Primoris

Primoris, building America's future, today.

2020 Annual Report

Primoris Services Corporation

PRIMORIS AT A GLANCE

Primoris is a leading provider of specialty contracting services in North America. Primoris provides a wide range of specialty construction services, fabrication, maintenance, replacement, and engineering services to a diversified and well-tenured blue-chip client base.

Overview of Primoris by the Numbers[1]

$3.5bn
Revenue

10.6%
Gross Profit Margin

$2.8bn
Backlog

39%
Master Service Agreement (MSA) Revenue

<$2.5mm
Average Contract Size

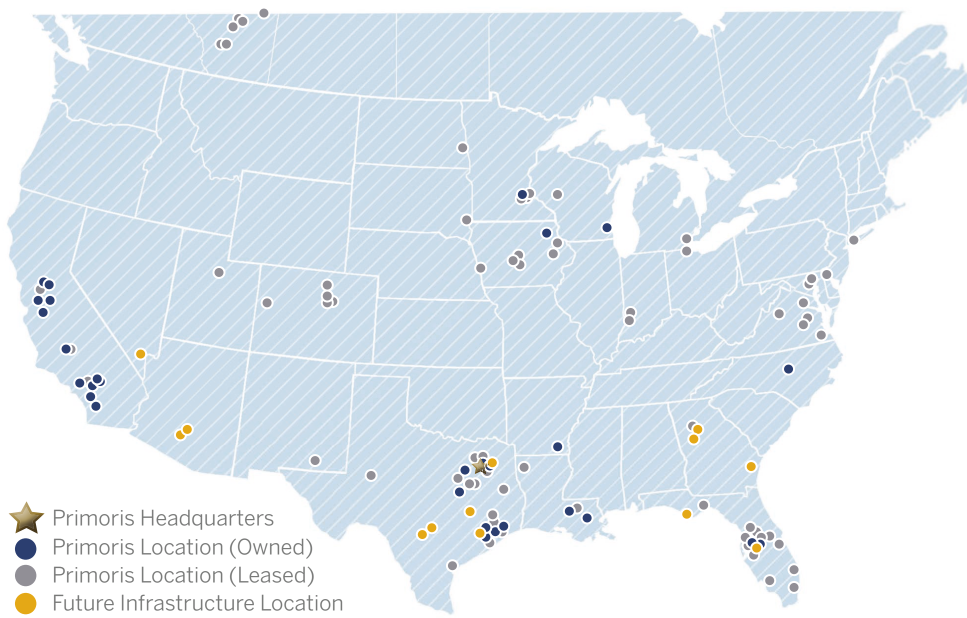
78%
Reimbursable Contracts

$14.4bn
Total Addressable Market[2]

$622mm
Acquisition of Future Infrastructure

10,000+
Employees

Serving Critical Infrastructure Needs from Coast to Coast



Markets Served

- Renewable Energy Production
  - *Solar & Biodiesel*
- Telecommunications & Fiber Optics
- Regulated Electric & Natural Gas
  - *Transmission & Distribution*
- Industrial Engineering & Construction Services
- Power Generation Services
- Maintenance & Integrity Pipeline Services
- Highways, Bridges & Airports

Business Model Limits Risks and Drives Predictability

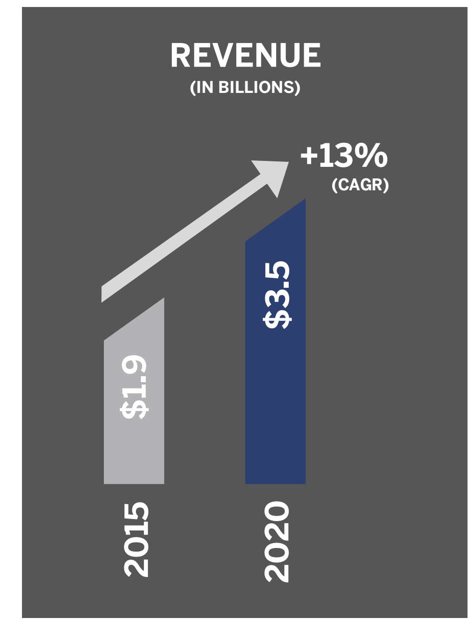
- Reoccurring MSA Revenue supports investments in scale & network density
  - *Resilient profile with increased multi-year revenue & margin visability*
- Deeper relationships with customers spanning decades provide cross-selling opportunities
- Lower risk profile with reimbursable, small size contracts

(1) FY2020 as of 12/31/2020 unless otherwise stated (2) As of 3/5/2021

To Our Shareholders,

In a year that presented unexpected challenges, I am proud of what Primoris achieved and how our people remained focused on three priorities: taking care of our customers, working safely and building for the future. We had an incredible year despite the business and personal impacts of the COVID-19 pandemic, as well as the reduction in capital spending across the oil and gas industry. We closed the year on a strong note and have started 2021 with positive revenue and growth opportunities.

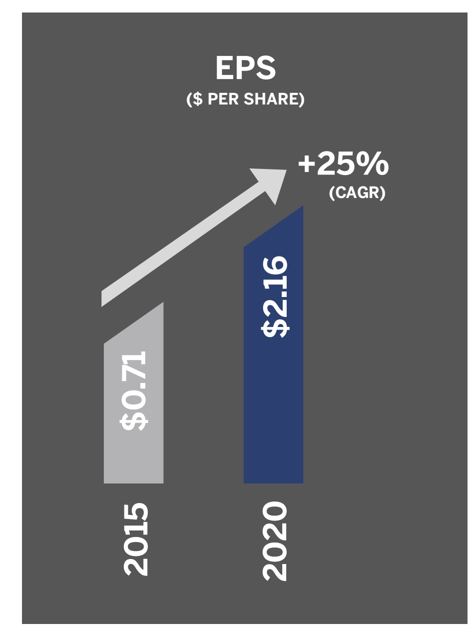
Our revenue for 2020 showed the success of our strategy even in a difficult market. We announced record revenue of $3.5 billion for the full year, up 12% compared to 2019, led by a 77.6% increase in revenue in our Pipeline segment. We also achieved record net income, up 28% over the prior year. Our earnings for 2020 were $2.16 per fully diluted share, another record. We entered 2021 with a total backlog of $2.78 billion, including a fixed backlog of $1.64 billion and a master service agreement ("MSA") backlog of $1.14 billion.



Reflecting this growth, Engineering News-Record ranked us #6 in its 2020 Top 600 Specialty Contractors rankings.

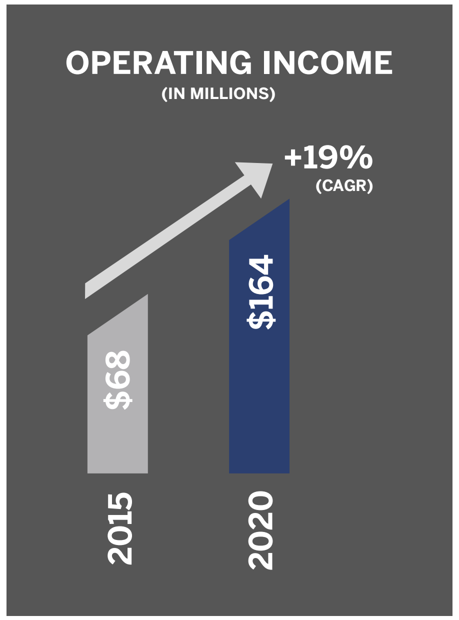
A Year of Accomplishments

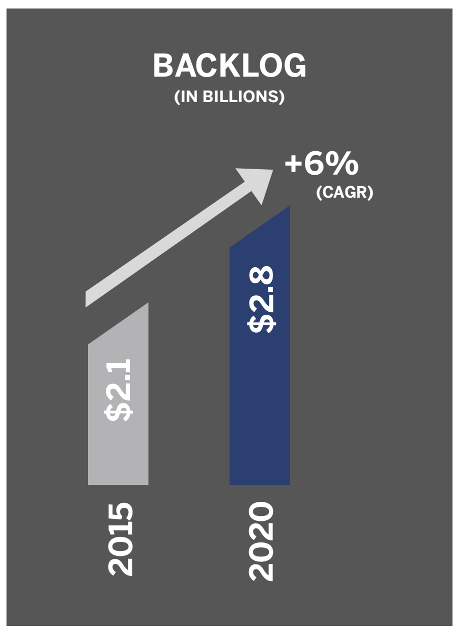
One of our most significant strategic moves during 2020 was the acquisition of Future Infrastructure. This acquisition, which closed just after yearend, is an exceptional fit with the criteria we laid out when we started looking for our next major acquisition several years ago. It expands us into the telecom services market – a high-growth market now and one that is projected to continue to grow well into the future, riding the tailwinds of our increasingly digital world. The acquisition further strengthens our existing utility capabilities, giving us a larger footprint within which we can leverage the Primoris brand, our strong customer base and our expertise. And it moves us into a higher-margin business with recurring revenue via MSAs.



The pandemic, and the work restrictions it created, tested our ability to work safely throughout the year. I congratulate our management teams and employees for overcoming this challenge to work over 27 million work hours with a total recordable incident rate of only 0.53 for 2020, one of the best safety records in the Company's history and well below the industry average.

Our safety performance was recognized by our customers and our peers with several awards during the year. ARB was named the overall winner of the California Plumbing & Mechanical Contractors Association Safety Star Award. ARB Underground was awarded the Arthur T. Everham Safety Award by the Distribution Contractors Association in the 2 million-and-over work hour category. I&M earned the Division I Greater Baton Rouge Industrial Alliance Award. And Primoris Canada won an Excellence Award during the 2020 Canada's Safest Employer Award ceremony.





And throughout the year's challenges, we maintained a watchful eye on administrative spending, reducing our SG&A expense as a percentage of revenue to 5.8 percent in 2020, compared to 6.1 percent in 2019.

Keeping our Values Foremost

We achieved these milestones – financial, safety and strategic – by focusing on our mission, which we refreshed in 2020 to be more in line with the direction the Company is taking:

> ***Built on a foundation of trust, we provide our clients with unmatched value, our employees with a safe work environment and entrepreneurial culture, our shareholders with results and the communities we serve with innovation and excellence.***

Our commitment to unmatched value was rewarded by our customers with increased contracts and opportunities that will drive further success.

Our people displayed an immense passion for supporting our communities in 2020, including frontline healthcare workers and first responders through Tunnel to Towers Foundation COVID-19 Heroes

Fund, to which employees donated more than $30,000 and the Company donated the balance for a total of $100,000. Beyond our COVID-related support, we also maintained our commitment to other charitable efforts including United Way and more than 20 virtual charity events.

Looking Forward

Although our optimism looking ahead is tempered by the ongoing uncertainty surrounding the COVID-19 pandemic, we expect continued organic growth for the Primoris family of companies as a whole during 2021, as well as potential for additional growth through acquisitions.

We see tremendous opportunity in two areas especially: utility expansion and renewable energy. Our new telecom services capabilities as well as our existing utilities strengths will open up a high-growth market for us in expanding broadband and digital access. The needs in this area have been highlighted by the pandemic-driven shift to virtual work, school and social contact, but we also believe the trend will outlast the immediate urgency. Our growing portfolio of renewable energy projects gives us not only an impressive backlog in this market, but also more attention and credibility for our competence in this area, which has been highlighted by the new Presidential administration as an area for investment.

We have readied ourselves for the expanded opportunities we see by restructuring our company into three cohesive segments: Utilities, Energy, and Pipeline Services. This streamlined structure will allow us to function more efficiently and take better advantage of collaboration and cross-selling opportunities in each of our markets.

What doesn't change is our continued commitment to excellence and our devotion to safety and earning the trust of our customers and communities. We also remain grateful to our employees and our shareholders for their continued support and confidence in our success.

"What doesn't change is our continued commitment to excellence and our devotion to safety and earning the trust of our customers and communities."

Sincerely,

Tom McCormick
President and Chief Executive Officer

BOARD OF DIRECTORS

Peter C. Brown, CPA (1)(2)(5)
Senior Principal Stockholder, Emeritus
Brown Armstrong Accountancy Corporation

Stephen C. Cook (1)(3)(4)(5)
Lead Director
President, Principal Stockholder
Fieldstone Partners

David L. King
Chairman of the Board
Former President and Chief Executive Officer
Primoris Services Corporation

Carla S. Mashinski, CPA (1)(2)(5)
Chief Financial and Administrative Officer
Cameron LNG

Terry D. McCallister (3)(4)(5)
Former Chief Executive Officer, Chairman
WGL Holdings, Inc. and Washington Gas

Thomas E. McCormick
Chief Executive Officer, President
Primoris Services Corporation

John P. Schauerman (1)(4)(5)
Former Executive Vice President of Corporate Development
Primoris Services Corporation

Robert A. Tinstman (2)(3)(4)(5)
Former President and Chief Executive Officer
Morrison Knudsen Corporation

Thomas E. Tucker (2)(3)(5)
Chairman
Pennhill Land Company

Patricia K. Wagner (2)(4)(5)
Former Group President of United States Utilities
Sempra Energy

(1) Audit Committee
(2) Compensation Committee
(3) Nominating and Governance Committee
(4) Strategy and Risk Committee
(5) Independent Director

EXECUTIVE OFFICERS

Thomas E. McCormick
President and Chief Executive Officer

Ken M. Dodgen
Executive Vice President, Chief Financial Officer

John F. Moreno
Executive Vice President, Chief Operating Officer

John M. Perisich
Executive Vice President, Chief Legal Officer and Secretary

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from to

Commission file number: 001-34145

Primoris Services Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**20-4743916** (I.R.S. Employer Identification No.)
2300 N. Field Street, Suite 1900 **Dallas, Texas** (Address of principal executive offices)	**75201** (Zip Code)

(214) 740-5600
(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, $0.0001 par value	PRIM	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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant was approximately $864.3 million based upon the closing price of such common equity as of June 30, 2020 (the last business day of the Registrant's most recently completed second fiscal quarter).

On February 15, 2021 there were 49,148,751 shares of common stock, par value $0.0001, outstanding. For purposes of this Annual Report on Form 10-K, in addition to those stockholders which fall within the definition of "affiliates" under Rule 405 of the Securities Act of 1933, holders of ten percent or more of the Registrant's common stock are deemed to be affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into this Annual Report on Form 10-K: Portions of the registrant's definitive Proxy Statement for its 2021 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to the "safe harbor" created by those sections. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, growth opportunities, the effects of regulation and the economy, generally. Forward-looking statements include all statements that are not historical facts and usually can be identified by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions.

Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of regulation and the economy, generally. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results may differ materially as a result of a number of factors, including, among other things, customer timing, project duration, weather, and general economic conditions; changes in our mix of customers, projects, contracts and business; regional or national and/or general economic conditions and demand for our services; price, volatility, and expectations of future prices of oil, natural gas, and natural gas liquids; variations and changes in the margins of projects performed during any particular quarter; increases in the costs to perform services caused by changing conditions; the termination, or expiration of existing agreements or contracts; the budgetary spending patterns of customers; increases in construction costs that we may be unable to pass through to our customers; cost or schedule overruns on fixed-price contracts; availability of qualified labor for specific projects; changes in bonding requirements and bonding availability for existing and new agreements; the need and availability of letters of credit; costs we incur to support growth, whether organic or through acquisitions; the timing and volume of work under contract; losses experienced in our operations; the results of the review of prior period accounting on certain projects; developments in governmental investigations and/or inquiries; intense competition in the industries in which we operate; failure to obtain favorable results in existing or future litigation or regulatory proceedings, dispute resolution proceedings or claims, including claims for additional costs; failure of our partners, suppliers or subcontractors to perform their obligations; cyber-security breaches; failure to maintain safe worksites; risks or uncertainties associated with events outside of our control, including severe weather conditions, public health crises and pandemics (such as COVID-19), political crises or other catastrophic events; client delays or defaults in making payments; the availability of credit and restrictions imposed by credit facilities; failure to implement strategic and operational initiatives; risks or uncertainties associated with acquisitions, dispositions and investments; possible information technology interruptions or inability to protect intellectual property; the Company's failure, or the failure of our agents or partners, to comply with laws; the Company's ability to secure appropriate insurance; new or changing legal requirements, including those relating to environmental, health and safety matters; the loss of one or a few clients that account for a significant portion of the Company's revenues; asset impairments; and risks arising from the inability to successfully integrate acquired businesses. We discuss many of these risks in detail in Part I, Item 1A "Risk Factors." You should read this Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect.

Given these uncertainties, you should not place undue reliance on forward-looking statements. Forward-looking statements represent management's beliefs and assumptions only as of the date of this Annual Report on Form 10-K. We assume no obligation to update forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available.

PART I

ITEM 1. BUSINESS

Business Overview

Primoris Services Corporation ("Primoris", the "Company", "we", "us", or "our") is one of the leading providers of specialty contracting services operating mainly in the United States and Canada. We provide a wide range of specialty construction services, fabrication, maintenance, replacement, and engineering services to a diversified base of customers through our five segments: Power, Industrial, and Engineering ("Power"), Pipeline and Underground ("Pipeline"), Utilities and Distribution ("Utilities"), Transmission and Distribution ("Transmission"), and Civil. The structure of our reportable segments is generally focused on broad end-user markets for our services.

We have longstanding customer relationships with major utility, refining, petrochemical, power, midstream, and engineering companies, and state departments of transportation. We provide our services to a diversified base of customers, under a range of contracting options. A substantial portion of our services are provided under Master Service Agreements ("MSA"), which are generally multi-year agreements. The remainder of our services are generated from contracts for specific construction or installation projects.

Reportable Segments

The following is an overview of the types of services provided by each of our reportable segments:

The Power segment operates throughout the United States and in Canada and specializes in a range of services that include engineering, procurement, and construction, retrofits, upgrades, repairs, outages, and maintenance services for entities in the petroleum and petrochemical industries, as well as traditional and renewable power generators.

The Pipeline segment operates throughout the United States and specializes in a range of services, including pipeline construction and maintenance, pipeline facility and integrity services, installation of compressor and pump stations, and metering facilities for entities in the petroleum and petrochemical industries, as well as gas, water, and sewer utilities.

The Utilities segment operates primarily in California, the Midwest, the Atlantic Coast, and the Southeast regions of the United States and specializes in a range of services, including installation and maintenance of new and existing natural gas utility distribution systems and pipeline integrity services for entities in the gas utility market.

The Transmission segment operates primarily in the Southeastern, Midwest, Atlantic Coast, and Gulf Coast regions of the United States and specializes in a range of services, including installation and maintenance of new and existing electric utility transmission, substation, and distribution systems for entities in the electric utility market.

The Civil segment operates primarily in the Southeastern and Gulf Coast regions of the United States and specializes in highway and bridge construction, airport runway construction, demolition, site work, soil stabilization, mass excavation, flood control, and drainage projects for entities in the petroleum and petrochemical industries, state and municipal departments of transportation, and airports.

Acquisitions

Future Infrastructure Holdings, LLC. On January 15, 2021, we acquired Future Infrastructure Holdings, LLC ("FIH") in an all-cash transaction valued at approximately $621.7 million. FIH is a provider of non-discretionary maintenance, repair, upgrade, and installation services to the telecommunication, regulated gas utility, and infrastructure markets. FIH furthers our strategic plan to expand our service lines, enter new markets, and grow our MSA revenue base. The transaction directly aligns with our strategy to grow in large, higher growth, higher margin markets, and expands our utility services capabilities.

Willbros Group, Inc. As more fully described in Note 4 — "*Business Combinations*" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, on June 1, 2018, we acquired Willbros Group Inc. ("Willbros") for approximately $110.6 million, net of cash and restricted cash acquired. Willbros was a specialty energy infrastructure contractor serving the oil and gas and power industries through its utility transmission and distribution, oil and gas, and Canadian operations, which principally provides unit-price maintenance services in existing operating facilities and executes industrial and power projects. The utility transmission and distribution operations formed the Transmission segment, the oil and gas operations are included in the Pipeline segment, and the Canadian operations are included in the Power segment. Willbros expanded our services into electric utility-focused offerings and increased our geographic presence in the United States and Canada.

Other acquisitions. In addition to the Future Infrastructure and Willbros acquisitions, we have acquired smaller businesses as we continue to seek opportunities to deepen our market presence, broaden our geographic reach, and expand our service offerings. We continue to evaluate potential acquisition candidates, especially those with strong management teams and growing end markets such as renewable energy, gas and electric utilities, and telecommunications.

Strategy

Our strategy has remained consistent from year to year and continues to emphasize the following key elements:

- *Diversification Through Controlled Expansion.* We continue to emphasize the expansion of our scope of services beyond our current focus by increasing the scope of services offered to current customers and by adding new customers. We will evaluate acquisitions that offer growth opportunities and the ability to leverage our resources as a leading service provider to the energy, power, and utility industries. Our strategy also considers selective expansion to new geographic regions.

- *Emphasis on MSA Revenue Growth and Retention of Existing Customers.* In order to fully leverage our relationships with our existing customer base, we believe it is important to maintain strong customer relationships. We are also focused on expanding our base of services provided under MSAs, which are generally multi-year agreements that provide visible recurring revenue.

- *Ownership of Equipment.* Many of our services are equipment intensive. The cost of construction equipment, and in some cases the availability of construction equipment, provides a significant barrier to entry into several of our businesses. We believe that our ownership of a large and varied construction fleet and our maintenance facilities enhances our access to reliable equipment at a favorable cost.

- *Stable Work Force.* Our business model emphasizes self-performance of a significant portion of our work. In each of our segments, we maintain a stable work force of skilled, experienced craft professionals, many of whom are cross-trained on projects such as pipeline and facility construction, refinery maintenance, gas and electrical distribution, and piping systems.

- *Selective Bidding.* We selectively bid on projects that we believe offer an opportunity to meet our profitability objectives or that offer the opportunity to enter promising new markets. In addition, we review our bidding opportunities to attempt to minimize concentration of work with any one customer, in any one industry, or in stressed labor markets. We believe that by carefully positioning ourselves in market segments that have meaningful barriers of entry, we can position ourselves so that we can continue to be competitive.

- *Maintain a strong balance sheet and a conservative capital structure.* We have maintained a capital structure that provides access to debt financing as needed while relying on strong operating cash flows to provide the primary support for our operations. We believe this structure provides our customers, our lenders, and our bonding companies assurance of our financial capabilities. We maintain a revolving credit facility to provide letter of credit capability and, if needed, to augment our liquidity needs.

Backlog

Backlog is discussed in Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" of this Annual Report on Form 10-K, which is incorporated herein by reference.

Customers

We have longstanding customer relationships with major utility, refining, petrochemical, power, midstream, engineering companies, and state departments of transportation. We have completed major underground and industrial projects for a number of large natural gas transmission and petrochemical companies in the United States, major electrical and gas projects for a number of large utility companies in the United States, as well as significant projects for our engineering customers. Although we have not been dependent upon any one customer in any year, a small number of customers tend to constitute a substantial portion of our total revenue in any given year.

We enter into a large number of contracts each year, and the projects can vary in length from daily work orders to as long as 36 months, and occasionally longer, for completion on larger projects. We often provide services under MSAs, which are generally multi-year agreements. Work performed under MSAs is typically generated through work orders, and ranges from project management and installation work, to maintenance and upgrade services. Our MSAs have various terms, depending on the nature of the services provided, and our customers are generally not contractually obligated to purchase an amount of services from us under the MSAs, although we do have MSAs that include minimum spend requirements, or targeted spend amounts. For the years ended December 31, 2020, 2019 and 2018, revenue derived from projects performed under MSAs was 39.0%, 43.7%, and 38.4%, respectively.

Our customers have included the Texas Department of Transportation and Louisiana Department of Transportation and Development in the Southern United States as well as many of the leading energy and utility companies in the United States, including, among others, Enterprise Pipeline, Xcel Energy, Pacific Gas & Electric, Southern California Gas, Oncor Electric, Duke Energy, Sempra Energy, Williams, NRG, Chevron, Calpine, Kinder Morgan, Dominion, Valero, Phillips 66, and Sasol.

Our top ten customers vary from year to year due to the nature of our business. A large construction project for a customer may result in significant revenue in that one year, with significantly less revenue in subsequent years after project completion. For the years ended December 31, 2020, 2019 and 2018, 47.0%, 47.2% and 52.2%, respectively, of total revenue was generated from our top ten customers in each year. In each of the years, a different group of customers comprised the top ten customers by revenue.

Management at each of our business units is responsible for developing and maintaining successful long-term relationships with customers. Our segment and business unit management teams work with our business development group to foster existing customer relationships and better understand their needs in order to secure additional projects and increase revenue from our current customer base. Segment and business unit managers are also responsible for working with our business development group in pursuing growth opportunities with prospective new customers.

We believe that our strategic relationships with customers will result in future opportunities. Some of our strategic relationships are in the form of strategic alliances or long-term MSAs. However, we realize that future opportunities also require cost effective bids, as pricing is a key element for most construction projects and service agreements.

Seasonality, cyclicality and variability

Our results of operations are subject to quarterly variations. Some of the variation is the result of weather, particularly rain, ice, snow, and named storms, which can impact our ability to perform construction and specialty services. These seasonal impacts can affect revenue and profitability in all of our businesses since utilities defer routine replacement and repair during their period of peak demand. Any quarter can be affected either negatively, or positively by atypical weather patterns in any part of the country. In addition, demand for new projects tends to be lower during the early part of the calendar year due to clients' internal budget cycles. As a result, we usually experience higher revenue and earnings in the third and fourth quarters of the year as compared to the first two quarters.

Our project values range in size from several hundred dollars to several hundred million dollars. The bulk of our work is comprised of project sizes that average less than $5.0 million. We also perform construction projects which tend not to be seasonal, but can fluctuate from year to year based on customer timing, project duration, weather, and general economic conditions. Our business may be affected by declines, or delays in new projects, or by client project schedules. Because of the cyclical and seasonal nature of our business, the financial results for any period may fluctuate from prior periods, and our financial condition and operating results may vary from quarter to quarter. Results from one quarter may not be indicative of financial condition, or operating results for any other quarter, or for an entire year.

Competition

We face competition on large construction projects from both regional and national contractors, including competition from larger companies that have financial and other resources in excess of those available to us. Competitors on small construction projects range from a few large construction companies, to a variety of smaller contractors. We compete with many local and regional firms for construction services and with a number of large firms on select projects. Each business unit faces varied competition depending on the types of projects, project locations, and services offered.

We compete with different companies in different end markets. For example, competitors in our utilities markets include Quanta Services, Inc. and MasTec, Inc.; competitors in our industrial markets include PCL, Cajun Construction, and Boh Brothers; competitors in the renewables market include Blattner and Mortenson; and competitors in our highway services markets include Sterling Construction Company and Zachry Construction Company. In each market we may also compete with local, private companies.

We believe that the primary factors influencing competition in our industry are price, reputation for quality, safety, schedule certainty, relevant experience, availability of field supervision and skilled labor, machinery and equipment, financial strength, as well as knowledge of local markets and conditions. We believe that we have the ability to compete favorably in all of these factors.

Contract Provisions and Subcontracting

We typically structure contracts as unit-price, time and material, fixed-price or cost reimbursable plus fixed fee. A substantial portion of our revenue is derived from MSAs, which provide a menu of available services that are utilized on an as-needed basis, and are typically priced using a unit-price or on a time and material basis. The remainder of our services are generated from contracts for specific construction or installation projects, which are subject to multiple pricing options, including unit-price, time and material, fixed-price, or cost reimbursable plus fixed fee. Under a fixed-price contract, we provide labor, equipment and services required by a project for a competitively bid or negotiated fixed price. Under a unit-price contract, we are committed to providing materials or services required by a project at a fixed price per unit of work. While the unit-price contract shifts the risk of estimating the quantity of units required for a particular project to the customer, any increase in our unit cost over the unit price bid, whether due to inflation, inefficiency, faulty estimates or other factors, is borne by us. Significant materials required under a fixed-price or unit-price contract, such as pipe, turbines, boilers and vessels, are typically supplied by the customer.

Some of our gas and electric distribution services are provided pursuant to renewable MSAs on a "unit-price" basis. Fees on unit-price contracts are negotiated and earned based on units completed. Historically, substantially all of the gas and electric distribution customers have renewed their MSAs with us. Facility maintenance services, such as regularly scheduled and emergency repair work, are provided on an ongoing basis at predetermined rates, or on a time and material basis.

Construction contracts are primarily obtained through competitive bidding or through negotiations with customers. We are typically invited to bid on projects undertaken by customers who maintain pre-qualified contractor lists. Contractors are selected for the pre-approved contractor lists by virtue of their prior performance for such customers, as well as their experience, reputation for quality, safety record, financial strength, competitiveness, and bonding capacity.

In evaluating bid opportunities, we consider such factors as the customer, the geographic location of the work, the availability of labor, our competitive advantage or disadvantage relative to other likely bidders, our current and projected workload, the likelihood of additional work, our history with the client, contract terms, and the project's cost and profitability estimates. We use computer-based estimating systems and our estimating staff has significant experience in the construction industry. The project estimates form the basis of a project budget against which performance is tracked through a project cost system, thereby enabling management to monitor a project's cost and schedule performance. Project costs are accumulated and monitored regularly against billings and payments to ensure proper tracking of cash flow on the project.

Most contracts provide for termination of the contract for the convenience of the owner or contractor. The terms associated with termination for convenience typically cover the reimbursement of all of our costs through a specific date, as well as all reasonable costs associated with demobilizing from the jobsite. In addition, contracts may be subject to certain completion schedule requirements which may include liquidated damages in the event schedules are not met.

We act as prime contractor on a majority of the construction projects we undertake. In the construction industry, the prime contractor is normally responsible for the execution of the entire contract scope of work, including subcontract work. Thus, we are potentially subject to increased costs and reputational risks associated with the failure of one or more of our subcontractors to perform their respective scope as defined in the contract. While we subcontract specialized activities such as blasting, hazardous waste removal and selected electrical/instrumentation work, we self-perform most of the work on our projects with our own resources, including field supervision, labor, and equipment.

Risk Management, Insurance and Bonding

We maintain a comprehensive schedule of insurance policies covering a broad range of exposures arising from our construction and general business operations. All of our policies have been procured with limits and deductibles or self-insured retention amounts of up to $500,000 per occurrence. We believe that our insurance program is more than adequate to protect us from all casualty and other types of insurance losses.

We maintain a diligent safety and risk management program that has resulted in a favorable loss experience factor. Through our safety director and the employment of a large staff of regional and site specific safety managers, we have been able to effectively assess and control potential losses and liabilities in both the pre-construction and performance phases of our projects. Though we strongly focus on safety in the workplace, we cannot give assurances that we can prevent, or reduce all injuries and/or claims in our workplace.

In connection with our business, we generally are required to provide various types of surety bonds guaranteeing our performance under certain public and private sector contracts. Our ability to obtain surety bonds depends upon our capitalization, working capital, backlog, past performance, management expertise and other factors and the surety company's current underwriting standards. To date, we have obtained the level of surety bonds necessary to support our business.

Regulation

Our operations are subject to compliance with regulatory requirements of federal, state, municipal agencies and authorities, and international laws and regulations including with respect to:

- Licensing, permitting and inspection requirements;
- Worker safety, including regulations established by the Occupational Safety and Health Administration;

- Permitting and inspection requirements applicable to construction projects;
- Contractor licensing requirements;
- Labor relations and affirmative action; and
- Protection of the environment, including regulations established by the Environmental Protection Agency.

We believe that we have all the licenses required to conduct our operations and that we are in substantial compliance with applicable regulatory requirements.

Environmental Matters and Climate Change Impacts

We are subject to numerous federal, state, local and international environmental laws and regulations governing our operations, including the handling, transportation and disposal of non-hazardous and hazardous substances and wastes, as well as emissions and discharges into the environment, including discharges to air, surface water, groundwater and soil. We have a substantial investment in construction equipment that utilizes diesel fuel, which could be negatively impacted by regulations related to greenhouse gas emissions from such sources.

We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment. Under some of these laws and regulations, liability can be imposed for cleanup of previously owned or leased properties, or properties to which hazardous substances or wastes were sent by current, or former operations at our facilities, regardless of whether we directly caused the contamination or violated any law at the time of discharge, or disposal. The presence of contamination from such substances or wastes could interfere with ongoing operations, or affect our ability to sell, lease or use our properties as collateral for financing.

Human Capital Management

As of December 31, 2020, we employed 1,762 salaried employees and 8,652 hourly employees. The total number of hourly personnel employed is subject to the volume of specialty services and construction work in progress.

We believe that our employees are the most valuable resource in successfully completing our projects. Our ability to maintain sufficient, continuous work for hourly employees helps us to maintain a stable workforce with a loyalty to and an understanding of our policies and culture, as well as contributes to our strong performance, safety and quality record. Our talent acquisition team uses internal and external resources to recruit highly skilled and talented workers, and we encourage employee referrals for open positions. In addition, we have partnerships with technical schools where we recruit and hire craft employees.

We employ a dynamic mix of people to create the strongest company possible. Our policy forbids discrimination in employment on the basis of age, culture, gender, national origin, sexual orientation, physical appearance, race or religion. We are an inclusive, diverse company with people of all backgrounds, experience, culture, styles and talents.

As part of our compensation philosophy, we believe that we must offer and maintain market competitive total rewards programs for our employees in order to attract and retain superior talent. In addition to base wages, additional programs include annual bonus opportunities, a Company matched 401(k) Plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, flexible work schedules, and employee assistance programs.

We strive to develop and sustain a skilled labor advantage by providing thorough on and off-site training programs, project management training, and leadership development programs. We have company-owned training facilities that support continuous skills training, including several locations where we train apprentices to become journeymen. Our leadership development program is a year-long initiative designed to further develop each participant's leadership skills and requires program participants to challenge themselves and their peers as they progress through coursework.

We are committed to the health, safety and wellness of our employees, and we pride ourselves on above-average workplace safety. We track and maintain several key safety metrics, which senior management reviews monthly, and we evaluate management on their ability to provide safe working conditions on job sites and to create a safety culture. Lost Time Injury Rate ("LTIR") tracks the rate of injuries in the workplace which results in the employee having to take a minimum of one full working day away from work. For the year ended December 31, 2020 our LTIR rate was 0.09 compared to an industry average of 1.1 per the U.S. Bureau of Labor construction industry statistics. Total Recordable Incident Rate ("TRIR") tracks the total number of workplace safety incidents, whether leading to time away from work or not. TRIR is reported as the number of workplace safety incidents per 100 full-time workers during a one year period. For the year ended December 31, 2020 our TRIR rate was 0.53 compared to an industry average of 2.8 per the U.S. Bureau of Labor construction industry statistics.

In response to the COVID-19 pandemic, we implemented significant operating environmental changes that we determined were in the best interest of our employees, as well as the communities in which we operate, and which comply with government regulations. These include, but are not limited to, providing additional personal protective equipment, requiring on-site health screenings, following proper social distancing practices and offering office employees flexible remote working options.

Several of our subsidiaries have operations that are unionized through the negotiation and execution of collective bargaining agreements. As of December 31, 2020, approximately 31.6% of our hourly employees, primarily consisting of field laborers, were covered by collective bargaining agreements. These collective bargaining agreements have varying terms and are subject to renegotiation upon expiration. We have not experienced recent work stoppages and believe our employee and union relations are good.

Website Access and Other Information

Our website address is www.prim.com. You may obtain free electronic copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports through our website under the "Investors" tab or through the website of the Securities and Exchange Commission (the "SEC") at www.sec.gov. These reports are available on our website as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. In addition, our Code of Conduct (including a separate supplement which applies to our CEO, CFO and senior financial executives), and the charters of our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Strategy and Risk Committee are posted on our website under the "Investors/Governance" tab. We intend to disclose on our website any amendments or waivers to our Code of Conduct that are required to be disclosed pursuant to Item 5.05 of Form 8-K or Nasdaq rules.

We will make available to any stockholder, without charge, copies of our Annual Report on Form 10-K as filed with the SEC. For copies of this or any other information, stockholders should submit a request in writing to Primoris Services Corporation, Inc., Attn: Corporate Secretary, 2300 N. Field Street, Suite 1900, Dallas, TX 75201.

This Annual Report on Form 10-K and our website may contain information provided by other sources that we believe are reliable. However, we cannot assure you that the information obtained from other sources is accurate or complete. No information on our website is incorporated by reference herein and should not be considered part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Our business is subject to a variety of risks and uncertainties, many of which are described below. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial also may have a material adverse effect on our business in the future. This Annual Report on Form 10-K includes projections, assumptions and beliefs that are intended to be "forward looking statements" and should be read in conjunction with the discussion of *"Forward Looking Statements"* at the beginning of this Annual Report on Form 10-K.

The following risk factors could have a material adverse effect on our business, the results of our operations, our financial condition, our cash flow and the price of our shares. These risk factors could prevent us from meeting our goals or expectations.

Risks Related Primarily to Operating our Business

Our financial and operating results may vary significantly from quarter-to-quarter and year-to-year.

Our business is subject to seasonal and annual fluctuations. Some of the quarterly variation is the result of weather, particularly rain, ice, snow, and named storms, which create difficult operating conditions. Similarly, demand for routine repair and maintenance services for gas utilities is lower during their peak customer needs in the winter, and demand for routine repair and maintenance services for electric utilities is lower during their peak customer needs in the summer. Some of the annual variation is the result of construction projects which fluctuate based on customer timing, project duration, weather, and general economic conditions. Annual and quarterly results may also be adversely affected by:

- Changes in our mix of customers, projects, contracts and business;
- Regional or national and/or general economic conditions and demand for our services;
- Variations and changes in the margins of projects performed during any particular quarter;
- Increases in the costs to perform services caused by changing conditions;
- The termination, or expiration of existing agreements or contracts;
- The budgetary spending patterns of customers;
- Increases in construction costs that we may be unable to pass through to our customers;
- Cost or schedule overruns on fixed-price contracts;
- Availability of qualified labor for specific projects;
- Changes in bonding requirements and bonding availability for existing and new agreements;
- The need and availability of letters of credit;
- Costs we incur to support growth, whether organic or through acquisitions;
- The timing and volume of work under contract; and
- Losses experienced in our operations.

As a result, our operating results in any particular quarter may not be indicative of the operating results expected for any other quarter, or for an entire year.

Demand for our services may decrease during economic recessions or volatile economic cycles, and a reduction in demand in end markets may adversely affect our business.

A substantial portion of our revenue and profit is generated from construction projects, the awarding of which we do not directly control. The engineering and construction industry historically has experienced cyclical fluctuations in financial results due to economic recessions, downturns in business cycles of our customers, material shortages, price increases by subcontractors, interest rate fluctuations and other economic factors beyond our control. When the general level of economic activity deteriorates, our customers may delay, or cancel upgrades, expansions, and/or maintenance and repairs to their systems. Many factors, including the financial condition of the industry, could adversely affect our customers and their willingness to fund capital expenditures in the future.

Economic, regulatory and market conditions affecting our specific end markets may adversely impact the demand for our services, resulting in the delay, reduction or cancellation of certain projects and these conditions may continue to adversely affect us in the future. For example, much of the work that we perform in the highway markets involves funding by federal, state and local governments. This funding is subject to fluctuation based on the budgets and operating priorities of the various government agencies.

We are also dependent on the amount of work our customers outsource. In a slower economy, our customers may decide to outsource less infrastructure services, reducing demand for our services. In addition, consolidation, competition or capital constraints in the industries we serve may result in reduced spending by our customers.

Industry trends and government regulations could reduce demand for our pipeline construction services.

The demand for our pipeline construction services is dependent on the level of operating and capital project spending by midstream companies in the oil and gas industry. This level of spending is subject to large fluctuations depending primarily on the current price, volatility, and expectations of future prices of oil, natural gas, and natural gas liquids. The price is a function of many factors, including levels of supply and demand, government policies and regulations, oil industry refining capacity and the potential development of alternative fuels.

Specific government decisions could affect demand for our construction services. For example, a limitation on the use of "fracking" technology, or creation of significant regulatory issues for the construction of underground pipelines, could significantly reduce our underground work.

Conversely, government regulations may increase the demand for our pipeline services. The anticipation by utilities that coal-fueled power plants may become uneconomical to operate because of potential environmental regulations or low natural gas prices could increase demand for gas pipeline construction for utility customers.

Many of our customers are regulated by federal and state government agencies and the addition of new regulations or changes to existing regulations may adversely impact demand for our services and the profitability of those services.

Many of our energy customers are regulated by the Federal Energy Regulatory Commission ("FERC"), and our utility customers are regulated by state public utility commissions. These agencies could change the way in which they interpret current regulations and may impose additional regulations. These changes could have an adverse effect on our customers and the profitability of the services they provide, which could reduce demand for our services or delay our ability to complete projects.

Our business may be materially adversely impacted by regional, national and/or global requirements related to climate change and the impact of greenhouse gas emissions in the future.

Greenhouse gases that result from human activities, including burning of fossil fuels, are the focus of increased scientific and political scrutiny and may be subject to changing legal requirements. International agreements, federal laws, state laws and various regulatory schemes limit or otherwise regulate emissions of greenhouse gases, and additional restrictions are under consideration by different governmental entities. We derive a significant amount of revenue and contract profit from engineering and construction services to clients that own and/or operate a wide range of process plants and own and/or operate electric power generating plants that generate electricity from burning natural gas or various types of solid fuels. These plants may emit greenhouse gases as part of the process to generate electricity or other products. Compliance with existing greenhouse gas regulation may prove costly or difficult. It is possible that owners and operators of existing or future process plants and electric generating plants could be subject to new or changed environmental regulations that result in significantly limiting, or reducing the amounts of greenhouse gas emissions, increasing the cost of emitting such gases or requiring emissions allowances. The costs of controlling such emissions or obtaining required emissions allowances could be significant. It also is possible that necessary controls or allowances may not be available. Such regulations could negatively impact client investments in capital projects in our markets, which could negatively impact the market for our products and/or services. This could materially adversely affect our business.

The establishment of additional rules limiting greenhouse gas emissions could also impact our ability to perform construction services, or to perform these services with current levels of profitability. New regulations may require us to acquire different equipment or change processes. The new equipment may not be available, or it may not be purchased or rented in a cost effective manner. Project deferrals, delays or cancellations resulting from the potential regulations could adversely impact our business.

In addition, we could be held liable for significant penalties and damages under certain environmental laws and regulations and also could be subject to a revocation of our licenses or permits. Our contracts with our customers may also impose liabilities on us regarding environmental issues that arise through the performance of our services. From time to time, we may incur costs and obligations for correcting environmental noncompliance matters and for remediation at or relating to certain of our job sites or properties. We believe that we are in substantial compliance with our environmental obligations.

The potential physical impact of climate change on our operations is highly uncertain. Climate change may result in, among other things, changes in rainfall patterns, storm patterns and intensities and temperature levels. Our operating results are significantly influenced by weather, and major changes in historical weather patterns could significantly impact our future operating results. For example, if climate change results in significantly more adverse

weather conditions in a given period, we could experience reduced productivity, which could negatively impact our revenue and gross margins.

Climate change could also affect our customers and the types of projects that they award. Demand for power projects, underground pipelines or highway projects could be affected by significant changes in weather, or climate conditions, or by regulatory changes relating to climate change, which could in turn reduce demand for our services.

Our results could be adversely affected by natural disasters, public health crises, political crises, or other catastrophic events.

Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, and other adverse weather and climate conditions; unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, labor unrest, and other political instability; or other catastrophic events could disrupt our operations, or the operations of one or more of our vendors or customers, and could adversely affect our financial results. In particular, these types of events could impact our product supply chain from or to the impacted region and could cause our customers to delay or cancel projects, which could impact our ability to operate. In addition, these types of events could lead to general inefficiencies from having to start and stop work, re-sequencing work, requiring on-site health screenings before entering a job site, and following proper social distancing practices.

In December 2019, a novel strain of coronavirus 2019 ("COVID-19") emerged and has since extensively impacted global health and the economic environment. In an effort to contain COVID-19 or slow its spread, governments around the world have also enacted various measures, including orders to close all businesses not deemed "essential", isolate residents to their homes or places of residence, and practice social distancing when engaging in essential activities. While our services have generally been deemed to be essential services, we have experienced project interruptions and restrictions that have delayed project timelines from those originally planned. In some cases, we have experienced temporary work stoppages, which has led to general inefficiencies from having to start and stop work, re-sequence work, require on-site health screenings before entering a job site, and follow proper social distancing practices. We have also been restricted from completing work or have been prevented from starting work on certain projects. There are no comparable recent events that can provide guidance as to the effect of the COVID-19 global pandemic, and, as a result, the ultimate impact of COVID-19 or a similar health pandemic or epidemic is highly uncertain. We will continue to actively monitor the situation and may take further actions to alter our business operations that we determine are in the best interests of our employees, customers, suppliers, and stakeholders, or as required by federal, state, or local authorities. We will also continue to monitor our customers and their industries to assess the effect that changes in economic, market and regulatory conditions may have on them. Due to uncertainties regarding the duration and impact of the current COVID-19 pandemic, we are unable to predict the extent to which the COVID-19 pandemic may have a material adverse effect on our business, financial condition or results of operations.

Changes to renewable portfolio standards and decreased demand for renewable energy projects could negatively impact our future results of operations, cash flows and liquidity.

A significant portion of our future business may be focused on providing construction and/or installation services to owners and operators of solar power and other renewable energy facilities. Currently, the development of solar and other renewable energy facilities is dependent on the existence of renewable portfolio standards and other state incentives and requirements. Renewable portfolio standards are state-specific statutory provisions requiring that electric utilities generate a certain amount of electricity from renewable energy sources. These standards have initiated significant growth in the renewable energy industry and a potential demand for renewable energy infrastructure construction services. Elimination of, or changes to, existing renewable portfolio standards, tax credits or similar environmental policies may negatively affect future demand for our services.

We may lose business to competitors through the competitive bidding processes.

We are engaged in highly competitive businesses in which most customer contracts are awarded through bidding processes based on price and the acceptance of certain risks. We compete with other general and specialty contractors, both regional and national, as well as small local contractors. The strong competition in our markets requires maintaining skilled personnel and investing in technology, and also puts pressure on profit margins. We do not obtain contracts from all of our bids and our inability to win bids at acceptable profit margins would adversely affect our business.

We may be unsuccessful at generating internal growth which may affect our ability to expand our operations, or grow our business.

Our ability to generate internal growth may be affected by, among other factors, our ability to:

- Attract new customers;
- Increase the number of projects performed for existing customers;
- Hire and retain qualified personnel;
- Secure appropriate levels of construction equipment;
- Successfully bid for new projects; and
- Adapt the range of services we offer to address our customers' evolving construction needs.

In addition, our customers may reduce the number or size of projects available to us due to their inability to obtain capital. Our customers may also reduce projects in response to economic conditions.

Many of the factors affecting our ability to generate internal growth may be beyond our control, and we cannot be certain that our strategies will be successful or that we will be able to generate cash flow sufficient to fund our operations and to support internal growth. If we are unsuccessful, we may not be able to achieve internal growth, expand our operations or grow our business.

The timing of new contracts may result in unpredictable fluctuations in our business.

Substantial portions of our revenue are derived from project-based work that is awarded through a competitive bid process. The portion of revenue generated from the competitive bid process for 2020, 2019 and 2018 was approximately 51.7%, 44.3%, and 48.6%, respectively. It is generally very difficult to predict the timing and geographic distribution of the projects that we will be awarded. The selection of, timing of or failure to obtain projects, delays in award of projects, the re-bidding or termination of projects due to budget overruns, cancellations of projects or delays in completion of contracts could result in the under-utilization of our assets and reduce our cash flows. Even if we are awarded contracts, we face additional risks that could affect whether, or when work will begin. For example, some of our contracts are subject to financing, permitting and other contingencies that may delay or result in termination of projects. We may have difficulty in matching workforce size and equipment location with contract needs. In some cases, we may be required to bear the cost of a ready workforce and equipment that is larger than necessary, resulting in unpredictability in our cash flow, expenses and profitability. If any expected contract award, or the related work release is delayed or not received, we could incur substantial costs without receipt of any corresponding revenue. Finally, the winding down or completion of work on significant projects will reduce our revenue and earnings if these projects have not been replaced.

We derive a significant portion of our revenue from a few customers, and the loss of one or more of these customers could have significant effects on our revenue, resulting in adverse effects on our financial condition, results of operations and cash flows.

Our customer base is reasonably concentrated, with our top ten customers accounting for approximately 47.0% of our revenue in 2020, 47.2% of our revenue in 2019 and 52.2% of our revenue in 2018. However, the customers included in our top ten customer list generally vary from year to year. Our revenue is dependent both on performance of larger construction projects and relatively smaller projects under MSAs. For the large construction projects, the completion of the project does not necessarily represent the permanent loss of a customer; however, the future revenue generated from work for that customer may fluctuate significantly.

We also generate ongoing revenue from our MSA customers, which are generally comprised of regulated gas and electric utilities. If we were to lose one of these customers, our revenue could significantly decline. Reduced demand for our services by larger construction customers or a loss of a significant MSA customer could have an adverse effect on our business.

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. We could be adversely affected by our failure to comply with laws applicable to our foreign activities, such as the U.S. Foreign Corrupt Practices Act.

During 2020, 2019 and 2018, revenue attributable to our services outside of the United States, principally in Canada, was 3.5%, 5.8% and 2.9% of our total revenue, respectively. There are risks inherent in doing business internationally, including:

- Imposition of governmental controls and changes in laws, regulations, policies, practices, tariffs and taxes;
- Political and economic instability;
- Changes in United States and other national government trade policies affecting the market for our services;
- Potential non-compliance with a wide variety of laws and regulations, including the United States Foreign Corrupt Practices Act ("FCPA") and similar non-United States laws and regulations;
- Currency exchange rate fluctuations, devaluations and other conversion restrictions;
- Restrictions on repatriating foreign profit back to the United States; and
- Difficulties in staffing and managing international operations.

The FCPA and similar anti-bribery laws in other jurisdictions prohibit U.S.-based companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We pursue opportunities in certain parts of the world that experience government corruption, and in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. Our internal policies mandate compliance with all applicable anti-bribery laws. We require our partners, subcontractors, agents and others who work for us or on our behalf to comply with the FCPA and other anti-bribery laws. There is no assurance that our policies or procedures will protect us against liability under the FCPA or other laws for actions taken by our agents, employees and intermediaries. If we are found to be liable for FCPA violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could suffer from severe criminal or civil penalties or other sanctions, which could have a material adverse effect on our reputation and business. In addition, detecting, investigating and resolving actual or alleged FCPA violations is expensive and could consume significant time and attention of our senior management.

Backlog may not be realized or may not result in revenue or profit.

Backlog is measured and defined differently by companies within our industry. We refer to "backlog" as our anticipated revenue from the uncompleted portions of existing contracts where scope is adequately defined, and therefore we can reasonably estimate total contract value, and the estimated revenue on MSA work for the next four quarters. Backlog is not a comprehensive indicator of future revenue. Most contracts may be terminated by our customers on short notice. Reductions in backlog due to cancellation by a customer, or for other reasons, could significantly reduce the revenue that we actually receive from contracts in backlog. In the event of a project cancellation, we are typically reimbursed for all of our costs through a specific date, as well as all reasonable costs associated with demobilizing from the jobsite, but we typically have no contractual right to the total revenue reflected in our backlog. Projects may remain in backlog for extended periods of time. While backlog includes estimated MSA revenue, customers are not contractually obligated to purchase a certain amount of services under the MSA.

Given these factors, our backlog at any point in time may not accurately represent the revenue that we expect to realize during any period, and our backlog as of the end of a fiscal year may not be indicative of the revenue we expect to earn in the following fiscal year. Inability to realize revenue from our backlog could have an adverse effect on our business.

While backlog may not be indicative of the revenue we expect to earn the following fiscal year, it is a potential indicator of future revenue; however, recognition of revenue from backlog does not necessarily ensure that the projects will be profitable. Poor project execution could impact profit from contracts included in backlog. For projects for which a loss is expected, future revenue will be recorded with no margin, which may reduce the overall margin percentage for work performed.

Our actual cost may be greater than expected in performing our contracts where scope is adequately defined, causing us to realize significantly lower profit or losses on our projects.

We currently generate, and expect to continue to generate, a portion of our revenue and profit under contracts where scope is adequately defined. The approximate portion of revenue generated in 2020 from contracts where scope is adequately defined was66.8%. In general, we must estimate the costs of completing a specific project to bid these types of contracts. The actual cost of labor and materials may vary from the costs we originally estimated, and we may not be successful in recouping additional costs from our customers. These variations may cause gross profit for a project to differ from those we originally estimated. Reduced profitability or losses on projects could occur due to changes in a variety of factors such as:

- Failure to properly estimate costs of engineering, materials, equipment or labor;
- Unanticipated technical problems with the structures, materials or services being supplied by us, which may require that we spend our own money to remedy the problem;
- Project modifications not reimbursed by the client creating unanticipated costs;
- Changes in the costs of equipment, materials, labor or subcontractors;
- Our suppliers or subcontractors failure to perform;
- Changes in local laws and regulations, and;
- Delays caused by weather conditions.

As projects grow in size and complexity, multiple factors may contribute to reduced profit or losses, and depending on the size of the particular project, variations from the estimated contract costs could have a material adverse effect on our business.

Weather can significantly affect our revenue and profitability.

Our ability to perform work and meet customer schedules can be affected by weather conditions such as snow, ice, rain, and named storms. Weather may affect our ability to work efficiently and can cause project delays and additional costs. Our ability to negotiate change orders for the impact of weather on a project could impact our profitability. In addition, the impact of weather can cause significant variability in our quarterly revenue and profitability.

We require subcontractors and suppliers to assist us in providing certain services, and we may be unable to retain the necessary subcontractors or obtain supplies to complete certain projects adversely affecting our business.

We use subcontractors to perform portions of our contracts and to manage workflow, particularly for design, engineering, procurement and some foundation work. While we are not dependent on any single subcontractor, general market conditions may limit the availability of subcontractors to perform portions of our contracts causing delays and increases in our costs.

Although significant materials are often supplied by the customer, we use suppliers to provide some materials and equipment used for projects. If a supplier fails to provide supplies and equipment at the estimated price, fails to provide adequate amounts of supplies and equipment, fails to provide supplies or equipment that meet the project requirements, or fails to provide supplies when scheduled, we may be required to source the supplies or equipment at a higher price or may be required to delay performance of the project. The additional cost or project delays could negatively impact project profitability.

Failure of a subcontractor or supplier to comply with laws, rules or regulations could negatively affect our reputation and our business.

We periodically enter into joint ventures which require satisfactory performance by our venture partners of their obligations. The failure of our joint venture partners to perform their joint venture obligations could impose additional financial and performance obligations on us that could result in reduced profit or losses for us with respect to the joint venture.

We periodically enter into various joint ventures and teaming arrangements where control may be shared with unaffiliated third parties. At times, we also participate in joint ventures where we are not a controlling party. In such instances, we may have limited control over joint venture decisions and actions, including internal controls and financial reporting which may have an impact on our business. If our joint venture partners fail to satisfactorily perform their joint venture obligations, the joint venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, we may be required to make additional investments or provide additional services to ensure the adequate performance and delivery of the contracted services. These additional obligations could result in reduced profit and may impact our reputation in the industry.

We may experience delays and defaults in client payments and we may pay our suppliers and subcontractors before receiving payment from our customers for the related services, which could result in an adverse effect on our financial condition, results of operations and cash flows.

We use subcontractors and material suppliers for portions of certain work, and our customers pay us for those related services. If we pay our suppliers and subcontractors for materials purchased and work performed for customers who fail to pay us, or such customers delay paying us for the related work or materials, we could experience a material adverse effect on our business. In addition, if customers fail to pay us for work we perform, we could experience a material adverse effect on our business.

Our inability to recover on contract modifications against project owners or subcontractors for payment or performance could negatively affect our business.

We occasionally present contract modifications to our clients and subcontractors for changes in contract specifications or requirements. We consider unapproved change orders to be contract modifications for which customers have not agreed to both scope and price. We consider claims to be contract modifications for which we seek, or will seek, to collect from customers, or others, for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no agreement with customers. Claims can also be caused by non-customer-caused changes, such as rain or other weather delays. In some cases, settlement of contract modifications may not occur until after completion of work under the contract. A failure to promptly document and negotiate a recovery for contract modifications could have a negative impact on our cash flows, and an overall ability to recover contract modifications could have a negative impact on our financial condition, results of operations and cash flows.

For some projects we may guarantee a timely completion or provide a performance guarantee which could result in additional costs, such as liquidated damages, to cover our obligations.

In our fixed-price and unit-price contracts we may provide a project completion date, and in some of our projects we may commit that the project will achieve specific performance standards. Failure to complete the project as scheduled or at the contracted performance standards could result in additional costs or penalties, including liquidated damages, and such amounts could exceed expected project profit.

A significant portion of our business depends on our ability to provide surety bonds, and we may be unable to compete for or work on certain projects if we are not able to obtain the necessary surety bonds.

Our contracts frequently require that we provide payment and performance bonds to our customers. Under standard terms in the surety market, sureties issue or continue bonds on a project-by-project basis and can decline to issue bonds at any time, or require the posting of additional collateral as a condition to issuing, or renewing bonds.

Current or future market conditions, as well as changes in our surety providers’ assessments of our operating and financial risk, could cause our surety providers to decline to issue or renew, or to substantially reduce, the availability of bonds for our work and could increase our bonding costs. These actions could be taken on short notice. If our surety providers were to limit or eliminate our access to bonding, our alternatives would include seeking bonding capacity from other sureties, finding more business that does not require bonds and posting other forms of collateral for project performance, such as letters of credit or cash. We may be unable to secure these alternatives in a timely manner, on acceptable terms, or at all. Accordingly, if we were to experience an interruption or reduction in the availability of bonding capacity, we may be unable to compete for, or work on certain projects.

Our bonding requirements may limit our ability to incur indebtedness, which would limit our ability to refinance our existing credit facilities or to execute our business plan.

Our ability to obtain surety bonds depends upon various factors including our capitalization, working capital, tangible net worth and amount of our indebtedness. In order to obtain required bonds, we may be limited in our ability to incur additional indebtedness that may be needed to refinance our existing credit facilities upon maturity, to complete acquisitions, and to otherwise execute our business plans.

We may be unable to win some new contracts if we cannot provide clients with letters of credit.

For many of our clients surety bonds provide an adequate form of security, but for some clients additional security in the form of a letter of credit may be required. While we have capacity for letters of credit under our credit facility, the amount required by a client may be in excess of our credit limit. Any such amount would be issued at the sole discretion of our lenders. Failure to provide a letter of credit when required by a client may result in our inability to compete for, win, or retain a project.

During the ordinary course of our business, we may become subject to material lawsuits or indemnity claims.

We have in the past been, and may in the future be, named as a defendant in lawsuits, claims and other legal proceedings during the ordinary course of our business. These actions may seek, among other things, compensation for alleged personal injury, workers' compensation, employment discrimination, breach of contract, property damage, punitive damages, and civil penalties, or other losses or injunctive or declaratory relief. In addition, we generally indemnify our customers for claims related to the services we provide and actions we take under our contracts with them, and, in some instances, we may be allocated risk through our contract terms for actions by our customers, or other third parties. Because our services in certain instances may be integral to the operation and performance of our customers' infrastructure, we may become subject to lawsuits or claims for any failure of the systems on which we work, even if our services are not the cause of such failures, and we could be subject to civil and criminal liabilities to the extent that our services contributed to any property damage, personal injury or system failure. The outcome of any of these lawsuits, claims or legal proceedings could result in significant costs and diversion of management's attention from the business. Payments of significant amounts, even if reserved, could adversely affect our reputation, our cash flows, and our business.

We are self-insured against potential liabilities.

Although we maintain insurance policies with respect to employer's liability, general liability, auto and workers compensation claims, those policies are subject to deductibles or self-insured retention amounts of up to $500,000 per occurrence. We are primarily self-insured for all claims that do not exceed the amount of the applicable deductible/self-insured retention. In addition, for our employees not part of a collective bargaining agreement, we provide employee health care benefit plans. Our primary health insurance plan is subject to a deductible of $400,000 per individual claim per year.

Our insurance policies include various coverage requirements, including the requirement to give appropriate notice. If we fail to comply with these requirements, our coverage could be denied.

Losses under our insurance programs are accrued based upon our estimates of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries. Insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the extent of damage, the determination of our liability in proportion to other parties and the number of incidents not reported. The accruals are based upon known facts and historical trends.

Our business is labor intensive. If we are unable to attract and retain qualified managers and skilled employees, our operating costs may increase.

Our business is labor intensive and our ability to maintain our productivity and profitability may be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. We may not be able to maintain an adequately skilled labor force necessary to operate efficiently and to support our growth strategy. We have from time-to-time experienced, and may in the future experience, shortages of certain types of qualified personnel. For example, periodically there are shortages of engineers, project managers, field supervisors, and other skilled workers capable of working on and supervising the construction of underground, heavy civil and industrial facilities, as well as providing engineering services. The supply of experienced engineers, project managers, field supervisors and other skilled workers may not be sufficient to meet current or expected demand. The beginning of new, large-scale infrastructure projects, or increased competition for workers currently available to us, could affect our business, even if we are not awarded such projects. Labor shortages, or increased labor costs could impair our ability to maintain our business or grow our revenue. If we are unable to hire employees with the requisite skills, we may also be forced to incur significant training expenses.

Our unionized workforce may commence work stoppages or impact our ability to complete certain acquisitions, which could adversely affect our operations.

As of December 31, 2020, approximately 31.6% of our hourly employees, primarily consisting of field laborers, were covered by collective bargaining agreements. Of the 81 collective bargaining agreements to which we are a party, 30 expire during 2021 and require renegotiation. Although the majority of these agreements prohibit strikes and work stoppages, we cannot be certain that strikes or work stoppages will not occur in the future. Strikes or work stoppages would adversely impact our relationships with our customers and could have an adverse effect on our business.

Our ability to complete future acquisitions could be adversely affected because of our union status for a variety of reasons. For instance, in certain geographic areas, our union agreements may be incompatible with the union agreements of a business we want to acquire and some businesses may not want to become affiliated with a union company.

Withdrawal from multiemployer pension plans associated with our unionized workforce could adversely affect our financial condition and results of operations.

Our collective bargaining agreements generally require that we participate with other companies in multiemployer pension plans. To the extent those plans are underfunded, the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended by the Multiemployer Pension Plan Amendments Act of 1980 ("MEPA"), may subject us to substantial liabilities under those plans if we withdraw from them, or if they are terminated. In addition, the Pension Protection Act of 2006 added new funding rules for multiemployer plans that are classified as endangered, seriously endangered or critical status. For a plan in critical status, additional required contributions and benefit reductions may apply if a plan is determined to be underfunded, which could adversely affect our financial condition or results of operations. For plans in critical status, we may be required to make additional contributions, generally in the form of surcharges on contributions otherwise required. Participation in those plans with high funding levels could adversely affect our results of operations, financial condition or cash flows if we are not able to adequately mitigate these costs.

The amount of the withdrawal liability legislated by ERISA and MEPA varies for every pension plan to which we contribute. For each plan, our liability is the total unfunded vested benefits of the plan multiplied by a fraction: the numerator of the fraction is the sum of our contributions to the plan for the past ten years and the denominator is the sum of all contributions made by all employers for the past ten years. For some pension plans to which we contribute, the total unfunded vested benefits are in the billions of dollars. If we cannot reduce the liability through exemptions or negotiations, the withdrawal from a plan could have a material adverse impact on our business.

We depend on key personnel and we may not be able to operate and grow our business effectively if we lose the services of any of our key persons or are unable to attract qualified and skilled personnel in the future.

We are dependent upon the efforts of our key personnel, and our ability to retain them and hire other qualified employees. The loss of our executive officers, or other key personnel could affect our ability to run our business effectively. Competition for senior management is intense, and we may not be able to retain our personnel. The loss of any key person requires the remaining key personnel to divert immediate and substantial attention to seeking a replacement, as well as to performing the departed person's responsibilities until a replacement is found. In addition, as some of our key persons approach retirement age, we need to provide for smooth transitions. If we fail to find a suitable replacement for any departing executive or senior officer on a timely basis, such departure could adversely affect our ability to operate and grow our business.

If we fail to integrate acquisitions successfully, we may experience operational challenges and risks which may have an adverse effect on our business.

As part of our growth strategy, we intend to acquire companies that expand, complement or diversify our business. Acquisitions may expose us to operational challenges and risks, including, among others:

- The diversion of management's attention from the day-to-day operations of the combined company;
- Managing a significantly larger company than before completion of an acquisition;
- The assimilation of new employees and the integration of business cultures;
- Training and facilitating our internal control processes within the acquired organization;
- Retaining key personnel;
- The integration of information, accounting, finance, sales, billing, payroll and regulatory compliance systems;
- Challenges in keeping existing customers and obtaining new customers;
- Challenges in combining service offerings and sales and marketing activities;
- The assumption of unknown liabilities of the acquired business for which there are inadequate reserves;
- The potential impairment of acquired goodwill and intangible assets; and
- The inability to enforce covenants not to compete.

Failure to effectively manage the integration process could adversely impact our business, financial condition, results of operations, and cash flows.

We may incur higher costs to lease, acquire and maintain equipment necessary for our operations.

A significant portion of our contracts is built utilizing our own construction equipment rather than leased or rented equipment. To the extent that we are unable to buy or build equipment necessary for a project, either due to a lack of available funding, or equipment shortages in the marketplace, we may be forced to rent equipment on a short-term basis, or to find alternative ways to perform the work without the benefit of equipment ideally suited for the job, which could increase the costs of completing the project. We often bid for work knowing that we will have to rent equipment on a short-term basis, and we include the equipment rental rates in our bid. If market rates for rental equipment increase between the time of bid submission and project execution, our margins for the project may be reduced. In addition, our equipment requires continuous maintenance, which we generally provide through our own repair facilities. If we are unable to continue to maintain the equipment in our fleet, we may be forced to obtain additional third-party repair services at a higher cost or be unable to bid on contracts.

Our business may be affected by difficult work sites and environments which may adversely affect our ability to procure materials and labor.

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

We may incur liabilities or suffer negative financial or reputational impacts relating to health and safety matters.

Our operations are subject to extensive laws and regulations relating to the maintenance of safe conditions in the workplace. While we have invested, and will continue to invest, substantial resources in our environmental, health and safety programs, our industry involves a high degree of operational risk and there can be no assurance that we will avoid significant liability exposure. Although we have taken what we believe are appropriate precautions, we have suffered fatalities in the past and may suffer additional fatalities in the future. Serious accidents, including fatalities, may subject us to substantial penalties, civil litigation or criminal prosecution. Claims for damages to persons, including claims for bodily injury or loss of life, could result in substantial costs and liabilities, which could materially and adversely affect our financial condition, results of operations or cash flows. In addition, if our safety record were to substantially deteriorate over time or we were to suffer substantial penalties or criminal prosecution for violation of health and safety regulations, our customers could cancel our contracts and not award us future business.

Interruptions in our operational systems or successful cyber security attacks on any of our systems could adversely impact our operations, our ability to report financial results and our business.

We rely on computer, information and communication technology and related systems to operate our business and to protect sensitive company information. Any cyber security attack that affects our facilities, our systems, our customers or any of our financial data could have a material adverse effect on our business. Our computer and communications systems, and consequently our operations, could be damaged or interrupted by cyber-attacks and physical security risks, such as natural disasters, loss of power, telecommunications failures, acts of war, acts of terrorism, computer viruses, physical or electronic break-ins and actions by hackers and cyber-terrorists. Any of these, or similar, events could cause system disruptions, delays and loss of critical information, delays in processing transactions and delays in the reporting of financial information.

We have experienced cyber security threats, such as viruses and attacks targeting our systems, and expect the frequency and sophistication of such incidents to continue to grow. Such prior events have not had a material impact on our financial condition, results of operations or liquidity. However, future threats or existing threats of which we are not yet aware could cause harm to our business and our reputation, disrupt our operations, expose us to potential liability, regulatory actions and loss of business, and impact our results of operations materially. Our insurance coverage may not be adequate to cover all the costs related to cyber security attacks or disruptions resulting from such events.

While we have taken steps to mitigate persistent and continuously evolving cyber security threats by implementing network security and internal control measures, implementing policies and procedures for managing risk to our information systems, periodically testing our information technology systems, and conducting employee training on cyber security, there can be no assurance that a system or network failure or data security breach would not adversely affect our business. Furthermore, the continuing and evolving threat of cyber-attacks has resulted in increased regulatory focus on prevention. To the extent we face increased regulatory requirements, we may be required to expend significant additional resources to meet such requirements.

We may need additional capital in the future for working capital, capital expenditures or acquisitions, and we may not be able to access capital on favorable terms, or at all, which would impair our ability to operate our business or achieve our growth objectives.

Our ability to generate cash is essential for the funding of our operations and the servicing of our debt. If existing cash balances together with the borrowing capacity under our credit facilities were not sufficient to make future investments, make acquisitions or provide needed working capital, we may require financing from other sources. Our ability to obtain such additional financing in the future will depend on a number of factors including prevailing capital market conditions, conditions in our industry, and our operating results. These factors may affect our ability to arrange additional financing on terms that are acceptable to us. If additional funds were not available on acceptable terms, we may not be able to make future investments, take advantage of acquisitions or pursue other opportunities.

Risks Related Primarily to the Financial Accounting of our Business

Our financial results are based upon estimates and assumptions that may differ from actual results.

In preparing our consolidated annual and quarterly financial statements in conformity with generally accepted accounting principles, many estimates and assumptions are used in determining the reported revenue, costs and expenses recognized during the periods presented, and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of our financial statements cannot be calculated with a high degree of precision from data available, is dependent on future events, or is not capable of being readily calculated based on generally accepted methodologies. Often times, these estimates are particularly difficult to determine, and we must exercise significant judgment. Estimates may be used in our assessments of the allowance for doubtful accounts, useful lives of property and equipment, fair value assumptions in analyzing goodwill and long-lived asset impairments, self-insured claims liabilities, accounting for revenue recognized over time, and provisions for income taxes. Actual results could differ materially from the estimates and assumptions that we used.

Our accounting for revenue recognized over time could result in a reduction or elimination of previously reported revenue and profit.

For contracts where scope is adequately defined, and therefore we can reasonably estimate total contract value, we recognize revenue over time as work is completed because of the continuous transfer of control to the customer (typically using an input measure such as costs incurred to date relative to total estimated costs at completion to measure progress). Accounting for long-term contracts involves the use of various techniques to estimate total transaction price and costs. For long-term contracts, transaction price, estimated cost at completion and total costs incurred to date are used to calculate revenue earned. Unforeseen events and circumstances can alter the estimate of the costs and potential profit associated with a particular contract. Total estimated costs, and thus contract revenue and income, can be impacted by changes in productivity, scheduling, the unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, client needs, client delays in providing permits and approvals, labor availability, governmental regulation, politics and any prevailing impacts from the COVID-19 pandemic may affect the progress of a project's completion, and thus the timing of revenue recognition. Actual results could differ from estimated amounts and could result in a reduction or elimination of previously recognized earnings. In certain circumstances, it is possible that such adjustments could be significant and could have an adverse effect on our business.

Our reported results of operations could be adversely affected as a result of impairments of goodwill, other identifiable intangible assets or investments.

When we acquire a business, we record an asset called "goodwill" for the excess amount we pay for the business over the net fair value of the tangible and identifiable intangible assets of the business we acquire. At December 31, 2020, our balance sheet included goodwill of $215.1 million and intangible assets of $61.0 million resulting from previous acquisitions, and we expect these amounts to increase based on the FIH acquisition that was completed in January 2021. Fair value is determined using a combination of the discounted cash flow, market multiple and market capitalization valuation approaches. Under current accounting rules, goodwill and other identifiable intangible assets that have indefinite useful lives cannot be amortized, but instead must be tested at least annually for impairment, while identifiable intangible assets that have finite useful lives are amortized over their useful lives. Significant judgment is required in completing these tests, as described in Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates— Goodwill and Indefinite-Lived Intangible Assets*" of this Annual Report on Form 10-K. Any impairment of the goodwill, or identifiable intangible assets recorded in connection with the various acquisitions, or for any future acquisitions, would negatively impact our results of operations.

In addition, we may enter into various types of investment arrangements, such as an equity interest we hold in a business entity. Our equity method investments are carried at original cost and are included in other assets in our Consolidated Balance Sheet and are adjusted for our proportionate share of the investees' income, losses and distributions. Equity investments are reviewed for impairment by assessing whether any decline in the fair value of the investment below its carrying value is other than temporary. In making this determination, factors such as the ability to

recover the carrying amount of the investment and the inability of the investee to sustain future earnings capacity are evaluated in determining whether an impairment should be recognized.

Compliance with and changes in tax laws could adversely affect our performance.

We are subject to extensive tax liabilities imposed by multiple jurisdictions, including federal, state, local and international jurisdictions. The Tax Cuts and Jobs Act (the "Tax Act") that was signed into law on December 22, 2017 made significant changes to the U.S. Internal Revenue Code and requires complex computations not previously provided in U.S. tax law. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted or proposed, and could result in a different tax rate on our earnings, which could have a material impact on our earnings and cash flow from operations. In addition, significant judgment is required in determining our provision for income taxes, as described in Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Income Taxes*" of this Annual Report on Form 10-K. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly subject to audits by tax authorities, and our tax estimates and tax positions could be materially affected by many factors including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations and related interpretations, our mix of earnings, the realizability of deferred tax assets and changes in uncertain tax positions. A significant increase in our tax rate could have a material adverse effect on our profitability and liquidity.

We may not be successful in continuing to meet the internal control requirements of the Sarbanes-Oxley Act of 2002.

The Sarbanes-Oxley Act of 2002 has many requirements applicable to us regarding corporate governance and financial reporting, including the requirements for management to report on internal controls over financial reporting and for our independent registered public accounting firm to express an opinion over the operating effectiveness of our internal control over financial reporting. At December 31, 2020, our internal control over financial reporting was effective using the internal control framework issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission: Internal control—Integrated Framework (2013).

There can be no assurance that our internal control over financial reporting will be effective in future years. Failure to maintain effective internal controls, or the identification of material internal control deficiencies in acquisitions already made, or made in the future could result in a decrease in the market value of our common stock, the reduced ability to obtain financing, the loss of customers, penalties and additional expenditures to meet the requirements in the future.

Risks Related to our Common Stock

Our common stock is subject to potential dilution to our stockholders.

As part of our acquisition strategy, we have issued shares of common stock and used shares of common stock as a part of contingent earn-out consideration, which have resulted in dilution to our stockholders. Our Certificate of Incorporation permits us to issue up to 90.0 million shares of common stock of which approximately 48.1 million were outstanding at December 31, 2020. While Nasdaq rules require that we obtain stockholder approval to issue more than 20% additional shares, stockholder approval is not required below that level. In addition, we can issue shares of preferred stock which could cause further dilution to the stockholder, resulting in reduced net income and cash flow available to common stockholders.

In 2013, our stockholders adopted our 2013 Equity Incentive Plan ("Equity Plan"). The Equity Plan replaced a previous plan. The Equity Plan authorized the Board of Directors to issue equity awards totaling 2,526,275 shares of our common stock. Our current director compensation plan, our bonus incentive plan, and our management long-term incentive plan and any additional equity awards made will have the effect of diluting our earnings per share and stockholders' percentage of ownership.

Delaware law and our charter documents may impede or discourage a takeover or change in control.

As a Delaware corporation, anti-takeover provisions may impose an impediment to the ability of others to acquire control of us, even if a change of control would be of benefit to our stockholders. In addition, certain provisions of our Certificate of Incorporation and Bylaws also may impose an impediment, or discourage others from a takeover. These provisions include:

- Stockholders may not act by written consent;
- There are restrictions on the ability of a stockholder to call a special meeting, or nominate a director for election; and
- Our Board of Directors can authorize the issuance of preferred shares.

These types of provisions may limit the ability of stockholders to obtain a premium for their shares.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Facilities

We lease our executive offices in Dallas, Texas and own and lease other facilities throughout the United States and Canada. Our facilities include offices, production yards, maintenance shops, and training and education facilities that are used in our operations. As of December 31, 2020, we owned 41 of our facilities and leased the remainder. We believe that our facilities are adequate to meet our current and foreseeable requirements.

Property, Plant and Equipment

The construction industry is capital intensive, and we expect to continue making capital expenditures to meet anticipated needs for our services. In 2020, capital expenditures were approximately $64.4 million. Total construction equipment purchases in 2020 were $42.1 million

We believe the ownership of equipment is generally preferable to renting to ensure the equipment is available as needed. In addition, ownership has historically resulted in lower overall equipment costs. All equipment is subject to scheduled maintenance to help ensure reliability. Maintenance facilities exist at most of our regional offices, as well as on-site on major projects to properly service and repair equipment. Major equipment not currently utilized is rented to third parties whenever possible.

ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings

For information regarding legal proceedings, see Note 13 — "*Commitments and Contingencies*" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on the Nasdaq Global Market under the symbol "PRIM". We had outstanding 49,148,751 shares of common stock and 385 stockholders of record as of February 15, 2021. These stockholders of record include depositories that hold shares of stock for brokerage firms, which in turn, hold shares of stock for numerous beneficial owners.

Dividends

The payment of dividends is contingent upon our revenue and earnings, capital requirements, and general financial conditions, as well as contractual restrictions and other considerations deemed to be relevant by the Board of Directors.

Sales of Unregistered Securities

We did not sell any unregistered shares of our common stock during 2020.

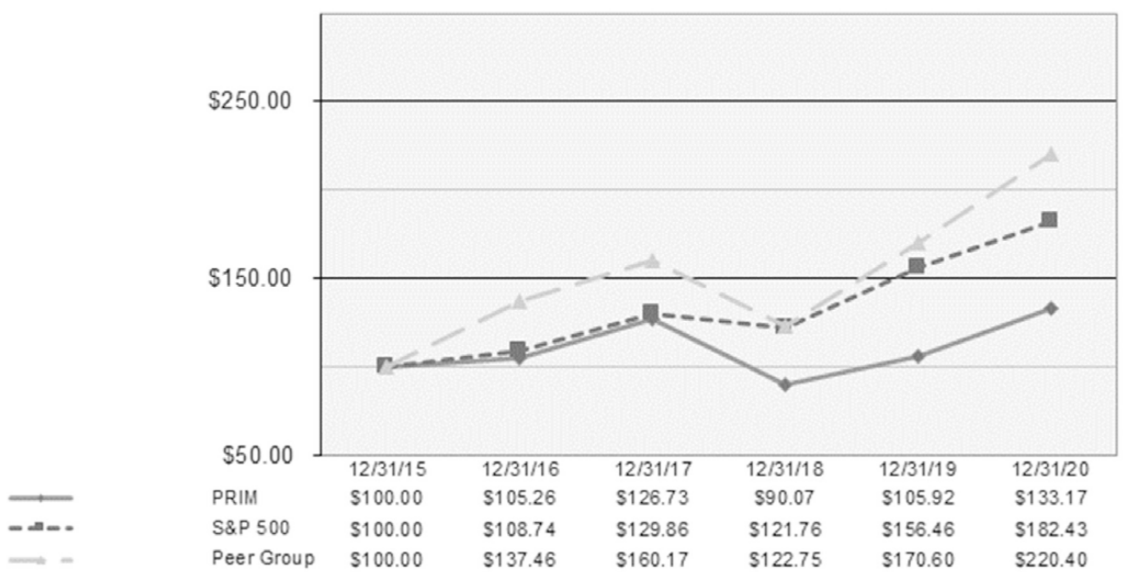
Performance Graph

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

The following graph compares the cumulative total return to holders of our common stock during the five-year period from December 31, 2015, and in each quarter up through December 31, 2020. The return is compared to the cumulative total return during the same period achieved on the Standard & Poor's 500 Stock Index (the "S&P 500") and a peer group index selected by our management that includes five public companies within our industry (the "Peer Group"). The Peer Group is composed of MasTec, Inc., Matrix Service Company, Quanta Services, Inc., Sterling Construction Company, Inc. and Granite Construction, Inc. The companies in the Peer Group were selected because they comprise a broad group of publicly held corporations, each of which has some operations similar to ours. When taken as a whole, management believes the Peer Group more closely resembles our total business than any individual company in the group.

The returns are calculated assuming that an investment with a value of $100 was made in our common stock and in each stock in the Peer Group, and in the S&P 500 as of December 31, 2015. All dividends were reinvested in additional shares of common stock. The Peer Group investment is calculated based on a weighted average of the five company share prices. The graph lines merely connect the measuring dates and do not reflect fluctuations between those dates. The stock performance shown on the graph is not intended to be indicative of future stock performance.

COMPARISON OF DECEMBER 31, 2015 THROUGH DECEMBER 31, 2020
CUMULATIVE TOTAL RETURN
Among Primoris Services Corporation ("PRIM"), the S&P 500 and the Peer Group



ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our audited financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(In millions except per share data)				
Statement of Operations Data:					
Revenue	$ 3,491	$ 3,106	$ 2,940	$ 2,380	$ 1,997
Cost of revenue	3,121	2,775	2,614	2,102	1,796
Gross profit	370	331	326	278	201
Selling, general and administrative expense	203	190	182	170	139
Transaction and related costs	3	—	13	2	1
Impairment of goodwill	—	—	—	—	3
Operating income	164	141	131	106	58
Other income (expense)	(18)	(23)	(17)	(1)	(9)
Income before provision for income taxes	146	118	114	105	49
Income tax provision	(41)	(34)	(26)	(28)	(21)
Net income	$ 105	$ 84	$ 88	$ 77	$ 28
Less net income attributable to noncontrolling interests	—	(2)	(10)	(5)	(1)
Net income attributable to Primoris	$ 105	$ 82	$ 78	$ 72	$ 27
Dividends per common share	$ 0.240	$ 0.240	$ 0.240	$ 0.225	$ 0.220
Earnings per share attributable to Primoris:					
Basic	$ 2.17	$ 1.62	$ 1.51	$ 1.41	$ 0.52
Diluted	$ 2.16	$ 1.61	$ 1.50	$ 1.40	$ 0.51
Weighted average common shares outstanding:					
Basic	48.3	50.8	51.4	51.5	51.8
Diluted	48.6	51.1	51.7	51.7	52.0

	As of December 31,				
	2020	2019	2018	2017	2016
Balance Sheet Data:					
Cash and cash equivalents	$ 327	$ 120	$ 151	$ 170	$ 136
Accounts receivable, net	432	405	373	292	388
Total assets	1,970	1,830	1,594	1,256	1,171
Total current liabilities	764	670	622	455	450
Long-term debt, net of current portion	269	296	306	193	203
Stockholders' equity	715	630	607	562	499

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes to those statements included in Item 8 in this Annual Report on Form 10-K. This discussion includes forward-looking statements that are based on current expectations and are subject to uncertainties and unknown or changed circumstances. For a further discussion, please see "Forward-Looking Statements" at the beginning of this Annual Report on Form 10-K. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those risks inherent with our business as discussed in "Item 1A Risk Factors".

The following discussion starts with an overview of our business and a discussion of trends, including seasonality, that affect our industry. That is followed by an overview of the critical accounting policies and estimates that we use to prepare our financial statements. Next we discuss our results of operations and liquidity and capital resources, including our off-balance sheet arrangements and contractual obligations. We conclude with a discussion of our outlook and backlog.

Introduction

We are one of the leading providers of specialty contracting services operating mainly in the United States and Canada. We provide a wide range of specialty construction services, fabrication, maintenance, replacement, and engineering services to a diversified base of customers through our five segments: Power, Industrial and Engineering ("Power"), Pipeline and Underground ("Pipeline"), Utilities and Distribution ("Utilities"), Transmission and Distribution ("Transmission"), and Civil. The structure of our reportable segments is generally focused on broad end-user markets for our services.

The Power segment operates throughout the United States and in Canada and specializes in a range of services that include engineering, procurement, and construction, retrofits, upgrades, repairs, outages, and maintenance services for entities in the petroleum and petrochemical industries, as well as traditional and renewable power generators.

The Pipeline segment operates throughout the United States and specializes in a range of services, including pipeline construction and maintenance, pipeline facility and integrity services, installation of compressor and pump stations, and metering facilities for entities in the petroleum and petrochemical industries, as well as gas, water, and sewer utilities.

The Utilities segment operates primarily in California, the Midwest, the Atlantic Coast, and the Southeast regions of the United States and specializes in a range of services, including installation and maintenance of new and existing natural gas utility distribution systems and pipeline integrity services for entities in the gas utility market.

The Transmission segment operates primarily in the Southeastern, Midwest, Atlantic Coast, and Gulf Coast regions of the United States and specializes in a range of services, including installation and maintenance of new and existing electric utility transmission, substation, and distribution systems for entities in the electric utility market.

The Civil segment operates primarily in the Southeastern and Gulf Coast regions of the United States and specializes in highway and bridge construction, airport runway construction, demolition, site work, soil stabilization, mass excavation, flood control, and drainage projects for entities in the petroleum and petrochemical industries, state and municipal departments of transportation, and airports.

We have longstanding customer relationships with major utility, refining, petrochemical, power, midstream, and engineering companies, and state departments of transportation. We have completed major underground and industrial projects for a number of large natural gas transmission and petrochemical companies in the United States, major electrical and gas projects for a number of large utility companies in the United States, as well as significant projects for our engineering customers. We enter into a large number of contracts each year, and the projects can vary in length from daily work orders to as long as 36 months, and occasionally longer, for completion on larger projects. Although we have not been dependent upon any one customer in any year, a small number of customers tend to constitute a substantial portion of our total revenue in any given year.

We generate revenue under a range of contracting types, including fixed-price, unit-price, time and material, and cost reimbursable plus fee contracts, each of which has a different risk profile. A substantial portion of our revenue is derived from contracts where scope is adequately defined, and therefore we can reasonably estimate total contract value. For these contracts, revenue is recognized over time as work is completed because of the continuous transfer of control to the customer (typically using an input measure such as costs incurred to date relative to total estimated costs at completion to measure progress). For certain contracts, where scope is not adequately defined and we can't reasonably estimate total contract value, revenue is recognized primarily on an input basis, based on contract costs incurred as defined within the respective contracts. Costs to obtain contracts are generally not significant and are expensed in the period incurred.

The classification of revenue and gross profit for segment reporting purposes can at times require judgment on the part of management. Our segments may perform services across industries or perform joint services for customers in multiple industries. To determine reportable segment gross profit, certain allocations, including allocations of shared and indirect costs, such as facility costs, equipment costs and indirect operating expenses were made.

On January 15, 2021, we acquired Future Infrastructure Holdings, LLC ("FIH") in an all-cash transaction valued at approximately $621.7 million. FIH is a provider of non-discretionary maintenance, repair, upgrade, and installation services to the telecommunication, regulated gas utility, and infrastructure markets. FIH furthers our strategic plan to expand our service lines, enter new markets, and grow our MSA revenue base. The transaction directly aligns with our strategy to grow in large, higher growth, higher margin markets, and expands our utility services capabilities.

On June 1, 2018, we acquired Willbros Group Inc. ("Willbros") for approximately $110.6 million, net of cash and restricted cash acquired. Willbros was a specialty energy infrastructure contractor serving the oil and gas and power industries through its utility transmission and distribution, oil and gas, and Canadian operations, which principally provides unit-price maintenance services in existing operating facilities and executes industrial and power projects. The utility transmission and distribution operations formed the Transmission segment, the oil and gas operations are included in the Pipeline segment, and the Canadian operations are included in the Power segment. Willbros expands our services into electric utility-focused offerings and increases our geographic presence in the United States and Canada.

We own a 50% interest in the Carlsbad Power Constructors joint venture ("Carlsbad"), which engineered and constructed a gas-fired power generation facility located in Southern California, and its operations are included as part of the Power segment. As a result of determining that we are the primary beneficiary of the variable interest entity ("VIE"), the results of the Carlsbad joint venture are consolidated in our financial statements. The project was substantially complete as of December 31, 2018 and the warranty period expires in December 2021.

We owned a 50% interest in the "ARB Inc. & B&M Engineering Co." joint venture ("Wilmington"), which engineered and constructed a gas-fired power generation facility in Southern California, and its operations were included as part of the Power segment. As a result of determining that we were the primary beneficiary of the VIE, the results of the Wilmington joint venture were consolidated in our financial statements. The project has been completed, the project warranty period expired, and dissolution of the joint venture was completed in the first quarter of 2019.

Business Environment

We believe there are growth opportunities across the industries we serve and we continue to have a positive long-term outlook. Although not without risks and challenges, including those discussed below and in *Forward-Looking Statements* and included in Item 1A. *Risk Factors*, we believe, with our full-service operations, broad geographic reach, financial position and technical expertise, we are well positioned to capitalize on opportunities and trends in our industries.

We have seen and continue to anticipate potential changes to the already stringent regulatory and environmental requirements for many of our clients' infrastructure projects, which may improve the timing and certainty of the projects. While fluctuating oil prices create uncertainty as to the timing of some of our opportunities, we continue to see preliminary bidding activity for numerous gas, oil and derivatives projects. We believe that we have the financial and operational strength to meet either short-term delays, or the impact of significant increases in work. We continue to be optimistic about both short and longer-term opportunities. Our current view of the outlook for our major end markets is as follows:

- Construction of petroleum, natural gas, natural gas liquid, and other liquid pipelines —We expect that the volatility in the price of oil could reduce activities in most, if not all of the shale basins until a higher oil price is sustained. In addition, the ability of our customers to obtain permits for projects could impact the demand for our services, especially for larger interstate pipelines. However, if production from the shale formations continues to increase in the near term, the current capacity limitations between production and processing locations would provide opportunities for our Pipeline segment.

- Inspection, maintenance and replacement of gas utility infrastructure —We expect that ongoing safety enhancements to gas pipeline systems and the gas utility infrastructure will provide continuing opportunities for our Utilities segment, in California, the Midwest, and the Atlantic coast. We also expect that ongoing gas utility repair and maintenance opportunities will continue.

- Inspection, maintenance and replacement of electric utility infrastructure — We expect the demand for electricity in the U.S. to grow over the long term and believe enhancements to the electric utility infrastructure are needed to efficiently serve the power needs of the future. Renewables will require substations and transmission lines to connect the new generation sources to customers. In addition, current federal legislation also requires the power industry to meet federal reliability standards for its transmission and distribution systems. We expect these opportunities, as well as ongoing electric utility repair and maintenance opportunities to benefit our Transmission segment.

- Construction of natural gas-fired power plants and industrial plants — We expect continued construction opportunities for both base-load and peak shaving power plants; however, we are aware that environmental concerns in California over gas fired power plants may impact the timing and location of near-term construction opportunities in that state. We believe that based on continuing population growth, the intermittency of renewable power resources, and the environmental requirements limiting using ocean water for cooling, power plants will be needed in spite of vocal opposition to “non-green” sources. In addition, the current low price of natural gas could result in the replacement of coal-fired power plants and the conversion and expansion at chemical plants and industrial facilities in other parts of the United States. These opportunities would benefit our Power segment.

- Construction of alternative energy facilities, renewable natural gas facilities, solar power facilities, wind farms, battery storage — We anticipate continued engineering and construction opportunities as state governments, investors and utilities remain committed to renewable power standards, primarily benefitting our Power segment.

- Transportation infrastructure construction opportunities — We believe that the passing of longer-term highway funding by the federal government in 2015 and voter approval of highway funding proposition 7 in Texas, will continue to provide opportunity for our heavy civil group, especially in the state of Texas. We expect that opportunities in the Louisiana market may improve, but will remain at lower levels than in Texas, except for specific programs. This market solely impacts the operations of our Civil segment.

- Liquefied Natural Gas Facilities (“LNG”) —We believe the LNG opportunities for rail, barge, and other transportation needs will continue to grow, although such growth may be at a slow pace. This market will primarily impact our Civil and Power segments. We further believe the existing large-scale LNG export facilities currently being planned will require services that will benefit our field services business within the Pipeline segment.

Material trends and uncertainties

We generate our revenue from construction and engineering projects, as well as from providing a variety of specialty construction services. We depend in part on spending by companies in the gas and electric utility industries, the energy, chemical, and oil and gas industries, as well as state departments of transportation and municipal water and wastewater customers. Over the past several years, each segment has benefited from demand for more efficient and more

environmentally friendly energy and power facilities, more reliable gas and electric utility infrastructure, local highway and bridge needs, and from the activity level in the oil and gas industry. However, periodically, each of these industries and government agencies is adversely affected by macroeconomic conditions. Economic and other factors outside of our control may affect the amount and size of contracts we are awarded in any particular period.

In March 2020, the COVID-19 outbreak was declared a National Public Health Emergency which continues to spread throughout the world and has adversely impacted global activity and contributed to significant volatility in financial markets. In an effort to contain COVID-19 or slow its spread, governments around the world have enacted various measures, including orders to close all businesses not deemed “essential”, isolate residents to their homes or places of residence, and practice social distancing when engaging in essential activities. While our services have generally been deemed to be essential services, all segments have reported various levels of project interruptions and restrictions that have delayed project timelines from those originally planned. In some cases, we have experienced temporary work stoppages. This led to general inefficiencies from having to start and stop work, re-sequencing work, requiring on-site health screenings before entering a job site, and following proper social distancing practices. We have also been restricted from completing work or have been prevented from starting work on certain projects. However, despite these impacts, our work has generally been deemed essential, our business model appears to be resilient, and we have adapted accordingly, including making salary or headcount reductions where appropriate.

We anticipate that the COVID-19 pandemic could have a continued adverse impact on economic and market conditions and we could see an extended period of global economic slowdown. When COVID-19 is demonstrably contained, we anticipate a rebound in economic activity, depending on the rate, pace, and effectiveness of vaccinations and the containment efforts deployed by various national, state, and local governments.

To date, the inefficiencies experienced have had an unquantifiable impact on our business. We will continue to actively monitor the situation and may take further actions to alter our business operations that we determine are in the best interests of our employees, customers, suppliers, and stakeholders, or as required by federal, state, or local authorities. It is not clear what the potential effects any such alterations or modifications may have on our business or on our financial results for the foreseeable future.

We also monitor our customers and their industries to assess the effect that changes in economic, market, and regulatory conditions may have on them. We have experienced reduced spending, project delays, and project cancellations by some of our customers over the last several months, which we attribute to negative economic and market conditions, and we anticipate that these negative conditions and the impact of COVID-19 may continue to affect demand for our services in the near-term.

Fluctuations in market prices of oil, gas and other fuel sources have affected demand for our services. The volatility in the prices of oil, gas, and liquid natural gas that has occurred in the past few years could create uncertainty with respect to demand for our oil and gas pipeline services, specifically in our oil field services and Canadian operations. Last year’s significant reduction in the price of oil could create uncertainty with respect to demand for our oil and gas pipeline services in the near term, with additional uncertainty resulting over the length of time that prices remain depressed. When the current oversupply eases and with a return to increasing global demand for oil, we expect oil prices to recover from the current levels. While the construction of gathering lines within the oil shale formations may remain at lower levels for an extended period, we believe that over time, the need for pipeline infrastructure for mid-stream and gas utility companies will result in a continuing need for our services. However, a prolonged period of depressed oil prices could delay midstream pipeline opportunities.

The continuing changes in the regulatory environment may affect the demand for our services, either by increasing our work, delaying projects, or cancelling projects. For example, environmental laws and regulation can provide challenges to major pipeline projects, resulting in delays or cancellations that impact the timing of revenue recognition. In addition, the regulatory environment in California may result in delays for the construction of gas-fired power plants, while regulators continue to search for significant renewable resources. Renewable resources are also creating a demand for our construction and specialty services, such as the need for battery storage and the construction of solar power production facilities.

On January 29, 2019, one of our California utility customers filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. For the year ended December 31, 2019, the customer accounted for approximately 7.2% of our total revenue. In the third quarter of 2019, we entered into an agreement with a financial institution to sell, on a non-recourse basis, except in limited circumstances, substantially all of our pre-petition bankruptcy receivables with the customer. We received approximately $48.3 million upon the closing of this transaction in October 2019. During the year ended December 31, 2019, we recorded a loss of approximately $2.9 million in "Other income (expense), net" on the Consolidated Statements of Income related to the sale agreement. During summer 2020, the customer emerged from bankruptcy. We are continuing to perform services for the customer and the amounts billed for these services continue to be collected in the ordinary course of the customer's business.

Seasonality, cyclicality and variability

Our results of operations are subject to quarterly variations. Some of the variation is the result of weather, particularly rain, ice, snow, and named storms, which can impact our ability to perform construction and specialty services. These seasonal impacts can affect revenue and profitability in all of our businesses since utilities defer routine replacement and repair during their period of peak demand. Any quarter can be affected either negatively, or positively by atypical weather patterns in any part of the country. In addition, demand for new projects tends to be lower during the early part of the calendar year due to clients' internal budget cycles. As a result, we usually experience higher revenue and earnings in the third and fourth quarters of the year as compared to the first two quarters.

Our project values range in size from several hundred dollars to several hundred million dollars. The bulk of our work is comprised of project sizes that average less than $5.0 million. We also perform construction projects which tend not to be seasonal, but can fluctuate from year to year based on customer timing, project duration, weather, and general economic conditions. Our business may be affected by declines, or delays in new projects, or by client project schedules. Because of the cyclical nature of our business, the financial results for any period may fluctuate from prior periods, and our financial condition and operating results may vary from quarter to quarter. Results from one quarter may not be indicative of our financial condition, or operating results for any other quarter, or for an entire year.

Critical Accounting Policies and Estimates

General—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and also affect the amounts of revenue and expenses reported for each period. These estimates and assumptions must be made because certain information that is used in the preparation of our financial statements cannot be calculated with a high degree of precision from data available, is dependent on future events, or is not capable of being readily calculated based on generally accepted methodologies. Often, estimates are particularly difficult to determine, and we must exercise significant judgment. Estimates may be used in our accounting for revenue recognized over time, the allowance for doubtful accounts, useful lives of property and equipment, fair value assumptions in analyzing goodwill and long-lived asset impairments, self-insured claims liabilities and deferred income taxes. Actual results could differ from those that result from using the estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be based on assumptions about matters that are highly uncertain at the time the estimate is made, and different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements.

The following accounting policies are based on, among other things, judgments and assumptions made by management that include inherent risks and uncertainties. Management's estimates are based on the relevant information available at the end of each period. We periodically review these accounting policies with the Audit Committee of the Board of Directors.

Revenue recognition— We generate revenue under a range of contracting types, including fixed-price, unit-price, time and material, and cost reimbursable plus fee contracts, each of which has a different risk profile. A substantial portion of our revenue is derived from contracts where scope is adequately defined, and therefore we can reasonably estimate total contract value. For these contracts, revenue is recognized over time as work is completed because of the continuous transfer of control to the customer (typically using an input measure such as costs incurred to date relative to total estimated costs at completion to measure progress). For certain contracts, where scope is not adequately defined and

we can't reasonably estimate total contract value, revenue is recognized primarily on an input basis, based on contract costs incurred as defined within the respective contracts. Costs to obtain contracts are generally not significant and are expensed in the period incurred.

We evaluate whether two or more contracts should be combined and accounted for as one single performance obligation and whether a single contract should be accounted for as more than one performance obligation. ASC 606 defines a performance obligation as a contractual promise to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our evaluation requires significant judgment and the decision to combine a group of contracts or separate a contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. The majority of our contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and, therefore, is not distinct. However, occasionally we have contracts with multiple performance obligations. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using the observable standalone selling price, if available, or alternatively our best estimate of the standalone selling price of each distinct performance obligation in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach for each performance obligation.

Accounting for long-term contracts involves the use of various techniques to estimate total transaction price and costs. For long-term contracts, transaction price, estimated cost at completion and total costs incurred to date are used to calculate revenue earned. Unforeseen events and circumstances can alter the estimate of the costs and potential profit associated with a particular contract. Total estimated costs, and thus contract revenue and income, can be impacted by changes in productivity, scheduling, the unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, client needs, client delays in providing permits and approvals, labor availability, governmental regulation, politics and any prevailing impacts from the pandemic caused by the coronavirus may affect the progress of a project's completion, and thus the timing of revenue recognition. To the extent that original cost estimates are modified, estimated costs to complete increase, delivery schedules are delayed, or progress under a contract is otherwise impeded, cash flow, revenue recognition and profitability from a particular contract may be adversely affected.

The nature of our contracts gives rise to several types of variable consideration, including contract modifications (change orders and claims), liquidated damages, volume discounts, performance bonuses, incentive fees, and other terms that can either increase or decrease the transaction price. We estimate variable consideration as the most likely amount to which we expect to be entitled. We include estimated amounts in the transaction price to the extent we believe we have an enforceable right, and it is probable that a significant reversal of cumulative revenue recognized will not occur. Our estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us at this time.

Contract modifications result from changes in contract specifications or requirements. We consider unapproved change orders to be contract modifications for which customers have not agreed to both scope and price. We consider claims to be contract modifications for which we seek, or will seek, to collect from customers, or others, for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no agreement with customers. Claims can also be caused by non-customer-caused changes, such as rain or other weather delays. Costs associated with contract modifications are included in the estimated costs to complete the contracts and are treated as project costs when incurred. In most instances, contract modifications are for goods or services that are not distinct, and, therefore, are accounted for as part of the existing 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 on a cumulative catch-up basis. In some cases, settlement of contract modifications may not occur until after completion of work under the contract.

As a significant change in one or more of these estimates could affect the profitability of our contracts, we review and update our contract-related estimates regularly. We recognize adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the cumulative impact of the profit adjustment is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on a contract, the projected loss is recognized in full, including any previously recognized profit, in the period it is identified and recognized as an "accrued loss provision" which is included in "Contract liabilities" on the Consolidated Balance Sheets. For contract revenue recognized over time, the accrued loss provision is adjusted so that the gross profit for the contract remains zero in future periods.

At December 31, 2020, we had approximately $63.6 million of unapproved contract modifications included in the aggregate transaction prices. These unapproved contract modifications were in the process of being negotiated in the normal course of business. Approximately $57.5 million of the unapproved contract modifications had been recognized as revenue on a cumulative catch-up basis through December 31, 2020.

In all forms of contracts, we estimate the collectability of contract amounts at the same time that we estimate project costs. If we anticipate that there may be issues associated with the collectability of the full amount calculated as the transaction price, we may reduce the amount recognized as revenue to reflect the uncertainty associated with realization of the eventual cash collection. For example, when a cost reimbursable project exceeds the client's expected budget amount, the client frequently requests an adjustment to the final amount. Similarly, some utility clients reserve the right to audit costs for significant periods after performance of the work.

The timing of when we bill our customers is generally dependent upon agreed-upon contractual terms, milestone billings based on the completion of certain phases of the work, or when services are provided. Sometimes, billing occurs subsequent to revenue recognition, resulting in unbilled revenue, which is a contract asset. However, we sometimes receive advances or deposits from our customers before revenue is recognized, resulting in deferred revenue, which is a contract liability.

The caption "Contract assets" in the Consolidated Balance Sheets represents the following:

- unbilled revenue, which arise when revenue has been recorded, but the amount will not be billed until a later date;
- retainage amounts for the portion of the contract price earned by us for work performed, but held for payment by the customer as a form of security until we reach certain construction milestones; and
- contract materials for certain job specific materials not yet installed, which are valued using the specific identification method relating the cost incurred to a specific project.

The caption "Contract liabilities" in the Consolidated Balance Sheets represents deferred revenue on billings in excess of contract revenue recognized to date, and the accrued loss provision.

Business combinations—We use the fair value of the consideration paid and the fair value of the assets acquired and liabilities assumed to account for the purchase price of businesses we acquire. The determination of fair value requires estimates and judgments of future cash flow expectations for the assignment of the fair values to the identifiable tangible and intangible assets.

Identifiable Tangible Assets. Significant identifiable tangible assets acquired would include accounts receivable, contract assets, inventory and fixed assets (generally consisting of construction equipment). We determine the fair value of these assets as of the acquisition date. For current assets and current liabilities of an acquisition, we will evaluate whether the book value is equivalent to fair value due to their short term nature. We estimate the fair value of fixed assets using a market approach, based on comparable market values for similar equipment of similar condition and age.

Identifiable Intangible Assets. When necessary, we use the assistance of an independent third party valuation specialist to determine the fair value of the intangible assets acquired.

A liability for contingent consideration based on future earnings is estimated at its fair value at the date of acquisition, with subsequent changes in fair value recorded in earnings as a gain or loss. Fair value is estimated as of the acquisition date based on management's best estimate of estimated earnout payments.

Accounting principles generally accepted in the United States provide a "measurement period" of up to one year in which to finalize all fair value estimates associated with the acquisition of a business. Most estimates are preliminary until the end of the measurement period. During the measurement period, adjustments to initial valuations and estimates that reflect newly discovered information that existed at the acquisition date are recorded. After the measurement date, any adjustments would be recorded as a current period gain or loss.

Goodwill and Indefinite-Lived Intangible Assets—Goodwill and certain intangible assets acquired in a business combination and determined to have indefinite useful lives are not amortized but are assessed for impairment annually and more frequently if triggering events occur. In performing these assessments, management relies on various factors, including operating results, business plans, economic projections, anticipated future cash flows, comparable transactions and other market data. There are inherent uncertainties related to these factors and judgment in applying them to the analysis of goodwill for impairment. Since judgment is involved in performing fair value measurements used in goodwill impairment analyses, there is risk that the carrying values of our goodwill may not be properly stated.

We account for goodwill, including evaluation of any goodwill impairment under ASC 350, "*Intangibles — Goodwill and Other*", performed at the reporting unit level for those units with recorded goodwill as of October 1 of each year, unless there are indications requiring a more frequent impairment test.

Under ASC 350, we can assess qualitative factors to determine if a quantitative impairment test of intangible assets is necessary. For the majority of our reporting units, we perform a qualitative assessment to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the reporting unit is less than its carrying value, including goodwill. Factors used in our qualitative assessment include, but are not limited to, macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and Company and reporting unit specific events. For all other reporting units, we use the quantitative impairment test outlined in ASC 350, which compares the fair value of a reporting unit with its carrying amount. Fair value for the goodwill impairment test is determined utilizing a discounted cash flow analysis based on our financial plan discounted using our weighted average cost of capital and market indicators of terminal year cash flows. Other valuation methods may be used to corroborate the discounted cash flow method. If the carrying amount of a reporting unit is in excess of its fair value, goodwill is considered impaired and an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill of the reporting unit.

There were no impairments of goodwill for the years ended December 31, 2020, 2019 and 2018.

Disruptions to our business, such as end market conditions, protracted economic weakness, unexpected significant declines in operating results of reporting units and the divestiture of a significant component of a reporting unit, may result in our having to perform a goodwill impairment analysis for some or all of our reporting units prior to the required annual assessment. These types of events and the resulting analysis could result in goodwill impairment charges in future periods.

Income taxes—We account for income taxes under the asset and liability method as set forth in ASC 740, "*Income Taxes*", which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting bases and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. The effect of changes in tax rates on net deferred tax assets or liabilities is recognized as an increase or decrease in net income in the period the tax change is enacted.

Deferred tax assets may be reduced by a valuation allowance if, in the judgment of management, it is more likely than not that all or a portion of a deferred tax asset will not be realized. In making such determination, we consider all available evidence, including recent financial operations, projected future taxable income, scheduled reversals of deferred tax liabilities, tax planning strategies, and the length of tax asset carryforward periods. The realization of deferred tax assets is primarily dependent upon our ability to generate sufficient future taxable earnings in certain jurisdictions. If we subsequently determine that some or all deferred tax assets that were previously offset by a valuation allowance are realizable, the value of the deferred tax assets would be increased by reducing the valuation allowance, thereby increasing income in the period when that determination is made.

A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained based on its technical merits in a tax examination, using the presumption that the tax authority has full knowledge of all relevant facts regarding the position. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on ultimate settlement with the tax authority. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

Litigation and contingencies—Litigation and contingencies are included in our consolidated financial statements based on our assessment of the expected outcome of litigation proceedings or the expected resolution of the contingency. We provide for costs related to contingencies when a loss from such claims is probable and the amount is reasonably estimable. In determining whether it is possible to provide an estimate of loss, or range of possible loss, we review and evaluate litigation and regulatory matters on a quarterly basis in light of potentially relevant factual and legal developments. If we determine an unfavorable outcome is not probable or reasonably estimable, we do not accrue for a potential litigation loss. Management is unable to ascertain the ultimate outcome of other claims and legal proceedings; however, after review and consultation with counsel and taking into consideration relevant insurance coverage and related deductibles/self-insurance retention, management believes that it has meritorious defense to the claims and believes that the reasonably possible outcome of such claims will not, individually or in the aggregate, have a material adverse effect on our consolidated results of operations, financial condition or cash flows. See Note 13 — "*Commitments and Contingencies*" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for further information.

Recently Issued Accounting Pronouncements

See Note 2 — "*Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements"* of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for a discussion of recently issued accounting pronouncements.

Results of Operations

Consolidated Results

Revenue

2020 and 2019

Revenue for the year ended December 31, 2020 increased by $385.2 million, or 12.4%, compared to 2019. The increase was primarily due to growth in our Pipeline and Power segments, partially offset by lower revenue in our Transmission and Civil segments.

2019 and 2018

Revenue for the year ended December 31, 2019 increased by $166.9 million, or 5.7%, compared to 2018. The increase was primarily due to incremental revenue in 2019 from the Willbros acquisition ($301.5 million), and organic growth in our Civil segment, partially offset by lower revenue in our Pipeline and Utilities segments.

Gross Profit

2020 and 2019

For the year ended December 31, 2020, gross profit increased by $39.3 million, or 11.9%, compared to 2019. The increase was primarily due to the increase in revenue. Gross profit as a percentage of revenue was comparable to 2019.

2019 and 2018

For the year ended December 31, 2019, gross profit increased by $5.2 million, or 1.6%, compared to 2018. The increase was primarily due to revenue growth, partially offset by a decrease in gross profit as a percentage of revenue.

Gross profit as a percentage of revenue decreased to 10.7% in 2019 from 11.1% in the same period in 2018 primarily due to lower gross profit percentages for the Power and Transmission segments, mostly offset by significant improvement in the Civil segment.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") consist primarily of compensation and benefits to executive, management level and administrative employees, marketing and communications, professional fees, and facility lease and utilities.

2020 and 2019

SG&A expenses were $202.8 million for the year ended December 31, 2020, an increase of $12.8 million, or 6.7% compared to 2019 primarily due to a $7.4 million increase in compensation related expenses, including incentive compensation and a $3.4 million increase in new information technology systems and related implementation expenses. SG&A expense as a percentage of revenue for the year ended December 31, 2020 decreased to 5.8% compared to 6.1% for the year ended December 31, 2019 due to increased revenue.

2019 and 2018

SG&A expenses were $190.1 million for the year ended December 31, 2019, an increase of $8.1 million, or 4.4% primarily due to $10.9 million of incremental expense from the Willbros acquisition and a $2.2 million increase in facility lease expense, partially offset by a $5.8 million decrease in compensation related expenses. SG&A expense as a percentage of revenue was comparable to 2018.

Transaction and related costs

2020 and 2019

Transaction and related costs incurred for the year ended December 31, 2020 were $3.4 million consisting primarily of professional fees related to our acquisition of FIH. No transaction and related costs were incurred for the year ended December 31, 2019.

2019 and 2018

No transaction and related costs were incurred for the year ended December 31, 2019, compared to $13.3 million for the year ended December 31, 2018, related to the acquisition of Willbros, which consisted primarily of severance and retention bonus costs for certain employees of Willbros, professional fees paid to advisors, and exiting or impairing certain duplicate facilities.

Other income and expense

Non-operating income and expense items for the years ended December 31, 2020, 2019 and 2018 were as follows (in millions):

	Year Ended December 31,		
	2020	2019	2018
Foreign exchange gain (loss), net	$ 0.4	$ (0.7)	$ 0.7
Other income (expense), net	1.2	(3.1)	(0.8)
Interest income	0.4	0.9	1.7
Interest expense	(20.3)	(20.1)	(18.7)
Total other income (expense)	$ (18.3)	$ (23.0)	$ (17.1)

Foreign exchange gain (loss) in 2020, 2019 and 2018 is primarily related to currency exchange fluctuations associated with our Canadian engineering operation, which operates principally in United States dollars.

The change in Other income (expense), net for the years ended December 31, 2020 and 2018 compared to the year ended December 31, 2019 is primarily due to a $2.9 million loss recognized in 2019 related to the sale of a utility customer's pre-petition bankruptcy accounts receivable to a financial institution.

Interest expense for the year ended December 31, 2020 was comparable to the same period in 2019.

Interest expense increased in 2019 compared to the same period in 2018 due primarily to higher average debt balances in 2019. In addition, we had a $3.6 million unrealized loss on the change in the fair value of our interest rate swap agreement during the year ended December 31, 2019, compared to $2.8 million in 2018.

The weighted average interest rate on total debt outstanding at December 31, 2020, 2019 and 2018 was 3.7 %, 4.0% and 4.1%, respectively.

Provision for income taxes

Our provision for income taxes increased $6.8 million to $40.7 million for 2020 compared to 2019. The increase was primarily due to increased pre-tax profits in 2020, partially offset by a reduction in state income taxes. The 2020 effective tax rate on income including noncontrolling interests and on income attributable to Primoris was 27.9%.

Our provision for income taxes increased $8.0 million to $33.8 million for 2019 compared to 2018. This increase was primarily due to a combination of increased pre-tax profits in 2019 and a decrease in the amount of investment tax credits generated in 2019. The 2019 effective tax rate on income including noncontrolling interests was 28.7%. The 2019 effective tax rate on income attributable to Primoris (excluding noncontrolling interests) was 29.1%.

Segment Results

Power Segment

Revenue and gross profit for the Power segment for the years ending December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,					
	2020		2019		2018	
	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue
Power Segment						
Revenue	$ 795.4		$ 729.3		$ 694.0	
Gross profit	53.5	6.7%	76.1	10.4%	109.8	15.8%

2020 and 2019

Revenue increased by $66.1 million, or 9.1%, during 2020 compared to 2019. The growth is primarily due to an increase in solar energy projects and progress on an industrial project for a utility customer in California ($129.8 million combined), partially offset by the substantial completion of a carbon monoxide and hydrogen plant project that began in 2019 and lower revenue at our Canadian industrial operations.

Gross profit decreased by $22.6 million, or 29.7%, during 2020 compared to 2019. The decrease is primarily due to lower margins partially offset by higher revenue. Gross profit as a percentage of revenue decreased to 6.7% in 2020 compared to 10.4% in 2019 due to higher costs associated with a liquefied natural gas ("LNG") plant project in the Northeast in 2020, partially offset by strong performance and favorable margins realized on our solar projects in 2020, the favorable impact of the Canadian Emergency Wage Subsidy in 2020, and higher costs associated with two industrial projects in 2019.

2019 and 2018

Revenue increased by $35.3 million, or 5.1%, during 2019 compared to 2018. The increase is primarily due to an additional solar project in West Texas in 2019 ($96.4 million) and the acquisition of Willbros in June of 2018 ($89.7 million). The overall increase was partially offset by the substantial completion of our Carlsbad joint venture project and refinery projects in Southern California in 2018 ($145.9 million combined).

Gross profit decreased by $33.7 million, or 30.7%, during 2019 compared to 2018 due primarily to a $17.4 million settlement in 2018 of a disputed receivable and higher costs in 2019 associated with two industrial projects. Gross profit as a percentage of revenue decreased to 10.4% in 2019 compared to 15.8% in 2018 primarily due to the reasons noted above and a strong performance and favorable margins realized by our Carlsbad joint venture project in 2018.

Pipeline Segment

Revenue and gross profit for the Pipeline segment for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,					
	2020		2019		2018	
	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue
Pipeline Segment						
Revenue	$ 897.0		$ 505.2		$ 590.9	
Gross profit	97.5	10.9%	61.6	12.2%	66.6	11.3%

2020 and 2019

Revenue increased by $391.8 million, or 77.6%, during 2020 compared to 2019. The increase is primarily due to pipeline projects in Texas that began in 2020 ($481.8 million combined), partially offset by reduced activity on a pipeline project in the Mid-Atlantic that was cancelled by the developers and the substantial completion of a pipeline project in 2019.

Gross profit increased by $35.9 million, or 58.3%, during 2020 compared to 2019. The increase is primarily attributable to revenue growth, partially offset by lower margins. Gross profit as a percentage of revenue decreased to 10.9% in 2020 compared to 12.2% in 2019. The decrease is primarily due to higher costs on pipeline projects in Virginia and Texas in 2020 and the favorable impact from the closeout of multiple pipeline projects in 2019, partially offset by strong performance and favorable margins realized on a Texas pipeline project in 2020.

2019 and 2018

Revenue decreased by $85.7 million, or 14.5%, during 2019 compared to 2018. The decrease is primarily due to reduced activity on major pipeline projects in the Mid-Atlantic and West Texas that began in 2018 ($181.9 million combined), partially offset by increased pipeline maintenance, facility construction and specialty services activity ($108.2 million).

Gross profit decreased by $5.0 million, or 7.5%, during 2019 compared to 2018 due to lower revenue, partially offset by higher margins. Gross profit as a percentage of revenue increased to 12.2% in 2019 compared to 11.3% in 2018 primarily due to the favorable impact from the closeout of multiple pipeline projects in 2019.

Utilities Segment

Revenue and gross profit for the Utilities segment for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,					
	2020		2019		2018	
	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue
Utilities Segment						
Revenue	$ 906.6		$ 886.5		$ 902.8	
Gross profit	132.9	14.7%	116.6	13.2%	111.8	12.4%

2020 and 2019

Revenue increased by $20.1 million, or 2.3%, during 2020 compared to 2019. The increase is primarily attributable to increased activity with customers in nearly all of the geographic regions we serve ($102.4 million combined), partially offset by decreased activity with two utility customers in California.

Gross profit increased $16.3 million, or 14.0%, during 2020 compared to 2019 primarily due to higher revenue and margins. Gross profit as a percentage of revenue increased to 14.7% in 2020 compared to 13.2% in 2019 primarily due to favorable margins on projects in the Southeast from increased productivity and favorable weather conditions in 2020 and unfavorable weather conditions experienced in the Midwest in 2019.

2019 and 2018

Revenue decreased by $16.3 million, or 1.8%, during 2019 compared to 2018 primarily due to net decreased activity with three major utility customers in California ($30.7 million combined), partially offset by increased activity with utility customers in the Midwest.

Gross profit increased $4.8 million, or 4.3%, during 2019 compared to 2018 due to higher margins, partially offset by lower revenue. Gross profit as a percent of revenue increased to 13.2% in 2019 compared to 12.4% in 2018 primarily due to a favorable mix of projects in 2019, and the impact of a client delay and unfavorable weather conditions experienced by a major utility customer in the Midwest in 2018.

Transmission Segment

Revenue and gross profit for the Transmission segment for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,					
	2020		2019		2018	
	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue
Transmission Segment						
Revenue	$ 459.0		$ 497.3		$ 286.8	
Gross profit	44.9	9.8%	22.6	4.5%	31.9	11.1%

The Transmission segment was created in connection with the acquisition of Willbros. Revenue and gross profit for the year ended December 31, 2018 represent results from June 1, 2018, the acquisition date, to December 31, 2018.

2020 and 2019

Revenue decreased by $38.3 million, or 7.7%, during 2020 compared to 2019. The decrease is primarily due to decreased activity with utility customers in Texas, the Midwest, the Southeast and generally being more selective in the type of work we perform.

Gross profit increased $22.3 million, or 98.7%, during 2020 compared to 2019 primarily due to higher margins offset by lower revenue. Gross profit as a percentage of revenue increased to 9.8% in 2020 compared to 4.5% in 2019 primarily due to upfront costs to expand our operations and unfavorable weather conditions experienced in certain regions in 2019, being more selective in the type of work we perform resulting in higher margin work in 2020 and an increase in higher margin storm work in 2020.

2019 and 2018

Revenue increased by $210.5 million during 2019 compared 2018 primarily due to the Willbros acquisition in June 2018, resulting in twelve months of revenue recognized in 2019 compared to seven months in 2018.

Gross profit decreased $9.3 million, or 29.2%, during 2019 compared to 2018 primarily due to lower margins on expiring MSAs, higher than expected equipment costs, and labor productivity issues. Gross profit as a percentage of revenue decreased to 4.5% in 2019 compared to 11.1% in 2018, primarily due to reduced revenue on higher margin storm work, unusually severe weather conditions experienced in certain regions in 2019, upfront costs to expand our operations, and relocation costs to move crews to other service areas in 2019. In addition, the segment experienced strong performance on a major project in the Southeast that completed in 2018.

Civil Segment

Revenue and gross profit for the Civil segment for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year Ended December 31,					
	2020		2019		2018	
	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue
Civil Segment						
Revenue	$ 433.5		$ 488.0		$ 465.0	
Gross profit	41.4	9.6%	54.0	11.1%	5.6	1.2%

2020 and 2019

Revenue decreased by $54.5 million, or 11.2%, during 2020 compared to 2019. The decrease is primarily due to the substantial completion of a project with a major refining customer and an ethylene plant project in 2019 ($41.4 million combined), as well as lower Texas Department of Transportation (“DOT”) volumes. These amounts were partially offset by progress on an LNG plant project in Texas that began in late 2019.

Gross profit decreased by $12.6 million, or 23.3%, during 2020 compared to 2019. The decrease was primarily due to lower revenue and margins. Gross profit as a percentage of revenue decreased to 9.6% in 2020 compared to 11.1% in 2019 primarily due to the resolution of claims associated with three Belton area projects in 2019. The year over year decrease was partially offset by strong performance on an LNG plant project in Texas in 2020, increased profit on Louisiana Department of Transportation and Development (“DOTD”) projects, and the favorable impact from the resolution of claims associated with the two other Belton area projects in 2020.

2019 and 2018

Revenue increased by $23.0 million, or 4.9%, during 2019 compared to 2018. The increase is primarily due to a project with a major refining customer and a methanol plant project that both began in 2019 ($38.1 million combined), and higher Louisiana DOTD volumes. The overall increase was partially offset by lower Texas DOT volumes.

Gross profit increased by $48.4 million during 2019 compared to 2018 primarily due to a favorable impact from the resolution of claims associated with three of the Belton area projects in 2019, increases from expected claim recovery on the remaining two Belton area projects, and higher costs on an airport project in 2018. Gross profit as a percentage of revenue increased to 11.1% in 2019 compared to 1.2% in 2018 due primarily to the reasons noted above.

Liquidity and Capital Resources

Cash Needs

Liquidity represents our ability to pay our liabilities when they become due, fund business operations, and meet our contractual obligations and execute our business plan. Our primary sources of liquidity are our cash balances at the beginning of each period and our cash flows from operating activities. If needed, we have availability under our lines of credit to augment liquidity needs. At December 31, 2020, there were no outstanding borrowings under the Revolving Credit Facility, commercial letters of credit outstanding were $51.5 million, and available borrowing capacity was $148.5 million. On January 15, 2021, we entered into the Second Amended and Restated Credit Agreement (the "Amended Credit Agreement") to increase the Term Loan by $400.0 million to an aggregate principal amount of $592.5 million (the "New Term Loan"). The proceeds from the New Term Loan were used to finance the acquisition of FIH and for general corporate purposes. In order to maintain sufficient liquidity, we evaluate our working capital requirements on a regular basis. We may elect to raise additional capital by issuing common stock, convertible notes, term debt or increasing our credit facility as necessary to fund our operations or to fund the acquisition of new businesses.

Due to the uncertainties around the impact of COVID-19 and the general economic conditions, we reduced capital expenditures and temporarily suspended our share repurchase program early in the second quarter of 2020 in order to conserve cash and cash equivalents. Late in the second quarter of 2020, we resumed spending for share repurchases. Additionally, we deferred FICA tax payments through the end of 2020 as allowed under The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). This deferral was $40.8 million at December 31, 2020. Half of the deferral is due on December 31, 2021, and the other half is due on December 31, 2022.

Our cash and cash equivalents totaled $326.7 million at December 31, 2020 compared to $120.3 million at December 31, 2019. We anticipate that our cash and investments on hand, existing borrowing capacity under our credit facility and our future cash flows from operations will provide sufficient funds to enable us to meet our operating needs, our planned capital expenditures, and settle our commitments and contingencies for at least the next twelve months.

The construction industry is capital intensive, and we expect to continue to make capital expenditures to meet anticipated needs for our services. In 2020, we spent approximately $64.4 million for capital expenditures, which included $42.1 million for construction equipment. Capital expenditures are expected to total $60 to $80 million for 2021.

Cash Flows

Cash flows during the years ended December 31, 2020, 2019 and 2018 are summarized as follows (in millions):

	Year Ended December 31, 2020	2019	2018
Change in cash:			
Net cash provided by operating activities	$ 311.9	$ 118.0	$ 126.8
Net cash used in investing activities	(42.5)	(65.9)	(209.1)
Net cash provided by (used in) financing activities	(62.8)	(83.3)	63.9
Effect of exchange rate changes	(0.1)	0.4	(0.9)
Net change in cash and cash equivalents	$ 206.5	$ (30.8)	$ (19.3)

Operating Activities

The sources and uses of cash flow associated with operating activities for the years ended December 31, 2020, 2019 and 2018 were as follows (in millions):

	Year Ended December 31, 2020	2019	2018
Operating Activities:			
Net income	$ 105.0	$ 84.1	$ 87.6
Depreciation and amortization	82.4	85.4	79.2
Changes in assets and liabilities	127.1	(45.1)	(40.8)
Other	(2.6)	(6.4)	0.8
Net cash provided by operating activities	$ 311.9	$ 118.0	$ 126.8

2020 and 2019

Net cash provided by operating activities for 2020 was $311.9 million an increase of $193.9 million compared to 2019. The change year-over-year was primarily due to a favorable impact from the changes in assets and liabilities and an increase in net income.

The significant components of the $127.1 million change in assets and liabilities for the year ended December 31, 2020 are summarized as follows:

- Contract liabilities increased by $74.8 million from December 31, 2019, primarily due to higher deferred revenue;
- Accounts payable and accrued liabilities increased by $29.7 million from December 31, 2019, primarily due to the timing of payments to our vendors and suppliers and the deferral of FICA tax payments under the CARES Act;
- Other long-term liabilities increased by $23.0 million from December 31, 2019 primarily due to the deferral of FICA tax payments under the CARES Act;
- Contract assets decreased by $19.3 million from December 31, 2019 primarily due to a reduction in unbilled revenue, partially offset by an increase in retention receivable; and
- Accounts receivable increased by $30.0 million from December 31, 2019, primarily due to increased revenue.

2019 and 2018

Net cash provided by operating activities for 2019 was $118.0 million, a decrease of $8.8 million compared to 2018. The change year-over-year was primarily due to a decrease in net income and an unfavorable impact from the changes in assets and liabilities.

The significant components of the $45.1 million change in assets and liabilities for the year ended December 31, 2019 are summarized as follows:

- Accounts payable and accrued liabilities decreased by $36.8 million from December 31, 2018, due to the timing of payments;
- Accounts receivable increased by $28.2 million from December 31, 2018, due primarily to the timing of billing our customers and increased revenue; and
- Contract assets decreased by $19.7 million from December 31, 2018, primarily due to decreases in contract materials not yet installed and retention receivable.

Investing activities

Net cash used in investing activities was $42.5 million, $65.9 million, and $209.1 million in the years ended December 31, 2020, 2019 and 2018, respectively.

We purchased property and equipment for $64.4 million, $94.5 million and $110.2 million in the years ended December 31, 2020, 2019 and 2018, respectively, principally for our construction activities and facilities investment. We believe the ownership of equipment is generally preferable to renting equipment on a project-by-project basis, as ownership helps to ensure the equipment is available for our projects when needed. In addition, ownership has historically resulted in lower overall equipment costs.

We periodically sell equipment, typically to update our fleet. We received proceeds from the sale of used equipment of $21.9 million, $28.6 million and $11.7 million for 2020, 2019 and 2018, respectively.

During 2018, we used $110.6 million for the acquisition of Willbros.

In connection with the acquisition of Willbros, we agreed to provide, at our discretion, up to $20.0 million in secured bridge financing to support Willbros' working capital needs through the closing date. In March 2018 and May 2018, we provided $10.0 million and $5.0 million, respectively, in secured bridge financing to Willbros. The $15.0 million was repaid to us in its entirety on June 1, 2018.

Financing activities

Financing activities used cash of $62.8 million in 2020, which was primarily due to the following:

- Repayment of long-term debt of $68.9 million;
- Dividend payments to our stockholders of $11.6 million;
- Repurchase of common stock of $11.5 million; and
- Proceeds from the issuance of debt secured by our equipment and real estate of $33.9 million.

Financing activities used cash of $83.3 million in 2019, which was primarily due to the following:

- Repayment of long-term debt of $72.1 million;
- Repurchase of common stock of $50.0 million;
- Dividend payments to our stockholders of $12.2 million;
- Cash distributions to noncontrolling interest holders of $3.5 million; and
- Proceeds from the issuance of debt secured by our equipment and real estate of $55.0 million.

Financing activities provided cash of $63.9 million in 2018, which was primarily due to the following:

- Proceeds from the issuance of a term loan of $220.0 million;
- Proceeds from the issuance of debt secured by our equipment and real estate of $36.0 million;
- Repayment of long-term debt of $145.7 million;
- Repurchase of common stock of $20.0 million;
- Cash distributions to noncontrolling interest holders of $13.1 million; and
- Dividend payments to our stockholders of $12.3 million.

Debt Activities

<u>Credit Agreement</u>

On September 29, 2017, we entered into an amended and restated credit agreement, as amended July 9, 2018 and August 3, 2018 (the "Credit Agreement") with CIBC Bank USA, as administrative agent (the "Administrative Agent") and co-lead arranger, and the financial parties thereto (collectively, the "Lenders"). The Credit Agreement

consisted of a $220.0 million term loan (the "Term Loan") and a $200.0 million revolving credit facility ("Revolving Credit Facility"), whereby the Lenders agreed to make loans on a revolving basis from time to time and to issue letters of credit for up to the $200.0 million committed amount. The Credit Agreement contained an accordion feature that would allow us to increase the Term Loan or the borrowing capacity under the Revolving Credit Facility by up to $75.0 million. The Credit Agreement was scheduled to mature on July 9, 2023.

On January 15, 2021, we entered into the Second Amended and Restated Credit Agreement (the "Amended Credit Agreement") with the Administrative Agent and the Lenders, amending and restating our Credit Agreement to increase the Term Loan by $400.0 million to an aggregate principal amount of $592.5 million (the "New Term Loan") and to extend the maturity date of the Credit Agreement from July 9, 2023 to January 15, 2026.

In addition to the New Term Loan, the Amended Credit Agreement consists of the existing $200.0 million Revolving Credit Facility whereby the Lenders agreed to make loans on a revolving basis from time to time and to issue letters of credit for up to the $200.0 million committed amount, and contains an accordion feature that would allow us to increase the New Term Loan or the borrowing capacity under the Revolving Credit Facility by up to $75.0 million.

At February 15, 2021, commercial letters of credit outstanding were $51.2 million, borrowings under the Amended Credit Agreement were $100.0 million, and available borrowing capacity was $48.8 million.

Under the Amended Credit Agreement, we must make quarterly principal payments on the New Term Loan in an amount equal to approximately $7.4 million, with the balance due on January 15, 2026. The first principal payment will be due on March 31, 2021.

The proceeds from the New Term Loan were used to finance the acquisition of FIH and for general corporate purposes.

The principal amount of all loans under the Amended Credit Agreement will bear interest at either: (i) LIBOR plus an applicable margin as specified in the Amended Credit Agreement (based on our senior debt to EBITDA ratio as defined in the Amended Credit Agreement), or (ii) the Base Rate (which is the greater of (a) the Federal Funds Rate plus 0.5% or (b) the prime rate as announced by the Administrative Agent) plus an applicable margin as specified in the Amended Credit Agreement. Quarterly non-use fees, letter of credit fees and administrative agent fees are payable at rates specified in the Amended Credit Agreement.

The principal amount of any loan drawn under the Amended Credit Agreement may be prepaid in whole or in part at any time, with a minimum prepayment of $5.0 million.

Loans made under the Credit Agreement and the Amended Credit Agreement are secured by our assets, including, among others, our cash, inventory, equipment (excluding equipment subject to permitted liens), and accounts receivable. Certain of our domestic subsidiaries have issued joint and several guaranties in favor of the Lenders for all amounts under the Credit Agreement and the Amended Credit Agreement.

The Credit Agreement and Amended Credit Agreement contain various restrictive and financial covenants including, among others, a senior debt/EBITDA ratio and debt service coverage requirements. In addition, the Amended Credit Agreement includes restrictions on investments, change of control provisions and provisions in the event we dispose of more than 20% of our total assets.

We were in compliance with the covenants for the Credit Agreement at December 31, 2020.

On September 13, 2018, we entered into an interest rate swap agreement to manage our exposure to the fluctuations in variable interest rates. The swap effectively exchanged the interest rate on 75% of the debt outstanding under our Term Loan from variable LIBOR to a fixed rate of 2.89% per annum, in each case plus an applicable margin, which was 1.75% at December 31, 2020.

Canadian Credit Facilities

We have a demand credit facility for $4.0 million in Canadian dollars with a Canadian bank for purposes of issuing commercial letters of credit in Canada. The credit facility has an annual renewal and provides for the issuance of commercial letters of credit for a term of up to five years. The facility provides for an annual fee of 1.0% for any issued and outstanding commercial letters of credit. Letters of credit can be denominated in either Canadian or U.S. dollars. At December 31, 2020, commercial letters of credit outstanding were $0.4 million in Canadian dollars, and the available borrowing capacity was $3.6 million in Canadian dollars. The credit facility contains a working capital restrictive covenant for our Canadian subsidiary, OnQuest Canada, ULC. At December 31, 2020, OnQuest Canada, ULC was in compliance with the covenant.

We have a credit facility for $10.0 million in Canadian dollars with CIBC Bank for working capital purposes in the normal course of business ("Working Capital Credit Facility"). At December 31, 2020, there were no outstanding borrowings under the Working Capital Credit Facility, and available borrowing capacity was $10.0 million in Canadian dollars. The Working Capital Credit Facility contains a cross default restrictive covenant where a default under our Credit Agreement will represent a default in the Working Capital Credit Facility.

Contractual Obligations

As of December 31, 2020, we had $317.1 million of outstanding long-term debt, and there were no short-term borrowings.

A summary of contractual obligations as of December 31, 2020 was as follows (in millions):

	Total	1 Year	2 - 3 Years	4 - 5 Years	After 5 Years
Long-term debt	$ 317.1	$ 47.7	$ 219.8	$ 23.9	$ 25.7
Interest on long-term debt (1)	32.5	11.3	15.6	3.6	2.0
Operating leases	224.5	79.2	108.9	27.4	9.0
	$ 574.1	$ 138.2	$ 344.3	$ 54.9	$ 36.7
Letters of credit	$ 51.8	$ 51.8	$ —	$ —	$ —

(1) The interest amount represents interest payments for our fixed rate debt assuming that principal payments are made as originally scheduled. Our Credit Agreement bears interest at variable market rates, and estimated payments are based on the interest rate in effect as of December 31, 2020, including the impact of our interest rate swap.

The table does not include potential obligations under multi-employer pension plans in which some of our employees participate. Our multi-employer pension plan contribution rates are generally specified in our collective bargaining agreements, and contributions are made to the plans based on employee payrolls. Our obligations for future periods cannot be determined because we cannot predict the number of employees that we will employ at any given time nor the plans in which they may participate.

We may also be required to make additional contributions to multi-employer pension plans if they become underfunded, and these contributions will be determined based on our union payroll. The Pension Protection Act of 2006 added special funding and operational rules for multi-employer plans that are classified as "endangered," "seriously endangered" or "critical" status. Plans in these classifications must adopt measures to improve their funded status through a funding improvement or rehabilitation plan, which may require additional contributions from employers. The amounts of additional funds that we may be obligated to contribute cannot be reasonably estimated and is not included in the table above.

Related Party Transactions

For information regarding related party transactions, see Note 18 — "*Related Party Transactions*" of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

Off Balance Sheet Arrangements

We enter into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected on our balance sheet. We have no off-balance sheet financing arrangement with VIEs. The following represents transactions, obligations or relationships that could be considered material off-balance sheet arrangements.

- At December 31, 2020, we had letters of credit outstanding of $51.8 million under the terms of our credit agreements. These letters of credit are primarily used by our insurance carriers to ensure reimbursement for amounts that they are disbursing on our behalf, such as to beneficiaries under our self-funded insurance program. In addition, from time to time, certain customers require us to post a letter of credit to ensure payments to our subcontractors or guarantee performance under our contracts. Letters of credit reduce our borrowing availability under our Credit Agreement and Canadian Credit Facility. If these letters of credit were drawn on by the beneficiary, we would be required to reimburse the issuer of the letter of credit, and we may be required to record a charge to earnings for the reimbursement. We do not believe that it is likely that any material claims will be made under a letter of credit.

- In the ordinary course of our business, we may be required by our customers to post surety bid or completion bonds in connection with services that we provide. At December 31, 2020, we had $696.0 million in outstanding bonds, based on the remaining contract value to be recognized on bonded jobs. We do not believe that it is likely that we would have to fund material claims under our surety arrangements.

- Certain of our subsidiaries are parties to collective bargaining agreements with unions. In most instances, these agreements require that we contribute to multi-employer pension and health and welfare plans. For many plans, the contributions are determined annually and required future contributions cannot be determined since contribution rates depend on the total number of union employees and actuarial calculations based on the demographics of all participants. The Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Multi-Employer Pension Amendments Act of 1980, subjects employers to potential liabilities in the event of an employer's complete or partial withdrawal of an underfunded multi-employer pension plan. The Pension Protection Act of 2006 added new funding rules that are classified as "endangered", "seriously endangered", or "critical" status. We currently do not anticipate withdrawal from any multi-employer pension plans. Withdrawal liabilities or requirements for increased future contributions could negatively impact our results of operations and liquidity.

- We enter into employment agreements with certain employees which provide for compensation and benefits under certain circumstances and which may contain a change of control clause. We may be obligated to make payments under the terms of these agreements.

- From time to time we make other guarantees, such as guaranteeing the obligations of our subsidiaries.

Backlog

For companies in the construction industry, backlog can be an indicator of future revenue streams. Different companies define and calculate backlog in different manners. We define backlog as a combination of: (1) anticipated revenue from the uncompleted portions of existing contracts where scope is adequately defined, and therefore we can reasonably estimate total contract value ("Fixed Backlog"), and (2) the estimated revenue on MSA work for the next four quarters ("MSA Backlog"). We do not include certain contracts in the calculation of backlog where scope, and therefore contract value, is not adequately defined.

The two components of backlog, Fixed Backlog and MSA Backlog, are detailed below.

Fixed Backlog

Fixed Backlog by reporting segment and the changes in Fixed Backlog for the periods ending December 31, 2020, 2019 and 2018 were as follows, (in millions):

Reportable Segment	Beginning Fixed Backlog at December 31, 2019	Net Contract Additions to Fixed Backlog	Revenue Recognized from Fixed Backlog	Ending Fixed Backlog at December 31, 2020	Revenue Recognized from Non-Fixed Backlog Projects	Total Revenue for Twelve Months ended December 31, 2020
Power	$ 401.3	$ 947.5	$ 658.0	$ 690.8	$ 137.4	$ 795.4
Pipeline (1)	743.4	360.0	757.1	346.3	139.9	897.0
Utilities	36.6	182.5	198.8	20.3	707.8	906.6
Transmission	23.0	77.7	84.2	16.5	374.8	459.0
Civil	555.1	430.0	419.4	565.7	14.1	433.5
Total	$ 1,759.4	$ 1,997.7	$ 2,117.5	$ 1,639.6	$ 1,374.0	$ 3,491.5

(1) Net contract additions includes the net reduction of $0.4 billion of backlog associated with a major pipeline project in the Mid-Atlantic. In July 2020, the customer announced the planned cancellation of the project and in October 2020, we received formal termination of the contract from the customer.

Reportable Segment	Beginning Fixed Backlog at December 31, 2018	Net Contract Additions to Fixed Backlog	Revenue Recognized from Fixed Backlog	Ending Fixed Backlog at December 31, 2019	Revenue Recognized from Non-Fixed Backlog Projects	Total Revenue for 12 Months ended December 31, 2019
Power	$ 245.3	$ 698.9	$ 542.9	$ 401.3	$ 186.4	$ 729.3
Pipeline	672.5	461.4	390.5	743.4	114.7	505.2
Utilities	31.1	236.6	231.1	36.6	655.4	886.5
Transmission	21.5	97.0	95.5	23.0	401.8	497.3
Civil	505.6	523.1	473.6	555.1	14.4	488.0
Total	$ 1,476.0	$ 2,017.0	$ 1,733.6	$ 1,759.4	$ 1,372.7	$ 3,106.3

Reportable Segment	Beginning Fixed Backlog at December 31, 2017	Net Contract Additions to Fixed Backlog	Revenue Recognized from Fixed Backlog	Ending Fixed Backlog at December 31, 2018	Revenue Recognized from Non-Fixed Backlog Projects	Total Revenue for 12 months ended December 31, 2018
Power	$ 382.2	$ 416.0	$ 552.9	$ 245.3	$ 141.1	$ 694.0
Pipeline	777.7	438.6	543.8	672.5	47.1	590.9
Utilities	58.7	175.2	202.8	31.1	700.0	902.8
Transmission	—	68.1 (1)	46.6	21.5	240.2	286.8
Civil	606.0	354.3	454.7	505.6	10.3	465.0
Total	$ 1,824.6	$ 1,452.2	$ 1,800.8	$ 1,476.0	$ 1,138.7	$ 2,939.5

(1) Includes backlog acquired from the Willbros acquisition.

Revenue recognized from non-Fixed Backlog projects shown above is generated by MSA projects and projects completed under contracts where scope, and therefore contract value, is not adequately defined, or are generated from the sale of construction materials, such as rock or asphalt to outside third parties.

At December 31, 2020, our total Fixed Backlog was $1.64 billion, representing a decrease of $119.8 million, or 6.8%, from $1.76 billion as of December 31, 2019.

MSA Backlog

The following table outlines historical MSA revenue for the twelve months ending December 31, 2020, 2019 and 2018 (in millions):

Year:	MSA Revenue
2020	$ 1,360.4
2019	1,356.5
2018	1,128.6

MSA Backlog includes anticipated MSA revenue for the next twelve months. We estimate MSA revenue based on historical trends, anticipated seasonal impacts and estimates of customer demand based on information from our customers.

The following table shows our estimated MSA Backlog at December 31, 2020, 2019 and 2018 by reportable segment (in millions):

Reportable Segment:	MSA Backlog at December 31, 2020	MSA Backlog at December 31, 2019	MSA Backlog at December 31, 2018
Power	$ 78.0	$ 114.1	$ 121.8
Pipeline	31.4	118.9	30.3
Utilities	607.6	737.4	751.6
Transmission	400.8	444.0	380.0
Civil	19.2	3.7	—
Total	$ 1,137.0	$ 1,418.1	$ 1,283.7

Total Backlog

The following table shows total backlog (Fixed Backlog plus MSA Backlog), by reportable segment at December 31, 2020, 2019 and 2018 (in millions):

Reportable Segment:	Total Backlog at December 31, 2020	Total Backlog at December 31, 2019	Total Backlog at December 31, 2018
Power	$ 768.8	$ 515.4	$ 367.1
Pipeline	377.7	862.3	702.8
Utilities	627.9	774.0	782.7
Transmission	417.3	467.0	401.5
Civil	584.9	558.8	505.6
Total	$ 2,776.6	$ 3,177.5	$ 2,759.7

We expect that during 2021, we will recognize as revenue approximately 85% of the total backlog at December 31, 2020, comprised of backlog of approximately: 89% of the Power segment; 79% of the Pipeline segment; 100% of the Utilities segment; 100% of the Transmission segment and 56% of the Civil segment.

Backlog should not be considered a comprehensive indicator of future revenue, as a percentage of our revenue is derived from projects that are not part of a backlog calculation. The backlog estimates include amounts from estimated MSAs, but our customers are not contractually obligated to purchase an amount of services from us under the MSAs. Any of our contracts may be terminated by our customers on relatively short notice. In the event of a project cancellation, we are typically reimbursed for all of our costs through a specific date, as well as all reasonable costs associated with demobilizing from the jobsite, but typically we have no contractual right to the total revenue reflected in backlog. Projects may remain in backlog for extended periods of time as a result of customer delays, regulatory requirements or project specific issues. Future revenue from projects where scope, and therefore contract value, is not adequately defined may not be included in our estimated backlog amount.

Effects of Inflation and Changing Prices

Our operations are affected by increases in prices, whether caused by inflation or other economic factors. We attempt to recover anticipated increases in the cost of labor, equipment, fuel and materials through price escalation provisions in certain major contracts or by considering the estimated effect of such increases when bidding or pricing new work or by entering into back-to-back contracts with suppliers and subcontractors. During the years ended December 31, 2020, 2019 and 2018, inflation did not have a material impact on our business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, we are exposed to risks related to market conditions. These risks primarily include fluctuations in foreign currency exchange rates, interest rates and commodity prices. We may seek to manage these risks through the use of financial derivative instruments. These instruments have in the past included interest rate swaps and may in the future include foreign currency exchange contracts and interest rate swaps.

The carrying amounts for cash and cash equivalents, accounts receivable, short term investments, short-term debt, accounts payable and accrued liabilities shown in the Consolidated Balance Sheets approximate fair value at December 31, 2020, due to the generally short maturities of these items.

Our revolving credit facility and term loan bear interest at a variable rate and exposes us to interest rate risk. From time to time, we may use certain derivative instruments to hedge our exposure to variable interest rates. As of December 31, 2020, $144.4 million of our variable rate debt outstanding was economically hedged and the remaining $48.1 million was unhedged. Based on our variable rate debt outstanding as of December 31, 2020, a 1.0% increase or decrease in interest rates would change annual interest expense by approximately $0.5 million.

We do not execute transactions or use financial derivative instruments for trading or speculative purposes. We generally enter into transactions with counter-parties that are financial institutions as a means to limit significant exposure with any one party.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements, supplementary financial data and financial statement schedules are included in a separate section at the end of this Annual Report on Form 10-K, and are incorporated herein by reference. The financial statements, supplementary data and schedules are listed in the index on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any system of controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, as ours are designed to do, and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their stated objectives.

In connection with the preparation of this Annual Report on Form 10-K, as of December 31, 2020, an evaluation was performed under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act). Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2020, to ensure that the information required to be disclosed by us in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act. Our internal control over financial reporting is 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. Our 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 our assets;

(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 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 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.

Under the supervision and with the participation of our management, including our CEO and CFO, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020. Management based this assessment on the framework in “Internal Control–Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our CEO and CFO concluded that our internal control over financial reporting was effective as of December 31, 2020. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Independent Registered Public Accounting Firm Report

Moss Adams LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report on Form 10-K, has issued a report on our internal control over financial reporting as of December 31, 2020. The report, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2020, is included in "Item 8. Financial Statements and Supplemental Data" under the heading "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control Over Financial Reporting

Our management, with the participation of our CEO and CFO, has evaluated any changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2020. Based on this evaluation, our CEO and CFO concluded that, at December 31, 2020, there has not been any change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is 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 under this Item 10 is set forth in our Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2020 (the "Proxy Statement") and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this Item 11 is set forth in our Proxy Statement and is incorporated herein by reference, except for the information set forth under the caption, "*Compensation Committee Report*" of our Proxy Statement, which specifically is not incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required under this Item 12 is set forth in our Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required under this Item 13 is set forth in our Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required under this Item 14 is set forth in our Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) We have filed the following documents as part of this Report:

1. Consolidated Balance Sheets of Primoris Services Corporation and subsidiaries as of December 31, 2020 and 2019 and the related Consolidated Statements of Income, Comprehensive Income, Stockholders' Equity and Cash Flows for the years ended December 31, 2020, 2019 and 2018.
2. Report of Moss Adams LLP, independent registered public accounting firm, related to the consolidated financial statements in part (A)(1) above.
3. Notes to the consolidated financial statements in part (A)(1) above.
4. List of exhibits required by Item 601 of Regulation S-K. See part (B) below.

(B) The following is a complete list of exhibits filed as part of this Report, some of which are incorporated herein by reference from certain other of our reports, registration statements and other filings with the SEC, as referenced below:

Exhibit No.	Description
Exhibit 2.1	Agreement and Plan of Merger, dated March 27, 2018, among Primoris Services Corporation, Waco Acquisition Vehicle, Inc. and Willbros Group, Inc. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, as filed with the SEC on March 28, 2018)
Exhibit 2.2	Agreement and Plan of Merger, dated December 14, 2020, among Primoris Services Corporation, Future Infrastructure Holdings, LLC, Primoris Merger Sub, LLC and Tower Arch Capital, L.P. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, as filed with the SEC on December 15, 2020)
Exhibit 2.3	Amendment No1. To Agreement and Plans of Merger, dated as of January 11, 2021 (incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K, as filed with the SEC on January 15, 2021)
Exhibit 3.1	Fifth Amended and Restated Certificate of Incorporation of Primoris Services Corporation, dated May 4, 2018 (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q, as filed with the SEC on November 11, 2018)
Exhibit 3.2	Amended and Restated Bylaws of Primoris Services Corporation, as amended August 2, 2019 (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q, as filed with the SEC on August 4, 2020)
Exhibit 4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form S-1 (File No. 333-134694), as filed with the SEC on June 2, 2006)
Exhibit 4.2	Description of Registrant's Securities (incorporated by reference to Exhibit 4.2 to our Annual Report on Form 10-K, as filed with the SEC on February 25, 2020*)
Exhibit 10.1	2008 Long-Term Equity Incentive Plan (incorporated by reference to Annex C to our Registration Statement on Form S-4/A (Amendment No. 4) (File No. 333-150343), as filed with the SEC on July 9, 2008) (#)

Exhibit No.	Description
Exhibit 10.2	2013 Equity Incentive Plan (incorporated by reference to Appendix A to our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 9, 2013) (#)
Exhibit 10.3	Amended and Restated Credit Agreement, dated September 29, 2017, by and among Primoris Services Corporation and CIBC Bank USA, Bank of the West, Branch Banking and Trust Company, IBERIABANK, Bank of America, and Simmons Bank. (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q, as filed with the SEC on November 6, 2017)
Exhibit 10.4	First Amendment and Joinder to Amended and Restated Credit Agreement by and among Primoris Services Corporation and CIBC Bank USA, Bank of the West, Capital One, N.A., Regions Bank, Branch Banking and Trust Company, IBERIABANK, Bank of America, and Simmons Bank (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, as filed with the SEC on July 9, 2018)
Exhibit 10.5	Second Amendment to Amended and Restated Credit Agreement by and among Primoris Services Corporation and CIBC Bank USA, Bank of the West, Capital One, N.A., Regions Bank, Branch Banking and Trust Company, IBERIABANK, Bank of America, and Simmons Bank (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q, as filed with the SEC on August 7, 2018)
Exhibit 10.6	General Indemnity Agreement, dated January 24, 2012, by and among Primoris Services Corporation, ARB, Inc. ARB Structures, Inc., OnQuest, Inc., OnQuest Heaters, Inc. Born Heaters Canada ULC, Cardinal Contractors, Inc., Cardinal Southeast, Inc., Stellaris, LLC, GML Coatings, LLC, James Construction Group, LLC, Juniper Rock Corporation, Rockford Corporation; Alaska Continental Pipeline, Inc., All Day Electric Company, Inc. Primoris Renewables, LLC, Rockford Pipelines Canada, Inc. and Chubb Group of Insurance Companies (incorporated by reference to Exhibit 10.51 to our Annual Report on Form 10-K, as filed with the SEC on March 5, 2012)
Exhibit 10.7	Contribution Agreement, dated as of September 30, 2013, by and among WesPac Energy LLC, Kealine Holdings LLC, Primoris Services Corporation and WesPac Midstream LLC and Highstar WesPac Main Interco LLC and Highstar WesPac Prism/IV-A Interco LLC (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q, as filed with the SEC on November 5, 2013)
Exhibit 10.8	Agreement for Services, dated July 1, 2019, by and among Primoris Services Corporation and Brian Pratt. (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q, as filed with the SEC on August 6, 2019) (#)
Exhibit 10.9	Agreement for Services, dated January 1, 2020, by and among Primoris Services Corporation and David King. (incorporated by reference to Exhibit 10.16 to our Annual Report on Form 10-K, as filed with the SEC on February 25, 2020) (#)
Exhibit 10.10	Employment Agreement, dated November 4, 2019, by and among Primoris Services Corporation and Thomas McCormick. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, as filed with the SEC on November 5, 2019) (#)

Exhibit 10.11	Employment Agreement, dated April 1, 2019, by and among Primoris Services Corporation and John F. Moreno, Jr. (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q, as filed with the SEC on May 7, 2019) (#)
Exhibit 21.1	Subsidiaries and equity investments of Primoris Services Corporation (*)
Exhibit 23.1	Consent of Moss Adams LLP (*)
Exhibit 31.1	Certification of chief executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)
Exhibit 31.2	Certification of chief financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)
Exhibit 32.1	Certification of chief executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (**)
Exhibit 32.2	Certification of chief financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (**)
Exhibit 101 INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (*)
Exhibit 101 SCH	Inline XBRL Taxonomy Extension Schema Document (*)
Exhibit 101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (*)
Exhibit 101 LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (*)
Exhibit 101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (*)
Exhibit 101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (*)
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(#) Management contract or compensatory plan, contract or arrangement.
(*) Filed herewith.
(**) This certification will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

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 to be signed on its behalf by the undersigned, thereunto duly authorized.

Primoris Services Corporation (Registrant)

Date: February 22, 2021

BY: /s/ Kenneth M. Dodgen
Kenneth M. Dodgen
Executive Vice President, Chief Financial Officer

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

	Signature	Title
By:	/s/ Thomas E. McCormick Thomas E. McCormick	President, Chief Executive Officer and Director (Principal Executive Officer)
By:	/s/ Kenneth M. Dodgen Kenneth M. Dodgen	Executive Vice President, Chief Financial Officer (Principal Financial Officer)
By:	/s/ Travis L. Stricker Travis L. Stricker	Senior Vice President, Chief Accounting Officer (Principal Accounting Officer)
By:	/s/ David L. King David L. King	Chairman of the Board of Directors
By:	/s/ Peter C. Brown Peter C. Brown	Director
By:	/s/ Stephen C. Cook Stephen C. Cook	Director
By:	/s/ Carla S. Mashinski Carla S. Mashinski	Director
By:	/s/ Terry D. McCallister Terry D. McCallister	Director
By:	/s/ John P. Schauerman John P. Schauerman	Director
By:	Robert A. Tinstman	Director
By:	/s/ Thomas E. Tucker Thomas E. Tucker	Director
By:	/s/ Patricia K. Wagner Patricia K. Wagner	Director

Date: February 22, 2021

PRIMORIS SERVICES CORPORATION

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Primoris Services Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Primoris Services Corporation (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

Changes in Accounting Principles

As disclosed in Note 12 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019.

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 the accompanying Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion 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 to 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.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

Critical Audit Matter

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 (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the 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 – Estimated contract costs and variable consideration estimates: As described in Note 5 to the consolidated financial statements, the Company's consolidated contract revenues and costs of revenue were $3,491 million and $3,121 million, respectively, for the year ended December 31, 2020. A substantial portion of revenue is derived from contracts that are fixed-price or unit-price, where scope is adequately defined, and is recognized over time as work is completed because of the continuous transfer of control to the customer. Under this method, the costs incurred to date as a percentage of total estimated costs at completion are used to calculate revenue. Total estimated costs, and thus contract revenue and margin, are impacted by many factors, which can cause significant changes in estimates during the life cycle of a project. As disclosed by management, changes in these estimates could have a significant impact on the amount of revenue recognized. Additionally, the nature of the Company's contracts give rise to several types of variable consideration. The Company's estimate of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on their assessment of anticipated performance and all information (historical, current and forecasted) that is reasonably available.

Based on the significant judgement required by management and high degree of subjectivity involved in the determination of both estimated costs to complete a contract and variable consideration, which in turn led to a high degree of auditor judgement, effort and subjectivity in performing procedures and evaluating audit evidence, we have identified these estimates as a critical audit matter. Changes in these estimates could have significant impact on both the timing and amount of contract revenue to be recognized.

The primary procedures we performed to address this critical audit matter included:

- Obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the contract management cycle, including those related to the accumulation of the estimated costs to complete a contract and the estimation of variable consideration (including contract modifications, volume discounts, performance bonuses, and incentive fees).
- Tested a selection of unit-priced and fixed priced contracts, focusing on risk based characteristics. Evaluated the reasonableness of the assumptions and judgments underlying the accounting for these significant contracts as follows:
    - Inquired with and inspected questionnaires prepared by project managers to understand the status of the contract, changes from prior years, key assumptions underlying the revenue and costs, and the existence of any claims or litigation and corroborating such information.
    - Assessed the reasonableness of estimated costs to complete by analyzing historical contract performance relative to overall contractual commitments and estimated gross margin at year end. We assessed management's assumptions on future contract costs by comparing them with executed change orders, estimate documentation, correspondence with the customer, and job cost details with supporting third-party evidence.
    - Tested management's estimation process by performing lookback analyses at the contract level to evaluate estimated costs and variable consideration settled in the current year compared to management's prior year estimates.
    - Tested management's process for determining contingent costs included in contract estimates and evaluated the reasonableness of the contingency factors utilized.
    - Evaluated the appropriateness of the Company's inclusion or exclusion of variable consideration from the work-in-process schedule in the selection of contracts.

/s/ Moss Adams LLP

San Diego, California
February 22, 2021

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

PRIMORIS SERVICES CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Amounts)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 326,744	$ 120,286
Accounts receivable, net	432,455	404,911
Contract assets	325,849	344,806
Prepaid expenses and other current assets	30,218	42,704
Total current assets	1,115,266	912,707
Property and equipment, net	356,194	375,888
Operating lease assets	207,320	242,385
Deferred tax assets	1,909	1,100
Intangible assets, net	61,012	69,829
Goodwill	215,103	215,103
Other long-term assets	12,776	13,453
Total assets	$ 1,969,580	$ 1,830,465
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 245,906	$ 235,972
Contract liabilities	267,227	192,397
Accrued liabilities	200,673	183,501
Dividends payable	2,887	2,919
Current portion of long-term debt	47,722	55,659
Total current liabilities	764,415	670,448
Long-term debt, net of current portion	268,835	295,642
Noncurrent operating lease liabilities, net of current portion	137,913	171,225
Deferred tax liabilities	13,548	17,819
Other long-term liabilities	70,077	45,801
Total liabilities	1,254,788	1,200,935
Commitments and contingencies (See Note 13)		
Stockholders' equity		
Common stock—$.0001 par value; 90,000,000 shares authorized; 48,110,442 and 48,665,138 issued and outstanding at December 31, 2020 and December 31, 2019, respectively	5	5
Additional paid-in capital	89,098	97,130
Retained earnings	624,694	531,291
Accumulated other comprehensive income	958	76
Noncontrolling interest	37	1,028
Total stockholders' equity	714,792	629,530
Total liabilities and stockholders' equity	$ 1,969,580	$ 1,830,465

See accompanying notes.

PRIMORIS SERVICES CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	Year Ended December 31, 2020	2019	2018
Revenue	$ 3,491,497	$ 3,106,329	$ 2,939,478
Cost of revenue	3,121,283	2,775,403	2,613,741
Gross profit	370,214	330,926	325,737
Selling, general and administrative expenses	202,835	190,051	182,006
Transaction and related costs	3,430	—	13,260
Operating income	163,949	140,875	130,471
Other income (expense):			
Foreign exchange gain (loss), net	379	(690)	688
Other income (expense), net	1,234	(3,134)	(808)
Interest income	376	955	1,753
Interest expense	(20,299)	(20,097)	(18,746)
Income before provision for income taxes	145,639	117,909	113,358
Provision for income taxes	(40,656)	(33,812)	(25,765)
Net income	104,983	84,097	87,593
Less net income attributable to noncontrolling interests	(9)	(1,770)	(10,132)
Net income attributable to Primoris	$ 104,974	$ 82,327	$ 77,461
Dividends per common share	$ 0.24	$ 0.24	$ 0.24
Earnings per share:			
Basic	$ 2.17	$ 1.62	$ 1.51
Diluted	$ 2.16	$ 1.61	$ 1.50
Weighted average common shares outstanding:			
Basic	48,303	50,784	51,350
Diluted	48,633	51,084	51,670

See accompanying notes.

PRIMORIS SERVICES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Year Ended December 31,		
	2020	2019	2018
Net income	$ 104,983	$ 84,097	$ 87,593
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	882	984	(908)
Comprehensive income	105,865	85,081	86,685
Less net income attributable to noncontrolling interests	(9)	(1,770)	(10,132)
Comprehensive income attributable to Primoris	$ 105,856	$ 83,311	$ 76,553

See accompanying notes.

PRIMORIS SERVICES CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In Thousands, Except Share Amounts)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Non Controlling	Total Stockholders'
	Shares	Amount	Capital	Earnings	Income (Loss)	Interest	Equity
Balance, December 31, 2017	51,448,753	$ 5	$ 160,502	$ 395,961	$ —	$ 5,715	$ 562,183
Net income	—	—	—	77,461	—	10,132	87,593
Foreign currency translation adjustments, net of tax	—	—	—	—	(908)	—	(908)
Issuance of shares to employees and directors	91,911	—	2,245	—	—	—	2,245
Amortization of Restricted Stock Units	—	—	1,253	—	—	—	1,253
Dividend equivalent Units accrued - Restricted Stock Units	—	—	48	(48)	—	—	—
Repurchase of stock	(825,146)	—	(20,000)	—	—		(20,000)
Distribution of noncontrolling entities	—	—	—	—		(13,084)	(13,084)
Dividends declared ($0.24 per share)	—	—	—	(12,299)	—	—	(12,299)
Balance, December 31, 2018	50,715,518	$ 5	$ 144,048	$ 461,075	$ (908)	$ 2,763	$ 606,983
Net income	—	—	—	82,327	—	1,770	84,097
Foreign currency translation adjustments, net of tax	—	—	—	—	984	—	984
Issuance of shares to employees and directors	144,261	—	2,998	—	—	—	2,998
Conversion of Restricted Stock Units, net of shares withheld for taxes	122,319	—	(1,519)	—	—	—	(1,519)
Amortization of Restricted Stock Units	—	—	1,579	—	—	—	1,579
Dividend equivalent Units accrued - Restricted Stock Units	—	—	24	(24)	—	—	—
Repurchase of stock from a related party	(2,316,960)	—	(50,000)	—	—	—	(50,000)
Distribution of noncontrolling entities	—	—	—	—	—	(3,505)	(3,505)
Dividends declared ($0.24 per share)	—	—	—	(12,087)	—	—	(12,087)
Balance, December 31, 2019	48,665,138	$ 5	$ 97,130	$ 531,291	$ 76	$ 1,028	$ 629,530
Net income	—	—	—	104,974	—	9	104,983
Foreign currency translation adjustments, net of tax	—	—	—	—	882	—	882
Issuance of shares to employees and directors	82,452	—	1,710	—	—	—	1,710
Conversion of Restricted Stock Units, net of shares withheld for taxes	57,112	—	(572)	—	—	—	(572)
Amortization of Restricted Stock Units	—	—	2,274	—	—	—	2,274
Dividend equivalent Units accrued - Restricted Stock Units	—	—	9	(9)	—	—	—
Repurchase of stock	(694,260)	—	(11,453)	—	—	—	(11,453)
Distribution of noncontrolling entities	—	—	—	—	—	(1,000)	(1,000)
Dividends declared ($0.24 per share)	—	—	—	(11,562)	—	—	(11,562)
Balance, December 31, 2020	48,110,442	$ 5	$ 89,098	$ 624,694	$ 958	$ 37	$ 714,792

See accompanying notes.

PRIMORIS SERVICES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended December 31, 2020	2019	2018
Cash flows from operating activities:			
Net income	$ 104,983	$ 84,097	$ 87,593
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	82,497	85,400	79,250
Stock-based compensation expense	2,274	1,579	1,253
Gain on sale of property and equipment	(8,059)	(11,947)	(3,556)
Unrealized loss on interest rate swap	2,762	3,619	2,829
Other non-cash items	374	320	275
Changes in assets and liabilities:			
Accounts receivable	(30,035)	(28,240)	20,912
Contract assets	19,288	19,677	(67,593)
Other current assets	12,488	(7,248)	(2,278)
Net deferred tax liabilities (assets)	(5,080)	13,947	17,155
Other long-term assets	2,170	1,249	244
Accounts payable	9,577	(13,894)	32,323
Contract liabilities	74,791	(1,221)	(43,801)
Operating lease assets and liabilities, net	747	(3,191)	—
Accrued liabilities	20,142	(22,924)	5,933
Other long-term liabilities	23,008	(3,242)	(3,724)
Net cash provided by operating activities	311,927	117,981	126,815
Cash flows from investing activities:			
Purchase of property and equipment	(64,357)	(94,494)	(110,189)
Issuance of a note receivable	—	—	(15,000)
Proceeds from a note receivable	—	—	15,000
Proceeds from sale of property and equipment	21,851	28,621	11,657
Cash paid for acquisitions, net of cash and restricted cash acquired	—	—	(110,620)
Net cash used in investing activities	(42,506)	(65,873)	(209,152)
Cash flows from financing activities:			
Borrowings under revolving line of credit	—	212,880	190,000
Payments on revolving line of credit	—	(212,880)	(190,000)
Proceeds from issuance of long-term debt	33,873	55,008	255,967
Repayment of long-term debt	(68,884)	(72,077)	(145,726)
Proceeds from issuance of common stock purchased under a long-term incentive plan	578	1,804	1,498
Payment of taxes on conversion of Restricted Stock Units	(572)	(1,519)	—
Payment of contingent earnout liability	—	—	(1,200)
Cash distribution to noncontrolling interest holders	(1,000)	(3,505)	(13,084)
Repurchase of common stock from a related party	—	(50,000)	—
Repurchase of common stock	(11,453)	—	(20,000)
Dividends paid	(11,594)	(12,211)	(12,343)
Other	(3,771)	(784)	(1,173)
Net cash provided by (used in) financing activities	(62,823)	(83,284)	63,939
Effect of exchange rate changes on cash and cash equivalents	(140)	399	(924)
Net change in cash and cash equivalents	206,458	(30,777)	(19,322)
Cash and cash equivalents at beginning of the year	120,286	151,063	170,385
Cash and cash equivalents at end of the year	$ 326,744	$ 120,286	$ 151,063

See accompanying notes

PRIMORIS SERVICES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In Thousands)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	Year Ended December 31, 2020	2019	2018
Cash paid for interest	$ 17,216	$ 16,155	$ 16,105
Cash paid for income taxes, net of refunds received	26,594	16,647	14,246
Leased assets obtained in exchange for new operating leases	54,803	154,807	—

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Year Ended December 31, 2020	2019	2018
Dividends declared and not yet paid	$ 2,887	$ 2,919	$ 3,043

See accompanying notes.

PRIMORIS SERVICES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands, except share and per share amounts

Note 1—Nature of Business

Organization and operations — Primoris Services Corporation is one of the leading providers of specialty contracting services operating mainly in the United States and Canada. We provide a wide range of specialty construction services, fabrication, maintenance, replacement, and engineering services to a diversified base of customers through our five segments.

We have longstanding customer relationships with major utility, refining, petrochemical, power, midstream, and engineering companies, and state departments of transportation. We provide our services to a diversified base of customers, under a range of contracting options. A substantial portion of our services are provided under Master Service Agreements ("MSA"), which are generally multi-year agreements. The remainder of our services are generated from contracts for specific construction or installation projects.

We are incorporated in the State of Delaware, and our corporate headquarters are located at 2300 N. Field Street, Suite 1900, Dallas, Texas 75201. Unless specifically noted otherwise, as used throughout these consolidated financial statements, "Primoris", "the Company", "we", "our", "us" or "its" refers to the business, operations and financial results of the Company and its wholly-owned subsidiaries.

Reportable Segments — We segregate our business into five reportable segments: the Power, Industrial and Engineering ("Power") segment, the Pipeline and Underground ("Pipeline") segment, the Utilities and Distribution ("Utilities") segment, the Transmission and Distribution ("Transmission") segment, and the Civil segment. See Note 14 – *"Reportable Segments"* for a brief description of the reportable segments and their operations.

The classification of revenue and gross profit for segment reporting purposes can at times require judgment on the part of management. Our segments may perform services across industries or perform joint services for customers in multiple industries. To determine reportable segment gross profit, certain allocations, including allocations of shared and indirect costs, such as facility costs, equipment costs and indirect operating expenses were made.

Acquisition of Willbros Group, Inc. — On June 1, 2018, we completed our acquisition of Willbros Group, Inc. ("Willbros") for approximately $110.6 million, net of cash and restricted cash acquired. Willbros was a specialty energy infrastructure contractor serving the oil and gas and power industries through its utility transmission and distribution, oil and gas, and Canadian operations, which principally provides unit-price maintenance services in existing operating facilities and executes industrial and power projects. The utility transmission and distribution operations formed the Transmission segment, the oil and gas operations are included in the Pipeline segment, and the Canadian operations are included in the Power segment. See Note 4 — "*Business Combinations*".

Joint Ventures — We own a 50% interest in the Carlsbad Power Constructors joint venture ("Carlsbad"), which engineered and constructed a gas-fired power generation facility located in Southern California, and its operations are included as part of the Power segment. As a result of determining that we are the primary beneficiary of the variable interest entity ("VIE"), the results of the Carlsbad joint venture are consolidated in our financial statements. The project was substantially complete as of December 31, 2018, and the warranty period expires in December 2021.

We owned a 50% interest in the "ARB Inc. & B&M Engineering Co." joint venture ("Wilmington"), which engineered and constructed a gas-fired power generation facility in Southern California, and its operations were included as part of the Power segment. As a result of determining that we were the primary beneficiary of the VIE, the results of the Wilmington joint venture were consolidated in our financial statements. The project has been completed, the project warranty period expired, and dissolution of the joint venture was completed in the first quarter of 2019.

Financial information for the joint ventures is presented in Note 11— *"Noncontrolling Interests"*.

Seasonality — Our results of operations are subject to quarterly variations. Some of the variation is the result of weather, particularly rain, ice, snow, and named storms, which can impact our ability to perform construction and specialty services. These seasonal impacts can affect revenue and profitability in all of our businesses since utilities defer routine replacement and repair during their period of peak demand. Any quarter can be affected either negatively or positively by atypical weather patterns in any part of the country. In addition, demand for new projects tends to be lower during the early part of the calendar year due to clients' internal budget cycles. As a result, we usually experience higher revenue and earnings in the third and fourth quarters of the year as compared to the first two quarters.

Variability — Our project values range in size from several hundred dollars to several hundred million dollars. The bulk of our work is comprised of project sizes that average less than $5.0 million. We also perform large construction projects which tend not to be seasonal, but can fluctuate from year to year based on customer timing, project duration, weather, and general economic conditions. Our business may be affected by declines or delays in new projects or by client project schedules. Because of the cyclical nature of our business, the financial results for any period may fluctuate from prior periods, and our financial condition and operating results may vary from quarter to quarter. Results from one quarter may not be indicative of financial condition or operating results for any other quarter or for an entire year.

Note 2—Summary of Significant Accounting Policies

Basis of presentation —The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and the financial statement rules and regulations of the Securities and Exchange Commission ("SEC"). References for Financial Accounting Standards Board ("FASB") standards are made to the FASB Accounting Standards Codification ("ASC").

Principles of consolidation —The accompanying Consolidated Financial Statements include the accounts of Primoris, our wholly-owned subsidiaries and the noncontrolling interests of the Carlsbad and Wilmington joint ventures, which are VIEs for which we are the primary beneficiary as determined under the provisions of ASC 810, *"Consolidation"*. All intercompany balances and transactions have been eliminated in consolidation.

Reclassification —Certain previously reported amounts have been reclassified to conform to the current year presentation.

Use of estimates —The preparation of our Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. As a construction contractor, we use estimates for costs to complete construction projects and the contract value of certain construction projects. These estimates have a direct effect on gross profit as reported in these consolidated financial statements. Actual results could materially differ from our estimates.

Operating cycle — In the accompanying Consolidated Balance Sheets, assets and liabilities relating to long-term construction contracts (e.g. contract assets and contract liabilities) are considered current assets and current liabilities, since they are expected to be realized or liquidated in the normal course of contract completion, although completion may require more than one calendar year.

Consequently, we have significant working capital invested in assets that may have a liquidation period extending beyond one year. We have claims receivable and retention due from various customers and others that are currently in dispute, the realization of which is subject to binding arbitration, final negotiation or litigation, all of which may extend beyond one calendar year.

Cash and cash equivalents —We consider all highly liquid investments with an original maturity of three months or less when purchased as cash equivalents.

Business combinations—Business combinations are accounted for using the acquisition method of accounting. We use the fair value of the assets acquired and liabilities assumed to account for the purchase price of businesses. The determination of fair value requires estimates and judgments of future cash flow expectations to assign fair values to the identifiable tangible and intangible assets. GAAP provides a "measurement period" of up to one year in which to finalize all fair value estimates associated with the acquisition of a business. Most estimates are preliminary until the end of the measurement period. During the measurement period, any material, newly discovered information that existed at the acquisition date would be reflected as an adjustment to the initial valuations and estimates. After the measurement period, any adjustments would be recorded as a current period income or expense.

Contingent Earnout Liabilities—As part of certain acquisitions, we agreed to pay cash to certain sellers upon meeting specific operating performance targets for specified periods subsequent to the acquisition date. Each quarter, we evaluate the fair value of the estimated contingency and record a non-operating charge for the change in the fair value. Upon meeting the target, we reflect the full liability on the balance sheet and record a charge to *"Other income (expense), net"* for the change in the fair value of the liability from the prior period.

Goodwill and other intangible assets—We account for goodwill in accordance with ASC 350, "*Intangibles — Goodwill and Other*". Under ASC 350, goodwill is subject to an annual impairment test, which we perform as of the first day of the fourth quarter of each year, with more frequent testing if indicators of potential impairment exist. The impairment review is performed at the reporting unit level for those units with recorded goodwill. For the majority of our reporting units, we perform a qualitative assessment to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the reporting unit is less than its carrying value, including goodwill. Factors used in our qualitative assessment include, but are not limited to, macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and Company and reporting unit specific events. For all other reporting units, we use the quantitative impairment test outlined in ASC 350, which compares the fair value of a reporting unit with its carrying amount. Fair value for the goodwill impairment test is determined utilizing a discounted cash flow analysis based on our financial plan discounted using our weighted average cost of capital and market indicators of terminal year cash flows. Other valuation methods may be used to corroborate the discounted cash flow method. If the carrying amount of a reporting unit is in excess of its fair value, goodwill is considered impaired and an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill of the reporting unit.

Income tax—Current income tax expense is the amount of income taxes expected to be paid for the financial results of the current year. A deferred tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting bases and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. We provide for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards as set forth in ASC 740, *"Income Taxes"*. The difference between a tax position taken or expected to be taken on our income tax returns and the benefit recognized in our financial statements is referred to as an unrecognized tax benefit. Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. We recognize accrued interest and penalties related to uncertain tax positions, if any, as a component of income tax expense.

As a result of the Tax Cuts and Jobs Act (the "Tax Act") new taxes were created on certain foreign earnings. Namely, U.S. shareholders are now subject to a current tax on global intangible low-taxed income ("GILTI") earned by specified foreign subsidiaries. Available guidance related to GILTI provides for an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years, or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense. We have elected to recognize the current tax on GILTI as an expense in the period the tax is incurred. The current tax impacts of GILTI are included in our effective tax rate.

Staff Accounting Bulletin ("SAB") 118 provided guidance on accounting for uncertainties of the effects of the Tax Act. Specifically, SAB 118 allowed companies to record provisional estimates of the impact of the Tax Act during a one year "measurement period" from the December 22, 2017 enactment date, similar to that used when accounting for business combinations. As of December 31, 2018, our accounting for the Tax Act was complete. The provision for income taxes for the year ended December 31, 2018 included a $1.1 million increase from the completion of our provisional accounting for the effects of the Tax Act under SAB 118. The increase was due to $0.6 million of additional expense associated with foreign tax credits, net of associated valuation allowances, and $0.5 million of additional expense related to the corporate tax rate change impact on return-to-provision adjustments, primarily for depreciation.

Comprehensive income—We account for comprehensive income in accordance with ASC 220, "*Comprehensive Income*", which specifies the computation, presentation and disclosure requirements for comprehensive income (loss). Comprehensive income (loss) consists of net income (loss) and foreign currency translation adjustments, primarily from fluctuations in foreign currency exchange rates of our foreign subsidiaries with a functional currency other than the U.S. dollar.

Functional currencies and foreign currency translation— For foreign operations where substantially all monetary transactions are in the local currency, we use the local currency as our functional currency. The effects of translating financial statements of foreign operations into our reporting currency are recognized as a cumulative translation adjustment, net of tax in *"Accumulated other comprehensive income (loss)"* in the Consolidated Statements of Stockholders' Equity. For certain foreign operations where substantially all monetary transactions are made in United States dollars, we use the U.S. dollar as our functional currency, with gains or losses on translation recorded in income in the period in which they are incurred. Gains or losses on foreign currency transactions are recorded in income in the period in which they are incurred.

Partnerships and joint ventures — We are periodically a member of a partnership or a joint venture. These partnerships or joint ventures are used primarily for the execution of single contracts or projects. Our ownership can vary from a small noncontrolling ownership to a significant ownership interest. We evaluate each partnership or joint venture to determine whether the entity is considered a VIE as defined in ASC 810, *"Consolidation"*, and if a VIE, whether we are the primary beneficiary of the VIE, which would require us to consolidate the VIE in our financial statements. When consolidation occurs, we account for the interests of the other parties as a noncontrolling interest and disclose the net income attributable to noncontrolling interests. See Note 11 — *"Noncontrolling Interests"* for further information.

Equity method of accounting— We account for our interest in an investment using the equity method of accounting per ASC 323, *"Investments—Equity Method and Joint Ventures"* if we are not the primary beneficiary of a VIE or do not have a controlling interest. The investment is recorded at cost and the carrying amount is adjusted periodically to recognize our proportionate share of income or loss, additional contributions made and dividends and capital distributions received. We record the effect of any impairment or an other than temporary decrease in the value of its investment.

In the event a partially owned equity affiliate were to incur a loss and our cumulative proportionate share of the loss exceeded the carrying amount of the equity method investment, application of the equity method would be suspended and our proportionate share of further losses would not be recognized unless we committed to provide further financial support to the affiliate. We would resume application of the equity method once the affiliate became profitable and our proportionate share of the affiliate's earnings equals our cumulative proportionate share of losses that were not recognized during the period the application of the equity method was suspended.

Cash concentration—We place our cash in demand deposit accounts and short-term U.S. Treasury bonds. At December 31, 2020 and 2019, we had cash balances of $326.7 million and $120.3 million, respectively. Our cash balances are held in high credit quality financial institutions in order to mitigate the risk of holding funds not backed by the federal government or in excess of federally backed limits.

Collective bargaining agreements—Approximately 31.6% of our hourly employees, primarily consisting of field laborers, were covered by collective bargaining agreements in 2020. Upon renegotiation of such agreements, we could be exposed to increases in hourly costs and work stoppages. Of the 81 collective bargaining agreements to which we are a party to, 30 will require renegotiation during 2021. We have not had a significant work stoppage in more than 20 years.

Multiemployer plans — Various subsidiaries are signatories to collective bargaining agreements. These agreements require that we participate in and contribute to a number of multiemployer benefit plans for our union employees at rates determined by the agreements. The trustees for each multiemployer plan determine the eligibility and allocations of contributions and benefit amounts, determine the types of benefits and administer the plan. Federal law requires that if we were to withdraw from an agreement, we would incur a withdrawal obligation. The potential withdrawal obligation may be significant. In accordance with GAAP, any withdrawal liability would be recorded when it is probable that a liability exists and can be reasonably estimated. We have no plans to withdraw from any agreements.

Insurance—We self-insure worker's compensation, general liability, and auto insurance up to $0.5 million per claim. We maintained a self-insurance reserve totaling $38.7 million and $39.3 million at December 31, 2020 and 2019, respectively, with the current portion recorded to "Accrued liabilities" and the long-term portion recorded to "Other long-term liabilities" on the Consolidated Balance Sheets. Claims administration expenses are charged to current operations as incurred. Our accruals are based on judgment and the probability of losses, with the assistance of third-party actuaries. Actual payments that may be made in the future could materially differ from such reserves.

Derivative instruments and hedging activities — We recognize all derivative instruments as either assets or liabilities on the balance sheet at their respective fair values. Our use of derivatives currently consists of an interest rate swap agreement. The interest rate swap agreement was entered into to improve the predictability of cash flows from interest payments related to variable rate debt for the duration of the term loan. The interest rate swap matures in July 2023 and is not designated as a hedge for accounting purposes. Therefore, the change in the fair value of the derivative asset or liability is reflected in net income in the Consolidated Statements of Income (mark-to-market accounting). Cash flows from derivatives settled are reported as cash flow from operating activities.

Accounts receivable—Accounts receivable and contract receivables are primarily with public and private companies and governmental agencies located in the United States and Canada. Credit terms for payment of products and services are extended to customers in the normal course of business. Contract receivables are generally progress billings on projects, and as a result, are short term in nature. Generally, we require no collateral from our customers, but file statutory liens or stop notices on any construction projects when collection problems are anticipated. While a project is underway, we estimate the collectability of contract amounts at the same time that we estimate project costs. As discussed in Note 5 — *"Revenue"*, realization of the eventual cash collection may be recognized as adjustments to the contract revenue and profitability. We provide an allowance for credit losses to estimate losses from uncollectible accounts. Under this method an allowance is recorded based upon historical experience and management's evaluation of, among other factors, current and reasonably supportable expected future economic conditions and the customer's willingness or ability to pay. Receivables are written off in the period deemed uncollectible. The allowance for credit losses at December 31, 2020 and 2019 was $1.7 million and $0.4 million, respectively.

***Significant revision in contract estimates* —** We recognize revenue over time for contracts where scope is adequately defined, and therefore we can reasonably estimate total contract value. Under this method, the costs incurred to date as a percentage of total estimated costs are used to calculate revenue. Total estimated costs, and thus contract revenue and margin, are impacted by many factors, which can cause significant changes in estimates during the life cycle of a project. For projects that were in process at the end of the prior year, there can be a difference in revenue and profit that would have been recognized in the prior year had current year estimates of costs to complete been known at the end of the prior year. During the year ended December 31, 2020, certain contracts had revisions in cost estimates from those projected at December 31, 2019. This change in estimate resulted in a decrease in net income attributable to Primoris of $28.1 million, or $0.58 per share (basic and diluted) for the year ended December 31, 2020.

Customer concentration — We operate in multiple industry segments encompassing the construction of commercial, utility, industrial and public works infrastructure assets primarily throughout the United States. Typically, the top ten customers in any one calendar year account for approximately 50.0% of total revenue; however, the group that comprises the top ten customers varies from year to year. For the years ended December 31, 2020, 2019 and 2018, approximately 47.0%, 47.2% and 52.2%, respectively, of total revenue was generated from our top ten customers in each year. In each of the years, a different group of customers comprised the top ten customers by revenue, and no one customer accounted for more than 10% of total revenue.

On January 29, 2019, one of our California utility customers filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. For the year ended December 31, 2019, the customer accounted for approximately 7.2% of our total revenue. In the third quarter of 2019, we entered into an agreement with a financial institution to sell, on a non-recourse basis, except in limited circumstances, substantially all of our pre-petition bankruptcy receivables with the customer. We received approximately $48.3 million upon the closing of this transaction in October 2019. During the year ended December 31, 2019, we recorded a loss of approximately $2.9 million in "*Other income (expense), net*" on the Consolidated Statements of Income related to the sale agreement. During 2020, the customer emerged from bankruptcy. We are continuing to perform services for the customer and the amounts billed for these services continue to be collected in the ordinary course of the customer's business.

***Property and equipment*—**Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the related assets, usually ranging from three to thirty years. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operating income.

We assess the recoverability of property and equipment whenever events or changes in business circumstances indicate that the carrying amount of the asset may not be fully recoverable. We perform an analysis to determine if an impairment exists. The amount of property and equipment impairment, if any, is measured based on fair value and is charged to operations in the period in which the impairment is determined by management. For the years ended December 31, 2020, 2019 and 2018, our management has not identified any material impairment of its property and equipment.

***Taxes collected from customers*—**Sales and use taxes collected from our customers are recorded on a net basis.

***Share-based payments and stock-based compensation*—**In May 2013, the shareholders approved and we adopted the Primoris Services Corporation 2013 Long-term Incentive Equity Plan ("Equity Plan"). Detailed discussion of shares issued under the Equity Plan are included in Note 17 — *"Deferred Compensation Agreements and Stock-Based Compensation"* and in Note 21— *"Stockholders' Equity"*. Such share issuances include grants of Restricted Stock Units to executives, certain senior managers and issuances of stock to non-employee members of the Board of Directors.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *"Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"*, which introduced an expected credit loss methodology for the measurement and recognition of credit losses on most financial assets, including trade accounts receivables. The expected credit loss methodology under ASU 2016-13 is based on historical experience, current conditions and reasonable and supportable forecasts, and replaces the probable/incurred loss model for measuring and recognizing expected losses under current GAAP. The ASU also requires disclosure of information regarding how a company developed its allowance, including changes in the factors that influenced management's estimate of expected credit losses and the reasons for those changes. The ASU and its related clarifying updates are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. We adopted the new standard on January 1, 2020, and it did not have a material impact on our estimate of the allowance for uncollectable accounts.

In August 2018, the FASB issued ASU 2018-13, *"Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement"*, which eliminates certain disclosure requirements for recurring and nonrecurring fair value measurements. The ASU eliminates such disclosures as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and adds new disclosure requirements for Level 3 measurements. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for any eliminated or modified disclosures. We adopted the new standard on January 1, 2020, and it did not have a material impact on our disclosure requirements for fair value measurement.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes", which removes certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance to improve consistent application. This ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Depending on the amendment, adoption may be applied on the retrospective, modified retrospective or prospective basis. We adopted the new standard on January 1, 2021 and it did not have a material impact on our consolidated financial position, results of operations or cash flows.

Other new pronouncements issued but not effective until after December 31, 2020 are not expected to have a material impact on our consolidated results of operations, financial position or cash flows.

Note 3—Fair Value Measurements

ASC 820, "*Fair Value Measurements and Disclosures*" defines fair value, establishes a framework for measuring fair value in GAAP and requires certain disclosures about fair value measurements. ASC 820 addresses fair value GAAP for financial assets and financial liabilities that are remeasured and reported at fair value at each reporting period and for non-financial assets and liabilities that are remeasured and reported at fair value on a non-recurring basis.

In general, fair values determined by Level 1 inputs use quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs use data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are "unobservable data points" for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The following table presents, for each of the fair value hierarchy levels identified under ASC 820, our financial assets and certain liabilities that are required to be measured at fair value at December 31, 2020 and 2019 (in thousands):

	Fair Value Measurements at Reporting Date		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets as of December 31, 2020:			
Cash and cash equivalents	$ 326,744	$ —	$ —
Liabilities as of December 31, 2020:			
Interest rate swap	$ —	$ 9,205	$ —
Assets as of December 31, 2019:			
Cash and cash equivalents	$ 120,286	$ —	$ —
Contingent consideration	—	—	938
Liabilities as of December 31, 2019:			
Interest rate swap	$ —	$ 6,443	$ —

Other financial instruments not listed in the table consist of accounts receivable, accounts payable and certain accrued liabilities. These financial instruments generally approximate fair value based on their short-term nature. The carrying value of our long-term debt approximates fair value based on a comparison with current prevailing market rates for loans of similar risks and maturities.

In the second quarter of 2019, we sold certain assets that included an earnout of $2.0 million, contingent upon the buyer meeting a certain performance target. The estimated fair value of the contingent consideration on the sale date was approximately $0.9 million. We measured the fair value of the contingent consideration using the income approach, which discounts the future cash payments expected upon meeting the performance target to present value. The fair value of the contingent consideration was impacted by two unobservable inputs, management's estimate of the probability of meeting the performance target and the estimated discount rate (a rate that approximates our cost of capital). Significant changes in either of those inputs in isolation would result in a different fair value measurement. During 2020, we reduced the fair value of the contingent consideration due to a reduced probability of meeting the performance target contemplated in the sales agreement, and decreased the asset by $0.9 million.

The interest rate swap is measured at fair value using the income approach, which discounts the future net cash settlements expected under the derivative contracts to a present value. These valuations primarily utilize indirectly observable inputs, including contractual terms, interest rates and yield curves observable at commonly quoted intervals. See Note 10 – "*Derivative Instruments*" for additional information.

Note 4—Business Combinations

2018 Acquisition

Acquisition of Willbros Group, Inc.

On June 1, 2018, we acquired all of the outstanding common stock of Willbros, a specialty energy infrastructure contractor serving the oil and gas and power industries for approximately $110.6 million, net of cash and restricted cash acquired. The total purchase price was funded through a combination of existing cash balances and borrowings under our revolving credit facility.

During the second quarter of 2019, we finalized the estimate of fair values of the assets acquired and liabilities assumed of Willbros. The tables below represent the purchase consideration and estimated fair values of the assets acquired and liabilities assumed. Significant changes since our initial estimates reported in the second quarter of 2018 primarily relate to fair value adjustments to our acquired contracts, which resulted in an increase to contract liabilities of $23.7 million. In addition, fair value adjustments to our acquired insurance liabilities and lease obligations reduced our liabilities assumed by approximately $11.9 million and $6.0 million, respectively and fair value adjustments to our acquired intangible assets decreased our assets acquired by $6.8 million. As a result of these and other adjustments to the initial estimated fair values of the assets acquired and liabilities assumed,

goodwill increased by approximately $18.0 million since the second quarter of 2018. Adjustments recorded to the estimated fair values of the assets acquired and liabilities assumed are recognized in the period in which the adjustments are determined and calculated as if the accounting had been completed as of the acquisition date.

Purchase consideration (in thousands)	
Total purchase consideration	$ 164,758
Less cash and restricted cash acquired	(54,138)
Net cash paid	110,620

Identifiable assets acquired and liabilities assumed (in thousands)	
Cash and restricted cash	$ 54,138
Accounts receivable	103,186
Contract assets	30,762
Other current assets	18,255
Property, plant and equipment	30,522
Intangible assets:	
Customer relationships	47,500
Tradename	200
Deferred income taxes	27,954
Other non-current assets	2,261
Accounts payable and accrued liabilities	(122,692)
Contract liabilities	(68,104)
Other non-current liabilities	(20,953)
Total identifiable net assets	103,029
Goodwill	61,729
Total purchase consideration	$ 164,758

We separated the operations of Willbros among two of our existing segments, and created a new segment for the utility transmission and distribution operations called the Transmission segment. The oil and gas operations are included in the Pipeline segment, and the Canadian operations are included in the Power segment. Goodwill associated with the Willbros acquisition principally consists of expected benefits from the expansion of our services into electric utility-focused offerings and the expansion of our geographic presence. Goodwill also includes the value of the assembled workforce. We allocated $59.0 million of goodwill to the Transmission segment, $1.8 million to the Power segment, and $0.9 million to the Pipeline segment. Based on the current tax treatment, goodwill from this transaction is not deductible for income tax purposes.

During 2020, the operations of this acquisition were fully integrated into our operations and no separate financial results were maintained. Therefore, it is impracticable for us to report the amounts of revenue and gross profit included in the Consolidated Statements of Income. For the year ended December 31, 2019, Willbros contributed revenue of $702.4 million and gross profit of $45.5 million. For the period June 1, 2018, the acquisition date, to December 31, 2018, Willbros contributed revenue of $400.8 million and gross profit of $39.5 million.

For the year ended December 31, 2018, costs related to the acquisition of Willbros were $13.2 million and are included in *"Transaction and related costs"* on the Consolidated Statements of Income. Such costs primarily consisted of severance and retention bonus costs for certain employees of Willbros, professional fees paid to advisors, and exiting or impairing certain duplicate facilities.

Note 5—Revenue

We generate revenue under a range of contracting types, including fixed-price, unit-price, time and material, and cost reimbursable plus fee contracts, each of which has a different risk profile. A substantial portion of our revenue is derived from contracts where scope is adequately defined, and therefore we can reasonably estimate total contract value. For these contracts, revenue is recognized over time as work is completed because of the continuous transfer of control to the customer (typically using an input measure such as costs incurred to date relative to total estimated costs at completion to measure progress). For certain contracts, where scope is not adequately defined and we can't reasonably estimate total contract value, revenue is recognized primarily on an input basis, based on contract costs incurred as defined within the respective contracts. Costs to obtain contracts are generally not significant and are expensed in the period incurred.

We evaluate whether two or more contracts should be combined and accounted for as one single performance obligation and whether a single contract should be accounted for as more than one performance obligation. ASC 606 defines a performance obligation as a contractual promise to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our evaluation requires significant judgment and the decision to combine a group of contracts or separate a contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. The majority of our contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and, therefore, is not distinct. However, occasionally we have contracts with multiple performance obligations. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using the observable standalone selling price, if available, or alternatively our best estimate of the standalone selling price of each distinct performance obligation in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach for each performance obligation.

As of December 31, 2020, we had $1.72 billion of remaining performance obligations. We expect to recognize approximately 75% of our remaining performance obligations as revenue during the next four quarters and substantially all of the remaining balance in 2022.

Accounting for long-term contracts involves the use of various techniques to estimate total transaction price and costs. For long-term contracts, transaction price, estimated cost at completion and total costs incurred to date are used to calculate revenue earned. Unforeseen events and circumstances can alter the estimate of the costs and potential profit associated with a particular contract. Total estimated costs, and thus contract revenue and income, can be impacted by changes in productivity, scheduling, the unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, client needs, client delays in providing permits and approvals, labor availability, governmental regulation, politics and any prevailing impacts from the pandemic caused by the coronavirus may affect the progress of a project's completion, and thus the timing of revenue recognition. To the extent that original cost estimates are modified, estimated costs to complete increase, delivery schedules are delayed, or progress under a contract is otherwise impeded, cash flow, revenue recognition and profitability from a particular contract may be adversely affected.

The nature of our contracts gives rise to several types of variable consideration, including contract modifications (change orders and claims), liquidated damages, volume discounts, performance bonuses, incentive fees, and other terms that can either increase or decrease the transaction price. We estimate variable consideration as the most likely amount to which we expect to be entitled. We include estimated amounts in the transaction price to the extent we believe we have an enforceable right, and it is probable that a significant reversal of cumulative revenue recognized will not occur. Our estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us at this time.

Contract modifications result from changes in contract specifications or requirements. We consider unapproved change orders to be contract modifications for which customers have not agreed to both scope and price. We consider claims to be contract modifications for which we seek, or will seek, to collect from customers, or others, for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no agreement with customers. Claims can also be caused by non-customer-caused changes, such as rain or other weather delays. Costs associated with contract modifications are included in the estimated costs to complete the contracts and are treated as project costs when incurred. In most instances, contract modifications are for goods or services that are not distinct, and, therefore, are accounted for as part of the existing 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 on a cumulative catch-up basis. In some cases, settlement of contract modifications may not occur until after completion of work under the contract.

As a significant change in one or more of these estimates could affect the profitability of our contracts, we review and update our contract-related estimates regularly. We recognize adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the cumulative impact of the profit adjustment is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate. In the years ended December 31, 2020 and 2019, revenue recognized from performance obligations satisfied in previous periods was $9.9 million and $24.1 million, respectively. If at any time the estimate of contract profitability indicates an anticipated loss on a contract, the projected loss is

recognized in full, including any previously recognized profit, in the period it is identified and recognized as an "accrued loss provision" which is included in "Contract liabilities" on the Consolidated Balance Sheets. For contract revenue recognized over time, the accrued loss provision is adjusted so that the gross profit for the contract remains zero in future periods.

At December 31, 2020, we had approximately $63.6 million of unapproved contract modifications included in the aggregate transaction prices. These contract modifications were in the process of being negotiated in the normal course of business. Approximately $57.5 million of the unapproved contract modifications had been recognized as revenue on a cumulative catch-up basis through December 31, 2020.

In all forms of contracts, we estimate the collectability of contract amounts at the same time that we estimate project costs. If we anticipate that there may be issues associated with the collectability of the full amount calculated as the transaction price, we may reduce the amount recognized as revenue to reflect the uncertainty associated with realization of the eventual cash collection. For example, when a cost reimbursable project exceeds the client's expected budget amount, the client frequently requests an adjustment to the final amount. Similarly, some utility clients reserve the right to audit costs for significant periods after performance of the work.

The timing of when we bill our customers is generally dependent upon agreed-upon contractual terms, milestone billings based on the completion of certain phases of the work, or when services are provided. Sometimes, billing occurs subsequent to revenue recognition, resulting in unbilled revenue, which is a contract asset. Also, we sometimes receive advances or deposits from our customers before revenue is recognized, resulting in deferred revenue, which is a contract liability.

The caption "Contract assets" in the Consolidated Balance Sheets represents the following:

- unbilled revenue, which arises when revenue has been recorded but the amount will not be billed until a later date;
- retainage amounts for the portion of the contract price earned by us for work performed, but held for payment by the customer as a form of security until we reach certain construction milestones; and
- contract materials for certain job specific materials not yet installed, which are valued using the specific identification method relating the cost incurred to a specific project.

Contract assets consist of the following (in thousands):

	December 31, 2020	December 31, 2019
Unbilled revenue	$ 192,176	$ 251,429
Retention receivable	115,877	81,393
Contract materials (not yet installed)	17,796	11,984
	$ 325,849	$ 344,806

Contract assets decreased by $19.0 million compared to December 31, 2019 due primarily to a reduction unbilled revenue, partially offset by an increase in retention receivable.

The caption "Contract liabilities" in the Consolidated Balance Sheets represents deferred revenue on billings in excess of contract revenue recognized to date, and the accrued loss provision.

Contract liabilities consist of the following (in thousands):

	December 31, 2020	December 31, 2019
Deferred revenue	$ 252,781	$ 186,081
Accrued loss provision	14,446	6,316
	$ 267,227	$ 192,397

Contract liabilities increased by $74.8 million compared to December 31, 2019 primarily due to higher deferred revenue from the timing of work progression and billings.

Revenue recognized for the years ended December 31, 2020 and 2019, that was included in the contract liability balance at the beginning of each year was approximately $146.0 million and $153.1 million, respectively.

The following tables present our revenue disaggregated into various categories.

MSA and Non-MSA revenue was as follows (in thousands):

Segment	For the year ended December 31, 2020 MSA	Non-MSA	Total
Power	$ 137,419	$ 657,942	$ 795,361
Pipeline	139,868	757,173	897,041
Utilities	705,276	201,321	906,597
Transmission	374,882	84,156	459,038
Civil	2,951	430,509	433,460
Total	$ 1,360,396	$ 2,131,101	$ 3,491,497

Segment	For the year ended December 31, 2019 MSA	Non-MSA	Total
Power	$ 186,504	$ 542,844	$ 729,348
Pipeline	114,710	390,446	505,156
Utilities	651,028	235,476	886,504
Transmission	401,823	95,479	497,302
Civil	2,477	485,542	488,019
Total	$ 1,356,452	$ 1,749,787	$ 3,106,329

Segment	For the year ended December 31, 2018 MSA	Non-MSA	Total
Power	$ 141,193	$ 552,855	$ 694,048
Pipeline	47,143	543,794	590,937
Utilities	699,998	202,774	902,772
Transmission (1)	240,228	46,521	286,749
Civil	—	464,972	464,972
Total	$ 1,128,562	$ 1,810,916	$ 2,939,478

(1) Represents results from the June 1, 2018 acquisition date of Willbros to December 31, 2018.

Revenue by contract type was as follows (in thousands):

Segment	For the year ended December 31, 2020 Fixed-price	Unit-price	Cost reimbursable (1)	Total
Power	$ 320,392	$ 4,094	$ 470,875	$ 795,361
Pipeline	518,556	310,780	67,705	897,041
Utilities	96,414	560,262	249,921	906,597
Transmission	34,309	305,007	119,722	459,038
Civil	55,326	336,590	41,544	433,460
Total	$ 1,024,997	$ 1,516,733	$ 949,767	$ 3,491,497

(1) Includes time and material and cost reimbursable plus fee contracts.

Segment	For the year ended December 31, 2019 Fixed-price	Unit-price	Cost reimbursable (1)	Total
Power	$ 458,566	$ 13,982	$ 256,800	$ 729,348
Pipeline	60,157	37,963	407,036	505,156
Utilities	117,015	486,496	282,993	886,504
Transmission	57,818	423,371	16,113	497,302
Civil	81,931	327,449	78,639	488,019
Total	$ 775,487	$ 1,289,261	$ 1,041,581	$ 3,106,329

(1) Includes time and material and cost reimbursable plus fee contracts.

Segment	For the year ended December 31, 2018 Fixed-price	Unit-price	Cost reimbursable (1)	Total
Power	$ 393,555	$ 45,339	$ 255,154	$ 694,048
Pipeline	107,519	58,651	424,767	590,937
Utilities	184,649	460,122	258,001	902,772
Transmission (2)	48,679	230,077	7,993	286,749
Civil	69,398	345,510	50,064	464,972
Total	$ 803,800	$ 1,139,699	$ 995,979	$ 2,939,478

(1) Includes time and material and cost reimbursable plus fee contracts.
(2) Represents results from the June 1, 2018 acquisition date of Willbros to December 31, 2018.

Each of these contract types has a different risk profile. Typically, we assume more risk with fixed-price contracts. Unforeseen events and circumstances can alter the estimate of the costs and potential profit associated with a particular fixed-price contract. However, these types of contracts offer additional profits when we complete the work for less cost than originally estimated. Unit-price and cost reimbursable contracts generally subject us to lower risk. Accordingly, the associated fees are usually lower than fees earned on fixed-price contracts. Under these contracts, our profit may vary if actual costs vary significantly from the negotiated rates.

Note 6—Property and Equipment

The following is a summary of property and equipment (in thousands):

	2020	2019	Useful Life
Land and buildings	$ 147,983	$ 125,047	Buildings 30 Years
Leasehold improvements	16,018	15,399	Various*
Office equipment	13,239	12,379	3 - 5 Years
Construction equipment	432,438	443,285	3 - 7 Years
Transportation equipment	122,350	122,082	3 - 18 Years
Solar equipment	23,552	23,552	25 years
Construction in progress	17,813	33,159	
	773,393	774,903	
Less: accumulated depreciation and amortization	(417,199)	(399,015)	
Property and equipment, net	$ 356,194	$ 375,888	

* Leasehold improvements are depreciated over the shorter of the life of the leasehold improvement or the lease term.

Depreciation expense was $73.7 million, $74.0 million and $67.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Note 7—Goodwill and Intangible Assets

There were no changes in goodwill balances during the year ended December 31, 2020. The change in goodwill by segment for 2019 was as follows (in thousands):

	Power	Pipeline	Utilities	Transmission	Civil	Total
Balance at January 1, 2019	$ 25,933	$ 52,285	$ 37,312	$ 50,479	$ 40,150	$ 206,159
Adjustments to identifiable assets acquired and liabilities assumed	261	130	—	8,553	—	8,944
Balance at December 31, 2019	$ 26,194	$ 52,415	$ 37,312	$ 59,032	$ 40,150	$ 215,103

There were no impairments of goodwill for the years ended December 31, 2020, 2019 and 2018.

The table below summarizes the intangible asset categories, amounts and the average amortization periods, which are generally on a straight-line basis (in thousands):

	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Intangible assets, net	Gross Carrying Amount	Accumulated Amortization	Intangible assets, net
Tradename	$ 16,040	(14,793)	1,247	$ 16,040	$ (13,216)	$ 2,824
Customer relationships	91,000	(31,400)	59,600	91,000	(24,353)	66,647
Non-compete agreements	1,900	(1,735)	165	1,900	(1,580)	320
Other	275	(275)	—	275	(237)	38
Total	$ 109,215	$ (48,203)	$ 61,012	$ 109,215	$ (39,386)	$ 69,829

Amortization expense of intangible assets was $8.8 million, $11.4 million and $11.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Estimated future amortization expense for intangible assets as of December 31, 2020 is as follows (in thousands):

For the Years Ending December 31,	Estimated Intangible Amortization Expense
2021	$ 7,577
2022	6,416
2023	5,581
2024	4,862
2025	4,140
Thereafter	32,436
	$ 61,012

Note 8—Accounts Payable and Accrued Liabilities

At December 31, 2020 and 2019, accounts payable included retention amounts of approximately $12.6 million and $11.3 million, respectively. These amounts owed to subcontractors have been retained pending contract completion and customer acceptance of jobs.

The following is a summary of accrued liabilities (in thousands):

	December 31, 2020	December 31, 2019
Payroll and related employee benefits	$ 81,088	$ 64,705
Current operating lease liability	73,033	74,036
Casualty insurance reserves	8,365	9,918
Corporate income taxes and other taxes	13,783	9,027
Other	24,404	25,815
	$ 200,673	$ 183,501

Note 9—Credit Arrangements

Long-term debt and credit facilities consist of the following at December 31 (in thousands):

	December 31, 2020	December 31, 2019
Term loan	$ 192,500	$ 203,500
Commercial equipment notes	85,783	105,114
Mortgage notes	38,795	43,474
Total debt	317,078	352,088
Unamortized debt issuance costs	(521)	(787)
Total debt, net	$ 316,557	$ 351,301
Less: current portion	(47,722)	(55,659)
Long-term debt, net of current portion	$ 268,835	$ 295,642

The weighted average interest rate on total debt outstanding at December 31, 2020 and 2019 was 3.7 % and 4.0%, respectively.

Scheduled maturities of long-term debt are as follows (in thousands):

	Year Ending December 31,
2021	$ 47,722
2022	42,190
2023	177,579
2024	8,880
2025	15,007
Thereafter	25,700
	$ 317,078

Commercial Notes Payable and Mortgage Notes Payable

From time to time, we enter into commercial equipment notes payable with various equipment finance companies and banks. At December 31, 2020, interest rates ranged from 1.83% to 4.40% per annum and maturity dates range from August 2021 to June 2025. The notes are secured by certain construction equipment.

From time to time, we enter into secured mortgage notes payable with various banks. At December 31, 2020, interest rates ranged from 4.21% to 4.50% per annum and maturity dates range from January 2025 to November 2028. The notes are secured by certain real estate.

Credit Agreement

On September 29, 2017, we entered into an amended and restated credit agreement, as amended July 9, 2018 and August 3, 2018 (the "Credit Agreement") with CIBC Bank USA, as administrative agent (the "Administrative Agent") and co-lead arranger, and the financial parties thereto (collectively, the "Lenders"). The Credit Agreement consists of a $220.0 million term loan (the "Term Loan") and a $200.0 million revolving credit facility ("Revolving Credit Facility"), whereby the Lenders agreed to make loans on a revolving basis from time to time and to issue letters of credit for up to the $200.0 million committed amount. The Credit Agreement contains an accordion feature that would allow us to increase the Term Loan or the borrowing capacity under the Revolving Credit Facility by up to $75.0 million. The Credit Agreement matures on July 9, 2023.

The Term Loan requires quarterly principal payments beginning in the third quarter of 2018 equal to $2.75 million, or $11.0 million per annum, for the first three years and $4.125 million, or $16.5 million per annum, for years four and five, with the balance due on July 9, 2023.

The principal amount of any loans under the Credit Agreement will bear variable interest at either: (i) LIBOR plus an applicable margin as specified in the Credit Agreement (based on our senior debt to EBITDA ratio as defined in the Credit Agreement), or (ii) the Base Rate (which is the greater of (a) the Federal Funds Rate plus 0.50% or (b) the prime rate as announced by the Administrative Agent). Non-use fees, letter of credit fees and administrative agent fees are payable at rates specified in the Credit Agreement.

The principal amount of any loan drawn under the Credit Agreement may be prepaid in whole or in part at any time, with a minimum prepayment of $5.0 million.

At December 31, 2020, commercial letters of credit outstanding were $51.5 million. Other than commercial letters of credit, there were no outstanding borrowings under the Revolving Credit Facility, and available borrowing capacity was $148.5 million at December 31, 2020.

Loans made under the Credit Agreement are secured by our assets, including, among others, our cash, inventory, equipment (excluding equipment subject to permitted liens), and accounts receivable. Certain of our domestic subsidiaries have issued joint and several guaranties in favor of the Lenders for all amounts under the Credit Agreement.

The Credit Agreement contains various restrictive and financial covenants including, among others, a senior debt/EBITDA ratio and debt service coverage requirements. In addition, the Credit Agreement includes restrictions on investments, change of control provisions and provisions in the event we dispose of more than 20% of our total assets.

We were in compliance with the covenants for the Credit Agreement at December 31, 2020.

On September 13, 2018, we entered into an interest rate swap agreement to manage our exposure to the fluctuations in variable interest rates. The swap effectively exchanged the interest rate on 75% of the debt outstanding under our Term Loan from variable LIBOR to a fixed rate of 2.89% per annum, in each case plus an applicable margin, which was 1.75% at December 31, 2020. See Note 10 – "*Derivative Instruments*".

Canadian Credit Facilities

We have a demand credit facility for $4.0 million in Canadian dollars with a Canadian bank for purposes of issuing commercial letters of credit in Canada. The credit facility has an annual renewal and provides for the issuance of commercial letters of credit for a term of up to five years. The facility provides for an annual fee of 1.0% for any issued and outstanding commercial letters of credit. Letters of credit can be denominated in either Canadian or U.S. dollars. At December 31, 2020, commercial letters of credit outstanding were $0.4 million in Canadian dollars, and the available borrowing capacity was $3.6 million in Canadian dollars. The credit facility contains a working capital restrictive covenant for our Canadian subsidiary, OnQuest Canada, ULC. At December 31, 2020, OnQuest Canada, ULC was in compliance with the covenant.

We have a credit facility for $10.0 million in Canadian dollars with CIBC Bank for working capital purposes in the normal course of business ("Working Capital Credit Facility"). At December 31, 2020, there were no outstanding borrowings under the Working Capital Credit Facility, and available borrowing capacity was $10.0 million in Canadian dollars. The Working Capital Credit Facility contains a cross default restrictive covenant where a default under our Credit Agreement will represent a default in the Working Capital Credit Facility.

Note 10 — Derivative Instruments

We are exposed to certain market risks related to changes in interest rates. To monitor and manage these market risks, we have established risk management policies and procedures. We do not enter into derivative instruments for any purpose other than hedging interest rate risk. None of our derivative instruments are used for trading purposes.

Interest Rate Risk. We are exposed to variable interest rate risk as a result of variable-rate borrowings under our Credit Agreement. To manage fluctuations in cash flows resulting from changes in interest rates on a portion of our variable-rate debt, we entered into an interest rate swap agreement on September 13, 2018 with an initial notional amount of $165.0 million, or 75% of the debt outstanding under our Term Loan, which was not designated as a hedge for accounting purposes. The notional amount of the swap will be adjusted down each quarter by 75% of the required principal payments made on the Term Loan. See Note 9 – "*Credit Arrangements*". The swap effectively changes the variable-rate cash flow exposure on the debt obligations to fixed rates. The fair value of outstanding interest rate swap derivatives can vary significantly from period to period depending on the total notional amount of swap derivatives outstanding and fluctuations in market interest rates compared to the interest rates fixed by the swaps. As of December 31, 2020 and 2019, our outstanding interest rate swap agreement contained a notional amount of $144.4 million and $152.6 million, respectively, with a maturity date of July 10, 2023.

Credit Risk. By using derivative instruments to economically hedge exposures to changes in interest rates, we are exposed to counterparty credit risk. Credit risk is the failure of a counterparty to perform under the terms of a derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, we do not possess credit risk. We minimize the credit risk in derivative instruments by entering into transactions with high quality counterparties. We have entered into netting agreements, including International Swap Dealers Association ("ISDA") Agreements, which allow for netting of contract receivables and payables in the event of default by either party.

The following table summarizes the fair value of our derivative contracts included in the Consolidated Balance Sheets (in thousands):

	Balance Sheet Location	December 31, 2020	December 31, 2019
Interest rate swap	Other long-term liabilities	$ 9,205	$ 6,443

The following table summarizes the amounts recognized with respect to our derivative instruments within the Consolidated Statements of Income (in thousands):

	Location of (Gain) Loss Recognized on Derivatives	Year Ended December 31, 2020	2019	2018
Interest rate swap	Interest expense	$ 6,203	$ 4,601	$ 3,131

Note 11 — Noncontrolling Interests

We own a 50% interest in the Carlsbad joint venture and we owned a 50% interest in the Wilmington joint venture, each of which operates in the Power segment. Both joint ventures have been determined to be a VIE and we were determined to be the primary beneficiary as a result of our significant influence over the joint venture operations.

Each joint venture is a partnership, and consequently, only the tax effect of our share of the income was recognized by us. The net assets of the joint ventures are restricted for use by the specific project and are not available for our general operations.

Carlsbad Joint Venture

The Carlsbad joint venture operating activities began in 2015 and are included in our Consolidated Statements of Income as follows (in thousands):

	Year Ended December 31, 2020	2019	2018
Revenue	$ 75	$ 5,970	$ 102,868
Net income attributable to noncontrolling interests	9	1,770	9,483

The Carlsbad joint venture made distributions of $1.0 million to the noncontrolling interest and $1.0 million to us during the year ended December 31, 2020. The Carlsbad joint venture made distributions of $3.5 million to the noncontrolling interest and $3.5 million to us during the year ended December 31, 2019. The Carlsbad joint venture made distributions of $9.0 million to the noncontrolling interest and $9.0 million to us during the year ended December 31, 2018. In addition, we did not make any capital contributions to the Carlsbad joint venture during the years ended December 31, 2020, 2019, and 2018. The project was substantially complete as of December 31, 2018 and the warranty period expires in December 2021.

The following table summarizes the total balance sheet amounts for the Carlsbad joint venture, which is included in our Consolidated Balance Sheets (in thousands) and the total consolidated balance sheet amounts:

At December 31, 2020	Joint Venture Amounts	Consolidated Amounts
Cash	$ 431	$ 326,744
Contract liabilities	350	267,227
Due to Primoris	2	—
At December 31, 2019		
Cash	$ 2,124	$ 120,286
Accounts payable	38	235,972
Contract liabilities	425	192,397

Wilmington Joint Venture

The Wilmington joint venture operating activities began in 2015 and are included in our Consolidated Statements of Income as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Revenue	$ —	$ —	$ 2,133
Net income attributable to noncontrolling interests	—	—	649

The project is complete, the warranty period expired in October 2018, and dissolution of the joint venture was completed in the first quarter of 2019. The Wilmington joint venture made a final immaterial distribution to the noncontrolling interest and to us during the first quarter of 2019. The Wilmington joint venture made distributions of $4.1 million to the noncontrolling interest and $4.1 million to us during the year ended December 31, 2018. In addition, we did not make any capital contributions to the Wilmington joint venture during the years ended December 31, 2020, 2019, and 2018.

Note 12—Leases

We lease administrative and various operational facilities, which are generally longer-term, project specific facilities or yards, and construction equipment under non-cancelable operating leases. On January 1, 2019, we adopted ASC 842, "*Leases*" using the modified retrospective method and elected to apply the new lease standard at the adoption date. The cumulative impact of adopting ASC 842 was immaterial and did not require an adjustment to retained earnings. In adopting ASC 842, we changed our accounting policy for leases. Under the modified retrospective method, results for periods prior to January 1, 2019, are not adjusted and continue to be reported in accordance with our historic accounting under ASC 840, *"Leases"*.

We elected certain transition practical expedients permitted with the new standard, which among other things, allowed us to carry forward the historical lease classification. In addition, we elected the hindsight practical expedient to determine the reasonably certain lease term for existing leases. We also made an accounting policy election in which leases with an initial term of 12 months or less are not recorded on the balance sheet and lease payments are recognized in the Consolidated Statements of Income on a straight-line basis over the lease term.

We determine if an arrangement is a lease at inception. We have lease agreements with lease and non-lease components, which are generally accounted for separately. Operating leases are included in "Operating lease assets", "Accrued liabilities", and "Noncurrent operating lease liabilities, net of current portion" on our Consolidated Balance Sheets.

Operating lease assets and operating lease liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term. In determining our lease term, we include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. For our leases that do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of future payments. Lease expense from minimum lease payments is recognized on a straight-line basis over the lease term.

Our leases have remaining lease terms that expire at various dates through 2030, some of which may include options to extend the leases for up to 5 years. The exercise of lease extensions is at our sole discretion. Periodically, we sublease excess facility space, but any sublease income is generally not significant. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

	Year Ended December 31,		
	2020	2019	2018
Operating lease expense	$ 90,965 (1)	$ 77,222 (1)	$ 53,415 (2)

(1) Includes short-term leases, which are immaterial.
(2) Reported in accordance with our historical accounting under ASC 840, "*Leases*".

Our operating lease liabilities are reported on the Consolidated Balance Sheet as follows (in thousands):

	December 31, 2020	December 31, 2019
Accrued liabilities	$ 73,033	$ 74,036
Noncurrent operating lease liabilities, net of current portion	137,913	171,225
	$ 210,946	$ 245,261

The future minimum lease payments under non-cancelable operating leases are as follows (in thousands):

For the Years Ending December 31,	Future Minimum Lease Payments
2021	$ 79,229
2022	61,235
2023	47,586
2024	22,232
2025	5,197
Thereafter	8,995
Total lease payments	$ 224,474
Less imputed interest	(13,528)
Total	$ 210,946

Other information related to operating leases is as follows (in thousands, except lease term and discount rate):

	Year Ended December 31,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 93,107	$ 77,229
Weighted-average remaining lease term on operating leases (years)	3.51	3.99
Weighted-average discount rate on operating leases	3.59%	3.85%

Note 13—Commitments and Contingencies

NTTA settlement—On February 7, 2012, we were sued in an action entitled North Texas Tollway Authority ("NTTA"), Plaintiff v. James Construction Group, LLC, and KBR, Inc., Defendants, v. Reinforced Earth Company, Third-Party Defendant (the "Lawsuit"). On February 25, 2015 the Lawsuit was settled, and we recorded a liability for $17.0 million. A second defendant agreed to provide up to $5.4 million to pay for the total expected remediation cost of approximately $22.4 million. We are paying a third-party contractor approved by the NTTA to complete the remediation. During the year ended December 31, 2020, we increased our liability by $2.0 million. We also spent $8.2 million for remediation during the year ended December 31, 2020. At December 31, 2020, our remaining accrual balance was $2.3 million.

Litigation—We had been engaged in dispute resolution to collect money we believe we are owed for a construction project completed in 2014. Because of uncertainties associated with the project, including uncertainty of the amounts that would be collected, we used a zero profit margin approach to recording revenue during the construction period for the project. The dispute resolution for the receivable initially required international arbitration; however, in the first half of 2016, the owner sought bankruptcy protection in U.S. bankruptcy court. We initiated litigation against the sureties who had provided lien and stop payment release bonds for the total amount owed. During 2018, we settled with the sureties and collected the $32.9 million receivable, which resulted in recognizing revenue of approximately $18.1 million and gross profit of approximately $17.4 million. In addition, we believe we are owed amounts from the bankruptcy trustee. We expect that we will collect a portion of the amount owed to us but cannot predict the timing of such collection.

We are subject to other claims and legal proceedings arising out of our business. We provide for costs related to contingencies when a loss from such claims is probable and the amount is reasonably estimable. In determining whether it is possible to provide an estimate of loss, or range of possible loss, we review and evaluate our litigation and regulatory matters on a quarterly basis in light of potentially relevant factual and legal developments. If we determine an unfavorable outcome is not probable or reasonably estimable, we do not accrue for a potential litigation loss.

Management is unable to ascertain the ultimate outcome of other claims and legal proceedings; however, after review and consultation with counsel and taking into consideration relevant insurance coverage and related deductibles/self-insurance retention, management believes that it has meritorious defense to the claims and believes that the reasonably possible outcome of such claims will not, individually or in the aggregate, have a materially adverse effect on our consolidated results of operations, financial condition or cash flow.

Bonding**—**As of December 31, 2020 and 2019, we had bid and completion bonds issued and outstanding totaling approximately $696.0 million and $648.6 million, respectively.

Note 14—Reportable Segments

We segregate our business into five reportable segments: the Power segment, the Pipeline segment, the Utilities segment, the Transmission segment, and the Civil segment. Each of our reportable segments is comprised of similar business units that specialize in services unique to the segment. Driving the end-user focused segments are differences in the economic characteristics of each segment, the nature of the services provided by each segment; the production processes of each segment; the type or class of customer using the segment's services; the methods used by the segment to provide the services; and the regulatory environment of each segment's customers.

The classification of revenue and gross profit for segment reporting purposes can at times require judgment on the part of management. Our segments may perform services across industries or perform joint services for customers in multiple industries. To determine reportable segment gross profit, certain allocations, including allocations of shared and indirect costs, such as facility costs, equipment costs and indirect operating expenses, were made.

The following is a brief description of the reportable segments:

The Power segment operates throughout the United States and in Canada and specializes in a range of services that include engineering, procurement, and construction, retrofits, upgrades, repairs, outages, and maintenance services for entities in the petroleum and petrochemical industries, as well as traditional and renewable power generators.

The Pipeline segment operates throughout the United States and specializes in a range of services, including pipeline construction and maintenance, pipeline facility and integrity services, installation of compressor and pump stations, and metering facilities for entities in the petroleum and petrochemical industries, as well as gas, water, and sewer utilities.

The Utilities segment operates primarily in California, the Midwest, the Atlantic Coast, and the Southeast regions of the United States and specializes in a range of services, including installation and maintenance of new and existing natural gas utility distribution systems and pipeline integrity services for entities in the gas utility market.

The Transmission segment operates primarily in the Southeastern, Midwest, Atlantic Coast, and Gulf Coast regions of the United States and specializes in a range of services, including installation and maintenance of new and existing electric utility transmission, substation, and distribution systems for entities in the electric utility market.

The Civil segment operates primarily in the Southeastern and Gulf Coast regions of the United States and specializes in highway and bridge construction, airport runway construction, demolition, site work, soil stabilization, mass excavation, flood control, and drainage projects for entities in the petroleum and petrochemical industries, state and municipal departments of transportation, and airports.

All intersegment revenue and gross profit, which was immaterial, has been eliminated in the following tables. Total assets by segment is not presented as our "Chief Operating Decision Maker" does not review or allocate resources based on segment assets.

Segment Revenue

Revenue by segment for the years ended December 31, 2020, 2019 and 2018 was as follows (in thousands):

	For the year ended December 31,					
	2020		2019		2018	
Segment	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Power	$ 795,361	22.8%	$ 729,348	23.5%	$ 694,048	23.6%
Pipeline	897,041	25.7%	505,156	16.3%	590,937	20.1%
Utilities	906,597	26.0%	886,504	28.5%	902,772	30.7%
Transmission	459,038	13.1%	497,302	16.0%	286,749 (1)	9.8%
Civil	433,460	12.4%	488,019	15.7%	464,972	15.8%
Total	$ 3,491,497	100.0%	$ 3,106,329	100.0%	$ 2,939,478	100.0%

(1) Represents results from the June 1, 2018 acquisition date of Willbros to December 31, 2018.

Segment Gross Profit

Gross profit by segment for the years ended December 31, 2020, 2019 and 2018 was as follows (in thousands):

	For the year ended December 31,					
	2020		2019		2018	
Segment	Gross Profit	% of Segment Revenue	Gross Profit	% of Segment Revenue	Gross Profit	% of Segment Revenue
Power	$ 53,500	6.7%	$ 76,119	10.4%	$ 109,789	15.8%
Pipeline	97,459	10.9%	61,550	12.2%	66,602	11.3%
Utilities	132,957	14.7%	116,645	13.2%	111,825	12.4%
Transmission	44,879	9.8%	22,580	4.5%	31,904 (1)	11.1%
Civil	41,419	9.6%	54,032	11.1%	5,617	1.2%
Total	$ 370,214	10.6%	$ 330,926	10.7%	$ 325,737	11.1%

(1) Represents results from the June 1, 2018 acquisition date of Willbros to December 31, 2018.

Geographic Region — Revenue and Total Assets

The majority of our revenue is derived from customers in the United States with approximately 3.5%, 5.8% and 2.9% generated from sources outside of the United States, principally Canada, for the years ended December 31, 2020, 2019 and 2018, respectively. At December 31, 2020 and 2019, approximately 3.9% and 4.4%, respectively of total assets were located outside of the United States.

Note 15 — Multiemployer Plans

Union Plans**—**Various subsidiaries are signatories to collective bargaining agreements. These agreements require that we participate in and contribute to a number of multiemployer benefit plans for our union employees at rates determined by the agreements. The trustees for each multiemployer plan determine the eligibility and allocations of contributions and benefit amounts, determine the types of benefits and administer the plan.

We contributed $48.4 million, $41.0 million, and $48.8 million, to multiemployer pension plans for the years ended December 31, 2020, 2019 and 2018, respectively. These costs were charged to the related construction contracts in process. Contributions during 2020 increased from 2019 as a result of an increase in the number of man-hours worked by our union labor.

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

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in the plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

Under U.S. legislation regarding multiemployer pension plans, an employer is required to pay an amount that represents its proportionate share of a plan's unfunded vested benefits in the event of withdrawal from a plan or upon plan termination.

We participate in a number of multiemployer pension plans, and our potential withdrawal obligation may be significant. Any withdrawal liability would be recorded when it is probable that a liability exists and can be reasonably estimated, in accordance with GAAP. We have no plans to withdraw from any labor agreements.

During the last three years, we made annual contributions to 36 pension plans. Based upon the most recent and available plan financial information, we made contributions to the Southern California Pipe Trades Trust Funds that represented more than 5% of the plan's total contributions for the 2018 plan year. None of the other significant pension plans we contributed to below listed us in the plan's Form 5500 as providing more than 5% of the plan's total contributions during the years ended December 31, 2020 and 2019.

Our participation in significant plans for the years ended December 31, 2020, 2019 and 2018 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three digit plan number. The "Zone Status" is based on the latest information that we received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The "Surcharge Imposed" column includes plans in a red zone status that require a payment of a surcharge in excess of regular contributions. The next column lists the expiration date of our collective bargaining agreement related to the plan.

Pension Fund Name	EIN / Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending / Implemented	Surcharge Imposed	Collective Bargaining Agreement Expiration Date	Contributions of the Company (In Thousands)		
		2020	2019				2020	2019	2018
Central Pension Fund of the International Union of Operating Engineers and Participating Employers	36-6052390/001	Green as of January 31, 2020	Green as of January 31, 2019	No	No	6/1/2021	$ 7,734	$ 6,572	$ 6,643
Laborers International Union of North America National (Industrial) Pension Fund	52-6074345/001	Green as of March 30, 2020	Red as of December 31, 2018	No	No	6/1/2025	5,206	3,969	3,967
Pipeline Industry Benefit Fund	73-6146433/001	Green as of December 31, 2019	Green as of December 31, 2018	No	No	6/1/2023	4,275	1,941	1,988
Plumbers & Pipefitters National Pension Fund	52-6152779/001	Yellow as of June 30 2020	Yellow as of June 30, 2019	No	No	9/30/2022	3,570	3,659	3,686
Minnesota Laborers Pension Fund	41-6159599/001	Green as of December 31, 2019	Green as of December 31, 2018	No	No	6/1/2025	3,386	3,108	2,565
Southern California Pipe Trades Trust Funds	51-6108443/001	Green as of December 31, 2019	Green as of December 31, 2018	No	No	8/31/2026	3,312	3,078	5,122
Construction Laborers Pension Trust for Southern California	43-6159056/001	Green as of December 31, 2019	Green as of December 31, 2018	No	No	6/30/2022	2,844	2,886	2,873
Laborers Pension Trust Fund for Northern California	94-6277608/001	Green as of May 31, 2020	Green as of May 31, 2019	No	No	6/30/2023	2,581	2,823	3,793
				Contributions to significant plans			32,908	28,036	30,637
				Contributions to other multiemployer plans			15,489	12,964	18,153
				Total contributions made			$ 48,397	$ 41,000	$ 48,790

Note 16—Company Retirement Plans

Defined Contribution Plans—We sponsor multiple defined contribution plans for eligible employees not covered by collective bargaining agreements. Our plans include various features such as voluntary employee pre-tax and Roth-based contributions and matching contributions made by us. In addition, at the discretion of our Board of Directors, we may make additional profit share contributions to the plans. No such additional contributions were made during 2018 through 2020. Matching contributions to all defined contribution plans for the years ended December 31, 2020, 2019 and 2018 were $8.4 million, $7.0 million, and $4.6 million, respectively. We have no other post-retirement benefits.

Note 17—Deferred Compensation Agreements and Stock-Based Compensation

***Primoris Incentive Compensation Plans* —** We have a long-term incentive compensation plan ("ICP") and a long-term retention plan ("LTR Plan") for certain senior managers and executives. Participants in the ICP receive a portion of their annual earned bonus in the form of Restricted Stock Units ("Units") that vest ratably over a three year period. Participants in the LTR Plan defer receipt of one half of their annual earned bonus for one year. Generally, except in the case of death, disability or involuntary separation from service, the Units are vested to the participant only if actively employed by us on the payment or vesting date. Participants in the LTR Plan may also elect to purchase our common stock at a discounted price. For bonuses earned in 2020 and 2019, participants in the LTR Plan could elect to use up to one sixth of their bonus amount to purchase shares of our common stock at a discounted price. The purchase price was calculated as 75% of the average market closing price for the month of December 2020 and December 2019, respectively. The discount is treated as compensation to the participant.

***Stock-based compensation* —** In May 2013, the shareholders approved and we adopted the Primoris Services Corporation 2013 Long-term Incentive Equity Plan ("Equity Plan"). The Equity Plan provides for the grant of share-based awards for up to 2.5 million shares of common stock. At December 31, 2020, there were 1.2 million shares of common stock remaining available for grant. Units granted under the Equity Plan are documented in RSU Award Agreements which provide for a vesting schedule and require continuing employment of the individual. The Units are subject to earlier acceleration, termination, cancellation or forfeiture as provided in the underlying RSU Award Agreement.

The table below presents the activity for 2020:

Nonvested RSUs	Units	Weighted Average Grant Date Fair Value per Unit
Balance at December 31, 2019	163,757	$ 24.72
Granted	184,256	19.66
Vested	(33,434)	22.26
Forfeited	(25,436)	23.24
Balance at December 31, 2020	289,143	21.91

During 2019, 25,360 Units were granted with a weighted-average grant date fair value per unit of $20.70. The total fair value of Units that vested during 2020, 2019 and 2018 was $0.6 million, $1.2 million and $0.7 million, respectively.

Under guidance of ASC 718, "*Compensation — Stock Compensation*", stock-based compensation cost is measured at the date of grant, based on the calculated fair value of the stock-based award, and is recognized as expense over the employee's requisite service period (generally the vesting period of the award). Forfeitures of stock-based awards are recognized as they occur.

The fair value of the Units was based on the closing market price of our common stock on the day prior to the date of the grant. Stock compensation expense for the Units is being amortized using the straight-line method over the service period. For the years ended December 31, 2020, 2019 and 2018, we recognized $2.3 million, $1.6 million, and $1.3 million, respectively, in compensation expense. At December 31, 2020, approximately $3.1 million of unrecognized compensation expense remains for the Units, which will be recognized over a weighted average period of 1.9 years.

Vested Units accrue "Dividend Equivalent Units" (as defined in the Equity Plan), which will be accrued as additional Units until the Units are converted to Common Stock. At December 31, 2020, a total of 2,677 Dividend Equivalent Units were accrued.

Note 18—Related Party Transactions

In December 2019, we purchased and cancelled an aggregate of 2,316,960 shares of our Common Stock from a former member of our Board of Directors, in a private transaction for an aggregate purchase price of $50.0 million or $21.58 per share. The share repurchase was made pursuant to our $50.0 million repurchase program authorized by our Board of Directors in October 2019. The governing Share Repurchase Agreement contained a "standstill" covenant prohibiting the former member of our Board of Directors from selling any additional shares of our Common Stock through May 26, 2020.

Note 19—Income Taxes

Income before provision for income taxes consists of the following (in thousands):

	Year Ended December 31, 2020	2019	2018
United States	$ 140,346	$ 107,639	$ 111,002
Foreign	5,293	10,270	2,356
Total	$ 145,639	$ 117,909	$ 113,358

The components of the provision for income taxes are as follows (in thousands):

	Year Ended December 31, 2020	2019	2018
Current provision			
Federal	$ 37,315	$ 12,513	$ 3,405
State	6,680	4,398	4,536
Foreign	1,741	2,954	674
	45,736	19,865	8,615
Deferred provision (benefit)			
Federal	(3,207)	12,283	14,535
State	438	1,940	2,120
Foreign	(809)	(276)	(139)
	(3,578)	13,947	16,516
Change in valuation allowance	(1,502)	—	634
Total	$ 40,656	$ 33,812	$ 25,765

A reconciliation of income tax expense compared to the amount of income tax expense that would result by applying the U.S. federal statutory income tax rate to pre-tax income is as follows:

	Year Ended December 31, 2020	2019	2018
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %
Impact of U.S tax reform	—	—	1.1
State taxes, net of federal income tax impact	3.1	4.4	5.1
Tax credits	(0.8)	(1.7)	(5.3)
Income taxed at rates greater than U.S.	0.2	1.1	0.4
Nondeductible meals & entertainment	3.3	3.0	2.9
Nondeductible compensation	0.3	0.7	0.2
Other items	0.8	0.6	(0.4)
Effective tax rate excluding income attributable to noncontrolling interests	27.9	29.1	25.0
Impact of income from noncontrolling interests on effective tax rate	—	(0.4)	(2.3)
Effective tax rate	27.9 %	28.7 %	22.7 %

The provision for income taxes has been determined based upon the tax laws and rates in the countries in which we operate. Our operations in the United States are subject to federal income tax rates of 21.0% and varying state income tax rates. Our principal international operations are in Canada. Our subsidiaries in Canada are subject to a corporate income tax rate of 24.0%. We did not have any non-taxable foreign earnings from tax holidays for taxable years 2018 through 2020.

Deferred taxes are recognized for temporary differences between the financial reporting bases and tax bases of assets and liabilities based on enacted tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based upon consideration of available evidence, including future reversals of existing taxable temporary differences, future projected taxable income, the length of the tax asset carryforward periods, and tax planning strategies.

The tax effect of temporary differences that give rise to deferred income taxes are as follows (in thousands):

	December 31, 2020	2019
Deferred tax assets:		
Accrued compensation	$ 1,810	$ 3,705
Accrued workers compensation	5,035	9,939
Net operating losses	37,013	40,919
Disallowed interest	—	533
Capital loss carryforward	10,974	10,126
Lease liabilities	47,955	62,023
Insurance reserves	7,200	3,146
Loss reserves	4,191	2,276
Tax credit	825	825
State income taxes	872	1,193
Interest rate swap	2,412	1,630
Deferred payroll tax	10,687	—
Other	1,269	1,932
Total deferred tax assets	130,243	138,247
Deferred tax liabilities		
Depreciation and amortization	(66,150)	(63,824)
Prepaid expenses and other	(1,387)	(1,839)
Lease assets	(47,961)	(61,417)
Total deferred tax liabilities	(115,498)	(127,080)
Valuation allowance	(26,384)	(27,886)
Net deferred tax liabilities	$ (11,639)	$ (16,719)

As of December 31, 2020, we have remaining tax effected U.S. federal and state net operating loss carryforwards of $19.0 million and $13.6 million, respectively. Our U.S. federal net operating losses expire beginning in 2031, and our state net operating losses generally expire 20 years after the period in which the net operating loss was incurred.

As of December 31, 2020, our U.S. capital loss carryforward totaled $11.0 million. The U.S. capital losses expire in 2023.

Valuation allowances on U.S. capital losses, on U.S. state net operating losses and on foreign net operating losses and foreign tax credits were $26.4 million as of December 31, 2020.

A reconciliation of the beginning, ending and aggregate changes in the gross balances of unrecognized tax benefits is as follows (in thousands):

	December 31, 2020	2019	2018
Beginning balance	$ 815	$ 890	$ 588
Increases in balances for tax positions taken during the current year	377	295	146
Increases in balances for tax positions taken during prior years	717	—	1,555
Settlements and effective settlements with tax authorities	(158)	(231)	(1,305)
Lapse of statute of limitations	(198)	(139)	(94)
Total	$ 1,553	$ 815	$ 890

We recognize accrued interest and penalties related to uncertain tax positions in income tax expense, which were not material for the three years presented.

We believe it is reasonably possible that decreases of up to $0.6 million of unrecognized tax benefits could occur in the next twelve months due to the expiration of statutes of limitation and settlements with tax authorities.

Our federal income tax returns are generally no longer subject to examination for tax years before 2017. The statutes of limitation of state and foreign jurisdictions generally vary between 3 to 5 years. Accordingly, our state and foreign income tax returns are generally no longer subject to examination for tax years before 2015.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted by the US Government in response to the COVID-19 pandemic. We deferred FICA tax payments through the end of 2020 as allowed under the CARES Act. This deferral was $40.8 million at December 31, 2020, and is included in Accrued liabilities and Other long-term liabilities on our Consolidated Balance Sheet. Half of the tax deferral is due to be paid to the U.S. Treasury on December 31, 2021, and the other half is due on December 31, 2022.

Note 20—Dividends and Earnings Per Share

We have declared cash dividends during 2018, 2019 and 2020 as follows:

Declaration Date	Record Date	Date Paid	Amount Per Share
February 21, 2018	March 30, 2018	April 13, 2018	$ 0.06
May 4, 2018	June 29, 2018	July 13, 2018	0.06
August 2, 2018	September 28, 2018	October 15, 2018	0.06
November 2, 2018	December 31, 2018	January 15, 2019	0.06
February 26, 2019	March 29, 2019	April 15, 2019	0.06
May 3, 2019	June 28, 2019	July 15, 2019	0.06
August 2, 2019	September 30, 2019	October 15, 2019	0.06
October 31, 2019	December 31, 2019	January 15, 2020	0.06
February 21, 2020	March 31, 2020	April 15, 2020	0.06
May 1, 2020	June 30, 2020	July 15, 2020	0.06
July 31, 2020	September 30, 2020	October 15, 2020	0.06
November 5, 2020	December 31, 2020	January 5, 2021	0.06

The payment of future dividends is contingent upon our revenue and earnings, capital requirements and our general financial condition, as well as contractual restrictions and other considerations deemed relevant by our Board of Directors.

The table below presents the computation of basic and diluted earnings per share for the years ended December 31, 2020, 2019 and 2018 (in thousands, except per share amounts):

	Year Ended December 31,		
	2020	2019	2018
Numerator:			
Net income attributable to Primoris	$ 104,974	$ 82,327	$ 77,461
Denominator:			
Weighted average shares for computation of basic earnings per share	48,303	50,784	51,350
Dilutive effect of shares issued to independent directors	5	3	3
Dilutive effect of restricted stock units (1)	325	297	317
Weighted average shares for computation of diluted earnings per share	48,633	51,084	51,670
Earnings per share attributable to Primoris:			
Basic	$ 2.17	$ 1.62	$ 1.51
Diluted	$ 2.16	$ 1.61	$ 1.50

(1) Represents the effect of the grant of Units and vested Dividend Equivalent Units for the respective periods presented.

Note 21—Stockholders' Equity

Preferred Stock

We are authorized to issue 1,000,000 shares of $0.0001 par value preferred stock. No shares of Preferred Stock were outstanding at December 31, 2020, 2019 and 2018.

Common Stock

We are authorized to issue 90,000,000 shares of $0.0001 par value common stock, of which 48,110,442 and 48,665,138 shares were issued and outstanding as of December 31, 2020 and 2019, respectively.

We issued 34,524 shares of common stock in 2020, 114,106 shares of common stock in 2019, and 71,757 shares of common stock in 2018 under our LTR Plan. The shares were purchased by the participants in the LTR Plan with payments made to us of $0.6 million in 2020, $1.8 million in 2019, and $1.5 million in 2018. Our LTR Plan for managers and executives allows participants to use a portion of their annual bonus amount to purchase our common stock at a discount from the market price. The shares purchased in 2020, 2019 and 2018 were for bonus amounts earned in 2019, 2018 and 2017 and the number of shares was calculated at 75% of the average closing price for December of the previous year.

During the years ended December 31. 2020, 2019, and 2018, we issued 47,928, 30,155, and 20,154 shares of common stock, respectively, as part of the quarterly compensation of the non-employee members of the Board of Directors. The shares were fully vested upon issuance and have a one-year trading restriction.

Share Repurchase Plan

In February 2020, our Board of Directors authorized a $25.0 million share repurchase program. Under the share repurchase program, we can, depending on market conditions, share price and other factors, acquire shares of our common stock on the open market or in privately negotiated transactions. During the year ended December 31, 2020, we purchased and cancelled 694,260 shares of common stock, which in the aggregate equaled $11.5 million at an average share price of $16.50. The share repurchase plan expired on December 31, 2020.

In October 2019, our Board of Directors authorized a $50.0 million share repurchase program. Under the share repurchase program, we can, depending on market conditions, share price and other factors, acquire shares of our common stock on the open market or in privately negotiated transactions. As discussed in Note 18—"*Related Party Transactions*", in December 2019, we purchased and cancelled an aggregate of 2,316,960 shares of our Common Stock from a former member of our Board of Directors, in a private transaction for an aggregate purchase price of $50.0 million or $21.58 per share.

In May 2018, our Board of Directors authorized a $5.0 million share repurchase program. In August 2018, our Board of Directors approved an increase to the share repurchase program to $20.0 million. Under the share repurchase program, we could, depending on market conditions, share price and other factors, acquire shares of our common stock on the open market or in privately negotiated transactions. During the period from August 2018 to December 2018, we purchased and cancelled 825,146 shares of common stock, which in the aggregate equaled $20.0 million, at an average price of $24.24 per share.

Note 22—Selected Quarterly Financial Information (Unaudited)

Selected unaudited quarterly consolidated financial information is presented in the following tables (in thousands, except per share amounts):

	Year Ended December 31, 2020			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 743,243	$ 908,216	$ 942,700	$ 897,338
Gross profit	47,810	100,967	123,681	97,756
Net (loss) income	(3,734)	32,962	43,943	31,812
Net (loss) income attributable to Primoris	(3,737)	32,959	43,941	31,811
Earnings per share:				
Basic earnings per share	$ (0.08)	$ 0.68	$ 0.91	$ 0.66
Diluted earnings per share	(0.08)	0.68	0.90	0.66
Weighted average shares outstanding				
Basic	48,588	48,270	48,253	48,104
Diluted	48,588	48,668	48,574	48,410

	Year Ended December 31, 2019			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 661,558	$ 789,929	865,064	$ 789,778
Gross profit	52,460	80,531	108,421	89,514
Net income	2,936	17,824	35,826	27,511
Net income attributable to Primoris	1,947	17,787	35,648	26,945
Earnings per share:				
Basic earnings per share	$ 0.04	$ 0.35	$ 0.70	$ 0.53
Diluted earnings per share	0.04	0.35	0.70	0.53
Weighted average shares outstanding				
Basic	50,770	50,912	50,976	50,478
Diluted	51,188	51,228	51,215	50,711

Note 23—Subsequent Events

Acquisition of Future Infrastructure Holdings, LLC.

On January 15, 2021, we acquired Future Infrastructure Holdings, LLC ("FIH") in an all-cash transaction valued at approximately $621.7 million. FIH is a provider of non-discretionary maintenance, repair, upgrade, and installation services to the telecommunication, regulated gas utility, and infrastructure markets. FIH furthers our strategic plan to expand our service lines, enter new markets, and grow our MSA revenue base. The transaction directly aligns with our strategy to grow in large, higher growth, higher margin markets, and expands our utility services capabilities. Since the closing of the FIH acquisition occurred subsequent to our year-end, our preliminary estimate of assets acquired and liabilities assumed, which is subject to a formal valuation process, has not yet been completed. We will reflect the preliminary estimates in our first quarter 2021 10-Q filing, and we will finalize the estimates as soon as practicable within the measurement period, but not later than one year following the acquisition close date.

Amended and Restated Credit Agreement

On January 15, 2021, we entered into the Second Amended and Restated Credit Agreement (the "Amended Credit Agreement") with the Administrative Agent and the Lenders, amending and restating the Credit Agreement to increase the Term Loan by $400.0 million to an aggregate principal amount of $592.5 million (the "New Term Loan") and to extend the maturity date of the Credit Agreement from July 9, 2023 to January 15, 2026.

In addition to the New Term Loan, the Amended Credit Agreement consists of an existing $200.0 million Revolving Credit Facility whereby the Lenders agreed to make loans on a revolving basis from time to time and to issue letters of credit for up to the $200.0 million committed amount, and contains an accordion feature that would allow us to increase the New Term Loan or the borrowing capacity under the Revolving Credit Facility by up to $75.0 million.

Under the Amended Credit Agreement, we must make quarterly principal payments on the New Term Loan in an amount equal to approximately $7.4 million, with the balance due on January 15, 2026. The first principal payment will be due on March 31, 2021.

The proceeds from the New Term Loan were used to finance the acquisition of FIH and for general corporate purposes.

The principal amount of all loans under the Amended Credit Agreement will bear interest at either: (i) LIBOR plus an applicable margin as specified in the Amended Credit Agreement (based on our senior debt to EBITDA ratio as defined in the Amended Credit Agreement), or (ii) the Base Rate (which is the greater of (a) the Federal Funds Rate plus 0.50% or (b) the prime rate as announced by the Administrative Agent) plus an applicable margin as specified in the Amended Credit Agreement. Quarterly non-use fees, letter of credit fees and administrative agent fees are payable at rates specified in the Amended Credit Agreement.

The principal amount of any loan drawn under the Amended Credit Agreement may be prepaid in whole or in part at any time, with a minimum prepayment of $5.0 million.

Loans made under the Amended Credit Agreement are secured by our assets, including, among others, our cash, inventory, equipment (excluding equipment subject to permitted liens), and accounts receivable. Certain of our domestic subsidiaries have issued joint and several guaranties in favor of the Lenders for all amounts under the Amended Credit Agreement.

The Amended Credit Agreement contains various restrictive and financial covenants including, among others, a senior debt/EBITDA ratio and debt service coverage requirements. In addition, the Amended Credit Agreement includes restrictions on investments, change of control provisions and provisions in the event we dispose of more than 20% of our total assets.

Declaration of Cash Dividend to Stockholders

On February 19, 2021, the Board of Directors declared a cash dividend of $0.06 per common share for stockholders of record as of March 31, 2021, payable on or about April 15, 2021.

CORPORATE INFORMATION

INVESTOR RELATIONS

Stockholders, brokers, securities analysts, or portfolio managers seeking information about Primoris Services Corporation, NASDAQ Global Market Trading Symbol: PRIM, should contact Brook Wootton, VP of Investor Relations, at (214) 545-6773 or BWootton@prim.com.

A direct link to the filings of Primoris Services Corporation on the U.S. Securities and Exchange Commission website is available at www.primoriscorp.com on the Investor Relations page.

FORWARD-LOOKING STATEMENTS

Any statements included in this 2020 Annual Report that are not historical facts, including without limitation regarding future market trends and results of operations, are forward-looking statements within the meaning of applicable securities law. Please see "Forward-Looking Statements" in the 2020 Annual Report on Form 10-K for more information.

CORPORATE HEADQUARTERS

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New York, New York 10004
(800) 509-5586

Independent Registered Public Accounting Firm
Moss Adams LLP
Certified Public Accountants
4747 Executive Drive, Suite 1300
San Diego, California 92121

OUR VISION

To be a leader in every market we serve and be a trusted service provider and partner to our clients.

OUR MISSION

Built on a foundation of trust, we provide our clients with unmatched value, our employees with a safe work environment and entrepreneurial culture, our shareholders with results, and the communities we serve with innovation and excellence.

OUR CORE VALUES

Passion. We are passionate about our success and the success of our customers.

Resilience. We get stronger with every challenge.

Inspiration. We seek to inspire an entrepreneurial spirit within the company.

Motivation. We believe in motivating our people to be the best they can be.

Openness. We are open to all forms of diversity.

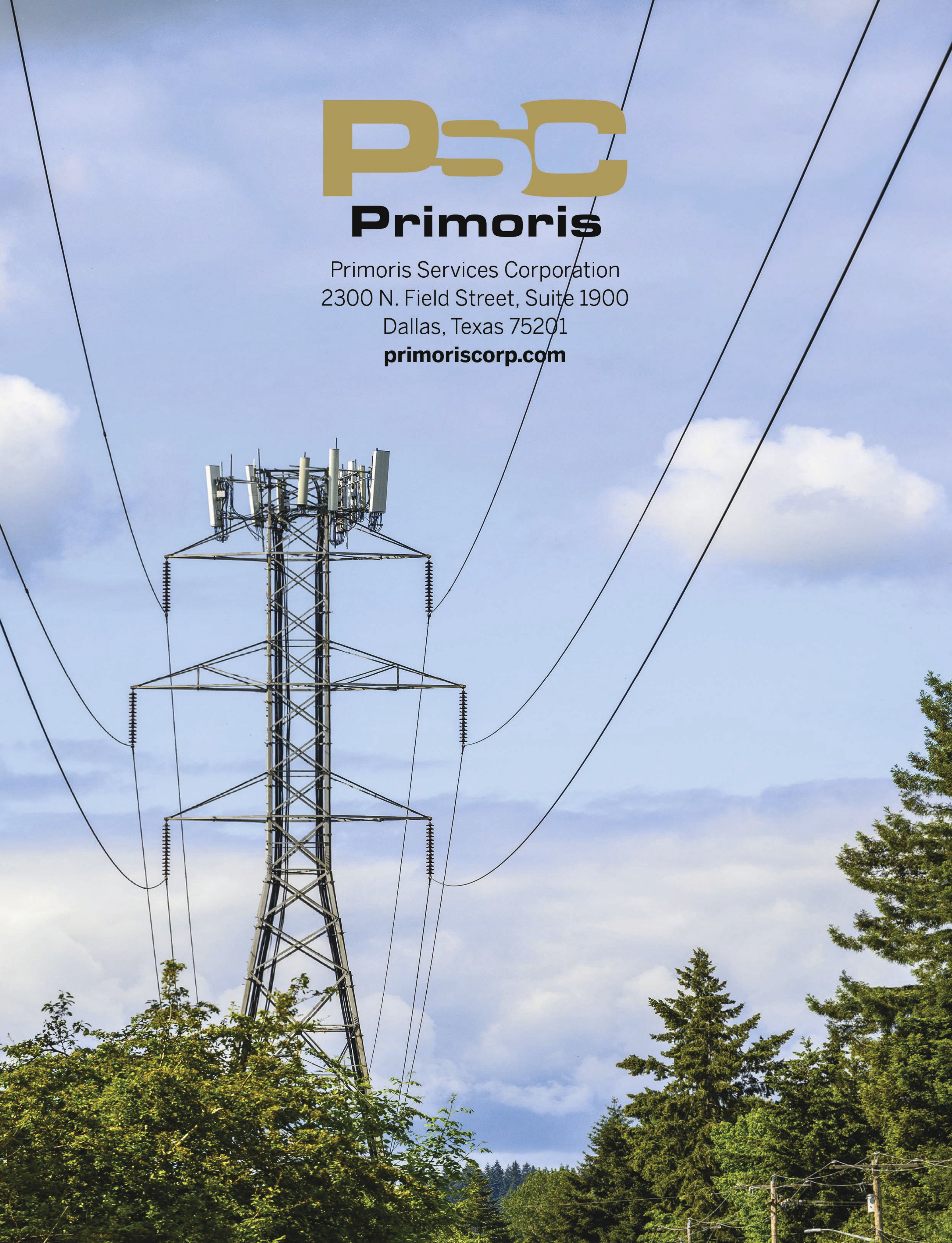
Reliability. We always follow through on our commitments.

Integrity. We act with integrity in everything we do.

Safety. We believe that "no business objective is so important that it will be pursued at the sacrifice of safety."

PRIMORIS, it's who we are.

PRIM | Nasdaq Listed



Primoris

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