

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2019

OR

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

Commission File No. 001-38166

CONCRETE PUMPING HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

83-1779605

(I.R.S. employer identification no.)

**500 E. 84th Avenue, Suite A-5
Thornton, Colorado 80229**

(Address of principal executive offices, including zip code)

(303) 289-7497

(Registrant's telephone number, including area code)

None

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	BBCP	The Nasdaq Capital Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large Accelerated Filer
Non-Accelerated Filer
Emerging growth company

Accelerated Filer
Smaller Reporting Company

If an emerging growth company, indicate by check mark if the registrant has elected 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

As of September 13, 2019, the registrant had 58,199,720 shares of common stock outstanding.

CONCRETE PUMPING HOLDINGS, INC.
FORM 10-Q
FOR THE QUARTER ENDED JULY 31, 2019

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PART I

ITEM 1. Unaudited Consolidated Financial Statements

Concrete Pumping Holdings, Inc.
Consolidated Balance Sheet

	Successor (Unaudited) July 31, 2019	Predecessor October 31, 2018
<i>(in thousands, except per share amounts)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,529	\$ 8,621
Trade receivables, net	43,904	40,118
Inventory	4,195	3,810
Prepaid expenses and other current assets	4,561	3,947
Total current assets	57,189	56,496
Property, plant and equipment, net	297,085	201,915
Intangible assets, net	230,676	36,429
Goodwill	277,051	74,656
Other non-current assets	2,302	-
Deferred financing costs	1,058	648
Total assets	\$ 865,361	\$ 370,144
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving loan	\$ 31,331	\$ 62,987
Term loans, current portion	20,888	-
Current portion of capital lease obligations	89	85
Accounts payable	6,788	5,192
Accrued payroll and payroll expenses	7,329	6,705
Accrued expenses and other current liabilities	18,936	18,830
Income taxes payable	1,046	1,152
Deferred consideration	1,372	1,458
Total current liabilities	87,779	96,409
Long term debt, net of discount for deferred financing costs	365,164	173,470
Capital lease obligations, less current portion	500	568
Deferred income taxes	71,179	39,005
Total liabilities	524,622	309,452
Redeemable preferred stock, \$0.001 par value, 2,342,264 shares issued and outstanding as of October 31, 2018 (liquidation preference of \$11,239,060)	-	14,672
Zero-dividend convertible perpetual preferred stock, \$0.0001 par value, 2,450,980 shares issued and outstanding as of July 31 2019	25,000	-
Stockholders' equity		
Common stock, \$0.001 par value, 15,000,000 shares authorized, 7,576,289 shares issued and outstanding as of October 31, 2018		8
Common stock, \$0.0001 par value, 500,000,000 shares authorized, 58,199,620 shares issued and outstanding as of July 31, 2019	6	-
Additional paid-in capital	348,856	18,724
Accumulated other comprehensive income	(6,441)	584
(Accumulated deficit) retained earnings	(26,682)	26,704
Total stockholders' equity	315,739	46,020
Total liabilities and stockholders' equity	\$ 865,361	\$ 370,144

The accompanying Notes are an integral part of these Unaudited Consolidated Financial Statements

Concrete Pumping Holdings, Inc.
Consolidated Statement of Income (Loss)
(Unaudited)

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended July 31, 2019	Three Months Ended July 31, 2018	December 6, 2018 through July 31, 2019	November 1, 2018 through December 5, 2018	Nine Months Ended July 31, 2018
<i>(in thousands, except share and per share amounts)</i>					
Revenue	\$ 78,655	\$ 66,649	\$ 174,613	\$ 24,396	\$ 175,854
Cost of operations	39,665	36,467	98,396	14,027	98,430
Gross profit	38,990	30,182	76,217	10,369	77,424
General and administrative expenses	28,159	16,798	63,693	4,936	42,887
Transaction costs	176	1,395	1,458	14,167	2,520
Income (loss) from operations	10,655	11,989	11,066	(8,734)	32,017
Other income (expense):					
Interest expense	(9,843)	(5,477)	(24,753)	(1,644)	(15,690)
Loss on extinguishment of debt	-	-	-	(16,395)	-
Other income, net	28	14	59	6	34
Total other income (expense)	(9,815)	(5,463)	(24,694)	(18,033)	(15,656)
Income (loss) before income taxes	840	6,526	(13,628)	(26,767)	16,361
Income tax expense (benefit)	(1,922)	1,701	(3,115)	(4,192)	(10,632)
Net income (loss) attributable to Concrete Pumping Holdings, Inc.	2,762	4,825	(10,513)	(22,575)	26,993
Less preferred shares dividends	(456)	(1,050)	(1,159)	(126)	(1,050)
Less undistributed earnings allocated to preferred shares	-	(892)	-	-	(6,127)
Undistributed income (loss) available to common shareholders	\$ 2,306	\$ 2,883	\$ (11,672)	\$ (22,701)	\$ 19,816
Weighted average common shares outstanding					
Basic	49,940,411	7,576,289	37,155,182	7,576,289	7,576,289
Diluted	53,122,690	8,510,779	37,155,182	7,576,289	8,510,779
Net income (loss) per common share					
Basic	\$ 0.05	\$ 0.38	\$ (0.31)	\$ (3.00)	\$ 2.62
Diluted	\$ 0.05	\$ 0.34	\$ (0.31)	\$ (3.00)	\$ 2.33

The accompanying Notes are an integral part of these Unaudited Consolidated Financial Statements

Concrete Pumping Holdings, Inc.
Consolidated Statement of Comprehensive Income (Loss)
(Unaudited)

(in thousands)

	<u>Successor</u>	<u>Predecessor</u>	<u>Successor</u>	<u>Predecessor</u>	
	<u>Three Months Ended July 31, 2019</u>	<u>Three Months Ended July 31, 2018</u>	<u>December 6, 2018 through July 31, 2019</u>	<u>November 1, 2018 through December 5, 2018</u>	<u>Nine Months Ended July 31, 2018</u>
Net income (loss)	\$ 2,762	\$ 4,825	\$ (10,513)	\$ (22,575)	\$ 26,993
Other comprehensive income:					
Foreign currency translation adjustment	(4,535)	(2,030)	(6,441)	(674)	(516)
Total comprehensive income (loss)	<u>\$ (1,773)</u>	<u>\$ 2,795</u>	<u>\$ (16,954)</u>	<u>\$ (23,249)</u>	<u>\$ 26,477</u>

The accompanying Notes are an integral part of these Unaudited Consolidated Financial Statements

Concrete Pumping Holdings, Inc.
Consolidated Statement of Changes in Stockholders' Equity (Unaudited)

(PREDECESSOR)
 October 31, 2017 through July 31, 2018

(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total
	Class A	Class B				
Balance at October 31, 2017	\$ 8		\$ 18,444	\$ 2,381	\$ (1,677)	\$ 19,156
Stock-based compensation	-	-	94	-	-	94
Net income	-	-	-	-	17,558	17,558
Foreign currency translation adjustment	-	-	-	2,882	-	2,882
Balance at January 31, 2018	\$ 8		\$ 18,538	\$ 5,263	\$ 15,881	\$ 39,690
Stock-based compensation	-	-	94	-	-	94
Net income	-	-	-	-	4,610	4,610
Foreign currency translation adjustment	-	-	-	(1,367)	-	(1,367)
Balance at April 30, 2018	\$ 8		\$ 18,632	\$ 3,896	\$ 20,491	\$ 43,027
Stock-based compensation	-	-	94	-	-	94
Net income	-	-	-	-	4,825	4,825
Foreign currency translation adjustment	-	-	-	(2,030)	-	(2,030)
Balance at July 31, 2018	\$ 8		\$ 18,726	\$ 1,866	\$ 25,316	\$ 45,916

(PREDECESSOR)
 October 31, 2018 through December 5, 2018

(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total
	Class A	Class B				
Balance at October 31, 2018	\$ 8		\$ 18,724	\$ 584	\$ 26,704	\$ 46,020
Net loss	-	-	-	-	(22,575)	(22,575)
Stock-based compensation	-	-	27	-	-	27
Foreign currency translation adjustment	-	-	-	(674)	-	(674)
Balance at December 5, 2018	\$ 8		\$ 18,751	\$ (90)	\$ 4,129	\$ 22,798

(SUCCESSOR)
 December 6, 2018 through July 31, 2019

(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total
	Class A	Class B				
Balance at December 6, 2018	\$ 0	1	\$ 12,433	\$ -	\$ (7,434)	5,000
Redemption of Class A common stock	(0)	-	(12,433)	-	(3,577)	(16,010)
Issuance of Class A common stock	1	-	96,900	-	-	96,901
Rollover of Class A common stock as a result of the Business Combination	1	-	164,908	-	-	164,909
Conversion of Class B common stock	1	(1)	-	-	-	-
Net income (loss)	-	-	-	-	(3,630)	(3,630)
Foreign currency translation adjustment	-	-	-	(557)	-	(557)
Balance at January 31, 2019	\$ 3	\$ -	\$ 261,808	\$ (557)	\$ (14,641)	\$ 246,613
Shares issued to acquire business	-	-	1,150	-	-	1,150
Stock based compensation expense	-	-	361	-	-	361
Shares issued upon exercise of stock options and warrants	-	-	1,370	-	-	1,370
Shares issued upon awards of restricted stock	1	-	(1)	-	-	-
Issuance of shares in exchange for warrants	-	-	5,158	-	(5,158)	-
Net income (loss)	-	-	-	-	(9,645)	(9,645)
Foreign currency translation adjustment	-	-	-	(1,349)	-	(1,349)
Balance at April 30, 2019	\$ 4	\$ -	\$ 269,846	\$ (1,906)	\$ (29,444)	\$ 238,500
Shares issued upon public offering Class A common stock	2	-	77,385	-	-	77,387
Stock based compensation expense	-	-	1,625	-	-	1,625
Net income (loss)	-	-	-	-	2,762	2,762
Foreign currency translation adjustment	-	-	-	(4,535)	-	(4,535)
Balance at July 31, 2019	\$ 6	\$ -	\$ 348,856	\$ (6,441)	\$ (26,682)	\$ 315,739

The accompanying Notes are an integral part of these Unaudited Consolidated Financial Statements

Concrete Pumping Holdings, Inc.
Consolidated Statement of Cash Flows
(Unaudited)

	Successor	Predecessor	
	December 6, 2018 through July 31, 2019	November 1, 2018 through December 5, 2018	Nine Months Ended July 31, 2018
<i>(in thousands)</i>			
Net income (loss)	\$ (10,513)	\$ (22,575)	\$ 26,993
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	14,125	2,060	12,956
Deferred income taxes	(2,983)	(4,355)	(11,722)
Amortization of deferred financing costs	1,385	152	1,233
Write off deferred debt issuance costs	-	3,390	-
Prepayment penalty on early extinguishment of debt	-	13,004	-
Amortization of debt premium	-	(11)	33
Amortization of intangible assets	22,235	653	5,720
Stock-based compensation expense	1,986	27	281
(Gain) / loss on the sale of property, plant and equipment	420	(166)	(2,264)
Net changes in operating assets and liabilities (net of acquisitions):			
Changes in fair value of contingent consideration	-	-	734
Trade receivables, net	(4,346)	485	(5,751)
Inventory	(143)	(294)	(845)
Prepaid expenses and other current assets	(4,209)	(1,283)	(2,075)
Income taxes payable, net	(279)	203	863
Accounts payable	(7,666)	(654)	(2,041)
Accrued payroll, accrued expenses and other current liabilities	(8,587)	17,280	6,739
Net cash provided by (used in) operating activities	1,425	7,916	30,854
Cash flows from investing activities:			
Purchases of property, plant and equipment	(29,700)	(503)	(21,106)
Proceeds from sale of property, plant and equipment	1,546	364	1,910
Cash withdrawn from Industrea Trust Account	238,474	-	-
Acquisition of net assets, net of cash acquired - CPH acquisition	(449,434)	-	-
Acquisition of net assets, net of cash acquired - Atlas acquisition	(2,257)	-	-
Acquisition of net assets, net of cash acquired - Capital acquisition	(129,218)	-	-
Acquisition of net assets, net of cash acquired - O'Brien acquisition	-	-	(21,000)
Net cash provided by (used in) investing activities	(370,589)	(139)	(40,196)
Cash flows from financing activities:			
Proceeds on long term debt	417,000	-	15,600
Payments on long term debt	(9,747)	(20,056)	-
Proceeds on revolving loan	161,123	4,693	129,951
Payments on revolving loan	(128,932)	-	(135,086)
Redemption of common shares	(231,415)	-	-
Payment of debt issuance costs	(23,708)	-	-
Payment of underwriting fees	(8,050)	-	-
Payments on capital lease obligations	(56)	(7)	(123)
Issuance of preferred shares	25,000	-	-
Issuance of common shares - Dec 2018	96,900	-	-
Issuance of common shares - May 2019	77,387	-	-
Proceeds on exercise of rollover incentive options	1,370	-	-
Net cash provided by (used in) financing activities	376,872	(15,370)	10,342
Effect of foreign currency exchange rate on cash	(3,183)	(70)	(516)
Net increase (decrease) in cash	4,525	(7,663)	484
Cash:			
Beginning of period	4	8,621	6,925
End of period	<u>\$ 4,529</u>	<u>\$ 958</u>	<u>\$ 7,409</u>

The accompanying Notes are an integral part of these Unaudited Consolidated Financial Statements

Concrete Pumping Holdings, Inc.
Consolidated Statement of Cash Flows (Continued)
(Unaudited)

	<u>Successor</u>	<u>Predecessor</u>	
	December 6, 2018 through July 31, 2019	November 1, 2018 through December 5, 2018	Nine months ended July 31, 2018
<i>(in thousands)</i>			
Supplemental cash flow information:			
Cash paid for interest	\$ 20,696	\$ 201	\$ 12,745
Cash paid (refunded) for income taxes	\$ 1,860	\$ -	\$ 120
Non-cash investing and financing activities:			
Fair value of rollover equity for Business Combination	\$ 164,909	\$ -	\$ -
Equipment purchases included in accrued expenses	\$ 7,658	\$ -	\$ 152
Shares issued to acquire a business	\$ 1,150	\$ -	\$ -
Holdbacks related to the acquisition of a business	\$ 181	\$ -	\$ -

The accompanying Notes are an integral part of these Unaudited Consolidated Financial Statements

Note 1. Organization and Description of Business

Organization

Concrete Pumping Holdings, Inc. (the “Company” or “Successor”) is a Delaware corporation headquartered in Denver, Colorado. The Unaudited Consolidated Financial Statements include the accounts of Concrete Pumping Holdings, Inc. and its wholly owned subsidiaries including Brundage-Bone Concrete Pumping Holdings (“Brundage-Bone”), Capital Pumping (“Capital”), Camfaud Group Limited (“Camfaud”), and Eco-Pan, Inc. (“Eco-Pan”).

On December 6, 2018 (the “Closing Date”), the Company, formerly known as Concrete Pumping Holdings Acquisition Corp., consummated a business combination transaction (the “Business Combination”) pursuant to which it acquired (i) the private operating company formerly called Concrete Pumping Holdings, Inc. (“CPH”) and (ii) the former special purpose acquisition company called Industrea Acquisition Corp (“Industrea”). In connection with the closing of the Business Combination, the Company changed its name to Concrete Pumping Holdings, Inc. The financial results described herein for the dates and periods prior to the Business Combination relate to the operations of CPH prior to the consummation of the Business Combination. See Note 4 – Business Combinations for further discussion.

Nature of business

Brundage-Bone and Capital are concrete pumping service providers in the United States (“U.S.”) and Camfaud is a concrete pumping service provider in the United Kingdom (“U.K.”). Their core business is the provision of concrete pumping services to general contractors and concrete finishing companies in the commercial, infrastructure and residential sectors. Most often equipment returns to a “home base” nightly and neither company contracts to purchase, mix, or deliver concrete. Brundage-Bone and Capital collectively have approximately 90 branch locations across 22 states, with its corporate headquarters in Thornton (near Denver), Colorado. Camfaud has 29 branch locations throughout the U.K., with its corporate headquarters in Epping (near London), England.

Eco-Pan provides industrial cleanup and containment services, primarily to customers in the construction industry. Eco-Pan uses containment pans specifically designed to hold waste products from concrete and other industrial cleanup operations. Eco-Pan has 19 operating locations across the U.S. with its corporate headquarters in Thornton, Colorado.

Seasonality

The Company’s sales are historically seasonal, with lower revenue in the first quarter and higher revenue in the fourth quarter of each year. Such seasonality also causes the Company’s working capital cash flow requirements to vary from quarter to quarter and primarily depends on the variability of weather patterns with the Company generally having lower sales volume during the winter and spring months.

Note 2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying Unaudited Consolidated Financial Statements have been prepared, without audit, in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. The enclosed statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company at July 31, 2019 and for all periods presented.

As a result of the Business Combination, the Company is the acquirer for accounting purposes and CPH is the acquiree and accounting predecessor. The Company’s financial statement presentation distinguishes the Company’s financial performance into two distinct periods, the period up to the Closing Date (labeled “Predecessor”) and the period including and after that date (labeled “Successor”).

The Business Combination was accounted for as a business combination using the acquisition method of accounting, and the Successor financial statements reflect a new basis of accounting that is based on the fair value of the net assets acquired.

Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions. See Note 4 – Business Combinations for a discussion of the estimated fair values of assets and liabilities recorded in connection with the Company’s acquisition of CPH.

As a result of the application of the acquisition method of accounting as of the Closing Date of the Business Combination, the accompanying Consolidated Financial Statements include a black line division which indicates that the Predecessor and Successor reporting entities shown are presented on a different basis and are therefore, not comparable. These statements should be read in conjunction with the Predecessor’s Consolidated Financial Statements and Notes thereto as of October 31, 2018 and 2017, and for the years ended October 31, 2018, 2017 and 2016, included as [Exhibit 99.3 in the Company’s Form 8-K/A \(Amendment No.1\) filed with the SEC on January 29, 2019](#).

The historical financial information of Industrea prior to the Business Combination (a special purpose acquisition company, or “SPAC”) has not been reflected in the Predecessor financial statements as these historical amounts have been determined to be not useful information to a user of the financial statements. SPACs deposit the proceeds from their initial public offerings into a segregated trust account until a business combination occurs, where such funds are then used to pay consideration for the acquiree and/or to pay stockholders who elect to redeem their shares of common stock in connection with the business combination. The operations of a SPAC, until the closing of a business combination, other than income from the trust account investments and transaction expenses, are nominal. Accordingly, no other activity in the Company was reported for periods prior to December 6, 2018 besides CPH’s operations as Predecessor.

Principles of consolidation

The Successor Consolidated Financial Statements include all amounts of the Company and its subsidiaries. The Predecessor Consolidated Financial Statements include all amounts of CPH and its subsidiaries. All intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include accrued sales and use taxes, the liability for incurred but unreported claims under various partially self-insured policies, allowance for doubtful accounts, goodwill impairment analysis, valuation of share based compensation and accounting for business combinations. Actual results may differ from those estimates, and such differences may be material to the Company’s consolidated financial statements.

Trade receivables

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Generally, the Company does not require collateral for their accounts receivable; however, the Company may file statutory liens or take other appropriate legal action when necessary on construction projects when problems arise. A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. The Company does not charge interest on past-due trade receivables.

Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. As of July 31, 2019 and October 31, 2018, the allowance for doubtful accounts was \$0.5 million and \$0.7 million, respectively. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Inventory

Inventory consists primarily of replacement parts for concrete pumping equipment. Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. The Company evaluates inventory and records an allowance for obsolete and slow-moving inventory to account for cost adjustments to net realizable value. Based on management's analysis, no allowance for obsolete and slow-moving inventory was required as of July 31, 2019 and October 31, 2018.

Fair Value Measurements

The Financial Accounting Standard Board's (the "FASB") standard on fair value measurements establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

This standard establishes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities.

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

Deferred financing costs

Deferred financing costs representing third-party, non-lender debt issuance costs are deferred and amortized using the effective interest rate method over the term of the related long-term-debt agreement, and the straight-line method for the revolving credit agreement.

Debt issuance costs related to term loans are reflected as a direct deduction from the carrying amount of the long-term debt liability that is included in long term debt, net of discount for deferred financing costs in the accompanying consolidated balance sheet. Debt issuance costs related to revolving credit facilities are capitalized and reflected in deferred financing in the accompanying consolidated balance sheet.

Goodwill

In accordance with ASC Topic 350, Intangibles—Goodwill and Other ("ASC 350"), the Company evaluates goodwill for possible impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company uses a two-step process to assess the realizability of goodwill. The first step is a qualitative assessment that analyzes current economic indicators associated with a particular reporting unit. For example, the Company analyzes changes in economic, market and industry conditions, business strategy, cost factors, and financial performance, among others, to determine if there are indicators of a significant decline in the fair value of a particular reporting unit. If the qualitative assessment indicates a stable or improved fair value, no further testing is required. If a qualitative assessment indicates it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company will proceed to the quantitative second step where the fair value of a reporting unit is calculated based on weighted income and market-based approaches. If the fair value of a reporting unit is lower than its carrying value, an impairment to goodwill is recorded, not to exceed the carrying amount of goodwill in the reporting unit.

As a result of the stock price of the Company declining substantially, management concluded this qualified as a triggering event requiring a step one goodwill impairment analysis in accordance with ASU 2017-04, *Intangibles — Goodwill and Other (ASC 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04")*. Refer to the Note 8 for further discussion.

Property, plant and equipment

Property, plant and equipment are recorded at acquired cost (or their estimated fair value when acquired through a business combination) less accumulated depreciation. Expenditures for additions and betterments are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred; however, maintenance and repairs that improve or extend the life of existing assets are capitalized. The carrying amount of assets disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property and equipment disposals are recognized in the year of disposal. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

	<u>in years</u>
Buildings and improvements	15 to 40
Capital lease assets—buildings	40
Furniture and office equipment	2 to 7
Machinery and equipment	3 to 25
Transportation equipment	3 to 7

Capital lease assets are depreciated over the estimated useful life of the asset.

Intangible assets

Intangible assets are recorded at cost or their estimated fair value when acquired through a business combination less accumulated amortization (if finite-lived).

Intangible assets with finite lives, except for customer relationships, are amortized on a straight-line basis over their estimated useful lives. Customer relationships are amortized on an accelerated basis over their estimated useful lives. Intangible assets with indefinite lives are not amortized but are subject to annual reviews for impairment.

Impairment of long-lived assets

ASC 360, *Property, Plant and Equipment* (ASC 360) requires other long-lived assets to be evaluated for impairment when indicators of impairment are present. If indicators are present, assets are grouped to the lowest level for which identifiable cash flows are largely independent of other asset groups and cash flows are estimated for each asset group over the remaining estimated life of each asset group. If the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount, impairment is recognized in the amount of the excess of the carrying value over the fair value. No indicators of impairment were identified as of July 31, 2019.

Revenue recognition

The Company generates revenue primarily from concrete pumping services in both the U.S. and the U.K. Additionally, revenue is generated from the Company's waste management business which consists of service fees charged to customers for the delivery of our pans and containers and the disposal of the concrete waste material.

The Company recognizes revenue from these businesses when all of the following criteria are met: (a) persuasive evidence of an arrangement exists, (b) the service has been performed or delivery has occurred, (c) the price is fixed or determinable, and (d) collectability is reasonably assured. The Company's delivery terms for replacement part sales are FOB shipping point.

The Company imposes and collects sales taxes concurrent with its revenue-producing transactions with customers and remits those taxes to the various governmental authorities as prescribed by the taxing jurisdictions in which it operates. The Company presents such taxes in its consolidated statement of income on a net basis.

Stock-based compensation

The Company follows ASC 718, *Compensation—Stock Compensation* (“ASC 718”), which requires the measurement and recognition of compensation expense, based on estimated fair values, for all share-based awards made to employees and directors. The value of the vested portion of the award is recognized as expense in the consolidated statement of income over the requisite service periods when applicable. Compensation expense for all share-based awards is recognized using the straight-line method. The Company will account for forfeitures as they occur in accordance with the early adoption of ASU No. 2016-09, *Compensation—Stock Compensation (ASC 718): Improvements to Employee Share-Based Payment Accounting*.

Income taxes

The Company complies with ASC 740, *Income Taxes*, which requires a liability approach to financial reporting for income taxes.

The Company computes deferred income tax assets and liabilities annually for differences between the financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, carryback opportunities, and tax planning strategies in making the assessment. Income tax expense includes both the current income taxes payable or refundable and the change during the period in the deferred tax assets and liabilities. The tax benefit from an uncertain tax position is only recognized in the consolidated balance sheet if the tax position is more likely than not to be sustained upon an examination.

Camfaud files income tax returns in the U.K. Camfaud’s national statutes are generally open for one year following the statutory filing period.

Foreign currency translation

The functional currency of Camfaud is the Pound Sterling (“GBP”). The assets and liabilities of the foreign subsidiaries are translated into U.S. Dollars using the period end exchange rates, and the consolidated statement of income are translated at the average rate for the period. The resulting translation adjustments are recorded as a component of comprehensive income on the consolidated statement of comprehensive income and accumulated in other comprehensive income. The functional currency of our other subsidiaries is the U.S. Dollar.

Business combinations

The Company applies the principles provided in ASC 805, *Business Combinations* (“ASC 805”), when a business is acquired. Tangible and intangible assets acquired and liabilities assumed are recorded at fair value and goodwill is recognized for any differences between the price of the acquisition and the fair value determination. The Company estimates all purchase costs and other related transactions on the acquisition date. Transaction costs for the acquisitions are expensed as incurred in accordance with ASC 805.

Concentrations

As of July 31, 2019 and October 31, 2018, there were three significant vendors that the Company relied upon to purchase concrete pumping boom equipment. However, should the need arise, there are alternate vendors who can provide concrete pumping boom equipment.

Cash balances held at financial institutions may, at times, be in excess of federally insured limits. It is management's belief that the Company places its temporary cash balances in high-credit quality financial institutions.

The Company's customer base is dispersed across the United States and U.K. The Company performs ongoing evaluations of its customers' financial condition and requires no collateral to support credit sales. During the Predecessor and Successor periods described above, no customer represented 10 percent or more of sales or trade receivables.

Note 3. New Accounting Pronouncements

We have opted to take advantage of the extended transition period available to emerging growth companies pursuant to the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") for new accounting standards.

Recently issued accounting pronouncements not yet effective

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)* ("ASU 2014-09"), which is a comprehensive new revenue recognition model.

Under ASU 2014-09, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. ASU 2014-09 is effective for entities other than public business entities in annual reporting periods beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019 and is to be adopted using either a full retrospective or modified retrospective transition method. The Company expects to adopt the guidance under the modified retrospective approach for the fiscal year ending October 31, 2020. The Company is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (ASC 805): Clarifying the Definition of a Business* ("ASU 2017-01"), which provides guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 requires entities to use a screen test to determine when an integrated set of assets and activities is not a business or if the integrated set of assets and activities needs to be further evaluated against the framework. The new standard will be applied prospectively to any transactions occurring within the period of adoption and is effective for entities other than public business entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company plans to adopt this standard in the first quarter of the fiscal year ending October 31, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”), which is codified in ASC 842, *Leases* (“ASC 842”) and supersedes current lease guidance in ASC 840, *Leases*. ASC 842 requires a lessee to recognize a right-of-use asset and a corresponding lease liability for substantially all leases. The lease liability will be equal to the present value of the remaining lease payments while the right-of-use asset will be similarly calculated and then adjusted for initial direct costs. In addition, ASC 842 expands the disclosure requirements to increase the transparency and comparability of the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases ASC 842: Targeted Improvements*, which allows entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

The new standard is effective for emerging growth companies for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Company plans to adopt the new standard effective for the year ending October 31, 2021. The Company is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

Note 4. Business Combinations

May 2019 Acquisition of Capital Pumping

On May 15, 2019, the Company acquired Capital Pumping LP and its affiliates (“Capital”), a concrete pumping provider based in Texas for a purchase price of \$129.2 million, which was paid using proceeds from the Company’s public offering of common stock and additional borrowings on its term loan facility. This acquisition qualified as a business combination under ASC 805. Accordingly, the Company recorded all assets acquired and liabilities assumed at their acquisition-date fair values, with any excess recognized as goodwill. Goodwill recorded from the transaction represents expected synergies from combining operations and the assembled workforce.

The following table represents the preliminary allocation of consideration to the assets acquired and liabilities assumed at their estimated acquisition-date fair values:

Consideration paid:	\$	129,218
Net assets acquired:		
Current assets	\$	81
Intangible assets		45,000
Property and equipment		56,467
Liabilities assumed		(63)
Total net assets acquired		<u>101,485</u>
Goodwill	\$	<u>27,733</u>

Identifiable intangible assets acquired consist of customer relationships of \$39.5 million and a trade name valued at \$5.5 million. The customer relationships were valued using the multi-period excess earnings method. The Company determined the useful life of the customer relationships to be 15 years. The trade name was valued using the relief-from-royalty method and the Company determined the trade name associated with Capital to be indefinite.

April 2019 Acquisition of Atlas Concrete Pumping

On April 15, 2019, the Company acquired Atlas Concrete Pumping, Inc., a concrete pumping provider based in Boise, Idaho, for a purchase price of \$3.4 million, which was paid using a combination of \$2.3 million in cash and \$1.1 million in common stock. This acquisition qualified as a business combination under ASC 805. The Company has preliminarily recorded all assets acquired and liabilities assumed at their acquisition-date fair values, with \$1.6 million being allocated to equipment, \$0.3 million allocated to working capital assets, \$0.8 million being allocated to finite-lived intangible assets, less \$0.6 million being allocated to deferred tax liabilities, and the remaining unallocated purchase consideration of \$1.4 million being recognized as goodwill. Goodwill represents expected synergies from combining operations and the assembled workforce.

December 2018 Acquisition of CPH

On December 6, 2018, the Company consummated the Business Combination. This acquisition qualified as a business combination under ASC 805. Accordingly, the Company recorded all assets acquired and liabilities assumed at their acquisition-date fair values, with any excess recognized as goodwill. Goodwill recorded from the transaction represents the value provided by the Company's leading market share in a highly-fragmented industry.

The following table represents the preliminary allocation of consideration to the assets acquired and liabilities assumed at their estimated acquisition-date fair values:

Cash	\$	445,386
Fair value of rollover equity		164,908
Net working capital adjustment		4,048
Total consideration paid	\$	<u>614,342</u>
Current assets	\$	49,112
Intangible assets		208,063
Property and equipment		219,467
Liabilities assumed		(112,048)
Total net assets acquired		<u>364,594</u>
Goodwill	\$	<u>249,748</u>

Note: Cash in table above is net of \$1.0 million in cash acquired

Identifiable intangible assets acquired consist of customer relationships of \$152.7 million and trade names of \$55.4 million. The customer relationships were valued using the multi-period excess earnings method. The Company determined the useful life of the customer relationships to be 15 years. The trade names were valued using the relief-from-royalty method. The Company determined the useful life of the trade name associated with Camfaud to be 10 years. The Company determined the trade names associated with Brundage-Bone and Eco-Pan to be indefinite.

During the three months ended July 31, 2019, as part of a measurement period adjustment, the Company adjusted the valuation of its property and equipment by \$3.7 million and the valuation of its intangible assets by \$12.6 million, with a corresponding offset to goodwill and a net change to deferred tax liabilities of \$3.5 million. In addition, the Company recorded an out of period adjustment related to the reduction of sales tax accrual of \$3.4 million that resulted in changes to goodwill and liabilities assumed in the transaction. The impact of the adjustment was not considered material to the Company's previously issued financial statements.

CPH incurred transaction costs of \$14.2 million and debt extinguishment costs of \$16.4 million independently prior to the Business Combination. Industrea incurred transaction costs of \$18.8 million independently prior to the Business Combination (i.e. before December 5, 2018), \$8.1 million of which was related to the payment of deferred underwriting commissions. Industrea's pre-Business Combination financial results are not consolidated with the Predecessor (Note 2) and so these costs are not reflected in the Predecessor Financial Statements.

Additional costs consisting of stock option and other compensation related expenses were recorded in connection with the Business Combination. These costs were solely contingent upon the completion of the business combination and did not include any future service requirements. As such, these costs will be presented "on the line" and are not reflected in either Predecessor or Successor financial statements. "On the line" describes those expenses triggered by the consummation of a business combination that were incurred by the acquiree, i.e. CPH, that are not recognized in the Statement of Operations of either the Predecessor or Successor as they are not directly attributable to either period but instead were contingent on the Business Combination.

In conjunction with the Business Combination, there were \$15.6 million of transaction bonuses and, as a result of a change in control provision for stock-based awards, certain unvested stock-based awards immediately vested, resulting in the recognition of compensation expense of approximately \$0.6 million. These expenses were not reflected in either the Predecessor or Successor consolidated statement of operations and comprehensive income (loss) periods, but instead are presented "on the line".

April 2018 acquisition of O'Brien (Predecessor)

In April 2018, Brundage-Bone entered into an asset purchase agreement to acquire substantially all of the assets of Richard O'Brien Companies, Inc., O'Brien Concrete Pumping-Arizona, Inc., O'Brien Concrete Pumping-Colorado, Inc. and O'Brien Concrete Pumping, LLC (collectively, "O'Brien" or the "O'Brien Companies") for cash.

This acquisition qualified as a business combination under ASC 805. Accordingly, the Predecessor recorded all assets acquired and liabilities assumed at their acquisition-date fair values, with any excess recognized as goodwill. Goodwill represents expected synergies from combining operations and the assembled workforce. The acquisition was part of the Predecessor's strategic plan to expand their presence in the Colorado and Arizona markets.

The following table represents the total consideration transferred and its allocation to the assets acquired and liabilities assumed at their acquisition-date fair values:

Consideration paid:	
Cash, net of cash acquired	\$ 21,000
Total consideration paid	<u>\$ 21,000</u>
Net assets acquired:	
Inventory	\$ 140
Property, plant and equipment	16,163
Intangible assets	2,810
Total net assets acquired	<u>19,113</u>
Goodwill	<u>\$ 1,887</u>

Acquisition-related expenses incurred by the Predecessor amounted to \$1.1 million, all of which were recognized in the consolidated statement of income during the nine months ended July 31, 2018 (Predecessor).

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information presents the combined results of operations for the Company and gives effect to the CPH, Capital and O'Brien business combinations discussed above as if they had occurred on November 1, 2017. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have been realized if the CPH, Capital and O'Brien business combinations had been completed on November 1, 2017, nor does it purport to project the results of operations of the combined company in future periods. The unaudited pro forma financial information does not give effect to any anticipated integration costs related to the acquired company.

The unaudited pro forma financial information is as follows:

	Successor and Predecessor	Predecessor
	Nine months ended July 31, 2019	Nine months ended July 31, 2018
<i>(in thousands)</i>		
Revenue	\$ 24,396	\$ 175,854
Pro forma revenue adjustments by Business Combination		
O'Brien	-	6,990
Capital	26,829	34,449
CPH	174,613	-
Total pro forma revenue	<u>\$ 225,838</u>	<u>\$ 217,293</u>
	Successor and Predecessor	Predecessor
	Nine months ended July 31, 2019	Nine months ended July 31, 2018
Net (loss) income	\$ (22,575)	\$ 26,993
Pro forma net income adjustments by Business Combination		
O'Brien	-	(1,013)
Capital	2,868	2,054
CPH	(10,513)	-
Total pro forma net (loss) income	<u>\$ (30,220)</u>	<u>\$ 28,034</u>

Note 5. Fair Value Measurement

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable and current accrued liabilities approximate their fair value as recorded due to the short-term maturity of these instruments, which approximates fair value. The Company's outstanding obligations on its ABL credit facility are deemed to be at fair value as the interest rates on these debt obligations are variable and consistent with prevailing rates. The Company believes the carrying values of its capital lease obligations represent fair value.

The Company's long-term debt instruments are recorded at their carrying values in the consolidated balance sheet, which may differ from their respective fair values. The fair values of the long-term debt instruments are derived from Level 2 inputs. The fair value amount of the Long-term debt instruments at July 31, 2019 for the Successor and at October 31, 2018 for the Predecessor is presented in the table below based on the prevailing interest rates and trading activity of the Notes.

	Successor		Predecessor	
	July 31, 2019		October 31, 2018	
<i>(in thousands)</i>	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior secured notes	\$ -	\$ -	\$ 167,553	\$ 178,025
Seller notes	-	-	8,292	8,292
Term loans	407,316	400,952	-	-
Capital lease obligations	589	589	653	653

In connection with the acquisition of Camfaud in November 2016, former Camfaud shareholders were eligible to receive earnout payments (“deferred consideration”) of up to \$3.1 million if certain Earnings before interest, taxes, depreciation, and amortization (“EBITDA”) targets were met. In accordance with ASC 805, the Company reviewed the deferred consideration on a quarterly basis in order to determine its fair value. Changes in the fair value of the liability are recorded within general and administrative expenses in the consolidated statement of income in the period in which the change was made. The Company estimated the fair value of the deferred consideration based on its probability assessment of Camfaud’s EBITDA achievements during the 3 year earnout period. In developing these estimates, the Company considered its revenue and EBITDA projections, its historical results, and general macro-economic environment and industry trends. This fair value measurement was based on significant revenue and EBITDA inputs not observed in the market, which represents a Level 3 measurement.

The fair value of the deferred consideration was \$1.4 million and \$1.5 million at July 31, 2019 (Successor) and October 31, 2018 (Predecessor), respectively. The change in the fair value measurement of the deferred consideration was not significant to either the Predecessor or Successor periods.

The Company’s non-financial assets, which primarily consist of property and equipment, goodwill and other intangible assets, are not required to be carried at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite lived intangibles), non-financial instruments are assessed for impairment and, if applicable, written down to and recorded at fair value.

Note 6. Prepaid Expenses and Other Current Assets

The significant components of prepaid expenses and other current assets at July 31, 2019 for the Successor and at October 31, 2018 for the Predecessor are comprised of the following:

<i>(in thousands)</i>	<u>Successor</u> <u>July 31,</u> <u>2019</u>	<u>Predecessor</u> <u>October 31,</u> <u>2018</u>
Prepaid insurance	\$ 2,643	\$ 348
Prepaid licenses and deposits	234	236
Prepaid rent	455	326
Prepaid sponsor fees	-	667
Other prepaids	1,229	2,370
Total prepaid expenses and other current assets	<u>\$ 4,561</u>	<u>\$ 3,947</u>

Note 7. Property, Plant and Equipment

The significant components of property, plant and equipment at July 31, 2019 for the Successor and at October 31, 2018 for the Predecessor are comprised of the following:

<i>(in thousands)</i>	<u>Successor</u> <u>July 31,</u> <u>2019</u>	<u>Predecessor</u> <u>October 31,</u> <u>2018</u>
Land, building and improvements	\$ 26,582	\$ 22,244
Capital leases—land and buildings	828	909
Machinery and equipment	280,085	237,094
Transportation equipment	2,230	3,297
Furniture and office equipment	742	1,486
	<u>310,467</u>	<u>265,030</u>
Less accumulated depreciation	<u>(13,382)</u>	<u>(63,115)</u>
Property, plant and equipment, net	<u>\$ 297,085</u>	<u>\$ 201,915</u>

Depreciation expense for the Successor for the three-month period ended July 31, 2019 and the period from December 6, 2018 to July 31, 2019 was \$5.5 million and \$14.1 million, respectively. Depreciation expense for the Predecessor from November 1, 2018 to December 5, 2018 and for the three and nine-month periods ended July 31, 2018 was \$2.1 million, \$4.5 million, \$13.0 million, respectively. Depreciation expense related to revenue producing machinery and equipment is recorded in cost of operations and an immaterial amount of depreciation expense related to our capital leases and furniture and fixtures is included in general and administrative expenses. In conjunction with the Business Combination, the basis of all property, plant and equipment was recognized at fair value in purchase accounting and as such, there is a significant decline in the accumulated depreciation balances as of July 31, 2019 when compared to October 31, 2018.

Note 8. Goodwill and Intangible Assets

The Company recognized goodwill and certain intangible assets in connection with business combinations (see Note 4 - Business Combinations). The following table summarizes the composition of intangible assets at July 31, 2019 for the Successor and at October 31, 2018 for the Predecessor:

	Successor				Predecessor		
	July 31, 2019				October 31, 2018		
	Gross		Foreign Currency Translation Adjustment	Net	Gross		Net
	Carrying	Accumulated		Carrying	Carrying	Accumulated	Carrying
(in thousands)	Value	Amortization	Amount	Value	Amortization	Amount	
Customer relationship	\$ 191,918	\$ (21,871)	\$ 143	\$ 170,190	\$ 47,641	\$ (23,093)	\$ 24,548
Trade name	5,133	(352)	17	4,798	15,412	(3,540)	11,872
Trade name (indefinite life)	55,500	-	-	55,500	-	-	-
Non-compete agreements	200	(12)	-	188	495	(486)	9
Balance at period end	<u>\$ 252,751</u>	<u>\$ (22,235)</u>	<u>\$ 160</u>	<u>\$ 230,676</u>	<u>\$ 63,548</u>	<u>\$ (27,119)</u>	<u>\$ 36,429</u>

Amortization expense for the Successor for the three-month period ended July 31, 2019 and the period from December 6, 2018 to July 31, 2019 was \$10.4 million and \$22.2 million, respectively. Amortization expense for the Predecessor from November 1, 2018 to December 5, 2018 and for the three and nine-month periods ended July 31, 2018 was \$0.7 million, \$1.9 million, and \$5.7 million, respectively. The estimated aggregate amortization expense for intangible assets over the next five fiscal years ending October 31 and thereafter is as follows:

(in thousands)	
2019 (excluding the period from December 6, 2018 to July 31, 2019)	\$ 9,907
2020	33,312
2021	27,233
2022	21,852
2023	17,283
Thereafter	65,590
Total	<u>\$ 175,177</u>

The changes in the carrying value of goodwill by reportable segment for the quarter ended July 31, 2019 are as follows:

(in thousands)	U.S. Concrete Pumping	U.K. Concrete Pumping	Eco-Pan	Corporate	Total
Balance at April 30, 2019	\$ 165,919	\$ 22,804	\$ 46,258	\$ 2,459	\$ 237,440
Measurement-period adjustments	(1,887)	18,158	2,875	(2,459)	16,687
Prior period adjustment of sales tax accrual	(3,400)	-	-	-	(3,400)
Acquired goodwill	27,733	-	-	-	27,733
Foreign currency translation	-	(1,409)	-	-	(1,409)
Balance at July 31, 2019	<u>\$ 188,365</u>	<u>\$ 39,553</u>	<u>\$ 49,133</u>	<u>\$ -</u>	<u>\$ 277,051</u>

As discussed in Note 4 – Business Combinations, the Company recorded an out of period adjustment related to the reduction of sales tax accrual of \$3.4 million that resulted in changes to goodwill and liabilities assumed in the transaction. The impact of the adjustment was not considered material to the Company's previously issued financial statements. A significant decline in the Company's price per share as of July 31, 2019 triggered a step one goodwill impairment analysis for the quarter ended July 31, 2019. The results of this test indicated that no impairment was required.

Note 9. Long Term Debt and Revolving Lines of CreditSuccessor

As part of the Business Combination, the Predecessor's Revolver, U.K. Revolver, Senior secured notes, and Seller notes (see Predecessor section below for a discussion of these agreements) were all extinguished and the Company entered into (i) a term loan agreement, dated December 6, 2018, among the Company, certain subsidiaries of the Company, Credit Suisse AG, Cayman Islands Branch as administrative agent and Credit Suisse Loan Funding LLC, Jefferies Finance LLC and Stifel Nicolaus & Company Incorporated LLC as joint lead arrangers and joint bookrunners, and the other Lenders party thereto and (the "Term Loan Agreement") (ii) a Credit Agreement, dated December 6, 2018, among the Company, certain subsidiaries of the Company, Wells Fargo Bank, National Association, as agent, sole lead arranger and sole bookrunner, the other Lenders party thereto, and the other parties thereto ("ABL Credit Agreement"). In addition, in order to finance the acquisition of Capital, the Company added \$60.0 million of incremental term loans under the Term Loan Agreement in May 2019. Summarized terms of these facilities are included below.

Term Loan Agreement

Summarized terms of the Term Loan Agreement are as follows:

- Provides for an original aggregate principal amount of \$357.0 million. This amount was increased in May 2019 by \$60.0 million in connection with the acquisition of Capital;
- The initial term loans advanced will mature and be due and payable in full seven years after the Closing Date, with principal amortization payments in an annual amount equal to 5.00% of the original principal amount;
- Borrowings under the Term Loan Agreement, will bear interest at either (1) an adjusted LIBOR rate or (2) an alternate base rate, plus an applicable margin of 6.00% or 5.00%, respectively;
- The Term Loan Agreement is secured by (i) a first priority perfected lien on substantially all of the assets of the Company and certain of its subsidiaries that are loan parties thereunder to the extent not constituting ABL Credit Agreement priority collateral and (ii) a second priority perfected lien on substantially all ABL Credit Agreement priority collateral, in each case subject to customary exceptions and limitations;
- The Term Loan Agreement includes certain non-financial covenants.

The outstanding balance under the Term Loan Agreement as of July 31, 2019 was \$407.3 million and as of that date, the Company was in compliance with all debt covenants. The Company's interest on borrowings under the Term Loan Agreement bear interest using the London Inter-bank Offered Rate (LIBOR) as the base rate plus an applicable margin in line with the summarized terms of the Term Loan Agreement as described above.

Future maturities of the term loans for fiscal years ending October 31 and thereafter is as follows:

Years ended October 31:	(in thousands)
2019 (excluding period from December 6, 2018 to July 31, 2019)	\$ 5,222
2020	20,888
2021	20,888
2022	20,888
2023	20,888
Thereafter	318,542
Total	\$ 407,316

ABL Credit Agreement

Summarized terms of the ABL Credit Agreement are as follows:

- Borrowing availability in U.S. Dollars and GBP up to a maximum of \$60.0 million;
- Borrowing capacity available for standby letters of credit of up to \$7.5 million and for swingline loan borrowings of up to \$7.5 million. Any issuance of letters of credit or making of a swingline loan will reduce the amount available under the ABL Facility;
- All loans advanced will mature and be due and payable in full five years after the Closing Date;
- Amounts borrowed may be repaid at any time, subject to the terms and conditions of the agreement;
- Borrowings in U.S. Dollars and GBP under the ABL Credit Agreement will bear interest at either (1) an adjusted LIBOR rate or (2) a base rate, in each case plus an applicable margin currently set at 2.25% and 1.25%, respectively. The ABL Credit Agreement is subject to two step-downs of 0.25% and 0.50% based on excess availability levels;
- U.S. ABL Credit Agreement obligations will be secured by (i) a perfected first priority security interest in substantially all personal property of the Company and certain of its subsidiaries that are loan parties thereunder consisting of all accounts receivable, inventory, cash, intercompany notes, books and records, chattel paper, deposit, securities and operating accounts and all other working capital assets and all documents, instruments and general intangibles related to the foregoing (the "U.S. ABL Priority Collateral") and (ii) a perfected second priority security interest in substantially all Term Loan Agreement priority collateral, in each case subject to customary exceptions and limitations;
- U.K. ABL Credit Agreement obligations will be secured by (i) a perfected first-priority security interest in (A) the U.S. ABL Priority Collateral, (B) all of the stock (or other ownership interests) in, and held by, the U.K. borrower subsidiaries of the Company, and (C) all of the current and future assets and property of the U.K subsidiaries of the Company that are loan parties thereunder, including a first-ranking floating charge over all current and future assets and property of each U.K. subsidiary of the Company that is a loan party thereunder; and (ii) a perfected, second-priority security interest in substantially all Term Loan Agreement priority collateral, in each case subject to customary exceptions and limitations; and
- The ABL Credit Agreement also includes (i) a springing financial covenant (fixed charges coverage ratio) based on excess availability levels that the Company must comply with on a quarterly basis during required compliance periods and (ii) certain non-financial covenants.

The outstanding balance under the ABL Credit Agreement as of July 31, 2019 was \$31.3 million and as of that date, the Company was in compliance with all debt covenants.

Predecessor

Revolving line of credit

The Predecessor had a revolving loan agreement (the "Revolver"). Summarized terms of the Revolver were as follows:

- Maximum borrowing capacity of \$65.0 million with a maturity date of September 8, 2022;
- Borrowings bear interest at the LIBOR rate plus an applicable margin that resets quarterly and is (a) 2.00%, (b) 2.25% or (c) 2.50% if the quarterly average excess availability is (a) at least 66.67%, (b) less than 66.67% and at least 33.33% and (c) less than 33.33%, respectively;
- Interest is due monthly and the outstanding principal balance was due upon maturity;
- On October 2, 2017, \$35.0 million of the Revolver balance was transferred to a 3-month line of credit with a separate LIBOR interest rate; and
- Required Predecessor to maintain a maximum ratio of total fixed charges.

As of October 31, 2018, the outstanding balance of the Revolver was \$48.7 million and the Predecessor was in compliance with all debt covenants.

U.K. Revolver

The Predecessor had a revolving loan agreement (the "U.K. Revolver") associated with the acquisition of Camfaud in November 2016. The U.K. Revolver had a maximum borrowing capacity of approximately \$28.0 million and bore interest at LIBOR plus 2.00%. The U.K. Revolver required the Predecessor maintain a maximum ratio of total fixed charges.

As of October 31, 2018, the outstanding balance of the U.K. Revolver was \$14.3 million and the Predecessor was in compliance with all debt covenants.

Senior secured notes

In August 2014, the Predecessor issued \$140.0 million in senior secured notes through a high-yield bond offering under SEC Rule 144A (“Senior Notes”). In November 2016, the Predecessor issued additional senior secured notes of \$40.0 million as an incremental borrowing with the same terms and form as the original Senior Notes.

Summarized terms of the Senior Notes were as follows:

- Maturity date on September 1, 2021. Principal due upon maturity.
- Interest rate of 10.375% per annum, payments due every March 1 and September 1 commencing March 1, 2015
- The Senior Notes were secured by substantially all of the assets of the Company and contain various non-financial covenants.

Over the period of January 2016 through September 2017, the Predecessor repurchased and retired approximately \$26.0 million, in the aggregate, of principal of the Senior Notes.

In September 2017, the Predecessor completed an exchange of substantially all outstanding existing Senior Notes for newly issued senior secured notes (“New Senior Notes”). The terms of the New Senior Notes were identical to the Senior Notes except that the maturity date was extended to September 1, 2023.

In conjunction with the acquisition of the O’Brien Companies (See Note 4 - Business Combinations) in April 2018, the Predecessor issued additional New Senior Notes with a principal amount of \$15.0 million at a 104 percent premium for a total purchase price of \$15.6 million. The \$0.6 million has been recorded by the Company as a debt premium and will be amortized over the life of the New Senior Notes using the effective interest method.

The outstanding balance of the original Senior Notes outstanding as of October 31, 2018 was nil. The outstanding balance of the New Senior Notes as of October 31, 2018 was \$167.6 million.

Seller notes

In connection with the acquisitions of the Camfaud and Reilly Concrete Pumping Limited (“Reilly”) in November 2016 and July 2017, respectively, the Predecessor entered into separate loan agreements with the former owners of the Camfaud and Reilly for \$6.2 million and \$1.9 million, respectively (collectively, the “Seller Notes”). The Seller Note with respect to Camfaud bore interest at 5.0% per annum and all principal plus accrued interest was due upon the earlier of; (1) 6 months after the U.K. Revolver is repaid in full, (2) 42 months after the acquisition date (May 2020) or (3) the date on which the Predecessor suffers an insolvency event. The Seller Note with respect to Reilly bore interest at 5.0% per annum and all principal plus accrued interest are due three years after the acquisition date (July 2020). The Seller Notes were unsecured.

In connection with the Business Combination, the Company repaid its existing credit facilities in full and replaced them with the Term Loan Agreement and the ABL Credit Agreement. The Company also incurred an aggregate of \$16.4 million of costs related to the extinguishment of its existing debts, including the write-off of unamortized borrowing costs and an early extinguishment fee paid to its lenders. The amount has been reflected in the as debt extinguishment costs in the Predecessor’s consolidated statement of income for the period ended December 5, 2018.

The table below is a summary of the composition of the Company’s long-term debt balances at July 31, 2019 for the Successor and at October 31, 2018 for the Predecessor. Note that the term loan is combined for short term and long term balances.

	<u>Successor</u> <u>July 31,</u> <u>2019</u>	<u>Predecessor</u> <u>October 31,</u> <u>2018</u>
<i>(in thousands)</i>		
Term loan	\$ 407,316	\$ -
Senior secured notes	-	167,553
Seller notes	-	8,292
	<u>407,316</u>	<u>175,845</u>
Plus unamortized premium on debt	-	540
Less unamortized deferred financing costs	(21,264)	(2,915)
Total long term debt	<u>\$ 386,052</u>	<u>\$ 173,470</u>

Note 10. Accrued Payroll and Payroll Expenses

The following table summarizes accrued payroll and expenses at July 31, 2019 for the Successor and at October 31, 2018 for the Predecessor:

	<u>Successor</u>	<u>Predecessor</u>
	<u>July 31,</u>	<u>October 31,</u>
<i>(in thousands)</i>	<u>2019</u>	<u>2018</u>
Accrued vacation	\$ 4,186	\$ 3,482
Accrued bonus	2,421	1,766
Other accrued	722	1,457
Total accrued payroll and payroll expenses	<u>\$ 7,329</u>	<u>\$ 6,705</u>

Note 11. Accrued Expenses and Other Current Liabilities

The following table summarizes accrued expenses and other current liabilities at July 31, 2019 for the Successor and at October 31, 2018 for the Predecessor:

	<u>Successor</u>	<u>Predecessor</u>
	<u>July 31,</u>	<u>October 31,</u>
<i>(in thousands)</i>	<u>2019</u>	<u>2018</u>
Accrued insurance	\$ 6,321	\$ 4,743
Accrued interest	2,497	3,092
Accrued equipment purchases	4,780	-
Accrued sales and use tax	323	4,145
Accrued property taxes	728	865
Accrued professional fees	1,288	3,579
Other	2,999	2,406
Total accrued expenses and other liabilities	<u>\$ 18,936</u>	<u>\$ 18,830</u>

Note 12. Income Taxes

In December 2017, the Tax Cuts and Jobs Act (the "2017 Tax Act") was enacted. The 2017 Tax Act significantly revised the U.S. corporate income tax regime by, among other things, the following items:

- Lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. In accordance with ASC Topic 740, *Income Taxes*, the Predecessor recognized the income tax effects of the 2017 Tax Act in its financial statements in the period the 2017 Tax Act was signed into law;
- Provides for a 100 percent deduction for foreign-source portion of dividends received from specified 10 percent owned foreign corporations by U.S. corporate shareholders. The deduction is unavailable for hybrid dividends;
- Creates a requirement that certain income earned by controlled foreign corporations ("CFCs") must be included currently in the gross income of the CFC's U.S. shareholder; and
- The Global Intangible Low Tax Income ("GILTI") provisions are effective for tax years beginning on or after January 1, 2018. In FASB staff Q&A Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, the FASB staff noted that ASC 740 was not clear with respect to the appropriate accounting for GILTI, and accordingly, an entity may either: (1) elect to treat taxes on GILTI as period costs similar to special deductions, or (2) recognize deferred tax assets and liabilities when basis differences exist that are expected to affect the amount of GILTI inclusion upon reversal (the deferred method). The Company has not yet adopted an accounting policy related to GILTI.

For the third quarter ended July 31, 2019, we recorded an income tax benefit of \$1.9 million on pretax income of \$0.8 million, resulting in an effective tax rate that is not meaningful. The primary items impacting the change in our effective tax rate from the prior quarter include (1) a change in our estimated full year effective tax rate due to a change in our estimated full year income before tax and (2) a change in our estimated full year foreign income inclusion. The change in estimated full year effective tax rate resulted in a true-up to income tax expense in the current quarter. For the same Predecessor quarter in the prior year, we recorded income tax expense of \$1.7 million on pretax income of \$6.5 million, resulting in an effective tax rate of 26.1%.

For the Successor period from December 6, 2018 to July 31, 2019, the Company recorded an income tax benefit of \$3.1 million on a pretax loss of \$13.6 million, resulting in an effective tax rate of 22.8%. The effective tax rate for this period was heavily affected by the income tax expense activity discussed above for the successor quarter ended July 31, 2019.

For the Predecessor period from November 1, 2018 to December 5, 2018, the Company recorded an income tax benefit of \$4.2 million on a pretax loss of \$26.8 million, resulting in an effective tax rate of 15.7%. For the Predecessor period for the nine months ended July 31, 2018, the Company recorded an income tax benefit of \$10.6 million on pretax income of \$16.4 million, resulting in an effective tax rate that was not meaningful.

The factors impacting comparability between our effective tax rates for the periods discussed above are as follows:

- (1) The net impact from the enactment of the 2017 Tax Act, which reduced the U.S. federal corporate income tax rate from 35% to 21%;
- (2) The Predecessor recording a tax benefit of \$14.74 million in the nine months ended July 31, 2018 related to the re-measurement of deferred tax assets and liabilities to reflect the reduction in the U.S. corporate income tax rate from 35% to 21% percent;
- (3) The Predecessor recording a provisional tax expense of \$0.5 million in the nine months ended July 31, 2018 related to the deemed repatriation of earnings from its foreign subsidiaries;
- (4) The Predecessor recording a provisional tax benefit of \$0.5 million in the nine months ended July 31, 2018 related to the reduction of the deferred tax liability on unrepatriated foreign earnings due to the 100 percent dividends received deduction;
- (5) The Predecessor recording tax expense of \$1.4 million for the period ended December 5, 2018 related to nondeductible transaction related costs;
- (6) The Successor including \$0.6 million of tax expense in the estimated annual effective rate for the period ended July 31, 2019 related to GILTI; and
- (7) The Successor including \$0.8 million of tax benefit in the estimated annual effective tax rate for the period ended July 31, 2019 related to a reduction in liability of foreign income.

At July 31, 2019 and October 31, 2018, we had deferred tax liabilities, net of deferred tax assets, of \$71.2 million and \$39.0 million, respectively. The increase in our net deferred tax liability is primarily due to deferred tax liabilities recorded in purchase accounting related to the fair value adjustments to fixed assets and other identifiable intangible assets. The Company has a valuation allowance of \$0.1 million as of both July 31, 2019 and October 31, 2018 related to foreign tax credit carryforwards where realization is more uncertain at this time due to the limited carryforward periods that exist.

The Company had no liability for uncertain tax positions at July 31, 2019 and October 31, 2018.

Note 13. Commitments and Contingencies

Insurance

As of July 31, 2019 and October 31, 2018, the Company was partially insured for automobile, general and worker's compensation liability with the following deductibles:

	Deductible
General liability	\$ 250,000
General liability (in the case of accident and driver has completed NBIS driver training)	\$ 125,000
Automobile	\$ 100,000
Workers' compensation	\$ 250,000

The Successor and Predecessor had accrued \$4.8 million and \$3.2 million, as of July 31, 2019 and October 31, 2018, respectively, for claims incurred but not reported and estimated losses reported, which is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheet.

The Company offers employee health benefits via a partially self-insured medical benefit plan. Participant claims exceeding certain limits are covered by a stop-loss insurance policy. As of July 31, 2019 and October 31, 2018, the Company had accrued \$1.5 million and \$1.0 million, respectively, for health claims incurred but not reported based on historical claims amounts and average lag time. These accruals are included in accrued expenses and other current liabilities in the accompanying consolidated balance sheet. The Company contracts with a third party administrator to process claims, remit benefits, etc. The third party administrator requires the Company to maintain a bank account to facilitate the administration of claims. The account balance was \$0.3 million and \$0.3 million, as of July 31, 2019 and October 31, 2018, respectively, and is included in cash and cash equivalents in the accompanying consolidated balance sheet.

Litigation

The Company is currently involved in certain legal proceedings and other disputes with third parties that have arisen in the ordinary course of business. Management believes that the outcomes of these matters will not have a material impact on the Company's financial statements and does not believe that any amounts need to be recorded for contingent liabilities in the Company's consolidated balance sheet.

Letters of credit

The ABL Credit Agreement provides for up to \$7.5 million of standby letters of credit. As of July 31, 2019, total outstanding letters of credit totaled \$1.5 million, the vast majority of which had been committed to the Company's general liability insurance provider.

Note 14. Stockholders' Equity

In conjunction with the Business Combination, all common and preferred shares that were in existence for the Predecessor were settled and no longer outstanding subsequent to December 5, 2018.

Successor

The Company's amended and restated certificate of incorporation authorizes the issuance of 500,000,000 shares of common stock, par value \$0.0001, and 10,000,000 shares of preferred stock, par value \$0.0001. Immediately following the Business Combination, there were:

- 28,847,707 shares of common stock issued and outstanding;
- 34,100,000 warrants outstanding, each exercisable for one share of common stock at an exercise price of \$11.50 per share; and
- 2,450,980 shares of zero-dividend convertible perpetual preferred stock ("Series A Preferred Stock") outstanding, as further discussed below

On May 14, 2019, in order to finance a portion of the purchase price for the acquisition of Capital, the Company completed a public offering of 18,098,166 of its common stock at a price of \$4.50 per share, receiving net proceeds of approximately \$77.4 million, after deducting underwriting discounts, commissions, and other offering expenses. In connection with the offering, certain of the Company's directors, officers and significant stockholders, and certain other related investors purchased an aggregate of 3,980,166 shares of its common stock from the underwriters at the public offering price of \$4.50, representing approximately 25% of the total shares issued (without giving effect to the underwriters' option to purchase additional shares).

As discussed below, on April 29, 2019, 2,101,213 shares of common stock were issued in exchange for the Company's public warrants and 1,707,175 shares of common stock were issued in exchange for the Company's private warrants. After the completion of the warrant exchange and as of July 31, 2019, there were 13,017,777 public warrants and no private warrants outstanding.

The Company's Series A Preferred Stock does not pay dividends and is convertible (effective June 6, 2019) into shares of the Company's common stock at a 1:1 ratio (subject to customary adjustments). The Company has the right to elect to redeem all or a portion of the Series A Preferred Stock at its election after December 6, 2022 for cash at a redemption price equal to the amount of the principal investment plus an additional cumulative amount that will accrue at an annual rate of 7.0% thereon. In addition, if the volume weighted average price of shares of the Company's common stock equals or exceeds \$13.00 for 30 consecutive days, then the Company will have the right to require the holder of the Series A Preferred Stock to convert its Series A Preferred Stock into Company common stock, at a ratio of 1:1 (subject to customary adjustments).

Conditionally redeemable preferred shares (including preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) are classified as temporary equity. The preferred stock contains a redemption feature contingent upon a change in control which is not solely within the control of the Company, and as such, the preferred stock is presented outside of permanent equity.

Warrant Exchange

On April 1, 2019, the Company commenced an offer to each holder of its publicly traded warrants (the "public warrants") and private placement warrants that were issued in connection with Industrea's initial public offering on April 17, 2017 (the "private warrants") the opportunity to receive 0.2105 shares of common stock in exchange for each outstanding public warrant tendered and 0.1538 shares of common stock in exchange for each private warrant tendered pursuant to the offer (the "Offer" or "Warrant Exchange").

On April 26, 2019, a total of 9,982,123 public warrants and 11,100,000 private warrants were tendered for exchange pursuant to the Offer. On April 29, 2019, 2,101,213 shares of common stock were issued in exchange for the tendered public warrants and 1,707,175 shares of common stock were issued in exchange for the tendered private warrants. A negligible amount of cash was paid for fractional shares. As no agreement was modified as a result of the exchange, we concluded that the exchange of Company common stock for the warrants was analogous to a share repurchase. The Company recorded a loss on repurchase of the warrants of \$5.2 million in the 2019 second quarter, all of which was included as an adjustment to retained earnings. The \$5.2 million loss reflects the par value of the warrants in APIC of \$21.1 million less the fair value of the common stock that was issued in exchange for the warrants of \$26.3 million. After the completion of the Warrant Exchange and as of July 31, 2019, 13,017,777 public warrants and no private warrants were outstanding.

Predecessor

Pursuant to the Predecessor's articles of incorporation, as amended, the Predecessor was authorized to issue 15,000,000 shares of \$0.001 par value common stock and 2,423,711 shares of \$0.001 par value preferred stock.

As of October 31, 2018, the Predecessor had 7,576,289 shares of common stock issued and outstanding and 2,342,264 preferred shares issued and outstanding. The preferred shares had a liquidation preference of \$11.2 million.

Note 15. Stock-Based Compensation

Successor

The Company rolled forward certain vested options from the Predecessor (see discussion below) to 2,783,479 equivalent vested options in the Successor. No incremental compensation costs were recognized on conversion as the fair value of the options issued were equivalent to the fair value of the vested options of the Predecessor. Exercise prices for those options range from \$0.87 to \$6.09.

In April 2019, pursuant to the Concrete Pumping Holdings, Inc. 2018 Omnibus Incentive Plan, the Company granted stock awards to certain employees in the United States and United Kingdom. All awards in the United States are restricted stock awards while awards granted to employees in the United Kingdom are stock options with exercise prices of \$0.01. Regardless of where the awards were granted, the awards vest pursuant to one of the following four conditions:

1. Time-based only – Awards vest in equal installments over a five-year period
2. \$13 market-based and time-based vesting – Awards will vest as to first condition once the Company's stock reaches a closing price of \$13.00 for 30 consecutive days. Once the first vesting condition is achieved, the stock award will then vest 1/3 annually over a three-year period.
3. \$16 market-based and time-based vesting – Awards will vest as to first condition once the Company's stock reaches a closing price of \$16.00 for 30 consecutive days. Once the first vesting condition is achieved, the stock award will then vest 1/3 annually over a three-year period.
4. \$19 market-based and time-based vesting – Awards will vest as to first condition once the Company's stock reaches a closing price of \$19.00 for 30 consecutive days. Once the first vesting condition is achieved, the stock award will then vest 1/3 annually over a three-year period.

Included in the table below is a summary of the awards granted, including the location, type of award, fair value of awards, and the date that expense will be recognized through. In accordance with ASC 718, the market-based awards were assigned the fair values in the table below using a Monte Carlo simulation model. In addition, while the table below provides a date through which expense will be recognized on a straight-line basis, if at such time these market-based stock awards vest under both vesting conditions, expense recognition will be accelerated. Stock-based compensation expense for the three-month period ended July 31, 2019 and the period from December 6, 2018 to July 31, 2019 was \$1.6 million and \$2.0 million, respectively.

Location	Type of Award	Shares Awarded	Individual Fair Value of Awards	Total Fair Value of Awards	Date Expense will be Recognized Through (Straight-Line Basis)
US	Time Based Only	1,156,630	\$ 6.67	\$ 7,714,722	12/6/2023
US	\$13 Market/Time- Based	1,543,044	\$ 4.47	\$ 6,904,032	5/4/2024
US	\$16 Market/Time- Based	1,543,044	\$ 3.85	\$ 5,940,038	8/27/2024
US	\$19 Market/Time- Based	1,543,091	\$ 3.34	\$ 5,149,194	11/19/2024
UK	Time Based Only	164,744	\$ 6.67	\$ 1,098,842	12/6/2023
UK	\$13 Market/Time- Based	238,808	\$ 4.46	\$ 1,066,272	5/4/2024
UK	\$16 Market/Time- Based	238,808	\$ 3.84	\$ 917,096	8/27/2024
UK	\$19 Market/Time- Based	238,833	\$ 3.33	\$ 794,772	11/19/2024
Total		6,667,002		\$ 29,584,968	

Predecessor

The Predecessor accounted for share-based awards in accordance with ASC Topic 718 *Compensation—Stock Compensation* (“ASC 718”), which requires the fair value of stock-based compensation awards to be amortized as an expense over the vesting period. Stock-based compensation awards are valued at fair value on the date of grant. As a result of the Business Combination, the acceleration clause within the original award agreements was triggered and all unvested awards immediately vested, resulting in an amount of \$0.6 million of stock-based compensation expense presented “on the line” (see Note 4 - Business Combinations). Stock-based compensation for the Predecessor period from November 1, 2018 to December 5, 2018 totaled \$0.1 million, and has been included in general and administrative expenses on the accompanying consolidated statement of income.

Note 16. Earnings Per Share

The Company calculates earnings per share in accordance with ASC 260, *Earnings Per Share*. For purposes of calculating earnings (loss) per share (“EPS”), a company that has participating security holders (for example, holders of unvested restricted stock that have non-forfeitable dividend rights and the Company’s Series A Preferred Stock) is required to utilize the two-class method for calculating EPS unless the treasury stock method results in lower EPS. The two-class method is an allocation of earnings/(loss) between the holders of common stock and a company’s participating security holders. Under the two-class method, earnings/(loss) for the reporting period is calculated by taking the net income (loss) for the period, less both the dividends declared in the period on participating securities (whether or not paid) and the dividends accumulated for the period on cumulative preferred stock (whether or not earned) for the period. Our common shares outstanding are comprised of shareholder owned common stock and shares of unvested restricted stock held by participating security holders. Basic EPS is calculated by dividing income or loss attributable to common stockholders by the weighted average number of shares of common stock outstanding, excluding participating shares. To calculate diluted EPS, basic EPS is further adjusted to include the effect of potentially dilutive stock options outstanding and Series A Preferred Stock outstanding as of the beginning of the period.

Successor

At July 31, 2019 (Successor), the Company had outstanding (1) 13.0 million warrants to purchase shares of common stock, (2) 6.7 million outstanding unvested stock awards, (3) 1.2 million outstanding vested stock options and 2.5 million shares of Series A Preferred Stock, all of which could potentially be dilutive. For all periods presented, the weighted-average dilutive impact, if any, of these shares was excluded from the calculation of diluted earnings (loss) per common share because their inclusion would have been anti-dilutive. As a result, dilutive earnings (loss) per share is equal to basic earnings (loss) per share.

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The table below shows our basic and diluted EPS calculations for the three-month period ended July 31, 2019 and the period from December 6, 2018 through July 31, 2019 (Successor):

	Successor	
	Three Months Ended July 31, 2019	December 6, 2018 through July 31, 2019
<i>(in thousands, except share and per share amounts)</i>		
Net income (loss) attributable to Concrete Pumping Holdings, Inc.	\$ 2,762	\$ (10,513)
Less: Undistributed earnings allocated to participating securities	(53)	-
Less: Preferred stock - cumulative dividends	(456)	(1,159)
Net income (loss) attributable to common stockholders (numerator for basic earnings per share)	<u>\$ 2,253</u>	<u>\$ (11,672)</u>
Add back: Undistributed earnings allocated to participating securities	53	-
Less: Undistributed earnings reallocated to participating securities	(51)	-
Add back: Preferred stock - cumulative dividends	456	-
Numerator for diluted earnings per share	<u>\$ 2,711</u>	<u>\$ (11,672)</u>
Weighted average shares (denominator):		
Weighted average shares - basic	49,940,411	37,155,182
Weighted average shares - diluted	53,122,690	37,155,182
Basic earnings (loss) per share	\$ 0.05	\$ (0.31)
Diluted earnings (loss) per share	\$ 0.05	\$ (0.31)

Predecessor

Under the terms and conditions of the Company's Participating Preferred Stock Agreement, the holders of the preferred stock had the right to receive dividends or dividend equivalents should the Company declare dividends on its common stock on a one-for-one per-share basis. Under the two-class method, undistributed earnings was calculated by the earnings for the period less the cumulative preferred stock dividends earned for the period. The undistributed earnings were then allocated on a pro-rata basis to the common and preferred stockholders on a one-for-one per-share basis. The weighted-average number of common and preferred shares outstanding during the period was then used to calculate basic EPS for each class of shares. As a result, the undistributed earnings available to common shareholders was calculated by earnings (loss) for the period less the cumulative preferred stock dividends earned for the period less undistributed earnings allocated to the holders of the preferred stock.

In periods in which the Company had a net loss or undistributed net loss, basic loss per share was calculated by dividing the loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. The two-class method was not used, because the holders of the preferred stock did not participate in losses.

The table below shows our basic and diluted EPS calculations for the Predecessor periods from November 1, 2018 through December 5, 2018 and from November 1, 2017 through July 31, 2018:

	Predecessor		
	November 1, 2018 through December 5, 2018	Three Months Ended July 31, 2018	Nine Months Ended July 31, 2018
<i>(in thousands)</i>			
Net (loss) income attributable to Concrete Pumping Holdings, Inc	\$ (22,575)	\$ 4,825	\$ 26,993
Less: Preferred stock - cumulative dividends	(126)	(1,050)	(1,050)
Less: Undistributed earnings allocated to preferred shares	-	(892)	(6,127)
Net (loss) income available to common shareholders	<u>\$ (22,701)</u>	<u>\$ 2,883</u>	<u>\$ 19,816</u>
Weighted average shares (denominator):			
Weighted average shares - basic	7,576,289	7,576,289	7,576,289
Weighted average shares - diluted	7,576,289	8,510,779	8,510,779
Antidilutive stock options	\$ 932,746	\$ -	\$ -
Basic income (loss) per share	\$ (3.00)	\$ 0.38	\$ 2.62
Diluted income (loss) per share	\$ (3.00)	\$ 0.34	\$ 2.33

Note 17. Segment Reporting

The Company conducts business through the following reportable segments based on geography and the nature of services sold:

- U.S. Concrete Pumping – Consists of concrete pumping services sold to customers in the U.S. Business in this segment is primarily performed under the Brundage-Bone and Capital tradenames.
- U.K. Concrete Pumping – Consists of concrete pumping services and leasing of concrete pumping equipment to customers in the U.K. Business in this segment is primarily performed under the Camfaud Concrete Pumps and Premier Concrete Pumping tradenames. This represents the Company's foreign operations.
- Concrete Waste Management Services ("Eco-Pan") – Consists of pans and containers rented to customers in the U.S and the disposal of the concrete waste material services sold to customers in the U.S. Business in this segment is performed under the Eco-Pan tradename.

The accounting policies of the reportable segments are the same as those described in Note 2. The Company's Chief Operating Decision Maker ("CODM") evaluates the performance of each segment based on revenue, and measures segment performance based upon EBITDA (earnings before interest, taxes, depreciation and amortization). Non-allocated interest expense and various other administrative costs are reflected in Corporate. Corporate assets primarily include cash and cash equivalents, prepaid expenses and other current assets, and real property. The following provides operating information about the Company's reportable segments for the periods presented:

	Successor		Predecessor		Predecessor	
	Three Months Ended July 31, 2019	Three Months Ended July 31, 2018	December 6, 2018 through July 31, 2019	November 1, 2018 through December 5, 2018	Nine Months Ended July 31, 2018	
<i>(in thousands)</i>						
Revenue						
U.S. Concrete Pumping	\$ 58,354	\$ 45,288	\$ 124,969	\$ 16,659	\$ 118,424	
U.K. Concrete Pumping	12,492	13,877	30,996	5,143	36,705	
Eco-Pan	7,967	7,548	18,806	2,628	20,885	
Corporate	626	625	1,634	242	1,875	
Intersegment	(784)	(689)	(1,792)	(276)	(2,035)	
	<u>\$ 78,655</u>	<u>\$ 66,649</u>	<u>\$ 174,613</u>	<u>\$ 24,396</u>	<u>\$ 175,854</u>	
(Loss) income before income taxes						
U.S. Concrete Pumping	\$ (1,050)	\$ 2,287	\$ (14,946)	\$ (27,354)	\$ 5,268	
U.K. Concrete Pumping	1,353	959	290	207	1,808	
Eco-Pan	329	2,826	(85)	225	7,665	
Corporate	208	454	1,113	155	1,620	
	<u>\$ 840</u>	<u>\$ 6,526</u>	<u>\$ (13,628)</u>	<u>\$ (26,767)</u>	<u>\$ 16,361</u>	
EBITDA						
U.S. Concrete Pumping	\$ 17,934	\$ 10,297	\$ 29,283	\$ (24,565)	\$ 28,576	
U.K. Concrete Pumping	5,013	3,975	9,445	1,587	11,009	
Eco-Pan	3,587	3,361	7,748	388	9,210	
Corporate	626	520	1,633	180	1,809	
	<u>\$ 27,160</u>	<u>\$ 18,153</u>	<u>\$ 48,109</u>	<u>\$ (22,410)</u>	<u>\$ 50,604</u>	

	<u>Successor</u>	<u>Predecessor</u>	<u>Successor</u>	<u>Predecessor</u>	
	Three Months Ended July 31, 2019	Three Months Ended July 31, 2018	December 6, 2018 through July 31, 2019	November 1, 2018 through December 5, 2018	Nine Months Ended July 31, 2018
<i>(in thousands)</i>					
Depreciation and amortization					
U.S. Concrete Pumping	\$ 9,938	\$ 3,561	\$ 21,471	\$ 1,635	\$ 10,781
U.K. Concrete Pumping	2,864	1,992	7,161	890	6,042
Eco-Pan	3,257	535	7,832	163	1,545
Corporate	418	62	520	25	185
	<u>\$ 16,477</u>	<u>\$ 6,150</u>	<u>\$ 36,984</u>	<u>\$ 2,713</u>	<u>\$ 18,553</u>
Interest expense, net					
U.S. Concrete Pumping	\$ (9,046)	\$ (4,449)	\$ (22,758)	\$ (1,154)	\$ (12,527)
U.K. Concrete Pumping	(796)	(1,024)	(1,994)	(490)	(3,159)
Eco-Pan	(1)	-	(1)	-	-
Corporate	-	(4)	-	-	(4)
	<u>\$ (9,843)</u>	<u>\$ (5,477)</u>	<u>\$ (24,753)</u>	<u>\$ (1,644)</u>	<u>\$ (15,690)</u>
Transaction costs including debt extinguishment					
U.S. Concrete Pumping	\$ 1,458	\$ 1,395	\$ 1,458	\$ -	\$ -
Corporate	(1,282)	-	-	30,562	2,520
	<u>\$ 176</u>	<u>\$ 1,395</u>	<u>\$ 1,458</u>	<u>\$ 30,562</u>	<u>\$ 2,520</u>

Total assets by segment for the periods presented are as follows:

	<u>Successor</u>	<u>Predecessor</u>
	July 31, 2019	October 31, 2018
<i>(in thousands)</i>		
Total Assets		
U.S. Concrete Pumping	\$ 633,933	\$ 278,027
U.K. Concrete Pumping	130,936	79,832
Eco-Pan	135,018	32,781
Corporate	25,494	20,260
Intersegment	(60,020)	(40,756)
	<u>\$ 865,361</u>	<u>\$ 370,144</u>

The U.S. and U.K. were the only regions that accounted for more than 10% of the Company's revenue for the periods presented. There was no single customer that accounted for more than 10% of revenue for the periods presented. Revenue for the periods presented and long lived assets as of July 31, 2019 and October 31, 2018 are as follows:

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended July 31, 2019	Three Months Ended July, 2018	December 6, 2018 through July 31, 2019	November 1, 2018 through December 5, 2018	Nine Months Ended July 31, 2018
<i>(in thousands)</i>					
Revenue					
U.S.	\$ 66,163	\$ 52,772	\$ 143,617	\$ 19,253	\$ 139,149
U.K.	12,492	13,877	30,996	5,143	36,705
	\$ 78,655	\$ 66,649	\$ 174,613	\$ 24,396	\$ 175,854

	Successor	Predecessor
	July 31, 2019	October 31, 2018
<i>(in thousands)</i>		
Property, plant and equipment, net		
U.S.	\$ 256,964	\$ 167,368
U.K.	40,121	34,547
	\$ 297,085	\$ 201,915

Note 18. Related Party Transaction

Predecessor

The Predecessor had a Management Services Agreement, as amended from time to time, with PGP Advisors, LLC (PGP), an affiliate of the Sponsor, to provide advisory, consulting and other professional services. Under terms of the agreement, before it was terminated (as discussed below), the annual fee for these services was \$4.0 million from September of 2017 through August of 2019, and \$2.0 million annually thereafter. For the three and nine-month periods ended July 31, 2018 and in the period from November 1, 2018 through December 5, 2018, the Predecessor incurred \$1.0 million, \$3.3 million and \$0.0 million, respectively, related to this agreement and other agreed upon expenses. These expenses were included in general and administrative expenses on the accompanying consolidated statement of income. In conjunction with the Business Combination, this agreement was terminated.

Successor

As discussed in Note 10, in connection with the Company's public offering of 18,098,166 shares of its common stock, certain of the Company's directors, officers and significant stockholders, and certain other related investors purchased an aggregate of 3,980,166 shares from the underwriters at the public offering price of \$4.50, representing approximately 25% of the total shares issued (without giving effect to the underwriters' option to purchase additional shares).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following management's discussion and analysis together with (1) Concrete Pumping Holdings, Inc.'s (the "Company", "we", "us", "our" or "Successor") Consolidated Financial Statements and related notes thereto included in this Quarterly Report on Form 10-Q; (2) the Company's Pro Forma Condensed Combined Financial Statements for the twelve months ended October 31, 2018, and the related notes, filed with the Company's Current Report on Form 8-K/A with the SEC on January 29, 2019; (3) the Company's Consolidated Financial Statements for the years ended October 31, 2018, 2017, and 2016, and the related notes and report of independent registered public accounting firm thereto, filed with the Company's Current Report on Form 8-K/A with the SEC on January 29, 2019; (4) the consolidated financial statements of Camfaud Concrete as of November 16, 2016 and September 30, 2016 and 2015 and for the period from October 1, 2016 to November 16, 2016 and for the years ended September 30, 2016 and 2015, and the related notes and report of independent registered public accounting firm thereto, included in the Company's Current Report on Form 8-K/A with the SEC on January 29, 2019; (5) the consolidated financial statements of Industrea Acquisition Corp. ("Industrea") as of December 31, 2017 and for the period from April 7, 2017 (date of inception) to December 31, 2017 and the related notes thereto and report of independent registered public accounting firm thereon as set forth in the proxy statement/prospectus included in the Company's Form S-4 registration statement (333-227259) filed in connection with the Business Combination (the "Form S-4") beginning on page F-3; and (6) the consolidated financial statements of Capital Pumping, LP and Affiliate and MC Services, LLC as of December 31, 2018 and 2017 and March 31, 2019 and for the years ended October 31, 2018 and 2017 and for the quarters ended March 31, 2018 and 2017, the related notes thereto and report of independent registered public accounting firm thereon as set forth in the prospectus included in the Company's Form S-1 registration statement (333-230673) beginning on page F-86 that was filed in connection with the Company's public offering in May 2019.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding our business, financial condition, results of operations, cash flows, strategies and prospects. These forward-looking statements may be identified by terminology such as "likely," "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue," or the negative of such terms and other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained in this Report are reasonable, we cannot guarantee future results. These statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from those expressed or implied by the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports on Forms 10-K, 10-Q and 8-K should be considered. Additionally, information about issues that could lead to material changes in performance and risk factors that have the potential to affect us is contained under the caption "Risk Factors" in our [Form 8-K/A filed with the SEC on January 29, 2019](#).

Business Overview

The Company is a Delaware corporation headquartered in Denver, Colorado. The Unaudited Consolidated Financial Statements include the accounts of Concrete Pumping Holdings, Inc. and its wholly owned subsidiaries including Brundage-Bone Concrete Pumping Holdings ("Brundage-Bone"), Capital Pumping ("Capital"), and Camfaud Group Limited ("Camfaud"), and Eco-Pan, Inc. ("Eco-Pan").

On December 6, 2018, the Company, formerly known as Concrete Pumping Holdings Acquisition Corp., consummated a business combination transaction (the "Business Combination") pursuant to which it acquired (i) the private operating company formerly called Concrete Pumping Holdings, Inc. ("CPH") and (ii) the former special purpose acquisition company called Industrea Acquisition Corp ("Industrea"). In connection with the closing of the Business Combination, the Company changed its name to Concrete Pumping Holdings, Inc. The financial results described herein for the dates and periods prior to the Business Combination relate to the operations of CPH prior to the consummation of the Business Combination.

U.S. & U.K. Concrete Pumping

Brundage-Bone and Capital are concrete pumping service providers in the United States ("U.S."). Camfaud is a concrete pumping service provider in the United Kingdom ("U.K."). Their core business is the provision of concrete pumping services to general contractors and concrete finishing companies in the commercial, infrastructure and residential sectors. Most often equipment returns to a "home base" nightly and neither company contracts to purchase, mix, or deliver concrete. Brundage-Bone and Capital collectively have approximately 90 branch locations across 22 states with their corporate headquarters in Thornton (near Denver), Colorado. Camfaud has 29 branch locations throughout the U.K., with its corporate headquarters in Epping (near London), England.

In May 2019, the Company, through its wholly-owned subsidiary Brundage-Bone, acquired Capital Pumping LP and its affiliates, a concrete pumping provider based in Texas for a purchase price of \$129.2 million. The closing of this acquisition provided the Company with complementary assets and operations and significantly expanded its footprint and business in Texas.

In addition, in April 2018, Brundage-Bone completed the acquisition of substantially all of the assets of Richard O'Brien Companies, Inc., O'Brien Concrete Pumping-Arizona, Inc., O'Brien Concrete Pumping-Colorado, Inc. and O'Brien Concrete Pumping, LLC (collectively, "O'Brien" or the "O'Brien Companies"), solidifying Brundage-Bone's presence in the Colorado and Phoenix, Arizona markets.

Concrete Waste Management Services — Eco-Pan

Eco-Pan provides industrial cleanup and containment services, primarily to customers in the construction industry. Eco-Pan uses containment pans specifically designed to hold waste products from concrete and other industrial cleanup operations. Eco-Pan has 19 operating locations across the United States with its corporate headquarters in Thornton, Colorado.

Results of Operations

To reflect the application of different bases of accounting as a result of the Business Combination, the tables provided below separate the Company's results via a black line into two distinct periods as follows: (1) up to and including the Business Combination closing date (labeled "Predecessor") and (2) the period after that date (labeled "Successor"). The periods after December 5, 2018 are the "Successor" periods while the periods before December 6, 2018 are the "Predecessor" periods.

The historical financial information of Industrea prior to the Business Combination (a special purpose acquisition company, or "SPAC") has not been reflected in the Predecessor financial statements as these historical amounts have been determined to be not useful information to a user of the financial statements. SPACs deposit the proceeds from their initial public offerings into a segregated trust account until a business combination occurs, where such funds are then used to pay consideration for the acquiree and/or to pay stockholders who elect to redeem their shares of common stock in connection with the business combination. The operations of a SPAC, until the closing of a business combination, other than income from the trust account investments and transaction expenses, are nominal. Accordingly, no other activity in the Company was reported for periods prior to December 6, 2018 besides CPH's operations as Predecessor.

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As Industrea's historical financial information is excluded from the Predecessor financial information, the business, and thus financial results, of the Successor and Predecessor entities, are expected to be largely consistent, excluding the impact on certain financial statement line items that were impacted by the Business Combination. Management believes reviewing our operating results for the nine months ended July 31, 2019 by combining the results of the Predecessor and Successor periods ("S/P Combined") is more useful in discussing our overall operating performance when compared to the same period in the prior year. Accordingly, in addition to presenting our results of operations as reported in our consolidated financial statements in accordance with GAAP, the tables below present the non-GAAP combined results for the year.

	<u>Successor</u>	<u>Predecessor</u>	<u>Successor</u>	<u>Predecessor</u>	<u>S/P Combined (non- GAAP)</u>	<u>Predecessor</u>
	<u>Three Months Ended July 31, 2019</u>	<u>Three Months Ended July 31, 2018</u>	<u>December 6, 2018 through July 31, 2019</u>	<u>November 1, 2018 through December 5, 2018</u>	<u>Nine Months Ended July 31, 2019</u>	<u>Nine Months Ended July 31, 2018</u>
<i>(dollars in thousands)</i>						
Revenue	\$ 78,655	\$ 66,649	\$ 174,613	\$ 24,396	\$ 199,009	\$ 175,854
Cost of operations	39,665	36,467	98,396	14,027	112,423	98,430
Gross profit	38,990	30,182	76,217	10,369	86,586	77,424
Gross margin	49.6%	45.3%	43.6%	42.5%	43.5%	44.0%
General and administrative expenses	28,159	16,798	63,693	4,936	68,629	42,887
Transaction costs	176	1,395	1,458	14,167	15,625	2,520
Income (loss) from operations	10,655	11,989	11,066	(8,734)	2,332	32,017
Other (expense) income:						
Interest expense	(9,843)	(5,477)	(24,753)	(1,644)	(26,397)	(15,690)
Loss on extinguishment of debt	-	-	-	(16,395)	(16,395)	-
Other income (expense), net	28	14	59	6	65	34
	(9,815)	(5,463)	(24,694)	(18,033)	(42,727)	(15,656)
Income (loss) before income taxes	840	6,526	(13,628)	(26,767)	(40,395)	16,361
Income tax (benefit) provision	(1,922)	1,701	(3,115)	(4,192)	(7,307)	(10,632)
Net income (loss) attributable to Concrete Pumping Holdings, Inc.	\$ 2,762	\$ 4,825	\$ (10,513)	\$ (22,575)	\$ (33,088)	\$ 26,993
Less preferred shares dividends	(456)	(1,050)	(1,159)	(126)	(1,285)	(1,050)
Less undistributed earnings allocated to preferred shares	-	(892)	-	-	-	(6,127)
Undistributed income (loss) available to common shareholders	\$ 2,306	\$ 2,883	\$ (11,672)	\$ (22,701)	\$ (34,373)	\$ 19,816

Three Months Ended July 31, 2019

For the three months ended July 31, 2019, our net income was \$2.8 million, a decrease of \$2.0 million compared to net income of \$4.8 million in the same period a year ago. We had an 18.0% improvement in revenue year-over-year, driven mostly by the additional assets we obtained from the Capital acquisition, which supported the operations in our Texas market. Net income in the 2019 third quarter, when compared to the 2018 third quarter, was negatively impacted by higher amortization of intangible assets expense of \$8.6 million, depreciation expense of \$1.1 million and interest expense, net of \$4.4 million, most of which are predominantly the result of the Business Combination. In addition to the impact from the Business Combination, we incurred \$1.5 million in increased stock-based compensation expense in the 2019 third quarter as a result of a stock grant in April of 2019. These amounts were partially offset by 2.5 months of positive contributions to net income from the Capital acquisition.

Nine Months Ended July 31, 2019

For the S/P Combined nine months ended July 31, 2019, our net loss was \$33.1 million, a decrease of \$60.1 million compared to net income of \$27.0 million in the same period a year ago. We had a 13.2% improvement in revenue year-over-year, driven mostly by the Capital Acquisition discussed above. Net income in the S/P Combined nine months ended July 31, 2019 was negatively impacted by higher depreciation expense of \$3.1 million, amortization expense of \$17.4 million, interest expense, net of \$10.7 million, transaction costs of \$13.1 million, and debt extinguishment costs of \$16.4 million, all of which are predominantly the result of the Business Combination. In addition to the impact from the Business Combination, we incurred an additional \$3.3 million in general and administrative ("G&A") expenses on a year-over-year basis resulting from various costs related to being a newly public company. Approximately \$1.6 million of such expenses are expected to be non-recurring. Furthermore, in the 2018 first quarter, as a result of the enactment of the Tax Cuts and Jobs Act in December 2017 (the "2017 Tax Act"), we revalued our deferred tax assets and liabilities, resulting in the realization of a substantial tax benefit whereas no such benefit was realized in fiscal 2019. These amounts were slightly offset by positive contributions to net income from the Capital acquisition.

Total Assets

Total assets increased from \$370.1 million as of October 31, 2018 to \$865.4 million as of July 31, 2019. The primary driver of the increase in assets for all segments was the Business Combination, which resulted in a step-up in the value of certain assets, primarily including goodwill and intangibles, coupled with the Capital acquisition which added \$129.2 million in net assets to the balance sheet.

	<u>Successor</u>	<u>Predecessor</u>
	<u>July 31,</u>	<u>October 31,</u>
	<u>2019</u>	<u>2018</u>
<i>(in thousands)</i>		
Total Assets		
U.S. Concrete Pumping	\$ 633,933	\$ 278,027
U.K. Concrete Pumping	130,936	79,832
Eco-Pan	135,018	32,781
Corporate	25,494	20,260
Intersegment	(60,020)	(40,756)
	<u>\$ 865,361</u>	<u>\$ 370,144</u>

Revenue

	Successor	Predecessor		Change
	Three Months Ended July 31, 2019	Three Months Ended July 31, 2018		
<i>(in thousands)</i>				
U.S. Concrete Pumping	\$ 58,354	\$ 45,288	\$ 13,066	28.9%
U.K. Concrete Pumping	12,492	13,877	(1,385)	-10.0%
Eco-Pan	7,967	7,548	419	5.6%
Corporate	626	625	1	0.2%
Intersegment	(784)	(689)	(95)	13.8%
Revenue	\$ 78,655	\$ 66,649	\$ 12,006	18.0%

	Successor	Predecessor	S/P Combined (non-GAAP)	Predecessor	Change
	December 6, 2018 through July 31, 2019	November 1, 2018 through December 5, 2018	Nine months ended July 31, 2019	Nine months ended July 31, 2018	
<i>(in thousands)</i>					
U.S. Concrete Pumping	\$ 124,969	\$ 16,659	\$ 141,628	\$ 118,424	\$ 23,204 19.6%
U.K. Concrete Pumping	30,996	5,143	36,139	36,705	(566) -1.5%
Eco-Pan	18,806	2,628	21,434	20,885	549 2.6%
Corporate	1,634	242	1,876	1,875	1 0.0%
Intersegment	(1,792)	(276)	(2,068)	(2,035)	(33) 1.6%
Revenue	\$ 174,613	\$ 24,396	\$ 199,009	\$ 175,854	\$ 23,154 13.2%

U.S. Concrete Pumping

Revenue for our U.S. Concrete Pumping segment increased by 28.9%, or \$13.1 million, from \$45.3 million in the 2018 third fiscal quarter to \$58.4 million in the 2019 third fiscal quarter. The incremental benefit of the Capital acquisition, which added additional pumping capacity to Texas, drove \$12.3 million of the increase in revenue. We also had notable improvements in revenue in most of our other markets.

For the S/P Combined nine months ended July 31, 2019 for our U.S. Concrete Pumping segment, revenue was up 19.6% year-over-year to \$141.6 million. The incremental benefit of the O'Brien acquisition in April 2018 and Capital acquisition in May 2019 drove \$4.8 million and \$12.3 million, respectively, of the increase in revenue. The year over year revenue growth to date was partially offset by our operations on the West Coast, which realized unseasonably unfavorable weather conditions primarily during the first two fiscal quarters 2019, resulting in a \$1.0 million decline in revenue year-over-year. Throughout fiscal 2019, we have experienced positive construction momentum in the majority of the markets that we serve and expect to see a sustained level of construction activity in both residential and commercial construction for the rest of the year, with the outlook for infrastructure spending remaining relatively consistent for our services.

U.K. Concrete Pumping

Revenue for our U.K. Concrete Pumping segment decreased by 10.0%, or \$1.4 million, from \$13.9 million in the 2018 third fiscal quarter to \$12.5 million in the 2019 third fiscal quarter. The decline in revenue was largely attributable to appreciation of the U.S. Dollar relative to the GBP. Excluding any impact from foreign exchange rates, revenue for this segment was down 3.5% year-over-year.

For the S/P Combined nine months ended July 31, 2019, revenue was down 1.5% year-over-year to \$36.1 million. Excluding any impact from foreign exchange rates, revenue for this segment are up 8.4% year-over-year as a result of better weather conditions in the U.K. for most of the fiscal year-to-date period, which resulted in improved equipment utilization rates of our operating assets. The improved revenue were largely offset by strong year-over-year appreciation of the U.S. Dollar relative to the GBP.

Concrete Waste Management Services — Eco-Pan

Eco-Pan revenue for both the 2019 third fiscal quarter and the S/P combined nine months ended July 31, 2019 were slightly improved as compared to the respective prior year period. Improved volume in many of our markets was offset by slight declines in certain of our West Coast operations due to the adverse weather conditions mostly experienced during the first two quarters of fiscal 2019. Specifically, aggregate revenue from operations in the West Coast were down \$0.1 million for the quarter ended July 31, 2019 and \$1.2 million for the S/P combined nine months ended July 31, 2019 as compared to the respective prior year periods.

Gross Margin

Gross margin for the 2019 third fiscal quarter increased 430 basis points to 49.6% compared to 45.3% in the year-ago quarter. The increase in gross margin was primarily due to the post-acquisition contribution from Capital, more favorable fuel pricing and improvement in the Company's procurement costs. The gross margin improvement was partially offset by the step-up in depreciation related to the Business Combination, as depreciation expense related to pumping equipment is included in the Company's cost of operations.

Gross margin for the S/P Combined nine months ended July 31, 2019 was 43.5%, down 50 basis points from the same period in the prior year. The decline in gross margin during this period was primarily due to the step-up in depreciation expense related to both the Business Combination and O'Brien asset acquisition, as depreciation expense related to pumping equipment is included in cost of operations. This was slightly offset by the improved quarter to date margin improvements discussed above.

General and Administrative Expenses

G&A expenses for the 2019 third quarter were \$28.2 million compared to \$16.8 million in the year-ago quarter. As a percent of revenue, G&A expenses were 35.8% compared to 25.2% in the year-ago quarter. The increase was largely due to higher amortization of intangible assets expense of \$8.6 million, most of which was the result of the Business Combination. In addition, we incurred an additional \$1.5 million in stock-based compensation expense as a result of a stock grant in April of 2019. Excluding amortization of intangible assets and stock-based compensation expense, G&A expenses were up \$1.3 million from \$14.9 million in the third fiscal quarter of 2018 to \$16.3 million in the third fiscal quarter of 2019. The remainder of the year-over-year increase was mostly attributable to headcount growth, predominantly from the new team members at Capital. G&A expenses as a percent of revenue, excluding amortization of intangible assets and stock-based compensation expense, would have improved from 22.4% in the third fiscal quarter of 2018 to 20.7% in the third fiscal quarter of 2019.

G&A expenses for the S/P Combined nine-months ended July 31, 2019 were \$63.7 million, up \$25.7 million as compared to \$42.9 million in the same period of fiscal 2018. As a percent of revenue, G&A expenses were 34.5% compared to 24.4% in the prior period. The increase was largely due to \$17.4 million of higher amortization expense caused by the step-up in fair value of certain intangible assets mostly related to the Business Combination, a \$3.3 increase in combined legal, accounting, and director-related costs as a result of being a publicly traded company (approximately \$1.6 million of these expenses are expected to be non-recurring) and a \$2.0 million increase in stock-based compensation expense as a result of a stock grant in April of 2019. The remaining increase is largely attributable to incremental G&A expenses from both the O'Brien and Capital acquisitions.

Transaction Costs & Debt Extinguishment Costs

Transaction costs include expenses for legal, accounting, and other professionals that were engaged in connection with an acquisition. For the three months ended July 31, 2019 and 2018, transaction costs were \$0.2 million and \$1.4 million, respectively. The costs incurred during the 2019 third fiscal quarter were related to minimal transaction expenses associated with the Capital acquisition while the costs incurred during the 2018 third fiscal quarter were related to transaction expenses that were associated with the O'Brien acquisition in addition to certain costs that the Company had started incurring in advance of the Business Combination.

Transaction costs and debt extinguishment costs for the S/P Combined nine-months ended July 31, 2019 were \$15.6 million and \$16.4 million, respectively. The Predecessor incurred transaction costs of \$14.2 million and debt extinguishment costs of \$16.4 million, all of which were related to the Business Combination. The remaining transaction costs in the S/P Combined nine-months ended July 31, 2019 were predominantly related to the Capital Acquisition. In the same period of fiscal 2018, we incurred to \$2.5 million of transaction costs and no debt extinguishment costs. Costs incurred during this period in 2018 were mostly related to the O'Brien acquisition.

Interest Expense, Net

Interest expense, net for the three months ended July 31, 2019 and the S/P Combined nine months ended July 31, 2019 was \$9.8 million and \$26.4 million, respectively, up \$4.4 million and \$10.7 million, respectively, from the comparable three and nine month periods in fiscal 2018. As part of the Business Combination, the Company extinguished all previous outstanding debt and entered into a new Term Loan Agreement (as defined below) and ABL Credit Agreement (as defined below). In addition, in order to finance the acquisition of Capital, the Company added \$60.0 million of incremental term loans under the Term Loan Agreement in May 2019. The increased interest expense, net, was the result of higher average debt amounts outstanding during the three and nine months ended July 31, 2019 when compared to the same periods in fiscal 2018, coupled with interest rates on both new financial instruments being higher than the previous debt instruments.

Income Tax (Benefit) Provision

For the third quarter ended July 31, 2019, we recorded an income tax benefit of \$1.9 million on pretax income of \$0.8 million, resulting in an effective tax rate that is not meaningful. The primary items impacting the change in our effective tax rate from the prior quarter include (1) a change in our estimated full year effective tax rate due to a change in our estimated full year income before tax and (2) a change in our estimated full year foreign income inclusion. The change in estimated full year effective tax rate resulted in a true-up to income tax expense in the current quarter. For the same Predecessor quarter in the prior year, we recorded income tax expense of \$1.7 million on pretax income of \$6.5 million, resulting in an effective tax rate of 26.1%.

For the Successor period from December 6, 2018 to July 31, 2019, the Company recorded an income tax benefit of \$3.1 million on a pretax loss of \$13.6 million, resulting in an effective tax rate of 22.8%. The effective tax rate for this period was heavily affected by the income tax expense activity discussed above for the successor quarter ended July 31, 2019.

For the Predecessor period from November 1, 2018 to December 5, 2018, the Company recorded an income tax benefit of \$4.2 million on a pretax loss of \$26.8 million, resulting in an effective tax rate of 15.7%. For the Predecessor period for the nine months ended July 31, 2018, the Company recorded an income tax benefit of \$10.6 million on pretax income of \$16.4 million, resulting in an effective tax rate that was not meaningful.

The factors impacting comparability between our effective tax rates for the periods discussed above are as follows:

- (1) The net impact from the enactment of the 2017 Tax Act, which reduced the U.S. federal corporate income tax rate from 35% to 21%;
- (2) The Predecessor recording a tax benefit of \$14.74 million in the nine months ended July 31, 2018 related to the re-measurement of deferred tax assets and liabilities to reflect the reduction in the U.S. corporate income tax rate from 35% to 21% percent;
- (3) The Predecessor recording a provisional tax expense of \$0.5 million in the nine months ended July 31, 2018 related to the deemed repatriation of earnings from its foreign subsidiaries;
- (4) The Predecessor recording a provisional tax benefit of \$0.5 million in the nine months ended July 31, 2018 related to the reduction of the deferred tax liability on unrepatriated foreign earnings due to the 100 percent dividends received deduction;
- (5) The Predecessor recording tax expense of \$1.4 million for the period ended December 5, 2018 related to nondeductible transaction related costs;
- (6) The Successor including \$0.6 million of tax expense in the estimated annual effective rate for the period ended July 31, 2019 related to GILTI; and
- (7) The Successor including \$0.8 million of tax benefit in the estimated annual effective tax rate for the period ended July 31, 2019 related to a reduction in liability of foreign income.

Adjusted EBITDA¹

	<u>Successor</u> Three Months Ended July 31, 2019	<u>Predecessor</u> Three Months Ended July 31, 2018	<u>Change</u>	
			\$	%
<i>(in thousands, except percentages)</i>				
U.S. Concrete Pumping	\$ 22,029	\$ 13,277	\$ 8,752	65.9%
U.K. Concrete Pumping	4,278	5,136	(858)	-16.7%
Eco-Pan	3,628	3,369	259	7.7%
Corporate	625	520	105	20.2%
	<u>\$ 30,560</u>	<u>\$ 22,302</u>	<u>\$ 8,258</u>	<u>37.0%</u>

	<u>Successor</u> December 6, 2018 through July 31, 2019	<u>Predecessor</u> November 1, 2018 through December 5, 2018	<u>S/P Combined (non- GAAP)</u> Nine Months Ended July 31, 2019	<u>Predecessor</u> Nine Months Ended July 31, 2018	<u>Change</u>	
					\$	%
<i>(in thousands, except percentages)</i>						
U.S. Concrete Pumping	\$ 36,707	\$ 6,752	\$ 43,459	\$ 33,740	\$ 9,719	28.8%
U.K. Concrete Pumping	9,706	1,660	11,366	12,169	(803)	-6.6%
Eco-Pan	8,309	999	9,308	9,218	90	1.0%
Corporate	1,633	177	1,810	1,770	40	2.3%
	<u>\$ 56,355</u>	<u>\$ 9,588</u>	<u>\$ 65,943</u>	<u>\$ 56,897</u>	<u>\$ 9,046</u>	<u>15.9%</u>

¹ Please see "Non-GAAP Measures (EBITDA and Adjusted EBITDA)" below

U.S. Concrete Pumping

Adjusted EBITDA for our U.S. Concrete Pumping segment was \$22.0 million for the three months ended July 31, 2019 versus \$13.3 million for the comparable period in fiscal 2018. The significant year-over-year increase was primarily attributable to the Capital acquisition, improved gross margins, and volume growth across the majority of the U.S. markets.

Adjusted EBITDA for our U.S. Concrete Pumping segment was \$43.5 million for the S/P Combined nine months ended July 31, 2019 versus \$33.7 million for the comparable period in fiscal 2018. The 29% year-over-year increase was due primarily to the same factors discussed above.

U.K. Concrete Pumping

Adjusted EBITDA for our U.K. Concrete Pumping segment was down year-over-year for both the three months ended July 31, 2019 and the S/P Combined nine months ended July 31, 2019. The decline in both periods was primarily attributable to the reduced revenue previously discussed.

Concrete Waste Management Services — Eco-Pan

Adjusted EBITDA for Eco-Pan was \$3.6 million for the three months ended July 31, 2019, up 8% from \$3.4 million for same period in fiscal 2018. For the S/P Combined nine months ended July 31, 2019, Adjusted EBITDA was \$9.3 million, up 1% from \$9.2 million for same period in fiscal 2018. This increase in both periods is primarily attributable to the year-over-year change in revenue discussed previously.

Corporate

There was limited movement in Adjusted EBITDA for our Corporate segment for both periods presented. Any year-over-year changes for our Corporate segment was primarily related to the allocation of overhead costs.

LIQUIDITY AND CAPITAL RESOURCES

We use our liquidity and capital resources to: (1) finance working capital requirements; (2) service our indebtedness; (3) purchase property, plant and equipment; and (4) make payments related to strategic acquisitions, such as the acquisition of Capital. Our primary sources of liquidity are cash generated from operations, available cash and cash equivalents and access to our revolving credit facility under our Asset-Based Lending Credit Agreement (the “ABL Credit Agreement”), which provides for aggregate borrowings of up to \$60.0 million, subject to a borrowing base limitation. As of July 31, 2019, we had \$4.5 million of cash and cash equivalents and \$21.8 million of available borrowing capacity under the ABL Credit Agreement, providing total available liquidity of \$26.3 million.

Capital Resources

Our capital structure is primarily a combination of (1) permanent financing, represented by stockholders’ equity; (2) zero-dividend convertible perpetual preferred stock; (3) long-term financing represented by our Term Loan Agreement (defined below) and (4) short-term financing under our ABL Credit Agreement. We may from time to time seek to retire or pay down borrowings on the outstanding balance of our ABL Credit Agreement or Term Loan Agreement using cash on hand. Such repayments, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

We believe our existing cash and cash equivalent balances, cash flow from operations and borrowing capacity under our ABL Credit Agreement will be sufficient to meet our working capital and capital expenditure needs for the next 12 months. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our rate of revenue growth, potential acquisitions and overall economic conditions. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity could result in dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations.

Term Loan Agreement and ABL Credit Agreement

As part of the Business Combination, the Predecessor’s Revolver, U.K. Revolver, Senior secured notes, and Seller notes (see Predecessor section below for a discussion of these agreements) were all extinguished and the Company entered into (i) a Term Loan Agreement, dated December 6, 2018, among the Company, certain subsidiaries of the Company, Credit Suisse AG, Cayman Islands Branch as administrative agent and Credit Suisse Loan Funding LLC, Jefferies Finance LLC and Stifel Nicolaus & Company Incorporated LLC as joint lead arrangers and joint bookrunners, and the other Lenders party thereto (the “Term Loan Agreement”) (ii) a Credit Agreement, dated December 6, 2018, among the Company, certain subsidiaries of the Company, Wells Fargo Bank, National Association, as agent, sole lead arranger and sole bookrunner, the other Lenders party thereto and the other parties thereto (“ABL Credit Agreement”). Summarized terms of those debt agreements are included below.

Term Loan Agreement

Summarized terms of the Term Loan Agreement are as follows:

- Provides for an original aggregate principal amount of \$357.0 million. This amount was increased in May 2019 by \$60.0 million in connection with the acquisition of Capital;
- The initial term loans advanced will mature and be due and payable in full seven years after the issuance, with principal amortization payments in an annual amount equal to 5.00% of the original principal amount;
- Borrowings under the Term Loan Agreement, will bear interest at either (1) an adjusted LIBOR rate or (2) an alternate base rate, plus an applicable margin of 6.00% or 5.00%, respectively;
- The Term Loan Agreement is secured by (i) a first priority perfected lien on substantially all of the assets of the Company and certain of its subsidiaries that are loan parties thereunder to the extent not constituting ABL Credit Agreement priority collateral and (ii) a second priority perfected lien on substantially all ABL Credit Agreement priority collateral, in each case subject to customary exceptions and limitations;
- The Term Loan Agreement includes certain non-financial covenants.

The outstanding balance under the Term Loan Agreement as of July 31, 2019 was \$407.3 million and the Company was in compliance with all debt covenants. The Company’s interest on borrowings under the Term Loan Agreement bear interest using the London Inter-bank Offered Rate (LIBOR) as the base rate plus an applicable margin in line with the summarized terms of the Term Loan Agreement as described above.

Summarized terms of the ABL Credit Agreement are as follows:

- Borrowing availability in U.S. Dollars and GBP up to a maximum of \$60.0 million;
- Borrowing capacity available for standby letters of credit of up to \$7.5 million and for swingline loan borrowings of up to \$7.5 million. Any issuance of letters of credit or making of a swingline loan will reduce the amount available under the ABL Facility;
- All loans advanced will mature and be due and payable in full five years after the issuance;
- Amounts borrowed may be repaid at any time, subject to the terms and conditions of the agreement;
- Interest on borrowings in U.S. Dollars and GBP under the ABL Credit Agreement, will bear interest at either (1) an adjusted LIBOR rate or (2) a base rate, in each case plus an applicable margin currently set at 2.25% and 1.25%, respectively. The ABL Credit Agreement is subject to two step-downs of 0.25% and 0.50% based on excess availability levels;
- U.S. ABL Credit Agreement obligations will be secured by (i) a perfected first priority security interest in substantially all personal property of the Company and certain of its subsidiaries that are loan parties thereunder consisting of all accounts receivable, inventory, cash, intercompany notes, books and records, chattel paper, deposit, securities and operating accounts and all other working capital assets and all documents, instruments and general intangibles related to the foregoing (the "U.S. ABL Priority Collateral") and (ii) a perfected second priority security interest in substantially all Term Loan Agreement priority collateral, in each case subject to customary exceptions and limitations;
- U.K. ABL Credit Agreement obligations will be secured by (i) a perfected first-priority security interest in (A) the U.S. ABL Priority Collateral, (B) all of the stock (or other ownership interests) in, and held by, the U.K. borrower subsidiaries of the Company, and (C) all of the current and future assets and property of the U.K. subsidiaries of the Company that are loan parties thereunder, including a first-ranking floating charge over all current and future assets and property of each U.K. subsidiary of the Company that is a loan party thereunder; and (ii) a perfected, second-priority security interest in substantially all Term Loan Agreement priority collateral, in each case subject to customary exceptions and limitations; and
- The ABL Credit Agreement also includes (i) a springing financial covenant (fixed charges coverage ratio) based on excess availability levels that the Company must comply with on a quarterly basis during required compliance periods and (ii) certain non-financial covenants.

The outstanding balance under the ABL Credit Agreement as of July 31, 2019 was \$31.3 million and the Company was in compliance with all debt covenants.

Cash Flows

Cash generated from operating activities typically reflects net income, as adjusted for non-cash expense items such as depreciation, amortization and stock-based compensation, and changes in our operating assets and liabilities. Generally, we believe our business requires a relatively low level of working capital investment due to low inventory requirements and customers paying the Company as invoices are submitted daily for many of our services.

Successor

Net cash provided by (used in) operating activities generally reflects the cash effects of transactions and other events used in the determination of net income or loss. Net cash provided by operating activities during the period from December 6, 2018 to July 31, 2019 (the "Successor Period") was \$1.4 million.

We used \$370.6 million to fund investing activities during the Successor Period. The Company paid \$449.4 million to fund the Business Combination, \$129.2 million to fund the acquisition of Capital and \$2.3 million to fund the acquisition of Atlas. Additionally, \$29.7 million was used to purchase machinery, equipment and other vehicles to service our business. These cash outflows were partially offset by \$238.5 million in cash withdrawn from Industrea trust account in addition to proceeds from the sale of property, plant and equipment of \$1.5 million.

Net cash used in financing activities was \$376.9 million for the Successor Period. Financing activities during the Successor Period included \$417.0 million in proceeds from our new Term Loan Agreement, \$32.2 million in net borrowings under the Company's new ABL Credit Agreement, \$174.3 million from the issuance of common shares, \$1.4 million in proceeds from the exercise of stock options and an additional \$25.0 million from the issuance of preferred stock. All of these cash inflows were used to fund the Business Combination and other operational activity such as equipment purchases. These cash inflows were offset by payments for redemptions of common stock totaling \$231.4 million, \$23.7 million for the payment of debt issuance costs associated with the Term Loan Agreement and new ABL Credit Agreement, and \$8.1 million in payments for underwriting fees.

Predecessor

Net cash provided by operating activities was \$7.9 million for the period from November 1, 2018 through December 5, 2018 (the “Predecessor period”).

We used \$0.1 million to fund investing activities during the Predecessor period. We used \$0.5 million to fund purchases of machinery, equipment and other vehicles to service our business. This was offset by \$0.4 million in proceeds received from the sale of property, plant and equipment.

We used \$15.4 million to fund financing activities during the Predecessor period and this activity was driven by \$15.4 million of net borrowings under our Revolving Facility to operate our business and fund acquisitions.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have had or are reasonably likely to have a material current or future effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures, or capital resources. From time to time, we enter into non-cancellable operating leases that are not reflected on our balance sheet. At July 31, 2019, we had \$1.5 million of undrawn letters of credit outstanding.

NON-GAAP MEASURES (ADJUSTED EBITDA)

We calculate EBITDA by taking GAAP net income and adding back interest expense, income taxes, depreciation and amortization. Adjusted EBITDA is calculated by taking EBITDA and adding back transaction expenses, other adjustments, management fees and other expenses. We believe these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends related to our financial condition and results of operations, as a tool for investors to use in evaluating our ongoing operating results and trends and in comparing our financial measures with competitors who also present similar non-GAAP financial measures. In addition, these measures (1) are used in quarterly financial reports prepared for management and our board of directors and (2) help management to determine incentive compensation. EBITDA and Adjusted EBITDA have limitations and should not be considered in isolation or as a substitute for performance measures calculated under GAAP. This non-GAAP measure excludes certain cash expenses that we are obligated to make. In addition, other companies in our industry may calculate EBITDA and Adjusted EBITDA differently or may not calculate it at all, which limits the usefulness of EBITDA and Adjusted EBITDA as comparative measures. Transaction expenses represent expenses for legal, accounting, and other professionals that were engaged in the completion of various acquisitions. Other adjustments include severance expenses, director fees, and other significant non-recurring costs.

Reconciliation of Net Income (Loss) to Reported EBITDA to Adjusted EBITDA	<u>Successor</u>	<u>Predecessor</u>	<u>Successor</u>	<u>Predecessor</u>	<u>S/P Combined (non- GAAP)</u>	<u>Predecessor</u>
	Three Months Ended July 31, 2019	Three Months Ended July 31, 2018	December 6, 2018 through July 31, 2019	November 1, 2018 through December 5, 2018	Nine Months Ended July 31, 2019	Nine Months Ended July 31, 2018
<i>(dollars in thousands)</i>						
Consolidated						
Net income (loss)	\$ 2,762	\$ 4,825	\$ (10,513)	\$ (22,575)	\$ (33,088)	\$ 26,993
Interest expense, net	9,843	5,477	24,753	1,644	26,397	15,690
Income tax expense (benefit)	(1,922)	1,701	(3,115)	(4,192)	(7,307)	(10,632)
Depreciation and amortization	16,477	6,150	36,984	2,713	39,697	18,553
EBITDA	27,160	18,153	48,109	(22,410)	25,699	50,604
Transaction expenses	176	1,395	1,458	14,167	15,625	2,520
Loss on debt extinguishment	-	-	-	16,395	16,395	-
Stock based compensation	1,625	94	1,986	-	1,986	280
Other expense (income)	(28)	(14)	(59)	(6)	(65)	(34)
Other adjustments	1,627	2,674	4,861	1,442	6,303	3,527
Adjusted EBITDA	<u>\$ 30,560</u>	<u>\$ 22,302</u>	<u>\$ 56,355</u>	<u>\$ 9,588</u>	<u>\$ 65,943</u>	<u>\$ 56,897</u>

Reconciliation of Net Income (Loss) to Reported EBITDA to Adjusted EBITDA (Continued)	Successor	Predecessor	Successor	Predecessor	S/P Combined (non-GAAP)	Predecessor
	Three Months Ended July 31, 2019	Three Months Ended July 31, 2018	December 6, 2018 through July 31, 2019	November 1, 2018 through December 5, 2018	Nine months ended July 31, 2019	Nine months ended July 31, 2018
<i>(dollars in thousands)</i>						
U.S. Concrete Pumping						
Net income (loss)	\$ 1,432	\$ 2,497	\$ (11,532)	\$ (25,252)	\$ (36,784)	\$ 16,693
Interest expense, net	9,046	4,449	22,758	1,154	23,912	12,527
Income tax expense (benefit)	(2,482)	(210)	(3,414)	(2,102)	(5,516)	(11,425)
Depreciation and amortization	9,938	3,561	21,471	1,635	23,106	10,781
EBITDA	17,934	10,297	29,283	(24,565)	4,718	28,576
Transaction expenses	1,458	1,395	1,458	14,167	15,625	2,520
Loss on debt extinguishment	-	-	-	16,395	16,395	-
Stock based compensation	1,625	94	1,986	-	1,986	280
Other expense (income)	(26)	(14)	(57)	(6)	(63)	(34)
Other adjustments	1,038	1,505	4,037	761	4,798	2,399
Adjusted EBITDA	\$ 22,029	\$ 13,277	\$ 36,707	\$ 6,752	\$ 43,459	\$ 33,741
U.K. Concrete Pumping						
Net income (loss)	\$ 999	\$ 604	\$ 230	\$ 158	\$ 388	\$ 1,276
Interest expense, net	796	1,024	1,994	490	2,484	3,159
Income tax expense (benefit)	354	355	60	49	109	532
Depreciation and amortization	2,864	1,992	7,161	890	8,051	6,042
EBITDA	5,013	3,975	9,445	1,587	11,032	11,009
Other adjustments	(735)	1,161	261	73	334	1,160
Adjusted EBITDA	\$ 4,278	\$ 5,136	\$ 9,706	\$ 1,660	\$ 11,366	\$ 12,169
Eco-Pan						
Net income (loss)	\$ 321	\$ 2,312	\$ (65)	\$ 2,009	\$ 1,944	\$ 7,357
Interest expense, net	1	-	1	-	1	-
Income tax expense (benefit)	8	514	(20)	(1,784)	(1,804)	308
Depreciation and amortization	3,257	535	7,832	163	7,995	1,545
EBITDA	3,587	3,361	7,748	388	8,136	9,210
Other expense (income)	(2)	-	(2)	-	(2)	-
Other adjustments	43	8	563	611	1,174	7
Adjusted EBITDA	\$ 3,628	\$ 3,369	\$ 8,309	\$ 999	\$ 9,308	\$ 9,217
Corporate						
Net income (loss)	\$ 10	\$ (588)	\$ 854	\$ 510	\$ 1,364	\$ 1,667
Interest expense, net	-	4	-	-	-	4
Income tax expense (benefit)	198	1,042	259	(355)	(96)	(47)
Depreciation and amortization	418	62	520	25	545	185
EBITDA	626	520	1,633	180	1,813	1,809
Transaction expenses	(1,282)	-	-	-	-	-
Other adjustments	1,281	-	-	(3)	(3)	(39)
Adjusted EBITDA	\$ 625	\$ 520	\$ 1,633	\$ 177	\$ 1,810	\$ 1,770

JOBS ACT

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for qualifying public companies. We have previously elected to delay the adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Significant estimates include accrued sales and use taxes, liability for incurred but unreported claims under various partially self-insured policies, allowance for doubtful accounts, goodwill impairment analysis (see below for further discussion), valuation of share-based compensation and accounting for business combinations. Actual results may differ from those estimates, and such differences may be material to our consolidated financial statements. We evaluate estimates and assumptions on an ongoing basis. Estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances.

We believe that the assumptions and estimates associated with revenue recognition, inventory, stock-based compensation, concentration of credit risk and income taxes have the greatest potential impact on the consolidated financial statements. Therefore, we consider these critical accounting policies and estimates. For further information on all significant accounting policies, see our significant accounting policies in the notes to the consolidated financial statements.

Goodwill

Our goodwill impairment test performed as of July 31, 2019 indicated no impairment. The fair value of our U.S. Concrete Pumping, U.K. Concrete Pumping and Eco-Pan reporting units exceeded their July 31, 2019 carrying values by approximately 4%, 2% and 4%, respectively. Given the short period of time that has passed since goodwill was recorded on the Company's balance sheet, primarily resulting from the Business Combination and Capital acquisition, the fact that the fair values of these reporting units were largely in-line with their carrying values is consistent with expectations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

2019 Fiscal Third Quarter Update

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of July 31, 2019.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weaknesses in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of July 31, 2019.

In our 2019 first fiscal quarter, we identified certain material weaknesses in our internal controls over financial reporting including the following:

- We had not yet fully developed the required accounting and financial reporting control environment to achieve the precision and timeliness required for a public company;
- The infrastructure of the accounting department, including the complement of personnel, was not sufficient to account for complex transactions, such as business combinations;
- Limitations with our current financial close processes and supporting systems increased the possibility that we are unable to generate financial statements that are free of material misstatement on a timely basis; and
- Insufficient restrictions on admin access for information technology in the U.K.

Because our ability to prepare timely and accurate financial statements is dependent on the effectiveness of these controls, these deficiencies may result in the increased chance of fraud occurring and not being detected or the increased likelihood of a material error in the Company's financial statements.

During the 2019 second and third fiscal quarters, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, have undertaken various steps to begin remediating such control deficiencies. For instance, changes have been made to the accessibility of our accounting systems, new controls, procedures and processes have been implemented in our financial statement close process and importantly, new members have been added to our accounting and finance team with the appropriate qualified experience in financial reporting, consolidations, tax, technical accounting, internal audit and internal controls.

Changes in Internal Control Over Financial Reporting

Other than the discussion above, there have been no changes in our internal control over financial reporting that occurred during our third quarter 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II

Item 1. Legal Proceedings.

From time to time we are involved in various claims and lawsuits arising in the ordinary course of our business that we believe will not have a material adverse effect on our business or financial condition, including claims and lawsuits alleging breaches of our contractual obligations.

Item 1A. Risk Factors.

The following risk factor updates the Risk Factors previously disclosed in our Current Report on Form 8-K/A filed with the SEC on January 29, 2019 (the “Super 8-K/A”). For a detailed discussion of the other risks that affect our business, please refer to the entire section entitled “Risk Factors” in the Super 8-K/A. Other than as set forth below, there have been no material changes to our risk factors as previously disclosed in the Super 8-K.

We have a significant amount of indebtedness, which could adversely affect our cash flow and our ability to operate our business and to fulfill our obligations under our indebtedness.

We have a significant amount of indebtedness. As of July 31, 2019, we had \$439.2 million of indebtedness outstanding in addition to \$21.8 million of availability under our ABL Credit Agreement.

Our substantial level of indebtedness increases the possibility that we may not generate enough cash flow from operations to pay, when due, the principal of, interest on or other amounts due in respect of, these obligations. Other risks relating to our long-term indebtedness include:

- increased vulnerability to general adverse economic and industry conditions;
- higher interest expense if interest rates increase on our floating rate borrowings and our hedging strategies do not effectively mitigate the effects of these increases;
- need to divert a significant portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of cash to fund working capital, capital expenditures, acquisitions, investments and other general corporate purposes;
- limited ability to obtain additional financing, on terms we find acceptable, if needed, for working capital, capital expenditures, acquisitions and other investments, which may adversely affect our ability to implement our business strategy;
- limited flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate or to take advantage of market opportunities; and
- a competitive disadvantage compared to our competitors that have less debt.

In addition, it is possible that we may need to incur additional indebtedness in the future in the ordinary course of business. The terms of our Term Loan Agreement and the ABL Credit Agreement allow us to incur additional debt subject to certain limitations. If new debt is added to current debt levels, the risks described above could intensify. In addition, our inability to maintain certain leverage ratios could result in acceleration of a portion of our debt obligations and could cause us to be in default if we are unable to repay the accelerated obligations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

- (a) None
- (b) None

Item 6. Exhibits.

Exhibit Number	Exhibit Title	Incorporated by reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
2.1	<u>First Amendment to Interest Purchase Agreement, dated as of May 14, 2019, by and between Concrete Pumping Holdings, Inc., Brundage-Bone Concrete Pumping, Inc., CPH Acquisition, LLC, ASC Equipment, LP, Capital Pumping, LP, MC Services, LLC, Capital Rentals, LLC, Central Texas Concrete Services, LLC, A. Keith Crawford and Melinda Crawford, Amended and Restated Amendment No. 1 to Term Loan, dated as of May 10, 2019, by and between Concrete Pumping Holdings, Inc., Concrete Pumping Intermediate Acquisition Corp., Brundage-Bone Concrete Pumping Holdings Inc., Credit Suisse AG, Cayman Islands Branch, and each lender party thereto.</u>	8-K	001-38166	2.2	5/15/2019	
10.1	<u>Underwriting Agreement, dated as of May 10, 2019, by and among Concrete Pumping Holdings, Inc., Concrete Pumping Intermediate Acquisition Corp., Brundage-Bone Concrete Pumping Holdings Inc., Credit Suisse AG, Cayman Islands Branch, and each lender party thereto.</u>	8-K	001-38166	10.1	5/15/2019	
10.2	<u>Underwriting Agreement, dated as of May 10, 2019, by and among Concrete Pumping Holdings, Inc. and UBS Securities LLC.</u>	8-K	001-38166	1.1	5/15/2019	
31.1	<u>Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and Rule 15d-14(a) of the Exchange Act</u>					X
31.2	<u>Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and Rule 15d-14(a) of the Exchange Act</u>					X
32.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>					X
32.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONCRETE PUMPING HOLDINGS, INC.

By: /s/ Iain Humphries
Name: Iain Humphries
Title: Chief Financial Officer and Secretary

Dated: September 16, 2019

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bruce Young, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended July 31, 2019 of Concrete Pumping Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 16, 2019

/s/ Bruce Young
Bruce Young
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Iain Humphries, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended July 31, 2019 of Concrete Pumping Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 16, 2019

/s/ Iain Humphries
Iain Humphries
Chief Financial Officer
(Principal Financial Officer)

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

I, Bruce Young, Chief Executive Officer of Concrete Pumping Holdings, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the quarter ended July 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 16, 2019

/s/ Bruce Young
Bruce Young
Chief Executive Officer
(Principal Executive Officer)

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

I, Iain Humphries, Chief Financial Officer of Concrete Pumping Holdings, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the quarter ended July 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 16, 2019

/s/ Iain Humphries
Iain Humphries
Chief Financial Officer
(Principal Financial Officer)