changes in estimates or final agreements with customers. Change orders that are unapproved as to both price and scope are evaluated as claims. We consider claims to be amounts in excess of agreed contract prices that we seek to collect from our customers or others for customer-caused delays, errors in specifications and designs, contract terminations, change orders that are either in dispute or are unapproved as to both scope and price, or other causes of unanticipated additional contract costs. Claims are included in the calculation of revenues when realization is probable and amounts can be reliably determined. To support these requirements, the existence of the following items must be satisfied: (i) the contract or other evidence provides a legal basis for the claim or a legal opinion has been obtained, stating that, under the circumstances, there is a reasonable basis to support the claim; (ii) additional costs are caused by circumstances that were unforeseen at the contract date and are not the result of deficiencies in our performance; (iii) costs associated with the claim are identifiable or otherwise determinable and are reasonable in view of the work performed; and (iv) the evidence supporting the claim is objective and verifiable, not based on management's subjective evaluation of the situation or on unsupported representations. Revenues in excess of contract costs incurred on claims are recognized when an agreement is reached with the customer as to the value of the claim, which, in some instances, may not occur until after completion of work under the contract. Costs associated with claims are included in the estimated costs to complete the contracts and are treated as project costs when incurred.

For the majority of our contracts, upon completion and final acceptance of the services that we were contracted to perform, we receive our final payment upon completion of the necessary contract closing documents, and our obligations to the owner are complete at that point. The accuracy of our revenues and profit recognition in a given period depends on the accuracy of our estimates of the revenues and costs to finish uncompleted contracts. Our estimates for all of our significant contracts use a highly detailed "bottom up" approach. However, our projects can be highly complex and, in almost every case, the profit margin estimates for a contract will either increase or decrease to some extent from the amount that was originally estimated at the time of bid. Because we have a large number of projects of varying levels of size and complexity in process at any given time, these changes in estimates can sometimes offset each other without materially impacting our overall profitability. However, large changes in revenues or cost estimates can have a significant effect on profitability.

The accuracy of our revenue and profit recognition in a given period depends on the accuracy of our estimates of the cost to complete each project. Cost estimates for all of our projects use a detailed approach, and we believe our experience allows us to create materially reliable estimates. There are a number of factors that can contribute to changes in estimates of contract cost and profitability. The most significant of these include:

- the completeness and accuracy of the original bid;
- costs associated with scope changes;
- changes in costs of labor and/or materials;
- extended overhead and other costs due to owner, weather and other delays;
- subcontractor performance issues;
- changes in productivity expectations;
- site conditions that differ from those assumed in the original bid;
- changes from original design on design-build projects;
- the availability and skill level of workers in the geographic location of the project;
- a change in the availability and proximity of equipment and materials;
- our ability to fully and promptly recover on affirmative claims and back charges for additional contract costs; and
- the customer's ability to properly administer the contract.

The foregoing factors, as well as the stage of completion of contracts in process and the mix of contracts at different margins, may cause fluctuations in gross profit between periods, and these fluctuations may be significant.

Contracts Receivable, Including Retainage

Contracts receivable are generally based on amounts billed to the customer and currently due in accordance with our contracts. Many of the contracts under which we perform work contain retainage provisions. Retainage refers to amounts that we have billed to the customer, but are being held for payment by the customer pending satisfactory completion of the project. Retainage on active contracts is classified as a current asset regardless of the term of the contract and is generally collected within one year of the completion of a contract. At September 30, 2020 and 2019, contracts receivable included $21.0 million and $19.8 million, respectively, of retainage, which was being contractually withheld by customers until completion of the associated contracts.

Because the majority of our construction contracts are entered into with federal, state or municipal government customers, credit risk is minimal. We confirm that funds have been appropriated by the government project owner prior to commencing work on such projects. While most of our public contracts are subject to termination at the election of the government entity, in the event of any such termination, we are entitled to receive the contract price for completed work and reimbursement of termination-related costs. Credit risk with private owners is minimized because of statutory mechanic's liens, which give us high priority in the event of lien foreclosures following financial difficulties of private owners. We maintain an allowance for doubtful accounts, which has historically been sufficient to cover accounts that are not collected.

Valuation of Long-Lived Assets and Goodwill

Long-lived assets, which include property, equipment and acquired intangible assets, such as goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment evaluations involve fair values and management estimates of useful asset lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management, and this could have a material effect on our operating results and financial position. For the fiscal years ended September 30, 2020 and 2019, there were no events or changes in circumstances that would indicate a material impairment of our long-lived assets.

Goodwill and indefinite-lived intangible assets must be tested for impairment at least annually. We performed our most recent annual impairment test on July 1, 2020. Our test indicated that there was no impairment of goodwill and indefinite-lived intangible assets. We first evaluate our market capitalization compared to the net assets of the Company overall. Our final determination of valuation is impacted by a number of factors, but the key factors are the price of our common stock, recently completed transactions from both public companies and private transactions and our estimated forecast of future cash flows.

The valuation approaches contain uncertainty regarding the estimates used. Our market capitalization could be impacted because we are a controlled company, which impacts the control premium we apply to the market price of our common stock. One of the largest uncertainties relates to federal, state and local government spending, which management expects to increase in the upcoming years. There are a number of other uncertainties with respect to our future financial performance that could impact estimated future cash flows, including those discussed under the heading "Risk Factors" elsewhere in this report. Based on our valuation approaches, we determined that our one reporting unit substantially exceeded its carrying value, and thus concluded that the carrying value of goodwill was not impaired at July 1, 2020 or 2019. At September 30, 2020 and 2019, we had goodwill with a carrying amount of $46.3 million and $38.5 million, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We regularly review our deferred tax assets for recoverability and, where necessary, establish a valuation allowance. Valuation allowances are established to reduce deferred tax assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized in future periods.

To assess this likelihood, we use historical three-year results of operations, estimates and judgments regarding our future taxable income and consider the jurisdiction in which the taxable income is generated to determine whether a valuation allowance is required. Such evidence can include our current financial position, results of operations, actual and forecasted results, the reversal of deferred tax liabilities, tax planning strategies and the current and forecasted business economics of our industry. Additionally, we record uncertain tax positions at their net recognizable amount, based on the amount that management deems is more likely than not to be sustained upon ultimate settlement with the tax authorities in jurisdictions in which we operate.

On the basis of our evaluations, at September 30, 2020 and 2019, no valuation allowance was recorded on our net deferred tax assets, and we had no material uncertain tax positions. If our estimates or assumptions regarding our current and deferred tax items are inaccurate or are modified, these changes could have potentially material impacts on our earnings.

Accrued Insurance Cost

We carry insurance policies to cover various risks, primarily general liability, automobile liability and workers' compensation, under which we are liable to reimburse the insurance company for a portion of each claim paid, ranging from $100,000 to $500,000 per occurrence. We accrue for probable losses, both reported and unreported, that are reasonably estimable using actuarial methods based on historic trends and modified, if necessary, by recent events. Changes in our loss assumptions caused by changes in actual experience would affect our assessment of the ultimate liability and could have an effect on our operating results and financial position up to $500,000 per occurrence for general liability, automobile liability and workers' compensation claims.

We provide employee medical insurance under policies that are both fixed-premium, fully-insured policies and self-insured policies that are administered by the insurance company. Under the self-insured policies, we are liable to reimburse the insurance company for actual claims paid plus an administrative fee. We purchase separate stop-loss insurance, which limits the individual participant claim loss to amounts ranging from $100,000 to $160,000.

Share-Based Payments and Other Equity Transactions

Our equity incentive plans are administered by the Compensation Committee of our Board of Directors. We account for our equity-based compensation plans using a fair value-based method of accounting, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is typically the vesting period.

Other Accounting Policies and New Accounting Pronouncements

See Note 2 – Significant Accounting Policies and Note 3 – Accounting Standards, to the consolidated financial statements for the fiscal year ended September 30, 2020, which are contained in Part II, Item 8 of this report and are incorporated by reference herein.

Emerging Growth Company

The JOBS Act permits an "emerging growth company" like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have irrevocably elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted.

Seasonality

The activity of our business fluctuates due to seasonality because our business is primarily conducted outdoors. Therefore, seasonal changes and other weather-related conditions, in particular extended snowy, rainy or cold weather in the winter, spring or fall and major weather events, such as hurricanes, tornadoes, tropical storms and heavy snows, can adversely affect our business and operations through a decline in both the use of our products and the demand for our services. In addition, construction materials production and shipment levels follow activity in the construction industry, which typically occurs in the spring, summer and fall. Warmer and drier weather during our third and fourth fiscal quarters typically result in higher activity and revenues during those quarters. Our first and second fiscal quarters typically have lower levels of activity due to adverse weather conditions. Our third fiscal quarter varies greatly with spring rains and wide temperature variations. A cool, wet spring increases drying time on projects, which can delay sales in the third fiscal quarter, while a warm, dry spring may facilitate earlier project commencement dates.

Commodity Price Risk

We are subject to commodity price risk with respect to price changes in liquid asphalt and energy, including fossil fuels and electricity for aggregates and asphalt paving mix production, natural gas for HMA production and diesel fuel for distribution vehicles and production-related mobile equipment. In order to manage or reduce commodity price risk, we monitor the costs of these commodities at the time of bid and price them into our contracts accordingly. Furthermore, liquid asphalt escalator provisions in most of our public contracts, and in some of our private and commercial contracts, limit our exposure to price fluctuations in this commodity. In addition, we enter into various firm purchase commitments, with terms generally less than one year, for certain raw materials.

We have entered into fuel swap contracts to mitigate the financial impact of fluctuations in fuel prices. As of September 30, 2020, we had fuel swap contracts to pay fixed prices for fuel with an aggregate notional amount of 2.5 million gallons, maturing incrementally through fiscal year 2022. The fair value of these derivative contracts was $(0.5) million and $0.0 million respectively, at September 30, 2020 and 2019. The changes in the fair market value of these derivative contracts are recorded in cost of revenues. These fuel swap contracts provide a fixed price for less than 50% of our estimated fuel usage for the remainder of fiscal years 2021 and 2022.

Interest Rate Risk

We are exposed to interest rate risk on certain of our short- and long-term debt obligations used to finance our operations and acquisitions. We have LIBOR-based floating rate borrowings under the Credit Agreement, which expose us to variability in interest payments due to changes in the reference interest rates. From time to time, we use derivative instruments as hedges against the impact of interest rate changes on future earnings and cash flows. In order to hedge against changes in interest rates and to manage fluctuations in cash flows resulting from interest rate risk, we entered into amortizing interest rate swap agreements (i) on June 30, 2017, with respect to $25.0 million of outstanding debt under the Term Loan, for which we pay a fixed rate of 2.015%, (ii) on May 15, 2018,with respect to $11.0 million of the $22.0 million of additional debt that we borrowed under the Term Loan on that date, for which we pay a fixed percentage rate of 3.01%, (iii) on October 1, 2019, with respect to $5.9 million of the $10.0 million of additional debt that we borrowed under the Term Loan on that date, for which we pay a fixed interest rate of 1.58% and (iv) on February 27, 2020, with respect to $26.3 million of additional debt that we borrowed under the Term Loan on that date, for which we pay a fixed percentage rate of 1.24% and, in each case, under which receive a credit based on the applicable LIBOR rate.

At September 30, 2020, we had a total of $92.9 million of variable rate borrowings outstanding. Holding other factors constant and absent the interest rate swap agreements described above, a hypothetical 1% change in our borrowing rates would result in a $0.9 million change in our annual interest expense based on our variable rate debt at September 30, 2020.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act, and therefore are not required to provide the information called for by this Item.

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Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Construction Partners, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Construction Partners, Inc. and its subsidiaries (the Company) as of September 30, 2020 and 2019, the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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 Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

/s/ RSM US LLP

We have served as the Company's auditor since 2017.

Birmingham, Alabama
December 11, 2020

CONSTRUCTION PARTNERS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	September 30, 2020	September 30, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 148,316	$ 80,619
Contracts receivable including retainage, net	131,770	139,882
Costs and estimated earnings in excess of billings on uncompleted contracts	7,873	12,030
Inventories	38,561	34,291
Prepaid expenses and other current assets	5,041	13,144
Total current assets	331,561	279,966
Property, plant and equipment, net	237,230	205,870
Operating lease right-of-use assets	7,383	—
Goodwill	46,348	38,546
Intangible assets, net	3,224	3,434
Investment in joint venture	198	496
Other assets	1,784	2,284
Deferred income taxes, net	386	1,173
Total assets	$ 628,114	$ 531,769
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 64,732	$ 70,442
Billings in excess of costs and estimated earnings on uncompleted contracts	33,704	31,115
Current portion of operating lease liabilities	2,046	—
Current maturities of long-term debt	13,000	7,538
Accrued expenses and other current liabilities	22,347	19,078
Total current liabilities	135,829	128,173
Long-term liabilities:		
Long-term debt, net of current maturities	79,053	42,458
Operating lease liabilities, net of current portion	5,554	—
Deferred income taxes, net	14,003	11,480
Other long-term liabilities	8,480	6,108
Total long-term liabilities	107,090	60,046
Total liabilities	242,919	188,219
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, par value $0.001; 10,000,000 shares authorized at September 30, 2020 and September 30, 2019 and no shares issued and outstanding	—	—
Class A common stock, par value $0.001; 400,000,000 shares authorized, 33,875,884 shares issued and outstanding at September 30, 2020, and 32,597,736 shares issued and outstanding at September 30, 2019	34	33
Class B common stock, par value $0.001; 100,000,000 shares authorized, 20,828,813 shares issued and 17,905,861 shares outstanding at September 30, 2020, and 22,106,961 shares issued and 19,184,009 shares outstanding at September 30, 2019	21	22
Additional paid-in capital	245,022	243,452
Treasury stock, at cost, 2,922,952 shares of Class B common stock, par value $0.001	(15,603)	(15,603)
Retained earnings	155,721	115,646
Total stockholders' equity	385,195	343,550
Total liabilities and stockholders' equity	$ 628,114	$ 531,769

See notes to consolidated financial statements.

CONSTRUCTION PARTNERS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share data)

	For the Fiscal Year Ended September 30,	
	2020	**2019**
Revenues	$ 785,679	$ 783,238
Cost of revenues	663,467	665,285
Gross profit	122,212	117,953
General and administrative expenses	(68,597)	(62,724)
Gain on sale of equipment, net	1,616	1,909
Operating income	55,231	57,138
Interest expense, net	(3,113)	(1,861)
Other income	336	416
Income before provision for income taxes and earnings from investment in joint venture	52,454	55,693
Provision for income taxes	12,760	13,909
Earnings from investment in joint venture	603	1,337
Net income	$ 40,297	$ 43,121
Net income per share attributable to common stockholders:		
Basic	$ 0.78	$ 0.84
Diluted	$ 0.78	$ 0.84
Weighted average number of common shares outstanding:		
Basic	51,489,211	51,421,159
Diluted	51,636,934	51,427,220

See notes to consolidated financial statements.

CONSTRUCTION PARTNERS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, September 30, 2018	11,950,000	$ 12	42,387,571	$ 42	$ 242,493	$ (15,603)	$ 72,525	$ 299,469
Conversion of Class B common stock to Class A common stock	20,355,202	20	(20,355,202)	(20)	—	—	—	—
Issuance of stock grant awards	292,534	—	—	—	—	—	—	—
Stock option exercise	—	—	74,592	—	3	—	—	3
Equity-based compensation expense	—	—	—	—	957	—	—	957
Net income	—	—	—	—	—	—	43,121	43,121
Balance, September 30, 2019	32,597,736	33	22,106,961	22	243,452	(15,603)	115,646	343,550
Conversion of Class B common stock to Class A common stock	1,278,148	1	(1,278,148)	(1)	—	—	—	—
Equity-based compensation expense	—	—	—	—	1,570	—	—	1,570
Effect of adopting ASU Topic 842 (see Note 3)	—	—	—	—	—	—	(222)	(222)
Net income	—	—	—	—	—	—	40,297	40,297
Balance, September 30, 2020	33,875,884	$ 34	20,828,813	$ 21	$ 245,022	$ (15,603)	$ 155,721	$ 385,195

See notes to consolidated financial statements.

CONSTRUCTION PARTNERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Fiscal Year Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net income	$ 40,297	$ 43,121
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization of long-lived assets	39,301	31,231
Amortization of deferred debt issuance costs	170	109
Loss on derivative instruments	1,900	565
Provision for bad debt	705	995
Gain on sale of equipment	(1,616)	(1,909)
Equity-based compensation expense	1,570	957
Earnings from investment in joint venture	(603)	(1,337)
Distribution of earnings from investment in joint venture	540	—
Deferred income taxes	3,310	2,997
Other non-cash adjustments	(5)	—
Changes in operating assets and liabilities:		
Contracts receivable including retainage, net	7,407	(20,586)
Costs and estimated earnings in excess of billings on uncompleted contracts	4,157	(2,696)
Inventories	(1,183)	(8,826)
Prepaid expenses and other current assets	8,103	993
Other assets	500	7,986
Accounts payable	(5,710)	6,932
Billings in excess of costs and estimated earnings on uncompleted contracts	2,589	(7,623)
Accrued expenses and other current liabilities	3,086	2,117
Other long-term liabilities	655	248
Net cash provided by operating activities, net of acquisitions	105,173	55,274
Cash flows from investing activities:		
Purchases of property, plant and equipment	(52,574)	(42,479)
Acquisition of liquid asphalt terminal assets	—	(10,848)
Proceeds from sale of equipment	3,041	4,456
Business acquisitions, net of cash acquired	(30,191)	(13,854)
Distributions received from investment in joint venture	361	2,500
Net cash used in investing activities	(79,363)	(60,225)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of debt issuance costs and discount	72,299	—
Principal payments of long-term debt	(30,412)	(13,001)
Payment of treasury stock purchase obligation	—	(569)
Proceeds from sale of stock	—	3
Net cash provided by (used in) financing activities	41,887	(13,567)
Net change in cash and cash equivalents	67,697	(18,518)
Cash and cash equivalents:		
Beginning of period	80,619	99,137
End of period	$ 148,316	$ 80,619
Supplemental cash flow information:		
Cash paid for interest	$ 2,041	$ 2,639
Cash paid for income taxes	$ 9,905	$ 9,119
Cash paid for operating lease liabilities	$ 3,228	$ —
Non-cash items:		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ 1,516	$ —
Property, plant and equipment financed with accounts payable	$ 2,761	$ 904

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - General

Business Description

Construction Partners, Inc. (the "Company") is a civil infrastructure company that specializes in the construction and maintenance of roadways across Alabama, Florida, Georgia, North Carolina and South Carolina. Through its wholly owned subsidiaries, the Company provides a variety of products and services to both public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports, and commercial and residential developments. The Company's primary operations consist of (i) manufacturing and distributing hot mix asphalt ("HMA") for both internal use and sales to third parties in connection with construction projects, (ii) paving activities, including the construction of roadway base layers and application of asphalt pavement, (iii) site development, including the installation of utility and drainage systems, (iv) mining aggregates, such as sand and gravel, that are used as raw materials in the production of HMA, and (v) distributing liquid asphalt cement for both internal use and sales to third parties in connection with HMA production.

The Company was formed as a Delaware corporation in 2007 as a holding company for its wholly owned subsidiary, Construction Partners Holdings, Inc., to facilitate an acquisition growth strategy in the HMA paving and construction industry. On December 31, 2019, Construction Partners Holdings, Inc. merged with and into the Company, with the Company surviving the merger. SunTx Capital Partners ("SunTx"), a private equity firm based in Dallas, Texas, is the Company's majority investor and has owned a controlling interest in the Company's stock since the Company's inception.

Management's Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the recorded amounts of assets, liabilities, stockholders' equity, revenues and expenses during the reporting period, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates are used in accounting for items such as recognition of revenues and cost of revenues, goodwill and other intangible assets, business acquisition accounting estimates, valuation of operating lease right-of-use assets, allowance for doubtful accounts, valuation allowances related to income taxes, accruals for potential liabilities related to lawsuits or insurance claims, the fair value of derivative instruments and the fair value of equity-based compensation awards. Estimates are continually evaluated based on historical information and actual experience; however, actual results could differ from these estimates.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company balances and transactions have been eliminated in consolidation.

Emerging Growth Company

The Company is an "emerging growth company" as defined by the Jumpstart Our Business Startups Act (the "JOBS Act") enacted in 2012. As an emerging growth company, the Company could have taken advantage of an exemption that would have allowed the Company to wait to comply with new or revised financial accounting standards until the effective date of such standards for private companies. However, the Company has irrevocably elected to opt out of such extended transition period, which means that when a new or revised standard has different effective dates for public and private companies, the Company is required to adopt the standard at the effective date applicable to public companies that are not emerging growth companies.

Cash and Cash Equivalents

Cash consists principally of currency on hand and demand deposits at commercial banks. Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include investments with original maturities of three months or less. The Company maintains demand accounts, money market accounts and certificates of deposit at several banks. From time to time, account balances have exceeded the maximum available federal deposit insurance coverage limit. The Company has not experienced any losses in such accounts and regularly monitors its credit risk.

Contracts Receivable Including Retainage, net

Contracts receivable are generally based on amounts billed and currently due from customers, amounts currently due but unbilled, and amounts retained by customers pending completion of a project. It is common in the Company's industry for a small portion of either progress billings or the contract price, typically 10%, to be withheld by the customer until the Company completes a project to the satisfaction of the customer in accordance with the applicable contract terms. Such amounts, defined as retainage, represent a contract asset and are included on the Consolidated Balance Sheets as "Contracts receivable including retainage, net." Based on the Company's experience with similar contracts in recent years, billings for such retainage balances are generally collected within one year of the completion of the project.

The carrying value of contracts receivable including retainage, net of the allowance for doubtful accounts represents their estimated net realizable value. Management provides for uncollectible accounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts, type of service performed, and current economic conditions. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and an adjustment of the contract receivable.

Contract Assets and Contract Liabilities

Billing practices for the Company's contracts are governed by the contract terms of each project based on (i) progress toward completion approved by the owner, (ii) achievement of milestones or (iii) pre-agreed schedules. Billings do not necessarily correlate with revenues recognized under the cost-to-cost input method (formerly known as the percentage-of-completion method). The Company records contract assets and contract liabilities to account for these differences in timing.

The contract asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," arises when the Company recognizes revenues for services performed under its construction projects, but the Company is not yet entitled to bill the customer under the terms of the contract. Amounts billed to customers are excluded from this asset and reflected on the Consolidated Balance Sheets as "Contracts receivable including retainage, net." Included in costs and estimated earnings on uncompleted contracts are amounts the Company seeks or will seek to collect from customers or others for (i) errors, (ii) changes in contract specifications or design, (iii) contract change orders in dispute, unapproved as to scope and price, or (iv) other customer-related causes of unanticipated additional contract costs (such as claims). Such amounts are recorded to the extent that the amount can be reasonably estimated and recovery is probable. Claims and unapproved change orders made by the Company may involve negotiation and, in rare cases, litigation. Unapproved change orders and claims also involve the use of estimates, and revenues associated with unapproved change orders and claims are included in the transaction price for which it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is resolved. The Company did not recognize any material amounts associated with claims and unapproved change orders during the periods presented.

The contract liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents the Company's obligation to transfer goods or services to a customer for which the Company has been paid by the customer or for which the Company has billed the customer under the terms of the contract. Revenue for future services reflected in this account are recognized, and the liability is reduced, as the Company subsequently satisfies the performance obligation under the contract.

Costs and estimated earnings in excess of billings on uncompleted contracts and billings in excess of costs and estimated earnings on uncompleted contracts are typically resolved within one year and are not considered significant financing components.

Concentration of Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of contracts receivable including retainage. In the normal course of business, the Company provides credit to its customers and does not generally require collateral. The Company monitors concentrations of credit risk associated with these receivables on an ongoing basis. The Company has not historically experienced significant credit losses, due primarily to management's assessment of customers' credit ratings. The Company principally deals with recurring customers, state and local governments and well-known local companies whose reputations are known to management. The Company performs credit checks for significant new customers and generally requires progress payments for significant projects. The Company generally has the ability to file liens against the property if payments are not made on a timely basis. No single customer accounted for more than 10% of the Company's contracts receivable including retainage, net balance at September 30, 2020 or September 30, 2019.

Projects performed for various Departments of Transportation accounted for32.5% and 40.4% of consolidated revenues for the fiscal years ended September 30, 2020 and 2019, respectively. Customers that accounted for more than 10.0% of consolidated revenues during either of those periods are presented below:

	% of Consolidated Revenues for the Fiscal Year Ended September 30,	
	2020	2019
Alabama Department of Transportation	11.6 %	13.8 %
North Carolina Department of Transportation	7.8 %	13.1 %

Inventories

The Company's inventories are stated at the lower of cost or net realizable value and are accounted for on an average cost basis or a first-in, first-out cost basis. The cost of inventory includes the cost of material, labor, trucking and other equipment costs associated with procuring and transporting materials to HMA plants for production and delivery to customers. Inventories consist primarily of raw materials, including asphalt cement, aggregate and millings that the Company expects to utilize on construction projects within one year.

Revenues from Contracts with Customers

The Company derives all of its revenues from contracts with its customers, predominantly by performing construction services for both public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports and commercial and residential developments. These projects are performed for a mix of federal, state, municipal and private customers. In addition, the Company generates revenues from the sale of construction materials, including HMA, aggregates, liquid asphalt and ready-mix concrete, to third-party public and private customers pursuant to contracts with those customers. The following table reflects, for the periods presented, (i) revenues generated from public infrastructure construction projects and the sale of construction materials to public customers and (ii) revenues generated from private infrastructure construction projects and the sale of construction materials to private customers.

	% of Consolidated Revenues for the Fiscal Year Ended September 30,	
	2020	2019
Public	65.3%	69.3%
Private	34.7%	30.7%

Revenues derived from construction projects are recognized over time as the Company satisfies its performance obligations by transferring control of the asset created or enhanced by the project to the customer. Recognition of revenues and cost of revenues for construction projects requires significant judgment by management, including, among other things, estimating total costs expected to be incurred to complete a project and measuring progress toward completion. Management reviews contract estimates regularly to assess revisions of estimated costs to complete a project and measurement of progress toward completion. During the fiscal years ended September 30, 2020 and 2019, revisions in estimates related to amounts recorded in prior periods resulted in the Company recording net increases in revenues of $1.6 million and $3.8 million, respectively.

Management believes the Company maintains reasonable estimates based on prior experience; however, many factors contribute to changes in estimates of contract costs. Accordingly, estimates made with respect to uncompleted projects are subject to change as each project progresses and better estimates of contract costs become available. All contract costs are recorded as incurred, and revisions to estimated total costs are reflected as soon as the obligation to perform is determined. Provisions are recognized for the full amount of estimated losses on uncompleted contracts whenever evidence indicates that the estimated total cost of a contract exceeds its estimated total revenue, regardless of the stage of completion. When the Company incurs additional costs related to work performed by subcontractors, the Company may be able to utilize contractual provisions to back charge the subcontractors for those costs. A reduction to costs related to back charges is recognized when estimated recovery is probable and the amount can be reasonably estimated. Contract costs consist of (i) direct costs on contracts, including labor, materials, and amounts payable to subcontractors and (ii) indirect costs related to contract performance, such as insurance, employee benefits, and equipment (primarily depreciation, fuel, maintenance and repairs).

Progress toward completion is estimated using the input method, measured by the relationship of total cost incurred through the measurement date to total estimated costs required to complete the project (cost-to-cost method). The Company believes this method best depicts the transfer of goods and services to the customer because it represents satisfaction of the Company's performance obligation under the contract, which occurs as the Company incurs costs. The Company measures percentage of completion based on the performance of a single performance obligation under its construction projects. Each of the Company's construction contracts represents a single performance obligation to complete a defined construction project. This is because goods and services promised for delivery to a customer are not distinct, as the customer cannot benefit from any individual portion of the services on its own. All deliverables under a contract are part of a project defined by a customer and represent a series of integrated goods and services that have the same pattern of delivery to the customer and use the same measure of progress toward satisfaction of the performance obligation as the customer's asset is created or enhanced by the Company. The Company's obligation is not satisfied until the entire project is complete.

Revenue recognized during a reporting period is based on the cost-to-cost input method applied to the total transaction price, including adjustments for variable consideration, such as liquidated damages, penalties or bonuses, related to the timeliness or quality of project performance. The Company includes variable consideration in the estimated transaction price at the most likely amount to which the Company expects to be entitled or the most likely amount the Company expects to incur, in the case of liquidated damages or penalties. Such amounts are included in the transaction price for which it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is resolved. The Company accounts for changes to the estimated transaction price using a cumulative catch-up adjustment.

The majority of the Company's public construction contracts are fixed unit price contracts. Under fixed unit price contracts, the Company is committed to providing materials or services required by a contract at fixed unit prices (for example, dollars per ton of asphalt placed). The Company's private customer contracts are primarily fixed total price contracts, also known as lump sum contracts, which require that the total amount of work be performed for a single price. Contract cost is recorded as incurred, and revisions in contract revenue and cost estimates are reflected in the accounting period when known. Changes in job performance, job conditions and estimated profitability, including those changes arising from contract change orders, penalty provisions and final contract settlements, may result in revisions to estimated revenues and costs and are recognized in the period in which the revisions are determined.

Change orders are modifications of an original contract that effectively change the existing provisions of the contract and become part of the single performance obligation that is partially satisfied at the date of the contract modification. This is because goods and services promised under change orders are generally not distinct from the remaining goods and services under the existing contract, due to the significant integration of services performed in the context of the contract. Accordingly, change orders are generally accounted for as a modification of the existing contract and single performance obligation. We account for the modification using a cumulative catch-up adjustment. Either the Company or its customers may initiate change orders, which may include changes in specifications or designs, manner of performance, facilities, equipment, materials, sites and period of completion of the work.

Revenues derived from the sale of HMA, aggregates, ready-mix concrete, and liquid asphalt are recognized at a point in time, which is when control of the product is transferred to the customer. Generally, that point in time is when the customer accepts delivery at its facility or receives product in its own transport vehicles from one of the Company's HMA plants. Upon purchase, the Company generally provides an invoice or similar document detailing the goods transferred to the customer. The Company generally offers payment terms customary in the industry, which typically require payment ranging from point-of-sale to 30 days following purchase.

Fair Value Measurements

The Company measures and discloses certain financial assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs used to measure fair value are classified using the following hierarchy:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3. Inputs are unobservable for the asset or liability and include situations in which there is little, if any, market activity for the asset or liability. The inputs used in the determination of fair value are based on the best information available under the circumstances and may require significant management judgment or estimation.

The Company endeavors to utilize the best available information in measuring fair value.

The Company's financial instruments include cash and cash equivalents, contracts receivable including retainage and accounts payable reflected as current assets and current liabilities on its Consolidated Balance Sheets at September 30, 2020 and 2019. Due to the short-term nature of these instruments, management considers their carrying value to approximate their fair value.

The Company also has term loans and a revolving credit facility, as described in Note 11 - Debt. The carrying value of amounts outstanding under these credit facilities is reflected as long-term debt, net of current maturities and current maturities of debt on the

Company's Consolidated Balance Sheets at September 30, 2020 and 2019. Due to the variable rate or short-term nature of these instruments, management considers their carrying value to approximate their fair value.

The Company also has derivative instruments. The fair value of commodity and interest rate swaps are based on forward and spot prices, as described in Note 22 - Fair Value Measurements.

Management applies fair value measurement guidance to its impairment analysis for tangible and intangible assets.

Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost or, if acquired as a business combination, at fair value and depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements for operating leases are amortized over the lesser of the term of the related lease or the estimated useful lives of the improvements. Quarry reserves are depleted in accordance with the units-of-production method as aggregate is extracted, using the initial allocation of cost based on proven and probable reserves. Routine repair and maintenance costs are expensed as incurred. Asset improvements are capitalized at cost and amortized over the remaining useful life of the related asset.

The estimated useful lives of property, plant and equipment categories are as follows:

Category	Estimated Useful Life
Land and improvements	Land, unlimited; improvements, 15-25 years
Quarry reserves	Based on depletion
Buildings	5 - 39 years
Plants	3 - 20 years
Construction equipment	3 - 10 years
Furniture and fixtures	5 - 10 years
Leasehold improvements	The shorter of 15 years or the remaining lease term

Management periodically assesses the estimated useful life over which assets are depreciated, depleted or amortized. If the analysis warrants a change in the estimated useful life of property, plant and equipment, management will reduce the estimated useful life and depreciate, deplete or amortize the carrying value prospectively over the shorter remaining useful life.

The carrying amounts of assets sold or retired and the related accumulated depreciation are eliminated in the period of disposal, and the resulting gains and losses are included in the Company's Consolidated Statements of Income during the same period.

Impairment of Long-Lived Assets

The carrying value of property, plant and equipment and intangible assets subject to amortization is evaluated whenever events or changes in circumstances indicate that the carrying amount of such assets, or an asset group, may not be recoverable. Events or circumstances that might cause management to perform impairment testing include, but are not limited to, (i) a significant decrease in the market price of an asset, (ii) a significant adverse change in the extent or manner in which an asset is used or in its physical condition, (iii) an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset, (iv) an operating or cash flow performance combined with a history of operating or cash flow losses or a forecast that demonstrates continuing losses associated with the use of an asset, and (v) an expectation that an asset will be disposed of significantly before the end of its previously estimated useful life. If indicators of potential impairment are present, management performs a recoverability test and, if necessary, records an impairment loss. If the total estimated future undiscounted cash flows to be generated from the use and ultimate disposition of an asset or asset group is less than its carrying value, an impairment loss is recorded in the Company's Consolidated Statements of Income, measured as the amount required to reduce the carrying value to fair value. Fair value is determined in accordance with the best available information based on the hierarchy described under "Fair Value Measurements" above. For example, the Company would first seek to identify quoted prices or other observable market data. If observable data is not available, management would apply the best available information under the circumstances to a technique, such as a discounted cash flow model, to estimate fair value. Impairment analysis involves estimates and the use of assumptions in connection with judgments made in forecasting long-term estimated inflows and outflows resulting from the use and ultimate disposition of an asset, and determining the ultimate useful lives of assets. Actual results may differ from these estimates using different assumptions, which could materially impact the results of an impairment assessment.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and liabilities assumed in business combinations. Other intangible assets consist of an indefinite-lived trade name license in connection with a business acquired, and finite-lived assets, including a non-compete agreement, customer relationships and construction backlog, each acquired in business acquisitions. Goodwill and indefinite-lived intangible assets are not amortized, but are reviewed for impairment at least annually, or more frequently when events or changes in circumstances indicate that the carrying value may not be recoverable. In addition, management evaluates whether events and circumstances continue to support an indefinite useful life. Judgments regarding indicators of potential impairment are based on market conditions and operational performance of the business.

Annually, on the first day of the Company's fourth fiscal quarter, management performs an analysis of the carrying value of goodwill at its reporting unit for potential impairment. In accordance with GAAP, the Company may assess its goodwill for impairment initially using a qualitative approach to determine whether conditions exist to indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value. If management concludes, based on its assessment of relevant events, facts and circumstances, that it is more likely than not that a reporting unit's carrying value is greater than its fair value, then a quantitative analysis will be performed to determine whether there is any impairment. The Company may also elect to initially perform a quantitative analysis instead of starting with a qualitative assessment. Because the Company has only one reporting unit, a market capitalization calculation can be performed as the first step of the quantitative assessment by comparing the book value of the Company's stock (determined by reference to the Company's stockholders' equity) to the fair value of a share of the Company's stock. If the fair value of the stock is greater than the book value of the stock, goodwill is deemed not to be impaired, and no further testing is required. If the fair value is less than the calculated book value, then the Company must take a second step to determine the impairment amount, as described below.

The second step requires comparing the carrying value of a reporting unit, including goodwill, to its fair value, typically using the multiple period discounting method under the income approach and market approach. The income approach uses a discounted cash flow model, which involves significant estimates and assumptions, including preparation of revenues and profitability growth forecasts, selection of a discount rate, and selection of a terminal year multiple, to estimate fair value. The market approach could include applying a control premium to the market price of the Company's common stock or utilizing guideline public company multiples. Management's assessment of facts and circumstances at each analysis date could cause these assumptions to change. If the fair value of the respective reporting unit exceeds its carrying amount, goodwill is not considered to be impaired, and no further testing is required. If the carrying amount of a reporting unit exceeds its fair value, an impairment charge is recorded to write down goodwill to its fair value and is recorded in the Company's Consolidated Statements of Income. The Company performed a quantitative assessment of goodwill using the market capitalization calculation for fiscal years 2020 and 2019 and determined that the fair value of its reporting unit exceeded its carrying value, and thus concluded that the carrying value of goodwill was not impaired at September 30, 2020 or 2019. Accordingly, no further analysis was required or performed.

Management also annually assesses the carrying value of the Company's indefinite-lived intangible assets other than goodwill on the first day of the fiscal fourth quarter. Management tests indefinite-lived intangible assets for impairment by comparing their carrying value to their estimated fair value. An impairment loss is recorded in the Company's Consolidated Statements of Income to the extent that the carrying value of an indefinite-lived intangible asset exceeds its fair value. Similar to the assessment of goodwill, events and changes in circumstances could cause management to utilize different assumptions in subsequent evaluations, which could materially impact the results of an impairment assessment. Management concluded that the carrying value of the Company's indefinite-lived intangible assets other than goodwill was not impaired at September 30, 2020 or 2019.

Deferred Debt Issuance Costs

Costs directly associated with obtaining debt financing are deferred and amortized over the term of the related debt agreement. Unamortized amounts related to long-term debt are reflected on the Consolidated Balance Sheets as a direct deduction from the carrying amount of the related long-term debt liability.

Comprehensive Income

Comprehensive income is a measure of net income and all other changes in equity that result from transactions other than transactions with stockholders. Management has determined that net income is the Company's only component of comprehensive income. Accordingly, there is no difference between net income and comprehensive income.

Income Taxes

The provision for income taxes includes federal and state income taxes. Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement carrying values and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal years in which the temporary differences are expected to be reversed or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Management evaluates the realization of deferred tax assets and establishes a valuation allowance when it is more likely than not that all or a portion of the deferred tax assets will not be realized. Deferred tax assets and deferred tax liabilities are presented on a net basis by taxing authority and classified as non-current on the Consolidated Balance Sheets.

We recognize the financial statement benefit of the Company's tax positions that are at least more likely than not to be sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not to be sustained upon audit, management accrues the largest amount of the benefit that is more likely than not to be sustained. The Company classifies income tax-related interest and penalties as interest expense and other expenses, respectively. Refer to Note 15 - Provision for Income Taxes for further information regarding our federal and state income taxes.

Equity-Based Incentive Plans

Compensation costs related to equity-classified share-based awards are recognized in the consolidated financial statements based on grant date fair value. Compensation cost for graded-vesting awards is recognized ratably over the respective vesting periods.

Accrued Insurance Costs

The Company carries insurance policies to cover various risks, primarily including general liability, automobile liability and workers' compensation, under which it is liable to reimburse the insurance company for a portion of each claim paid. The amount for which the Company is liable for general liability, automobile liability and workers' compensation claims ranges from $100,000 to $500,000 per occurrence. Management accrues insurance costs for probable losses, both reported and unreported, that are reasonably estimable using actuarial methods based on historic trends modified, if necessary, by recent events. Changes in loss assumptions caused by changes in actual experience would affect the assessment of the ultimate liability and could have an effect on the Company's operating results and financial position up to $500,000 per occurrence for general liability, automobile liability and workers' compensation claims.

The Company provides employee medical insurance under policies that are both fixed-premium, fully-insured policies and self-insured policies that are administered by the insurance company. Under the self-insured policies, the Company is liable to reimburse the insurance company for actual claims paid plus an administrative fee. The Company purchases separate stop-loss insurance that limits the individual participant claim loss to amounts ranging from $100,000 to $160,000.

In addition to the retention items noted above, the Company's insurance provider requires the Company to maintain a standby letter of credit. This letter of credit serves as a guarantee by the banking institution to pay the Company's insurance provider the incurred claim costs attributable to general liability, workers' compensation and automobile liability claims, up to the amount stated in the standby letter of credit, in the event that these claims are not paid by the Company (see Note 18 - Commitments and Contingencies).

Earnings per Share

Basic net income per share attributable to common stockholders is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income per common share attributable to common stockholders is the same as basic net income per share attributable to common stockholders, but includes dilutive unvested stock awards using the treasury stock method.

Segment Reporting and Reporting Units

The Company operates in Alabama, Florida, Georgia, North Carolina and South Carolina through its wholly owned subsidiaries located in four southeastern states. Each of the Company's platform operating companies engages in essentially the same business, which consists primarily of infrastructure and road construction.

Management determined that the Company functions as a single operating segment, and thus reports as a single reportable segment. This determination is based on rules prescribed by GAAP applied to the manner in which management operates the Company. In particular, management assessed the discrete financial information routinely reviewed by the Company's chief operating decision maker ("CODM"), its Chief Executive Officer, to monitor the Company's operating performance and support decisions regarding allocation of resources to its operations. Specifically, performance is continuously monitored at the consolidated level and at the individual contract level to timely identify deviations from expected results. Resource allocations are based on the capacity of the Company's operating facilities to pursue new project opportunities, including reallocation of assets that are underutilized from time to time at a certain operating facility to another operating facility where additional resources might be required to fully meet demand. Other factors further supporting this conclusion include substantial similarities throughout all of the Company's operations with respect to services provided, type of customers, sourcing of materials and manufacturing and delivery methodologies.

Management further determined that, based on their economic similarities, the Company's five platform operating companies, representing components, should be aggregated into one reporting unit for purposes of assessing potential impairment of goodwill in accordance with ASC Topic 350 *Intangibles — Goodwill and Other*. These legal entities represent material acquisitions that occurred over time in Alabama, Florida, Georgia and North Carolina pursuant to the Company's strategic growth strategy. Each platform company is managed by its president, who has primary responsibility for the respective operating company. Collectively, these presidents are directly accountable to, and maintain regular contact with, the CODM as a team to discuss operating activities, financial results, forecasts, and operating plans for the Company's single operating segment.

Reclassifications

Certain amounts in prior periods have been reclassified to conform to the current period presentation. These reclassifications had no effect on previously reported net income.

Note 3 - Accounting Standards

Recently Adopted Accounting Pronouncements

ASC Topic 842

ASC Topic 842, *Leases* (“Topic 842”) requires lessees to recognize operating lease right-of-use assets and operating lease liabilities on the Consolidated Balance Sheets as described below. Prior to the adoption of Topic 842, operating leases were expensed on a straight-line basis over the lease term on the Company’s Consolidated Statements of Income, and the Company did not recognize operating lease right-of-use assets and operating lease liabilities on its Consolidated Balance Sheets.

The Company adopted Topic 842 effective October 1, 2019 using a modified retrospective transition approach with no prior-period retrospective adjustments. As a result, on the adoption date, the Company recognized (i) a net cumulative decrease to retained earnings of $0.2 million, (ii) additional operating lease right-of-use assets of $9.1 million, (iii) current operating lease liabilities of $2.9 million and (iv) non-current operating lease liabilities of $6.4 million. The Company elected to apply optional practical expedients that allowed the Company to forego reassessments of (i) the classification of leases existing at the date of adoption, (ii) the initial direct costs of any existing leases and (iii) whether any expired or existing contracts were, or contained, leases. Accordingly, prior comparable periods were not restated.

In connection with the adoption of Topic 842, the Company implemented several accounting policies relating to the identification and measurement of operating lease right-of-use assets and liabilities. At the inception of a contractual arrangement, the Company determines whether a contract contains a lease by assessing whether the contract conveys to the Company the right to control the use of an identified asset in exchange for consideration over a period of time. If so, the Company measures and records an operating lease liability equal to the present value of the future lease payments. Because most of the Company’s leases do not provide an implicit rate, the Company’s incremental borrowing rate is used in determining the present value of lease payments. The amount of the operating lease right-of-use asset consists of: (i) the amount of the initial measurement of the operating lease liability; (ii) any lease payments made at or before the commencement date, minus any lease incentives received; and (iii) any initial direct costs incurred. The present value calculation may account for an option to extend or terminate the lease when it is reasonably certain that the Company will exercise the option.

The Company has elected not to apply the recognition requirements of Topic 842 to short-term leases (those with terms of 12 months or less) or leases to explore for or use minerals. Instead, for these types of leases, the Company recognizes lease expense in the Consolidated Statements of Income on a straight-line basis over the lease term.

Recently Issued Accounting Pronouncements Not Yet Adopted

The FASB has issued certain Accounting Standards Updates (“ASUs”) that are applicable to the Company and will be adopted in future periods. The consolidated financial statements and related disclosures for the fiscal years ended September 30, 2020 and 2019 do not reflect the requirements of this guidance. The following is a brief description of recently issued ASUs and management’s current assessment regarding the methods, timing and impact of adoption of such ASUs by the Company in the future.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (“Topic 326”), which introduces an impairment model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The amendments pursuant to Topic 326 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company expects to adopt this guidance as required and does not expect such adoption to cause a material impact to the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (“ASU 2018-15”). This ASU requires customers in a hosting arrangement that is a service contract to capitalize certain implementation costs as if the arrangement was an internal-use software project. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company expects to adopt this guidance as required and does not expect such adoption to cause a material impact to the Company’s consolidated financial statements.

Note 4 - Business Acquisitions

Alabama Acquisition - July 2019

On July 12, 2019, a subsidiary of the Company acquired substantially all of the assets of an HMA manufacturing plant and paving company located near Gadsden, Alabama. The acquired business is expected to benefit from synergies resulting from its proximity to the Company's preexisting operations in northeast Alabama, including an aggregates quarry. The acquisition was accounted for as a business combination in accordance with ASC 805. The purchase price of $5.0 million was paid from cash on hand at closing.

Identifiable assets acquired and liabilities assumed were recorded at their estimated fair values based on the methodology described under "Fair Value Measurements" in Note 2 - Significant Accounting Policies. The amounts allocated were not material to the Company's Consolidated Balance Sheets. The amount of the purchase price exceeding the net fair value of identifiable assets acquired and liabilities assumed was recorded as goodwill in the amount of approximately $2.4 million, which is deductible for income tax purposes. Goodwill primarily represents the assembled work force and synergies expected to result from the acquisition.

The results of operations since the July 12, 2019 acquisition date attributable to this acquisition are included in the Company's consolidated financial statements and were not material to the Consolidated Statements of Income for the fiscal year ended September 30, 2019. Pro forma results of operations as if the acquisition had been consummated on October 1, 2018 would not be material to the Consolidated Statements of Income.

The Company recorded certain costs to effect the acquisition as they were incurred, which are reflected as general and administrative expenses on the Consolidated Statements of Income in the amount of $0.1 million for the fiscal year ended September 30, 2019.

Florida Acquisition - February 2019

On February 28, 2019, a subsidiary of the Company acquired substantially all of the assets of an HMA and ready-mix concrete business located in Okeechobee, Florida. This transaction enables the Company to serve new markets in south central Florida through an expanded geographic presence in the state. The acquisition was accounted for as a business combination in accordance with ASC 805. The purchase price of $8.9 million was paid from cash on hand at closing.

Identifiable assets acquired and liabilities assumed were recorded at their estimated fair values based on the methodology described under "Fair Value Measurements" in Note 2 - Significant Accounting Policies. The amounts allocated were not material to the Company's Consolidated Balance Sheets. The purchase price exceeding the net fair value of identifiable assets acquired and liabilities assumed was recorded as goodwill and other identifiable intangible assets, including customer relationships and customer backlog, in the amount of $3.2 million, which is deductible for income tax purposes. Goodwill primarily represents the assembled work force and synergies expected to result from the acquisition.

The results of operations since the February 28, 2019 acquisition date attributable to this acquisition are included in the consolidated financial statements since the acquisition date and were not material to the Consolidated Statements of Income for the year fiscal ended September 30, 2019. Pro forma results of operations as if the acquisition had been consummated on October 1, 2018 would not be material to the Consolidated Statements of Income.

The Company recorded certain costs to effect the acquisition as they were incurred, which are reflected as general and administrative expenses on the Consolidated Statements of Income in the amount of $0.1 million for the fiscal year ended September 30, 2019.

Florida Acquisition - October 2019

On October 1, 2019, a subsidiary of the Company acquired substantially all of the assets of an HMA manufacturing plant and paving company located in Palm City, Florida. The acquisition was accounted for as a business combination in accordance with ASC Topic 805, Business Combinations ("Topic 805"). The purchase price of $17.7 million was paid from cash on hand at closing.
Identifiable assets acquired and liabilities assumed were recorded at their estimated fair values based on the methodology described under Fair Value Measurements in Note 2 - Significant Accounting Policies. The amounts allocated were not material to the Company's Consolidated Balance Sheets. The amount of the purchase price exceeding the net fair value of identifiable assets acquired and liabilities assumed was recorded as goodwill in the amount of approximately $7.7 million, which is deductible for income tax purposes. Goodwill primarily represents the assembled work force and synergies expected to result from the acquisition.

The results of operations since the October 1, 2019 acquisition date attributable to this acquisition are included in the Company's consolidated financial statements and were not material to the Consolidated Statements of Income for the fiscal year ended September, 30, 2020.

The Company recorded certain costs to effect the acquisition as they were incurred, which are reflected in general and administrative expenses on the Company’s Consolidated Statements of Income in the amount of $0.1 million for the fiscal year ended September 30, 2020.

Florida Acquisition - March 2020

On March 23, 2020, a subsidiary of the Company acquired two HMA manufacturing plants and certain related assets located in Pensacola and DeFuniak Springs, Florida. The acquisition was accounted for as a business combination in accordance with Topic 805. The $9.8 million purchase price was paid in cash at closing, with an additional $2.7 million of cash paid for plant inventory.

Identifiable assets acquired and liabilities assumed were recorded at their estimated fair values based on the methodology described under Fair Value Measurements in Note 2 - Significant Accounting Policies. The amounts allocated were not material to the Company’s Consolidated Balance Sheets. The amount of the purchase price exceeding the net fair value of identifiable assets acquired and liabilities assumed was recorded as goodwill in the amount of approximately $0.1 million, which is deductible for income tax purposes. Goodwill primarily represents the assembled work force and synergies expected to result from the acquisition.

The results of operations since the March 23, 2020 acquisition date attributable to this acquisition are included in the Company's consolidated financial statements and were not material to the Consolidated Statements of Income for the fiscal year ended September, 30, 2020. Pro forma results of operations as if the acquisition had been consummated October 1, 2019 would not be material to the Consolidated Statements of Income.

The Company recorded certain costs to effect the acquisition as they were incurred, which are reflected in general and administrative expenses on the Company’s Consolidated Statements of Income in the amount of $0.1 million for the fiscal year ended September 30, 2020.

Combined Acquisitions Completed During the Fiscal Year Ended September 30, 2020

For acquisitions completed during the fiscal year ended September 30, 2020, we paid combined consideration of $30.2 million, allocated as follows: $3.1 million of inventory, $19.3 million of property, plant and equipment and goodwill of $7.8 million. The Consolidated Statement of Income for the fiscal year ended September 30, 2020 includes $42.9 million of revenue attributable to the operations of fiscal year 2020 acquisitions from their respective acquisition dates through September 30, 2020.

Unaudited pro forma revenues, as if the fiscal year 2020 acquisitions had been completed as of October 1, 2018, are $793.7 million and $831.8 million for the fiscal years ended September 30, 2020 and 2019, respectively. Pro forma information is presented for informational purposes and may not be indicative of revenue that would have been achieved if the acquisitions had actually occurred on October 1, 2018.

Note 5 - Contracts Receivable Including Retainage, net

Contracts receivable including retainage, net consisted of the following at September 30, 2020 and 2019 (in thousands):

	September 30,	
	2020	2019
Contracts receivable	$ 112,197	$ 121,050
Retainage	21,013	19,835
	133,210	140,885
Allowance for doubtful accounts	(1,440)	(1,003)
Contracts receivable including retainage, net	$ 131,770	$ 139,882

The following is a summary of changes in the allowance for doubtful accounts balance during the fiscal years ended September 30, 2020 and 2019 (in thousands):

	For the Fiscal Year Ended September 30,	
	2020	2019
Balance at beginning of period	$ 1,003	$ 1,098
Charged to bad debt expense	705	995
Write-off of contracts receivable including retainage	(268)	(1,090)
Balance at end of period	$ 1,440	$ 1,003

Retainage receivables have been billed, but are not due, until contract completion and acceptance by the customer.

Note 6 - Contract Assets and Liabilities

Costs and estimated earnings compared to billings on uncompleted contracts at September 30, 2020 and 2019 consisted of the following (in thousands):

	September 30,	
	2020	2019
Costs on uncompleted contracts	$ 876,229	$ 900,880
Estimated earnings to date on uncompleted contracts	101,055	123,256
	977,284	1,024,136
Billings to date on uncompleted contracts	(1,003,115)	(1,043,221)
Net billings in excess of costs and estimated earnings on uncompleted contracts	$ (25,831)	$ (19,085)

Significant changes to balances of costs and estimated earnings in excess of billings (contract asset) and billings in excess of costs and estimated earnings (contract liability) on uncompleted contracts from September 30, 2019 to September 30, 2020 are presented below (in thousands):

	Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts	Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	Net Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts
September 30, 2019	$ 12,030	$ (31,115)	$ (19,085)
Changes in revenue billed, contract price or cost estimates	(4,157)	(2,589)	(6,746)
September 30, 2020	$ 7,873	$ (33,704)	$ (25,831)

At September 30, 2020, the Company had unsatisfied or partially unsatisfied performance obligations under construction project contracts representing approximately $469.7 million in aggregate transaction price. The Company expects to earn revenue as it satisfies its performance obligations under those contracts in the amount of approximately $421.0 million during the fiscal year ending September 30, 2021 and approximately $48.7 million thereafter.

Note 7 - Other Assets

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following at September 30, 2020 and 2019 (in thousands):

	September 30,	
	2020	2019
Settlement receivable	$ —	$ 7,706
Prepaid expenses	3,612	3,043
Other current assets	1,429	2,395
Total prepaid expenses and other current assets	$ 5,041	$ 13,144

The settlement receivable was received in full during the fiscal year ended September 30, 2020 (See Note 20 - Settlement Agreement).

Other Assets

Other assets consisted of the following at September 30, 2020 and 2019 (in thousands):

	September 30,	
	2020	2019
Notes receivable	$ 1,622	$ 2,124
Other assets	162	160
Total other assets	$ 1,784	$ 2,284

Note 8 - Property, Plant and Equipment

Property, plant and equipment at September 30, 2020 and 2019 consisted of the following (in thousands):

	September 30,	
	2020	2019
Construction equipment	$ 253,157	$ 214,500
Plants	102,392	92,279
Land and improvements	40,614	34,365
Quarry reserves	20,238	20,678
Buildings	18,307	15,458
Furniture and fixtures	5,648	4,864
Leasehold improvements	1,135	1,135
Total property, plant and equipment, gross	441,491	383,279
Accumulated depreciation, depletion and amortization	(209,532)	(177,927)
Construction in progress	5,271	518
Total property, plant and equipment, net	$ 237,230	$ 205,870

Depreciation, depletion and amortization expense related to property, plant and equipment for the fiscal years ended September 30, 2020 and 2019 was $9.1 million and $30.1 million, respectively.

Note 9 - Goodwill and Other Intangible Assets

The following presents goodwill activity during the fiscal years ended September 30, 2020 and 2019 (in thousands):

Balance at September 30, 2018	$	32,919
Additions		5,627
Balance at September 30, 2019		38,546
Additions		7,802
Balance at September 30, 2020	$	46,348

A summary of other intangible assets at September 30, 2020 and 2019 is as follows (in thousands):

		September 30,					
		2020			2019		
	Useful Life	Gross	Accumulated Amortization	Net Book Value	Gross	Accumulated Amortization	Net Book Value
Indefinite-lived:							
License	Indefinite	$ 2,000	N/A	$ 2,000	$ 2,000	N/A	$ 2,000
Definite-lived:							
Customer relationship	8 years	1,645	(435)	1,210	1,645	(229)	1,416
Non-compete agreements	5 years	20	(6)	14	1,520	(1,502)	18
Total intangible assets		$ 3,665	$ (441)	$ 3,224	$ 5,165	$ (1,731)	$ 3,434

Total amortization expense related to definite-lived intangible assets was $0.2 million and $1.1 million for the fiscal years ended September 30, 2020 and 2019, respectively.

Estimated future total amortization expense related to definite-lived intangible assets is as follows (in thousands):

Fiscal Year	Estimated Amortization Expense
2021	$ 210
2022	210
2023	210
2024	206
2025	206
Thereafter	182
Total	$ 1,224

Note 10 - Liabilities

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at September 30, 2020 and 2019 (in thousands):

	September 30,	
	2020	2019
Accrued payroll and benefits	$ 17,123	$ 15,173
Accrued insurance costs	2,662	1,761
Other current liabilities	2,562	2,144
Total accrued expenses and other current liabilities	$ 22,347	$ 19,078

Other Long-Term Liabilities

Other long-term liabilities consisted of the following at September 30, 2020 and 2019 (in thousands):

	September 30,	
	2020	2019
Accrued insurance costs	$ 6,035	$ 5,358
Other	2,445	750
Total other long-term liabilities	$ 8,480	$ 6,108

Note 11 - Debt

The Company maintains credit facilities to finance acquisitions, to fund the purchase of real estate, construction equipment, plants and other fixed assets, and for general working capital purposes. Debt at September 30, 2020 and 2019 consisted of the following (in thousands):

	September 30,	
	2020	2019
Long-term debt:		
BBVA Term Loan	$ 92,850	$ 44,700
BBVA Revolving Credit Facility	—	5,000
Other long-term debt	—	563
Total long-term debt	92,850	50,263
Deferred debt issuance costs	(797)	(263)
Debt discount	—	(4)
Current maturities of long-term debt	(13,000)	(7,538)
Long-term debt, net of current maturities	$ 79,053	$ 42,458

The Company and each of its subsidiaries are parties to a credit agreement with BBVA USA (formerly known as Compass Bank), as agent, issuing bank and a lender, and certain other lenders (as amended and restated, the “Credit Agreement”). The Credit Agreement provides for a term loan (the “Term Loan”) and a revolving credit facility (the “Revolving Credit Facility”). The obligations of the Company and its subsidiaries under the Credit Agreement are secured by a first priority security interest in substantially all of the Company’s assets.

Following an amendment and restatement of the Credit Agreement in July 2020, the principal amount of Term Loan advances made prior to April 30, 2020 is repaid in quarterly installments of $2,050,000, and the principal amount of Term Loan advances made on or after April 30, 2020 is repaid in quarterly installments of $1,200,000, in each case beginning on September 30, 2020 and at the end of each calendar quarter thereafter. Interest is due and payable on the last business day of each month. In addition, the Company and its subsidiaries pay, among other fees: (i) a quarterly unused revolver commitment fee equal to 0.20% of the daily average amount of unused commitments under the Revolving Credit Facility during the quarter, (ii) a quarterly letter of credit fee equal to the greater of (A) $600 or (B) the product of either 0.70% or 0.75% (depending on the Company’s consolidated leverage ratio) and the aggregate average daily undrawn amounts of all letters of credit outstanding during the quarter and (iii) a letter of credit facility fee equal to 0.20% of the face amount of each such letter of credit. All outstanding advances under the Term Loan and the Revolving Credit Facility are due and payable in full on October 1, 2024. The Company generally may (and must, under certain circumstances), subject to various requirements, prepay all or a portion of the outstanding balance of the advances, together with accrued interest thereon, prior to their contractual maturity.

At September 30, 2020 and 2019, there was $92.9 million and $44.7 million, respectively, of principal outstanding under the Term Loan, $0.0 million and $5.0 million, respectively, of principal outstanding under the Revolving Credit Facility, and availability of $39.3 million and $14.4 million, respectively, under the Revolving Credit Facility, including reduction for outstanding letters of credit.

The Credit Agreement contains customary negative covenants for agreements of this type, including, but not limited to, restrictions on the Company’s ability to make acquisitions, make loans or advances, make capital expenditures and investments, pay dividends, create or incur indebtedness, create liens, wind up or dissolve, consolidate, merge or liquidate, or sell, transfer or dispose of assets. The Credit Agreement also requires the Company to satisfy certain financial covenants, including a minimum fixed charge coverage ratio of 1.20-to-1.00 and a maximum consolidated leverage ratio of 2.75-to-1.00, subject to certain adjustments. At September 30, 2020 and 2019, the Company's fixed charge coverage ratio was 2.85-to-1.00 and 4.04-to-1.00, respectively, and the Company's consolidated leverage ratio was 1.08-to-1.00 and 0.66-to-1.00, respectively. At both September 30, 2020 and 2019, the Company was in compliance with all covenants under the Credit Agreement.

From time to time, the Company has entered into interest rate swap agreements to hedge against the risk of changes in interest rates. These interest rate swap agreements do not meet the criteria for hedge accounting treatment under GAAP. At September 30, 2020 and 2019, the aggregate notional value of these interest rate swap agreements was $46.5 million and $21.5 million, respectively, and the fair value was $(1.7) million and $(0.3) million, respectively, which is included within other liabilities on the Company's Consolidated Balance Sheets.

The scheduled contractual repayment terms of long-term debt at September 30, 2020 were as follows:

Fiscal Year	Amount
2021	$ 13,000
2022	13,000
2023	13,000
2024	53,850
Total	$ 92,850

Interest expense was $3.6 million and $3.3 million for the fiscal years ended September 30, 2020 and 2019, respectively. Amortization of deferred debt issuance costs and debt discounts included in interest expense was $0.2 million and $0.1 million for the fiscal years ended September 30, 2020 and 2019, respectively.

Note 12 - Equity

Shares of Class A common stock and Class B common stock are identical in all respects, except with respect to voting rights, conversion rights and transfer restrictions applicable to shares of Class B common stock. The holders of Class A common stock are entitled to one vote per share, and the holders of Class B common stock are entitled to ten votes per share. The holders of Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of stockholders, including the election of directors, unless otherwise required by applicable law or the Company's certificate of incorporation or bylaws. Shares of Class B common stock are convertible into shares of Class A common stock at any time at the option of the holder or upon any transfer, subject to certain limited exceptions. In addition, upon the election of the holders of a majority of the then-outstanding shares of Class B common stock, all outstanding shares of Class B common stock will be converted into shares of Class A common stock. Once converted into shares of Class A common stock, shares of Class B common stock will not be reissued. Class A common stock is not convertible into any other class of the Company's capital stock.

Conversion of Class B Common Stock to Class A Common Stock

During the fiscal year ended September 30, 2020, certain stockholders of the Company converted a total of 1,278,148 shares of Class B common stock into shares of Class A common stock on a one-for-one basis. As of September 30, 2020, there were 33,875,884 shares of Class A common stock and 17,905,861 shares of Class B common stock outstanding.

Restricted Stock Awards and Options

During the fiscal year ended September 30, 2019, the Company awarded a total of 292,534 restricted shares of Class A common stock to its non-employee directors under the Construction Partners, Inc. 2018 Equity Incentive Plan (the "Equity Incentive Plan"). In addition, an employee of the Company exercised an option to purchase 74,592 shares of Class B common stock at an exercise price of $0.0357 per share. No restricted shares of Class A common stock were issued, and no options to purchase shares of Class A or Class B common stock were exercised, during the fiscal year ended September 30, 2020.

Additional information about these transactions is set forth in Note 14 - Equity-Based Compensation.

Amendment to the Equity Incentive Plan

On May 24, 2019, the Company adopted an amendment to the Equity Incentive Plan relating to exceptions from the $750,000 limit on the aggregate dollar value of equity-based awards granted during any calendar year to a non-employee director. Prior to the adoption of the amendment, the limit could be multiplied by two with respect to awards granted in the calendar year in which a non-employee director first joined the Company's board of directors. The amendment changed the period within which the aggregate value of equity-based awards may be multiplied by two to be the calendar year in which a non-employee director is first granted equity-based awards under the Equity Incentive Plan.

Registration Rights Agreement

The Company is a party to a registration rights agreement (the "Registration Rights Agreement") with certain of the Company's directors and officers and affiliates of SunTx (collectively, the "RRA Holders"). Under the Registration Rights Agreement, the RRA Holders have "demand" registration rights, meaning that the Company must register under the Securities Act shares of the Company's common stock owned by such RRA Holders upon their demand under certain circumstances, and "piggyback" registration rights, meaning that, if the Company proposes to register an offering of securities, it generally must give written notice to the RRA Holders to allow each to include its shares in the registration. In general, the Company must pay all out-of-pocket expenses in connection with a registration under the Registration Rights Agreement, including filing and registration fees, printing costs, fees and expenses of the Company's legal counsel and independent registered public accountants and fees and expenses for one legal counsel for the applicable RRA Holders. The RRA Holders whose shares are registered must pay all incremental selling expenses relating to any offering, such as underwriters' commissions and discounts, brokerage fees, underwriter marketing costs and any additional legal counsel that they may engage. As of September 30, 2020, a total of 22,235,744 shares of the Company's common stock were subject to the Registration Rights Agreement, of which 4,848,010 shares had been previously registered but not yet sold. The Registration Rights Agreement expires on May 4, 2023.

Secondary Offerings of Class A Common Stock

In September 2019, certain stockholders of the Company (the "Selling Stockholders") completed an underwritten secondary offering (the "2019 Secondary Offering") of 5,000,000 shares of Class A common stock at a public offering price of $14.25 per share. In addition, the underwriters of the 2019 Secondary Offering exercised in full their option to purchase an additional 750,000 shares of Class A common stock from the Selling Stockholders. The Company did not receive any proceeds from the sale of shares by the Selling Stockholders and, pursuant to the Registration Rights Agreement, incurred approximately $0.7 million in expenses in connection with the 2019 Secondary Offering.

In June 2020, the Selling Stockholders completed an underwritten secondary offering (the "2020 Secondary Offering") of 5,750,000 shares of Class A common stock at a public offering price of $16.50 per share. In addition, the underwriters of the 2020 Secondary Offering exercised in full their option to purchase an additional 862,500 shares of Class A common stock from the Selling Stockholders. The Company did not receive any proceeds from the sale of shares by the Selling Stockholders and, pursuant to the Registration Rights Agreement, incurred approximately $0.2 million in expenses in connection with the 2020 Secondary Offering.

Note 13 - Earnings Per Share

As discussed in Note 12 - Equity, the Company has Class A common stock and Class B common stock. Because the only differences between the two classes of common stock are related to voting rights, conversion rights and transfer restrictions applicable to shares of Class B common stock, the Company has not presented earnings per share under the two-class method, as the earnings per share are the same for both Class A common stock and Class B common stock. The following table summarizes the weighted-average number of basic common shares outstanding and the calculation of basic earnings per share for the periods presented (in thousands, except share and per share amounts):

	For the Fiscal Year Ended September 30, 2020	2019
Numerator		
Net income attributable to common stockholders	$ 40,297	$ 43,121
Denominator		
Weighted average number of common shares outstanding, basic	51,489,211	51,421,159
Net income per common share attributable to common stockholders, basic	$ 0.78	$ 0.84

The following table summarizes the calculation of the weighted-average number of diluted common shares outstanding and the calculation of diluted earnings per share for the periods presented (in thousands, except share and per share amounts):

	For the Fiscal Year Ended September 30,	
	2020	2019
Numerator		
Net income attributable to common stockholders	$ 40,297	$ 43,121
Denominator		
Weighted average number of basic common shares outstanding, basic	51,489,211	51,421,159
Effect of dilutive securities:		
2019 restricted stock grants	147,723	6,061
Weighted average number of diluted common shares outstanding:	51,636,934	51,427,220
Net income per diluted common share attributable to common stockholders	$ 0.78	$ 0.84

Note 14 - Equity-Based Compensation

Restricted Stock Awards and Options

During the fiscal year ended September 30, 2019, the Company awarded a total of292,534 restricted shares of Class A common stock to its non-employee directors under the Equity Incentive Plan in lieu of cash compensation. The grants are classified as equity awards. The aggregate grant date fair value of these restricted stock awards was $3.8 million. The grants will vest as to two-thirds of the underlying shares on January 1, 2021 and as to the remaining one-third of the underlying shares on January 1, 2022. During the fiscal years ended September 30, 2020 and 2019, the Company recorded $1.6 million and $0.5 million, respectively, of compensation expense in connection with these grants, which is reflected as general and administrative expenses in the Company's Consolidated Statements of Income. At September 30, 2020, there was approximately $1.7 million of unrecognized compensation expense related to these awards.

Option Exercises

In August 2019, an employee of the Company exercised an option to purchase74,592 shares of Class B common stock at a price of $0.0357 per share. The option was granted in March 2017 pursuant to a non-plan option agreement. The option was fully vested upon the date of grant, but, until the option agreement was subsequently amended, the option was exercisable only during the ten-day period immediately preceding a change in control of the Company. In August 2019, the Company and the employee amended the option agreement to (i) adjust the number of underlying shares and exercise price of the option to account for the 25.2-to-1 stock split and share reclassification that occurred in April 2018; (ii) reduce the exercise price (as adjusted) for the shares underlying the option; (iii) make the option immediately exercisable; and (iv) provide that the option would expire on the earlier of December 31, 2019 or the occurrence of one of the other expiration events set forth in the option agreement. During the fiscal year ended September 30, 2019, the Company recorded approximately $0.4 million of compensation expense in connection with the option amendment, which is reflected in general administrative expenses on the Company's Consolidated Statements of Income. At September 30, 2020, there was no unrecognized compensation expense related to the option.

Note 15 - Provision for Income Taxes

The Company files a consolidated United States federal income tax return and income tax returns in various states. Management evaluated the Company's tax positions based on appropriate provisions of applicable enacted tax laws and regulations and believes that they are supportable based on their specific technical merits and the facts and circumstances of the transactions.

The provision for income taxes for the fiscal years ended September 30, 2020 and 2019 consisted of the following (in thousands):

	For the Fiscal Year Ended September 30,	
	2020	2019
Current		
U.S. Federal	$ 8,960	$ 9,780
State	490	1,132
Total current	9,450	10,912
Deferred		
U.S. Federal	2,222	2,203
State	1,088	794
Total deferred	3,310	2,997
Provision for income taxes	$ 12,760	$ 13,909

Differences exist between income and expenses reported on the consolidated financial statements and those deducted for U.S. federal and state income tax reporting.The Company's deferred tax assets and liabilities consisted of the following temporary difference tax effects at September 30, 2020 and 2019 (in thousands):

	September 30,	
	2020	2019
Deferred tax assets		
Allowance for bad debt	$ 527	$ 425
Amortization of finite-lived intangible assets	405	487
State net operating loss	664	1,330
Accrued insurance claims	1,583	1,332
Other	593	0
Total deferred tax assets, net	3,772	3,574
Deferred tax liabilities		
Amortization of goodwill	(5,048)	(4,278)
Property, plant and equipment	(12,341)	(9,525)
Other	—	(78)
Total deferred tax liabilities, net	(17,389)	(13,881)
Net deferred tax assets (liabilities)	$ (13,617)	$ (10,307)

The Consolidated Balance Sheets at September 30, 2020 and 2019 include gross deferred tax assets of $3.8 million and $3.6 million, respectively. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected taxable income, and tax-planning strategies in making this assessment. Based on the weight of all evidence known and available as of the balance sheet date, management believes that these tax benefits are more likely than not to be realized in the future. To the extent that management does not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

Income taxes payable have been reduced by fuel tax credits of $0.3 million for each of the fiscal years ended September 30, 2020 and 2019. The remaining amount of goodwill expected to be deductible for tax purposes was $22.6 million and $19.0 million at September 30, 2020 and 2019, respectively.

The following is a reconciliation of net deferred tax assets (liabilities) to amounts reflected on the Company's Consolidated Balance Sheets at September 30, 2020 and 2019 (in thousands):

	September 30,	
	2020	2019
Asset: Deferred income taxes, net	$ 386	$ 1,173
Liability: Deferred income taxes, net	(14,003)	(11,480)
Net deferred tax assets (liabilities)	$ (13,617)	$ (10,307)

At September 30, 2020 and 2019, the Company had a state net operating loss carryforward of $15.3 million and $31.6 million, respectively. The state net operating loss credit carryforwards expire in varying amounts between the fiscal years ended September 30, 2021 and 2030.

The U.S. statutory federal income tax rate applicable to the Company was 21% during the fiscal years ended September 30, 2020 and 2019The following table reconciles income taxes based on the U.S. federal statutory tax rate to the Company's income before provision for income taxes for the fiscal years ended September 30, 2020 and 2019 (in thousands):

	For the Fiscal Year Ended September 30,	
	2020	2019
Provision for income tax at federal statutory rate	$ 11,142	$ 11,976
State income taxes	1,272	1,521
Permanent differences	330	319
Other	16	93
Provision for income taxes	$ 12,760	$ 13,909

Uncertain Tax Positions

ASC Topic 740, *Income Taxes* ("ASC 740"), prescribes a recognition threshold and measurement model for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and provides guidance on derecognition classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company is subject to tax audits in various jurisdictions in the United States. Tax audits, by their nature, are often complex. In the normal course of business, the Company is subject to challenges from the Internal Revenue Service ("IRS") and other tax authorities regarding amounts of taxes due. These challenges may alter the timing or amount of taxable income or deductions, or the allocation of income among tax jurisdictions. As part of the calculation of the provision for income taxes on earnings, management determines whether the benefits of the Company's tax positions are at least more likely than not to be sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not to be sustained upon audit, management accrues the largest amount of the benefit that is more likely than not to be sustained. Such accruals require management to make estimates and judgments with respect to the ultimate outcome of a tax audit. Actual results could vary materially from these estimates. The Company performed an analysis of its tax positions and determined that no uncertain tax positions existed at September 30, 2020 or 2019. Accordingly, there was no liability for uncertain tax positions at September 30, 2020 or 2019. Based on the provisions of ASC 740, the Company had no material unrecognized tax benefits at September 30, 2020 or 2019. Due to the utilization of net operating loss carryforwards, the Company's federal income tax returns for fiscal years ended September 30, 2014 through September 30, 2020 are subject to examination. Various state income tax returns for fiscal years ended September 30, 2012 through September 30, 2020 are also subject to examination.

Note 16 - Employee Benefit Plans

The Company offers a 401(k) retirement plan covering substantially all employees who are at least 18 years old and have more than one year of service. The Company makes discretionary employer contributions, subject to IRS safe harbor rules. Employer contributions charged to earnings during the fiscal years ended September 30, 2020 and 2019 were $3.4 million and $2.9 million, respectively.

Note 17 - Related Parties

On December 31, 2017, the Company sold an indirect wholly owned subsidiary to an immediate family member of a Senior Vice President of the Company ("Purchaser of subsidiary") in consideration for an interest-bearing note receivable in the amount of $1.0 million, which approximated the net book value of the disposed entity. At September 30, 2020, $0.1 million and $0.5 million was reflected on the Company's Consolidated Balance Sheets within other current assets and other assets, respectively, representing the remaining balances on this note receivable. In connection with this transaction, the Company also received an interest-bearing note receivable from the disposed entity ("Disposed entity") on December 31, 2017 in the amount of $1.0 million representing certain accounts payable of the disposed subsidiary that were paid by the Company. At September 30, 2020, $0.1 million and $0.3 million was reflected on the Company's Consolidated Balance Sheets within other current assets and other assets, respectively, representing the remaining balances on this note receivable. Remaining principal and interest payments are scheduled to be made in periodic installments during fiscal year 2021 through fiscal year 2026.

From time to time, the Company conducts or has conducted business with the following related parties:

- Prior to its acquisition by the Company, a current subsidiary of the Company advanced funds to an entity owned by an immediate family member of a Senior Vice President of the Company in connection with a land development project. The obligations of the borrower entity to repay the advances are guaranteed by a separate entity owned by the same family member of the officer. Amounts outstanding under the advances do not bear interest and are reflected on the Company's Consolidated Balance Sheet within other assets ("Land Development Project").
- Entities owned by immediate family members of a Senior Vice President of the Company perform subcontract work for a subsidiary of the Company, including trucking and grading services ("Subcontracting Services").
- From time to time, a subsidiary of the Company provides construction services to various companies owned by family members of a Senior Vice President of the Company ("Construction Services").
- Since June 1, 2014, the Company has been a party to an access agreement with Island Pond Corporate Services, LLC, which provides a location for the Company to conduct business development activities from time to time on a property owned by the Executive Chairman of the Company's Board of Directors ("Island Pond").
- The Company purchases vehicles from an entity owned by a family member of a Senior Vice President of the Company ("Vehicles - Purchases").
- The Company rents vehicles from an entity owned by a family member of a Senior Vice President of the Company ("Vehicles - Rent Expense").
- Family members of a Senior Vice President of the Company provide consulting services to a subsidiary of the Company ("Consulting Services").
- The Company is party to a management services agreement with SunTx, under which the Company pays SunTx $0.25 million per fiscal quarter and reimburses certain travel and other out-of-pocket expenses associated with services rendered under the management services agreement.

The following table presents revenues earned and expenses incurred by the Company during the fiscal years ended September 30, 2020 and 2019, and receivable and accounts payable balances at September 30, 2020 and 2019, related to transactions with the related parties described above (in thousands):

	Revenue Earned (Expense Incurred) For the Fiscal Year Ended September 30,		Receivable (Payable) September 30,	
	2020	2019	2020	2019
Purchaser of subsidiary	$ —	$ —	$ 621	$ 756
Disposed entity	—	—	396	846
Land Development Project	—	—	774	774
Subcontracting Services	(11,110) (1)	(19,491) (1)	(654)	(1,238)
Construction Services	824	5,936	123	2,434
Island Pond	(320) (2)	(320) (2)	—	—
Vehicles - Purchases	(869) (3)	(441) (3)	—	—
Vehicles - Rent expense	(677) (1)	(1,050) (1)	—	—
Consulting Services	(271) (2)	(265) (2)	—	—
SunTx	(1,403) (2)	(1,252) (2)	—	—

(1) Cost is reflected as Cost of revenues on the Company’s Consolidated Statements of Income.

(2) Cost is reflected as General and administrative expenses on the Company’s Consolidated Statements of Income.

(3) Purchases reflected in Property, plant & equipment, net, on the Company's Consolidated Balance Sheets.

Note 18 - Commitments and Contingencies

From time to time, the Company is subject to inquiries or audits by taxing authorities arising from its operations, covering a wide range of matters that arise in the ordinary course of business, such as income taxes and other types of taxes. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may not be resolved in the Company’s favor. The Company is also involved in other legal and administrative proceedings arising in the ordinary course of business. Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The outcomes of these inquiries and legal proceedings are not expected to have a material effect on the Company’s financial position or results of operations on an individual basis, and management did not accrue any material loss contingencies for the periods presented. However, adverse outcomes in a significant number of such ordinary course inquiries and legal proceedings could, in the aggregate, have a material adverse effect on the Company’s financial condition and results of operations.

Letters of Credit

Under the Revolving Credit Facility, the Company has a total capacity of $50.0 million that may be used for a combination of cash borrowings and letter of credit issuances. At each of September 30, 2020 and 2019, the Company had aggregate letters of credit outstanding in the amount of $10.9 million, primarily related to certain insurance policies as described in Note 2 - Significant Accounting Policies.

Purchase Commitments

As of September 30, 2020, the Company had unconditional purchase commitments for diesel fuel in the normal course of business in the aggregate amount of $1.3 million. Management does not expect any significant changes in the market value of these goods during the commitment period that would have a material adverse effect on the financial condition, results of operations and cash flows of the Company. As of September 30, 2020, our purchase commitments annually thereafter are as follows (in thousands):

Fiscal Year	Amount
2021	$ 1,219
2022	51
Total	$ 1,270

Note 19 - Joint Venture

In November 2017, one of the Company's wholly owned subsidiaries entered into a joint venture agreement (the "JV") with a third party for the sole purpose of bidding on and performing a construction project for the Alabama Department of Transportation. The Company and the third party each own a 50% partnership interest in the JV and share revenue and expenses equally. The JV is jointly managed by representatives of the Company and the third party, and all labor, material and equipment required to perform the contract is subcontracted, with both of the participants of the JV performing some portion of the subcontracted work.

The Company accounts for this joint venture as an equity method investment in accordance with GAAP. At September 30, 2020 and 2019, the Company's investment in the JV was $0.2 million and $0.5 million, respectively, which is reflected as "Investment in joint venture" on the Company's Consolidated Balance Sheets. During the fiscal years ended September 30, 2020 and 2019, the Company recognized $0.6 million and $1.3 million, respectively, of pre-tax income, representing its 50% interest in the earnings of the JV, which is reflected as "Earnings from investment in joint venture" on the Company's Consolidated Statements of Income. The income tax impact attributable to the Company's investment in the JV is included within the provision for income taxes in the Company's Consolidated Statements of Income.

Note 20 - Settlement Agreement

On April 19, 2018, certain of the Company's subsidiaries entered into settlement agreements with a third party arising from an interruption event not directly related to the Company's business that the Company does not expect to reoccur (the "Settlement"). The Settlement provided for the Company's subsidiaries to receive aggregate net payments of approximately $15.7 million in four equal installments between January 2019 and July 2020, in exchange for releasing and waiving all current and future claims against the third party. The Company recorded a pre-tax gain of $14.8 million during the fiscal year ended September 30, 2018 related to the Settlement. As of September 30, 2020, all amounts due pursuant to the Settlement have been received in full.

Note 21 - Leases

The Company leases certain facilities, office space, vehicles and equipment. As of September 30, 2020, operating leases under Topic 842 were included in (i) operating lease right-of use assets, (ii) current portion of operating lease liabilities and (iii) operating lease liabilities, net of current portion on the Company's Consolidated Balance Sheets in the amounts of $7.4 million, $2.0 million and $5.6 million, respectively. As of September 30, 2020, the Company did not have any lease contracts that had not yet commenced but had created significant rights and obligations. In October 2019, the Company used cash in the amount of $11.5 million to buy out certain operating lease obligations.

The components of lease expense were as follows (in thousands):

	For the Fiscal Year Ended September 30, 2020	
Operating lease cost	$	3,498
Short-term lease cost		13,374
Total lease expense	$	16,872

Short-term leases (those with terms of 12 months or less) are not capitalized but are expensed on a straight-line basis over the lease term. The majority of our short-term leases relate to equipment used on construction projects. These leases are entered into at periodic rental rates for an unspecified duration and typically have a termination for convenience provision. Short-term lease cost includes leases with terms of one month or less.

As of September 30, 2020, the weighted-average remaining term of the Company's leases was8.8 years, and the weighted-average discount rate was4.00%. As of September 30, 2020, the lease liability was equal to the present value of the remaining lease payments, discounted using the incremental borrowing rate on the Company's secured debt using a single maturity discount rate, as such rate is not materially different from the discount rate applied to each of the leases in the portfolio.

The following table summarizes the Company's undiscounted lease liabilities outstanding as of September 30, 2020 (in thousands):

Fiscal Year	Amount
2021	$ 2,301
2022	1,251
2023	838
2024	749
2025	586
Thereafter	3,466
Total future minimum lease payments	$ 9,191
Less: imputed interest	1,591
Total	$ 7,600

The Company has lease agreements associated with quarry facilities under which the Company makes royalty payments. The payments are generally based on tons sold in a particular period; however, certain agreements have minimum annual payments. Royalty expense recorded in cost of revenue during the fiscal years ended September 30, 2020 and 2019 was $1.3 million and $1.7 million, respectively.

Note 22 - Fair Value Measurements

The following table presents the Company's liabilities measured at fair value on a recurring basis as of September 30, 2020 and 2019 under ASC 820,*Fair Value Measurements* (in thousands):

	September 30,	
	2020 Level 2	2019 Level 2
Liabilities:		
Commodity swaps	$ 503	$ —
Interest rate swaps	1,708	311

Derivative liabilities included in Level 2 include commodity and interest rate swap contracts. The fair values of our Level 2 derivative liabilities are estimated using an analysis of the expected cash flow of the contract in combination with marketable observable inputs, including forward and spot prices for commodity swaps and interest rate curves for interest rate swaps.

Note 23 - Investment in Derivative Instruments

The Company's operations expose it to a variety of market risks, including the effects of changes in commodity prices and changes in interest rates. As part of its risk management process, the Company began entering into commodity swap transactions through regulated commodity exchanges in February 2020. To manage interest rate exposure, the Company has entered into derivative instruments using interest rate swaps. The objective of entering into interest rate swaps is to eliminate the variability of cash flows associated with movements in interest rates over the life of the loans.

The following table represents the approximate amount of realized and unrealized gains (losses) and changes in fair value recognized in earnings on commodity derivative contracts for the fiscal years ended September 30, 2020 and 2019 and the fair value of these derivatives as of September 30, 2020 and 2019 (in thousands):

	For the Fiscal Year Ended September 30,					
	2020			2019		
		Change in			Change in	
Income Statement Classification	**Realized Gain (Loss)**	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	**Realized Gain (Loss)**	**Unrealized Gain (Loss)**	**Total Gain (Loss)**
Cost of revenues	$ (432)	$ (503)	$ (935)	$ —	$ —	$ —
Interest expense, net	(388)	(1,397)	(1,785)	5	(565)	(560)
Total	$ (820)	$ (1,900)	$ (2,720)	$ 5	$ (565)	$ (560)

	September 30,	
Balance Sheet Classification	**2020**	**2019**
Accrued expense and other current liabilities - commodity swaps	$ (183)	$ —
Other long-term liabilities - commodity swaps	(320)	—
Other long-term liabilities - interest rate swaps	(1,708)	(311)
Net unrealized (loss) position	$ (2,211)	$ (311)

Note 24 - COVID-19 Pandemic

The Company is closely monitoring the impact of the pandemic of the novel strain of coronavirus, known as COVID-19, on all aspects of its business, including how it has impacted and may continue to impact the Company's customers, employees, suppliers, and vendors. While the Company did not incur significant disruptions in its operations during the fiscal year ended September 30, 2020 from COVID-19, due to the uncertainties surrounding the COVID-19 pandemic, it is unable to predict the impact that COVID-19 will have on its financial position, operating results and cash flows in future periods.

Note 25 - Condensed Financial Statements of Parent Company

CONSTRUCTION PARTNERS, INC.
PARENT COMPANY ONLY
CONDENSED BALANCE SHEETS
(in thousands, except share and per share data)

	September 30, 2020	September 30, 2019
ASSETS		
Cash and cash equivalents	$ 78,041	$ 63,947
Prepaid expenses and other current assets	928	745
Total current assets	78,969	64,692
Property, plant and equipment, net	2,994	2,268
Investment in subsidiaries	383,740	322,947
Deferred income taxes, net	441	16
Other assets	6	—
Total assets	$ 466,150	$ 389,923
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Due to subsidiaries	$ 75,044	$ 35,303
Accrued expenses and other current liabilities	1,969	2,934
Total current liabilities	77,013	38,237
Long-term liabilities:		
Due to subsidiaries	2,234	7,825
Other long-term liabilities	1,708	311
Total long-term liabilities	3,942	8,136
Total liabilities	80,955	46,373
Stockholders' Equity		
Preferred stock, par value $0.001; 10,000,000 shares authorized at September 30, 2020 and September 30, 2019 and no shares issued and outstanding	—	—
Class A common stock, par value $0.001; 400,000,000 shares authorized, 33,875,884 shares issued and outstanding at September 30, 2020, and 32,597,736 shares issued and outstanding at September 30, 2019	34	33
Class B common stock, par value 0.001; 100,000,000 shares authorized, 20,828,813 shares issued and 17,905,861 shares outstanding at September 30, 2020, and 22,106,961 shares issued and 19,184,009 shares outstanding at September 30, 2019	21	22
Additional paid-in capital	245,022	243,452
Treasury stock, at cost, 2,922,952 shares of Class B common stock, par value $0.001	(15,603)	(15,603)
Retained earnings	155,721	115,646
Total stockholders' equity	385,195	343,550
Total liabilities and stockholders' equity	$ 466,150	$ 389,923

See note to condensed financial statements of parent company.

CONSTRUCTION PARTNERS, INC.
PARENT COMPANY ONLY
CONDENSED STATEMENTS OF INCOME
(in thousands, except share and per share amounts)

	For the Fiscal Year Ended September 30,	
	2020	**2019**
Equity in net income of subsidiaries	$ 43,712	$ 45,679
Equity-based compensation expense	(1,570)	(957)
General and administrative expenses	(2,597)	(2,666)
Interest expense, net	(1,218)	(153)
Gain on sale of equipment, net	—	1
Other income	—	5
Income before provision for income taxes	38,327	41,909
Income tax benefit	1,970	1,212
Net income	$ 40,297	$ 43,121
Net income per share attributable to common stockholders:		
Basic	$ 0.78	$ 0.84
Diluted	$ 0.78	0.84
Weighted average number of common shares outstanding:		
Basic	51,489,211	51,421,159
Diluted	51,636,934	51,427,220

See note to condensed financial statements of parent company.

CONSTRUCTION PARTNERS, INC.
PARENT COMPANY ONLY
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Fiscal Year Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 40,297	$ 43,121
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation, depletion and amortization of long-lived assets	463	179
Gain on sale of equipment	—	(1)
Equity-based compensation expense	1,570	957
Equity in net income of subsidiaries	(43,712)	(45,679)
Deferred income tax (benefit) expense	(425)	99
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(183)	771
Other assets	(6)	257
Accrued expenses and other current liabilities	(965)	1,662
Other liabilities	1,397	311
Net cash (used in) provided by operating activities	(1,564)	1,677
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,189)	(755)
Proceeds from sale of equipment	—	1
Investment in subsidiary	(17,303)	(19,703)
Net cash (used in) investing activities	(18,492)	(20,457)
Cash flows from financing activities:		
Change in amounts due to (from) subsidiaries, net	34,150	16,959
Payment of treasury stock purchase obligation	—	(569)
Proceeds from sale of stock	—	3
Net cash provided by financing activities	34,150	16,393
Net change in cash and cash equivalents	14,094	(2,387)
Cash and cash equivalents:		
Beginning of period	63,947	66,334
End of period	$ 78,041	$ 63,947

See note to condensed financial statements of parent company.

Note to Condensed Financial Statements of Parent Company

On December 31, 2019, the Company completed an internal reorganization by merging Construction Partners Holdings, Inc. with and into the Company, with the Company surviving the merger. Therefore, the condensed parent company-only financial statements above reflect the retroactive combination of these entities as if it had occurred on October 1, 2018 for comparative purposes. The presentation change for September 30, 2019 had no effect on previously reported net income of the Company.

These condensed parent company-only financial statements have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X, as the restricted net assets of the subsidiaries of Construction Partners, Inc. (as defined in Rule 4-08(e)(3) of Regulation S-X) exceed 25% of the consolidated net assets of the Company. The ability of Construction Partners, Inc.'s operating subsidiaries to pay dividends is restricted by the terms of the credit facilities described in Note 11 - Debt.

These condensed parent company-only financial statements have been prepared using the same accounting principles and policies described in the notes to the consolidated financial statements, with the exception that the parent company accounts for its subsidiaries using the equity method. These condensed parent company-only financial statements should be read in conjunction with the consolidated financial statements and related notes thereto.

Note 26 - Subsequent Events

Subsequent to September 30, 2020, a subsidiary of the Company acquired the operations of three asphalt and paving companies in North Carolina. The acquired businesses collectively added eleven hot-mix asphalt plants in North Carolina, providing the Company with access to additional markets and expanding its footprint in the state. The acquisitions will be accounted for as business combinations in accordance with ASC 805. The aggregate purchase price of $57.4 million (exclusive of reimbursement to the respective sellers for inventory assets acquired) was paid from cash on hand at closing.

In each case, the provisional allocation of the purchase price to assets acquired and liabilities assumed, based on their estimated fair values at the acquisition date, was determined in accordance with the methodology described under Fair Value Measurements above in Note 2 - Significant Accounting Policies. The amount of the purchase price exceeding the preliminary net fair value of identifiable assets acquired and liabilities assumed is expected to be recorded as goodwill in the aggregate amount of $21.1 million, which is deductible for income tax purposes. Goodwill primarily represents the assembled workforce and synergies expected to result from the acquisition. Upon finalizing the accounting for this transaction, management expects to ascribe value to other identifiable intangible assets, including customer relationships and customer backlog, which will reduce the preliminary amount allocated to goodwill.

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2020. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2020, our disclosure controls and procedures were effective to provide reasonable assurance that material information that we are required to disclose in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information that we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d -15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of September 30, 2020.

Attestation Report of Registered Public Accounting Firm

We are an emerging growth company, as defined by Rule 12b-2 of the Exchange Act, and therefore are not required to provide an attestation report of our registered public accounting firm with respect to our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2020 that have 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 is incorporated by reference to the proxy statement for the 2020 annual meeting of stockholders of the Company to be filed by the Company with the SEC under the Exchange Act (the “2020 Proxy Statement”). We intend to file the 2020 Proxy Statement on or about January 22, 2020, but in any event within 120 days after September 30, 2020.

Item 11. Executive Compensation.

The information required by this Item is incorporated by reference to the 2020 Proxy Statement.

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

The information required by this Item is incorporated by reference to the 2020 Proxy Statement.

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

The information required by this Item is incorporated by reference to the 2020 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated by reference to the 2020 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents Filed as Part of this Report.

(1) Financial Statements.

The consolidated financial statements of Construction Partners, Inc. and its subsidiaries and the parent-only financial statements of Construction Partners, Inc. included herein at Item 8 are as follows:

- Report of Independent Registered Public Accounting Firm — RSM US LLP
- Consolidated Balance Sheets as of September 30, 2020 and 2019
- Consolidated Statements of Income for the fiscal years ended September 30, 2020 and 2019
- Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended September 30, 2020 and 2019
- Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2020 and 2019
- Notes to Consolidated Financial Statements for the fiscal years ended September 30, 2020 and 2019
- Parent Company Only Condensed Balance Sheets as of September 30, 2020 and 2019
- Parent Company Only Condensed Statements of Income for the fiscal years ended September 30, 2020 and 2019
- Parent Company Only Condensed Statements of Cash Flows for the fiscal years ended September 30, 2020 and 2019
- Note to Condensed Financial Statements of Parent Company

(2) Financial Statement Schedules.

The financial statement schedules required to be included pursuant to this Item are not included herein because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto, which are incorporated by reference at Item 15(a)(1) above.

(3) Exhibits.

The exhibits to this report are listed in the exhibit index below.

(b) Description of Exhibits.

The following exhibits are filed or furnished with this report, as applicable, or incorporated by reference:

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Construction Partners, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 27, 2018)
3.2	Amended and Restated Bylaws of Construction Partners, Inc. (incorporated by reference to Exhibit 3.2 to Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 27, 2018)
3.2A	Amendment to Amended and Restated Bylaws of Construction Partners, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-38479) filed on June 4, 2020)
4.1	Form of Class A Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 23, 2018)
4.2	Registration Rights Agreement, dated June 8, 2007, by and among Construction Partners, Inc. (f/k/a SunTx CPI Growth Company, Inc.) and certain security holders party thereto (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 6, 2018)
4.3*	Description of Construction Partners, Inc.'s Class A common stock
10.1†	Form of Indemnification Agreement, by and between Construction Partners, Inc. and each of its directors and executive officers (incorporated by reference to Exhibit 10.1 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 23, 2018)

Exhibit Number	Description
10.2	Amended and Restated Credit Agreement, dated as of July 30, 2020, by and among Construction Partners, Inc. and each of its wholly owned subsidiaries, as borrowers, BBVA USA, as agent, sole lead arranger and sole bookrunner, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-38479) filed on August 3, 2020)
10.3†	Form of Employment Agreement, dated April 1, 2020, by and between Construction Partners, Inc. and certain executive officers(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-38479) filed on April 3, 2020)
10.3A†	Amendment to Employment Agreement, effective as of October 1, 2020, by and between Construction Partners, Inc. and Fred J. Smith, III (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-38479) filed on October 2, 2020)
10.4†	Construction Partners, Inc. 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 23, 2018)
10.4A†	First Amendment to the Construction Partners, Inc. 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-38479) filed on August 9, 2019)
10.4B†	Form of Restricted Stock Award under the Construction Partners, Inc. 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 6, 2018)
10.5	Management Services Agreement, dated October 1, 2006, by and between Construction Partners Holdings, Inc. (f/k/a Construction Partners, Inc.) and SunTx Capital Management Corp. (incorporated by reference to Exhibit 10.13 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 6, 2018)
10.5A	Amendment to Management Services Agreement, dated October 1, 2013, by and between Construction Partners Holdings, Inc. (f/k/a Construction Partners, Inc.) and SunTx Capital Management Corp. (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 (File No. 333-224174) filed on April 6, 2018)
14.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 14.1 to the Annual Report on Form 10-K (File No. 001-38479) filed on December 14, 2018)
21.1*	List of Significant Subsidiaries of Construction Partners, Inc.
23.1*	Consent of RSM US LLP
31.1*	Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1**	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350
95.1*	Mine Safety Disclosures
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

†	Management contract, compensatory plan or arrangement.
*	Filed herewith.
**	Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 11th day of December, 2020.

CONSTRUCTION PARTNERS, INC.

By: /s/ Charles E. Owens
Charles E. Owens
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.

Name and Signature	Title	Date
/s/ Charles E. Owens Charles E. Owens	President, Chief Executive Officer and Director (Principal Executive Officer)	December 11, 2020
/s/ R. Alan Palmer R. Alan Palmer	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	December 11, 2020
/s/ Todd K. Andrews Todd K. Andrews	Chief Accounting Officer (Principal Accounting Officer)	December 11, 2020
/s/ Ned N. Fleming, III Ned N. Fleming, III	Executive Chairman of the Board and Directors	December 11, 2020
/s/ Craig Jennings Craig Jennings	Director	December 11, 2020
/s/ Mark R. Matteson Mark R. Matteson	Director	December 11, 2020
/s/ Michael H. McKay Michael H. McKay	Director	December 11, 2020
/s/ Stefan L. Shaffer Stefan L. Shaffer	Director	December 11, 2020
/s/ Noreen E. Skelly Noreen E. Skelly	Director	December 11, 2020

Exhibit 4.3

DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of September 30, 2020, Construction Partners, Inc. (the "Company," "we," "us," and "our") had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our Class A common stock, $0.001 par value per share ("Class A Common Stock").

Description of Capital Stock

The following is a description of the material terms of our capital stock. It does not purport to be complete and is subject to and qualified in its entirety by our Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), our Amended and Restated Bylaws (as amended by an Amendment to the Amended and Restated Bylaws, the "Bylaws"), and the General Corporation Law of the State of Delaware ("DGCL"). Copies of our Certificate of Incorporation and Bylaws, as amended, have been filed with the Securities and Exchange Commission as Exhibits 3.1, 3.2 and 3.2A to our Annual Report on Form 10-K.

Authorized Capital Stock

Under the Certificate of Incorporation, our authorized capital stock consists of:

- 400,000,000 shares of Class A Common Stock;
- 100,000,000 shares of Class B common stock, par value $0.001 per share ("Class B Common Stock"); and
- 10,000,000 shares of undesignated preferred stock, par value $0.001 per share.

As of September 30, 2020, we had 33,875,884 shares of Class A Common Stock outstanding, 17,905,861 shares of Class B Common Stock outstanding and no shares of undesignated preferred stock issued or outstanding. As of September 30, 2020, we had reserved 1,707,466 additional shares of Class A Common Stock for issuance under our various stock and compensation incentive plans. Unless our board of directors determines otherwise, we will issue all shares of our capital stock in uncertificated form.

Class A Common Stock

Dividend Rights

The holders of Class A Common Stock are entitled to receive dividends at the same rate if, as and when declared by our board of directors, out of our legally available assets, in cash, property, shares of our common stock or other securities, after the payment of dividends required to be paid on our outstanding preferred stock, if any.

Voting Rights

The holders of Class A Common Stock are entitled to one vote per share. The holders of Class B Common Stock are entitled to ten votes per share. The holders of Class A Common Stock and Class B Common Stock vote together as a single class on all matters submitted to a vote of stockholders, including the election of directors, unless otherwise required by applicable law, the Certificate of Incorporation or the Bylaws. The holders of Class A Common Stock do not have cumulative voting rights in the election of directors.

Liquidation Rights

Upon our liquidation, dissolution or winding up or upon a sale or disposition of all or substantially all of our assets, the assets legally available for distribution to our stockholders will be distributable ratably among the holders of Class A Common Stock and Class B Common Stock treated as a single class, subject to the prior satisfaction of all outstanding debts and other liabilities and the preferential rights and liquidation preferences to be paid on our outstanding preferred stock, if any.

Modification of Rights

The Certificate of Incorporation provides that we will not amend, alter, repeal or waive certain provisions of the Certificate of Incorporation, or adopt any provision inconsistent therewith or effect any reclassification of the shares of Class A Common Stock, unless such action is first approved by the affirmative vote or written consent of the holders of a majority of the then-outstanding shares of Class B Common Stock, voting as a separate class, and, to the fullest extent permitted by law, the holders of Class A Common Stock will have no right to vote thereon. However, this provision is subject to any other vote required by applicable law, and under Section 242(b)(2) of the DGCL, holders of Class A Common Stock would be entitled to vote as a class upon a proposed action, whether or not entitled to vote by the Certificate of Incorporation, if such action would increase or decrease the par value of Class A Common Stock, or alter or change the powers, preferences or special rights thereof so as to affect them adversely.

Other Matters

The holders of Class A Common Stock have no sinking fund or redemption provisions, or conversion or preemptive rights. All outstanding shares of Class A Common Stock are validly issued, fully paid and non-assessable. Class A Common Stock is not convertible into any other shares of our capital stock.

Exchange Listing

The Class A Common Stock is listed on The Nasdaq Stock Market LLC under the symbol “ROAD.”

Preferred Stock

The Certificate of Incorporation authorizes our board of directors to establish one or more series of preferred stock. Unless required by law or by any rules adopted by The Nasdaq Stock Market LLC, these authorized shares of preferred stock will be available for issuance without further action by our stockholders. Our board of directors is able to determine, with respect to any series of preferred stock, the terms and rights of such series, including dividend rights, voting rights, conversion rights, terms of redemption, liquidation rights and any other relative rights, powers and preferences, and the qualifications, limitations and restrictions thereof, of such series.

We could issue a series of preferred stock that, depending on its terms, may impede or discourage an acquisition attempt or other transaction that some, or a majority, of our stockholders might believe to be in their best interests or in which they might receive a premium over the market price for their shares of Class A Common Stock. Additionally, the issuance of preferred stock may adversely affect the holders of Class A Common Stock by restricting dividends on Class A Common Stock, diluting the voting power of Class A Common Stock or subordinating the liquidation rights of Class A Common Stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our Class A Common Stock.

Certain Provisions of the Certificate of Incorporation and Bylaws

The Certificate of Incorporation and Bylaws of the Company contain certain provisions that may delay, defer or prevent a change in control of the Company.

Dual Class Structure

The Certificate of Incorporation provides for a dual class structure, under which each share of our Class A Common stock has one vote per share and each share of our Class B Common Stock has ten votes per share.

Authorized but Unissued Capital Stock

The Certificate of Incorporation authorizes shares of Class A Common Stock, Class B Common Stock and preferred stock that are unissued and unreserved.

Classified Board

The Certificate of Incorporation and Bylaws classify the Board of Directors into three classes of directors as nearly equal in number as possible, each of which will serve for three years, with one class of directors being elected each year.

Removal of Directors; Vacancies

The Certificate of Incorporation provides that directors may be removed with or without cause upon the affirmative vote of a majority in voting power of all then-outstanding shares of stock entitled to vote thereon, voting together as a single class; provided, however, that once no shares of our Class B Common Stock remain outstanding, directors may only be removed for cause, and then only by the affirmative vote of holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock entitled to vote thereon, voting together as a single class. In addition, the Certificate of Incorporation provides that, subject to the rights granted to one or more series of preferred stock then outstanding, if any, any vacancies on our board of directors may be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum, by a sole remaining director or by the stockholders; provided, however, that once no shares of our Class B Common Stock remain outstanding, any newly created directorship on our board of directors that results from an increase in the number of directors and any vacancy occurring on our board of directors may only be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director and not by stockholders.

Special Meetings

The Certificate of Incorporation and Bylaws provide that special meetings of our stockholders may be called only by the Chairman of the board of directors, Chief Executive Officer, the board of directors or at the request of the holders of 25% of the Class B Common Stock. The Bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting.

Advance Notice Requirement

The Bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee thereof. In order for any matter to be “properly brought” before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a stockholder’s notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders. The Bylaws also specify requirements as to the form and content of a stockholder’s notice. The Bylaws allow the chairman of the meeting at a meeting of the stockholders to adopt rules and regulations for the conduct of meetings that may have the effect of precluding the conduct of certain business at a meeting if such rules and regulations are not followed.

Business Combinations

The Certificate of Incorporation contains provisions providing that we may not engage in certain “business combinations” with any “interested stockholder” for a three-year period following the time that such stockholder became an interested stockholder, unless:

- prior to such time, our board of directors approved either the business combination or the transaction which resulted in such stockholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in such stockholder becoming an interested stockholder, such stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or

- at or subsequent to such time, the business combination is approved by our board of directors and by the affirmative vote of holders of at least 66 2/3% of our outstanding voting stock that is not owned by such stockholder.

No Cumulative Voting

The Certificate of Incorporation does not authorize cumulative voting.

Limitation of Liability of Directors

The Certificate of Incorporation generally provides that, to the fullest extent permitted by the DGCL, no director shall be liable to the Company or its stockholders for monetary damages for breach of certain fiduciary duties as a director. Under the DGCL, a director’s liability may not be eliminated:

- for any breach(es) of the director’s duty of loyalty to us or to our stockholders;

- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

- for certain unlawful dividend payments or stock redemptions or repurchases; and

- for any transaction from which the director derives an improper personal benefit.

The effect of this provision is to restrict the rights of the Company and its stockholders to recover monetary damages against a director for breach of certain fiduciary duties as a director.

Supermajority Voting

The Certificate of Incorporation and the Bylaws provide that our board of directors is expressly authorized to make, alter, amend, change, add to, rescind or repeal, in whole or in part, the Bylaws without a stockholder vote in any matter. For as long as shares of our Class B Common Stock remain outstanding, any alteration, amendment, change, addition, rescission or repeal of the Bylaws by our stockholders requires the affirmative vote of a majority in voting power of the outstanding shares of our stock present in person or represented by proxy and entitled to vote on such alteration, amendment, change, addition, rescission or repeal. Once no shares of our Class B Common Stock remain outstanding, any alteration, amendment, change, addition, rescission or repeal of the Bylaws by our stockholders requires the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of our stock entitled to vote thereon, voting together as a single class.

The Certificate of Incorporation provides that once no shares of our Class B common stock remain outstanding, certain provisions of the Certificate of Incorporation may be altered, amended, changed, added to, rescinded or repealed only by the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of our stock entitled to vote thereon, voting together as a single class.

Exclusive Forum Clause

The Bylaws contain a forum selection clause that provides that unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any claims under the Securities Act of 1933, as amended.

Exhibit 21.1

Construction Partners, Inc.

List of Subsidiaries

Subsidiary	Jurisdiction of Incorporation/Formation
C.W. Roberts Contracting, Inc.	Florida
Everett Dykes Grassing Co., Inc.	Georgia
FSC II, LLC*	North Carolina
The Scruggs Company	Georgia
Wiregrass Construction Company, Inc.	Alabama

*FSC II, LLC conducts business under the trade names “Fred Smith Company” and “Rose Brothers Paving Company.”

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (No. 333-224974) on Form S-8 and the Registration Statement (No. 333-232555) on Form S-3 of Construction Partners, Inc. of our report dated December 11, 2020, relating to the consolidated financial statements of Construction Partners, Inc. and subsidiaries, appearing in this Annual Report on Form 10-K of Construction Partners, Inc. for the year ended September 30, 2020.

/s/ RSM US LLP

Birmingham, Alabama
December 11, 2020

Exhibit 31.1

CERTIFICATION

I, Charles E. Owens, certify that:

1. I have reviewed this Annual Report on Form 10-K of Construction Partners, Inc. for the fiscal year ended September 30, 2020;

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

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

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

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

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

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

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

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

Date: December 11, 2020

By: /s/ Charles E. Owens
Charles E. Owens
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, R. Alan Palmer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Construction Partners, Inc. for the fiscal year ended September 30, 2020;

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

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

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

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

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

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

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

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

Date: December 11, 2020

By: /s/ R. Alan Palmer
R. Alan Palmer
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Construction Partners, Inc. (the "Company") for the fiscal year ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Owens, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: December 11, 2020	By:	/s/ Charles E. Owens
		Charles E. Owens
		President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Construction Partners, Inc. (the "Company") for the fiscal year ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, R. Alan Palmer, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: December 11, 2020

By: /s/ R. Alan Palmer
R. Alan Palmer
Executive Vice President and Chief Financial Officer

Exhibit 95.1

Mine Safety Disclosures

The operation of our aggregates mines is subject to regulation by the federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977, 30 U.S.C. § 801 *et seq.* (the "Mine Act"). Set forth below is the required information regarding certain mining safety and health matters for the fiscal year ended September 30, 2020. Citations and orders may be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed. The table below includes references to specific sections of the Mine Act.

The information in the table below is presented by mine, consistent with the manner in which we maintain safety and compliance information about our mining operations.

Mine Name / ID	(A) Section 104 S&S	(B) Section 104(b)	(C) Section 104(d)	(D) Section 110(b)(2)	(E) Section 107(a)	(F) Proposed Assessments	(G) Fatalities	(H) Pending Legal Action
Riverbend Sand / 09-01023	—	—	—	—	—	$ 246	—	—
Montgomery Sand / 09-00737	—	—	—	—	—	—	—	—
Baldree Sand / 09-01166	—	—	—	—	—	—	—	—
Coosa / 01-03327	1	—	—	—	—	$ 1,199	—	—
Skyline / 01-03158	—	—	—	—	—	—	—	—
Lambert / 01-03363	1	—	—	—	—	$ 492	—	—
Hickory Bend / 01-03403	—	—	—	—	—	—	—	—
Allstate / 01-03406	—	—	—	—	—	$ 609	—	—
Total	**2**	—	**—**	**—**	**—**	**$ 2,546**	**—**	**—**

(A) The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under Section 104 of the Mine Act for which the operator received a citation from the MSHA.

(B) The total number of orders issued under Section 104(b) of the Mine Act.

(C) The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under Section 104(d) of the Mine Act.

(D) The total number of flagrant violations under Section 110(b)(2) of the Mine Act.

(E) The total number of imminent danger orders issued under Section 107(a) of the Mine Act.

(F) The total dollar value of proposed assessments from the MSHA under the Mine Act.

(G) The total number of mining-related fatalities.

(H) Any pending legal action before the Federal Mine Safety and Health Review Commission involving the applicable mine(s).

During the fiscal year ended September 30, 2020, our aggregates mines did not receive any written notices of a pattern of violations, or the potential to have such a pattern of violations, under Section 104(e) of the Mine Act.