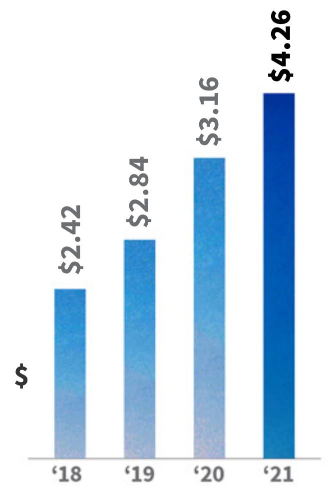
TETRA TECH

Leading with Science®

2021 ANNUAL REPORT



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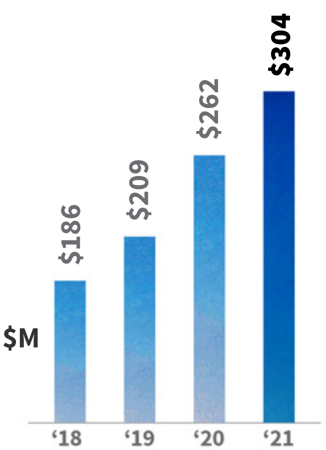
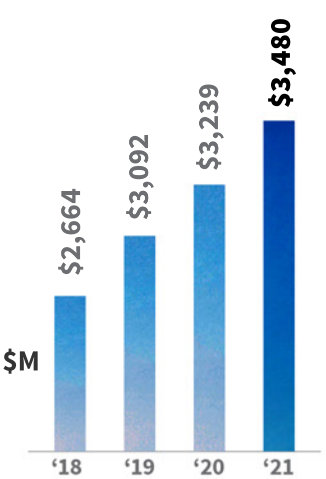


Cash from Operations



Backlog

Dear Shareholders,

We had an exceptionally strong fiscal year 2021, resulting in new record highs across all our major financial metrics: revenue, net revenue, operating income, earnings per share (EPS), cash flow and backlog. Our projects generated revenue of $3.21 billion and operating income of $279 million, resulting in an EPS of $4.26, up 35 percent from last year. We also generated $304 million in operating cash flow, or $5.57 of cash per share. We returned more than $100 million to shareholders through a combination of dividends and share repurchases while reducing our net debt leverage ratio to 0.2x. Tetra Tech ended the year with an all-time high backlog of $3.5 billion, up 7 percent from last year. The strong performance of our global operations is a result of our *Leading with Science®* approach to water and environmental priorities; and the capabilities of our 21,000 associates, who are technically differentiated, highly client focused, and fiscally disciplined.

We have never been in better alignment with our clients' priorities than today. In the markets we serve around the world, the priorities of water, environment, sustainable infrastructure, and renewable energy are creating new projects and additional funding commitments. Climate change programs across all our end markets are driving new near-term investments in resiliency. Governments and commercial clients worldwide also are making long-term commitments to reduce carbon emissions. The unprecedented impacts of extreme weather and drought have also resulted in increased demand for our high-end disaster recovery, planning, and adaptation services.

Tetra Tech continued to advance our industry-leading position with the addition of five high-end consulting and technology firms. We expanded our digital water practice with the addition of IBRA-RMAC, LLC, and Enterprise Automation Inc., significantly enhancing our system integration and automation capabilities. Coanda Research & Development Corporation joined us, adding high-end expertise in computational fluid dynamics, predictive modeling, and an in-house research facility. We expanded our management consulting in health, education, and sustainability economics with the addition of Kaizen, Inc. Toward the end of the year, Hoare Lea, an industry leader in sustainable design, joined Tetra Tech's global high-performance buildings practice, adding more than 900 United Kingdom (U.K.)-based staff who provide state-of-the-art net zero carbon design and digital engineering.

In 2021, we worked on projects for 20,000 clients in more than 100 countries. We continued to increase our contract capacity with the U.S., U.K., and Australian federal governments, with $5 billion in awards including contracts with key agencies that lead essential climate resilience, biodiversity, sustainable energy, and high-efficiency building programs. We were awarded more than $50 million in new programs for the investigation and treatment of emerging

contaminants, such as PFAS. For our commercial clients, we added high-end, net-zero sustainable building design programs for some of the most innovative facilities in the world. We expanded our renewable energy consulting and engineering service agreements for major utilities and energy developers across North America, who are rapidly adding new clean energy sources and the resilient power distribution grids to support them. In the United States, our state and local work grew at a rapid pace, with an increase in revenues of more than 20 percent compared to last year, as we grew our essential watershed management, water supply, water treatment, water reclamation, and disaster response and recovery services for the more than 500 communities we support.

Through the projects Tetra Tech performed in the past year, we improved the environmental, social, and governance (ESG) aspects of peoples' lives in the communities we serve. In 2021 we supported programs that captured and recovered water supplies by designing the first-of-its kind treatment facility for the largest ion exchange plant treating PFAS in the United States. We worked with the U.S. Agency for International Development to reduce plastics directly at their source and mitigate impacts on the world's oceans by eliminating 250,000 metric tons of waste and recyclables, improving the lives of 1 million individuals in Southeast Asia alone. Tetra Tech also supported major ports, such as the Ports of Los Angeles and Long Beach to reduce emissions from trucks, resulting in a total reduction of 2.3 million metric tons of CO_2e. In Colombia our governance support for land rights programs has provided legal land titles to 20,000 disadvantaged and under-represented rural landowners, including 10,000 women landowners.

We leveraged our proprietary technologies and solutions, referred to collectively as the Tetra Tech Delta, to deliver high-end solutions across our 70,000 projects and set new industry standards for analytics and operational optimization for our clients. Our tools can visualize outcomes, forecast impacts of climate change, and optimize resilient solutions for our clients' water and environment programs. By leveraging our technologies, we identify solutions embedded in massive data sets, generate real-time data-driven dashboards, and increase the efficiency and productivity of each of our associates. To facilitate healthy building design, our Tetra Tech acoustics and software engineers developed **AiHear®**, an iOS application that can predict and simulate how a space will sound, enabling users to preview virtually the acoustics resulting from various ceilings, walls, interior treatments, or building facades. To increase the safety and sustainability of rail infrastructure, our **RailAI®** system provides our clients with ultra-high speed data collection and interpretive analysis that will transform the rail industry's ability to assess, manage, and optimize track condition.

To further advance our Leading with Science® *strategy, I have set out ambitious goals for Tetra Tech.* We will:

- Continue to invest in the Tetra Tech Delta—the technologies that differentiate us, make us more competitive, and provide the most advanced solutions for our clients
- Add new acquisitions to our team that bring high-end technologies and expand our world-leading expertise in water, environment, sustainable infrastructure, and renewable energy
- Partner with our clients to develop first-of-a-kind solutions to address climate change and associated impacts to water and the environment
- Expand Tetra Tech's extraordinarily talented and diverse team through our commitment to diversity, equity, and inclusion, embracing the breadth of our culture of technical excellence, innovation, and entrepreneurship
- Improve the lives of 1 billion people by 2030 through our projects that provide sustainable water supplies, restore the environment, increase sources of renewable energy, and reduce carbon emissions

As we enter fiscal year 2022, I am optimistic about our future. We are proud to have a significant positive impact on the world through our projects while providing extraordinary value to our shareholders. On behalf of our 21,000 associates worldwide, I thank our shareholders for your confidence and support of Tetra Tech.

Sincerely,

Dan L. Batrack
Chairman and Chief Executive Officer

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended October 3, 2021

☐ **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 0-19655

TETRA TECH, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-4148514**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3475 East Foothill Boulevard, Pasadena, California 91107
(Address of principal executive offices) (Zip Code)

(626) 351-4664
(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
Common Stock, $0.01 par value	TTEK	The NASDAQ Stock Market LLC

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

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "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 registrant's common stock held by non-affiliates on March 28, 2021, was $7.1 billion (based upon the closing price of a share of registrant's common stock as reported by the Nasdaq National Market on that date).

On November 12, 2021, 53,885,546 shares of the registrant's common stock were outstanding.

DOCUMENT INCORPORATED BY REFERENCE

Portions of registrant's Proxy Statement for its 2022 Annual Meeting of Stockholders are incorporated by reference in Part III of this report where indicated.

TABLE OF CONTENTS

This Annual Report on Form 10-K ("Report"), including the "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "estimates," "seeks," "continues," "may," variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict, including those identified below under "Risk Factors," and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

PART I

Item 1. Business

General

Tetra Tech, Inc. ("Tetra Tech") is a leading global provider of high-end consulting and engineering services that focuses on water, environment, sustainable infrastructure, renewable energy, and international development. We are a global company that is *Leading with Science®* to provide innovative solutions for our public and private clients. We typically begin at the earliest stage of a project by identifying technical solutions and developing execution plans tailored to our clients' needs and resources.

Tetra Tech is *Leading with Science®* to provide sustainable and resilient solutions to our clients' most complex needs. *Engineering News-Record* ("ENR"), the engineering industry's leading magazine, has ranked Tetra Tech #1 in Water for 18 years in a row. In 2021, we were also ranked #1 in environmental management, hydro plants, water treatment/desalination, water treatment/supply, and wind power. ENR also ranked Tetra Tech in the top 10 in numerous categories, including dams and reservoirs, solid waste, environmental science, chemical and soil remediation, green building design, hazardous waste, solar power, and site assessment and compliance.

Our reputation for high-end consulting and engineering services and our ability to develop solutions for water and environmental management has supported our growth for more than 50 years. Today, we are proud to be making a difference in people's lives worldwide through our high-end consulting, engineering, and technology service offerings. In fiscal 2021, we worked on over 70,000 projects, in more than 100 countries on seven continents, with a talent force of 21,000 associates. We are *Leading with Science®* throughout our operations, with domain experts across multiple disciplines supported by our advanced analytics, artificial intelligence ("AI"), machine learning, and digital technology solutions. Our ability to provide innovation and first-of-kind solutions is enhanced by partnerships with our forward-thinking clients. We are diverse, equitable, and inclusive, embracing the breadth of experience across our talented workforce worldwide with a culture of innovation and entrepreneurship. We are disciplined in our business, and focused on delivering value to customers and high performance for our shareholders. In supporting our clients, we seek to add value and provide long-term sustainable consulting, engineering and technology solutions.

By combining ingenuity and practical experience, we have helped to advance sustainability by managing water, protecting the environment, providing renewable energy, and engineering green solutions for our cities and communities. Our mission is to be the world's leading consulting and engineering firm solving global challenges in water and the environment that make a positive difference in people's lives worldwide.

The following core principles form the underpinning of how we work together to serve our clients:

- *Service.* We put our clients first. We listen closely to better understand our clients' needs and deliver smart, cost-effective solutions that meet their needs.
- *Value.* We solve our clients' problems as if they were our own. We develop and implement sustainable solutions that are innovative, efficient and practical.
- *Excellence.* We bring superior technical capability, disciplined project management, and excellence in safety and quality to all of our services.
- *Opportunity.* Our people are our number one asset. Opportunity means new technical challenges that provide advancement within our company, encourage an inclusive and diverse workforce, and ensure a safe workplace.

We have a strong project management culture that enables us to deliver on more than 70,000 projects in a fiscal year. We maintain a strong emphasis on project management at all levels of the organization. Our client-focused project management is supported by strong fiscal management and financial tools. We use a disciplined approach to monitoring, managing, and improving our return on investment in each of our business areas through our efforts to negotiate appropriate contract terms, manage our contract performance to minimize schedule delays and cost overruns, and promptly bill and collect accounts receivable.

We have built a broad client and contract base by proactively understanding our clients' priorities and demonstrating a long track record of successful performance that results in repeat business and limits competition. We believe that proximity to our clients is also instrumental to integrating global experience and resources with an understanding of our local clients' needs. Over the past year, we worked in more than 100 countries, helping our clients address complex water, environment, renewable energy, and related sustainable infrastructure needs.

Throughout our history, we have supported both public and private clients, many for multiple decades of continuous contracts and repeat business. Long-term relationships provide us with institutional knowledge of our clients' programs, past projects and internal resources. Institutional knowledge is often a significant factor in winning competitive proposals and providing cost-effective solutions tailored to our clients' needs.

We are often at the leading edge of new challenges where we are delivering one-of-a-kind solutions. These might be a new water treatment technology, a unique solution to addressing new regulatory requirements, a new system for automated assessment of infrastructure assets or a digital twin for real time management of water treatment systems.

We combine interdisciplinary capabilities, technical resources, and institutional knowledge to implement complex projects that are at the leading edge of policy and technology development.

Leading with Science®

At Tetra Tech, we provide value-generating solutions by combining operational expertise, science, and technology. By *Leading with Science®* and leveraging our collective technology including advanced data analytics and digital technologies, we create transformational solutions for our clients.

Tetra Tech's proprietary technologies and solutions, referred to collectively as the Tetra Tech Delta, differentiate us in the market and provide us with a competitive advantage. We create customized solutions; from smart data collection and advanced analytics that support decision making to AI enabled solutions for asset management. Our Tetra Tech Delta technologies are drawn from our decades of operational experience and a reservoir of technical applications that are shared throughout our company. Our high-end teams connect interdisciplinary experts from across our company's 21,000 staff worldwide. Tetra Tech mobilizes teams that include analysts, statisticians, digital engineers, and industry experts who effectively implement value-generating and pragmatic solutions for our clients.

These advanced analytical solutions enable us to provide clients with real-time reporting, automated and remote data collection, and dashboards for tracking and communicating results. Tetra Tech Delta is continually expanding and includes cutting-edge tools on interpretive analysis, modeling of physical systems, forecasting and scenario analysis, optimization and operations research.

In implementing our *Leading with Science®* approach, we work with our clients to explore, incubate, and test solutions in our Tetra Tech Innovation Hubs ("Tt I-Hub"). Tt I-Hub provides a collaborative platform for exploration, testing, and formulation of new solutions in partnership with clients, academia and donor agencies.

Leading with Science® also means fully leveraging the collective expertise provided by our global talent force of 21,000 associates. We actively share information, ideas, and resources across our global operations through our network structure, guided subject matter teams, and project team building. Our annual Tech 1000 event engages Tetra Tech experts world-wide to solve client challenges and identify the best ideas for further development. We also proactively share emerging technology and new ideas through our knowledge transfer system, Tetra Tech Technology Transfer ("T4"). T4 facilitates our innovation culture through webcasts, blogs, multi-media, and social media across our global operations.

Reportable Segments

In fiscal 2021, we managed our operations under two reportable segments. Our Government Services Group ("GSG") reportable segment primarily includes activities with U.S. government clients (federal, state and local) and all activities with development agencies worldwide. Our Commercial/International Services Group ("CIG") reportable segment primarily includes activities with U.S. commercial clients and international clients other than development agencies. These reportable segments allow us to capitalize on our growing market opportunities and enhance the development of high-end consulting and technical solutions to meet our growing client demand. We continued to report the historical results of the wind-down of our non-core construction activities in the Remediation and Construction Management ("RCM") reportable segment. There has been no remaining backlog for RCM since fiscal 2018 as the projects were complete. The following table presents the percentage of our revenue by reportable segment:

	Fiscal Year		
Reportable Segment	**2021**	**2020**	**2019**
GSG	60.5%	59.4%	58.6%
CIG	41.2	42.3	43.1
Inter-segment elimination	(1.7)	(1.7)	(1.7)
	100.0%	**100.0%**	**100.0%**

For additional information regarding our reportable segments, see Note 18, "Reportable Segments" of the "Notes to Consolidated Financial Statements" included in Item 8. For more information on risks related to our business, reportable segments and geographic regions, including risks related to foreign operations, see Item 1A, “Risk Factors” of this report.

Government Services Group

GSG provides consulting and engineering services primarily to U.S. government clients (federal, state and local) and development agencies worldwide. GSG supports U.S. government civilian and defense agencies with services in water, environment, sustainable infrastructure, information technology, and disaster management. GSG also provides engineering design services for U.S. municipal and commercial clients, especially in water infrastructure, solid waste, and high-end sustainable infrastructure designs. GSG also leads our support for development agencies worldwide, especially in the United States, United Kingdom, and Australia.

GSG provides consulting and engineering services for a broad range of water, environment, and infrastructure-related needs primarily for U.S. government clients. The primary GSG markets include water resources analysis and water management, environmental monitoring, data analytics, government consulting, waste management, and a broad range of civil infrastructure master planning and engineering design for facilities, transportation, and local development projects. GSG's services span from early data collection and monitoring, to data analysis and information management, to science and engineering applied research, to engineering design, to project management, and operations and maintenance.

GSG provides our clients with sustainable solutions that optimize their water management and environmental programs to address regulatory requirements, improve operational efficiencies, and manage assets. Our services advance sustainability and resiliency through the "greening" of infrastructure, design of energy efficiency and resource conservation programs, innovation in the capture and sequestration of carbon, development of disaster preparedness and response plans, and improvement in water and land resource management practices. We provide climate change and energy management consulting, and greenhouse gas ("GHG") inventory assessment, certification, reduction, and management services. GSG also provides planning, architectural, and sustainable engineering services for U.S. federal, state and local government facilities. We support government agencies with related sustainable infrastructure needs, asset management for military housing and educational, institutional, and research facilities.

Many government organizations face complex problems due to increased demand and competition for water and natural resources, newly understood threats to human health and the environment, aging infrastructure, and demand for new and more resilient infrastructure. Our integrated water management services support government agencies responsible for managing water supplies, wastewater treatment, storm water management, and flood protection. We help our clients develop more resilient water supplies and more sustainable management of water resources, while addressing a wide range of local and national government requirements and policies. Fluctuations in weather patterns and extreme events, such as prolonged droughts and more frequent flooding, are increasing concerns over the reliability of water supplies, the need to protect coastal areas, and flood mitigation and adaptation in metropolitan areas. We provide smart water infrastructure solutions that integrate water modeling, instrumentation and controls, and real-time controls to create flexible water systems that respond to changing conditions, optimize use of existing infrastructure, and provide clients with the ability to more efficiently monitor and manage their water infrastructure. We provide operational technology for secure management of water treatment and wastewater systems, including cybersecurity assessments and digital twin solutions.

We also support government agencies in the full range of disaster response and community resilience services including monitoring and environmental response, damage assessment and program management services, and resilient engineering design and mitigation planning. We have a full suite of proprietary software tools and procedures that support our disaster response, planning, and management support services. These tools and procedures address disaster management and community resilience data management needs, including information technology systems, portals, dashboards, data management, data analytics, and statistical analysis.

GSG provides a wide range of consulting and engineering services for solid waste management, including landfill design and management and recycling facility design, throughout the United States; providing design, project management, and maintenance services to manage solid and hazardous waste, for environmental, wastewater, energy, containment, mining, utilities, aquaculture, and other industrial clients; as well as innovative renewable energy projects such as solar energy-generating landfill caps; and providing full-service solutions for gas-to-energy facilities to efficiently use landfill methane gas.

We provide high-end advanced analytics and information technology ("IT") consulting and support to various federal clients including AI applications, machine learning, modernization of IT systems, and cloud migration. We design solutions to manage and analyze data for major federal agency programs including data related to health, security, environment, and water programs. We use our Tt I-Hub to demonstrate and test technology solutions to facilitate rapid deployment by our clients. We provide technical support for the Federal Aviation Administration ("FAA") to optimize the U.S. airspace system and support related aviation systems integration for the U.S. and other countries' metropolitan airports. We provide specialized modeling and data analytics for airspace acoustic analysis. Our aviation airspace services include data management, data processing, communications and outreach, and systems development; and providing systems analysis and information management.

We support governments in implementing international development programs for developing nations to help them address numerous challenges, including access to potable water and adapting to the threats of climate change. Our international development services include supporting donor agencies to develop safe and reliable water supplies and sanitation services, support the eradication of poverty, improve livelihoods, promote democracy and increase economic growth; planning, designing, implementing, researching, and monitoring projects in the areas of climate change, agriculture and rural development, governance and institutional development, natural resources and the environment, infrastructure, economic growth, energy, rule of law and justice systems, land tenure and property rights, and training and consulting for public-private partnerships; and building capacity and strengthening institutions in areas such as global health, energy sector reform, utility management, education, food security, and local governance.

Commercial/International Services Group

CIG primarily provides consulting and engineering services to U.S. commercial clients, and international clients that include both commercial and government sectors. CIG supports commercial clients across the Fortune 500, renewable energy, industrial, manufacturing, and aerospace markets. CIG also provides sustainable infrastructure and related environmental, engineering and project management services to commercial and local government clients across Canada, in Asia Pacific (primarily Australia and New Zealand), the United Kingdom, as well as Brazil and Chile.

CIG provides consulting and engineering services worldwide for a broad range of water, environment, and sustainable infrastructure-related needs in both developed and emerging economies. The primary markets for CIG's services include natural resources, energy, and utilities, as well as sustainable infrastructure master planning and engineering design for facilities, transportation, and local development projects. CIG's services span from early data collection and monitoring to data analysis and information management, to feasibility studies and assessments, to science and engineering applied research, to engineering design, to project management, and operations and maintenance.

CIG's environmental services include cleanup and beneficial reuse of sites contaminated with hazardous materials, toxic chemicals, and oil and petroleum products, which cover all phases of the remedial planning process, starting with disaster response and initial site assessment through removal actions, remedial design and implementation oversight; and supporting both commercial and government clients in planning and implementing remedial activities at numerous sites around the world, and providing a broad range of environmental analysis and planning services.

CIG also supports U.S. commercial clients by providing design services to renovate, upgrade, and modernize industrial water supplies, and address industrial water treatment and water reuse needs; and provides plant engineering, project execution, and program management services for industrial water treatment projects throughout the world.

CIG provides planning, architectural and sustainable engineering services for commercial and government facilities. We provide high-end design of sustainable energy, water, and GHG efficient solutions including civil, electrical, mechanical, structural, and hydraulic engineering for buildings and surrounding developments. We provide high-end services in addressing indoor health and associated assessment, consulting, and retrofits of buildings to address indoor air quality and safety. We also provide engineering services for a wide range of clients with specialized needs, such as data centers, security systems, training and audiovisual facilities, clean rooms, laboratories, medical facilities, and disaster preparedness facilities.

CIG's international services, especially in Canada and Asia-Pacific, include high-end analytical, engineering, architecture, geotechnical, and project management services for infrastructure projects, including rail and roadway monitoring and asset management services, collection of condition data, optimization of upgrades and long-term planning for expansion; multi-modal design services for commuter railway stations, airport expansions, bridges and major highways, and ports and harbors; and designing resilient solutions to repair, replace, and upgrade older transportation infrastructure.

CIG provides infrastructure design services in extreme and remote areas by using specialized techniques that are adapted to local resources, while minimizing environmental impacts, and considering potential climate change impacts. These include providing consulting, geotechnical, and design services to owners of transportation, natural resources, energy and community infrastructure in areas of permafrost or extreme climate regions.

CIG's energy services include support for electric power utilities and independent power producers worldwide, ranging from macro-level planning and management advisory services to project-specific environmental, engineering, project management, and operational services, and advising on the design and implementation of smart grids, both domestically and internationally, including increasing utility automation, information and operational technologies, and critical infrastructure security. For utilities and governmental regulatory agencies, our services include policy and regulatory development, utility management, performance improvement, asset management and evaluation, and transaction support services. For developers and owners of renewable energy resources such as solar grid and off-grid, on-shore and off-shore wind, biogas and biomass, tidal, and hydropower, and conventional power generation facilities, micro-grid and battery or alternative storage facilities, as well as transmission and distribution assets, our services include environmental, electrical, mechanical and civil engineering, procurement, operations and maintenance, and regulatory support for all project phases.

CIG supports industrial clients globally. Our services include environmental permitting support, siting studies, strategic planning and analyses; design of site civil works; water management; biological and cultural assessments, and site investigations; and hazardous waste site remediation.

CIG also provides environmental remediation and reconstruction services to evaluate and restore lands to beneficial use, remediating, and restoring contaminated facilities at military locations in the U.S. and around the world; managing large, complex sediment remediation programs that help restore rivers and coastal waters to beneficial use; constructing state-of-the-art water treatment plants for U.S. commercial clients; and supporting utilities in the U.S. in implementing infrastructure needs.

Remediation and Construction Management

We continued to report the results of the wind-down of our non-core construction activities in the RCM reportable segment in fiscal 2021. As of October 3, 2021, there was no remaining backlog for RCM as the projects were complete.

Project Examples

Project examples are provided on our company website located at tetratech.com, including expert interviews, in-depth articles, and project profiles that demonstrate our services across water, environment, sustainable infrastructure, renewable energy, and international development.

Fiscal 2022 Reportable Segments

On the first day of fiscal 2022, we created a new High Performance Buildings division in our CIG reportable segment. As a result, we transferred some related operations in our GSG reportable segment with annual revenue of approximately $170 million to our CIG reportable segment. Beginning in the first quarter of fiscal 2022, our segment reporting will reflect this transfer and our historical comparisons will be revised to be consistent with the fiscal 2022 presentation.

Clients

We provide services to a diverse base of U.S. state and local government, U.S. federal government, U.S. commercial, and international clients. The following table presents the percentage of our revenue by client sector:

	Fiscal Year		
Client Sector	**2021**	**2020**	**2019**
U.S. state and local government	16.7%	14.7%	18.9%
U.S. federal government [(1)]	33.6	33.2	30.3
U.S. commercial	19.9	22.5	23.1
International [(2)]	29.8	29.6	27.7
	100.0%	**100.0%**	**100.0%**

(1) Includes revenue generated under U.S. federal government contracts performed outside the United States.
(2) Includes revenue generated from foreign operations, primarily in Canada, Australia, the United Kingdom, and revenue generated from non-U.S. clients.

U.S. federal government agencies are significant clients. The U.S. Agency for International Development ("USAID") accounted for 11.7%, 12.2% and 12.4% of our revenue in fiscal 2021, 2020 and 2019, respectively. The Department of Defense ("DoD") accounted for 11.2%, 9.2% and 7.9% of our revenue in fiscal 2021, 2020 and 2019, respectively. We typically support multiple programs within a single U.S. federal government agency, both domestically and internationally. We also assist U.S. state and local government clients in various jurisdictions across the United States. Our international clients are primarily focused in Canada, Australia, and the United Kingdom and consist of a relatively equal sized mix of government and commercial clients. Our U.S. commercial clients include companies in the chemical, energy, mining, pharmaceutical, retail, aerospace, automotive, petroleum, and communications industries. No single client, except for U.S. federal government clients, accounted for more than 10% of our revenue in fiscal 2021.

Contracts

Our services are performed under three principal types of contracts with our clients: fixed-price, time-and-materials, and cost-plus. The following table presents the percentage of our revenue by contract type:

	Fiscal Year		
Contract Type	**2021**	**2020**	**2019**
Fixed-price	37.1%	36.0%	33.7%
Time-and-materials	46.4	46.5	48.6
Cost-plus	16.5	17.5	17.7
	100.0%	**100.0%**	**100.0%**

Under a fixed-price contract, clients agree to pay a specified price for our performance of the entire contract or a specified portion of the contract. Some fixed-price contracts can include date-certain and/or performance obligations. Fixed-price contracts carry certain inherent risks, including risks of losses from underestimating costs, delays in project completion, problems with new technologies, price increases for materials, and economic and other changes that may occur over the contract period. Consequently, the profitability of fixed-price contracts may vary substantially. Under time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and paid for other expenses. Profitability on these contracts is driven by billable headcount and cost control. Many of our time-and-materials contracts are subject to maximum contract values and, accordingly, revenue related to these contracts is recognized as if these contracts were fixed-price contracts. Under our cost-plus contracts, some of which are subject to a contract ceiling amount, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If our costs exceed the contract ceiling or are not allowable, we may not be able to obtain full reimbursement. Further, the amount of the fee received for a cost-plus award fee contract partially depends upon the client's discretionary periodic assessment of our performance on that contract.

Some contracts with the U.S. federal government are subject to annual funding approval. U.S. federal government agencies may impose spending restrictions that limit the continued funding of our existing contracts and may limit our ability to obtain additional contracts. These limitations, if significant, could have a material adverse effect on us. All contracts with the U.S. federal government may be terminated by the government at any time, with or without cause.

U.S. federal government agencies have formal policies against continuing or awarding contracts that would create actual or potential conflicts of interest with other activities of a contractor. These policies may prevent us from bidding for or performing government contracts resulting from or related to certain work we have performed. In addition, services performed for a commercial or government sector client may create conflicts of interest that preclude or limit our ability to obtain work for a private organization. We attempt to identify actual or potential conflicts of interest and to minimize the possibility that such conflicts could affect our work under current contracts or our ability to compete for future contracts. We have, on occasion, declined to bid on a project because of an existing or potential conflict of interest.

Some of our operating units have contracts with the U.S. federal government that are subject to audit by the government, primarily the Defense Contract Audit Agency ("DCAA"). The DCAA generally seeks to (i) identify and evaluate all activities that contribute to, or have an impact on, proposed or incurred costs of government contracts; (ii) evaluate a contractor's policies, procedures, controls, and performance; and (iii) prevent or avoid wasteful, careless, and inefficient production or service. To accomplish this, the DCAA examines our internal control systems, management policies, and financial capability; evaluates the accuracy, reliability, and reasonableness of our cost representations and records; and assesses our compliance with Cost Accounting Standards ("CAS") and defective-pricing clauses found within the Federal Acquisition Regulation ("FAR"). The DCAA also performs an annual review of our overhead rates and assists in the establishment of our final rates. This review focuses on the allowability of cost items and the applicability of CAS. The DCAA also audits cost-based contracts, including the close-out of those contracts.

The DCAA reviews all types of U.S. federal government proposals, including those of award, administration, modification, and re-pricing. The DCAA considers our cost accounting system, estimating methods and procedures, and specific proposal requirements. Operational audits are also performed by the DCAA. A review of our operations at every major organizational level is conducted during the proposal review period. During the course of its audit, the U.S. federal government may disallow certain costs if it determines that we accounted for such costs in a manner inconsistent with CAS. Under a government contract, only those costs that are reasonable, allocable, and allowable are recoverable. A disallowance of costs by the U.S. federal government could have a material adverse effect on our financial results.

In accordance with our corporate policies, we maintain controls to minimize any occurrence of fraud or other unlawful activities that could result in severe legal remedies, including the payment of damages and/or penalties, criminal and civil sanctions, and debarment. In addition, we maintain preventative audit programs and mitigation measures to ensure that appropriate control systems are in place.

We provide services under contracts, purchase orders, or retainer letters. Our policy requires that all contracts must be in writing. We bill our clients in accordance with the contract terms and periodically based on costs incurred, on either an hourly-fee basis or on a percentage-of-completion basis, as the project progresses. Most of our agreements permit our clients to terminate the agreements without cause upon payment of fees and expenses through the date of the termination. Generally, our contracts do not require that we provide performance bonds. If required, a performance bond, issued by a surety company, guarantees a contractor's performance under the contract. If the contractor defaults under the contract, the surety will, at its discretion, complete the job or pay the client the amount of the bond. If the contractor does not have a performance bond and defaults in the performance of a contract, the contractor is responsible for all damages resulting from the breach of contract. These damages include the cost of completion, together with possible consequential damages such as lost profits.

Growth Strategy

Our management team establishes Tetra Tech's overall business strategy. Our strategic plan defines and guides our investment in marketing and business development to leverage our differentiators and target priority programs and growth markets. We maintain centralized business development resources to develop our corporate branding and marketing materials, support proposal preparation and planning, conduct market research, and manage promotional and professional activities, including appearances at trade shows, advertising, and public relations.

We have established company-wide growth initiatives that reinforce internal coordination, track the development of new programs, identify and coordinate collective resources for major bids, and help us build interdisciplinary teams and provide innovative solutions for major pursuits. Our growth initiatives provide a forum for cross-sector collaboration, access to technical solutions, and the development of interdisciplinary solutions. We continuously identify new markets that are consistent with our strategic plan and service offerings, and we leverage our full-service capabilities and internal coordination structure to develop and implement strategies to research, anticipate, and position us for future procurements and emerging programs. Our Tetra Tech Delta program facilitates access and exchange of technology solutions across our company, through the use of internal training, inventories, and facilitated virtual networking events.

Business development activities are implemented by our technical and professional management staff throughout Tetra Tech with the support of company-wide resources and expertise. Our project managers and technical staff have the best understanding of our clients' needs and the effect of client-specific issues, local laws and regulations, and procurement procedures. Our professional staff members hold frequent meetings with existing and potential clients; give presentations to civic and professional organizations; and present seminars on research and technical applications. Essential to the effective development of business is each staff member's access to all of our service offerings through our internal Tetra Tech Delta and geographic networks. Our strong internal networking programs help our professional staff members to pursue new opportunities for both existing and new clients. These networks also facilitate our ability to provide services throughout the project life cycle from the early studies to operations and maintenance. Networking is further supported by our enterprise-wide knowledge management systems which include skills search tools, business development tracking, and collaboration tools.

To support our growth plans, we actively attract, recruit and retain key hires. Our combination of high-end science and consulting coupled with practical applications provides challenging and rewarding opportunities for our associates, thereby enhancing our ability to recruit and retain top quality talent. Our internal networking programs, leadership training, entrepreneurial environment, focus on *Leading with Science®*, and global project portfolio help to attract and retain highly qualified individuals.

Our strategic growth plans are augmented by our selective investment in acquisitions aligned with our business. Acquisitions enhance plans to add new technologies, broaden our service offerings, add contract capacity and expand our geographic presence. Our long-established experience in identifying and integrating acquisitions strengthens our ability to integrate and rapidly leverage the resources of the acquired companies post-acquisition.

Sustainability Program

Tetra Tech supports clients in more than 100 countries around the world, helping them to solve complex problems and achieve solutions that are technically, socially, and economically resilient. Our high-end consulting and engineering services focus on using innovative technologies and creative solutions to minimize environmental impacts and enhance social systems. Our greatest contribution toward sustainability is through the projects we perform every day for our clients, including recycling freshwater supplies, recycling waste products, and reducing greenhouse gas emissions. In developing countries, we also support gender equality programs, strengthen land tenure, and increase climate resiliency and adaptation. As a signatory of the United Nations Global Compact ("UNGC") on human rights, labor, environment, and anti-corruption, Tetra Tech embraces the UNGC Ten Principles as part of the strategy, culture, and daily operations of our company.

Our Sustainability Program enhances our commitment by focusing on the environmental, social, and governance impact of our business via four primary pillars: Projects – the solutions we provide for our clients; Procurement – our procurement and subcontracting approaches; Processes – the internal policies and processes that promote sustainable practices, reduce costs, and minimize environmental impacts; and People – the 21,000 staff at Tetra Tech and our partners, clients, and communities worldwide. In addition, our program is based on the Global Reporting Initiative ("GRI") Sustainability Report Framework, the internationally accepted sustainability reporting protocol for corporate sustainability plans, which includes three fundamental areas: environmental, economic, and governance.

Our Sustainability Program is led by our Chief Sustainability Officer, who has been appointed by executive management and is supported by other key corporate and operations representatives via our Sustainability Council. We have established a clear set of metrics to evaluate our progress toward our corporate sustainability goals. Each metric corresponds with one or more performance indicators from GRI and include the following categories: environmental (greenhouse gas emissions), economic, health and safety, information technology, human resources, and real estate. We continuously implement sustainability-related policies and practices and assess the results of our efforts in order to improve upon them in the future. Most important to our program is the recognition of the significant environmental, social, and governance impacts of Tetra Tech's projects. Our executive management team reviews and approves the Sustainability Program and evaluates our progress in achieving the goals and objectives outlined in our plan. In 2021, we initiated a commitment to develop Science Based Targets as part of our tracking and execution of our Sustainability Program. We also announced a new and expanded commitment to sustainability for the next decade with a goal to be Climate Positive & Carbon Negative by 2030. Working with our clients, we will continue to advance the science of sustainability, and thereby magnify the scale of our climate-positive impact on the world. As part of the UNGC, we fulfill the annual Communication on Progress via Tetra Tech's Sustainability Report Card that is published on Earth Day. Tetra Tech also participates in the Dow Jones Sustainability Index Corporate Sustainability Assessment.

Acquisitions and Divestitures

Acquisitions. We continuously evaluate the marketplace for acquisition opportunities to further our strategic growth plans. Due to our reputation, size, financial resources, geographic presence and range of services, we have numerous opportunities to acquire privately and publicly held companies or selected portions of such companies. We evaluate an acquisition opportunity based on its ability to strengthen our leadership in the markets we serve, the technologies and solutions they provide, and the additional new geographies and clients they bring. Also, during our evaluation, we examine an acquisition's ability to drive organic growth, its accretive effect on long-term earnings, and its ability to generate return on investment. Generally, we proceed with an acquisition if we believe that it will strategically expand our service offerings, improve our long-term financial performance, and increase shareholder returns.

We view acquisitions as a key component in the execution of our growth strategy, and we intend to use cash, debt or equity, as we deem appropriate, to fund acquisitions. We may acquire other businesses that we believe are synergistic and will ultimately increase our revenue and net income, strengthen our ability to achieve our strategic goals, provide critical mass with existing clients, and further expand our lines of service. We typically pay a purchase price that results in the recognition of goodwill, generally representing the intangible value of a successful business with an assembled workforce specialized in our areas of interest. Acquisitions are inherently risky, and no assurance can be given that our previous or future acquisitions will be successful or will not have a material adverse effect on our financial position, results of operations, or cash flows. All acquisitions require the approval of our Board of Directors. For detailed information regarding acquisitions, see Note 5, "Acquisitions" of the "Notes to Consolidated Financial Statements" included in Item 8.

Divestitures. We regularly review and evaluate our existing operations to determine whether our business model should change through the divestiture of certain businesses. Accordingly, from time to time, we may divest or wind-down certain non-core businesses and reallocate our resources to businesses that better align with our long-term strategic direction.

Competition

The market for our services is generally competitive. We often compete with many other firms ranging from small regional firms to large international firms.

We perform a broad spectrum of consulting, engineering, and technical services across the water, environment, sustainable infrastructure, renewable energy, and international development markets. Our client base includes U.S. federal government agencies such as USAID, the DoD, the U.S. Department of State, the U.S. Department of Energy ("DOE"), the U.S. Environmental Protection Agency ("EPA"), and the FAA; U.S. state and local government agencies; government and commercial clients in Canada, Australia, and the United Kingdom; the U.S. commercial sector, which consists primarily of large industrial companies and utilities; and our international commercial clients. Our competition varies and is a function of the business areas in which, and the client sectors for which, we perform our services. The number of competitors for any procurement can vary widely, depending upon technical qualifications, the relative value of the project, geographic location, the financial terms and risks associated with the work, and any restrictions placed upon competition by the client. Historically, clients have chosen among competing firms by weighing the quality, innovation and timeliness of the firm's service versus its cost to determine which firm offers the best value. When less work becomes available in certain markets, price could become an increasingly important factor.

Our competitors vary depending on end markets and clients, and often we may only compete with a portion of a firm. We believe that our principal competitors include the following firms, in alphabetical order: AECOM; Arcadis NV; Black & Veatch Corporation; Booz Allen Hamilton; Brown & Caldwell; CDM Smith Inc.; Chemonics International, Inc.; Exponent, Inc.; GHD; ICF International, Inc.; Jacobs Engineering Group Inc.; Leidos, Inc.; SAIC; SNC-Lavalin Group Inc.; Stantec Inc.; TRC Companies, Inc.; Weston Solutions, Inc.; and WSP Global Inc.

Backlog

We include in our backlog only those contracts for which funding has been provided and work authorization has been received. We estimate that approximately two-thirds of our backlog at the end of fiscal 2021 will be recognized as revenue in fiscal 2022, as work is being performed. However, we cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur with respect to contracts reflected in our backlog. For example, certain of our contracts with the U.S. federal government and other clients are terminable at the discretion of the client, with or without cause. These types of backlog reductions could adversely affect our revenue and margins. Accordingly, our backlog as of any particular date is an uncertain indicator of our future earnings.

Our backlog at fiscal 2021 year-end was $3.5 billion, an increase of $241.0 million, or 7.4%, compared to fiscal 2020 year-end. Of this amount, GSG and CIG reported $2.3 billion and $1.2 billion of backlog, respectively, at fiscal 2021 year-end.

Regulations

We engage in various service activities that are subject to government oversight, including environmental laws and regulations, general government procurement laws and regulations, and other regulations and requirements imposed by the specific government agencies with which we conduct business.

Environmental. A significant portion of our business involves the planning, design, and program management of pollution control facilities, as well as the assessment and management of remediation activities at hazardous waste sites, U.S. Superfund sites, and military bases. In addition, we contract with U.S. federal government entities to destroy hazardous materials. These activities require us to manage, handle, remove, treat, transport, and dispose of toxic or hazardous substances.

Some environmental laws, such as the U.S. Superfund law and similar state, provincial and local statutes, can impose liability for the entire cost of clean-up for contaminated facilities or sites upon present and former owners and operators, as well as generators, transporters, and persons arranging for the treatment or disposal of such substances. In addition, while we strive to handle hazardous and toxic substances with care and in accordance with safe methods, the possibility of accidents, leaks, spills, and events of force majeure always exist. Humans exposed to these materials, including workers or subcontractors engaged in the transportation and disposal of hazardous materials and persons in affected areas, may be injured or become ill. This could result in lawsuits that expose us to liability and substantial damage awards. Liabilities for contamination or human exposure to hazardous or toxic materials, or a failure to comply with applicable regulations, could result in substantial costs, including clean-up costs, fines, civil or criminal sanctions, third party claims for property damage or personal injury, or the cessation of remediation activities.

Certain of our business operations are covered by U.S. Public Law 85-804, which provides for government indemnification against claims and damages arising out of unusually hazardous activities performed at the request of the government. Due to changes in public policies and law, however, government indemnification may not be available in the case of any future claims or liabilities relating to other hazardous activities that we perform.

Government Procurement. The services we provide to the U.S. federal government are subject to the FAR and other rules and regulations applicable to government contracts. These rules and regulations:

- require certification and disclosure of all cost and pricing data in connection with the contract negotiations under certain contract types;

- impose accounting rules that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based government contracts; and
- restrict the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

In addition, services provided to the DoD and U.S. federal civil agencies are monitored by the Defense Contract Management Agency and audited by the DCAA. Our government clients can also terminate any of their contracts, and many of our government contracts are subject to renewal or extension annually. Further, the services we provide to state and local government clients are subject to various government rules and regulations.

Seasonality

We experience seasonal trends in our business. Our revenue and operating income are typically lower in the first half of our fiscal year, primarily due to the Thanksgiving (in the U.S. and Canada), Christmas and New Year's holidays. Many of our clients' employees, as well as our own employees, take vacations during these holiday periods. Further, seasonal inclement weather conditions occasionally cause some of our offices to close temporarily or may hamper our project field work in the northern hemisphere's temperate and arctic regions. These occurrences result in fewer billable hours worked on projects and, correspondingly, less revenue recognized.

Potential Liability and Insurance

Our business activities could expose us to potential liability under various laws and under workplace health and safety regulations. In addition, we occasionally assume liability by contract under indemnification agreements. We cannot predict the magnitude of such potential liabilities.

We maintain a comprehensive general liability insurance policy with an umbrella policy that covers losses beyond the general liability limits. We also maintain professional errors and omissions liability and contractor's pollution liability insurance policies. We believe that both policies provide adequate coverage for our business. When we perform higher-risk work, we obtain, if available, the necessary types of insurance coverage for such activities, as is typically required by our clients.

We obtain insurance coverage through a broker that is experienced in our industry. The broker and our risk manager regularly review the adequacy of our insurance coverage. Because there are various exclusions and retentions under our policies, or an insurance carrier may become insolvent, there can be no assurance that all potential liabilities will be covered by our insurance policies or paid by our carrier.

We evaluate the risk associated with insurance claims. If we determine that a loss is probable and reasonably estimable, we establish an appropriate reserve. A reserve is not established if we determine that a claim has no merit or is not probable or reasonably estimable. Our historic levels of insurance coverage and reserves have been adequate. However, partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business.

Human Capital Management

Employees. At fiscal 2021 year-end, we had approximately 21,000 staff worldwide. A large percentage of our employees have technical and professional backgrounds and undergraduate and/or advanced degrees, including the employees of recently acquired companies. Our professional staff includes archaeologists, architects, biologists, chemical engineers, chemists, civil engineers, data scientists, computer scientists, economists, electrical engineers, environmental engineers, environmental scientists, geologists, hydrogeologists, mechanical engineers, software engineers, oceanographers, project managers and toxicologists. We consider the current relationships with our employees to be favorable. We are not aware of any employment circumstances that are likely to disrupt work at any of our facilities. See Part I, Item 1A, "Risk Factors" for a discussion of the risks related to the loss of key personnel or our inability to attract and retain qualified personnel.

Health and Safety. Tetra Tech is committed to providing and maintaining a healthy and safe work environment for our associates. We provide training to all associates to improve their understanding of behaviors that can be perceived as discriminatory, exclusionary, and/or harassing, and provide safe avenues for associates to report such behaviors.

Diversity, Equity and Inclusion. Tetra Tech brings together engineers and technical specialists from all backgrounds to solve our clients' most challenging problems. Our Diversity, Equity and Inclusion Policy guides the Board of Directors, management, associates, subcontractors, and partners in developing an inclusive culture. Our Diversity, Equity and Inclusion Council monitors Tetra Tech's diversity, equity and inclusion practices and makes recommendations to the Board of Directors and Chief Executive Officer for any changes or improvements to our program.

Tetra Tech values diversity, equity and inclusion and undertakes various efforts throughout its operations to promote these initiatives. Our current efforts are focused on these primary areas:

- *Equal employment opportunity.* Tetra Tech ensures that our practices and processes attract a diverse range of candidate, and that candidates are recruited, hired, assigned, developed, and promoted based on merit and their alignment to our values.
- *Learning and development opportunities.* To support our associates in reaching their full potential, Tetra Tech offers a wide range of internal and external learning and development opportunities. Education assistance is offered to financially support associates who seek to expand their knowledge and skill base.

As part of Tetra Tech's commitment to a culture of inclusion, our Employee Resource Group ("ERG") Program broadens and enhances company-wide interaction opportunities for our employees. Our ERG is open to all and involves activities for both employees whose background is the focus of the ERG and those who are supportive of the group (also known as allies). These global networks build on and coordinate with the many local networks that are already active throughout our operations and include groups focused on the experiences of Black, Latino, Pan-Asian, Women, Veterans, and LGBTQIA+ employees.

Professional Development. Tetra Tech invests in the professional development of our associates. They are provided with training in leadership development, project management skills, and interpersonal skills development. Our focused programs are designed, taught, and facilitated by Tetra Tech leadership, consistent with our commitment to talent development. These programs include the following:

- *Tetra Tech Leadership Academy.* Tetra Tech Leadership Academy develops our high-potential associates from around the world into outstanding business leaders. Instructors for this intensive, year-long program are executive management and operational leaders. Participants are immersed in all aspects of the operations of Tetra Tech and complete challenging, real-world assignments designed to hone their leadership and management skills.
- *Tech 1000 Challenge.* The Tech 1000 Challenge is a competition to create the most innovative, technology focused solution to a real client challenge. The event brings together employees from around the world to team up and vie for the technology solutions that address our clients' needs. Participants from across our markets form teams to focus on client needs, receive briefings on our Tetra Tech Delta technologies from their peers, and hone their skills in designing strategies and pitching client solutions.
- *Project Excellence Program.* Tetra Tech develops Project Managers who are world class in their abilities and performance. The program is led by our Chief Engineer and involves extensive training on how to effectively manage all components of a project.
- *Fearless Entrepreneur Program.* Through this program, Tetra Tech develops client-oriented, business-minded professionals who are driven to understand and meet the needs of our clients. Developing professionals are challenged and mentored through a process of building client relationships. Participants take part in group discussions in a classroom setting and then are required to implement learned strategies with actual and potential clients.
- *Tetra Tech Technology Transfer (T4) and ToolTalk Webcast Series.* Tetra Tech holds webcasts to help associates around the world share technical resources and enhance their use of available internal tools and to provide better service to clients. Through the T4 and ToolTalk Webcast Series, Tetra Tech experts present and lead discussions about new technologies and programs, best practices, and opportunities for growth across our company.

By offering our associates meaningful work and career development, Tetra Tech is well positioned to continue its growth through recruitment, development, and retention of the best talent in the industry.

Executive Officers of the Registrant

The following table shows the name, age and position of each of our executive officers at November 24, 2021:

Name	Age	Position
Dan L. Batrack	63	Chairman and Chief Executive Officer Mr. Batrack joined our predecessor in 1980 and was named Chairman in January 2008. He has served as our Chief Executive Officer and a director since November 2005, and as our President from October 2008 to September 2019. Mr. Batrack has served in numerous capacities over the last 40 years, including arctic research scientist, deep water oceanographic hydrographer, coastal hydrodynamic modeler, environmental data analyst, project and program manager, President of the Engineering Division, and in 2004 he was appointed Chief Operating Officer. He has managed complex programs for many small and Fortune 500 clients, both in the United States and internationally. Mr. Batrack holds a B.A. degree in Business Administration from the University of Washington.
Leslie L. Shoemaker	64	President Dr. Shoemaker was appointed President in September 2019, having previously served as President of WEI Business Group from April 2015 to November 2017, and CIG from November 2017 to September 2019. Dr. Shoemaker joined us in 1991, and has served in various management capacities, including project and program manager, water resources manager and infrastructure group president. From 2005 to 2015, she led our strategic planning, business development and company-wide collaboration programs. Her technical expertise is in the management of large-scale watershed and master planning studies, development of modeling tools and application of optimization tools for decision making. Additionally, she is our Chief Sustainability Officer who leads our Sustainability Council to implement sustainability-related policies and practices company-wide. Dr. Shoemaker holds a B.A. degree in Mathematics from Hamilton College, a Master of Engineering from Cornell University and a Ph.D. in Agricultural Engineering from the University of Maryland.
Steven M. Burdick	57	Executive Vice President, Chief Financial Officer Mr. Burdick has served as our Executive Vice President, Chief Financial Officer since April 2011. He served as our Senior Vice President and Corporate Controller from January 2004 to March 2011. Mr. Burdick joined us in April 2003 as Vice President, Management Audit. Previously, Mr. Burdick served in senior financial and executive positions with Aura Systems, Inc., TRW Ventures, and Ernst & Young LLP. Mr. Burdick holds a B.S. degree in Business Administration from Santa Clara University and is a Certified Public Accountant.

Derek G. Amidon	54	Senior Vice President, President of CIG and the Client Account Management Division of CIG
		Mr. Amidon was appointed President of CIG in September 2019, in addition to his role as President of CIG's Client Account Management Division. Mr. Amidon has served as a project manager, key account manager, operations manager, and regional manager since joining us in 2012. He has managed a variety of complex, high profile programs for key clients, including Fortune 100 companies. His focus has been on leading high value consulting services that deliver scientific, engineering and regulatory solutions for challenging environmental, engineering, permitting and public relations problems for energy, industrial, institutional and custodial trust clients. He has managed projects in the U.S., Africa, Australia, Europe, and the Caribbean. In addition to experience in both public and private consulting and engineering firms over his 24-year career, Mr. Amidon also served in a variety of business leadership and project development roles at Hess Corporation, a leading independent oil and gas company. Mr. Amidon is a registered Professional Engineer. He holds B.S. and M.S. degrees in Civil Engineering from Brigham Young University and a M.S. in Management from Rensselaer Polytechnic Institute.
Roger R. Argus	60	Senior Vice President, President of GSG and the U.S. Government Division of GSG
		Mr. Argus is a chemical engineer with 36 years of experience, including 28 years with us in operational leadership, program and project management, and quality assurance for projects encompassing a broad spectrum of environmental, engineering, information technology, and disaster management services. Mr. Argus has also been responsible for managing multidisciplinary contracts and projects in support of the U.S. federal government (i.e., Navy, the U.S. Army Corps of Engineers ("USACE"), and the EPA), state and municipal agencies, and private clients nationwide. The scope of his technical experience includes planning and directing environmental programs, developing data acquisition, management and analytics solutions, fund research and development support for innovative environmental technologies and waste treatment systems, municipal resiliency, and sustainability programs. Mr. Argus holds a B.S. in Chemical Engineering from California State University, Long Beach.
William R. Brownlie	68	Senior Vice President, Chief Engineer and Corporate Risk Management Officer
		Dr. Brownlie was named Senior Vice President and Chief Engineer in September 2009, and Corporate Risk Management Officer in November 2013. From December 2005 to September 2009, he served as a Group President. Dr. Brownlie joined our predecessor in 1981 and was named a Senior Vice President in December 1993. Dr. Brownlie has managed various operating units and programs focusing on water resources and environmental services, including work with USACE, the U.S. Air Force, the U.S. Bureau of Reclamation and DOE. He is a registered professional engineer and has a strong technical background in water resources. Dr. Brownlie holds B.S. and M.S. degrees in Civil Engineering from the State University of New York at Buffalo and a Ph.D. in Civil Engineering from the California Institute of Technology.

Brian N. Carter	54	Senior Vice President, Corporate Controller and Chief Accounting Officer Mr. Carter joined us as Vice President, Corporate Controller and Chief Accounting Officer in June 2011 and was appointed Senior Vice President in October 2012. Previously, Mr. Carter served in finance and auditing positions in private industry and with Ernst & Young LLP. Mr. Carter holds a B.S. in Business Administration from Miami University and is a Certified Public Accountant.
Craig L. Christensen	68	Senior Vice President, Chief Information Officer Mr. Christensen joined us in 1998 through the acquisition of our Tetra Tech NUS, Inc. ("NUS") subsidiary. He is responsible for our information services and technologies, including the implementation of our enterprise resource planning system. Previously, Mr. Christensen held positions at NUS, Brown and Root Services, and Landmark Graphics subsidiaries of Halliburton Company where his responsibilities included contracts administration, finance, and system development. Prior to his service at Halliburton, Mr. Christensen held positions at Burroughs Corporation and Apple Computer. Mr. Christensen holds B.A. and M.B.A. degrees from Brigham Young University.
Preston Hopson	45	Senior Vice President, General Counsel and Secretary Mr. Hopson was appointed Senior Vice President, General Counsel and Secretary to the Board of Directors in January 2018. He also serves as the Chief Compliance Officer and is responsible for the global Human Resources function. For the prior 10 years, Mr. Hopson served as Vice President, Assistant General Counsel and Assistant Corporate Secretary at AECOM. Prior to this, he was with O’Melveny & Myers LLP and the U.S. Court of Appeals. Mr. Hopson holds B.A. and J.D. degrees from Yale University.
Richard A. Lemmon	62	Senior Vice President, Corporate Administration Mr. Lemmon joined our predecessor in 1981 in a technical capacity and became a member of its corporate staff in a management position in 1985. In 1988, at the time of our predecessor's divestiture from Honeywell, Inc., Mr. Lemmon structured and managed many of our corporate functions. He is currently responsible for insurance, health and safety and facilities.
Brendan M. O'Rourke	48	Senior Vice President, Enterprise Risk Management Mr. O'Rourke joined us in January 2018 as Vice President, Enterprise Risk Management and was appointed Senior Vice President, Enterprise Risk Management in November 2018. For the prior 10 years, Mr. O'Rourke served as Assistant Vice President of Professional Liability Claims at AIG. Prior to this, he was a Senior Associate at the law firm of Seyfarth Shaw in Boston, Massachusetts. Mr. O'Rourke has more than twenty years of experience in risk management, contract negotiation, claim resolution and litigation within the construction industry. Mr. O'Rourke holds a J.D. from Suffolk Law School and a B.A. from Worcester State University.

Bernard Teufele	56	Senior Vice President, President of the Canada and South America Division of CIG Mr. Teufele joined us through an acquisition in 2010. He has over 23 years of consulting engineering experience as a leader of a highly diversified, high-end infrastructure practice and as a technical expert in the field of infrastructure monitoring and asset management. Prior to his current role, Mr. Teufele has managed operating units of increasing size and complexity with a primary focus on infrastructure, environmental sciences, civil transportation, and mining-related services doing work for municipal, provincial, and federal government clients in Canada. He has managed key provincial infrastructure programs in Canada with a particular focus on the monitoring and assessment of roadway infrastructure and the development of asset management programs. Mr. Teufele has a B.Sc. in Applied Science from the University of British Columbia.

Available Information

Our website address is www.tetratech.com. We made available, free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports through the "Investor Relations" portion of our website, under the heading "SEC Filings" filed under "Financial Information." These reports are available on our website as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission ("SEC"). These reports, and any amendments to them, are also available at the Internet website of the SEC, https://www.sec.gov. Also available on our website are our Corporate Governance Policies, Board Committees, Corporate Code of Conduct and Finance Code of Professional Conduct.

Item 1A. Risk Factors

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. Additional risks we do not yet know of or that we currently think are immaterial may also affect our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected.

Business and Operations Risk Factors

Our results of operations could be adversely affected by health outbreaks such as the COVID-19 pandemic.

A significant outbreak, epidemic or pandemic of contagious diseases in any geographic area in which we operate could result in a health crisis adversely affecting the economies, financial markets and overall demand for our services in such areas. In addition, any preventative or protective actions that governments implement or that we take in response to a health crisis, such as travel restrictions, quarantines, or site closures, may interfere with the ability of our employees and vendors to perform their responsibilities. Such results could have a material adverse effect on our results of operations.

The continued global COVID-19 pandemic has created significant volatility, uncertainty and economic disruption. The extent to which the COVID-19 pandemic continues to impact our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals' actions, including vaccination requirements, that have been and continue to be taken in response to the pandemic; the impact of the pandemic on economic activity and actions taken in response; the effect on our clients' demand for our services; our ability to provide our services; the ability of our clients to pay for our services or their need to seek reductions of our fees; any closures of our and our clients' offices and facilities; and the need for enhanced health and hygiene requirements or social distancing or other measures in attempts to counteract future outbreaks in our offices and facilities. Clients may also slow down decision-making, delay planned work or seek to terminate existing agreements. In addition, while governments around the world have enacted emergency relief programs designed to combat the economic impact of the pandemic, the long-term effect of such spending is uncertain and could result in future budgetary restrictions for our government clients. Any of these events could adversely affect our business, financial condition and results of operations.

Continuing worldwide political, social and economic uncertainties may adversely affect our revenue and profitability.

The last several years have been periodically marked by political, social and economic concerns, including decreased consumer confidence, the lingering effects of international conflicts, energy costs and inflation. Although certain indices and economic data have shown signs of stabilization in the United States and certain global markets, there can be no assurance that these improvements will be broad-based or sustainable. This instability can make it extremely difficult for our clients, our vendors and us to accurately forecast and plan future business activities, and could cause constrained spending on our services, delays and a lengthening of our business development efforts, the demand for more favorable pricing or other terms, and/or difficulty in collection of our accounts receivable. Our government clients may face budget deficits that prohibit them from funding proposed and existing projects. Further, ongoing economic instability in the global markets could limit our ability to access the capital markets at a time when we would like, or need, to raise capital, which could have an impact on our ability to react to changing business conditions or new opportunities. If economic conditions remain uncertain or weaken, or government spending is reduced, our revenue and profitability could be adversely affected.

Changes in tax laws could increase our tax rate and materially affect our results of operations.

We are subject to tax laws in the United States and numerous foreign jurisdictions. The incoming U.S. presidential administration has called for changes to fiscal and tax policies, which may include comprehensive tax reform. In addition, many international legislative and regulatory bodies have proposed and/or enacted legislation that could significantly impact how U.S. multinational corporations are taxed on foreign earnings. Many of these proposed and enacted changes to the taxation of our activities could increase our effective tax rate and harm our results of operations.

Demand for our services is cyclical and vulnerable to economic downturns. If economic growth slows, government fiscal conditions worsen, or client spending declines further, then our revenue, profits and financial condition may deteriorate.

Demand for our services is cyclical, and vulnerable to economic downturns and reductions in government and private industry spending. Such downturns or reductions may result in clients delaying, curtailing or canceling proposed and existing projects. Our business traditionally lags the overall recovery in the economy; therefore, our business may not recover immediately when the economy improves. If economic growth slows, government fiscal conditions worsen, or client spending declines, then our revenue, profits and overall financial condition may deteriorate. Our government clients may face budget deficits that prohibit them from funding new or existing projects. In addition, our existing and potential clients may either postpone entering into new contracts or request price concessions. Difficult financing and economic conditions may cause some of our clients to demand better pricing terms or delay payments for services we perform, thereby increasing the average number of days our receivables are outstanding, and the potential of increased credit losses of uncollectible invoices. Further, these conditions may result in the inability of some of our clients to pay us for services that we have already performed. If we are not able to reduce our costs quickly enough to respond to the revenue decline from these clients, our operating results may be adversely affected. Accordingly, these factors affect our ability to forecast our future revenue and earnings from business areas that may be adversely impacted by market conditions.

Our international operations expose us to legal, political, and economic risks in different countries as well as currency exchange rate fluctuations that could harm our business and financial results.

In fiscal 2021, we generated 29.8% of our revenue from our international operations, primarily in Canada, Australia, the United Kingdom and from international clients for work that is performed by our domestic operations. International business is subject to a variety of risks, including:

- imposition of governmental controls and changes in laws, regulations, or policies;
- lack of developed legal systems to enforce contractual rights;
- greater risk of uncollectible accounts and longer collection cycles;
- currency exchange rate fluctuations, devaluations, and other conversion restrictions;
- uncertain and changing tax rules, regulations, and rates;
- the potential for civil unrest, acts of terrorism, force majeure, war or other armed conflict, and greater physical security risks, which may cause us to have to leave a country quickly;
- logistical and communication challenges;
- changes in regulatory practices, including tariffs and taxes;
- changes in labor conditions;
- general economic, political, and financial conditions in foreign markets; and
- exposure to civil or criminal liability under the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act, the Canadian Corruption of Foreign Public Officials Act, the Brazilian Clean Companies Act, the anti-boycott rules, trade and export control regulations, as well as other international regulations.

For example, the Province of Quebec has adopted legislation that requires businesses and individuals seeking contracts with governmental bodies be certified by a Quebec regulatory authority for contracts over a specified size. Our failure to maintain certification could adversely affect our business.

International risks and violations of international regulations may significantly reduce our revenue and profits, and subject us to criminal or civil enforcement actions, including fines, suspensions, or disqualification from future U.S. federal procurement contracting. Although we have policies and procedures to monitor legal and regulatory compliance, our employees, subcontractors, and agents could take actions that violate these requirements. As a result, our international risk exposure may be more or less than the percentage of revenue attributed to our international operations.

The United Kingdom's withdrawal from the European Union could have an adverse effect on our business and financial results.

In March 2017, the United Kingdom government initiated a process to withdraw from the European Union ("Brexit") and began negotiating the terms of the separation. Brexit has created substantial economic and political uncertainty and volatility in currency exchange rates, and the terms of the United Kingdom's withdrawal from the European Union remain uncertain. The uncertainty created by Brexit may cause our customers to closely monitor their costs and reduce demand for our services and may ultimately result in new legal regulatory and cost challenges for our United Kingdom and global operations. Any of these events could adversely affect our United Kingdom, European and overall business and financial results.

We derive a substantial amount of our revenue from U.S. federal, state and local government agencies, and any disruption in government funding or in our relationship with those agencies could adversely affect our business.

In fiscal 2021, we generated 50.3% of our revenue from contracts with U.S. federal, and state and local government agencies. A significant amount of this revenue is derived under multi-year contracts, many of which are appropriated on an annual basis. As a result, at the beginning of a project, the related contract may be only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by numerous factors as noted below. Our backlog includes only the projects that have funding appropriated.

The demand for our U.S. government-related services is generally driven by the level of government program funding. Accordingly, the success and further development of our business depends, in large part, upon the continued funding of these U.S. government programs, and upon our ability to obtain contracts and perform well under these programs. A significant reduction in federal government spending, the absence of a bipartisan agreement on the federal government budget, a partial or full federal government shutdown, or a change in budgetary priorities could reduce demand for our services, cancel or delay federal projects, result in the closure of federal facilities and significant personnel reductions, and have a material and adverse impact on our business, financial condition, results of operations and cash flows.

There are several additional factors that could materially affect our U.S. government contracting business, which could cause U.S. government agencies to delay or cancel programs, to reduce their orders under existing contracts, to exercise their rights to terminate contracts or not to exercise contract options for renewals or extensions. Such factors, which include the following, could have a material adverse effect on our revenue or the timing of contract payments from U.S. government agencies:

- the failure of the U.S. government to complete its budget and appropriations process before its fiscal year-end;
- changes in and delays or cancellations of government programs, procurements, requirements or appropriations;
- budget constraints or policy changes resulting in delay or curtailment of expenditures related to the services we provide;
- re-competes of government contracts;
- the timing and amount of tax revenue received by federal, state and local governments, and the overall level of government expenditures;
- curtailment in the use of government contracting firms;
- delays associated with insufficient numbers of government staff to oversee contracts;
- the increasing preference by government agencies for contracting with small and disadvantaged businesses;
- competing political priorities and changes in the political climate regarding the funding or operation of the services we provide;
- the adoption of new laws or regulations affecting our contracting relationships with the federal, state or local governments;
- unsatisfactory performance on government contracts by us or one of our subcontractors, negative government audits or other events that may impair our relationship with federal, state or local governments;
- a dispute with or improper activity by any of our subcontractors; and
- general economic or political conditions.

Our inability to win or renew U.S. government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits.

U.S. government contracts are awarded through a regulated procurement process. The U.S. federal government has increasingly relied upon multi-year contracts with pre-established terms and conditions, such as indefinite delivery/indefinite quantity (“IDIQ”) contracts, which generally require those contractors who have previously been awarded the IDIQ to engage in an additional competitive bidding process before a task order is issued. As a result, new work awards tend to be smaller and of shorter duration, since the orders represent individual tasks rather than large, programmatic assignments. In addition, we believe that there has been an increase in the award of federal contracts based on a low-price, technically acceptable criteria emphasizing price over qualitative factors, such as past performance. As a result, pricing pressure may reduce our profit margins on future federal contracts. The increased competition and pricing pressure, in turn, may require us to make sustained efforts to reduce costs in order to realize revenue, and profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. Moreover, even if we are qualified to work on a government contract, we may not be awarded the contract because of existing government policies designed to protect small businesses and under-represented minority contractors. Our inability to win or renew government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits.

Each year, client funding for some of our U.S. government contracts may rely on government appropriations or public-supported financing. If adequate public funding is delayed or is not available, then our profits and revenue could decline.

Each year, client funding for some of our U.S. government contracts may directly or indirectly rely on government appropriations or public-supported financing. Legislatures may appropriate funds for a given project on a year-by-year basis, even though the project may take more than one year to perform. In addition, public-supported financing such as U.S. state and local municipal bonds may be only partially raised to support existing projects. Similarly, an economic downturn may make it more difficult for U.S. state and local governments to fund projects. In addition to the state of the economy and competing political priorities, public funds and the timing of payment of these funds may be influenced by, among other things, curtailments in the use of government contracting firms, increases in raw material costs, delays associated with insufficient numbers of government staff to oversee contracts, budget constraints, the timing and amount of tax receipts, and the overall level of government expenditures. If adequate public funding is not available or is delayed, then our profits and revenue could decline.

Our U.S. federal government contracts may give government agencies the right to modify, delay, curtail, renegotiate, or terminate existing contracts at their convenience at any time prior to their completion, which may result in a decline in our profits and revenue.

U.S. federal government projects in which we participate as a contractor or subcontractor may extend for several years. Generally, government contracts include the right to modify, delay, curtail, renegotiate, or terminate contracts and subcontracts at the government's convenience any time prior to their completion. Any decision by a U.S. federal government client to modify, delay, curtail, renegotiate, or terminate our contracts at their convenience may result in a decline in our profits and revenue.

As a U.S. government contractor, we must comply with various procurement laws and regulations and are subject to regular government audits; a violation of any of these laws and regulations or the failure to pass a government audit could result in sanctions, contract termination, forfeiture of profit, harm to our reputation or loss of our status as an eligible government contractor and could reduce our profits and revenue.

We must comply with and are affected by U.S. federal, state, local, and foreign laws and regulations relating to the formation, administration and performance of government contracts. For example, we must comply with FAR, the Truth in Negotiations Act, CAS, the American Recovery and Reinvestment Act of 2009, the Services Contract Act, and the DoD security regulations, as well as many other rules and regulations. In addition, we must comply with other government regulations related to employment practices, environmental protection, health and safety, tax, accounting, and anti-fraud measures, as well as many other regulations in order to maintain our government contractor status. These laws and regulations affect how we do business with our clients and, in some instances, impose additional costs on our business operations. Although we take precautions to prevent and deter fraud, misconduct, and non-compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud, or other improper activities. U.S. government agencies, such as the DCAA, routinely audit and investigate government contractors. These government agencies review and audit a government contractor's performance under its contracts and cost structure, and evaluate compliance with applicable laws, regulations, and standards. In addition, during the course of its audits, the DCAA may question our incurred project costs. If the DCAA believes we have accounted for such costs in a manner inconsistent with the requirements for FAR or CAS, the DCAA auditor may recommend to our U.S. government corporate administrative contracting officer that such costs be disallowed. Historically, we have not experienced significant disallowed costs as a result of government audits. However, we can provide no assurance that the DCAA or other government audits will not result in material disallowances for incurred costs in the future. In addition, U.S. government contracts are subject to various other requirements relating to the formation, administration, performance, and accounting for these contracts. We may also be subject to *qui tam* litigation brought by private individuals on behalf of the U.S. government under the Federal Civil False Claims Act, which could include claims for treble damages. For example, as discussed elsewhere in this report, on January 14, 2019, the Civil Division of the United States Attorney's Office filed complaints in intervention in three qui tam actions filed against our subsidiary, Tetra Tech EC, Inc., in the U.S. District Court for the Northern District of California. U.S. government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit, and/or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation. Any interruption or termination of our U.S. government contractor status could reduce our profits and revenue significantly.

If we extend a significant portion of our credit to clients in a specific geographic area or industry, we may experience disproportionately high levels of collection risk and nonpayment if those clients are adversely affected by factors particular to their geographic area or industry.

Our clients include public and private entities that have been, and may continue to be, negatively impacted by the changing landscape in the global economy. While outside of the U.S. federal government no single client accounted for over

10% of our revenue for fiscal 2021, we face collection risk as a normal part of our business where we perform services and subsequently bill our clients for such services. In the event that we have concentrated credit risk from clients in a specific geographic area or industry, continuing negative trends or a worsening in the financial condition of that specific geographic area or industry could make us susceptible to disproportionately high levels of default by those clients. Such defaults could materially adversely impact our revenues and our results of operations.

We have made and expect to continue to make acquisitions. Acquisitions could disrupt our operations and adversely impact our business and operating results. Our failure to conduct due diligence effectively, or our inability to successfully integrate acquisitions, could impede us from realizing all of the benefits of the acquisitions, which could weaken our results of operations.

A key part of our growth strategy is to acquire other companies that complement our lines of business or that broaden our technical capabilities and geographic presence. However, our ability to make acquisitions is restricted under our credit agreement. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations or the expectations of securities analysts. For example:

- we may not be able to identify suitable acquisition candidates or to acquire additional companies on acceptable terms;
- we are pursuing international acquisitions, which inherently pose more risk than domestic acquisitions;
- we compete with others to acquire companies, which may result in decreased availability of, or increased price for, suitable acquisition candidates;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential acquisitions;
- we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a company; and
- acquired companies may not perform as we expect, and we may fail to realize anticipated revenue and profits.

If we fail to conduct due diligence on our potential targets effectively, we may, for example, not identify problems at target companies, or fail to recognize incompatibilities or other obstacles to successful integration. The integration process may disrupt our business and, if implemented ineffectively, may preclude realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of the combining companies may result in unanticipated problems, expenses, liabilities, and competitive responses, and may cause our stock price to decline. The difficulties of integrating an acquisition include, among others:

- issues in integrating information, communications, and other systems;
- incompatibility of logistics, marketing, and administration methods;
- maintaining employee morale and retaining key employees;
- integrating the business cultures of both companies;
- preserving important strategic client relationships;
- consolidating corporate and administrative infrastructures, and eliminating duplicative operations; and
- coordinating and integrating geographically separate organizations.

In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all.

Further, acquisitions may cause us to:

- issue common stock that would dilute our current stockholders' ownership percentage;
- use a substantial portion of our cash resources;
- increase our interest expense, leverage, and debt service requirements (if we incur additional debt to fund an acquisition);
- assume liabilities, including undisclosed, contingent or environmental liabilities, for which we do not have indemnification from the former owners. Further, indemnification obligations may be subject to dispute or concerns regarding the creditworthiness of the former owners;
- record goodwill and non-amortizable intangible assets that are subject to impairment testing and potential impairment charges;
- experience volatility in earnings due to changes in contingent consideration related to acquisition earn-out liability estimates;
- incur amortization expenses related to certain intangible assets;

- lose existing or potential contracts as a result of conflict of interest issues;
- incur large and immediate write-offs; or
- become subject to litigation.

Finally, acquired companies that derive a significant portion of their revenue from the U.S. federal government and do not follow the same cost accounting policies and billing practices that we follow may be subject to larger cost disallowances for greater periods than we typically encounter. If we fail to determine the existence of unallowable costs and do not establish appropriate reserves at acquisition, we may be exposed to material unanticipated liabilities, which could have a material adverse effect on our business.

If our goodwill or intangible assets become impaired, then our profits may be significantly reduced.

Because we have historically acquired a significant number of companies, goodwill and intangible assets represent a substantial portion of our assets. As of October 3, 2021, our goodwill was $1.1 billion and other intangible assets were $38.0 million. We are required to perform a goodwill impairment test for potential impairment at least on an annual basis. We also assess the recoverability of the unamortized balance of our intangible assets when indications of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. The goodwill impairment test requires us to determine the fair value of our reporting units, which are the components one level below our reportable segments. In determining fair value, we make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations. We also analyze current economic indicators and market valuations to help determine fair value. To the extent economic conditions that would impact the future operations of our reporting units change, our goodwill may be deemed to be impaired, and we would be required to record a non-cash charge that could result in a material adverse effect on our financial position or results of operations. For example, we had goodwill impairment of $15.8 million and $7.8 million in fiscal 2020 and 2019, respectively. We had no goodwill impairment in fiscal 2021.

We could be adversely affected by violations of the FCPA and similar worldwide anti-bribery laws.

The FCPA and similar anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. The U.K. Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery across both private and public sectors. In addition, an organization that “fails to prevent bribery” by anyone associated with the organization can be charged under the U.K. Bribery Act unless the organization can establish the defense of having implemented “adequate procedures” to prevent bribery. Improper payments are also prohibited under the Canadian Corruption of Foreign Public Officials Act and the Brazilian Clean Companies Act. Local business practices in many countries outside the United States create a greater risk of government corruption than that found in the United States and other more developed countries. Our policies mandate compliance with anti-bribery laws, and we have established policies and procedures designed to monitor compliance with anti-bribery law requirements; however, we cannot ensure that our policies and procedures will protect us from potential reckless or criminal acts committed by individual employees or agents. If we are found to be liable for anti-bribery law violations, we could suffer from criminal or civil penalties or other sanctions that could have a material adverse effect on our business.

We could be adversely impacted if we fail to comply with domestic and international export laws.

To the extent we export technical services, data and products outside of the United States, we are subject to U.S. and international laws and regulations governing international trade and exports, including but not limited to the International Traffic in Arms Regulations, the Export Administration Regulations, and trade sanctions against embargoed countries. A failure to comply with these laws and regulations could result in civil or criminal sanctions, including the imposition of fines, the denial of export privileges, and suspension or debarment from participation in U.S. government contracts, which could have a material adverse effect on our business.

If we fail to complete a project in a timely manner, miss a required performance standard, or otherwise fail to adequately perform on a project, then we may incur a loss on that project, which may reduce or eliminate our overall profitability.

Our engagements often involve large-scale, complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients and our ability to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. We may commit to a client that we will complete a project by a scheduled date. We may also commit that a project, when completed, will achieve specified performance standards. If the project is not completed by the scheduled date or fails to meet required performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. The uncertainty of the timing of a project can present difficulties in planning the amount of personnel needed for the project. If the project is delayed or canceled, we may bear the cost of an underutilized workforce that was dedicated to fulfilling the project. In addition, performance of projects can be affected by a number of factors beyond our control, including unavoidable delays from government inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, and labor disruptions. To the extent these events occur, the total costs of the project could exceed our estimates, and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability. Further, any defects or errors, or failures to meet our clients' expectations, could result in claims for damages against us. Failure to meet performance standards or complete performance on a timely basis could also adversely affect our reputation.

The loss of key personnel or our inability to attract and retain qualified personnel could impair our ability to provide services to our clients and otherwise conduct our business effectively.

As primarily a professional and technical services company, we are labor-intensive and, therefore, our ability to attract, retain, and expand our senior management and our professional and technical staff is an important factor in determining our future success. The market for qualified scientists and engineers is competitive and, from time to time, it may be difficult to attract and retain qualified individuals with the required expertise within the timeframe demanded by our clients. For example, some of our U.S. government contracts may require us to employ only individuals who have particular government security clearance levels. In addition, if we are unable to retain executives and other key personnel, the roles and responsibilities of those employees will need to be filled, which may require that we devote time and resources to identify, hire, and integrate new employees. The loss of the services of any of these key personnel could adversely affect our business. Our failure to attract and retain key individuals could impair our ability to provide services to our clients and conduct our business effectively.

Our revenue and growth prospects may be harmed if we or our employees are unable to obtain government granted eligibility or other qualifications we and they need to perform services for our customers.

A number of government programs require contractors to have certain kinds of government granted eligibility, such as security clearance credentials. Depending on the project, eligibility can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain the necessary eligibility, we may not be able to win new business, and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue or profit anticipated from such contract.

Our actual business and financial results could differ from the estimates and assumptions that we use to prepare our consolidated financial statements, which may significantly reduce or eliminate our profits.

To prepare consolidated financial statements in conformity with generally accepted accounting principles in the U.S. ("U.S. GAAP"), management is required to make estimates and assumptions as of the date of the consolidated financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenue and expenses, as well as disclosures of contingent assets and liabilities. For example, we typically recognize revenue over the life of a contract based on the proportion of costs incurred to date compared to the total costs estimated to be incurred for the entire project. Areas requiring significant estimates by our management include:

- the application of the percentage-of-completion method of accounting and revenue recognition on contracts, change orders, and contract claims, including related unbilled accounts receivable;
- unbilled accounts receivable, including amounts related to requests for equitable adjustment to contracts that provide for price redetermination, primarily with the U.S. federal government. These amounts are recorded only when they can be reliably estimated, and realization is probable;
- provisions for uncollectible receivables, client claims, and recoveries of costs from subcontractors, vendors, and others;
- provisions for income taxes, research and development tax credits, valuation allowances, and unrecognized tax benefits;
- value of goodwill and recoverability of intangible assets;
- valuations of assets acquired and liabilities assumed in connection with business combinations;
- valuation of contingent earn-out liabilities recorded in connection with business combinations;
- valuation of employee benefit plans;
- valuation of stock-based compensation expense; and
- accruals for estimated liabilities, including litigation and insurance reserves.

Our actual business and financial results could differ from those estimates, which may significantly reduce or eliminate our profits.

Our profitability could suffer if we are not able to maintain adequate utilization of our workforce.

The cost of providing our services, including the extent to which we utilize our workforce, affects our profitability. The rate at which we utilize our workforce is affected by a number of factors, including:

- our ability to transition employees from completed projects to new assignments and to hire and assimilate new employees;
- our ability to forecast demand for our services and thereby maintain an appropriate headcount in each of our geographies and operating units;
- our ability to engage employees in assignments during natural disasters or pandemics;
- our ability to manage attrition;
- our need to devote time and resources to training, business development, professional development, and other non-chargeable activities; and
- our ability to match the skill sets of our employees to the needs of the marketplace.

If we over-utilize our workforce, our employees may become disengaged, which could impact employee attrition. If we under-utilize our workforce, our profit margin and profitability could suffer.

Our use of the percentage-of-completion method of revenue recognition could result in a reduction or reversal of previously recorded revenue and profits.

We account for most of our contracts on the percentage-of-completion method of revenue recognition. Generally, our use of this method results in recognition of revenue and profit ratably over the life of the contract, based on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. The effects of revisions to estimated revenue and costs, including the achievement of award fees and the impact of change orders and claims, are recorded when the amounts are known and can be reasonably estimated. Such revisions could occur in any period and their effects could be material. Although we have historically made reasonably reliable estimates of the progress towards completion of long-term contracts, the uncertainties inherent in the estimating process make it possible for actual costs to vary materially from estimates, including reductions or reversals of previously recorded revenue and profit.

If we are unable to accurately estimate and control our contract costs, then we may incur losses on our contracts, which could decrease our operating margins and reduce our profits. Specifically, our fixed-price contracts could increase the unpredictability of our earnings.

It is important for us to accurately estimate and control our contract costs so that we can maintain positive operating margins and profitability. We generally enter into three principal types of contracts with our clients: fixed-price, time-and-materials and cost-plus.

The U.S. federal government and certain other clients have increased the use of fixed-priced contracts. Under fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur and, consequently, we are exposed to a number of risks. We realize a profit on fixed-price contracts only if we can control our costs and prevent cost over-runs on our contracts. Fixed-price contracts require cost and scheduling estimates that are based on a number of assumptions, including those about future economic conditions, costs, and availability of labor, equipment and materials, and other exigencies. We could experience cost over-runs if these estimates are originally inaccurate as a result of errors or ambiguities in the contract specifications, or become inaccurate as a result of a change in circumstances following the submission of the estimate due to, among other things, unanticipated technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, weather delays, changes in the costs of raw materials, or the inability of our vendors or subcontractors to perform. If cost overruns occur, we could experience reduced profits or, in some cases, a loss for that project. If a project is significant, or if there are one or more common issues that impact multiple projects, costs overruns could increase the unpredictability of our earnings, as well as have a material adverse impact on our business and earnings.

Under our time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and paid for other expenses. Profitability on these contracts is driven by billable headcount and cost control. Many of our time-and-materials contracts are subject to maximum contract values and, accordingly, revenue relating to these contracts is recognized as if these contracts were fixed-price contracts. Under our cost-plus contracts, some of which are subject to contract ceiling amounts, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If our costs exceed the contract ceiling or are not allowable under the provisions of the contract or any applicable regulations, we may not be able to obtain reimbursement for all of the costs we incur.

Profitability on our contracts is driven by billable headcount and our ability to manage our subcontractors, vendors, and material suppliers. If we are unable to accurately estimate and manage our costs, we may incur losses on our contracts, which could decrease our operating margins and significantly reduce or eliminate our profits. Certain of our contracts require us to satisfy specific design, engineering, procurement, or construction milestones in order to receive payment for the work completed or equipment or supplies procured prior to achievement of the applicable milestone. As a result, under these types of arrangements, we may incur significant costs or perform significant amounts of services prior to receipt of payment. If a client determines not to proceed with the completion of the project or if the client defaults on its payment obligations, we may face difficulties in collecting payment of amounts due to us for the costs previously incurred or for the amounts previously expended to purchase equipment or supplies.

Accounting for a contract requires judgments relative to assessing the contract's estimated risks, revenue, costs, and other technical issues. Due to the size and nature of many of our contracts, the estimation of overall risk, revenue, and cost at completion is complicated and subject to many variables. Changes in underlying assumptions, circumstances, or estimates may also adversely affect future period financial performance. If we are unable to accurately estimate the overall revenue or costs on a contract, then we may experience a lower profit or incur a loss on the contract.

Our failure to adequately recover on claims brought by us against clients for additional contract costs could have a negative impact on our liquidity and profitability.

We have brought claims against clients for additional costs exceeding the contract price or for amounts not included in the original contract price. These types of claims occur due to matters such as client-caused delays or changes from the initial project scope, both of which may result in additional cost. Often, these claims can be the subject of lengthy arbitration or litigation proceedings, and it is difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we have used working capital in projects to cover cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a negative impact on our liquidity and profitability. Total accounts receivable at October 3, 2021 included approximately $11 million related to such claims.

Our failure to win new contracts and renew existing contracts with private and public sector clients could adversely affect our profitability.

Our business depends on our ability to win new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which is affected by a number of factors. These factors include market conditions, financing arrangements, and required governmental approvals. If negative market conditions arise, or if we fail to secure adequate financial arrangements or the required government approval, we may not be able to pursue certain projects, which could adversely affect our profitability.

If we are not able to successfully manage our growth strategy, our business and results of operations may be adversely affected.

Our expected future growth presents numerous managerial, administrative, operational, and other challenges. Our ability to manage the growth of our operations will require us to continue to improve our management information systems and our other internal systems and controls. In addition, our growth will increase our need to attract, develop, motivate, and retain both our management and professional employees. The inability to effectively manage our growth or the inability of our employees to achieve anticipated performance could have a material adverse effect on our business.

Our backlog is subject to cancellation, unexpected adjustments and changing economic conditions, and is an uncertain indicator of future operating results.

Our backlog at October 3, 2021 was $3.5 billion, an increase of $241.0 million, or 7.4%, compared to the end of fiscal 2020. We include in backlog only those contracts for which funding has been provided and work authorizations have been received. We cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog. For example, certain of our contracts with the U.S. federal government and other clients are terminable at the discretion of the client, with or without cause. These types of backlog reductions could adversely affect our revenue and margins. As a result of these factors, our backlog as of any particular date is an uncertain indicator of our future earnings.

Cyber security breaches of our systems and information technology could adversely impact our ability to operate.

We develop, install and maintain information technology systems for ourselves, as well as for customers. Client contracts for the performance of information technology services, as well as various privacy and securities laws, require us to manage and protect sensitive and confidential information, including federal and other government information, from disclosure. We also need to protect our own internal trade secrets and other business confidential information, as well as personal data of our employees and contractors, from disclosure. For example, the European Union's General Data Protection Regulation ("GDPR") extends the scope of the European Union data protection laws to all companies processing data of European Union residents, regardless of the company's location. In addition, the California Consumer Privacy Act ("CCPA") increases the penalties for data privacy incidents. The GDPR and CCPA are just examples of privacy regulations that are emerging in locations where we work.

We face the threat to our computer systems of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber-attacks and other security problems and system disruptions, including possible unauthorized access to our and our clients' proprietary or classified information. We rely on industry-accepted security measures and technology to securely maintain all confidential and proprietary information on our information systems. In addition, we rely on the security of third-party service providers, vendors, and cloud services providers to protect confidential data. In the ordinary course of business, we have been targeted by malicious cyber-attacks. A user who circumvents security measures could misappropriate confidential or proprietary information, including information regarding us, our personnel and/or our clients, or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches.

We also rely in part on third-party software and information technology vendors to run our critical accounting, project management and financial information systems. We depend on our software and information technology vendors to provide long-term software and hardware support for our information systems. Our software and information technology vendors may decide to discontinue further development, integration or long-term software and hardware support for our information systems, in which case we may need to abandon one or more of our current information systems and migrate some or all of our accounting, project management and financial information to other systems, thus increasing our operational expense, as well as disrupting the management of our business operations. Any of these events could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and cash flows.

If our business partners fail to perform their contractual obligations on a project, we could be exposed to legal liability, loss of reputation and profit reduction or loss on the project.

We routinely enter into subcontracts and, occasionally, joint ventures, teaming arrangements, and other contractual arrangements so that we can jointly bid and perform on a particular project. Success under these arrangements depends in large part on whether our business partners fulfill their contractual obligations satisfactorily. In addition, when we operate through a joint venture in which we are a minority holder, we have limited control over many project decisions, including decisions related to the joint venture’s internal controls, which may not be subject to the same internal control procedures that we employ. If these unaffiliated third parties do not fulfill their contract obligations, the partnerships or joint ventures may be unable to adequately perform and deliver their contracted services. Under these circumstances, we may be obligated to pay financial penalties, provide additional services to ensure the adequate performance and delivery of the contracted services, and may be jointly and severally liable for the other’s actions or contract performance. These additional obligations could result in reduced profits and revenues or, in some cases, significant losses for us with respect to the joint venture, which could also affect our reputation in the industries we serve.

If our contractors and subcontractors fail to satisfy their obligations to us or other parties, or if we are unable to maintain these relationships, our revenue, profitability, and growth prospects could be adversely affected.

We depend on contractors and subcontractors in conducting our business. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, client concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if a subcontractor fails to deliver on a timely basis the agreed-upon supplies, fails to perform the agreed-upon services, or goes out of business, then we may be required to purchase the services or supplies from another source at a higher price, and our ability to fulfill our obligations as a prime contractor may be jeopardized. This may reduce the profit to be realized or result in a loss on a project for which the services or supplies are needed.

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. The absence of qualified subcontractors with which we have a satisfactory relationship could adversely affect the quality of our service and our ability to perform under some of our contracts. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or teaming arrangement relationships with us, or if a government agency terminates or reduces these other contractors’ programs, does not award them new contracts, or refuses to pay under a contract.

Our failure to meet contractual schedule or performance requirements that we have guaranteed could adversely affect our operating results.

In certain circumstances, we can incur liquidated or other damages if we do not achieve project completion by a scheduled date. If we or an entity for which we have provided a guarantee subsequently fails to complete the project as scheduled and the matter cannot be satisfactorily resolved with the client, we may be responsible for cost impacts to the client resulting from any delay or the cost to complete the project. Our costs generally increase from schedule delays and/or could exceed our projections for a particular project. In addition, project performance can be affected by a number of factors beyond our control, including unavoidable delays from governmental inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, labor disruptions and other factors. As a result, material performance problems for existing and future contracts could cause actual results of operations to differ from those anticipated by us and could cause us to suffer damage to our reputation within our industry and client base.

New legal requirements could adversely affect our operating results.

Our business and results of operations could be adversely affected by the passage of climate change, defense, environmental, infrastructure and other legislation, policies and regulations. Growing concerns about climate change may result in the imposition of additional environmental regulations. For example, legislation, international protocols, regulation or other restrictions on emissions could increase the costs of projects for our clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for our services. In addition, relaxation or repeal of laws and regulations, or changes in governmental policies regarding environmental, defense, infrastructure or other industries we serve could result in a decline in demand for our services, which could in turn negatively impact our revenues. We cannot predict when or whether any of these various proposals may be enacted or what their effect will be on us or on our customers.

Changes in resource management, environmental, or infrastructure industry laws, regulations, and programs could directly or indirectly reduce the demand for our services, which could in turn negatively impact our revenue.

Some of our services are directly or indirectly impacted by changes in U.S. federal, state, local or foreign laws and regulations pertaining to the resource management, environmental, and infrastructure industries. Accordingly, a relaxation or repeal of these laws and regulations, or changes in governmental policies regarding the funding, implementation or enforcement of these programs, could result in a decline in demand for our services, which could in turn negatively impact our revenue.

Changes in capital markets could adversely affect our access to capital and negatively impact our business.

Our results could be adversely affected by an inability to access the revolving credit facility under our credit agreement. Unfavorable financial or economic conditions could impact certain lenders' willingness or ability to fund our revolving credit facility. In addition, increases in interest rates or credit spreads, volatility in financial markets or the interest rate environment, significant political or economic events, defaults of significant issuers, and other market and economic factors, may negatively impact the general level of debt issuance, the debt issuance plans of certain categories of borrowers, the types of credit-sensitive products being offered, and/or a sustained period of market decline or weakness could have a material adverse effect on us.

Restrictive covenants in our credit agreement may restrict our ability to pursue certain business strategies.

Our credit agreement limits or restricts our ability to, among other things:

- incur additional indebtedness;
- create liens securing debt or other encumbrances on our assets;
- make loans or advances;
- pay dividends or make distributions to our stockholders;
- purchase or redeem our stock;
- repay indebtedness that is junior to indebtedness under our credit agreement;
- acquire the assets of, or merge or consolidate with, other companies; and
- sell, lease, or otherwise dispose of assets.

Our credit agreement also requires that we maintain certain financial ratios, which we may not be able to achieve. The covenants may impair our ability to finance future operations or capital needs or to engage in other favorable business activities.

Our industry is highly competitive, and we may be unable to compete effectively, which could result in reduced revenue, profitability and market share.

We are engaged in a highly competitive business. The markets we serve are highly fragmented and we compete with many regional, national and international companies. Certain of these competitors have greater financial and other resources than we do. Others are smaller and more specialized and concentrate their resources in particular areas of expertise. The extent of our competition varies according to certain markets and geographic area. In addition, the technical and professional aspects of some of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors. Our clients make competitive determinations based upon qualifications, experience, performance, reputation, technology, customer relationships and ability to provide the relevant services in a timely, safe and cost-efficient manner. This competitive environment could force us to make price concessions or otherwise reduce prices for our services. If we are unable to maintain our competitiveness and win bids for future projects, our market share, revenue, and profits will decline.

Legal proceedings, investigations, and disputes could result in substantial monetary penalties and damages, especially if such penalties and damages exceed or are excluded from existing insurance coverage.

We engage in consulting, engineering, program management, and technical services that can result in substantial injury or damages that may expose us to legal proceedings, investigations, and disputes. For example, in the ordinary course of our business, we may be involved in legal disputes regarding personal injury claims, employee or labor disputes, professional liability claims, and general commercial disputes involving project cost overruns and liquidated damages, as well as other claims. In addition, in the ordinary course of our business, we frequently make professional judgments and recommendations about environmental and engineering conditions of project sites for our clients, and we may be deemed to be responsible for these judgments and recommendations if they are later determined to be inaccurate. Any unfavorable legal ruling against us could result in substantial monetary damages or even criminal violations. We maintain insurance coverage as part of our overall legal and risk management strategy to minimize our potential liabilities; however, insurance coverage contains exclusions and other limitations that may not cover our potential liabilities. Generally, our insurance program covers workers' compensation and employer's liability, general liability, automobile liability, professional errors and omissions liability, property, and contractor's pollution liability (in addition to other policies for specific projects). Our insurance program includes deductibles or self-insured retentions for each covered claim that may increase over time. In addition, our insurance policies contain exclusions that insurance providers may use to deny or restrict coverage. Excess liability and professional liability insurance policies provide for coverage on a "claims-made" basis, covering only claims actually made and reported during the policy period currently in effect. If we sustain liabilities that exceed or that are excluded from our insurance coverage, or for which we are not insured, it could have a material adverse impact on our financial condition, results of operations and cash flows.

Unavailability or cancellation of third-party insurance coverage would increase our overall risk exposure as well as disrupt the management of our business operations.

We maintain insurance coverage from third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage, or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase, and the management of our business operations would be disrupted. In addition, there can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits.

Our inability to obtain adequate bonding could have a material adverse effect on our future revenue and business prospects.

Certain clients require bid bonds, and performance and payment bonds. These bonds indemnify the client should we fail to perform our obligations under a contract. If a bond is required for a certain project and we are unable to obtain an appropriate bond, we cannot pursue that project. In some instances, we are required to co-venture with a small or disadvantaged business to pursue certain government contracts. In connection with these ventures, we are sometimes required to utilize our bonding capacity to cover all of the obligations under the contract with the client. We have a bonding facility but, as is typically the case, the issuance of bonds under that facility is at the surety's sole discretion. Moreover, bonding may be more difficult to obtain or may only be available at significant additional cost. There can be no assurance that bonds will continue to be available to us on reasonable terms. Our inability to obtain adequate bonding and, as a result, to bid on new work could have a material adverse effect on our future revenue and business prospects.

Employee, agent, or partner misconduct, or our failure to comply with anti-bribery and other laws or regulations, could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents, or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws, and any other applicable laws or regulations. For example, as previously noted, the FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these regulations and laws, and we take precautions to prevent and detect misconduct. However, since our internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, we cannot assure that our controls will protect us from reckless or criminal acts committed by our employees or agents. Our failure to comply with applicable laws or regulations, or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Our business activities may require our employees to travel to and work in countries where there are high security risks, which may result in employee death or injury, repatriation costs or other unforeseen costs.

Certain of our contracts may require our employees travel to and work in high-risk countries that are undergoing political, social, and economic upheavals resulting from war, civil unrest, criminal activity, acts of terrorism, or public health crises. For example, we currently have employees working in high security risk countries such as Afghanistan and Iraq. As a result, we risk loss of or injury to our employees and may be subject to costs related to employee death or injury, repatriation, or other unforeseen circumstances. We may choose or be forced to leave a country with little or no warning due to physical security risks.

Our failure to implement and comply with our safety program could adversely affect our operating results or financial condition.

Our project sites often put our employees and others in close proximity with mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials. On some project sites, we may be responsible for safety, and, accordingly, we have an obligation to implement effective safety procedures. Our safety program is a fundamental element of our overall approach to risk management, and the implementation of the safety program is a significant issue in our dealings with our clients. We maintain an enterprise-wide group of health and safety professionals to help ensure that the services we provide are delivered safely and in accordance with standard work processes. Unsafe job sites and office environments have the potential to increase employee turnover, increase the cost of a project to our clients, expose us to types and levels of risk that are fundamentally unacceptable, and raise our operating costs. The implementation of our safety processes and procedures are monitored by various agencies, including the U.S. Mine Safety and Health Administration ("MSHA"), and rating bureaus, and may be evaluated by certain clients in cases in which safety requirements have been established in our contracts. Our failure to meet these requirements or our failure to properly implement and comply with our safety program could result in reduced profitability, the loss of projects or clients, or potential litigation, and could have a material adverse effect on our business, operating results, or financial condition.

We may be precluded from providing certain services due to conflict of interest issues.

Many of our clients are concerned about potential or actual conflicts of interest in retaining management consultants. U.S. federal government agencies have formal policies against continuing or awarding contracts that would create actual or potential conflicts of interest with other activities of a contractor. These policies may prevent us from bidding for or performing government contracts resulting from or relating to certain work we have performed. In addition, services performed for a commercial or government client may create a conflict of interest that precludes or limits our ability to obtain work from other public or private organizations. We have, on occasion, declined to bid on projects due to conflict of interest issues.

If our reports and opinions are not in compliance with professional standards and other regulations, we could be subject to monetary damages and penalties.

We issue reports and opinions to clients based on our professional engineering expertise, as well as our other professional credentials. Our reports and opinions may need to comply with professional standards, licensing requirements, securities regulations, and other laws and rules governing the performance of professional services in the jurisdiction in which the services are performed. In addition, we could be liable to third parties who use or rely upon our reports or opinions even if we are not contractually bound to those third parties. For example, if we deliver an inaccurate report or one that is not in compliance with the relevant standards, and that report is made available to a third party, we could be subject to third-party liability, resulting in monetary damages and penalties.

We may be subject to liabilities under environmental laws and regulations.

Our services are subject to numerous U.S. and international environmental protection laws and regulations that are complex and stringent. For example, we must comply with a number of U.S. federal government laws that strictly regulate the handling, removal, treatment, transportation, and disposal of toxic and hazardous substances. Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended ("CERCLA"), and comparable state laws, we may be required to investigate and remediate regulated hazardous materials. CERCLA and comparable state laws typically impose strict, joint and several liabilities without regard to whether a company knew of or caused the release of hazardous substances. The liability for the entire cost of clean-up could be imposed upon any responsible party. Other principal U.S. federal environmental, health, and safety laws affecting us include, but are not limited to, the Resource Conservation and Recovery Act, National Environmental Policy Act, the Clean Air Act, the Occupational Safety and Health Act, the Federal Mine Safety and Health Act of 1977 (the "Mine Act"), the Toxic Substances Control Act, and the Superfund Amendments and Reauthorization Act. Our business operations may also be subject to similar state and international laws relating to environmental protection. Further, past business practices at companies that we have acquired may also expose us to future unknown environmental liabilities. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations, could result in substantial costs to us, including clean-up costs, fines, civil or criminal sanctions, and third-party claims for property damage or personal injury or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability.

Force majeure events, including natural disasters, pandemics and terrorist actions, could negatively impact the economies in which we operate or disrupt our operations, which may affect our financial condition, results of operations, or cash flows.

Force majeure or extraordinary events beyond the control of the contracting parties, such as natural and man-made disasters, as well as pandemics and terrorist actions, could negatively impact the economies in which we operate by causing the closure of offices, interrupting projects, and forcing the relocation of employees. We typically remain obligated to perform our services after a terrorist action or natural disaster unless the contract contains a force majeure clause that relieves us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations, or cash flows.

We have only a limited ability to protect our intellectual property rights, and our failure to protect our intellectual property rights could adversely affect our competitive position.

We rely upon a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, patent and trade secret laws to protect our proprietary information. We also enter into proprietary information and intellectual property agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to us, and to restrict any disclosure of proprietary information. Trade secrets are generally difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or the infringement of our patents and copyrights. Further, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to adequately protect, maintain, or enforce our intellectual property rights may adversely limit our competitive position.

Assertions by third parties of infringement, misappropriation or other violations by us of their intellectual property rights could result in significant costs and substantially harm our business, financial condition and operating results.

In recent years, there has been significant litigation involving intellectual property rights in technology industries. We may face from time to time, allegations that we or a supplier or customer have violated the rights of third parties, including patent, trademark, and other intellectual property rights. If, with respect to any claim against us for violation of third-party intellectual property rights, we are unable to prevail in the litigation or retain or obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely or cost-efficient basis, our business, financial condition or results of operations may be adversely affected.

Any infringement, misappropriation or related claims, whether or not meritorious, are time consuming, divert technical and management personnel, and are costly to resolve. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease utilizing products or services, or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us.

General Risk Factors

Our stock price could become more volatile and stockholders' investments could lose value.

In addition to the macroeconomic factors that have affected the prices of many securities generally, all of the factors discussed in this section could affect our stock price. Our common stock has previously experienced substantial price volatility. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies, and that have often been unrelated to the operating performance of these companies. The trading price of our common stock may be significantly affected by various factors, including quarter-to-quarter variations in our financial results, such as revenue, profits, days sales outstanding, backlog, and other measures of financial performance or financial condition (which factors may, themselves, be affected by the factors described below):

- loss of key employees;
- the number and significance of client contracts commenced and completed during a quarter;
- creditworthiness and solvency of clients;
- the ability of our clients to terminate contracts without penalties;
- general economic or political conditions;
- unanticipated changes in contract performance that may affect profitability, particularly with contracts that are fixed-price or have funding limits;
- contract negotiations on change orders, requests for equitable adjustment, and collections of related billed and unbilled accounts receivable;

- seasonality of the spending cycle of our public sector clients, notably the U.S. federal government, the spending patterns of our commercial sector clients, and weather conditions;
- budget constraints experienced by our U.S. federal, and state and local government clients;
- integration of acquired companies;
- changes in contingent consideration related to acquisition earn-outs;
- divestiture or discontinuance of operating units;
- employee hiring, utilization and turnover rates;
- delays incurred in connection with a contract;
- the size, scope and payment terms of contracts;
- the timing of expenses incurred for corporate initiatives;
- reductions in the prices of services offered by our competitors;
- threatened or pending litigation;
- legislative and regulatory enforcement policy changes that may affect demand for our services;
- the impairment of goodwill or identifiable intangible assets;
- the fluctuation of a foreign currency exchange rate;
- stock-based compensation expense;
- actual events, circumstances, outcomes, and amounts differing from judgments, assumptions, and estimates used in determining the value of certain assets (including the amounts of related valuation allowances), liabilities, and other items reflected in our consolidated financial statements;
- success in executing our strategy and operating plans;
- changes in tax laws or regulations or accounting rules;
- results of income tax examinations;
- the timing of announcements in the public markets regarding new services or potential problems with the performance of services by us or our competitors, or any other material announcements;
- speculation in the media and analyst community, changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, and market trends unrelated to our stock;
- our announcements concerning the payment of dividends or the repurchase of our shares;
- resolution of threatened or pending litigation;
- changes in investors' and analysts' perceptions of our business or any of our competitors' businesses;
- changes in environmental legislation;
- broader market fluctuations; and
- general economic or political conditions.

A significant drop in the price of our stock could expose us to the risk of securities class action lawsuits, which could result in substantial costs and divert management's attention and resources, which could adversely affect our business. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom are awarded equity securities, the value of which is dependent on the performance of our stock price.

Delaware law and our charter documents may impede or discourage a merger, takeover, or other business combination even if the business combination would have been in the short-term best interests of our stockholders.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our stockholders. In addition, our Board of Directors has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock, which could be used defensively if a takeover is threatened. These features, as well as provisions in our certificate of incorporation and bylaws, such as those relating to advance notice of certain stockholder proposals and nominations, could impede a merger, takeover, or other business combination involving us, or discourage a potential acquirer from making a tender offer for our common stock, even if the business combination would have been in the best interests of our current stockholders.

Item 1B Unresolved Staff Comments

None.

Item 2. Properties

At fiscal 2021 year-end, we leased approximately 450 operating facilities in domestic and foreign locations. Our significant lease agreements expire at various dates through 2032. We believe that our current facilities are adequate for the operation of our business, and that suitable additional space in various local markets is available to accommodate any needs that may arise.

The following table summarizes our ten most significant leased properties by location based on annual rental expenses (listed alphabetically, except for our corporate headquarters):

Location	Description	Reportable Segment
Pasadena, CA	Corporate Headquarters	Corporate
Adelaide, South Australia, Australia	Office Building	GSG / CIG
Arlington, VA	Office Building	GSG / CIG
Boston, MA	Office Building	GSG / CIG
Irvine, CA	Office Building	GSG / CIG
London, United Kingdom	Office Building	GSG / CIG
Melbourne, Victoria, Australia	Office Building	GSG / CIG
New York, NY	Office Building	GSG
Orlando, FL	Office Building	GSG / CIG
Perth, Western Australia, Australia	Office Building	CIG

Item 3. Legal Proceedings

For a description of our material pending legal and regulatory proceedings and settlements, see Note 17, "Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" included in Item 8.

Item 4. Mine Safety Disclosures

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires domestic mine operators to disclose violations and orders issued under the Mine Act by MSHA. We do not act as the owner of any mines, but we may act as a mining operator as defined under the Mine Act where we may be an independent contractor performing services or construction at such mine. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95.

PART II

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

Market Information

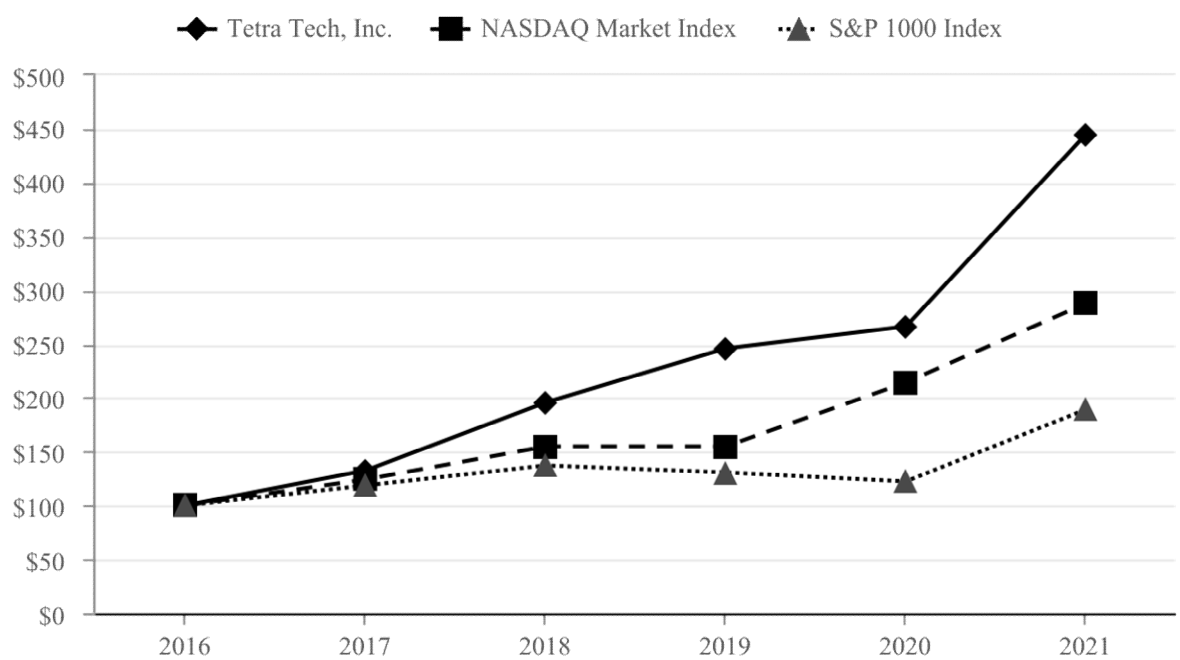
Our common stock is traded on the NASDAQ Global Select Market under the symbol TTEK. There were approximately 1,150 stockholders of record at October 3, 2021.

Stock-Based Compensation

For information regarding our stock-based compensation, see Note 11, "Stockholders' Equity and Stock Compensation Plans" of the "Notes to Consolidated Financial Statements" included in Item 8.

Performance Graph

The following graph shows a comparison of our cumulative total returns with those of the NASDAQ Market Index and the Standard & Poor's ("S&P") 1000 Index. At this time, we do not have a comparable peer group due to the combination of our differentiated high-end consulting services and our end-markets. Thus, we have selected the S&P 1000 Index. The graph assumes that the value of an investment in our common stock and in each such index was $100 on October 2, 2016, and that all dividends have been reinvested. Dividends declared and paid in fiscal 2021 totaled $0.74 per share. We declared and paid dividends in the first and second quarters totaling $0.34 per share ($0.17 each quarter) on our common stock and paid dividends in the third and fourth quarters totaling $0.40 per share ($0.20 each quarter) on our common stock. We declared and paid dividends totaling $0.64, $0.54, $0.44 and $0.38 per share in fiscal 2020, 2019, 2018 and 2017, respectively. The comparison in the graph below is based on historical data and is not intended to forecast the possible future performance of our common stock.



ASSUMES $100 INVESTED ON OCTOBER 2, 2016
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDED OCTOBER 3, 2021

	2016	2017	2018	2019	2020	2021
Tetra Tech, Inc.	$ 100.00	$ 132.40	$ 195.86	$ 245.59	$ 265.88	$ 444.98
NASDAQ Market Index	100.00	123.68	154.82	154.46	214.36	288.08
S&P 1000 Index	100.00	118.60	137.22	130.15	122.60	188.72

The performance graph above and related text are being furnished solely to accompany this annual report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and are not being filed for purposes of Section 18 of the Exchange Act, and are not to be incorporated by reference into any of our filings with the SEC, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Stock Repurchase Program

On January 27, 2020, the Board of Directors authorized a $200 million stock repurchase program, which was included in our remaining balance of $207.8 million as of fiscal 2020 year-end. In fiscal 2021, we repurchased and settled 479,369 shares with an average price of $125.16 per share for a total cost of $60.0 million in the open market. At October 3, 2021, we had a remaining balance of $147.8 million under our stock repurchase program.

Below is a summary of the stock repurchases that were traded and settled during the 12 months ended October 3, 2021:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet be Purchased Under the Plans or Programs (in thousands)
September 28, 2020 - October 25, 2020	45,574	$ 102.67	45,574	$ 203,134
October 26, 2020 - November 22, 2020	46,975	110.67	46,975	197,935
November 23, 2020 - December 27, 2020	42,864	119.50	42,864	192,813
December 28, 2020 - January 24, 2021	33,790	125.46	33,790	188,574
January 25, 2021 - February 21, 2021	37,992	132.50	37,992	183,540
February 22, 2021 - March 28, 2021	42,519	134.69	42,519	177,813
March 29, 2021 - April 25, 2021	32,405	136.36	32,405	173,394
April 26, 2021 - May 23, 2021	41,534	125.17	41,534	168,195
May 24, 2021 - June 27, 2021	44,524	120.88	44,524	162,813
June 28, 2021 - July 25, 2021	32,956	123.77	32,956	158,734
July 26, 2021 - August 29, 2021	44,543	134.67	44,543	152,736
August 30, 2021 - October 3, 2021	33,693	146.10	33,693	147,813

Item 6. Selected Financial Data

Not applicable as we applied the amendment of Regulation S-K Item 301, which became effective for the fiscal year ended October 3, 2021.

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

The following analysis of our financial condition and results of operations should be read in conjunction with Part I of this report, as well as our consolidated financial statements and accompanying notes in Item 8. The following analysis contains forward-looking statements about our future results of operations and expectations. Our actual results and the timing of events could differ materially from those described herein. See Part 1, Item 1A, "Risk Factors" for a discussion of the risks, assumptions, and uncertainties affecting these statements.

OVERVIEW OF RESULTS AND BUSINESS TRENDS

General. As the coronavirus disease 2019 ("COVID-19") spread globally, we responded quickly to ensure the health and safety of our employees, clients and the communities we support. Our high-end consulting focus and the technologies we deployed have allowed our staff to support clients and projects remotely without interruption. We remain focused on providing clients with the highest level of service and our 450 global offices are operational, supporting our programs and projects. By *Leading with Science*®, we are responding to the challenges of COVID-19, with the commitment of our 21,000 associates supported by technological innovation. Our government business, which represents approximately 60% of our revenue, has been stable, while our commercial business experienced more impact. Much of our commercial business has continued due to regulatory drivers, but we have seen project delays in the industrial sectors. Our diversified end-markets have allowed us to redeploy staff to areas of uninterrupted or increased demand, and we have made decisions to align our cost structures with our clients' projects. The actions we have taken to navigate through this worldwide pandemic, the strength of our balance sheet, and our technical leadership position us well to address the global challenges of providing clean water, environmental restoration, and the impacts of climate change.

In fiscal 2021, our revenue increased 7.3% compared to fiscal 2020. This year-over-year growth primarily reflects increased activity with government clients, both U.S. and international, as federal and local government agency spending has been a source of economic stability and stimulus during the COVID-19 pandemic. However, this growth was partially offset by lower commercial activity, which has been slower to recover to pre-pandemic levels. Our revenue also includes contributions from acquisitions that did not contribute to our revenue in fiscal 2020. Our year-over-year revenue comparisons were also impacted by the decision to dispose of our Canadian turn-key pipeline activities in fiscal 2019 and the subsequent wind-down of those activities in fiscal 2020.

U.S. State and Local Government. Our U.S. state and local government revenue increased 22.2% in fiscal 2021 compared to last fiscal year. The increase reflects continued broad-based growth in our U.S. state and local government project-related infrastructure business, particularly with increased revenue from municipal water infrastructure work in the metropolitan areas of California, Texas, and Florida. Our disaster response activities also increased compared to fiscal 2020. Most of our work for U.S. state and local governments relates to critical water and environmental programs, which we expect to continue to grow next year. The risk of budgetary constraints to our clients is mitigated with the passage of the American Rescue Plan Act of 2021, signed into law on March 11, 2021, which provides financial support for state and local governments.

U.S. Federal Government. Our U.S. federal government revenue increased 8.8% in fiscal 2021 compared to fiscal 2020. This increase includes contributions from acquisitions, which did not have comparable revenue in last fiscal year. During periods of economic volatility, including during the COVID-19 pandemic, our U.S. federal government business has historically been the most stable and predictable. We expect our U.S. federal government revenue to grow in fiscal 2022 due to continued increased advanced analytics activity, and the current administration's focus on long-term infrastructure and climate change.

U.S. Commercial. Our U.S. commercial revenue decreased 5.4% in fiscal 2021 compared to fiscal 2020. The decline was primarily due to reduced industrial activity as a result of the COVID-19 pandemic. We currently expect our U.S. commercial revenue to grow in fiscal 2022 primarily with clients focused on environmental programs, including meeting net zero carbon goals, and from higher demand for renewable energy; however, if conditions due to the COVID-19 pandemic worsen or are prolonged, it could have a negative impact on our revenue for fiscal 2022.

International. Our international revenue increased 7.9% in fiscal 2021 compared to fiscal 2020. The revenue growth primarily reflects government stimulus spending on infrastructure, increased commercial activity related to new regulatory requirements for sustainability, and fewer restrictions related to the COVID-19 pandemic. Our revenue also includes contributions from acquisitions that did not contribute to our revenue in fiscal 2020. We expect these trends and the related growth in our international work to continue in fiscal 2022.

RESULTS OF OPERATIONS

Fiscal 2021 Compared to Fiscal 2020

Consolidated Results of Operations

	Fiscal Year Ended			
	October 3, 2021	September 27, 2020	Change $	Change %
	($ in thousands)			
Revenue	$ 3,213,513	$ 2,994,891	$ 218,622	7.3%
Subcontractor costs	(661,341)	(646,319)	(15,022)	(2.3)
Revenue, net of subcontractor costs [(1)]	2,552,172	2,348,572	203,600	8.7
Other costs of revenue	(2,053,772)	(1,902,037)	(151,735)	(8.0)
Gross profit	498,400	446,535	51,865	11.6
Selling, general and administrative expenses	(222,972)	(204,615)	(18,357)	(9.0)
Contingent consideration – fair value adjustments	3,273	14,971	(11,698)	(78.1)
Impairment of goodwill	—	(15,800)	15,800	NM
Income from operations	278,701	241,091	37,610	15.6
Interest expense – net	(11,831)	(13,100)	1,269	9.7
Income before income tax expense	266,870	227,991	38,879	17.1
Income tax expense	(34,039)	(54,101)	20,062	37.1
Net income	232,831	173,890	58,941	33.9
Net income attributable to noncontrolling interests	(21)	(31)	10	32.3
Net income attributable to Tetra Tech	$ 232,810	$ 173,859	$ 58,951	33.9
Diluted earnings per share	$ 4.26	$ 3.16	$ 1.10	34.8

(1) We believe that the presentation of "Revenue, net of subcontractor costs", which is a non-U.S. GAAP financial measure, enhances investors' ability to analyze our business trends and performance because it substantially measures the work performed by our employees. In the course of providing services, we routinely subcontract various services and, under certain international development programs, issue grants. Generally, these subcontractor costs and grants are passed through to our clients and, in accordance with U.S. GAAP and industry practice, are included in our revenue when it is our contractual responsibility to procure or manage these activities. Because subcontractor services can vary significantly from project to project and period to period, changes in revenue may not necessarily be indicative of our business trends. Accordingly, we segregate subcontractor costs from revenue to promote a better understanding of our business by evaluating revenue exclusive of costs associated with external service providers.
NM = not meaningful

In fiscal 2021, revenue and revenue, net of subcontractor costs, increased $218.6 million, or 7.3%, and $203.6 million, or 8.7%, respectively, compared to fiscal 2020. Excluding the net contributions from acquisitions and the impact of the disposal of our Canadian turn-key pipeline activities, our revenue increased 3.2% in fiscal 2021 compared to last fiscal year. Our GSG segment's revenue and revenue, net of subcontractor costs, increased $164.0 million, or 9.2%, and $120.3 million, or 9.3%, respectively, in fiscal 2021 compared to the prior fiscal year. Our CIG segment's revenue increased $59.6 million, or 4.7%, and revenue, net of subcontractor costs, increased $82.7 million, or 7.9% in fiscal 2021 compared to fiscal 2020. Our fiscal 2021 results for our GSG and CIG segments are described below under "Government Services Group" and "Commercial/International Services Group", respectively.

The following table reconciles our reported results to non-U.S. GAAP adjusted results, which exclude certain non-operating accounting-related adjustments, such as gains on non-core dispositions, gains from adjustments to contingent considerations, goodwill impairment charges, non-recurring costs to address COVID-19, and non-recurring tax items. The gains on non-core dispositions in fiscal 2020 relate to the disposal of our Canadian turn-key pipeline activities that commenced in the fourth quarter of fiscal 2019. The goodwill impairment charge in fiscal 2020 did not have related tax benefits. Excluding this charge, the effective tax rates applied to the adjustments to earnings per share ("EPS") to arrive at adjusted EPS averaged 25% and 24% for fiscal 2021 and 2020, respectively. We applied the relevant marginal statutory tax rate based on the nature of the adjustments and tax jurisdiction in which they occur. Both EPS and adjusted EPS were calculated using diluted weighted-average common shares outstanding for the respective periods as reflected in our consolidated statements of income.

During the second quarter of fiscal 2020, we took actions in response to the COVID-19 pandemic to ensure the health and safety of our employees, clients, and communities. These actions included activating our Business Continuity Plan globally, which enabled 95% of our workforce to work remotely and all of our global offices to remain operational supporting our programs and projects. This required incremental costs for employee relocation, expansion of our virtual private network capabilities, enhanced security, and sanitizing of our offices. In addition, we incurred severance costs to right-size select operations where projects were cancelled specifically due to COVID-19 concerns and the resulting macroeconomic conditions. These incremental costs totaled $8.2 million in the second quarter of fiscal 2020. Although the charges were recognized in the second quarter of fiscal 2020, substantially all of these costs were paid in cash in the third quarter of fiscal 2020.

	Fiscal Year Ended			
	October 3, 2021	**September 27, 2020**	**Change**	
			$	**%**
Income from operations	$ 278,701	$ 241,091	$ 37,610	15.6
Earn-out adjustments	(3,273)	(13,371)	10,098	NM
COVID-19	—	8,233	(8,233)	NM
Non-core dispositions	—	(8,525)	8,525	NM
Impairment of goodwill	—	15,800	(15,800)	NM
Adjusted income from operations [1]	**$ 275,428**	**$ 243,228**	**$ 32,200**	**13.2**
EPS	$ 4.26	$ 3.16	$ 1.10	34.8
Earn-out adjustments	(0.04)	(0.18)	0.14	NM
COVID-19	—	0.11	(0.11)	NM
Non-core dispositions	—	(0.12)	0.12	NM
Impairment of goodwill	—	0.29	(0.29)	NM
Non-recurring tax items	(0.43)	—	(0.43)	NM
Adjusted EPS [1]	**$ 3.79**	**$ 3.26**	**$ 0.53**	**16.3**

NM = not meaningful

[1] Non-U.S. GAAP financial measure

Operating income increased $37.6 million in fiscal 2021 compared to fiscal 2020. Our operating income reflects net gains of $3.3 million and $15.0 million related to changes in the estimated fair value of contingent earn-out liabilities in fiscal 2021 and 2020, respectively. The net gain in fiscal 2020 was partially offset by the related compensation charges of $1.6 million. These gains are described below under "Fiscal 2021 and 2020 Earn-Out Adjustments." Our operating income in fiscal 2020 was reduced by the previously described non-recurring charges of $8.2 million to address COVID-19. In addition, our fiscal 2020 results include gains from the sales of non-core equipment of $8.5 million related to the disposal of our Canadian turn-key pipeline activities. Further, our fiscal 2020 operating income reflects a non-cash goodwill impairment charge of $15.8 million, which is described below under "Fiscal 2020 and 2019 Impairment of Goodwill."

Excluding these items, our adjusted operating income increased $32.2 million, or 13.2%, in fiscal 2021 compared to fiscal 2020. The increase reflects improved results in our GSG and CIG segments, which are described below under "Government Services Group" and "Commercial/International Services Group", respectively.

Our net interest expense was $11.8 million and $13.1 million in fiscal 2021 and 2020, respectively. The decrease primarily reflects lower average borrowings.

The effective tax rates for fiscal 2021 and 2020 were 12.8% and 23.7%, respectively. Our fiscal 2021 effective tax rate reflects a non-recurring net tax benefit of $21.6 million primarily consisting of valuation allowances in the United Kingdom that were released due to sufficient sustainable profitability being achieved in fiscal 2021. The valuation allowances were primarily related to net operating loss carry-forwards and other temporary differences. The goodwill impairment charge in fiscal 2020 did not have related tax benefits, which increased our effective tax rate by 1.5% in fiscal 2020. Conversely, income tax expense was reduced by $12.9 million and $8.3 million of excess tax benefits on share-based payments in fiscal 2021 and 2020, respectively. Excluding the impact of the fiscal 2021 non-recurring tax items, the non-deductible goodwill impairment charge, and the excess tax benefits on share-based payments, our effective tax rates in fiscal 2021 and 2020 were 25.7% and 25.6%, respectively.

Our EPS was $4.26 in fiscal 2021, compared to $3.16 in fiscal 2020. On the same basis as our adjusted operating income and excluding non-recurring tax benefits in fiscal 2021, EPS was $3.79 in fiscal 2021, compared to $3.26 last fiscal year.

Segment Results of Operations

Government Services Group ("GSG")

	Fiscal Year Ended			
	October 3, 2021	September 27, 2020	Change $	Change %
	($ in thousands)			
Revenue	$ 1,942,958	$ 1,778,922	$ 164,036	9.2%
Subcontractor costs	(522,583)	(478,839)	(43,744)	(9.1)
Revenue, net of subcontractor costs	**$ 1,420,375**	**$ 1,300,083**	**$ 120,292**	**9.3**
Income from operations	**$ 195,297**	**$ 168,669**	**$ 26,628**	**15.8%**

Revenue and revenue, net of subcontractor costs, increased $164.0 million, or 9.2%, and $120.3 million, or 9.3%, respectively, in fiscal 2021 compared to fiscal 2020. These increases primarily reflect higher U.S. state and local government activities related to water and environmental programs, and disaster response. The increases also reflect contributions from acquisitions, which did not have comparable revenue in the prior fiscal year.

Operating income increased $26.6 million in fiscal 2021 compared to fiscal 2020 primarily reflecting the revenue growth. In addition, we incurred $1.6 million of incremental costs for actions to respond to the COVID-19 pandemic in the second quarter of fiscal 2020. Our operating margin, based on revenue, net of subcontractor costs, improved to 13.7% in fiscal 2021 compared to 13.0% last fiscal year. Excluding the COVID-19 charges, our operating margin was 13.1% in fiscal 2020. The improved operating margin was primarily due to our increased focus on high-end consulting services and improved labor utilization.

Commercial/International Services Group ("CIG")

	Fiscal Year Ended			
	October 3, 2021	September 27, 2020	Change $	Change %
	($ in thousands)			
Revenue	$ 1,325,668	$ 1,266,059	$ 59,609	4.7%
Subcontractor costs	(194,459)	(217,547)	23,088	10.6
Revenue, net of subcontractor costs	**$ 1,131,209**	**$ 1,048,512**	**$ 82,697**	**7.9**
Income from operations	**$ 131,720**	**$ 114,022**	**$ 17,698**	**15.5**

Revenue and revenue, net of subcontractor costs, increased $59.6 million, or 4.7%, and increased $82.7 million, or 7.9%, respectively, in fiscal 2021 compared to fiscal 2020. The revenue growth in fiscal 2021 primarily reflects increased infrastructure activity in Canada and fewer restrictions related to the COVID-19 pandemic in the second half of fiscal 2021. The increases also reflect contributions from acquisitions, which did not have comparable revenue in the prior fiscal year, partially offset by the disposal of our Canadian turn-key pipeline activities.

Operating income increased $17.7 million in fiscal 2021 compared to fiscal 2020 primarily due to revenue growth. Additionally, we realized gains of $8.5 million from the disposition of non-core equipment related to our Canadian turn-key pipeline activities, partially offset by $6.6 million of incremental costs for actions to respond to the COVID-19 pandemic in fiscal 2020. Excluding these disposition gains and the COVID-19 charges, operating income increased $19.6 million in fiscal 2021 compared to fiscal 2020. Our operating margin, based on revenue, net of subcontractor costs, improved to 11.6% in fiscal 2021 compared to 10.9% last fiscal year. Excluding the disposition gains and COVID-19 charges, our operating margin was 10.7% in fiscal 2020. The improved operating margin was primarily due to our increased focus on high-end consulting services and improved labor utilization.

Remediation and Construction Management ("RCM")

	Fiscal Year Ended			
	October 3, 2021	September 27, 2020	Change $	Change %
	($ in thousands)			
Revenue	$ 613	$ 198	$ 415	NM
Subcontractor costs	(25)	(221)	196	NM
Revenue, net of subcontractor costs	**$ 588**	**$ (23)**	**$ 611**	**NM**
Loss from operations	**$ —**	**$ —**	**$ —**	**NM**

NM = not meaningful

RCM's projects were substantially complete at the end of fiscal 2018. There were no significant operating activities in RCM in fiscal 2021 and 2020.

Fiscal 2021 and 2020 Earn-Out Adjustments

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. We recorded adjustments to our contingent earn-out liabilities and reported net gains of $3.3 million and $15.0 million in fiscal 2021 and 2020, respectively. Fiscal 2021 adjustments resulted from the updated valuations of several contingent consideration liabilities, which reflect updated projections of acquired companies' financial performance during their respective earn-out periods. None of these valuation changes were individually material. In fiscal 2020, the net gains primarily resulted from updated valuations of the contingent consideration liabilities for eGlobalTech ("EGT"), Norman, Disney and Young ("NDY"), and Segue Technologies, Inc. ("SEG"). These valuations included updated projections of EGT's, NDY's, and SEG's financial performance during the earn-out periods, which were below our original estimates at their respective acquisition dates. In addition, we recognized charges of $1.6 million in fiscal 2020 that related to the earn-out for Glumac. These charges were treated as compensation in selling, general and administrative expenses due to the terms of the arrangement, which included an on-going service requirement for a portion of the earn-out.

At October 3, 2021, there was a total maximum of $105.4 million of outstanding contingent consideration related to our acquisitions. Of this amount, $59.3 million was estimated as the fair value and accrued on our consolidated balance sheet.

Fiscal 2020 Compared to Fiscal 2019

Consolidated Results of Operations

	Fiscal Year Ended			
	September 27, 2020	September 29, 2019	Change	
			$	%
	($ in thousands)			
Revenue	$ 2,994,891	$ 3,107,348	$ (112,457)	(3.6)%
Subcontractor costs	(646,319)	(717,711)	71,392	9.9
Revenue, net of subcontractor costs [(1)]	2,348,572	2,389,637	(41,065)	(1.7)
Other costs of revenue	(1,902,037)	(1,981,454)	79,417	4.0
Gross profit	446,535	408,183	38,352	9.4
Selling, general and administrative expenses	(204,615)	(200,230)	(4,385)	(2.2)
Acquisition and integration expenses	—	(10,351)	10,351	NM
Contingent consideration – fair value adjustments	14,971	(1,085)	16,056	NM
Impairment of goodwill	(15,800)	(7,755)	(8,045)	(103.7)
Income from operations	241,091	188,762	52,329	27.7
Interest expense – net	(13,100)	(13,626)	526	3.9
Income before income tax expense	227,991	175,136	52,855	30.2
Income tax expense	(54,101)	(16,375)	(37,726)	(230.4)
Net income	173,890	158,761	15,129	9.5
Net income attributable to noncontrolling interests	(31)	(93)	62	66.7
Net income attributable to Tetra Tech	$ 173,859	$ 158,668	$ 15,191	9.6
Diluted earnings per share	$ 3.16	$ 2.84	$ 0.32	11.3

(1) We believe that the presentation of "Revenue, net of subcontractor costs", which is a non-U.S. GAAP financial measure, enhances investors' ability to analyze our business trends and performance because it substantially measures the work performed by our employees. In the course of providing services, we routinely subcontract various services and, under certain USAID programs, issue grants. Generally, these subcontractor costs and grants are passed through to our clients and, in accordance with U.S. GAAP and industry practice, are included in our revenue when it is our contractual responsibility to procure or manage these activities. Because subcontractor services can vary significantly from project to project and period to period, changes in revenue may not necessarily be indicative of our business trends. Accordingly, we segregate subcontractor costs from revenue to promote a better understanding of our business by evaluating revenue exclusive of costs associated with external service providers.
NM = not meaningful

In fiscal 2020, revenue and revenue, net of subcontractor costs, decreased $112.5 million, or 3.6%, and $41.1 million, or 1.7%, compared to fiscal 2019. These comparisons were impacted by the disposal of our Canadian turn-key pipeline activities in the fourth quarter of fiscal 2019 and a decrease in revenue from disaster response activities related to California wildfires. In addition, our fiscal 2019 results included a reduction of revenue of $13.7 million from a claim that was resolved in fiscal 2019. Excluding the disposal, the decreased California wildfire activity, and the 2019 claim resolution, our revenue increased 3.0% in fiscal 2020 compared to fiscal 2019. This increase includes $210.5 million of revenue from acquisitions, which did not have comparable revenue in fiscal 2019. Also excluding the contribution from acquisitions, our revenue in fiscal 2020 decreased 4.4% compared to fiscal 2019 primarily due to the adverse impact of the COVID-19 pandemic on our U.S. commercial and international revenue.

The following table reconciles our reported results to non-U.S. GAAP adjusted results, which exclude the RCM results and certain non-operating accounting-related adjustments, such as acquisition and integration costs, gains/losses from adjustments to contingent considerations, goodwill impairment charges, non-recurring costs to address COVID-19, and non-recurring tax benefits. Adjusted results also exclude charges resulting from the decision to dispose of our Canadian turn-key pipeline activities that commenced in the fourth quarter of fiscal 2019 and subsequent related gains from non-core equipment disposals in fiscal 2020. Our fiscal 2019 adjusted results exclude a charge to operating income of $13.7 million from a claim that was resolved in the fourth quarter of fiscal 2019 for a remediation project, where the work was substantially performed in prior years. The effective tax rates applied to these adjustments to EPS to arrive at adjusted EPS averaged 155% and 16% in fiscal 2020 and 2019, respectively. The goodwill impairment charges in both fiscal years and certain of the transaction charges in fiscal 2019 did not have related tax benefits. Excluding these items, the effective tax rates applied to the adjustments in fiscal 2020 and 2019 were 24% and 26%, respectively. We applied the relevant marginal statutory tax rate based on the nature of the adjustments and tax jurisdiction in which they occur. Both EPS and adjusted EPS were calculated using diluted weighted-average common shares outstanding for the respective periods as reflected in our consolidated statements of income.

During the second quarter of fiscal 2020, we took actions in response to the COVID-19 pandemic to ensure the health and safety of our employees, clients, and communities. These actions included activating our Business Continuity Plan globally, which enabled 95% of our workforce to work remotely and all 450 of our global offices to remain operational supporting our clients' programs and projects. This required incremental costs for employee relocation, expansion of our virtual private network capabilities, enhanced security, and sanitizing our offices. In addition, we incurred severance costs to right-size select operations where projects were cancelled specifically due to COVID-19 concerns and the resulting macroeconomic conditions. These incremental costs totaled $8.2 million in the second quarter of fiscal 2020. Substantially all of these costs were paid in cash in the third quarter of fiscal 2020.

	Fiscal Year Ended			
	September 27, 2020	September 29, 2019	Change $	Change %
Income from operations	$ 241,091	$ 188,762	$ 52,329	27.7
COVID-19	8,233	—	8,233	NM
Non-core dispositions	(8,525)	10,946	(19,471)	NM
RCM	—	5,933	(5,933)	NM
Claims	—	13,700	(13,700)	NM
Acquisition/Integration	—	10,351	(10,351)	NM
Earn-out adjustments	(13,371)	3,085	(16,456)	NM
Impairment of goodwill	15,800	7,755	8,045	NM
Adjusted income from operations [1]	**$ 243,228**	**$ 240,532**	**$ 2,696**	**1.1**
EPS	$ 3.16	$ 2.84	$ 0.32	11.3
COVID-19	0.11	—	0.11	NM
Non-core dispositions	(0.12)	0.14	(0.26)	NM
RCM	—	0.08	(0.08)	NM
Claims	—	0.18	(0.18)	NM
Acquisition/Integration	—	0.19	(0.19)	NM
Earn-out adjustments	(0.18)	0.04	(0.22)	NM
Impairment of goodwill	0.29	0.14	0.15	NM
Non-recurring tax benefits	—	(0.44)	0.44	NM
Adjusted EPS [1]	**$ 3.26**	**$ 3.17**	**$ 0.09**	**2.8**

NM = not meaningful

[1] Non-U.S. GAAP financial measure

Our operating income increased $52.3 million in fiscal 2020 compared to fiscal 2019. Our operating income in fiscal 2020 was reduced by the previously described non-recurring charges of $8.2 million to address COVID-19. In addition, our fiscal 2020 results include gains from the sales of non-core equipment of $8.5 million related to the disposal of our Canadian turn-key pipeline activities. Our operating income in fiscal 2019 included charges of $10.9 million related to this disposal. Our operating income in fiscal 2019 also included a $5.9 million loss from exited construction activities in our RCM segment. Our RCM results are described below under "Remediation and Construction Management." Additionally, our operating income in fiscal 2019 included the aforementioned $13.7 million charge for a resolved claim and expenses of $10.4 million related to the acquisition and integration of WYG plc ("WYG"). For further detailed information regarding the WYG-related costs, see "Fiscal 2019 Acquisition and Integration Expenses" below. Our fiscal 2020 operating income includes gains of $15.0 million related to changes in the estimated fair value of contingent earn-out liabilities partially offset by related compensation charges of $1.6 million. Our fiscal 2019 operating income reflects losses of $1.1 million related to changes in the estimated fair value of contingent earn-out liabilities and an additional $2.0 million of related compensation charges. These earn-out related amounts are described below under "Fiscal 2020 and 2019 Earn-Out Adjustments." Further, our operating income reflects non-cash goodwill impairment charges of $15.8 million and $7.8 million in fiscal 2020 and 2019, respectively. These charges are described below under "Fiscal 2020 and 2019 Impairment of Goodwill."

Excluding these items, our adjusted operating income increased $2.7 million, or 1.1%, in fiscal 2020 compared to fiscal 2019. The increase reflects improved results in our CIG segment partially offset by lower operating income in our GSG segment. GSG and CIG results are described below under "Government Services Group" and "Commercial/International Services Group", respectively.

Our net interest expense was $13.1 million in fiscal 2020 compared to $13.6 million fiscal 2019. The decrease primarily reflects lower interest rates (primarily LIBOR), and to a lesser extent, lower average borrowings.

The effective tax rates for fiscal 2020 and 2019 were 23.7% and 9.3%, respectively. The goodwill impairment charges in fiscal 2020 and 2019 and certain of the transaction charges in fiscal 2019 did not have related tax benefits, which increased our effective tax rates by 1.5% and 1.1% in fiscal 2020 and 2019, respectively. Conversely, income tax expense was reduced by $8.3 million and $6.4 million of excess tax benefits on share-based payments in fiscal 2020 and 2019, respectively. Additionally, we finalized the analysis of our deferred tax liabilities for the Tax Cuts and Jobs Act's ("TCJA's") lower tax rates in the first quarter of fiscal 2019 and recorded a deferred tax benefit of $2.6 million. Also, valuation allowances of $22.3 million in Australia were released due to sufficient positive evidence obtained during the second quarter of fiscal 2019. The valuation allowances were primarily related to net operating loss and research and development credit carryforwards and other temporary differences. We evaluated the positive evidence against any negative evidence and determined that it was more likely than not that the deferred tax assets would be realized. The factors used to assess the likelihood of realization were the past performance of the related entities, our forecast of future taxable income, and available tax planning strategies that could be implemented to realize the deferred tax assets.

Excluding the impact of the non-deductible goodwill impairment charges and transaction costs, the excess tax benefits on share-based payments, the net deferred tax benefits from the TCJA, and the valuation allowance release, our effective tax rates in fiscal 2020 and 2019 were 25.6% and 24.6%, respectively.

Our EPS was $3.16 in fiscal 2020, compared to $2.84 in fiscal 2019. On the same basis as our adjusted operating income and excluding non-recurring tax benefits in fiscal 2019, EPS was $3.26 in fiscal 2020, compared to $3.17 in fiscal 2019.

Segment Results of Operations

Government Services Group ("GSG")

	Fiscal Year Ended			
	September 27, 2020	September 29, 2019	Change $	Change %
	($ in thousands)			
Revenue	$ 1,778,922	$ 1,820,671	$ (41,749)	(2.3)%
Subcontractor costs	(478,839)	(491,290)	12,451	2.5
Revenue, net of subcontractor costs	**$ 1,300,083**	**$ 1,329,381**	**$ (29,298)**	**(2.2)**
Income from operations	**$ 168,669**	**$ 185,263**	**$ (16,594)**	**(9.0)**

Revenue and revenue, net of subcontractor costs, decreased $41.7 million, or 2.3%, and $29.3 million, or 2.2%, respectively, in fiscal 2020 compared to fiscal 2019. These declines primarily reflect the previously described decrease in revenue from disaster response activities related to California wildfires offset by revenue from acquisitions, which did not have comparable revenue in fiscal 2019. Excluding the contributions from acquisitions and the California wildfire disaster response activities, our revenue in fiscal 2020 was substantially the same as fiscal 2019 as increases in federal information technology activity were offset by lower international development revenue.

Operating income decreased $16.6 million in fiscal 2020 compared to fiscal 2019 primarily reflecting the lower disaster response revenue. Also, we incurred $1.6 million of incremental costs for actions to respond to the COVID-19 pandemic in the second quarter of fiscal 2020. Our operating margin, based on revenue, net of subcontractor costs, was 13.0% in fiscal 2020 compared to 13.9% in fiscal 2019. Excluding the COVID-19 charges, our operating margin was 13.1% in fiscal 2020.

Commercial/International Services Group ("CIG")

	Fiscal Year Ended			
	September 27, 2020	September 29, 2019	Change $	Change %
	($ in thousands)			
Revenue	$ 1,266,059	$ 1,342,509	$ (76,450)	(5.7)%
Subcontractor costs	(217,547)	(279,468)	61,921	22.2
Revenue, net of subcontractor costs	**$ 1,048,512**	**$ 1,063,041**	**$ (14,529)**	**(1.4)**
Income from operations	**$ 114,022**	**$ 79,633**	**$ 34,389**	**43.2**

Revenue and revenue, net of subcontractor costs, decreased $76.5 million, or 5.7%, and $14.5 million, or 1.4%, respectively, in fiscal 2020 compared to fiscal 2019. Our year-over-year revenue comparisons were impacted by the disposal of our Canadian turn-key pipeline activities in the fourth quarter of fiscal 2019, and a reduction in revenue and a corresponding charge to operating income of $13.7 million in fiscal 2019 for a remediation project where the work was substantially performed in prior years. Excluding the disposal and the fiscal 2019 claim resolution, our revenue decreased 2.2% due to lower subcontractor activity and the adverse impact of the COVID-19 pandemic on our U.S. and international commercial revenue.

Operating income increased $34.4 million in fiscal 2020 compared to fiscal 2019. This comparison was also impacted by the disposal of our Canadian turn-key pipeline activities. Our fiscal 2020 operating income includes gains of $8.5 million from the disposition of non-core equipment and our fiscal 2019 operating income includes charges of $10.9 million related to these activities. In addition, we incurred $6.6 million of incremental costs for actions to respond to the COVID-19 pandemic in the second quarter of fiscal 2020. Excluding the Canadian turn-key pipeline activities, the COVID-19 charges, and the aforementioned $13.7 million claim in fiscal 2019, our operating income increased $7.9 million, or 7.5%, in fiscal 2020 compared to fiscal 2019. On the same basis, our operating margin, based on revenue, net of subcontractor costs, improved to 10.7% in fiscal 2020 from 9.7% in fiscal 2019.

Remediation and Construction Management ("RCM")

	Fiscal Year Ended			
	September 27, 2020	**September 29, 2019**	**Change**	
			$	**%**
	($ in thousands)			
Revenue	$ 198	$ (1,542)	$ 1,740	NM
Subcontractor costs	(221)	(1,243)	1,022	NM
Revenue, net of subcontractor costs	**$ (23)**	**$ (2,785)**	**$ 2,762**	**NM**
Loss from operations	**$ —**	**$ (5,933)**	**$ 5,933**	**NM**

NM = not meaningful

RCM's projects were substantially complete at the end of fiscal 2018. The operating loss of $5.9 million in fiscal 2019 reflects reductions of revenue and related operating losses based on updated evaluations of unsettled claim amounts for two construction projects that were completed in prior years.

Fiscal 2019 Acquisition and Integration Expenses

In fiscal 2019, we incurred acquisition and integration expenses of $10.4 million related to the WYG acquisition. These expenses included $3.3 million of acquisition expenses that were primarily for professional services, such as legal and investment banking, to support the transaction and were all paid in the fourth quarter of fiscal 2019. Subsequent to the acquisition date, we also recorded charges of $7.1 million for integration activities, including the elimination of redundant general and administrative costs, real estate consolidation, and conversion of information technology platforms, substantially all of which were paid in fiscal 2020.

Fiscal 2020 and 2019 Earn-Out Adjustments

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. We recorded adjustments to our contingent earn-out liabilities and reported net gains of $15.0 million and losses of $1.1 million in fiscal 2020 and 2019, respectively. The fiscal 2020 net gains primarily resulted from updated valuations of the contingent consideration liabilities for EGT, NDY, and SEG. These valuations included updated projections of EGT's, NDY's, and SEG's financial performance during the earn-out periods, which were below our original estimates at their respective acquisition dates. In addition, we recognized charges of $1.6 million and $2.0 million in fiscal 2020 and 2019, respectively, that related to the earn-out for Glumac. These charges were treated as compensation in selling, general and administrative expenses due to the terms of the arrangement, which included an on-going service requirement for a portion of the earn-out.

At September 27, 2020, there was a total maximum of $70.9 million of outstanding contingent consideration related to acquisitions. Of this amount, $32.6 million was estimated as the fair value and accrued on our consolidated balance sheet.

Fiscal 2020 and 2019 Impairment of Goodwill

On September 2, 2020, Australia announced that it had fallen into economic recession, defined as two consecutive quarters of negative growth, for the first time since 1991 including 7% negative growth in the quarter ending in June 2020. This prompted a strategic review of our Asia/Pacific ("ASP") reporting unit, which is in our CIG reportable segment. As a result of the economic recession in Australia, our revenue growth and profit margin forecasts for the ASP reporting unit declined from the previous forecast used for our annual goodwill impairment review as of June 29, 2020. We also performed an interim goodwill impairment review of our ASP reporting unit in September 2020 and recorded a $15.8 million goodwill impairment charge. The impaired goodwill related to our acquisitions of Coffey International Limited ("Coffey") and NDY. As a result of the impairment charge, the estimated fair value of our ASP reporting unit equaled its carrying value of $144.9 million, including $95.5 million of goodwill, at September 27, 2020. On September 28, 2020 (the first day of our fiscal 2021), we merged our former ASP reporting unit into our Client Account Management reporting unit.

During the fourth quarter of fiscal 2019, we performed a strategic review of all operations. As a result, we decided to dispose of our turn-key pipeline activities in Western Canada in our Remediation and Field Services ("RFS") reporting unit, which is in our CIG reportable segment. As a result, we incurred severance and project-related charges related to the disposition of $10.9 million, which were reported in the CIG segment's operating income. We also performed an interim goodwill impairment review of our RFS reporting unit and recorded a $7.8 million goodwill impairment charge. The impaired goodwill related to our acquisition of Parkland Pipeline Contractors Ltd. As a result of the impairment charge, the estimated fair value of the RFS reporting unit equaled its carrying value at September 29, 2019.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Capital Requirements. As of October 3, 2021, we had $166.6 million of cash and cash equivalents and access to an additional $749 million of borrowing capacity available under our credit facility. We generated $304.4 million of cash from operations in fiscal 2021. To date, we have not experienced any significant deterioration in our financial condition or liquidity due to the COVID-19 pandemic and our credit facilities remain available.

Our primary sources of liquidity are cash flows from operations and borrowings under our credit facilities. Our primary uses of cash are to fund working capital, capital expenditures, stock repurchases, cash dividends and repayment of debt, as well as to fund acquisitions and earn-out obligations from prior acquisitions. We believe that our existing cash and cash equivalents, operating cash flows and borrowing capacity under our credit agreement, as described below, will be sufficient to meet our capital requirements for at least the next 12 months including any additional resources needed to address the COVID-19 pandemic.

We use a variety of tax planning and financing strategies to manage our worldwide cash and deploy funds to locations where they are needed. In the fourth quarter of fiscal 2021, we repatriated approximately $80 million from Canada and recognized a related tax expense of $5.6 million. At this time, we also determined that our remaining undistributed earnings in Canada of approximately $20.1 million are no longer being indefinitely reinvested and recorded an additional deferred tax liability/expense of $3.1 million. At October 3, 2021, undistributed earnings of our other foreign subsidiaries, primarily in Australia and the U.K. of approximately $50.9 million are expected to be indefinitely reinvested in these foreign countries. Accordingly, no provision for foreign withholding taxes has been made. Assuming the indefinitely reinvested foreign earnings were repatriated under the laws and rates applicable at October 3, 2021, the incremental taxes applicable to those earnings would not be material. We currently have no need or plans to repatriate undistributed foreign earnings, other than from Canada, in the foreseeable future; however, this could change due to varied economic circumstances.

On January 27, 2020, the Board of Directors authorized a $200 million stock repurchase program, which was included in our remaining balance of $207.8 million as of fiscal 2020 year-end. In fiscal 2021, we repurchased and settled 479,369 shares with an average price of $125.16 per share for a total cost of $60.0 million in the open market. At October 3, 2021, we had a remaining balance of $147.8 million under our stock repurchase program. We declared and paid common stock dividends totaling $40.0 million, or $0.74 per share, in fiscal 2021 compared to $34.7 million, or $0.64 per share, in fiscal 2020.

Subsequent Events. On October 5, 2021, the Board of Directors authorized a new stock repurchase program under which we could repurchase up to $400 million of our common stock in addition to the $147.8 million remaining under the previous stock repurchase program at October 3, 2021. On November 15, 2021, the Board of Directors also declared a quarterly cash dividend of $0.20 per share payable on December 20, 2021 to stockholders of record as of the close of business on December 2, 2021.

Cash and Cash Equivalents. As of October 3, 2021, cash and cash equivalents were $166.6 million, an increase of $9.1 million compared to the fiscal 2020 year-end. The increase was due to net cash provided by operating activities, partially offset by net repayments of long-term debt, stock repurchases, dividends, as well as payments for business acquisitions and contingent earn-out payments.

Operating Activities. In fiscal 2021, net cash provided by operating activities was $304.4 million compared to $262.5 million in fiscal 2020. The increase primarily reflects an increase in earnings adjusted for non-cash items of $24.1 million and improved working capital from faster collections of our accounts receivable in fiscal 2021 compared to the prior fiscal year.

Investing Activities. Net cash used in investing activities was $93.0 million in fiscal 2021, an increase of $30.0 million compared to last fiscal year. The increase was due to higher payments for business acquisitions in fiscal 2021 and the proceeds from sales of equipment related to the disposal of our Canadian turn-key pipeline activities in fiscal 2020.

Financing Activities. In fiscal 2021, net cash used in financing activities was $210.1 million, an increase of $47.1 million compared to fiscal 2020. The increase was due to the net change in overdrafts and higher net repayments on long-term debt, partially offset by lower stock repurchases compared to last fiscal year.

Debt Financing. On July 30, 2018, we entered into a Second Amended and Restated Credit Agreement (“Amended Credit Agreement”) with a total borrowing capacity of $1 billion that will mature in July 2023. The Amended Credit Agreement is a $700 million senior secured, five-year facility that provides for a $250 million term loan facility (the “Amended Term Loan Facility”), a $450 million revolving credit facility (the “Amended Revolving Credit Facility”), and a $300 million accordion feature that allows us to increase the Amended Credit Agreement to $1 billion subject to lender approval. The Amended Credit Agreement allows us to, among other things, (i) refinance indebtedness under our Credit Agreement dated as of May 7, 2013; (ii) finance certain permitted open market repurchases of our common stock, permitted acquisitions, and cash dividends and distributions; and (iii) utilize the proceeds for working capital, capital expenditures and other general corporate purposes. The Amended Revolving Credit Facility includes a $100 million sublimit for the issuance of standby letters of credit, a $20 million sublimit for swingline loans, and a $200 million sublimit for multicurrency borrowings and letters of credit.

The entire Amended Term Loan Facility was drawn on July 30, 2018. The Amended Term Loan Facility is subject to quarterly amortization of principal at 5% annually beginning December 31, 2018. We may borrow on the Amended Revolving Credit Facility, at our option, at either (a) a Eurocurrency rate plus a margin that ranges from 1.00% to 1.75% per annum, or (b) a base rate for loans in U.S. dollars (the highest of the U.S. federal funds rate plus 0.50% per annum, the bank’s prime rate or the Eurocurrency rate plus 1.00%) plus a margin that ranges from 0% to 0.75% per annum. In each case, the applicable margin is based on our Consolidated Leverage Ratio, calculated quarterly. The Amended Term Loan Facility is subject to the same interest rate provisions. The Amended Credit Agreement expires on July 30, 2023, or earlier at our discretion upon payment in full of loans and other obligations.

At October 3, 2021, we had $212.5 million in outstanding borrowings under the Amended Credit Agreement, which was comprised of $212.5 million under the Amended Term Loan Facility and no borrowings outstanding under the Amended Revolving Credit Facility. The weighted-average interest rate of the outstanding borrowings during fiscal 2021 was 1.25%. In addition, we had $0.7 million in standby letters of credit under the Amended Credit Agreement. Our weighted-average interest rate on borrowings outstanding during fiscal 2021 under the Amended Credit Agreement, including the effects of interest rate swap agreements described in Note 14, “Derivative Financial Instruments” of the "Notes to Consolidated Financial Statements" included in Item 8, was 3.30%. At October 3, 2021, we had $449.3 million of available credit under the Amended Revolving Credit Facility, all of which could be borrowed without a violation of our debt covenants. Commitment fees related to our revolving credit facilities were $0.7 million each year for fiscal 2021, 2020 and 2019, respectively.

The Amended Credit Agreement contains certain affirmative and restrictive covenants, and customary events of default. The financial covenants provide for a maximum Consolidated Leverage Ratio of 3.00 to 1.00 (total funded debt/EBITDA, as defined in the Amended Credit Agreement) and a minimum Consolidated Interest Coverage Ratio of 3.00 to 1.00 (EBITDA/Consolidated Interest Charges, as defined in the Amended Credit Agreement). Our obligations under the Amended Credit Agreement are guaranteed by certain of our domestic subsidiaries and are secured by first priority liens on (i) the equity interests of certain of our subsidiaries, including those subsidiaries that are guarantors or borrowers under the Amended Credit Agreement, and (ii) the accounts receivable, general intangibles and intercompany loans, and those of our subsidiaries that are guarantors or borrowers. At October 3, 2021, we were in compliance with these covenants with a consolidated leverage ratio of 0.87x and a consolidated interest coverage ratio of 26.38x.

In addition to the Amended Credit Agreement, we maintain other credit facilities, which may be used for bank overdrafts, short-term cash advances and bank guarantees. At October 3, 2021, there was no outstanding borrowings under these facilities and the aggregate amount of standby letters of credit outstanding was $53.4 million. As of October 3, 2021, we had no bank overdrafts related to our disbursement bank accounts.

Inflation. We believe our operations have not been, and, in the foreseeable future, are not expected to be, materially adversely affected by inflation or changing prices due to the average duration of our projects and our ability to negotiate prices as contracts end and new contracts begin.

Dividends. Our Board of Directors has authorized the following dividends:

	Dividend Per Share		Record Date	Total Maximum Payment (in thousands)		Payment Date
November 9, 2020	$	0.17	November 30, 2020	$	9,198	December 11, 2020
January 25, 2021	$	0.17	February 10, 2021	$	9,212	February 26, 2021
April 26, 2021	$	0.20	May 12, 2021	$	10,831	May 28, 2021
July 26, 2021	$	0.20	August 20, 2021	$	10,800	September 3, 2021
November 15, 2021	$	0.20	December 2, 2021		N/A	December 20, 2021

Income Taxes

We evaluate the realizability of our deferred tax assets by assessing the valuation allowance and adjust the allowance, if necessary. The factors used to assess the likelihood of realization are our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The ability or failure to achieve the forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of deferred tax assets. Based on future operating results in certain jurisdictions, it is unlikely that the current valuation allowance positions of those jurisdictions could be adjusted in the next 12 months.

As of October 3, 2021 and September 27, 2020, the liability for income taxes associated with uncertain tax positions was $14.1 million and $9.7 million, respectively.

It is reasonably possible that the amount of the unrecognized benefit with respect to certain of our unrecognized tax positions may significantly decrease within the next 12 months. These changes would be the result of ongoing examinations.

Off-Balance Sheet Arrangements

In the ordinary course of business, we may use off-balance sheet arrangements if we believe that such arrangements would be an efficient way to lower our cost of capital or help us manage the overall risks of our business operations. We do not believe that such arrangements have had a material adverse effect on our financial position or our results of operations.

The following is a summary of our off-balance sheet arrangements:

- Letters of credit and bank guarantees are used primarily to support project performance and insurance programs. We are required to reimburse the issuers of letters of credit and bank guarantees for any payments they make under the outstanding letters of credit or bank guarantees. Our Amended Credit Agreement and additional letter of credit facilities cover the issuance of our standby letters of credit and bank guarantees and are critical for our normal operations. If we default on the Amended Credit Agreement or additional credit facilities, our inability to issue or renew standby letters of credit and bank guarantees would impair our ability to maintain normal operations. At October 3, 2021, we had $0.7 million in standby letters of credit outstanding under our Amended Credit Agreement and $53.4 million in standby letters of credit outstanding under our additional letter of credit facilities.

- From time to time, we provide guarantees and indemnifications related to our services. If our services under a guaranteed or indemnified project are later determined to have resulted in a material defect or other material deficiency, then we may be responsible for monetary damages or other legal remedies. When sufficient information about claims on guaranteed or indemnified projects is available and monetary damages or other costs or losses are determined to be probable, we recognize such guaranteed losses.

- In the ordinary course of business, we enter into various agreements as part of certain unconsolidated subsidiaries, joint ventures, and other jointly executed contracts where we are jointly and severally liable. We enter into these agreements primarily to support the project execution commitments of these entities. The potential payment amount of an outstanding performance guarantee is typically the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts. However, we are not able to estimate other amounts that may be required to be paid in excess of estimated costs to complete contracts and, accordingly, the total potential payment amount under our outstanding performance guarantees cannot be estimated. For cost-plus contracts, amounts that may become payable pursuant to guarantee provisions are normally recoverable from the client for work performed under the contract. For lump sum or fixed-price contracts, this amount is the cost to complete the contracted work less amounts remaining to be billed to the client under the contract. Remaining billable amounts could be greater or less than the cost to complete. In those cases where costs exceed the remaining amounts payable under the contract, we may have recourse to third parties, such as owners, co-venturers, subcontractors or vendors, for claims.

- In the ordinary course of business, our clients may request that we obtain surety bonds in connection with contract performance obligations that are not required to be recorded in our consolidated balance sheets. We are obligated to reimburse the issuer of our surety bonds for any payments made thereunder. Each of our commitments under performance bonds generally ends concurrently with the expiration of our related contractual obligation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions in the application of certain accounting policies that affect amounts reported in our consolidated financial statements and accompanying footnotes included in Item 8 of this report. In order to understand better the changes that may occur to our financial condition, results of operations and cash flows, readers should be aware of the critical accounting policies we apply and estimates we use in preparing our consolidated financial statements. Although such estimates and assumptions are based on management's best knowledge of current events and actions we may undertake in the future, actual results could differ materially from those estimates.

Our significant accounting policies are described in the "Notes to Consolidated Financial Statements" included in Item 8. Highlighted below are the accounting policies that management considers most critical to investors' understanding of our financial results and condition, and that require complex judgments by management.

Revenue Recognition and Contract Costs

To determine the proper revenue recognition method for contracts under ASC 606, we evaluate whether multiple contracts should be combined and accounted for as a single contract and whether the combined or single contract should be accounted for as having more than one performance obligation. The decision to combine a group of contracts or separate a combined or single contract into multiple performance obligations may impact the amount of revenue recorded in a given period. Contracts are considered to have a single performance obligation if the promises are not separately identifiable from other promises in the contracts.

At contract inception, we assess the goods or services promised in a contract and identify, as a separate performance obligation, each distinct promise to transfer goods or services to the customer. The identified performance obligations represent the “unit of account” for purposes of determining revenue recognition. In order to properly identify separate performance obligations, we apply judgment in determining whether each good or service provided is: (a) capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, and (b) distinct within the context of the contract, whereby the transfer of the good or service to the customer is separately identifiable from other promises in the contract.

Contracts are often modified to account for changes in contract specifications and requirements. We consider contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of our contract modifications are for goods or services that are not distinct from existing contracts due to the significant integration provided or significant interdependencies in the context of the contract and are accounted for as if they were part of the original contract. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

We account for contract modifications as a separate contract when the modification results in the promise to deliver additional goods or services that are distinct and the increase in price of the contract is for the same amount as the stand-alone selling price of the additional goods or services included in the modification.

The transaction price represents the amount of consideration to which we expect to be entitled in exchange for transferring promised goods or services to our customers. The consideration promised within a contract may include fixed amounts, variable amounts, or both. The nature of our contracts gives rise to several types of variable consideration, including claims, award fee incentives, fiscal funding clauses, and liquidated damages. We recognize revenue for variable consideration when it is probable that a significant reversal in the amount of cumulative revenue recognized for the contract will not occur. We estimate the amount of revenue to be recognized on variable consideration using either the expected value or the most likely amount method, whichever is expected to better predict the amount of consideration to be received. Project mobilization costs are generally charged to project costs as incurred when they are an integrated part of the performance obligation being transferred to the client.

Claims are amounts in excess of agreed contract prices that we seek to collect from our clients or other third parties for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. Factors considered in determining whether revenue associated with claims (including change orders in dispute and unapproved change orders in regard to both scope and price) should be recognized include the following: (a) the contract or other evidence provides a legal basis for the claim, (b) additional costs were caused by circumstances that were unforeseen at the contract date and not the result of deficiencies in our performance, (c) claim-related costs are identifiable and considered reasonable in view of the work performed, and (d) evidence supporting the claim is objective and verifiable. This can lead to a situation in which costs are recognized in one period and revenue is recognized in a subsequent period when a client agreement is obtained, or a claims resolution occurs. In some cases, contract retentions are withheld by clients until certain conditions are met or the project is completed, which may be several months or years. In these cases, we have not identified a significant financing component under ASC 606 as the timing difference in payment compared to delivery of obligations under the contract is not for purposes of financing.

For contracts with multiple performance obligations, we allocate the transaction price to each performance obligation using a best estimate of the standalone selling price of each distinct good or service in the contract. The standalone selling price is typically determined using the estimated cost of the contract plus a margin approach. For contracts containing variable consideration, we allocate the variability to a specific performance obligation within the contract if such variability relates specifically to our efforts to satisfy the performance obligation or transfer the distinct good or service, and the allocation depicts the amount of consideration to which we expect to be entitled.

We recognize revenue over time as the related performance obligation is satisfied by transferring control of a promised good or service to our customers. Progress toward complete satisfaction of the performance obligation is primarily measured using a cost-to-cost measure of progress method. The cost input is based primarily on contract cost incurred to date compared to total estimated contract cost. This measure includes forecasts based on the best information available and reflects our judgment to faithfully depict the value of the services transferred to the customer. For certain on-call engineering or consulting and similar contracts, we recognize revenue in the amount which we have the right to invoice the customer if that amount corresponds directly with the value of our performance completed to date.

Due to uncertainties inherent in the estimation process, it is possible that estimates of costs to complete a performance obligation will be revised in the near-term. For those performance obligations for which revenue is recognized using a cost-to-cost measure of progress method, changes in total estimated costs, and related progress towards complete satisfaction of the performance obligation, are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. When the current estimate of total costs indicates a loss, a provision for the entire estimated loss on the contract is made in the period in which the loss becomes evident.

Contract Types

Our services are performed under three principal types of contracts: fixed-price, time-and-materials and cost-plus. Customer payments on contracts are typically due within 60 days of billing, depending on the contract.

Fixed-Price. Under fixed-price contracts, clients pay us an agreed fixed-amount negotiated in advance for a specified scope of work.

Time-and-Materials. Under time-and-materials contracts, we negotiate hourly billing rates and charge our clients based on the actual time that we spend on a project. In addition, clients reimburse us for our actual out-of-pocket costs for materials and other direct incidental expenditures that we incur in connection with our performance under the contract. Most of our time-and-material contracts are subject to maximum contract values, and also may include annual billing rate adjustment provisions.

Cost-Plus. Under cost-plus contracts, we are reimbursed for allowed or otherwise defined costs incurred plus a negotiated fee. The contracts may also include incentives for various performance criteria, including quality, timeliness, ingenuity, safety and cost-effectiveness. In addition, our costs are generally subject to review by our clients and regulatory audit agencies, and such reviews could result in costs being disputed as non-reimbursable under the terms of the contract.

Insurance Matters, Litigation and Contingencies

In the normal course of business, we are subject to certain contractual guarantees and litigation. Generally, such guarantees relate to project schedules and performance. Most of the litigation involves us as a defendant in contractual disagreements, workers' compensation, personal injury and other similar lawsuits. We maintain insurance coverage for various aspects of our business and operations. However, we have elected to retain a portion of losses that may occur through the use of various deductibles, limits and retentions under our insurance programs. This practice may subject us to some future liability for which we are only partially insured or are completely uninsured.

We record in our consolidated balance sheets amounts representing our estimated liability for self-insurance claims. We utilize actuarial analyses to assist in determining the level of accrued liabilities to establish for our employee medical and workers' compensation self-insurance claims that are known and have been asserted against us, as well as for self-insurance claims that are believed to have been incurred based on actuarial analyses but have not yet been reported to our claims administrators at the balance sheet date. We include any adjustments to such insurance reserves in our consolidated statements of income.

Except as described in Note 17, "Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" included in Item 8, we do not have any litigation or other contingencies that have had, or are currently anticipated to have, a material impact on our results of operations or financial position. As additional information about current or future litigation or other contingencies becomes available, management will assess whether such information warrants the recording of additional expenses relating to those contingencies. Such additional expenses could potentially have a material impact on our results of operations and financial position.

Goodwill and Intangibles

The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires us to make estimates and use valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. Goodwill typically represents the value paid for the assembled workforce and enhancement of our service offerings.

Identifiable intangible assets include backlog, non-compete agreements, client relations, trade names, patents and other assets. The costs of these intangible assets are amortized over their contractual or economic lives, which range from one to ten years. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

We perform our annual goodwill impairment review at the beginning of our fiscal fourth quarter. In addition, we regularly evaluate whether events and circumstances have occurred that may indicate a potential change in recoverability of goodwill. We perform interim goodwill impairment reviews between our annual reviews if certain events and circumstances have occurred, including a deterioration in general economic conditions, an increased competitive environment, a change in management, key personnel, strategy or customers, negative or declining cash flows, or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods (see Note 6, "Goodwill and Intangible Assets" of the "Notes to Consolidated Financial Statements" in Item 8 for further discussion).

We believe the methodology that we use to review impairment of goodwill, which includes a significant amount of judgment and estimates, provides us with a reasonable basis to determine whether impairment has occurred. However, many of the factors employed in determining whether our goodwill is impaired are outside of our control and it is reasonably likely that assumptions and estimates will change in future periods. These changes could result in future impairments.

The goodwill impairment review involves the determination of the fair value of our reporting units, which for us are the components one level below our reportable segments. This process requires us to make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations as well as the interpretation of current economic indicators and market valuations. Furthermore, the development of the present value of future cash flow projections includes assumptions and estimates derived from a review of our expected revenue growth rates, operating profit margins, business plans, discount rates, and terminal growth rates. We also make certain assumptions about future market conditions, market prices, interest rates and changes in business strategies. Changes in assumptions or estimates could materially affect the determination of the fair value of a reporting unit. This could eliminate the excess of fair value over carrying value of a reporting unit entirely and, in some cases, result in impairment. Such changes in assumptions could be caused by a loss of one or more significant contracts, reductions in government or commercial client spending, or a decline in the demand for our services due to changing economic conditions. In the event that we determine that our goodwill is impaired, we would be required to record a non-cash charge that could result in a material adverse effect on our results of operations or financial position.

We use two methods to determine the fair value of our reporting units: (i) the Income Approach and (ii) the Market Approach. While each of these approaches is initially considered in the valuation of the business enterprises, the nature and characteristics of the reporting units indicate which approach is most applicable. The Income Approach utilizes the discounted cash flow method, which focuses on the expected cash flow of the reporting unit. In applying this approach, the cash flow available for distribution is calculated for a finite period of years. Cash flow available for distribution is defined, for purposes of this analysis, as the amount of cash that could be distributed as a dividend without impairing the future profitability or operations of the reporting unit. The cash flow available for distribution and the terminal value (the value of the reporting unit at the end of the estimation period) are then discounted to present value to derive an indication of the value of the business enterprise. The Market Approach is comprised of the guideline company method and the similar transactions method. The guideline company method focuses on comparing the reporting unit to select reasonably similar (or "guideline") publicly traded companies. Under this method, valuation multiples are (i) derived from the operating data of selected guideline companies; (ii) evaluated and adjusted based on the strengths and weaknesses of the reporting units relative to the selected guideline companies; and (iii) applied to the operating data of the reporting unit to arrive at an indication of value. In the similar transactions method, consideration is given to prices paid in recent transactions that have occurred in the reporting unit's industry or in related industries. For our annual impairment analysis, we weighted the Income Approach and the Market Approach at 70% and 30%, respectively. The Income Approach was given a higher weight because it has the most direct correlation to the specific economics of the reporting unit, as compared to the Market Approach, which is based on multiples of broad-based (i.e., less comparable) companies. Our last review at June 28, 2021 (i.e. the first day of our fourth quarter in fiscal 2021), indicated that we had no impairment of goodwill, and all of our reporting units had estimated fair values that were in excess of their carrying values, including goodwill. We had no reporting units that had estimated fair values that exceeded their carrying values by less than 150%.

On September 2, 2020, Australia announced that it had fallen into economic recession, defined as two consecutive quarters of negative growth, for the first time since 1991 including 7% negative growth in the quarter ending in June 2020. This prompted a strategic review of our ASP reporting unit, which is in our CIG reportable segment. As a result of the economic recession in Australia, our revenue growth and profit margin forecasts for the ASP reporting unit declined from the previous forecast used for our annual goodwill impairment review as of June 29, 2020. We also performed an interim goodwill impairment review of our ASP reporting unit in September 2020 and recorded a $15.8 million goodwill impairment charge. The impaired goodwill related to our acquisitions of Coffey and NDY. As a result of the impairment charge, the estimated fair value of our ASP reporting unit equals its carrying value of $144.9 million, including $95.5 million of goodwill, at September 27, 2020. On September 28, 2020 (the first day of our fiscal 2021), we merged our former ASP reporting unit into our Client Account Management reporting unit.

During the fourth quarter of fiscal 2019, we performed an interim goodwill impairment review of our RFS reporting unit and recorded a $7.8 million goodwill impairment charge. As a result of the impairment charge, the estimated fair value of the RFS reporting unit equaled its carrying value of $61 million at September 29, 2019, including the remaining $48.8 million of goodwill.

Contingent Consideration

Certain of our acquisition agreements include contingent earn-out arrangements, which are generally based on the achievement of future operating income thresholds. The contingent earn-out arrangements are based upon our valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved.

The fair values of these earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability in "Estimated contingent earn-out liabilities" and "Long-term estimated contingent earn-out liabilities" on the consolidated balance sheets. We consider several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former shareholders of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of our other key employees. The contingent earn-out payments are not affected by employment termination.

We measure our contingent earn-out liabilities at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy (See Note 2, "Basis of Presentation and Preparation – Fair Value of Financial Instruments" of the "Notes to Consolidated Financial Statements" included in Item 8). We use a probability weighted discounted income approach as a valuation technique to convert future estimated cash flows to a single present value amount. The significant unobservable inputs used in the fair value measurements are operating income projections over the earn-out period (generally two or three years), and the probability outcome percentages we assign to each scenario. Significant increases or decreases to either of these inputs in isolation would result in a significantly higher or lower liability with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the liability on the acquisition date is reflected as cash used in financing activities in our consolidated statements of cash flows. Any amount paid in excess of the liability on the acquisition date is reflected as cash used in operating activities in our consolidated statements of cash flows.

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. Changes in the estimated fair value of our contingent earn-out liabilities related to the time component of the present value calculation are reported in interest expense. Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in operating income.

Income Taxes

We file a consolidated U.S. federal income tax return. In addition, we file other returns that are required in the states, foreign jurisdictions and other jurisdictions in which we do business. We account for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are computed for the differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to reverse. In determining the need for a valuation allowance on deferred tax assets, management reviews both positive and negative evidence, including current and historical results of operations, future income projections and potential tax planning strategies. Based on our assessment, we have concluded that a portion of the deferred tax assets at October 3, 2021, primarily loss carryforwards, will not be realized, and we have reserved accordingly.

According to the authoritative guidance on accounting for uncertainty in income taxes, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. For more information related to our unrecognized tax benefits, see Note 8, "Income Taxes" of the "Notes to Consolidated Financial Statements" included in Item 8.

RECENT ACCOUNTING PRONOUNCEMENTS

For a discussion of recent accounting standards and the effect they could have on the consolidated financial statements, see Note 2, "Basis of Presentation and Preparation" of the "Notes to Consolidated Financial Statements" included in Item 8.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We do not enter into derivative financial instruments for trading or speculation purposes. In the normal course of business, we have exposure to both interest rate risk and foreign currency transaction and translation risk, primarily related to the Canadian and Australian dollar, and British Pound.

We are exposed to interest rate risk under our Amended Credit Agreement. We can borrow, at our option, under both the Amended Term Loan Facility and Amended Revolving Credit Facility. We may borrow on the Amended Revolving Credit Facility, at our option, at either (a) a Eurocurrency rate plus a margin that ranges from 1.00% to 1.75% per annum, or (b) a base rate for loans in U.S. dollars (the highest of the U.S. federal funds rate plus 0.50% per annum, the bank’s prime rate or the Eurocurrency rate plus 1.00%) plus a margin that ranges from 0% to 0.75% per annum. Borrowings at the base rate have no designated term and may be repaid without penalty any time prior to the Facility’s maturity date. Borrowings at a Eurodollar rate have a term no less than 30 days and no greater than 180 days and may be prepaid without penalty. Typically, at the end of such term, such borrowings may be rolled over at our discretion into either a borrowing at the base rate or a borrowing at a Eurodollar rate with similar terms, not to exceed the maturity date of the Facility. The Facility matures on July 30, 2023. At October 3, 2021, we had $212.5 million in outstanding borrowings under the Amended Credit Agreement, which was comprised of $212.5 million under the Amended Term Loan Facility and no borrowings outstanding under the Amended Revolving Credit Facility. The weighted-average interest rate of the outstanding borrowings during fiscal 2021 was 1.25%.

In August 2018, we entered into five interest rate swap agreements with five banks to fix the variable interest rate on $250 million of our Amended Term Loan Facility. The objective of these interest rate swaps was to eliminate the variability of our cash flows on the amount of interest expense we pay under our Credit Agreement. As of October 3, 2021, the notional principal of our outstanding interest swap agreements was $212.5 million ($42.5 million each.) Our year-to-date average effective interest rate on borrowings outstanding under the Credit Agreement, including the effects of interest rate swap agreements, at October 3, 2021, was 3.30%. For more information, see Note 14, “Derivative Financial Instruments” of the “Notes to Consolidated Financial Statements” in Item 8.

Most of our transactions are in U.S. dollars; however, some of our subsidiaries conduct business in foreign currencies, primarily the Canadian and Australian dollar, and British Pound. Therefore, we are subject to currency exposure and volatility because of currency fluctuations. We attempt to minimize our exposure to these fluctuations by matching revenue and expenses in the same currency for our contracts. We reported $1.4 million and $1.3 million of foreign currency losses in fiscal 2021 and 2020, respectively in “Selling, general and administrative expenses” on our consolidated statements of income.

We have foreign currency exchange rate exposure in our results of operations and equity primarily because of the currency translation related to our foreign subsidiaries where the local currency is the functional currency. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency denominated transactions will result in reduced revenue, operating expenses, assets and liabilities. Similarly, our revenue, operating expenses, assets and liabilities will increase if the U.S. dollar weakens against foreign currencies. For fiscal 2021 and 2020, 29.8% and 29.6% of our consolidated revenue, respectively, was generated by our international business. For fiscal 2021, the effect of foreign exchange rate translation on the consolidated balance sheets was an increase in equity of $30.6 million compared to an increase in equity of $3.4 million in fiscal 2020. These amounts were recognized as an adjustment to equity through other comprehensive income.

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Tetra Tech, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Tetra Tech, Inc. and its subsidiaries (the "Company") as of October 3, 2021 and September 27, 2020, and the related consolidated statements of income, of comprehensive income, of equity and of cash flows for each of the three years in the period ended October 3, 2021, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of October 3, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 3, 2021 and September 27, 2020, and the results of its operations and its cash flows for each of the three years in the period ended October 3, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 3, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 10 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in fiscal 2020.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting 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 the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Hoare Lea, LLP and Subsidiaries ("HLE") from its assessment of internal control over financial reporting as of October 3, 2021, because it was acquired by the Company in a purchase business combination during 2021. We have also excluded HLE from our audit of internal control over financial reporting. HLE is a wholly-owned subsidiary whose total assets and total revenue excluded from management's assessment and our audit of internal control over financial reporting represent approximately 2% and less than 1%, respectively, of the related consolidated financial statement amounts as of and for the fiscal year ended October 3, 2021.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

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

Revenue Recognition - Determination of Total Estimated Contract Cost for Fixed-price Contracts

As described in Note 3 to the consolidated financial statements, $1.2 billion of the Company's total revenues for the year ended October 3, 2021 was generated from fixed-price contracts. As disclosed by management, under fixed-price contracts, the Company's clients pay an agreed fixed-amount negotiated in advance for a specified scope of work. Revenue is recognized over time as the related performance obligation is satisfied by transferring control of a promised good or service to the Company's customers. Progress toward complete satisfaction of the performance obligation is primarily measured using a cost-to-cost measure of progress method. The cost input is based primarily on contract cost incurred to date compared to total estimated contract cost. This measure includes forecasts based on the best information available and reflects management's judgement to faithfully depict the value of the services transferred to the customer. Due to uncertainties inherent in the estimation process, it is possible that estimates of costs to complete a performance obligation will be revised in the near-term. For those performance obligations for which revenue is recognized using a cost-to-cost measure of progress method, changes in total estimated costs, and related progress towards complete satisfaction of the performance obligation, are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. As a result, the Company recognized net favorable operating income adjustments of $0.7 million for the year ended October 3, 2021, exclusive of the amounts related to claims described below. Changes in revenue and cost estimates could also result in a projected loss, determined at the contract level, which would be recorded immediately in earnings. The anticipated losses and estimated cost to complete the related contracts was $12.7 million and approximately $104 million, respectively, as of October 3, 2021. Claims are amounts in excess of agreed contract prices that the Company seeks to collect from clients or other third parties. Claims were approximately $11 million as of October 3, 2021.

The principal considerations for our determination that performing procedures relating to revenue recognition - determination of total estimated contract cost for fixed-price contracts is a critical audit matter are the significant amount of judgment required by management in determining the total estimated contract cost for fixed-price contracts which, in turn, led to a high degree of auditor judgment, subjectivity, and audit effort in performing procedures and in evaluating the audit evidence obtained related to the total estimated contract costs for fixed-price contracts with cumulative catch-up adjustments, anticipated losses or claims.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the determination of total estimated contract cost for fixed-price contracts. These procedures also included, among others, (i) evaluating and testing management's process for determining the total estimated contract cost for a sample of contracts with cumulative catch-up adjustments, anticipated losses or claims, which included evaluating the contract terms and other documents that support those estimates, and testing of underlying contract costs; (ii) assessing management's ability to reasonably estimate total contract costs by performing a comparison of the total estimated contract cost as compared with prior period estimates, including evaluating the timely identification of circumstances that may warrant a modification to the total estimated contract cost; and (iii) evaluating, for certain contracts, management's methodologies and assessing the consistency of management's approach over the life of the contract.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
November 24, 2021

We have served as the Company's auditor since 2004.

Tetra Tech, Inc.
Consolidated Balance Sheets
(in thousands, except par value)

ASSETS	**October 3, 2021**	**September 27, 2020**
Current assets:		
Cash and cash equivalents	$ 166,568	$ 157,515
Accounts receivable, net	668,998	649,035
Contract assets	103,784	92,632
Prepaid expenses and other current assets	112,338	81,094
Income taxes receivable	14,260	19,509
Total current assets	1,065,948	999,785
Property and equipment, net	37,733	35,507
Right-of-use assets, operating leases	215,422	239,396
Investments in unconsolidated joint ventures	3,282	7,332
Goodwill	1,108,578	993,498
Intangible assets, net	37,990	13,943
Deferred tax assets	54,413	32,052
Other long-term assets	53,196	57,045
Total assets	$ 2,576,562	$ 2,378,558
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 128,767	$ 111,804
Accrued compensation	206,322	199,801
Contract liabilities	190,403	171,905
Short-term lease liabilities, operating leases	67,452	69,650
Current portion of long-term debt and other short-term borrowings	12,504	49,264
Current contingent earn-out liabilities	19,520	16,142
Other current liabilities	223,515	174,890
Total current liabilities	848,483	793,456
Deferred tax liabilities	10,563	16,316
Long-term debt	200,000	242,395
Long-term lease liabilities, operating leases	174,285	191,955
Long-term contingent earn-out liabilities	39,777	16,475
Other long-term liabilities	69,163	80,588
Commitments and contingencies (Note 17)		
Equity:		
Preferred stock – Authorized, 2,000 shares of $0.01 par value; no shares issued and outstanding at October 3, 2021 and September 27, 2020	—	—
Common stock – Authorized, 150,000 shares of $0.01 par value; issued and outstanding, 53,981 and 53,797 shares at October 3, 2021 and September 27, 2020, respectively	540	538
Accumulated other comprehensive loss	(125,028)	(161,786)
Retained earnings	1,358,726	1,198,567
Tetra Tech stockholders' equity	1,234,238	1,037,319
Noncontrolling interests	53	54
Total stockholders' equity	1,234,291	1,037,373
Total liabilities and stockholders' equity	$ 2,576,562	$ 2,378,558

See accompanying Notes to Consolidated Financial Statements.

Tetra Tech, Inc.
Consolidated Statements of Income
(in thousands, except per share data)

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
Revenue	$ 3,213,513	$ 2,994,891	$ 3,107,348
Subcontractor costs	(661,341)	(646,319)	(717,711)
Other costs of revenue	(2,053,772)	(1,902,037)	(1,981,454)
Gross profit	498,400	446,535	408,183
Selling, general and administrative expenses	(222,972)	(204,615)	(200,230)
Acquisition and integration expenses	—	—	(10,351)
Contingent consideration – fair value adjustments	3,273	14,971	(1,085)
Impairment of goodwill	—	(15,800)	(7,755)
Income from operations	278,701	241,091	188,762
Interest income	917	1,375	1,732
Interest expense	(12,748)	(14,475)	(15,358)
Income before income tax expense	266,870	227,991	175,136
Income tax expense	(34,039)	(54,101)	(16,375)
Net income	232,831	173,890	158,761
Net income attributable to noncontrolling interests	(21)	(31)	(93)
Net income attributable to Tetra Tech	$ 232,810	$ 173,859	$ 158,668
Earnings per share attributable to Tetra Tech:			
Basic	$ 4.31	$ 3.21	$ 2.89
Diluted	$ 4.26	$ 3.16	$ 2.84
Weighted-average common shares outstanding:			
Basic	54,078	54,235	54,986
Diluted	54,675	55,022	55,936

See accompanying Notes to Consolidated Financial Statements.

Tetra Tech, Inc.
Consolidated Statements of Comprehensive Income
(in thousands)

	Fiscal Year Ended		
	October 3, 2021	**September 27, 2020**	**September 29, 2019**
Net income	$ 232,831	$ 173,890	$ 158,761
Other comprehensive income, net of tax			
Foreign currency translation adjustments, net of tax	30,644	3,435	(20,866)
Gain (loss) on cash flow hedge valuations, net of tax	6,117	(4,638)	(12,125)
Other comprehensive income (loss), net of tax	36,761	(1,203)	(32,991)
Comprehensive income, net of tax	$ 269,592	$ 172,687	$ 125,770
Comprehensive income attributable to noncontrolling interests, net of tax	24	30	336
Comprehensive income attributable to Tetra Tech, net of tax	$ 269,568	$ 172,657	$ 125,434

See accompanying Notes to Consolidated Financial Statements.

Tetra Tech, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
Cash flows from operating activities:			
Net income	$ 232,831	$ 173,890	$ 158,761
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,805	24,611	28,844
Equity in income of unconsolidated joint ventures	(4,990)	(6,605)	(4,073)
Distributions of earnings from unconsolidated joint ventures	4,604	6,310	4,048
Amortization of stock-based awards	23,067	19,424	17,618
Deferred income taxes	(38,494)	565	(37,615)
Provision for losses on accounts receivables	(4,130)	1,267	16,964
Impairment of goodwill	—	15,800	7,755
Fair value adjustments to contingent consideration	(3,273)	(14,971)	1,085
Gain on sale of property and equipment	(110)	(11,066)	(232)
Changes in operating assets and liabilities, net of effects of business acquisitions:			
Accounts receivable and contract assets	17,431	154,748	(10,226)
Prepaid expenses and other assets	(582)	(11,321)	2,568
Accounts payable	13,551	(102,162)	39,011
Accrued compensation	5,425	(8,173)	18,359
Contract liabilities	13,407	5,894	(6,039)
Other liabilities	8,740	19,460	(16,929)
Income taxes receivable/payable	13,090	(5,192)	(11,386)
Net cash provided by operating activities	304,372	262,479	208,513
Cash flows from investing activities:			
Payments for business acquisitions, net of cash acquired	(84,911)	(68,488)	(84,159)
Capital expenditures	(8,573)	(12,245)	(16,198)
Proceeds from sale of property and equipment	492	17,710	651
Net cash used in investing activities	(92,992)	(63,023)	(99,706)
Cash flows from financing activities:			
Proceeds from borrowings	370,222	308,364	417,262
Repayments on long-term debt	(414,308)	(331,066)	(415,491)
Repurchases of common stock	(60,000)	(117,188)	(100,000)
Taxes paid on vested restricted stock	(17,630)	(11,166)	(6,893)
Payments of contingent earn-out liabilities	(20,251)	(22,900)	(12,018)
Stock options exercised	11,250	10,334	11,751
Net change in overdrafts	(36,627)	36,627	—
Dividends paid	(40,041)	(34,743)	(29,674)
Principal payments on finance leases	(2,714)	(1,311)	—
Net cash used in financing activities	(210,099)	(163,049)	(135,063)
Effect of exchange rate changes on cash and cash equivalents	7,772	207	(1,727)
Net increase (decrease) in cash and cash equivalents	9,053	36,614	(27,983)
Cash and cash equivalents at beginning of year	157,515	120,901	148,884
Cash and cash equivalents at end of year	$ 166,568	$ 157,515	$ 120,901
Supplemental information:			
Cash paid during the year for:			
Interest	$ 10,330	$ 13,256	$ 12,310
Income taxes, net of refunds received of $2.1 million, $1.4 million and $5.2 million	$ 59,111	$ 55,039	$ 66,038

See accompanying Notes to Consolidated Financial Statements.

Tetra Tech, Inc.
Consolidated Statements of Equity
Fiscal Years Ended September 29, 2019, September 27, 2020, and October 3, 2021
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Tetra Tech Equity	Non-Controlling Interests	Total Equity
	Shares	Amount						
BALANCE AT SEPTEMBER 30, 2018	55,349	$ 553	$ 148,803	$ (127,350)	$ 944,965	$ 966,971	$ 129	$ 967,100
Comprehensive income, net of tax:								
Net income					158,668	158,668	93	158,761
Foreign currency translation adjustments				(21,109)		(21,109)	243	(20,866)
Gain on cash flow hedge valuations				(12,125)		(12,125)		(12,125)
Comprehensive income, net of tax						125,434	336	125,770
Distributions paid to noncontrolling interests							(287)	(287)
Cash dividends of $0.54 per common share					(29,674)	(29,674)		(29,674)
Stock-based compensation			17,618			17,618		17,618
Restricted & performance shares released	183	2	(6,895)			(6,893)		(6,893)
Stock options exercised	448	5	11,746			11,751		11,751
Shares issued for Employee Stock Purchase Plan	148	2	6,844			6,846		6,846
Stock repurchases	(1,563)	(16)	(99,984)			(100,000)		(100,000)
Cumulative effect of accounting changes					(2,767)	(2,767)		(2,767)
BALANCE AT SEPTEMBER 29, 2019	54,565	546	78,132	(160,584)	1,071,192	989,286	178	989,464
Comprehensive income, net of tax:								
Net income					173,859	173,859	31	173,890
Foreign currency translation adjustments				3,436		3,436	(1)	3,435
Loss on cash flow hedge valuations				(4,638)		(4,638)		(4,638)
Comprehensive income, net of tax						172,657	30	172,687
Distributions paid to noncontrolling interests							(154)	(154)
Cash dividends of $0.64 per common share					(34,743)	(34,743)		(34,743)
Stock-based compensation			19,424			19,424		19,424
Restricted & performance shares released	212	2	(11,168)			(11,166)		(11,166)
Stock options exercised	361	4	10,330			10,334		10,334
Shares issued for Employee Stock Purchase Plan	168	1	8,714			8,715		8,715
Stock repurchases	(1,509)	(15)	(105,432)		(11,741)	(117,188)		(117,188)

Tetra Tech, Inc.
Consolidated Statements of Equity
Fiscal Years Ended September 29, 2019, September 27, 2020, and October 3, 2021
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Tetra Tech Equity	Non-Controlling Interests	Total Equity
	Shares	Amount						
BALANCE AT SEPTEMBER 27, 2020	53,797	538	—	(161,786)	1,198,567	1,037,319	54	1,037,373
Comprehensive income, net of tax:								
Net income					232,810	232,810	21	232,831
Foreign currency translation adjustments				30,641		30,641	3	30,644
Gain on cash flow hedge valuations				6,117		6,117		6,117
Comprehensive income, net of tax						269,568	24	269,592
Distributions paid to noncontrolling interests							(25)	(25)
Cash dividends of $0.74 per common share					(40,041)	(40,041)		(40,041)
Stock-based compensation			23,067			23,067		23,067
Restricted & performance shares released	215	3	(17,633)			(17,630)		(17,630)
Stock options exercised	324	3	11,247			11,250		11,250
Shares issued for Employee Stock Purchase Plan	124	1	10,704			10,705		10,705
Stock repurchases	(479)	(5)	(27,385)		(32,610)	(60,000)		(60,000)
BALANCE AT OCTOBER 3, 2021	53,981	$ 540	$ —	$ (125,028)	$ 1,358,726	$ 1,234,238	$ 53	$ 1,234,291

See accompanying Notes to Consolidated Financial Statements.

Tetra Tech, Inc.

Notes to Consolidated Financial Statements

1. Description of Business

We are a leading global provider of consulting and engineering services that focuses on water, environment, sustainable infrastructure, renewable energy, and international development. We are a global company that is *Leading with Science®* to provide innovative solutions for our public and private clients. We typically begin at the earliest stage of a project by identifying technical solutions and developing execution plans tailored to our clients' needs and resources. Our solutions may span the entire life cycle of consulting and engineering projects and include applied science, data analysis, research, engineering, design, project management, and operations and maintenance.

We manage our business under two reportable segments. Our Government Services Group ("GSG") reportable segment primarily includes activities with U.S. government clients (federal, state and local) and all activities with development agencies worldwide. Our Commercial/International Services Group ("CIG") reportable segment primarily includes activities with U.S. commercial clients and international clients other than development agencies. We continue to report the historical results of the wind-down of our non-core construction activities in the Remediation and Construction Management ("RCM") reportable segment.

2. Basis of Presentation and Preparation

Principles of Consolidation and Presentation. The consolidated financial statements include our accounts and those of joint ventures of which we are the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year. We report results of operations based on 52/53-week periods ending on the Sunday nearest September 30. Fiscal 2021 contained 53 weeks, and fiscal 2020 and 2019 each contained 52 weeks.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires us to make estimates and assumptions. These estimates and assumptions affect the amounts reported in our consolidated financial statements and accompanying notes. Although such estimates and assumptions are based on management's best knowledge of current events and actions we may take in the future, actual results could differ materially from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents include highly liquid investments with original maturities of 90 days or less. We classify cash and cash equivalents as restricted when we are unable to freely use such cash and cash equivalents for our general operating purposes. Restricted cash balances are reported within our "Prepaid expenses and other current assets" on the consolidated balance sheets. Occasionally, we have book overdrafts which represent checks issued in excess of funds on deposit in our bank accounts that have not yet been paid by the applicable bank at the balance sheet date. Bank overdrafts occur when a bank honors disbursements in excess of funds on deposit in our bank accounts. We classify book and bank overdrafts as short-term borrowings on our consolidated balance sheets, and report the change in overdrafts as a financing activity in our consolidated statements of cash flows.

Insurance Matters, Litigation and Contingencies. In the normal course of business, we are subject to certain contractual guarantees and litigation. In addition, we maintain insurance coverage for various aspects of our business and operations. We record in our consolidated balance sheets amounts representing our estimated liability for these legal and insurance obligations. Any adjustments to these liabilities are recorded in our consolidated statements of income.

Accounts Receivable – Net. Net accounts receivable consists of billed and unbilled accounts receivable, and allowances for doubtful accounts. Billed accounts receivable represent amounts billed to clients that have not been collected. Unbilled accounts receivable, which represent an unconditional right to payment subject only to the passage of time, include unbilled amounts typically resulting from revenue recognized but not yet billed pursuant to contract terms or billed after the period end date. Most of our unbilled receivables at October 3, 2021 are expected to be billed and collected within 12 months. Unbilled accounts receivable also include amounts related to requests for equitable adjustment to contracts that provide for price redetermination. These amounts are recorded only when they can be reliably estimated and realization is probable. The allowance for doubtful accounts represents amounts that are expected to become uncollectible or unrealizable in the future. We determine an estimated allowance for uncollectible accounts based on management's consideration of trends in the actual and forecasted credit quality of our clients, including delinquency and payment history; type of client, such as a government agency or a commercial sector client; and general economic and industry conditions, including the potential impacts of the coronavirus disease 2019 ("COVID-19") pandemic, that may affect our clients' ability to pay.

Contract Assets and Contract Liabilities. Contract assets represent revenue recognized in excess of the amounts for which we have the contractual right to bill our customers. Contract retentions, included in contract assets, represent amounts withheld by clients until certain conditions are met or the project is completed, which may extend beyond one year. Contract liabilities represent the amount of cash collected from clients and billings to clients on contracts in advance of work performed and revenue recognized. The majority of these amounts are expected be earned within 12 months and are classified as current liabilities.

Prepaid and other current assets. Prepaid assets consist primarily of payments for insurance and software costs and are amortized over the estimated period of benefit. Other current assets include primarily sales/services and use tax receivables from our U.S and foreign operations.

Property and Equipment. Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from our consolidated balance sheets and any resulting gain or loss is reflected in our consolidated statements of income. Expenditures for maintenance and repairs are expensed as incurred. Generally, estimated useful lives range from three to seven years for equipment, furniture and fixtures. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the lease term. Assets held for sale are measured at the lower of carrying amount (i.e., net book value) and fair value less cost to sell, and are reported within "Prepaid expenses and other current assets" on our consolidated balance sheets. Once assets are classified as held for sale, they are no longer depreciated.

Long-Lived Assets. We evaluate the recoverability of our long-lived assets when the facts and circumstances suggest that the assets may be impaired. This assessment is performed based on the estimated undiscounted cash flows compared to the carrying value of the assets. If the future cash flows (undiscounted and without interest charges) are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

Leases. We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, and current and long-term operating lease liabilities in the consolidated balance sheets. Our finance leases are reported in "Other long-term assets", "Other current liabilities", and "Other long-term liabilities" on our consolidated balance sheet.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, incremental borrowing rates are used based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset at the commencement date also includes any lease payments made to the lessor at or before the commencement date and initial direct costs less lease incentives received. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

We recognize a liability for contract termination costs associated with an exit activity for costs that will continue to be incurred under a lease for its remaining term without economic benefit to us, initially measured at its fair value at the cease-use date. The fair value is determined based on the remaining lease rentals, adjusted for the effects of any prepaid or deferred items recognized under the lease, and reduced by estimated sublease rentals.

Business Combinations. The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed based on their fair values at the date of acquisition. The determination of fair values of these assets and liabilities requires us to make estimates and use valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. Goodwill typically represents the value paid for the assembled workforce and enhancement of our service offerings. Transaction costs associated with business combinations are expensed as incurred.

Goodwill and Intangible Assets. Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business acquisition. Following an acquisition, we perform an analysis to value the acquired company's tangible and identifiable intangible assets and liabilities. With respect to identifiable intangible assets, we consider backlog, non-compete agreements, client relations, trade names, patents and other assets. We amortize our intangible assets based on the period over which the contractual or economic benefits of the intangible assets are expected to be realized. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

We test our goodwill for impairment on an annual basis, and more frequently when an event occurs, or circumstances indicate that the carrying value of the asset may not be recoverable. We believe the methodology that we use to review impairment of goodwill, which includes a significant amount of judgment and estimates, provides us with a reasonable basis to determine whether impairment has occurred. However, many of the factors employed in determining whether our goodwill is impaired are outside of our control and it is reasonably likely that assumptions and estimates will change in future periods. These changes could result in future impairments.

We perform our annual goodwill impairment review at the beginning of our fiscal fourth quarter. Our last annual review was performed at June 28, 2021 (i.e., the first day of our fiscal fourth quarter). In addition, we regularly evaluate whether events and circumstances have occurred that may indicate a potential change in recoverability of goodwill. We perform interim goodwill impairment reviews between our annual reviews if certain events and circumstances have occurred, including a deterioration in general economic conditions, an increased competitive environment, a change in management, key personnel, strategy or customers, negative or declining cash flows, or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods. We assess goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component. Our operating segments are the same as our reportable segments and our reporting units for goodwill impairment testing are the components one level below our reportable segments. These components constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component. We aggregate components within an operating segment that have similar economic characteristics.

The impairment test for goodwill involves the comparison of the estimated fair value of each reporting unit to the reporting unit's carrying value, including goodwill. We estimate the fair value of reporting units based on a comparison and weighting of the income approach, specifically the discounted cash flow method and the market approach, which estimates the fair value of our reporting units based upon comparable market prices and recent transactions and also validates the reasonableness of the multiples from the income approach. The development of the present value of future cash flow projections includes assumptions and estimates derived from a review of our expected revenue growth rates, operating profit margins, discount rates, and the terminal growth rate. If the fair value of a reporting unit exceeds its carrying amount, the goodwill of that reporting unit is not considered impaired. However, if its carrying value exceeds its fair value, our goodwill is impaired, and we are required to record a non-cash charge that could have a material adverse effect on our consolidated financial statements. An impairment loss recognized, if any, should not exceed the total amount of goodwill allocated to the reporting unit.

Contingent Consideration. Most of our acquisition agreements include contingent earn-out arrangements, which are generally based on the achievement of future operating income thresholds. The contingent earn-out arrangements are based upon our valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved.

The fair values of these earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability in "Current contingent earn-out liabilities" and "Long-term contingent earn-out liabilities" on the consolidated balance sheets. We consider several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former owners of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of our other key employees. The contingent earn-out payments are not affected by employment termination.

We measure our contingent earn-out liabilities at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy. We use a probability weighted discounted income approach as a valuation technique to convert future estimated cash flows to a single present value amount. The significant unobservable inputs used in the fair value measurements are operating income projections over the earn-out period (generally three or five years), and the probability outcome percentages we assign to each scenario. Significant increases or decreases to either of these inputs in isolation would result in a significantly higher or lower liability, with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the contingent earn-out liability on the acquisition date is reflected as cash used in financing activities in our consolidated statements of cash flows. Any amount paid in excess of the contingent earn-out liability on the acquisition date is reflected as cash used in operating activities in our consolidated statements of cash flows.

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. Changes in the estimated fair value of our contingent earn-out liabilities related to the time component of the present value calculation are reported in interest expense. Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in operating income.

Other current liabilities. Other current liabilities consists primarily of accrued insurance, contingent liabilities, sales/services and use taxes due to our U.S. and foreign operations, other tax accruals and accrued professional fees.

Fair Value of Financial Instruments. We determine the fair values of our financial instruments, including short-term investments, debt instruments, derivative instruments and pension plan assets based on inputs or assumptions that market participants would use in pricing an asset or a liability. We categorize our instruments using a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. The classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair values based on their short-term nature. The carrying amounts of our revolving credit facility approximates fair value because the interest rates are based upon variable reference rates. Certain other assets and liabilities, such as contingent earn-out liabilities and amounts related to cash-flow hedges, are required to be carried in our consolidated financial statements at fair value.

Our fair value measurement methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although we believe our valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

Derivative Financial Instruments. We account for our derivative instruments as either assets or liabilities and carry them at fair value. For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) in stockholders' equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in current income. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions.

The net gain or loss on the effective portion of a derivative instrument that is designated as an economic hedge of the foreign currency translation exposure generated by the re-measurement of certain assets and liabilities denominated in a non-functional currency in a foreign operation is reported in the same manner as a foreign currency translation adjustment. Accordingly, any gains or losses related to these derivative instruments are recognized in current income. Derivatives that do not qualify as hedges are adjusted to fair value through current income.

Deferred Compensation. We maintain a non-qualified defined contribution supplemental retirement plan for certain key employees and non-employee directors that is accounted for in accordance with applicable authoritative guidance on accounting for deferred compensation arrangements where amounts earned are held in a rabbi trust and invested. Employee deferrals are deposited into a rabbi trust, and the funds are generally invested in individual variable life insurance contracts that we own and are specifically designed to informally fund savings plans of this nature. Our consolidated balance sheets reflect our investment in variable life insurance contracts in "Other long-term assets." Our obligation to participating employees is reflected in "Other long-term liabilities." The net gains and losses related to the deferred compensation plan are reported as part of “Selling, general and administrative expenses” in our consolidated statements of income.

Pension Plan. In connection with a fiscal 2021 acquisition, we assumed a defined benefit pension plan. We calculate the market-related value of assets, which is used to determine the return-on-assets component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization. This calculation reflects our anticipated long-term rate of return and amortization of the difference between the actual return (including capital, dividends, and interest) and the expected return. Cumulative net unrecognized gains or losses that exceed 10% of the greater of the projected benefit obligation or the fair market related value of plan assets are subject to amortization.

Income Taxes. We file a consolidated U.S. federal income tax return. In addition, we file other returns that are required in the states, foreign jurisdictions and other jurisdictions in which we do business. We account for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are computed for the difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to reverse. In determining the need for a valuation allowance, management reviews both positive and negative evidence, including current and historical results of operations, future income projections, scheduled reversals of deferred tax amounts, availability of carrybacks, and potential tax planning strategies. Based on our assessment, we have concluded that a portion of the deferred tax assets will not be realized.

According to the authoritative guidance on accounting for uncertainty in income taxes, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. This guidance also addresses de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and disclosure requirements for uncertain tax positions.

Concentration of Credit Risk. Financial instruments that subject us to credit risk consist primarily of cash and cash equivalents and net accounts receivable. In the event that we have surplus cash, we place our temporary cash investments with lower risk financial institutions and, by policy, limit the amount of investment exposure to any one financial institution. Approximately 24% of accounts receivable were due from various agencies of the U.S. federal government at fiscal 2021 year-end. The remaining accounts receivable are generally diversified due to the large number of organizations comprising our client base and their geographic dispersion. We perform ongoing credit evaluations of our clients and maintain an allowance for potential credit losses. Approximately 50%, 20% and 30% of our fiscal 2021 revenue was generated from our U.S. government, U.S. commercial and international clients, respectively.

Foreign Currency Translation. We determine the functional currency of our foreign operating units based upon the primary currency in which they operate. These operating units maintain their accounting records in their local currency, primarily Canadian and Australian dollars, and British pounds. Where the functional currency is not the U.S. dollar, translation of assets and liabilities to U.S. dollars is based on exchange rates at the balance sheet date. Translation of revenue and expenses to U.S. dollars is based on the average rate during the period. Translation gains or losses are reported as a component of other comprehensive income (loss). Gains or losses from foreign currency transactions are included in income from operations.

Reclassifications. Certain reclassifications were made to the prior years to conform to the current-year presentation.

Recently Issued Accounting Pronouncements Adopted in Fiscal 2021.

In June 2016, the FASB issued updated guidance, Accounting Standards Update ("ASU") 2016-13, related to the measurement of credit losses for certain financial assets. This guidance replaced the previous incurred loss methodology with an expected credit loss methodology. It requires us to recognize an allowance equal to our current estimate of all contractual cash flows that we do not expect to collect. We adopted this guidance in the first quarter of fiscal 2021, and the adoption did not have a material impact on our consolidated financial statements. Our estimate considered relevant information about past events, current conditions, and reasonable and supportable forecasts impacting the collectability of the reported amounts.

In August 2018, the FASB issued updated guidance modifying certain fair value measurement disclosures. The guidance contains additional disclosures to enable users of the financial statements to better understand the entity's assumption used to develop significant unobservable inputs for Level 3 fair value measurements, but also eliminates the requirement for entities to disclose the amount of and reasons for transfers between Level 1 and Level 2 investments within the fair value hierarchy. We adopted this guidance in the first quarter of fiscal 2021, and the adoption did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted.

In December 2019, the FASB issued ASU 2019-12, which simplifies the accounting for income taxes by removing certain exceptions to general principles in Topic 740 and amending certain existing guidance for clarity. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2020 (first quarter of fiscal 2022 for us). Early adoption is permitted. We do not expect the adoption of this guidance to have an impact on our consolidated financial statements.

In May 2020, the Securities and Exchange Commission issued guidance amending certain financial disclosures about acquired and disposed businesses. The amendments are designed to assist registrants in making more meaningful determinations of whether a subsidiary or an acquired or disposed business is significant, and to improve the related disclosure requirements. The guidance is effective for fiscal years beginning after December 31, 2020 (first quarter of fiscal 2022 for us). We do not expect the adoption of this guidance to have an impact on our consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, which requires the recognition and measurement of contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers.* Considerations to determine the amount of contract assets and contract liabilities to record at the acquisition date include the terms of the acquired contract, such as timing of payment, identification of each performance obligation in the contract and allocation of the contract transaction price to each identified performance obligation on a relative standalone selling price basis as of contract inception. ASU 2021-08 is effective for us beginning in the first quarter of fiscal 2023. ASU 2021-08 should be applied prospectively for acquisitions occurring on or after the effective date of the amendments. Early adoption of the proposed amendments would be permitted, including adoption in an interim period. We are currently assessing the impact this standard will have on our consolidated financial statements.

3. Revenue and Contract Balances

We recognize revenue over time as the related performance obligation is satisfied by transferring control of a promised good or service to our customers. Progress toward complete satisfaction of the performance obligation is primarily measured using a cost-to-cost measure of progress method. The cost input is based primarily on contract cost incurred to date compared to total estimated contract cost. This measure includes forecasts based on the best information available and reflects our judgement to faithfully depict the value of the services transferred to the customer. For certain on-call engineering or consulting and similar contracts, we recognize revenue in the amount which we have the right to invoice the customer if that amount corresponds directly with the value of our performance completed to date.

Due to uncertainties inherent in the estimation process, it is possible that estimates of costs to complete a performance obligation will be revised in the near-term. For those performance obligations for which revenue is recognized using a cost-to-cost measure of progress method, changes in total estimated costs, and related progress towards complete satisfaction of the performance obligation, are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. When the current estimate of total costs indicates a loss, a provision for the entire estimated loss on the contract is made in the period in which the loss becomes evident.

Disaggregation of Revenue

We disaggregate revenue by client sector and contract type, as we believe it best depicts how the nature, timing, and uncertainty of revenue and cash flows are affected by economic factors. The following tables present revenue disaggregated by client sector and contract type:

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
		(in thousands)	
Client Sector:			
U.S. state and local government	$ 536,309	$ 439,019	$ 587,364
U.S. federal government [(1)]	1,081,608	993,835	941,102
U.S. commercial	638,169	674,605	719,314
International [(2)]	957,427	887,432	859,568
Total	**$ 3,213,513**	**$ 2,994,891**	**$ 3,107,348**
Contract Type:			
Fixed-price	$ 1,191,244	$ 1,078,432	$ 1,048,158
Time-and-materials	1,492,813	1,391,592	1,509,900
Cost-plus	529,456	524,867	549,290
Total	**$ 3,213,513**	**$ 2,994,891**	**$ 3,107,348**

(1) Includes revenue generated under U.S. federal government contracts performed outside the United States.
(2) Includes revenue generated from foreign operations, primarily in Canada, Australia, the United Kingdom, and revenue generated from non-U.S. clients.

Other than the U.S. federal government, no single client accounted for more than 10% of our revenue for fiscal 2021 and 2020.

Contract Assets and Contract Liabilities

We invoice customers based on the contractual terms of each contract. However, the timing of revenue recognition may differ from the timing of invoice issuance.

Contract assets represent revenue recognized in excess of the amounts for which we have the contractual right to bill our customers. Such amounts are recoverable from customers based upon various measures of performance, including achievement of certain milestones or completion of a contract. In addition, many of our time and materials arrangements are billed in arrears pursuant to contract terms that are standard within the industry, resulting in contract assets and/or unbilled receivables being recorded, as revenue is recognized in advance of billings. Contract retentions, included in contract assets, represent amounts withheld by clients until certain conditions are met or the project is completed, which may extend beyond one year.

Contract liabilities consist of billings in excess of revenue recognized. Contract liabilities decrease as we recognize revenue from the satisfaction of the related performance obligation and increase as billings in advance of revenue recognition occur. Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. There were no substantial non-current contract assets or liabilities for the periods presented. Net contract liabilities consisted of the following:

	Balance at	
	October 3, 2021	September 27, 2020
	(in thousands)	
Contract assets [1]	$ 103,784	$ 92,632
Contract liabilities	190,403	171,905
Net contract liabilities	**$ (86,619)**	**$ (79,273)**

[1] Includes $12.2 million and $12.3 million of contract retentions as of October 3, 2021 and September 27, 2020, respectively.

In fiscal 2021, we recognized revenue of approximately $119 million from amounts included in the contract liability balance at the end of fiscal 2020, compared to approximately $118 million for the comparative prior-year period.

We recognize revenue primarily using the cost-to-cost measure of progress method, which involves the estimates of progress towards completion. Changes in those estimates could result in the recognition of cumulative catch-up adjustments to the contract's inception-to-date revenue, costs and profit in the period in which such changes are made. As a result, we recognized net favorable operating income adjustments of $0.7 million and $0.8 million for fiscal 2021 and 2020, respectively, exclusive of the amounts related to claims described below. Changes in revenue and cost estimates could also result in a projected loss, determined at the contract level, which would be recorded immediately in earnings. As of October 3, 2021 and September 27, 2020, our consolidated balance sheets included liabilities for anticipated losses of $12.7 million and $13.2 million, respectively. The estimated cost to complete these related contracts as of October 3, 2021 and September 27, 2020 was approximately $104 million and $118 million, respectively.

Accounts Receivable, Net

Net accounts receivable consisted of the following:

	Balance at	
	October 3, 2021	September 27, 2020
	(in thousands)	
Billed	$ 432,814	$ 402,818
Unbilled	240,536	253,364
Total accounts receivable	**673,350**	**656,182**
Allowance for doubtful accounts	(4,352)	(7,147)
Total accounts receivable, net	**$ 668,998**	**$ 649,035**

Billed accounts receivable represent amounts billed to clients that have not been collected. Unbilled accounts receivable, which represent an unconditional right to payment subject only to the passage of time, include unbilled amounts typically resulting from revenue recognized but not yet billed pursuant to contract terms or billed after the period end date. Most of our unbilled receivables at October 3, 2021 are expected to be billed and collected within 12 months. The allowance for doubtful accounts represents amounts that are expected to become uncollectible or unrealizable in the future. We determine an estimated allowance for uncollectible accounts based on management's consideration of trends in the actual and forecasted credit quality of our clients, including delinquency and payment history; type of client, such as a government agency or a commercial sector client; and general economic and industry conditions, including the potential impacts of the COVID-19 pandemic, that may affect our clients' ability to pay.

Total accounts receivable at October 3, 2021 and September 27, 2020 included approximately $11 million and $14 million, respectively, related to claims, including requests for equitable adjustment, on contracts that provide for price redetermination. Claims are amounts in excess of agreed contract prices that we seek to collect from our clients or other third parties for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. Factors considered in determining whether revenue associated with claims (including change orders in dispute and unapproved change orders in regards to both scope and price) should be recognized include the following: (a) the contract or other evidence provides a legal basis for the claim, (b) additional costs were caused by circumstances that were unforeseen at the contract date and not the result of deficiencies in our performance, (c) claim-related costs are identifiable and considered reasonable in view of the work performed, and (d) evidence supporting the claim is objective and verifiable. This can lead to a situation in which costs are recognized in one period and revenue is recognized in a subsequent period when a client agreement is obtained, or a claims resolution occurs.

We regularly evaluate all unsettled claim amounts and record appropriate adjustments to operating earnings when it is probable that the claim will result in a different contract value than the amount previously estimated. In fiscal 2021 (all in the second quarter), we recognized increases to revenue and related gains of $2.8 million in our Commercial/International Services Group ("CIG"). In fiscal 2020, we recorded net losses in operating income related to claims of $4.4 million in our CIG segment.

No single client accounted for more than 10% of our accounts receivable at October 3, 2021 and September 27, 2020.

Remaining Unsatisfied Performance Obligations (“RUPOs”)

Our RUPOs represent a measure of the total dollar value of work to be performed on contracts awarded and in progress. We had $3.5 billion of RUPOs as of October 3, 2021. RUPOs increase with awards from new contracts or additions on existing contracts and decrease as work is performed and revenue is recognized on existing contracts. RUPOs may also decrease when projects are canceled or modified in scope. We include a contract within our RUPOs when the contract is awarded and an agreement on contract terms has been reached.

We expect to satisfy our RUPOs as of October 3, 2021 over the following periods:

	Amount (in thousands)
Within 12 months	$ 2,031,377
Beyond	1,436,456
Total	**$ 3,467,833**

Although RUPOs reflect business that is considered to be firm, cancellations, deferrals or scope adjustments may occur. RUPOs are adjusted to reflect any known project cancellations, revisions to project scope and cost, foreign currency exchange fluctuations and project deferrals, as appropriate. Our operations and maintenance contracts can generally be terminated by the clients without a substantive financial penalty. Therefore, the remaining performance obligations on such contracts are limited to the notice period required for the termination (usually 30, 60, or 90 days).

4. Stock Repurchase and Dividends

On January 27, 2020, the Board of Directors authorized a $200 million stock repurchase program, which was included in our remaining authorization balance of $207.8 million as of fiscal 2020 year-end. In fiscal 2021, we repurchased and settled 479,369 shares with an average price of $125.16 per share for a total cost of $60.0 million in the open market. As of October 3, 2021, we had a remaining balance of $147.8 million available under repurchase program.

The following table presents dividends declared and paid in fiscal 2021 and 2020:

Declare Date	Dividend Paid Per Share	Record Date	Payment Date	Dividends Paid (in thousands)
November 9, 2020	$ 0.17	November 30, 2020	December 11, 2020	$ 9,198
January 25, 2021	$ 0.17	February 10, 2021	February 26, 2021	9,212
April 26, 2021	$ 0.20	May 12, 2021	May 28, 2021	10,831
July 26, 2021	$ 0.20	August 20, 2021	September 3, 2021	10,800
Total dividends paid as of October 3, 2021				**$ 40,041**
November 11, 2019	$ 0.15	December 2, 2019	December 13, 2019	$ 8,190
January 27, 2020	$ 0.15	February 12, 2020	February 28, 2020	8,225
April 27, 2020	$ 0.17	May 13, 2020	May 29, 2020	9,175
July 27, 2020	$ 0.17	August 21, 2020	September 4, 2020	9,153
Total dividends paid as of September 27, 2020				**$ 34,743**

Subsequent Events. On October 5, 2021, the Board of Directors authorized a new stock repurchase program under which we could repurchase up to $400 million of our common stock in addition to the $147.8 million remaining under the previous stock repurchase program at October 3, 2021. On November 15, 2021, the Board of Directors also declared a quarterly cash dividend of $0.20 per share payable on December 20, 2021 to stockholders of record as of the close of business on December 2, 2021.

5. Acquisitions

In fiscal 2021, we acquired Coanda Research and Development Corporation ("CRD"), The Kaizen Company (“KZN”), IBRA-RMAC Automation Solutions (“IRM”), and the partnership interests of Hoare Lea, LLP and Subsidiaries ("HLE"). CRD is based in Burnaby, British Columbia and provides world-class expertise in computational fluid dynamics and utilizes industry-leading capabilities to solve complex engineering science problems for commercial customers, across a broad range of industries. KZN is based in Washington, DC and provides international development advisory and management consulting services offering a suite of innovative tools that support advanced solutions in health, education, governance, peace and stability, and sustainable economic growth. IRM is based in San Diego, California, and provides digital water transformation consulting services and an innovative suite of tools to address complex water system modernization challenges. HLE is a leader in sustainable engineering design based in Bristol, United Kingdom. It was established in 1862 and is an award-winning high-end consultancy firm in the United Kingdom, with more than 900 employees, providing innovative solutions to complex engineering and design challenges for sustainable infrastructure and high performance buildings. CRD and HLE are part of our CIG segment, and KZN and IRM are part of our GSG segment. The total fair value of the purchase price for these acquisitions was $151.7 million. This amount is comprised of $101.4 million in initial cash payments made to the sellers, and $50.3 million for the estimated fair value of contingent earn-out obligations, with a maximum of $74.0 million, based upon the achievement of specified operating income targets in each of the three to four years following the acquisitions.

In fiscal 2020, we acquired Segue Technologies, Inc. ("SEG"), a leading information technology management consulting firm based in Arlington, Virginia, and BlueWater Federal Solutions, Inc. ("BWF"), a leading information technology management consulting firm based in Chantilly, Virginia. Both of these acquisitions are part of our GSG segment. The total fair value of the purchase price for these two acquisitions was $88.6 million. This amount was comprised of $71.4 million in initial cash payments made to the sellers, $0.7 million of payables related to estimated post-closing adjustments for net assets acquired, and $16.5 million for the estimated fair value of contingent earn-out obligations, with a maximum of $28.0 million, based upon the achievement of specified operating income targets in each of the three years following the acquisitions.

In fiscal 2019, we acquired eGlobalTech ("EGT") and WYG plc (“WYG”). EGT is a high-end information technology solutions, cloud migration, cybersecurity, and management consulting firm based in Arlington, Virginia. WYG employs approximately 1,600 staff primarily in the United Kingdom and Europe, delivering consulting and engineering solutions for complex projects across key service areas including planning, water and environment, transport, infrastructure, the built environment, architecture, urban design, surveying, asset management, program management, and international development. Both of these acquisitions are part of our GSG segment. The total fair value of the purchase price for these two acquisitions was $103.3 million. This amount was comprised of a $24.7 million promissory note issued to the sellers (which was subsequently paid in full in the third quarter of fiscal 2019), cash payments of $54.2 million to the sellers, $3.3 million of payables related to estimated post-closing adjustments for net assets acquired, and $21.1 million for the estimated fair value of contingent earn-out obligations, with a maximum of $25.0 million, based upon the achievement of specified operating income targets in each of the three years following the acquisitions. In addition, we assumed net debt of $11.5 million, which was subsequently paid in full in the fourth quarter of fiscal 2019 and incurred $10.4 million in acquisition and integration costs.

Goodwill additions resulting from the above business combinations are primarily attributable to the existing workforce of the acquired companies and the synergies expected to arise after the acquisitions. The fiscal 2021 goodwill additions represent the significant technical expertise residing in embedded workforces that are sought out by clients and the long-standing reputation of HLE. The goodwill additions related to our fiscal 2020 goodwill additions represent the value of a workforce with distinct expertise in the high-end information technology field, in the areas of data analytics, modeling and simulation, cloud, and agile software development. In addition, these acquired capabilities, when combined with our existing global consulting and engineering business, result in opportunities that allow us to provide services under contracts that could not have been pursued individually by either us or the acquired companies. The results of these acquisitions were included in our consolidated financial statements from their respective closing dates. These acquisitions were not considered material, individually or in the aggregate, to our consolidated financial statements. As a result, no pro forma information has been provided.

Backlog, client relations and trade name intangible assets include the fair value of existing contracts and the underlying customer relationships with lives ranging from one to ten years, and trade names with lives ranging from three to five years.

Most of our acquisition agreements include contingent earn-out agreements, which are generally based on the achievement of future operating income thresholds. The contingent earn-out arrangements are based on our valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved. The fair values of any earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability in “Current contingent earn-out liabilities” and “Long-term contingent earn-out liabilities” on the consolidated balance sheets. We consider several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former owners of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of our other key employees. The contingent earn-out payments are not affected by employment termination.

We measure our contingent earn-out liabilities at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy. We use a probability-weighted discounted income approach as a valuation technique to convert future estimated cash flows to a single present value amount. The significant unobservable inputs used in the fair value measurements are operating income projections over the earn-out period (generally two or three years), and the probability outcome percentages we assign to each scenario. Significant increases or decreases to either of these inputs in isolation would result in a significantly higher or lower liability, with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the contingent earn-out liability on the acquisition date is reflected as cash used in financing activities in our consolidated statements of cash flows. Any amount paid in excess of the contingent earn-out liability on the acquisition date is reflected as cash used in operating activities in our consolidated statements of cash flows.

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. Changes in the estimated fair value of our contingent earn-out liabilities related to the time component of the present value calculation are reported in interest expense. Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in operating income. In each quarter during fiscal 2021, we evaluated our estimates for contingent consideration liabilities for the remaining earn-out periods for each individual acquisition, which included a review of their financial results to-date, the status of ongoing projects in their RUPOs, and the inventory of prospective new contract awards. In addition, we considered the potential impact of the global economic disruption due to the COVID-19 pandemic on our operating income projections over the various earn-out periods.

In fiscal 2021, we recorded adjustments to our contingent earn-out liabilities and reported a net gain in operating income of $3.3 million, substantially all in the fourth quarter. These adjustments resulted from the updated valuations of the contingent consideration liabilities, which reflect updated projections of acquired companies' financial performance during their respective earn-out periods.

In fiscal 2020, we recorded adjustments to our contingent earn-out liabilities and reported related net gains in operating income of $15.0 million, substantially all in the fourth quarter. These gains primarily resulted from updated valuations of the contingent consideration liabilities for Norman, Disney and Young ("NDY"), EGT, and SEG.

The acquisition agreement for NDY included a contingent earn-out agreement based on the achievement of operating income thresholds (in Australian dollars) in each of the first three years beginning on the acquisition date, which was in the second quarter of fiscal 2018. The maximum earn-out obligation over the three-year earn-out period was A$25 million

(A$7.4 million in year one, and A$8.8 million each in years two and three). These amounts could be earned primarily on a pro-rata basis for operating income within a predetermined range in each year. NDY was required to meet a minimum operating income threshold in each year to earn any contingent consideration.

The determination of the fair value of the purchase price for NDY on the acquisition date included our estimate of the fair value of the related contingent earn-out obligation. The initial valuation was primarily based on probability-weighted internal estimates of NDY's operating income during each earn-out period. Based on these estimates, we calculated an initial fair value at the acquisition date of A$9.4 million for NDY's contingent earn-out liability in the second quarter of fiscal 2018. In determining that NDY would earn 38% of the maximum potential earn-out, we considered several factors including NDY's recent historical revenue and operating income levels and growth rates. We also considered the recent trend in NDY's backlog level.

NDY's actual financial performance in the first two earn-out periods exceeded our original estimates at the acquisition date. As a result, we increased the related contingent consideration liability and recognized losses of $2.1 million (A$3.0 million) and $5.4 million (A$7.9 million) in fiscal 2018 and 2019, respectively. In the fourth quarter of fiscal 2020, we evaluated our estimate of NDY’s contingent consideration liability for the third and final earn-out period. This assessment included a review of NDY’s actual and forecasted results for the third earn-out period, which included an evaluation of the status of ongoing projects in NDY’s backlog, and the inventory of prospective new contract awards and the impact of the COVID-19 pandemic on the Australian economy and NDY's operations. As a result of this assessment, we concluded that NDY’s operating income in the third earn-out period would be lower than previously estimated, and we reduced NDY’s contingent earn-out liability to $1.8 million (A$2.6 million), which resulted in a gain of $3.7 million (A$5.2 million).

The acquisition agreement for EGT included a contingent earn-out agreement based on the achievement of operating income thresholds in each of the first three years beginning on the acquisition date, which was in the second quarter of fiscal 2019. The maximum earn-out obligation over the three-year earn-out period was $25 million ($8.5 million in year one, $9.0 million in year two, and $7.5 million in year three). In each of the first two earn-out years, EGT was to receive a portion of the contingent consideration if EGT achieved a minimum operating income threshold. The remaining contingent consideration could be earned primarily on a pro-rata basis for operating income within a predetermined range in each year. EGT was required to meet a minimum operating income threshold in each year to earn any of this contingent consideration.

The determination of the fair value of the purchase price for EGT on the acquisition date included our estimate of the fair value of the related contingent earn-out obligation. The initial valuation was primarily based on probability-weighted internal estimates of EGT's operating income during each earn-out period. Based on these estimates, we calculated an initial fair value at the acquisition date of $21.1 million for EGT's contingent earn-out liability in the second quarter of fiscal 2019. In determining that EGT would earn 84% of the maximum potential earn-out, we considered several factors including EGT's recent historical revenue and operating income levels and growth rates. We also considered the recent trend in EGT's backlog level and the prospects for the U.S. federal information technology market.

In the third quarter of fiscal 2020, EGT achieved and was paid the maximum earn-out obligation for the first earn-out period. Subsequently, we evaluated our estimate of EGT’s contingent consideration liability for the second and third earn-out periods. This assessment included a review of EGT’s actual and forecasted results for the second and third earn-out periods, which included an evaluation of the status of ongoing projects in EGT’s backlog, and the inventory of prospective new contract awards. As a result of this assessment, we concluded that EGT's operating income in the second and third earn-out period would be lower than previously estimated. Accordingly, in the fourth quarter of fiscal 2020, we reduced EGT’s contingent earn-out liability to $7.5 million, which resulted in a gain of $4.7 million.

The acquisition agreement for SEG included a contingent earn-out agreement based on the achievement of operating income thresholds in each of the first three years beginning on the acquisition date, which was in the second quarter of fiscal 2020. The maximum earn-out obligation over the three-year earn-out period was $20 million ($5.0 million, $7.0 million and $8.0 million for years one, two and three, respectively). SEG was to receive a portion of the contingent consideration if SEG achieved a minimum operating income threshold in each year of the earn-out period. The remaining contingent consideration could be earned primarily on a pro-rata basis for operating income within a predetermined range in each year. SEG was required to meet a minimum operating income threshold in each year to earn any of this contingent consideration.

The determination of the fair value of the purchase price for SEG on the acquisition date included our estimate of the fair value of the related contingent earn-out obligation. The initial valuation was primarily based on probability-weighted internal estimates of SEG's operating income during each earn-out period. Based on these estimates, we calculated an initial fair value at the acquisition date of $11.3 million for SEG's contingent earn-out liability in the second quarter of fiscal 2020. In determining that SEG would earn 57% of the maximum potential earn-out, we considered several factors including SEG's recent historical revenue and operating income levels and growth rates. We also considered the recent trend in SEG's backlog level and the prospects for the U.S. federal information technology market.

SEG's actual financial performance in the first earn-out period on a year to date basis was below our original expectation at the acquisition date. As a result, in the fourth quarter of fiscal 2020, we evaluated our estimate of SEG's contingent consideration liability for all earn-out periods. This assessment included a review of SEG's financial results in the first earn-out period, the status of ongoing projects in SEG's backlog, the inventory of prospective new contract awards, and future synergies with other Tetra Tech operating units. As a result of this assessment, we concluded that SEG's operating income in all earn-out periods would be lower than originally anticipated. Accordingly, in the fourth quarter of fiscal 2020, we reduced the SEG contingent earn-out liability to $8.1 million, which resulted in a gain of $3.4 million.

In fiscal 2019, we recorded adjustments to our contingent earn-out liabilities and reported a related net loss of $1.1 million in operating income. These adjustments resulted from the updated valuations of the contingent consideration liabilities, which reflect updated projections of acquired companies' financial performance during their respective earn-out periods.

At October 3, 2021, there was a total potential maximum of $105.4 million of outstanding contingent consideration related to acquisitions. Of this amount, $59.3 million was estimated as the fair value and accrued on our consolidated balance sheet. If the global economic disruption due to the COVID-19 pandemic is prolonged, we could have more significant reductions in our contingent earn-out liabilities and related gains in operating income in future periods.

The following table summarizes the changes in the carrying value of estimated contingent earn-out liabilities:

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
		(in thousands)	
Beginning balance	$ 32,617	$ 52,992	$ 35,290
Acquisition date fair value of contingent earn-out liabilities	50,235	16,581	27,704
Change in fair value of contingent earn-out liabilities	992	1,162	1,489
Re-measurement of contingent earn-out liabilities	(3,273)	(14,971)	1,085
Foreign exchange impact	(596)	(247)	(558)
Earn-out payments:			
Reported as cash used in operating activities	(427)	—	—
Reported as cash used in financing activities	(20,251)	(22,900)	(12,018)
Ending balance	**$ 59,297**	**$ 32,617**	**$ 52,992**

6. Goodwill and Intangible Assets

The following table summarizes the changes in the carrying value of goodwill:

	GSG	CIG	Total
		(in thousands)	
Balance at September 29, 2019	**$ 441,802**	**$ 483,018**	**$ 924,820**
Acquisitions	74,882	5,294	80,176
Impairment	—	(15,800)	(15,800)
Translation and other	(369)	4,671	4,302
Balance at September 27, 2020	**516,315**	**477,183**	**993,498**
Acquisitions	15,112	75,479	90,591
Translation and other	7,006	17,483	24,489
Balance at October 3, 2021	**$ 538,433**	**$ 570,145**	**$ 1,108,578**

Our goodwill was impacted by the final valuations of our acquisitions, and the foreign currency translation related to the goodwill balances of our foreign subsidiaries with functional currencies that are different than our reporting currency. The goodwill additions relate to our fiscal 2021 acquisitions. The purchase price allocations for our fiscal 2021 acquisitions of CRD, IRM, KZN and HLE are preliminary and subject to adjustment based upon the final determinations of the net assets acquired and information to perform the final valuations.

We perform our annual goodwill impairment review at the beginning of our fiscal fourth quarter. Our last review at June 28, 2021 (i.e. the first day of our fourth quarter in fiscal 2021), indicated that we had no impairment of goodwill, and all of our reporting units had estimated fair values that were in excess of their carrying values, including goodwill. We had no reporting units that had estimated fair values that exceeded their carrying values by less than 150%.

We also regularly evaluate whether events and circumstances have occurred that may indicate a potential change in the recoverability of goodwill. We perform interim goodwill impairment reviews between our annual reviews if certain events and circumstances have occurred, such as a deterioration in general economic conditions; an increase in the competitive environment; a change in management, key personnel, strategy or customers; negative or declining cash flows; or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods. Although we believe that our estimates of fair value for these reporting units are reasonable, if financial performance for these reporting units falls significantly below our expectations or market prices for similar business decline, the goodwill for these reporting units could become impaired.

On September 2, 2020, Australia announced that it had fallen into economic recession, defined as two consecutive quarters of negative growth, for the first time since 1991 including 7% negative growth in the quarter ending in June 2020. This prompted a strategic review of our Asia/Pacific ("ASP") reporting unit. As a result of the economic recession in Australia, our revenue growth and profit margin forecasts for the ASP reporting unit declined from the previous forecast used for our annual goodwill impairment review as of June 29, 2020. We also performed an interim goodwill impairment review of our ASP reporting unit in September 2020 and recorded a $15.8 million goodwill impairment charge. The impaired goodwill related to our acquisitions of Coffey International Limited and NDY. As a result of the impairment charge, the estimated fair value of our ASP reporting unit equaled its carrying value of $144.9 million, including $95.5 million of goodwill, at September 27, 2020. On September 28, 2020 (the first day of our fiscal 2021), we merged our former ASP reporting unit into our Client Account Management reporting unit.

During the fourth quarter of fiscal 2019, we performed an interim goodwill impairment review of our Remediation and Field Services ("RFS") reporting unit and recorded a $7.8 million goodwill impairment charge. As a result of the impairment charge, the estimated fair value of the RFS reporting unit equaled its carrying value of $61 million at September 29, 2019, including the remaining $48.8 million of goodwill.

The gross amounts of goodwill for GSG were $556.1 million and $534.0 million at fiscal 2021 and 2020 year-ends, respectively, excluding accumulated impairment of $17.7 million for each period. The gross amounts of goodwill for CIG were $691.6 million and $598.7 million at fiscal 2021 and 2020 year-ends, respectively, excluding accumulated impairment of $121.5 million for each period.

The following table presents the gross amount and accumulated amortization of our acquired identifiable intangible assets with finite useful lives included in "Intangible assets, net" on the consolidated balance sheets:

	Fiscal Year Ended						
	October 3, 2021				September 27, 2020		
	Weighted-Average Remaining Life (in years)	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
	($ in thousands)						
Client relations	7.3	$ 69,455	$ (43,984)	$25,471	$ 60,775	$ (53,392)	$ 7,383
Backlog	0.7	34,577	(30,670)	3,907	37,682	(32,761)	4,921
Technology and trade names	3.8	14,939	(6,327)	8,612	7,964	(6,325)	1,639
Total		**$ 118,971**	**$ (80,981)**	**$37,990**	**$ 106,421**	**$ (92,478)**	**$13,943**

Amortization expense for the identifiable intangible assets for fiscal 2021, 2020 and 2019 was $11.5 million, $11.6 million and $11.6 million, respectively. Foreign currency translation adjustments were immaterial for fiscal 2021 and 2020.

Estimated amortization expense for the succeeding five fiscal years and beyond is as follows:

	Amount (in thousands)
2022	$ 9,664
2023	7,591
2024	4,983
2025	4,348
2026	3,967
Beyond	7,437
Total	**$ 37,990**

7. Property and Equipment

Property and equipment consisted of the following:

	Fiscal Year Ended	
	October 3, 2021	September 27, 2020
	(in thousands)	
Equipment, furniture and fixtures	$ 94,780	$ 90,942
Leasehold improvements	36,462	34,569
Total property and equipment	**131,242**	**125,511**
Accumulated depreciation	(93,509)	(90,004)
Property and equipment, net	**$ 37,733**	**$ 35,507**

The depreciation expense related to property and equipment was $12.3 million, $13.0 million and $17.3 million for fiscal 2021, 2020 and 2019, respectively.

8. Income Taxes

Income before income taxes, by geographic area, was as follows:

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
		(in thousands)	
Income before income taxes:			
United States	$ 211,222	$ 209,443	$ 185,535
Foreign	55,648	18,548	(10,399)
Total income before income taxes	**$ 266,870**	**$ 227,991**	**$ 175,136**

Income tax expense consisted of the following:

	Fiscal Year Ended		
	October 3, 2021	**September 27, 2020**	**September 29, 2019**
		(in thousands)	
Current:			
Federal	$ 41,056	$ 24,102	$ 30,051
State	9,893	6,872	8,923
Foreign	18,887	20,398	15,016
Total current income tax expense	**69,836**	**51,372**	**53,990**
Deferred:			
Federal	(6,034)	2,187	(9,108)
State	(2,060)	870	(1,195)
Foreign	(27,703)	(328)	(27,312)
Total deferred income tax (benefit) expense	**(35,797)**	**2,729**	**(37,615)**
Total income tax expense	**$ 34,039**	**$ 54,101**	**$ 16,375**

Total income tax expense was different from the amount computed by applying the U.S. federal statutory rate to pre-tax income as follows:

	Fiscal Year Ended		
	October 3, 2021	**September 27, 2020**	**September 29, 2019**
Tax at federal statutory rate	21.0%	21.0%	21.0%
State taxes, net of federal benefit	2.3	2.7	3.3
Research and Development ("R&D") credits	(2.6)	(2.2)	(4.7)
Tax differential on foreign earnings	0.9	0.7	1.0
Non-taxable foreign interest income	(1.0)	(1.1)	(1.7)
Goodwill	—	1.5	0.9
Stock compensation	(3.3)	(2.2)	(2.4)
Valuation allowance	(9.3)	1.6	(13.5)
Change in uncertain tax positions	1.7	0.4	2.4
Return to provision	(3.7)	0.8	(0.2)
Disallowed officer compensation	2.0	0.2	0.2
Cash repatriation	2.1	—	—
Unremitted earnings	1.0	—	—
Revaluation of deferred taxes	—	—	(1.4)
Deferred tax adjustments	0.8	(1.3)	(0.4)
Transition taxes on foreign earnings	—	—	1.4
Other	0.9	1.6	3.4
Total income tax expense	**12.8%**	**23.7%**	**9.3%**

The effective tax rates for fiscal 2021, 2020 and 2019 were 12.8%, 23.7% and 9.3%, respectively. Our fiscal 2021 and 2019 effective tax rates reflect non-recurring net tax benefits of $21.6 million and $22.3 million, respectively, primarily consisting of valuation allowances in the United Kingdom and Australia that were released due to sufficient positive evidence being obtained in the respective years. The valuation allowances were primarily related to net operating loss and research and development credit carry-forwards and other temporary differences. We evaluated the positive evidence against any negative evidence and determined that it was more likely than not that the deferred tax assets would be realized. The primary factors used to assess the likelihood of realization were the past performance of the related entities and our forecast of future taxable income. The goodwill impairment charges in fiscal 2020 and 2019 and certain of the transaction charges in fiscal 2019 did not have related tax benefits. Also, income tax expense was reduced by $12.9 million, $8.3 million, $6.4 million of excess tax benefits on share-based payments in fiscal 2021, 2020, and 2019, respectively.

Excluding the impact of the valuation allowance releases, non-deductible goodwill impairment charges and transaction costs, and the excess tax benefits on share-based payments our effective tax rates in fiscal 2021, 2020, and 2019 were 25.7%, 25.6%, and 24.6% respectively.

We are currently under examination by the Internal Revenue Service for fiscal year 2018, the Canada Revenue Agency for fiscal years 2011 through 2016, and the California Franchise Tax Board for fiscal years 2014 through 2016. We are also subject to various other state audits.

Temporary differences comprising the net deferred income tax asset shown on the accompanying consolidated balance sheets were as follows:

	Fiscal Year Ended	
	October 3, 2021	**September 27, 2020**
	(in thousands)	
Deferred Tax Assets:		
State taxes	$ 1,342	$ 1,146
Reserves and contingent liabilities	6,662	6,262
Accounts receivable including the allowance for doubtful accounts	5,917	6,283
Accrued liabilities	41,657	28,223
Lease liabilities, operating leases	60,181	66,941
Stock-based compensation	3,560	5,905
Loss carry-forwards	54,825	43,475
Valuation allowance	(13,040)	(24,395)
Total deferred tax assets	**161,104**	**133,840**
Deferred Tax Liabilities:		
Unbilled revenue	(5,595)	(14,451)
Prepaid expense	(8,136)	(5,967)
Right-of-use assets, operating leases	(60,181)	(66,941)
Intangibles	(40,121)	(29,130)
Undistributed earnings	(3,136)	—
Property and equipment	(85)	(1,615)
Total deferred tax liabilities	**(117,254)**	**(118,104)**
Net deferred tax assets	**$ 43,850**	**$ 15,736**

In the fourth quarter of fiscal 2021, we repatriated approximately $80 million from Canada and recognized a related tax expense of $5.6 million. At this time, we also determined that our remaining undistributed earnings in Canada of approximately $20.1 million are no longer being indefinitely reinvested and recorded an additional deferred tax liability/expense of $3.1 million. At October 3, 2021, undistributed earnings of our other foreign subsidiaries, primarily in Australia and the U.K. of approximately $50.9 million are expected to be indefinitely reinvested in these foreign countries. Accordingly, no provision for foreign withholding taxes has been made. Assuming the indefinitely reinvested foreign earnings were repatriated under the laws and rates applicable at October 3, 2021, the incremental taxes applicable to those earnings would not be material.

At October 3, 2021, we had available unused state net operating loss ("NOL") carry forwards of $43.7 million that expire at various dates from 2024 to 2037; and available foreign NOL carry forwards of $165.5 million, of which $14.7 million expire at various dates from 2024 to 2041, and $150.8 million have no expiration date. In addition, we had foreign capital loss carryforwards of $21.5 million and foreign research and development credits of $3.9 million that do not have expiration dates. We have performed an assessment of positive and negative evidence regarding the realization of the deferred tax assets. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, availability of carrybacks, cumulative losses in recent years, estimates of projected future taxable income, and tax planning strategies. Although realization is not assured, based on our assessment, we have concluded that it is more likely than not that the assets will be realized except for the deferred tax assets related to the loss carry-forwards for which a valuation allowance of $13.0 million has been provided.

At October 3, 2021, we had $12.9 million of unrecognized tax benefits, all of which, if recognized, would affect our effective tax rate. It is reasonably possible that the amount of the unrecognized tax benefits with respect to certain of our unrecognized tax positions may significantly decrease in the next 12 months. These changes would be the result of ongoing examinations. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
		(in thousands)	
Beginning balance	$ 9,228	$ 9,169	$ 8,328
Additions for current year tax positions	2,171	700	1,342
Additions for prior year tax positions	1,500	—	356
Reductions for prior year tax positions	—	(641)	(100)
Settlements	—	—	(757)
Ending balance	**$ 12,899**	**$ 9,228**	**$ 9,169**

We recognize potential interest and penalties related to unrecognized tax benefits in income tax expense. During fiscal years 2021, 2020 and 2019, we accrued additional interest and penalties of $0.8 million, $0.8 million and $2.6 million, respectively, and recorded reductions in accrued interest and penalties of $0, $0 and $0.2 million, respectively, as a result of audit settlements and other prior-year adjustments. The amount of interest and penalties accrued at October 3, 2021, September 27, 2020 and September 29, 2019 was $5.2 million, $4.4 million and $3.6 million, respectively.

9. Long-Term Debt

Long-term debt consisted of the following:

	Fiscal Year Ended	
	October 3, 2021	September 27, 2020
	(in thousands)	
Credit facilities	$ 212,500	$ 291,659
Less: Current portion of long-term debt	(12,500)	(49,264)
Long-term debt	**$ 200,000**	**$ 242,395**

On July 30, 2018, we entered into a Second Amended and Restated Credit Agreement ("Amended Credit Agreement") with a total borrowing capacity of $1 billion that will mature in July 2023. The Amended Credit Agreement is a $700 million senior secured, five-year facility that provides for a $250 million term loan facility (the "Amended Term Loan Facility"), a $450 million revolving credit facility (the "Amended Revolving Credit Facility"), and a $300 million accordion feature that allows us to increase the Amended Credit Agreement to $1 billion subject to lender approval. The Amended Credit Agreement allows us to, among other things, (i) refinance indebtedness under our Credit Agreement dated as of May 7, 2013; (ii) finance certain permitted open market repurchases of our common stock, permitted acquisitions, and cash dividends and distributions; and (iii) utilize the proceeds for working capital, capital expenditures and other general corporate purposes. The Amended Revolving Credit Facility includes a $100 million sublimit for the issuance of standby letters of credit, a $20 million sublimit for swingline loans, and a $200 million sublimit for multicurrency borrowings and letters of credit.

The entire Amended Term Loan Facility was drawn on July 30, 2018. The Amended Term Loan Facility is subject to quarterly amortization of principal at 5% annually beginning December 31, 2018. We may borrow on the Amended Revolving Credit Facility, at our option, at either (a) a Eurocurrency rate plus a margin that ranges from 1.00% to 1.75% per annum, or (b) a base rate for loans in U.S. dollars (the highest of the U.S. federal funds rate plus 0.50% per annum, the bank's prime rate or the Eurocurrency rate plus 1.00%) plus a margin that ranges from 0% to 0.75% per annum. In each case, the applicable margin is based on our Consolidated Leverage Ratio, calculated quarterly. The Amended Term Loan Facility is subject to the same interest rate provisions. The Amended Credit Agreement expires on July 30, 2023, or earlier at our discretion upon payment in full of loans and other obligations.

At October 3, 2021, we had $212.5 million in outstanding borrowings under the Amended Credit Agreement, which was comprised of $212.5 million under the Amended Term Loan Facility and no borrowings outstanding under the Amended Revolving Credit Facility. The weighted-average interest rate of the outstanding borrowings during fiscal 2021 was 1.25%. In addition, we had $0.7 million in standby letters of credit under the Amended Credit Agreement. Our weighted-average interest rate on borrowings outstanding during fiscal 2021 under the Amended Credit Agreement, including the effects of interest rate swap agreements described in Note 14, “Derivative Financial Instruments” of the "Notes to Consolidated Financial Statements" included in Item 8, was 3.30%. At October 3, 2021, we had $449.3 million of available credit under the Amended Revolving Credit Facility, all of which could be borrowed without a violation of our debt covenants.

The Amended Credit Agreement contains certain affirmative and restrictive covenants, and customary events of default. The financial covenants provide for a maximum Consolidated Leverage Ratio of 3.00 to 1.00 (total funded debt/EBITDA, as defined in the Amended Credit Agreement) and a minimum Consolidated Interest Coverage Ratio of 3.00 to 1.00 (EBITDA/Consolidated Interest Charges, as defined in the Amended Credit Agreement). Our obligations under the Amended Credit Agreement are guaranteed by certain of our domestic subsidiaries and are secured by first priority liens on (i) the equity interests of certain of our subsidiaries, including those subsidiaries that are guarantors or borrowers under the Amended Credit Agreement, and (ii) the accounts receivable, general intangibles and intercompany loans, and those of our subsidiaries that are guarantors or borrowers. At October 3, 2021, we were in compliance with these covenants with a consolidated leverage ratio of 0.87x and a consolidated interest coverage ratio of 26.38x.

In addition to the Amended Credit Agreement, we maintain other credit facilities, which may be used for bank overdrafts, short-term cash advances and bank guarantees. At October 3, 2021, there were no amounts outstanding under these facilities and the aggregate amount of standby letters of credit outstanding was $53.4 million. As of October 3, 2021 we had no bank overdrafts related to our disbursement bank accounts.

The following table presents scheduled maturities of our long-term debt:

	Amount (in thousands)
2022	12,500
2023	200,000
Total	**$ 212,500**

10. Leases

We adopted Leases (Topic 842), effective September 30, 2019 (the first day of our fiscal 2020) using the modified retrospective transition approach. Results for reporting periods beginning after the adoption date are presented under Topic 842, while prior period amounts are not adjusted and continue to be presented in accordance with our historical accounting under ASC 840.

Our operating leases are primarily for corporate and project office spaces. To a much lesser extent, we have operating leases for vehicles and equipment. Our operating leases have remaining lease terms of one month to twelve years, some of which may include options to extend the leases for up to five years.

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and current and long-term operating lease liabilities in the consolidated balance sheets. Our finance leases are primarily for certain IT equipment. The related ROU assets and lease liabilities were immaterial, and are included in "Property and equipment, net", "Other current liabilities" and "Other long-term liabilities", accordingly, in the consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, incremental borrowing rates are used based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset at the commencement date also includes any lease payments made to the lessor at or before the commencement date and initial direct costs less lease incentives received. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The components of lease costs are as follows:

	Fiscal Year Ended	
	October 3, 2021	September 27, 2020
	(in thousands)	
Operating lease cost	$ 91,076	$ 87,348
Sublease income	(106)	(2,216)
Other	—	72
Total lease cost	**$ 90,970**	**$ 85,204**

Supplemental cash flow information related to leases is as follows:

	Fiscal Year Ended	
	October 3, 2021	September 27, 2020
	(in thousands)	
Operating cash flows for operating leases	$ 81,943	$ 80,289
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 72,076	$ 317,587

Supplemental balance sheet and other information related to leases are as follows:

	Fiscal Year Ended	
	October 3, 2021	September 27, 2020
	(in thousands)	
Operating leases:		
Right-of-use assets	$ 215,422	$ 239,396
Lease liabilities:		
Current	$ 67,452	$ 69,650
Long-term	174,285	191,955
Total operating lease liabilities	**$ 241,737**	**$ 261,605**
Weighted-average remaining lease term:		
Operating leases	5 years	5 years
Weighted-average discount rate:		
Operating leases	2.2 %	2.5 %

As of October 3, 2021, we do not have any material additional operating leases that have not yet commenced.

A maturity analysis of the future undiscounted cash flows associated with our operating lease liabilities as of October 3, 2021 is as follows:

	Amount (in thousands)
2022	$ 71,913
2023	55,528
2024	40,512
2025	29,521
2026	19,643
Beyond	40,119
Total lease payments	**257,236**
Less: imputed interest	(15,499)
Total present value of lease liabilities	**$ 241,737**

Rental expense for operating leases classified under ASC 840 for fiscal 2019 was $79.3 million, and was predominantly recorded within selling, general and administrative expenses.

11. Stockholders' Equity and Stock Compensation Plans

At October 3, 2021, we had the following stock-based compensation plans:

- *2005 Equity Incentive Plan.* Key employees and non-employee directors may be granted equity awards, including stock options, restricted stock and restricted stock units ("RSUs"). Options granted before March 6, 2006 vested at 25% on the first anniversary of the grant date, and the balance vests monthly thereafter, such that these options become fully vested no later than four years from the date of grant. These options expire no later than ten years from the date of grant. Options granted on and after March 6, 2006 vest at 25% on each anniversary of the grant date. These options expire no later than eight years from the grant date. RSUs granted to date vest at 25% on each anniversary of the grant date.

- *2015 Equity Incentive Plan ("2015 EIP").* Key employees and non-employee directors may be granted equity awards, including stock options, performance share units ("PSUs") and RSUs. Shares issued with respect to awards granted under the 2015 EIP other than stock options or stock appreciation rights, which are referred to as "full value awards", are counted against the 2015 EIP's aggregate share limit as three shares for every share or unit actually issued. No awards have been made under the 2015 Equity Incentive Plan since the adoption of the 2018 Equity Incentive Plan on March 8, 2018 described below.

- *2018 Equity Incentive Plan ("2018 EIP").* Key employees and non-employee directors may be granted equity awards, including stock options, PSUs and RSUs. Shares issued with respect to awards granted under the 2018 EIP other than stock options or stock appreciation rights, which are referred to as "full value awards", are counted against the 2018 EIP's aggregate share limit as one share for every share or unit issued. At October 3, 2021, there were 2.3 million shares available for future awards pursuant to the 2018 EIP.

- *Employee Stock Purchase Plan ("ESPP").* Purchase rights to purchase common stock are granted to our eligible full and part-time employees, and shares of common stock are issued upon exercise of the purchase rights. An aggregate of 487,023 shares may be issued pursuant to such exercise. The maximum amount that an employee can contribute during a purchase right period is $5,000. The exercise price of a purchase right is the lesser of 100% of the fair market value of a share of common stock on the first day of the purchase right period (the business day preceding January 1) or 85% of the fair market value on the last day of the purchase right period (December 15, or the business day preceding December 15 if December 15 is not a business day).

The following table presents our stock-based compensation and related income tax benefits:

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
		(in thousands)	
Total stock-based compensation	$ 23,067	$ 19,424	$ 17,618
Income tax benefit related to stock-based compensation	(4,910)	(4,318)	(4,016)
Stock-based compensation, net of tax benefit	**$ 18,157**	**$ 15,106**	**$ 13,602**

We recognize the fair value of our stock-based awards as compensation expense on a straight-line basis over the requisite service period in which the award vests. Most of these amounts were included in selling, general and administrative expenses on our consolidated statements of income.

Stock Options

The following table presents our stock option activity for fiscal year ended October 3, 2021:

	Number of Options (in thousands)	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding on September 27, 2020	539	$ 36.34		
Exercised	(324)	34.70		
Forfeited	(1)	40.80		
Outstanding at October 3, 2021	214	$ 38.80	4.95	$ 24,149
Vested or expected to vest at October 3, 2021	214	$ 38.80	4.95	$ 24,149
Exercisable on October 3, 2021	179	$ 37.05	4.72	$ 20,600

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between our closing stock price on the last trading day of fiscal 2021 and the exercise price, times the number of shares) that would have been received by the in-the-money option holders if they had exercised their options on October 3, 2021. This amount will change based on the fair market value of our stock. At October 3, 2021, we expect to recognize $0.1 million of unrecognized compensation cost related to stock option grants over a weighted-average period of one year.

No stock options were granted in fiscal 2021 and 2020. The aggregate intrinsic value of options exercised during fiscal 2021, 2020 and 2019 was $29.4 million, $22.4 million and $20.4 million, respectively.

Net cash proceeds from the exercise of stock options were $11.3 million, $10.3 million and $11.8 million for fiscal 2021, 2020 and 2019, respectively. Our policy is to issue shares from our authorized shares upon the exercise of stock options. The actual income tax benefit realized from exercises of nonqualified stock options and disqualifying dispositions of qualified options for fiscal 2021, 2020 and 2019 was $12.9 million, $8.3 million and $6.4 million, respectively.

RSU and PSU

RSU awards are granted to our key employee and non-employee directors. The fair value of the RSU was determined at the date of grant using the market price of the underlying common stock as of the date of grant. All of the RSUs have time-based vesting over a four-year period, except that RSUs awarded to directors vest after one year. The total compensation cost of the awards is then amortized over their applicable vesting period on a straight-line basis.

PSU awards are granted to our executive officers and non-employee directors. All of the PSUs are performance-based and vest, if at all, after the conclusion of the three-year performance period. The number of PSUs that ultimately vest is based on 50% growth in our EPS and 50% on our relative total shareholder return over the vesting period. For these performance-based awards, our expected performance is reviewed to estimate the percentage of shares that will vest. The total compensation cost of the awards is then amortized over their applicable vesting period on a straight-line basis.

A summary of the RSU and PSU activity under our stock plans is as follows:

	RSU		PSU	
	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value per Share	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value per Share
Nonvested balance at September 30, 2018	**488**	**$ 39.56**	**323**	**$ 44.27**
Granted	179	66.26	90	80.41
Vested	(180)	36.95	(108)	31.63
Adjustment (1)	—	—	79	31.63
Forfeited	(17)	48.56	—	—
Nonvested balance at September 29, 2019	**470**	**50.42**	**384**	**53.67**
Granted	168	83.92	74	99.85
Vested	(178)	46.87	(162)	47.28
Adjustment (1)	—	—	64	48.36
Forfeited	(16)	65.43	(5)	83.98
Nonvested balance at September 27, 2020	**444**	**63.93**	**355**	**64.83**
Granted	118	122.02	58	153.03
Vested	(167)	59.64	(193)	57.40
Adjustment (1)	—	—	99	57.40
Forfeited	(14)	77.74	(1)	74.05
Nonvested balance at October 3, 2021	**381**	**$ 83.30**	**318**	**$ 82.96**

(1) For fiscal 2019, includes a payout adjustment of 79,465 PSUs due to the actual performance level achieved for PSUs granted in fiscal 2016 that vested during fiscal 2019. For fiscal 2020 includes a payout adjustment of 63,643 PSUs due to the actual performance level achieved for PSUs granted in fiscal 2017 that vested during fiscal 2020. For fiscal 2021 includes a payout adjustment of 99,214 PSUs due to the actual performance level achieved for PSUs granted in fiscal 2018 that vested during fiscal 2021.

During fiscal 2021, 2020 and 2019, we awarded 117,934, 167,525 and 179,478 shares of RSUs, respectively, to our key employees and non-employee directors. The weighted-average grant-date fair value of RSUs granted during fiscal 2021, 2020 and 2019 was $122.02, $83.92 and $66.26, respectively. At October 3, 2021, there were 380,631 RSUs outstanding. RSU forfeitures result from employment terminations prior to vesting. Forfeited shares return to the pool of authorized shares available for award. We use historical data as a basis to estimate the probability of forfeitures related to RSUs and the ESPP Plan.

During fiscal 2021, 2020 and 2019, we awarded 57,542, 74,011 and 89,816 shares of PSUs, respectively, to our executive officers and non-employee directors. The weighted-average grant-date fair value of PSUs granted during fiscal 2021, 2020 and 2019 was $153.03, $99.85 and $80.41, respectively.

The stock-based compensation expense related to RSUs and PSUs for fiscal 2021, 2020 and 2019 was $20.9 million, $17.7 million and $15.4 million, respectively, and was included in total stock-based compensation expense. At October 3, 2021, there was $31.6 million of unrecognized stock-based compensation costs related to nonvested RSUs and PSUs that will be substantially recognized by the end of fiscal 2023.

ESPP

The following table summarizes shares purchased, weighted-average purchase price, and cash received for shares purchased under the ESPP:

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
	(in thousands, except for purchase price)		
Shares purchased	124	168	148
Weighted-average purchase price per share	$ 86.16	$ 51.77	$ 46.38
Cash received from exercise of purchase rights	$ 10,705	$ 8,715	$ 6,844

The grant date fair value of each award granted under the ESPP was estimated using the Black-Scholes option pricing model with the following assumptions:

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
Dividend yield	1.0%	1.0%	1.0%
Expected stock price volatility	47.9%	26.5%	26.7%
Risk-free rate of return, annual	0.1%	1.6%	2.6%
Expected life (in years)	1	1	1

For fiscal 2021, 2020 and 2019, we based our expected stock price volatility on historical volatility behavior and current implied volatility behavior. The risk-free rate of return was based on constant maturity rates provided by the U.S. Treasury. The expected life was based on the ESPP terms and conditions.

Stock-based compensation expense for fiscal 2021, 2020 and 2019 included $2.0 million, $1.2 million and $0.9 million, respectively, related to the ESPP. The unrecognized stock-based compensation costs for awards granted under the ESPP at fiscal 2021 and 2020 year-ends were $0.5 million and $0.3 million, respectively. At October 3, 2021, ESPP participants had accumulated $10.8 million to purchase our common stock.

12. Retirement Plans

We have defined contribution plans in various countries where we have employees. This primarily includes 401(k) plans in the United States. For fiscal 2021, 2020 and 2019, employer contributions to the U.S. plans were $26.9 million, $25.0 million and $23.3 million, respectively.

Additionally, we have established a non-qualified deferred compensation plan for certain key employees and non-employee directors. These eligible employees and non-employee directors may elect to defer the receipt of salary, incentive payments, restricted stock, PSU and RSU awards, and non-employee director fees. The plan is accounted for in accordance with applicable authoritative guidance on accounting for deferred compensation arrangements where amounts earned are held in a rabbi trust and invested. Employee deferrals are deposited into a rabbi trust, and the funds are generally invested in individual variable life insurance contracts that we own and are specifically designed to informally fund savings plans of this nature. At October 3, 2021 and September 27, 2020, the consolidated balance sheets reflect assets of $41.4 million and $35.1 million, respectively, related to the deferred compensation plan in "Other long-term assets," and liabilities of $41.1 million and $35.0 million, respectively, related to the deferred compensation plan in "Other long-term liabilities." The net gains and losses related to the deferred compensation plan are reported as part of “Selling, general and administrative expenses” in our consolidated statements of income. These related net gains and losses were immaterial for fiscal 2021, 2020 and 2019.

In connection with the acquisition of HLE in fiscal 2021, we assumed a defined benefit pension plan (the “Plan”), which HLE operates for all qualifying employees. The assets of the Plan are held in a separate trustee administered fund. The Plan was closed to new entrants in August 2003, except for current employees who had not attained the age of 24 at that date. The Plan was closed to future accrual on December 31, 2009. Under the agreed schedule of contributions, HLE will make no further contributions, and is to pay the expenses of administering the plan.

The change in the defined benefit obligation, the change in fair value of plan assets, and the amounts recognized in the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income and the Consolidated Statements of Shareholders’ Equity for the period from July 26, 2021 (acquisition date of HLE) to October 3, 2021 were immaterial.

The Plan's funded status at October 3, 2021 was as follows:

Fair value of plan assets	$	65,836
Benefit obligation		(64,830)
Net surplus	**$**	**1,006**

The net surplus is reflected in other long-term assets on our consolidated balance sheet at October 3, 2021.

The fair values of the plan assets are substantially categorized within Level 2 of the fair value hierarchy. As of October 3, 2021, the fair values of the plan assets by major asset categories were as follows (in 000’s):

Equities	$	13,646
Mutual funds		33,826
Liability driven investment funds		17,653
Cash/other		711
Fair value of plan assets	**$**	**65,836**

We seek a competitive rate of return relative to an appropriate level of risk depending on the funded status and obligations of each plan and typically employ both active and passive investment management strategies. The risk in our practices include diversification across asset classes and investment styles and periodic rebalancing toward asset allocation targets. The target asset allocation selected for each plan reflects a risk/return profile that we believe is appropriate relative to each plan’s liability structure and return goals.

Principal assumptions used for the benefit obligation in the valuation at October 3, 2021 are as follows:

Discount rate	2.00%
Rate of inflation	2.85% to 3.50%

13. Earnings per Share

The following table sets forth the number of weighted-average shares used to compute basic and diluted EPS:

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
	(in thousands, except per share data)		
Net income attributable to Tetra Tech	$ 232,810	$ 173,859	$ 158,668
Weighted-average common shares outstanding – basic	54,078	54,235	54,986
Effect of diluted stock options and unvested restricted stock	597	787	950
Weighted-average common stock outstanding – diluted	54,675	55,022	55,936
Earnings per share attributable to Tetra Tech:			
Basic	$ 4.31	$ 3.21	$ 2.89
Diluted	$ 4.26	$ 3.16	$ 2.84

For fiscal 2021, 2020 and 2019, no options were excluded from the calculation of dilutive potential common shares.

14. Derivative Financial Instruments

We often use certain interest rate derivative contracts to hedge interest rate exposures on our variable rate debt. Also, we may enter into foreign currency derivative contracts with financial institutions to reduce the risk that cash flows and earnings could adversely be affected by foreign currency exchange rate fluctuations. Our hedging program is not designated for trading or speculative purposes.

We recognize derivative instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value. We record changes in the fair value (i.e., gains or losses) of the derivatives that have been designated as cash flow hedges in our consolidated balance sheets as accumulated other comprehensive income, and in our consolidated statements of income for those derivatives designated as fair value hedges. The derivative contracts to hedge interest exposure are categorized within Level 2 of the fair value hierarchy.

In fiscal 2018, we entered into five interest rate swap agreements that we designated as cash flow hedges to fix the interest rates on the borrowings under our term loan facility. As of October 3, 2021, the notional principal of our outstanding interest swap agreements was $212.5 million ($42.5 million each.) The interest rate swaps have a fixed interest rate of 2.79% and expire in July 2023 for all five agreements. At October 3, 2021 and September 27, 2020, the fair value of the effective portion of our interest rate swap agreements designated as cash flow hedges before tax effect was $(9.4) million and $(15.5) million, respectively, of which we expect to reclassify $5.4 million from accumulated other comprehensive loss to interest expense within the next 12 months.

The fair values of our outstanding derivatives designated as hedging instruments were as follows:

		Fair Value of Derivative Instruments as of	
	Balance Sheet Location	October 3, 2021	September 27, 2020
		(in thousands)	
Interest rate swap agreements	Other current liabilities	$ 9,394	$ 15,512

Changes in the fair value of the interest rate swap agreements are presented on the consolidated statements of comprehensive income as follows:

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
	(in thousands)		
(Loss) gain recognized in other comprehensive income, net of tax			
Interest rate swap agreements	6,117	(4,638)	(12,125)

There were no ineffective portions of derivative instruments. Accordingly, no amounts were excluded from effectiveness testing for our interest rate swap agreements. We had no other derivative instruments that were not designated as hedging instruments for fiscal 2021, 2020 and 2019.

15. Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

The accumulated balances and reporting period activities for fiscal 2021, 2020 and 2019 related to reclassifications out of accumulated other comprehensive income are summarized as follows:

	Foreign Currency Translation Adjustments	Gain (Loss) on Derivative Instruments	Accumulated Other Comprehensive Income (Loss)
		(in thousands)	
Balances at September 30, 2018	**$ (128,602)**	**$ 1,252**	**$ (127,350)**
Other comprehensive loss before reclassifications	(21,109)	(11,247)	(32,356)
Amounts reclassified from accumulated other comprehensive income			
Interest rate contracts, net of tax [1]	—	(878)	(878)
Net current-period other comprehensive loss	**(21,109)**	**(12,125)**	**(33,234)**
Balances at September 29, 2019	**$ (149,711)**	**$ (10,873)**	**$ (160,584)**
Other comprehensive income (loss) before reclassifications	3,436	(599)	2,837
Amounts reclassified from accumulated other comprehensive income			
Interest rate contracts, net of tax [1]	—	(4,039)	(4,039)
Net current-period other comprehensive income (loss)	**3,436**	**(4,638)**	**(1,202)**
Balances at September 27, 2020	**$ (146,275)**	**$ (15,511)**	**$ (161,786)**
Other comprehensive income before reclassifications	30,641	12,175	42,816
Amounts reclassified from accumulated other comprehensive income			
Interest rate contracts, net of tax [1]	—	(6,058)	(6,058)
Net current-period other comprehensive income	**30,641**	**6,117**	**36,758**
Balances at October 3, 2021	**$ (115,634)**	**$ (9,394)**	**$ (125,028)**

[1] This accumulated other comprehensive component is reclassified to "Interest expense" in our consolidated statements of income. See Note 14, "Derivative Financial Instruments", for more information.

16. Fair Value Measurements

Derivative Instruments. Our derivative instruments are categorized within Level 2 of the fair value hierarchy. For additional information about our derivative financial instruments (see Note 2, "Basis of Presentation and Preparation" and Note 14, "Derivative Financial Instruments").

Contingent Consideration. We measure our contingent earn-out liabilities at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy. (see Note 2, "Basis of Presentation and Preparation" and Note 5, "Acquisitions" for further information).

Debt. The fair value of long-term debt was determined using the present value of future cash flows based on the borrowing rates currently available for debt with similar terms and maturities (Level 2 measurement). The carrying value of our long-term debt approximated fair value at October 3, 2021 and September 27, 2020. At October 3, 2021, we had borrowings of $212.5 million outstanding under our Amended Credit Agreement, which were used to fund our business acquisitions, working capital needs, stock repurchases, dividends, capital expenditures and contingent earn-outs.

Defined Benefit Pension Plan. The fair values of the plan assets are primarily categorized within Level 2 of the fair value hierarchy. For additional information about our defined benefit pension plan (see Note 12, "Retirement Plans**").**

17. Commitments and Contingencies

We are subject to certain claims and lawsuits typically filed against the consulting and engineering profession, alleging primarily professional errors or omissions. We carry professional liability insurance, subject to certain deductibles and policy limits, against such claims. However, in some actions, parties are seeking damages that exceed our insurance coverage or for which we are not insured. While management does not believe that the resolution of these claims will have a material adverse effect, individually or in aggregate, on our financial position, results of operations or cash flows, management acknowledges the uncertainty surrounding the ultimate resolution of these matters.

On July 15, 2019, following an initial January 14, 2019 filing, the Civil Division of the United States Attorney's Office filed an amended complaint in intervention in three qui tam actions filed against our subsidiary, Tetra Tech EC, Inc. ("TtEC"), in the U.S. District Court for the Northern District of California. The complaint alleges False Claims Act violations and breach of contract related to TtEC's contracts to perform environmental remediation services at the former Hunters Point Naval Shipyard in San Francisco, California. TtEC disputes the claims and will defend this matter vigorously. We are currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any.

18. Reportable Segments

We manage our operations under two reportable segments. Our GSG reportable segment primarily includes activities with U.S. government clients (federal, state and local) and all activities with development agencies worldwide. Our CIG reportable segment primarily includes activities with U.S. commercial clients and international clients other than development agencies. Additionally, we continue to report the results of the wind-down of our non-core construction activities in the RCM reportable segment.

Our reportable segments are described as follows:

GSG: GSG provides consulting and engineering services primarily to U.S. government clients (federal, state and local) and development agencies worldwide. GSG supports U.S. government civilian and defense agencies with services in water, environment, sustainable infrastructure, information technology, and disaster management. GSG also provides engineering design services for U.S. municipal and commercial clients, especially in water infrastructure, solid waste, and high-end sustainable infrastructure designs. GSG also leads our support for development agencies worldwide, especially in the United States, United Kingdom, and Australia.

CIG: CIG primarily provides consulting and engineering services to U.S. commercial clients, and international clients that include both commercial and government sectors. CIG supports commercial clients across the Fortune 500, energy utilities, industrial, manufacturing, aerospace, and resource management markets. CIG also provides infrastructure and related environmental, engineering and project management services to commercial and local government clients across Canada, in Asia Pacific (primarily Australia and New Zealand), the United Kingdom, as well as Brazil and Chile.

RCM: We continued to report the results of the wind-down of our non-core construction activities in the RCM reportable segment for fiscal 2021. As of October 3, 2021, there was no remaining backlog for RCM as all projects were complete.

Management evaluates the performance of these reportable segments based upon their respective segment operating income before the effect of amortization expense related to acquisitions, and other unallocated corporate expenses. We account for inter-segment revenues and transfers as if they were to third parties; that is, by applying a negotiated fee onto the costs of the services performed. All significant intercompany balances and transactions are eliminated in consolidation.

The following tables present summarized financial information of our reportable segments:

Reportable Segments

	Fiscal Year Ended		
	October 3, 2021	September 27, 2020	September 29, 2019
		(in thousands)	
Revenue			
GSG	$ 1,942,958	$ 1,778,922	$ 1,820,671
CIG	1,325,668	1,266,059	1,342,509
RCM	613	198	(1,542)
Elimination of inter-segment revenue	(55,726)	(50,288)	(54,290)
Total revenue	**$ 3,213,513**	**$ 2,994,891**	**$ 3,107,348**
Income from operations			
GSG	$ 195,297	$ 168,669	$ 185,263
CIG	131,720	114,022	79,633
RCM	—	—	(5,933)
Corporate [1]	(48,316)	(41,600)	(70,201)
Total income from operations	**$ 278,701**	**$ 241,091**	**$ 188,762**

[1] Includes goodwill and intangible assets impairment charges, amortization of intangibles, other costs and other income not allocable to segments. The intangible asset amortization expense for fiscal 2021, 2020 and 2019 was $11.5 million, $11.6 million and $11.6 million, respectively. Additionally, Corporate results included income (loss) for fair value adjustments to contingent consideration liabilities of $3.3 million, $15.0 million and $(1.1) million for fiscal 2021, 2020 and 2019, respectively. Corporate results in fiscal, 2020 and 2019 also included $15.8 million and $7.8 million goodwill impairment charges, respectively. See Note 6 - "Goodwill and Intangible Assets" for more information.

	Balance at	
	October 3, 2021	September 27, 2020
	(in thousands)	
Total Assets		
GSG	$ 604,366	$ 649,417
CIG	572,607	479,238
RCM	11,360	14,258
Corporate [1]	1,388,229	1,235,645
Total assets	**$ 2,576,562**	**$ 2,378,558**

[1] Corporate assets consist of intercompany eliminations and assets not allocated to our reportable segments including goodwill, intangible assets, deferred income taxes and certain other assets.

Geographic Information

	Fiscal Year Ended		
Revenue:	October 3, 2021	September 27, 2020	September 29, 2019
		(in thousands)	
United States	$ 2,256,086	$ 2,107,459	$ 2,247,780
Foreign countries [1]	957,427	887,432	859,568
Total	**$ 3,213,513**	**$ 2,994,891**	**$ 3,107,348**

Long-lived assets [2]:	Balance at October 3, 2021	Balance at September 27, 2020
	(in thousands)	
United States	$ 215,689	$ 230,933
Foreign countries [1]	87,771	108,348
Total	**$ 303,460**	**$ 339,281**

[1] Includes revenue and long-lived assets from our foreign operations, primarily in Canada, Australia and the United Kingdom, and revenue generated from non-U.S. clients.

[2] Excludes goodwill, intangible assets and deferred income taxes.

Fiscal 2022 Reportable Segments

On the first day of fiscal 2022, we created a new High Performance Buildings division in our CIG reportable segment. As a result, we transferred some related operations in our GSG reportable segment with annual revenue of approximately $170 million to our CIG reportable segment. Beginning in the first quarter of fiscal 2022, our segment reporting will reflect this transfer and our historical comparisons will be revised to be consistent with the fiscal 2022 presentation.

19. Related Party Transactions

We often provide services to unconsolidated joint ventures. Our revenue related to services we provided to unconsolidated joint ventures for fiscal 2021, 2020 and 2019 was $95.5 million, $88.2 million and $99.1 million, respectively. Our related reimbursable costs for fiscal 2021, 2020 and 2019 were $92.4 million, $86.4 million and $98.5 million, respectively. Our consolidated balance sheets also included the following amounts related to these services:

	Balance at	
	October 3, 2021	September 27, 2020
	(in thousands)	
Accounts receivable, net	$ 19,082	$ 20,884
Contract assets	5,092	3,261
Contract liabilities	3,026	478

20. Quarterly Financial Information – Unaudited

In the opinion of management, the following unaudited quarterly data for the fiscal years ended October 3, 2021 and September 27, 2020 reflect all adjustments necessary for a fair statement of the results of operations.

In the fourth quarter of fiscal 2021 we recognized a non-recurring net tax benefit of $21.6 million primarily consisting of valuation allowances in the United Kingdom that were released due to sufficient positive evidence being obtained.

In the second quarter of fiscal 2020, we incurred incremental costs totaling $8.2 million to address the COVID-19 pandemic. In the fourth quarter of fiscal 2020, we recorded adjustments to our contingent earn-out liabilities and reported related net gains in operating income of $13.5 million. Additionally, we recorded a $15.8 million goodwill impairment charge related to the ASP reporting unit, which is in our CIG segment. We sold non-core equipment related to the disposal of our Canadian turn-key pipeline activities throughout fiscal 2020 which resulted in gains of $0.8 million, $2.2 million, $4.5 million, and $1.0 million in the first, second, third, and fourth quarters of fiscal 2020, respectively.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share data)			
Fiscal Year 2021				
Revenue	$ 765,104	$ 754,764	$ 801,633	$ 892,012
Income from operations	66,252	60,807	69,807	81,836
Net income attributable to Tetra Tech	52,436	45,517	51,903	82,954
Earnings per share attributable to Tetra Tech:				
Basic	$ 0.97	$ 0.84	$ 0.96	$ 1.54
Diluted	$ 0.96	$ 0.83	$ 0.95	$ 1.52
Weighted-average common shares outstanding:				
Basic	53,927	54,187	54,117	54,019
Diluted	54,637	54,736	54,666	54,597
Fiscal Year 2020				
Revenue	$ 797,623	$ 734,133	$ 709,771	$ 753,364
Income from operations	63,302	47,530	63,525	66,735
Net income attributable to Tetra Tech	47,310	36,397	45,497	44,654
Earnings per share attributable to Tetra Tech:				
Basic	$ 0.87	$ 0.67	$ 0.84	$ 0.83
Diluted	$ 0.85	$ 0.66	$ 0.83	$ 0.82
Weighted-average common shares outstanding:				
Basic	54,560	54,699	53,985	53,841
Diluted	55,438	55,463	54,692	54,603

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 and changes in internal control over financial reporting

At October 3, 2021, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officer and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Internal controls include those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting at October 3, 2021, based on the criteria in *Internal Control – Integrated Framework* (2013) issued by the COSO. Based upon this assessment, management has concluded that our internal control over financial reporting was effective at October 3, 2021.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued a report on our internal control over financial reporting. This report, dated November 24, 2021, appears on pages 55-56 of this Form 10-K.

Consistent with the guidance issued by the Securities and Exchange Commission Staff, management has excluded HLE, which we acquired on July 26, 2021, from its evaluation of the effectiveness of our internal control over financial reporting as of October 3, 2021. The total assets and revenue related to HLE, a wholly owned subsidiary, are approximately 2% and less than 1%, respectively, of the related consolidated financial statement amounts as of and for the fiscal year ended October 3, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended October 3, 2021 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 relating to our directors and nominees, regarding compliance with Section 16(a) of the Exchange Act, and regarding our Audit Committee is included under the captions "Item No. 1 – Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement related to the 2022 Annual Meeting of Stockholders and is incorporated by reference.

Pursuant to General Instruction G (3) of Form 10-K, the information required by this item relating to our executive officers is included under the caption "Executive Officers of the Registrant" in Part I of this Report.

We have adopted a code of ethics that applies to our principal executive officer and all members of our finance department, including our principal financial officer and principal accounting officer. This code of ethics, entitled "Finance Code of Professional Conduct," is posted on our website. The Internet address for our website is www.tetratech.com, and the code of ethics may be found through a link to the Investor Relations section of our website.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K for any amendment to, or waiver from, a provision of this code of ethics by posting any such information on our website, at the address and location specified above.

Item 11. Executive Compensation

The information required by this item is included under the captions "Item No. 1 – Election of Directors" and "Executive Compensation Tables" in our Proxy Statement related to the 2022 Annual Meeting of Stockholders and is incorporated by reference.

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

The information required by this item relating to security ownership of certain beneficial owners and management, and securities authorized for issuance under equity compensation plans, is included under the caption "Security Ownership of Management and Significant Stockholders" in our Proxy Statement related to the 2022 Annual Meeting of Stockholders and is incorporated by reference.

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

The information required by this item relating to review, approval or ratification of transactions with related persons is included under the caption "Related Person Transactions," and the information required by this item relating to director independence is included under the caption "Item No. 1 – Election of Directors," in each case in our Proxy Statement related to the 2022 Annual Meeting of Stockholders and is incorporated by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item is included under the caption "Item No. 4 – Ratification of Independent Registered Public Accounting Firm" in our Proxy Statement related to the 2022 Annual Meeting of Stockholders and is incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a.) 1 **Financial Statements**

The Index to Financial Statements and Financial Statement Schedule on page54 is incorporated by reference as the list of financial statements required as part of this Report.

2 **Financial Statement Schedule**

The Index to Financial Statements and Financial Statement Schedule on page 54 is incorporated by reference as the list of financial statement schedules required as part of this Report.

3 **Exhibits**

The exhibit list in the Index to Exhibits on pages 97 is incorporated by reference as the list of exhibits required as part of this Report.

Tetra Tech, Inc.
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

For the Fiscal Years Ended
September 29, 2019, September 27, 2020 and October 3, 2021
(in thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions [2]	Other [3]	Balance at End of Period
Allowance for doubtful accounts [1]:					
Fiscal 2019	$ 5,188	$ 7,242	$ (1,868)	—	$ 10,562
Fiscal 2020	10,562	1,472	(4,887)	—	7,147
Fiscal 2021	7,147	(4,130)	195	1,140	4,352
Income tax valuation allowance:					
Fiscal 2019	$ 21,479	$ 255	$ (23,714)	$ 22,523	$ 20,543
Fiscal 2020	20,543	3,852	—	—	24,395
Fiscal 2021	24,395	13,698	(26,059)	1,006	13,040

(1) Reflects updated presentation of allowance for doubtful accounts to include expected credit losses in anticipation of our adoption of ASU 2016-13 in the first quarter of fiscal 2021.
(2) Primarily represents write-offs of uncollectible amounts, net of recoveries for the allowance for doubtful accounts. The income tax valuation amount represents the release of valuation allowances in the United Kingdom and Canada in fiscal 2021 and Australia in fiscal 2019.
(3) Includes loss in foreign jurisdictions, currency adjustments, and valuation allowance adjustments related to net operating loss carry-forwards.

INDEX TO EXHIBITS

3.1 Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 26, 2009).

3.2 Bylaws of the Company (amended and restated as of April 2009) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated April 24, 2009), and amended as of November 7, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated November 9, 2016).

10.1 Second Amended and Restated Credit Agreement dated as of July 30, 2018 among Tetra Tech, Inc., Tetra Tech Canada Holding Corporation, Coffey UK Limited, Coffey Services Australia Pty. Ltd., the lenders party thereto and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 1, 2018).

10.2 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012).

10.3 2005 Equity Incentive Plan (as amended through November 7, 2011) (incorporated by reference to the Company's Proxy Statement for its 2012 Annual Meeting of Stockholders held on February 28, 2012).*

10.4 First Amendment to the 2005 Equity Incentive Plan (as amended through November 7, 2011) (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2013).*

10.5 2015 Equity Incentive Plan (incorporated by reference to the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders held on March 5, 2015).*

10.6 2018 Equity Incentive Plan (incorporated by reference to the Company's Proxy Statement for its 2018 Annual Meeting of Stockholders held on March 8, 2018).*

10.7 Form of Indemnity Agreement entered into between the Company and each of its directors and executive officers (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2004).*

10.8 Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2020).*

10.9 Change of Control Severance Plan effective March 26, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 9, 2018).*

10.10 Executive Compensation Plan (as amended and restated November 14, 2013) (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2013).*

21. Subsidiaries of the Company.+

23 Consent of Independent Registered Public Accounting Firm (PricewaterhouseCoopers LLP).+

24. Power of Attorney (included on page 99 of this Annual Report on Form 10-K).

31.1 Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a). Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a).+

31.2 Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a).+

32.1 Certification of Chief Executive Officer pursuant to Section 1350.+

32.2 Certification of Chief Financial Officer pursuant to Section 1350.+

95. Mine Safety Disclosures.+

101 The following financial information from our Company's Annual Report on Form 10-K, for the period ended October 3, 2021 , formatted in Inline eXtensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statement of Comprehensive Income, (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements.+(1)

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* Indicates a management contract or compensatory arrangement.

\+ Filed herewith.

(1) Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of the section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

TETRA TECH, INC.

By: /s/ DAN L. BATRACK

Dan L. Batrack
Chairman and Chief Executive Officer

Date: November 24, 2021

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dan L. Batrack and Steven M. Burdick, jointly and severally, his attorney-in-fact, each with the full power of substitution, for such person, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might do or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAN L. BATRACK Dan L. Batrack	Chairman and Chief Executive Officer (Principal Executive Officer)	November 24, 2021
/s/ STEVEN M. BURDICK Steven M. Burdick	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	November 24, 2021
/s/ BRIAN N. CARTER Brian N. Carter	Senior Vice President, Corporate Controller (Principal Accounting Officer)	November 24, 2021
/s/ GARY R. BIRKENBEUEL Gary R. Birkenbeuel	Director	November 24, 2021
/s/ PATRICK C. HADEN Patrick C. Haden	Director	November 24, 2021
/s/ J. CHRISTOPHER LEWIS J. Christopher Lewis	Director	November 24, 2021
/s/ JOANNE M. MAGUIRE Joanne M. Maguire	Director	November 24, 2021
/s/ KIMBERLY E. RITRIEVI Kimberly E. Ritrievi	Director	November 24, 2021
/s/ J. KENNETH THOMPSON J. Kenneth Thompson	Director	November 24, 2021
/s/ KIRSTEN M. VOLPI Kirsten M. Volpi	Director	November 24, 2021

COMPANY INFORMATION

BOARD OF DIRECTORS

Dan L. Batrack
Chairman and Chief Executive Officer,
Tetra Tech, Inc.

Gary R. Birkenbeuel
Retired Regional Assurance
Managing Partner, Ernst & Young LLP

Patrick C. Haden
President, Wilson Avenue Consulting

J. Christopher Lewis
Managing Director,
RLH Equity Partners

Joanne M. Maguire
Retired Executive Vice President,
Lockheed Martin Space

Kimberly E. Ritrievi
President, The Ritrievi Group LLC

J. Kenneth Thompson
President and Chief Executive Officer,
Pacific Star Energy, LLC

Kirsten M. Volpi
Executive Vice President, COO,
CFO, and Treasurer, Colorado
School of Mines

CORPORATE LEADERSHIP

Dan L. Batrack
Chairman and Chief Executive Officer

Leslie L. Shoemaker
President

Steven M. Burdick
Executive Vice President,
Chief Financial Officer

William R. Brownlie
Senior Vice President,
Chief Engineer

Brian N. Carter
Senior Vice President, Corporate
Controller and Chief Accounting Officer

Craig L. Christensen
Senior Vice President,
Chief Information Officer

Preston Hopson
Senior Vice President,
General Counsel and Secretary

Richard A. Lemmon
Senior Vice President,
Corporate Administration

Brendan M. O'Rourke
Senior Vice President,
Enterprise Risk Management

OPERATIONAL LEADERSHIP

Derek G. Amidon
President, Commercial/International
Services Group and President,
Client Account Management Division

Roger R. Argus
President, Government
Services Group and President,
U.S. Government Division

Keith Brown
President, Global Development
Services Division

Stuart W. Fowler
President, High Performance
Buildings Division

Jill M. Hudkins
President, Resilient and
Sustainable Infrastructure Division

Bernard Teufele
President, Canada and
South America Division

CHAIRMAN EMERITUS

Li-San Hwang
Former Chairman and
Chief Executive Officer, Tetra Tech, Inc.

TETRA TECH

CORPORATE HEADQUARTERS

Tetra Tech, Inc.
3475 East Foothill Boulevard
Pasadena, California 91107-6024 USA

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tetratech.com

SHAREHOLDER INQUIRIES

Telephone: +1 (626) 470-2844
Email: investor.relations@tetratech.com

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.
P.O. Box 505000
Louisville, Kentucky 40233-5000

Telephone: +1 (800) 962-4284

STOCK LISTING

The Company's common stock is traded on the NASDAQ Global Select Market (Symbol: TTEK)