

Primoris Services Corp  
Form 10-K  
February 28, 2019  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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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, 2018

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

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Primoris Services Corporation

(Exact name of registrant as specified in its charter)

Delaware	20-4743916
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2300 Field Street, Suite 1900	
Dallas, Texas	75201
(Address of principal executive offices)	(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	Name of exchange on which registered
Common Stock, \$0.0001 par value	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

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 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 \$1.18 billion based upon the closing price of such common equity as of June 29, 2018 (the last business day of the Registrant's most recently completed second fiscal quarter).

On February 25, 2019, there were 50,715,518 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 2019 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,” “projects,” “should,” “will,” “would” or similar expressions.

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. We discuss many of these risks in detail in “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.

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PART I

ITEM 1. BUSINESS

Business Overview

Primoris Services Corporation (“Primoris”, the “Company”, “we”, “us”, or “our”) is a holding company of various subsidiaries which form one of the larger publicly traded specialty contractors and infrastructure companies in the United States. Serving diverse end-markets, we provide a wide range of construction, fabrication, maintenance, replacement, and engineering services to major public and private utilities, petrochemical companies, energy companies, municipalities, state departments of transportation and other customers. We install, replace, repair and rehabilitate natural gas, refined product, water and wastewater pipeline systems; large diameter gas and liquid pipeline facilities; electric utility systems; and heavy civil projects, earthwork and site development. We also construct mechanical facilities and other structures, including power plants, petrochemical facilities, refineries, water and wastewater treatment facilities and parking structures. Finally, we provide specialized process and product engineering services.

We have longstanding relationships with major utility, refining, petrochemical, power and engineering companies. We have completed major underground and industrial projects for a number of large natural gas transmission and petrochemical 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 several days to as long as 60 months, or longer for completion of 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.

Founded as ARB, Inc. (“ARB”) in 1960, we became organized as Primoris in Nevada in 2003, and we became a Delaware public company in July 2008 when we merged with a special purpose acquisition company (a non-operating shell company). Since that time, we have grown organically and through strategic acquisitions, which has allowed us to expand our service capabilities and geographic footprint.

Acquisitions

Willbros Group, Inc. (“Willbros”). 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 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. Willbros is 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 executes industrial and power projects. Willbros expands our services into electric utility-focused offerings and increases our geographic presence in the United States and Canada.

Other acquisitions. In addition to the Willbros acquisition, we have entered into agreements to purchase smaller businesses or business assets to start a business as we continue to seek opportunities to expand our skill sets or operating locations. During 2014 we acquired Vadenais Trenchless Services, Inc., and in 2015, we acquired Aevenia, Inc. In 2016, we further enhanced our market reach with the purchase of Mueller Concrete Construction Company and Northern Energy & Power. During 2017, we acquired Florida Gas Contractors and Coastal Field Services. We continue to evaluate potential acquisition candidates, especially those with strong management teams with good reputations.

### Reportable Segments

Our reportable segments consist of 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, which is a new reportable segment created in 2018 in connection with the acquisition of Willbros, and the Civil segment.



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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 full Engineering, Procurement, and Construction project delivery, turnkey construction, retrofits, upgrades, repairs, outages, and maintenance for entities in the petroleum, petrochemical, water, and other industries.

The Pipeline segment operates throughout the United States and specializes in a range of services, including pipeline construction, pipeline maintenance, pipeline facility work, compressor stations, pump stations, metering facilities, and other pipeline related services for entities in the petroleum and petrochemical industries.

The Utilities segment operates primarily in California and the Midwest and Southeast regions of the United States and specializes in a range of services, including utility line installation and maintenance, gas and electric distribution, streetlight construction, substation work, and fiber optic cable installation.

The Transmission segment operates primarily in the Southeastern and Gulf Coast regions of the United States and specializes in a range of services in electric and gas transmission and distribution, including comprehensive engineering, procurement, maintenance and construction, repair, and restoration of utility infrastructure

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 and taxiway construction, demolition, heavy earthwork, soil stabilization, mass excavation, and drainage projects.

## 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, refining and water industries. Our strategy also considers selective expansion to new geographic regions.
- **Emphasis on Retention of Existing Customers and Recurring Revenue.** In order to fully leverage our relationships with our existing customer base, we believe it is important to maintain strong customer relationships and to expand our base of recurring revenue sources and recurring customers.
- **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 laborers, many of whom

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are cross-trained in projects such as pipeline and facility construction, refinery maintenance, 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 compete with other strong, experienced bidders.
- Maintain a conservative capital structure and strong balance sheet. We have maintained a capital structure that provides access to debt financing as needed while relying on tangible net worth 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, 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 and engineering companies. We have completed major underground and industrial projects for a number of large natural gas transmission and petrochemical companies in the western United States, as well as significant projects for our engineering customers. Through various acquisitions, we expanded our customer base to include a significant presence in the Gulf Coast and upper Midwest regions of the United States. Over time, the various acquisitions have also changed the composition of our customer base with significant increases in state agency projects. We enter into a large number of contracts each year and the projects can vary in length from several days to as long as 60 months, or 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.

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, and Sasol.

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The following customers accounted for more than 5.0% of our revenue in the periods indicated:

Description of customer's business	2018	2017	2016
Public gas and electric utility	8.5%	8.9%	9.2%
Private gas and electric utility	7.9%	8.0%	10.1%
State DOT	6.9%	9.3%	9.7%
Pipeline operator	6.7%	*	*
Pipeline operator	5.3%	*	*
Chemical/Energy producer	*	6.8%	10.4%
Pipeline operator	*	5.4%	*
Pipeline operator	*	*	6.2%
Totals	35.3%	38.4%	45.6%

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(\*)Indicates a customer with less than 5.0% of revenue during such period.

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As can be seen from the table, the customers accounting for revenue in excess of 5.0% each year varies 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, 2018, 2017 and 2016, 52.2%, 56.4% and 60.4%, 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 business unit management teams develop existing customer relationships to secure additional projects and increase revenue from our current customer base. Business unit managers are also responsible for 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 alliance or long-term maintenance agreements. However, we realize that future opportunities also require cost effective bids, as pricing is a key element for most construction projects.

## Ongoing Projects

The following is a summary of ongoing construction projects demonstrating our capabilities in different markets at December 31, 2018:

Segment	Project	Location	Approximate Contract Amount (Millions)	Estimated Completion Date	Remaining Backlog at December 31, 2018 (Millions)
Pipeline	177 Mile Natural Gas Pipeline	Mid-Atlantic Liberty County, TX	\$ 774	12/2020	\$ 573
Civil	U.S. 59 Highway	Hopkinton, MA	\$ 102	06/2022	\$ 101
Power	LNG Plant Replacement	Marina Del Rey, CA	\$ 123	05/2020	\$ 70
Pipeline	Dual force main & generator replacement		\$ 84	06/2020	\$ 30

Seasonality, cyclical and variability

Our results of operations are subject to quarterly variations. Some of the variation is the result of weather, particularly rain, ice and snow, which can impact our ability to perform construction services. While the majority of our work is in the southern half of the United States, 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.

We are also dependent on large construction projects which tend not to be seasonal, but can fluctuate from year to year based on 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.

#### Competition

We face substantial 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 and services offered.

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We compete with different companies in different end markets. For example, competitors in our underground markets include Quanta Services, Inc. and MasTec, Inc.; competitors in our industrial markets include Kiewit Corporation; and competitors in our highway services markets include Sterling Construction Company, and privately-held Boh Brothers and Zachary 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, delivery and safety, relevant experience, availability of skilled labor, machinery and equipment, financial strength, knowledge of local markets and conditions, and estimating abilities. 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 contracts that are fixed-price or unit-price contracts. 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 fixed unit prices. 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 usually supplied by the customer.

Our gas and electric distribution services are typically provided pursuant to renewable contracts on a “unit-cost” basis. Fees on unit-cost contracts are negotiated and are earned based on units completed. Historically, substantially all of the gas and electric distribution customers have renewed their maintenance contracts. Facilities maintenance services, such as regularly scheduled and emergency repair work, are provided on an ongoing basis at predetermined rates.

Construction contracts are primarily obtained through competitive bidding or through negotiations with long-standing customers. We are typically invited to bid on projects undertaken by recurring 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 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 contractors, our current and projected workload, the likelihood of additional work, 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. Project costs are accumulated and monitored regularly against billings and payments to assure proper tracking of cash flow on the project.

Most contracts provide for termination of the contract for the convenience of the owner. In addition, many contracts are subject to certain completion schedule requirements with damages or liquidated damages in the event schedules are not met. To date, these provisions have not materially adversely affected us.

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 performance of the entire contract, including subcontract work. Thus, we are potentially subject to increased costs and reputational risk associated with the failure of one or more subcontractors to perform as anticipated. While we subcontract specialized activities such as blasting, hazardous waste removal and selected electrical work, we perform most of the work on our projects with our own resources, including labor and equipment.



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### Risk Management, Insurance and Bonding

We maintain general liability and excess liability insurance covering our construction equipment, and workers' compensation insurance in amounts consistent with industry practices. In certain states, we self-insure our workers' compensation claims up to \$250,000 per occurrence, and we maintain insurance covering larger claims. In addition, we maintain umbrella coverage policies. We believe that our insurance programs are adequate.

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 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:

- Licensing, permitting and inspection requirements;
- Regulations relating to worker safety, including those established by the Occupational Safety and Health Administration;
- Permitting and inspection requirements applicable to construction projects;
- Contractor licensing requirements;
- Regulations concerning labor relations and affirmative action; and
- Regulations regarding the protection of the environment.

While compliance with applicable regulatory requirements has not adversely affected operations in the past, it has caused customers to delay projects, and there can be no assurance that these requirements will not change and that compliance with such requirements will not adversely affect operations. 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. Any changes in laws requiring us to use equipment that runs on alternative fuels could require a significant investment, which could adversely impact our financial performance.

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 adversely affect our ability to sell, lease or use our properties as collateral for financing.

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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, which could materially and adversely affect our business, financial condition, and/or results of operations. 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 properties. We believe that we are in substantial compliance with our environmental obligations to date and that any such obligations will not have a material adverse effect on our business or financial performance.

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. As discussed elsewhere in this Annual Report on Form 10-K, including in Item 1A. "Risk Factors", our operating results are significantly influenced by weather. Therefore, 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. Reductions in project awards could adversely affect our operations and financial performance.

## Employees

We believe that our employees are the most valuable resource in successfully completing construction work. Our ability to maintain sufficient continuous work for approximately 9,000 hourly employees helps us to instill in our employees loyalty to and an understanding of our policies and contributes to our strong production, safety and quality record.

As of December 31, 2018, we employed approximately 1,600 salaried employees and 9,000 hourly employees. The total number of hourly personnel employed is subject to the volume of construction work in progress.

Several of our subsidiaries have operations that are unionized through the negotiation and execution of 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](http://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](http://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 Ethics” (including a separate supplement which applies to our CEO, CFO and senior financial executives) and the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance 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 Ethics 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 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

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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 (not necessarily in probability of occurrence or order of importance). The following list is not all-inclusive, and there can be no assurance that we have correctly identified and appropriately assessed all factors affecting our business or that the publicly available or other information with respect to these matters is complete and correct. 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 and snow, 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 large construction projects which fluctuate based on general economic conditions and customer needs. 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 weather 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

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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 capital project spending by 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 and natural gas. 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 has increased 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 to significantly limit or reduce 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



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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.

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 highly dependent on tax credits, 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, and small local contractors. The strong competition in our markets requires maintaining skilled personnel and investing in technology, and it 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.

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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 2018, 2017 and 2016 was approximately 48.6%, 52.4%, and 45.2%, 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 52.2% of our revenue in 2018, 56.4% of our revenue in 2017 and 60.4% of our revenue in 2016. 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 Master Services Agreements (“MSA”) contracts. 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 2018, 2017 and 2016, revenue attributable to our services outside of the United States was 2.9%, 0.3% and 0.6% of our total revenue, respectively. While much of this revenue is derived from the operations of our Canadian subsidiaries, construction activities have occurred in several far eastern countries and in Australia. 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.

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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 for which we have known revenue amounts for fixed-price and unit-price contracts 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 may be reimbursed for certain costs, 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 an 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 fixed-price and unit-price contracts, 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 fixed-price and unit-price contracts. The approximate portion of revenue generated from fixed-price contracts for the years 2018, 2017 and 2016 was 27.3%, 28.5% and 18.7%, respectively. The approximate portion of revenue generated from unit-price contracts for the years 2018, 2017 and 2016 was 38.8%, 46.0%, and 44.5%, respectively. 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;

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- 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 and rain. 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, 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.

One of our customers recently filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code; while at this early stage the impact of this action is uncertain, it could adversely effect our financial condition, results of operations and cash flows.

On January 29, 2019, one of our utility customers filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. As of December 31, 2018, the utility customer comprised approximately 1.9% of our total accounts receivable. In addition to accounts receivable, there is approximately \$36.0 million in unbilled revenue, net as of December 31, 2018, related to this customer. For the year ended December 31, 2018, the customer accounted for approximately 8.5% of our total revenue. Our exposure to diverse end markets limits the potential for any one client or



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job to have a material adverse impact on our operations. Although we do not currently expect a material impact to our financial performance as a result of this customer's recent announcement, the failure to recover amounts due to us from this customer or any customer who enters bankruptcy could have a negative impact on our results of operations and cash flows, and the loss of a customer due to bankruptcy could have a negative impact on our financial condition, results of operations and cash flows.

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.

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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 or win 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 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 \$250,000 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 \$325,000 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

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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, 2018, approximately 46.7% of our hourly employees, primarily consisting of field laborers, were covered by collective bargaining agreements. Of the 111 collective bargaining agreements to which we are a party, 93 expire during 2019 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 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

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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.

If we cannot effectively manage the integration process or if any significant business activities are interrupted as a result of the integration process of any acquisition, our business could suffer.

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

A significant portion of our contracts is built with 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 our assumptions of market 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



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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

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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 fixed-price and unit-price contracts, 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 and politics 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 and financial condition could be adversely affected as a result of changes in accounting standards.

The Financial Accounting Standards Board ("FASB") periodically issues Accounting Standards Updates ("ASU") that revise the treatment for various accounting topics. 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 ASUs not yet adopted. These changes and other future changes could result in changes in the way we report our financial results.

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, 2018, our balance sheet included goodwill of \$206.2 million and intangible assets of \$81.2 million resulting from previous acquisitions. 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. 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.

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

We are subject to extensive tax liabilities imposed by multiple 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. 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 audit 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, 2018, 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).

We have successfully completed the implementation of an integrated financial system in the majority of our operations. With the completion of the conversion from the previous system, virtually all of our operations use the same information platform, allowing us to establish more consistent financial and operational controls. While we plan to convert the remaining operations to the same platform in 2019, there can be no assurance that the conversion will be completed on schedule, which would mean continued use of manual processes and controls, which tend to increase the risk of control deficiencies.

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 50.7 million were outstanding at December 31, 2018. 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 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.

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Our Chairman is a significant stockholder, which may make it possible for him to have significant influence over the outcome of matters submitted to our stockholders for approval and his interests may differ from the interests of other stockholders.

As of December 31, 2018, our Chairman of the Board beneficially owned approximately 13% of the outstanding shares of our common stock. He may have significant influence over the outcome of all matters submitted to our stockholders for approval, including the election of our directors and other corporate actions. Such influence could have the effect of discouraging others from attempting to purchase us or take us over and could reduce the market price offered for our common stock.

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

Our executive offices are located at 2300 Field Street, Suite 1900, Dallas, Texas 75201. The telephone number of our executive office is (214) 740-5600. We have regional offices located in Baton Rouge, Louisiana; Lake Forest, Pittsburg, Hayward, Bakersfield, San Dimas and San Diego, California; Fort Worth, Houston, McKinney, Belton, Deer Park, and Beaumont, Texas; Sarasota, Fort Myers and Fort Lauderdale, Florida; Little Canada, Minnesota; Hillsboro, Oregon; Denver, Colorado; and Calgary, Edmonton, Fort McMurray, and Acheson, Canada.

In addition to the above locations, we lease offices, facilities and production yards throughout the United States and Canada that are used in our operations. As of December 31, 2018, we owned 35 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 2018, capital expenditures were approximately \$110.2 million. In addition, the acquisition of Willbros during 2018 added \$30.5 million to property, plant and equipment. Total construction equipment purchases in 2018 were \$45.8 million

We believe the ownership of equipment is generally preferable to leasing 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



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on-site on major jobs 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 12 — “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.

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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 50,715,518 shares of common stock and 365 stockholders of record as of February 25, 2019. 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.

Repurchases of Securities

Share repurchase activity during the three months ended December 31, 2018 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or
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			Programs	Programs (1)
October 1, 2018 to October 31, 2018	—	\$ —	—	
November 1, 2018 to November 30, 2018	447,906	\$ 23.46	447,906	
December 1, 2018 to December 31, 2018	41,535	\$ 24.43	41,535	
Total	489,441			\$ —

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(1) On May 4, 2018, our Board of Directors authorized a share repurchase program for the repurchase of up to \$5.0 million of our outstanding common stock. On August 14, 2018, our Board of Directors approved an increase to the share repurchase program to authorize repurchases of up to \$20.0 million of our outstanding common stock. 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 of December 31, 2018, we had repurchased all \$20.0 million of common stock authorized under the share repurchase program. The share repurchase program expired on December 31, 2018.

#### Sales of Unregistered Securities

We did not sell any unregistered shares of our common stock during 2018.

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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, 2013, and in each quarter up through December 31, 2018. 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 Peer Group was modified in 2018 to exclude Willbros Group, Inc. due to our acquisition of Willbros in June 2018. As a result, we have replaced Willbros with Granite Construction, Inc. in the Peer Group since they have operations similar to ours and have a similar market capitalization.

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, 2013. All dividends were reinvested in additional shares of common stock, although none of the comparable companies paid dividends during the periods shown. 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, 2013 THROUGH DECEMBER 31, 2018

CUMULATIVE TOTAL RETURN

Among Primoris Services Corporation ("PRIM"), the S&P 500 and the Peer Group



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## 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,				
	2018	2017	2016	2015	2014
	(In millions except per share data)				
Statement of Operations Data:					
Revenue	\$ 2,940	\$ 2,380	\$ 1,997	\$ 1,929	\$ 2,086
Cost of revenue	2,614	2,102	1,796	1,709	1,850
Gross profit	326	278	201	220	236
Selling, general and administrative expense	182	170	139	152	131
Merger and related costs	13	2	1	—	1
Impairment of goodwill	—	—	3	—	—
Operating income	131	106	58	68	104
Other income (expense)	(17)	(1)	(9)	(7)	(2)
Income before provision for income taxes	114	105	49	61	102
Income tax provision	(26)	(28)	(21)	(24)	(38)
Net income	\$ 88	\$ 77	\$ 28	\$ 37	\$ 64
Less net income attributable to noncontrolling interests	(10)	(5)	(1)	—	(1)
Net income attributable to Primoris	\$ 78	\$ 72	\$ 27	\$ 37	\$ 63
Dividends per common share	\$ 0.240	\$ 0.225	\$ 0.220	\$ 0.205	\$ 0.150
Earnings per share attributable to Primoris:					
Basic	\$ 1.51	\$ 1.41	\$ 0.52	\$ 0.71	\$ 1.22
Diluted	\$ 1.50	\$ 1.40	\$ 0.51	\$ 0.71	\$ 1.22
Weighted average common shares outstanding:					
Basic	51.4	51.5	51.8	51.6	51.6
Diluted	51.7	51.7	52.0	51.8	51.7

	As of December 31,				
	2018	2017	2016	2015	2014
Balance Sheet Data:					
Cash and cash equivalents	\$ 151	\$ 170	\$ 136	\$ 161	\$ 139
Short term investments	—	—	—	—	31
Accounts receivable, net	373	292	388	321	337

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Total assets	1,594	1,256	1,171	1,132	1,111
Total current liabilities	622	455	450	416	419
Long-term debt, net of current portion	306	193	203	220	204
Stockholders' equity	607	562	499	483	454

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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

Primoris is a holding company of various subsidiaries, which form one of the larger publicly traded specialty contractors and infrastructure companies in the United States. Serving diverse end-markets, we provide a wide range of construction, fabrication, maintenance, replacement, and engineering services to major public and private utilities, petrochemical companies, energy companies, municipalities, state departments of transportation and other customers. We install, replace, repair and rehabilitate natural gas, refined product, water and wastewater pipeline systems; large diameter gas and liquid pipeline facilities; electric utility systems; and heavy civil projects, earthwork and site development. We also construct mechanical facilities and other structures, including power plants, petrochemical facilities, refineries, water and wastewater treatment facilities and parking structures. Finally, we provide specialized process and product engineering services.

We have longstanding customer relationships with major utility, refining, petrochemical, power and engineering companies. 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 several days to as long as 60 months, or 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 options, including fixed-price, unit-price, time and material, and cost reimbursable plus fee contracts. A substantial portion of our revenue is derived from contracts that are fixed-price or unit-price and is recognized over time as work is completed because of the continuous transfer of control to the customer. For time and material and cost reimbursable plus fee contracts, revenue is recognized primarily on an input basis, based on contract costs incurred as defined within the respective contracts.

Our reportable segments consist of 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, which is a new reportable segment created in 2018 in connection with the acquisition of Willbros Group, Inc. (“Willbros”), and the Civil segment. See Note 13 – “Reportable Segments” of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K 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

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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 June 1, 2018, we acquired Willbros for approximately \$110.6 million, net of cash and restricted cash acquired. Willbros is 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 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.

On May 26, 2017, we acquired the net assets of Florida Gas Contractors ("FGC") for \$37.7 million; on May 30, 2017, we acquired certain engineering assets for approximately \$2.3 million; and on June 16, 2017, we acquired the net assets of Coastal Field Services ("Coastal") for \$27.5 million. FGC operations are included in the Utilities segment, the engineering assets are included in the operations of the Power segment, and Coastal operations are included in the Pipeline segment.

In August 2017, we announced that we are investing approximately \$22.0 million to build, own, and operate a portfolio of solar projects in a California School District acquired from the developers, Spear Point Energy, LLC, and PFMG Solar, LLC. This investment amount includes the cost of Engineering, Procurement, and Construction ("EPC") work on the projects, which is projected to be completed in the first quarter of 2019. The solar projects are expected to generate a 25-year recurring revenue stream from the District's signed power purchase agreement. As an investment in a renewable energy project, the solar assets should provide us with investment tax credits valued at over \$5.0 million. Our investment for the solar projects was approximately \$23.2 million as of December 31, 2018.

On January 29, 2016, we acquired the net assets of Mueller Concrete Construction Company ("Mueller") for \$4.1 million, and on November 18, 2016, we acquired the net assets of Northern Energy & Power ("Northern") for \$6.9 million. On June 24, 2016, we purchased property, plant and equipment from Pipe Jacking Unlimited, Inc. ("Pipe Jacking"), consisting of specialty directional drilling and tunneling equipment for \$13.4 million. We determined this purchase did not meet the definition of a business as defined under Accounting Standards Codification ("ASC") 805, "Business Combinations". Mueller operations are included in the Utilities segment, Northern operations are included in the Power segment, and Pipe Jacking operations are included in the Pipeline segment.

We own a 50% interest in two separate joint ventures, both formed in 2015. The Carlsbad Power Constructors joint venture ("Carlsbad") is engineering and constructing a gas-fired power generation facility, and the "ARB Inc. & B&M Engineering Co." joint venture ("Wilmington") is also engineering and constructing a gas-fired power generation facility. Both projects are located in Southern California. The joint venture operations are included as part of the Power segment. As a result of determining that we are the primary beneficiary of the two variable interest entities ("VIEs"), the results of the Carlsbad and Wilmington joint ventures are consolidated in our financial statements. The

Wilmington project was substantially complete as of December 31, 2017, and the Carlsbad project was substantially complete as of December 31, 2018.

#### Material trends and uncertainties

We generate our revenue from both large and small construction and engineering projects. The award of these contracts is dependent on many factors, most of which are not within our control. We depend in part on spending by companies in the energy and oil and gas industries, the gas and electric utility industry, as well as 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, 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 factors outside of our control may affect the amount and size of contracts we are awarded in any particular period.

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We closely monitor our customers to assess the effect that changes in economic, market and regulatory conditions may have on them. We have experienced reduced spending by some of our customers over the last several years, which we attribute to negative economic and market conditions, and we anticipate that these negative conditions 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 significant volatility in the price of oil, gas and liquid natural gas that occurred in the past few years could create uncertainty with respect to demand for our oil and gas pipeline services both in the near-term and for future projects. We have started to see increased activity in our upstream operations, such as the construction of gathering lines within the oil shale formations and 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.

We are also monitoring the impact of recently imposed domestic and foreign trade tariffs, which could raise the price of raw materials, such as steel, utilized on construction projects or delay the start of certain projects. The continuing changes in the regulatory environment also affect the demand for our services, either by increasing our work or delaying projects. For example, environmental laws and regulation can provide challenges to major pipeline projects, resulting in delays 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, but renewable resources may also create a demand for our construction services such as the need for storage of renewable generated electricity.

On January 29, 2019, one of our utility customers filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. As of December 31, 2018, the utility customer comprised approximately 1.9% of our total accounts receivable. In addition to accounts receivable, there is approximately \$36.0 million in unbilled revenue, net as of December 31, 2018. For the year ended December 31, 2018, the customer accounted for approximately 8.5% of our total revenue. Our exposure to diverse end markets limits the potential for any one client or job to have a material adverse impact on our operations. Although we do not currently expect a material impact to our financial performance as a result of this customer's recent announcement, the failure to recover amounts due to us from this customer or any customer who enters bankruptcy could have a negative impact on our results of operations and cash flows, and the loss of a customer due to bankruptcy could have a negative impact on our financial condition, results of operations and cash flows. We do not believe a reserve for the accounts receivable and unbilled revenue is appropriate at this time. However, we will closely monitor our current and future potential exposure.

### Seasonality, cyclical and variability

Our results of operations are subject to quarterly variations. Some of the variation is the result of weather, particularly rain, ice and snow, which can impact our ability to perform construction services. While the majority of our work is in the southern half of the United States, 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.

We are also dependent on large construction projects which tend not to be seasonal, but can fluctuate from year to year based on 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.

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### 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. A substantial portion of our revenue is derived from contracts that are fixed-price or unit-price and 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 time and material and cost reimbursable plus fee contracts, 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, "Revenue from Contracts with Customers" 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 and politics 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,

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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 give 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, 2018, we had approximately \$92.8 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 \$83.3 million of the unapproved contract modifications had been recognized as revenue on a cumulative catch-up basis through December 31, 2018.



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:

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- unbilled revenue (formerly costs and estimated earnings in excess of billings), 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 (formerly billings in excess of costs and estimated earnings) 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 using estimated earnout payments based on management’s best estimate.

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,

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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 two-step impairment test outlined in ASC 350. First, we compare 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 potentially impaired and further tests are performed to measure the amount of impairment loss. In the second step of the goodwill impairment test, we compare the implied fair value of reporting unit goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the carrying amount of goodwill less its implied fair value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination was determined. We allocate the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities represents the implied fair value of goodwill.

During the third quarter of 2016, we made a decision to divest the Texas heavy civil business unit, a division of Primoris Heavy Civil within the Civil segment. We engaged a financial advisor to assist in the marketing and sale of the business unit, and planned to continue operating the business unit until completion of a sale. In April 2017, the Board of Directors determined that based on the information available, we would attain the best long-term value by withdrawing from the sales process and continuing to operate the business unit.

Under the provisions of ASC 350, the planned divestiture triggered an analysis of the goodwill amount of Primoris Heavy Civil. The analysis resulted in a pre-tax, non-cash goodwill impairment charge of approximately \$2.7 million in the third quarter of 2016.

There were no other impairments of goodwill for the years ended December 31, 2018, 2017 and 2016.

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 first step valuation 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

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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.

**Tax Cuts and Jobs Act**—On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act made broad and complex changes to the U.S. tax code that affects our results, including but not limited to:

- Reduction of the U.S. federal corporate income tax rate from 35.0% to 21.0%;
- The allowance of bonus depreciation that provides for immediate deduction of qualified property placed in service after September 27, 2017;
- The repeal of the domestic production activities deduction;
- Further limitations on the deductibility of certain executive compensation;
- Disallowance of certain entertainment expense deductions;
- Limitations on the use of foreign tax credits to reduce the U.S. income tax liability;
- Limitations on interest expense deductibility;
- Elimination of the corporate alternative minimum tax.

While the Tax Act also contains complex changes to the tax code for companies operating internationally, we are not materially impacted by the international provisions of the Tax Act. As a result of the Tax Act, we remeasured our deferred tax assets and liabilities using the newly enacted tax rates and recorded a one-time net tax benefit of \$9.4 million in the year ended December 31, 2017.

Given the significant impact of the Tax Act, the SEC staff issued Staff Accounting Bulletin (“SAB”) 118 which 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 is complete. The provision for income taxes for the year ended December 31, 2018 includes a \$1.1 million increase from the completion of our provisional accounting for the effects of the Tax Act under SAB 118. The increase is 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.

**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 12 — “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.

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### Results of Operations

#### Consolidated Results

One event had a material impact on our results of operations in 2018 and two events had a material impact on our results of operations in 2016. In 2018, we settled a disputed receivable for one of the construction projects that we had identified as part of our “Receivable Collection Actions”, discussed below, which resulted in recognizing revenue of \$18.1 million and gross profit of \$17.4 million. In 2016, we received a \$38.0 million settlement for the other construction project that we had identified as part of our “Receivable Collection Actions”, which resulted in recognizing revenue of \$27.5 million and gross profit of \$26.7 million. Also in 2016, we recorded a charge of \$37.3 million primarily related to certain Belton, Texas area projects for the Texas Department of Transportation (“DOT”), as a result of project delays and productivity issues.

#### Revenue

##### 2018 and 2017

Revenue for the year ended December 31, 2018 increased by \$559.5 million, or 23.5%, compared to 2017. The increase was primarily due to incremental revenue in 2018 from acquisitions (\$444.2 million combined), and organic growth in our Utilities, Power, and Pipeline segments, partially offset by lower revenue in our Civil segment.

##### 2017 and 2016

Revenue for the year ended December 31, 2017 increased by \$383.0 million, or 19.2%, compared to 2016. All segments reported year over year organic growth, with the most significant growth coming from the Utilities and Power segments. Incremental revenue from acquisitions totaled \$53.6 million.

#### Gross Profit

##### 2018 and 2017



For the year ended December 31, 2018, gross profit increased by \$47.3 million, or 17.0%, compared to 2017. The increase was primarily due to incremental gross profit in 2018 from acquisitions (\$48.5 million), and the settlement of one of the “Receivable Collection Actions” in 2018 (\$17.4 million), partially offset by lower gross profit in our Pipeline segment. Gross profit as a percentage of revenue decreased to 11.1% in 2018 from 11.7% in 2017 due primarily to favorable performance on pipeline projects in 2017, partially offset by the settlement of one of the “Receivable Collection Actions” in 2018.

#### 2017 and 2016

For the year ended December 31, 2017, gross profit increased by \$77.1 million, or 38.3%, compared to 2016. All segments reported year over year improvement. Strong revenue growth and the favorable performance in the Pipeline segment drove significant improvement. Also benefiting 2017 were higher volumes for the Power segment and better performance from the Civil segment. The year over year increase was partially offset by \$26.7 million of gross profit recognized in 2016 from the settlement of one of the “Receivable Collection Actions”. Incremental gross profit from acquisitions totaled \$8.6 million. Gross profit as a percentage of revenue increased to 11.7% in 2017 from 10.1% in 2016 for the reasons noted above.

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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 office rent and utilities.

2018 and 2017

SG&A expenses were \$182.0 million for the year ended December 31, 2018, compared to \$170.4 million for the year ended December 31, 2017, an increase of \$11.6 million, or 6.8%. The primary reason for the increase was \$21.5 million of incremental expense from the businesses we acquired during 2018 and 2017. The overall increase was partially offset by a \$4.4 million reduction in compensation related expenses, including discretionary incentive compensation and a \$3.2 million decrease in legal fees. SG&A expense as a percentage of revenue for the year ended December 31, 2018 decreased to 6.2% compared to 7.2% for the year ended December 31, 2017 due to increased revenue.

2017 and 2016

SG&A expenses were \$170.4 million for the year ended December 31, 2017, compared to \$140.8 million for the year ended December 31, 2016, an increase of \$29.6 million. Approximately \$12.4 million of the increase in SG&A is related to businesses acquired in 2017 and a full year of expense in 2017 for the Northern acquisition compared to less than two months of expense in 2016. The remaining increase was primarily due to a \$12.6 million increase in compensation related expenses, including discretionary incentive compensation, and a \$1.3 million increase in legal costs. SG&A as a percentage of revenue for the year ended December 31, 2017 increased slightly to 7.2% compared to 7.0% for the year ended December 31, 2016 due to incremental expenses from the businesses we acquired in 2017 and 2016.

Merger and related costs

Merger and related costs were \$13.3 million for year ended December 31, 2018, compared to \$1.8 million for the year ended December 31, 2017. The increase is primarily related to higher costs associated with the acquisition of Willbros. 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.

Other income and expense

Non-operating income and expense items for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions):

	2018	2017	2016
Investment income	\$ —	\$ 5.8	\$ —
Foreign exchange gain	0.7	0.2	0.2
Other income (expense), net	(0.8)	0.5	(0.3)
Interest income	1.7	0.6	0.1
Interest expense	(18.7)	(8.1)	(8.9)
Total other income (expense)	\$ (17.1)	\$ (1.0)	\$ (8.9)

Investment income for the year ended December 31, 2017 is related to a gain from a short-term investment in marketable equity securities. We purchased the securities in the third quarter of 2017 and sold the securities in the fourth quarter of 2017.

Foreign exchange gains in 2018, 2017, and 2016 are primarily related to currency exchange fluctuations associated with our Canadian engineering operation, which operates principally in United States dollars.

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Other expense for the year ended December 31, 2018 was \$0.8 million compared to other income of \$0.5 million for 2017. The \$1.3 million change was primarily due to remeasurement of the contingent consideration related to the FGC performance target contemplated in the purchase agreement. Under ASC 805, "Business Combinations", we are required to estimate the fair value of contingent consideration based on facts and circumstances that existed as of the acquisition date and remeasure to fair value at each reporting date until the contingency is resolved. As a result of that remeasurement, we increased the contingent consideration liability by \$0.8 million in 2018.

Other income for 2017 was \$0.5 million compared to other expense of \$0.3 million for 2016. The \$0.8 million change was primarily due to remeasurement of the contingent consideration related to the FGC performance target contemplated in their purchase agreement, which resulted in a reduction to the contingent consideration liability of \$0.5 million in 2017.

Interest income is derived from interest earned on excess cash invested primarily in short term U.S. Treasury bills, backed by the federal government.

Interest expense increased in 2018 compared to the same periods in 2017 due to higher average debt balances and weighted average interest rates in 2018 and a \$2.8 million unrealized loss on the change in the fair value of our interest rate swap agreement in 2018. In addition, we recognized an additional \$2.3 million of interest in 2018 related to the early extinguishment of the Senior Notes (as defined below). Interest expense decreased in 2017 compared to 2016 primarily due to a lower average debt balance. The weighted average interest rate on total debt outstanding at December 31, 2018, 2017 and 2016 was 4.1%, 3.0% and 2.9%, respectively.

## Provision for income taxes

Our provision for income taxes decreased \$2.7 million to \$25.8 million for 2018 compared to 2017. This decrease was primarily due to a lower U.S. federal statutory rate in 2018 resulting from the Tax Act and the benefit of investment tax credits claimed in 2018. The decrease was partially offset by an increase of \$1.1 million from the completion of our provisional accounting for the effects of the Tax Act under SAB 118 and higher pre-tax profit in 2018. The 2018 effective tax rate on income including noncontrolling interests was 22.7%. The 2018 effective tax rate on income attributable to Primoris (excluding noncontrolling interests) was 25.0%.

Our provision for income taxes increased \$7.3 million to \$28.4 million for 2017 compared to 2016. Increased pre-tax profit in 2017 of \$53.0 million drove an increase in income tax of \$23.4 million using the 2016 effective tax rate. This increase in income tax was offset by a \$9.4 million decrease in income tax from the remeasurement of our U.S. deferred tax liability and a \$6.7 million decrease due to a decrease in 2017 effective tax rates. The remeasurement benefit was a provisional estimate under SAB 118. The 2017 effective tax rate on income including noncontrolling interests was 27.0%. The 2017 effective tax rate on income attributable to Primoris (excluding noncontrolling

interests) was 28.2%.

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### Segment Results

#### Power Segment

Revenue and gross profit for the Power segment for the years ending December 31, 2018, 2017 and 2016 were as follows:

	Year Ended December 31, 2018		2017		2016	
	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue
Power Segment						
Revenue	\$ 694.0		\$ 606.1		\$ 478.6	
Gross profit	\$ 109.8	15.8%	\$ 65.7	10.8%	\$ 49.8	10.4%

#### 2018 and 2017

Revenue increased by \$87.9 million, or 14.5%, during 2018 compared to 2017. The growth is primarily due to refinery projects in Southern California (\$64.2 million), a West Texas solar electric facility project that started in 2018 (\$41.5 million), and a monoethylene glycol plant project in Texas that started in the third quarter of 2017 (\$38.6 million). The acquisition of Willbros increased revenue in 2018 (\$60.6 million), and we collected a disputed receivable in 2018 related to a major project completed in 2014, which resulted in recognizing revenue of approximately \$18.1 million. The overall increase was partially offset by the substantial completions of a large petrochemical plant project in Louisiana and our Wilmington joint venture power plant project in 2017 (\$132.1 million combined).

Gross profit increased by \$44.1 million, or 67.1%, during 2018 compared to 2017. The increase is primarily due to revenue growth and higher margins. In addition gross profit increased by \$17.4 million in 2018 from the collection of the disputed receivable. Gross profit as a percentage of revenue increased to 15.8% in 2018 compared to 10.8% in 2017 primarily due to a strong performance and favorable margins realized by our Carlsbad joint venture project, as well as the collection of the disputed receivable.

#### 2017 and 2016

Revenue increased by \$127.5 million, or 26.6%, during 2017 compared to 2016. The growth is primarily due to progress on our joint venture power plant projects in Southern California (\$115.3 million), a power plant construction project in the Mid-Atlantic region that began late in the third quarter of 2016 (\$42.9 million) and a methane plant project in Texas that started in 2017. In addition, we benefited from acquisitions completed in November 2016 and May 2017 (\$20.3 million combined). The overall increase was partially offset by the substantial completion of a large petrochemical plant in Louisiana in the second quarter of 2017 (\$42.0 million) and the completion of two large parking structures in 2016.

Gross profit increased by \$15.9 million, or 31.9%, during 2017 compared to 2016. The increase is primarily attributable to the revenue growth and the impact of acquired operations (\$1.6 million). Gross profit as a percentage of revenue increased to 10.8% in 2017 compared to 10.4% in 2016 primarily as a result of an improved revenue mix.

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## Pipeline Segment

Revenue and gross profit for the Pipeline segment for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Year Ended December 31,					
	2018		2017		2016	
		% of		% of		% of
	(Millions)	Segment	(Millions)	Segment	(Millions)	Segment
		Revenue		Revenue		Revenue
Pipeline Segment						
Revenue	\$ 590.9		\$ 465.6		\$ 401.9	
Gross profit	\$ 66.6	11.3%	\$ 92.1	19.8%	\$ 68.1	16.9%

## 2018 and 2017

Revenue increased by \$125.3 million, or 26.9%, during 2018 compared to 2017. The increase is primarily due to major pipeline projects in the Mid-Atlantic and in West Texas that began in 2018 (\$306.8 million combined), and incremental revenue from the Willbros and Coastal acquisitions (\$72.2 million combined). The overall increase was partially offset by the completion of two large pipeline jobs in Florida and a pipeline job in West Texas in 2017 (\$262.9 million combined).

Gross profit decreased by \$25.5 million, or 27.7%, during 2018 compared to 2017. The decrease is primarily attributable to our strong performance on the two pipeline jobs in Florida in 2017, which benefited from good weather conditions resulting in no weather delays and high productivity. The overall decrease was partially offset by incremental gross profit from the Willbros and Coastal acquisitions.

Gross profit as a percentage of revenue decreased to 11.3% in 2018 compared to 19.8% in 2017. The decrease is due to the good weather conditions in 2017 noted above, which is not common and not expected to occur again in the future. Gross profit as a percentage of revenue experienced in 2018 is normal for the pipeline segment.

## 2017 and 2016

Revenue increased by \$63.7 million, or 15.8%, during 2017 compared to 2016. The increase is primarily due to two large pipeline jobs in Florida, which began in the third quarter of 2016 (\$31.6 million) and activity on a pipeline



project in Pennsylvania that began in 2017 (\$52.0 million). In addition, impact of the acquired Coastal operations (\$17.9 million) also benefited 2017. The overall increase was partially offset by a reduction in pipeline maintenance work (\$31.1 million) and the collection of a disputed receivable in 2016 related to a major pipeline project completed in 2014, which resulted in recognizing revenue of approximately \$27.5 million.

Gross profit increased by \$24.0 million, or 35.2%, during 2017 compared to 2016. The increase is attributable to the combination of revenue growth and our strong performance on the two pipeline jobs in Florida, where we experienced good weather conditions resulting in no weather delays and high productivity. In addition, the acquisition of Coastal in 2017 contributed gross profit of \$3.2 million. The overall increase was partially offset by the collection of a disputed receivable in 2016 related to a major pipeline project completed in 2014, which resulted in recognizing gross profit of approximately \$26.7 million.

Gross profit as a percentage of revenue increased to 19.8% in 2017 compared to 16.9% in 2016. The increase is due to the good weather conditions noted above, which is not common, partially offset by the collection of the disputed receivable.

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## Utilities Segment

Revenue and gross profit for the Utilities segment for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Year Ended December 31,				2016	
	2018		2017		2016	
	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue	(Millions)	% of Segment Revenue
Utilities Segment						
Revenue	\$ 902.8		\$ 806.5		\$ 637.2	
Gross profit	\$ 111.8	12.4%	\$ 113.0	14.0%	\$ 100.1	15.7%

## 2018 and 2017

Revenue increased by \$96.3 million, or 11.9%, during 2018 compared to 2017. The increase is primarily attributable to higher revenue from a major utility customer in the Midwest (\$41.5 million), and increased activity with a major utility customer in California (\$40.5 million). In addition, the impact of the acquired FGC operations in the second quarter of 2017 also benefited 2018 (\$15.8 million).

Gross profit decreased \$1.2 million, or 1.1%, during 2018 compared to 2017 primarily due to the impact of a client delay and unfavorable weather conditions experienced by a major utility customer in the Midwest in 2018, partially offset by the impact of acquired operations. Gross profit as a percentage of revenues decreased to 12.4% in 2018 compared to 14.0% in 2017 primarily due to the reasons noted above.

## 2017 and 2016

Revenue increased by \$169.3 million, or 26.6%, during 2017 compared to 2016. The increase is primarily attributable to higher activity with two major utility customers in California (\$67.7 million combined) and two major utility customers in the Midwest (\$32.3 million combined). In addition, higher revenue from a collaboration MSA arrangement for a major utility customer in California (\$35.6 million) and the impact of the acquired FGC operations (\$15.5 million) also benefited 2017.

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Gross profit increased \$12.9 million, or 12.9%, during 2017 compared to 2016. The increase is primarily due to the growth in revenue and the impact of acquired operations. Gross profit as a percentage of revenues decreased to 14.0% in 2017 compared to 15.7% in 2016 primarily as a result of lower gross margins on the collaboration MSA work.

### Transmission Segment

Revenue and gross profit for the Transmission segment for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Year Ended December 31,				2016	
	2018		2017		2016	
		% of		% of		% of
		Segment		Segment		Segment
	(Millions)	Revenue	(Millions)	Revenue	(Millions)	Revenue
Transmission Segment						
Revenue	\$ 286.8		\$ —		\$ —	
Gross profit	\$ 31.9	11.1%	\$ —	—	\$ —	—

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

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## Civil Segment

Revenue and gross profit for the Civil segment for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Year Ended December 31,				2016	
	2018		2017		2016	
		% of		% of		% of
	(Millions)	Segment	(Millions)	Segment	(Millions)	Segment
		Revenue		Revenue		Revenue
Civil Segment						
Revenue	\$ 465.0		\$ 501.8		\$ 479.2	
Gross profit	\$ 5.6	1.2%	\$ 7.6	1.5%	\$ (16.7)	(3.5%)

## 2018 and 2017

Revenue decreased by \$36.8 million, or 7.3%, during 2018 compared to 2017. The decrease is primarily due to the substantial completion of a large petrochemical plant project (\$38.5 million) in 2017 and a methanol plant project (\$31.9 million) in 2017 as well as lower Arkansas DOT and Texas DOT volumes. The overall decrease was partially offset by higher Louisiana DOT volumes (\$45.8 million), an ethylene plant project that began in 2018, and increased Florida mine work.

Gross profit decreased by \$2.0 million, or 26.3%, during 2018 compared to 2017. The decrease was primarily due to favorable performance on the methanol plant and petrochemical plant projects in 2017 and higher costs on an airport project in 2018, partially offset by higher profit on Texas DOT and Louisiana DOT projects in 2018. Gross profit as a percentage of revenue for 2018 was consistent with gross profit as a percentage of revenue for 2017.

Revenue at the five Belton area projects was \$124.7 million for the year ended December 31, 2018, representing 26.8% of total Civil segment revenue. Revenue for which no margin was recognized was \$61.9 million for the year ended December 31, 2018. During the year ended December 31, 2018, the four Belton area jobs in a loss position contributed \$7.2 million in gross profit primarily due to increases from expected claim recovery. Two of the Belton area jobs in a loss position were completed during 2017, and the remaining two Belton area jobs in a loss position are scheduled to be completed in the first half of 2019. At December 31, 2018, the accrued loss provision for the two open loss jobs was \$0.7 million and estimated remaining revenue for the open loss jobs was \$8.6 million. The remaining Belton area job is not in a loss position and contributed \$0.8 million gross profit during the year ended December 31, 2018. At December 31, 2018, estimated revenue for the remaining Belton area job was \$28.1 million, with completion scheduled for 2019.

At December 31, 2018, we had approximately \$48.6 million of unapproved contract modifications included in the aggregate transaction prices associated with the Belton area projects. Approximately \$46.4 million of the contract modifications had been recognized as revenue on a cumulative catch-up basis through December 31, 2018.

#### 2017 and 2016

Revenue increased by \$22.6 million, or 4.7%, during 2017 compared to 2016. The increase is primarily due to progress on a methanol plant project in Louisiana that began in 2017 (\$31.9 million) and higher volume on the Belton area projects (\$23.3 million). The overall increase was partially offset by substantial completion of a large petrochemical plant project in Louisiana in the first half of 2017.

Gross profit increased by \$24.3 million during 2017 compared to 2016. The increase was primarily due to a \$37.3 million write-down in 2016 related to the Belton area projects, partially offset by higher costs on two Arkansas DOT projects and one Louisiana DOT project in 2017, despite the revenue increase.

Gross profit as a percentage of revenue increased to 1.5% in 2017 compared to (3.5%) in 2016. The increase was primarily the result of the write-down in 2016 related to the Belton area projects, partially offset by the project cost impacts noted above.

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### Planned Divestiture of Texas Heavy Civil Business Unit

In October 2016, we announced that we planned to divest our Texas heavy civil business unit, which operates as a division of Primoris Heavy Civil. We engaged a financial advisor to assist in the marketing and sale of the business unit, and planned to continue to operate the business unit until completion of a sale. In April 2017, the Board of Directors determined that based on the information available, we would attain the best long-term value by withdrawing from the sales process and continuing operating the business unit. We will aggressively pursue claims for five Texas Department of Transportation projects that resulted in significant losses recorded in 2016. However, there can be no assurance as to the final amounts that may be collected.

### 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 net cash flow. If needed, we have availability under our lines of credit to augment liquidity needs. On July 9, 2018, we amended our Credit Agreement to include a \$220.0 million term loan that was used to refinance and extinguish all of the notes under our Senior Notes, to pay down a significant portion of the borrowings under our Revolving Credit Facility (as defined below) that was used to finance the acquisition of Willbros, and for general corporate purposes. At December 31, 2018, there were no outstanding borrowings under the Revolving Credit Facility, commercial letters of credit outstanding were \$53.0 million, and available borrowing capacity was \$147.0 million. 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.

Our cash and cash equivalents totaled \$151.1 million at December 31, 2018 compared to \$170.4 million at December 31, 2017. 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. In evaluating our liquidity needs, we do not consider cash and cash equivalents held by our consolidated VIEs.

The construction industry is capital intensive, and we expect to continue to make capital expenditures to meet anticipated needs for our services. Historically, we have invested an amount that approximated the sum of depreciation and amortization expenses plus proceeds from equipment sales. In 2018, we spent approximately \$110.2 million for capital expenditures, which included \$13.3 million spent for our investment in the solar projects and \$45.8

million for construction equipment. In addition, the acquisition of Willbros during 2018 added \$30.5 million to property, plant and equipment. For 2018, the amount of depreciation, amortization and equipment sales proceeds was approximately \$90.9 million. Capital expenditures are expected to total \$85.0 to \$90.0 million for 2019.

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Cash Flows

Cash flows during the years ended December 31, 2018, 2017 and 2016 are summarized as follows (in millions):

	Year Ended December 31,		
	2018	2017	2016
Change in cash:			
Net cash provided by operating activities	\$ 126.8	\$ 188.9	\$ 62.6
Net cash used in investing activities	(209.1)	(131.4)	(59.4)
Net cash provided by (used in) financing activities	63.9	(22.9)	(28.5)
Effect of exchange rate changes	(0.9)	—	—
Net change in cash and cash equivalents	\$ (19.3)	\$ 34.6	\$ (25.3)

Operating Activities

The sources and uses of cash flow associated with operating activities for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions):

	2018	2017	2016
Operating Activities:			
Net income	\$ 87.6	\$ 76.9	\$ 27.7
Depreciation and amortization	79.2	66.3	68.0
Changes in assets and liabilities	(38.0)	54.1	(33.0)
Other	(2.0)		