

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

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 2019

OR

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

For the transition period from _____ to _____

Commission file number 001-13783



IES Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

76-0542208

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

5433 Westheimer Road, Suite 500, Houston, Texas 77056

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (713) 860-1500

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	IESC	NASDAQ Global Market
Rights to Purchase Preferred Stock	IESC	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The aggregate market value of the voting stock of the registrant held by non-affiliates as of March 31, 2019, was approximately \$148.9 million. On December 4, 2019, there were 21,158,207 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Proxy Statement for the 2020 Annual Meeting of Stockholders of the Registrant to be held on February 19, 2020, is incorporated by reference into Part III of this Annual Report on Form 10-K.

FORM 10-K
IES HOLDINGS, INC. AND SUBSIDIARIES
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PART I

DEFINITIONS

In this Annual Report on Form 10-K, the words “IES”, the “Company”, the “Registrant”, “we”, “our”, “ours” and “us” refer to IES Holdings, Inc. and, except as otherwise specified herein, to our subsidiaries.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes certain statements that may be deemed “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, all of which are based upon various estimates and assumptions that the Company believes to be reasonable as of the date hereof. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “should,” “expect,” “plan,” “project,” “intend,” “anticipate,” “believe,” “seek,” “estimate,” “predict,” “potential,” “pursue,” “target,” “continue,” the negative of such terms or other comparable terminology. These statements involve risks and uncertainties that could cause the Company’s actual future outcomes to differ materially from those set forth in such statements. Such risks and uncertainties include, but are not limited to:

- the ability of our controlling shareholder to take action not aligned with other shareholders;
- the sale or disposition of all or any portion of the shares of our common stock held by our controlling shareholder, which, could trigger change of control provisions in a number of our material agreements, including our financing and surety arrangements and our executive severance plan, as well as exercisability of the purchase rights under our tax benefit protection plan;
- the possibility that certain tax benefits of our net operating losses may be restricted or reduced in a change in ownership or a change in the federal tax rate;
- the potential recognition of valuation allowances or write-downs on deferred tax assets;
- the inability to carry out plans and strategies as expected, including our inability to identify and complete acquisitions that meet our investment criteria in furtherance of our corporate strategy, or the subsequent underperformance of those acquisitions;
- limitations on the availability of sufficient credit or cash flow to fund our working capital needs and capital expenditures and debt service;
- difficulty in fulfilling the covenant terms of our credit facility, including liquidity, and other financial requirements, which could result in a default and acceleration of any indebtedness we may incur under our revolving credit facility;
- the possibility that we issue additional shares of common stock or convertible securities that will dilute the percentage ownership interest of existing stockholders and may dilute the value per share of our common stock;
- the relatively low trading volume of our common stock, as a result of which it could be more difficult for shareholders to sell a substantial number of shares for the same price at which shareholders could sell a smaller number of shares;
- competition in the industries in which we operate, both from third parties and former employees, which could result in the loss of one or more customers or lead to lower margins on new projects;
- future capital expenditures and refurbishment, repair and upgrade costs; and delays in and costs of refurbishment, repair and upgrade projects;
- a general reduction in the demand for our services;
- our ability to enter into, and the terms of, future contracts;
- success in transferring, renewing and obtaining electrical and other licenses;
- challenges integrating new businesses into the Company or new types of work, products or processes into our segments;

- credit and capital market conditions, including changes in interest rates that affect the cost of construction financing and mortgages, and the inability of some of our customers to retain sufficient financing, which could lead to project delays or cancellations;
- backlog that may not be realized or may not result in profits;
- the possibility of errors when estimating revenue and progress to date on percentage-of-completion contracts;
- uncertainties inherent in estimating future operating results, including revenues, operating income or cash flow;
- complications associated with the incorporation of new accounting, control and operating procedures;
- closures or sales of facilities resulting in significant future charges, including potential warranty losses or other unexpected liabilities, or a significant disruption of our operations;
- an increased cost of surety bonds affecting margins on work and the potential for our surety providers to refuse bonding or require additional collateral at their discretion;
- fluctuations in operating activity due to downturns in levels of construction or the housing market, seasonality and differing regional economic conditions;
- our ability to successfully manage projects;
- inaccurate estimates used when entering into fixed-priced contracts;
- the cost and availability of qualified labor and the ability to maintain positive labor relations;
- our ability to pass along increases in the cost of commodities used in our business, in particular, copper, aluminum, steel, fuel and certain plastics;
- a change in the mix of our customers, contracts or business;
- increases in bad debt expense and days sales outstanding due to liquidity problems faced by our customers;
- the recognition of potential goodwill, long-lived assets and other investment impairments;
- potential supply chain disruptions due to credit or liquidity problems faced by our suppliers;
- accidents resulting from the physical hazards associated with our work and the potential for accidents;
- the possibility that our current insurance coverage may not be adequate or that we may not be able to obtain policies at acceptable rates;
- the possibility that our internal controls over financial reporting and our disclosure controls and procedures may not prevent all possible errors that could occur;
- disagreements with taxing authorities with regard to tax positions we have adopted;
- the recognition of tax benefits related to uncertain tax positions;
- the effect of litigation, claims and contingencies, including warranty losses, damages or other latent defect claims in excess of our existing reserves and accruals;
- growth in latent defect litigation in states where we provide residential electrical work for home builders not otherwise covered by insurance;
- interruptions to our information systems and cyber security or data breaches;
- liabilities under laws and regulations protecting the environment; and
- loss of key personnel and effective transition of new management.

You should understand that the foregoing, as well as other risk factors discussed in this document, including those listed in Part I, Item 1A of this report under the heading “*Risk Factors*,” could cause future outcomes to differ materially from those experienced previously or those expressed in such forward-looking statements. We undertake no obligation to publicly update or revise any information, including information concerning our controlling shareholder, net operating losses, borrowing availability or cash position, or any forward-looking statements to reflect events or circumstances that may arise after the date of this report. Forward-looking statements are provided in this Annual Report on Form 10-K pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of the estimates, assumptions, uncertainties and risks described herein.

Item 1. Business

OVERVIEW

IES Holdings, Inc. is a holding company that owns and manages operating subsidiaries in business activities across a variety of end-markets. Our operations are currently organized into four principal business segments, based upon the nature of our current services:

- Commercial & Industrial – Provider of electrical and mechanical design, construction, and maintenance services to the commercial and industrial markets in various regional markets and nationwide in certain areas of expertise, such as the power infrastructure market.
- Communications – Nationwide provider of technology infrastructure services, including the design, build, and maintenance of the communications infrastructure within data centers for colocation and managed hosting customers, for both large corporations and independent businesses.
- Infrastructure Solutions – Provider of electro-mechanical solutions for industrial operations, including apparatus repair and custom-engineered products, such as generator enclosures, to be used in data centers and other industrial applications.
- Residential – Regional provider of electrical installation services for single-family housing and multi-family apartment complexes.

Our businesses are managed in a decentralized manner. While sharing common goals and values, each of the Company’s segments manages its own day-to-day operations. Our corporate office is focused on significant capital allocation decisions, investment activities and selection of segment leadership. The corporate office also assists with strategic and operational improvement initiatives, talent development, sharing of best practices across the organization and the establishment and monitoring of risk management practices within our segments.

IES Holdings, Inc. is a Delaware corporation established in 1997 and headquartered in Houston, Texas, with an executive office in Greenwich, Connecticut.

CORPORATE STRATEGY

We seek to create shareholder value through improving operating margins and generating free cash flow by investing in our existing businesses and completing acquisitions. We seek to acquire or invest in stand-alone platform companies based in North America or to acquire businesses that strategically complement our existing business segments. In evaluating potential acquisition candidates, we seek to invest in businesses with, among other characteristics:

- proven management with a willingness to continue post-acquisition;
- low technological and/or product obsolescence risk;
- established market position and sustainable competitive advantages; and
- strong cash flow characteristics.

We believe that acquisitions provide an opportunity to expand into new end markets and diversify our revenue and profit streams, which we expect will allow us to maximize the value of our significant net operating loss tax carry forwards (“NOLs”). While we may use acquisitions to build our presence in the industries we serve, we will also consider potential acquisitions in other industries, which could result in changes in our operations from those historically conducted by us.

Controlling Shareholder

A majority of our outstanding common stock is owned by Tontine Associates, L.L.C. and its affiliates (collectively, “Tontine”). Based on a Form 4 filed on October 3, 2019, Tontine owns approximately 58 percent of our outstanding common stock. As a result, Tontine can control most of our affairs, including most actions requiring the approval of shareholders, such as the approval of any potential merger or sale of all or substantially all assets, segments, or the Company itself. Most of Tontine’s shares are registered for resale on a

shelf registration statement filed by the Company with the United States Securities and Exchange Commission (the “SEC”). Tontine’s sale of all or any portion of its shares could result in a change of control of the Company, which would trigger the change of control provisions in a number of our material agreements, including our credit facility, bonding agreements with our sureties and our executive severance plan. For more information, see Note 3, “Controlling Shareholder” in the notes to our Consolidated Financial Statements.

Net Operating Loss Tax Carry Forward and Other Deferred Tax Assets

The Company and certain of its subsidiaries have an estimated federal net operating loss (“NOL”) of approximately \$306.3 million at September 30, 2019, including approximately \$143.6 million resulting from net operating losses on which a deferred tax asset is not recorded.

In December 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted which, among other things, reduced the corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of this change, the Company’s statutory rate for fiscal 2018 was a blended rate of 24.53% and decreased to 21% in 2019. For the year ended September 30, 2018, our effective tax rate differed from the statutory tax rate as a result of a charge of \$31.3 million to re-measure our deferred tax assets and liabilities to reflect the estimated impact of the new statutory tax rate. Any future change in the federal statutory tax rate could also impact the economic benefit of the NOL and other deferred tax assets available to us and result in an additional charge or benefit to adjust the book value of the deferred tax asset recorded on our balance sheet.

A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of NOLs for federal and state income tax purposes. Should Tontine sell or otherwise dispose of all or a portion of its position in IES, a change in ownership could occur. In addition, a change in ownership could result from the purchase of common stock by an existing or a new 5% shareholder as defined by Internal Revenue Code Section 382. Should a change in ownership occur, all NOLs incurred prior to the change in ownership would be subject to limitation imposed by Internal Revenue Code Section 382, which would substantially reduce the amount of NOL currently available to offset taxable income. For more information see Note 3, “Controlling Shareholder” in the notes to our Consolidated Financial Statements.

The Company maintains a tax benefit protection plan (the “NOL Rights Plan”) which was designed to deter an acquisition of the Company’s stock in excess of a threshold amount that could trigger an ownership change within the meaning of Internal Revenue Code Section 382.

OPERATING SEGMENTS

The Company’s reportable segments consist of the consolidated business segments identified above, which offer different services and are managed separately. The table below describes the percentage of our total revenues attributable to each of our four segments over each of the last three years:

	Year Ended September 30,					
	2019		2018		2017	
	\$	%	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)					
Commercial & Industrial	\$ 305,624	28.4%	\$ 274,299	31.3%	\$ 227,606	28.1%
Communications	321,246	29.8%	219,655	25.1%	225,275	27.8%
Infrastructure Solutions	136,790	12.7%	97,163	11.1%	83,824	10.3%
Residential	313,336	29.1%	285,711	32.6%	274,039	33.8%
Total Consolidated	<u>\$ 1,076,996</u>	<u>100.0%</u>	<u>\$ 876,828</u>	<u>100.0%</u>	<u>\$ 810,744</u>	<u>100.0%</u>

For additional financial information by segment, see Note 11, “Operating Segments” in the notes to our Consolidated Financial Statements.

Commercial & Industrial

Business Description

Our Commercial & Industrial segment provides electrical and mechanical design, service, and construction services to commercial and industrial markets. Our design services range from budget assistance to providing design-build and LEED (Leadership in Energy & Environmental Design) solutions to our end customers. Our maintenance and emergency services include critical plant shutdown, troubleshooting, emergency testing, preventative maintenance, and constant presence. Our construction services range from the initial

planning and procurement to installation and start-up and are offered to a variety of new and remodel construction projects, ranging from the construction of office buildings and industrial facilities to transmission and distribution projects. We also provide mechanical services such as maintenance agreements, installation, or replacement of mechanical equipment for commercial and industrial facilities.

This segment provides services for a variety of project types, including office buildings, manufacturing facilities, data centers, chemical plants, refineries, wind farms, solar facilities, municipal infrastructure and health care facilities. The Commercial & Industrial segment consists of 23 locations, which includes the segment headquarters in Houston, Texas. Geographically, these locations cover Texas, Nebraska, Oregon, Wisconsin, and the Southeast and Mid-Atlantic regions.

Industry Overview

Given the diverse end-markets of our Commercial & Industrial customers, which include both commercial buildings, such as offices, healthcare facilities and schools, and industrial projects, such as power, chemical, refinery and heavy manufacturing facilities, we are subject to many trends within the construction industry. In general, demand for our Commercial & Industrial services is driven by construction and renovation activity levels, economic growth, and availability of bank lending. Due to economic, technological or other factors, there can be no assurance that construction and demand will increase.

Sales and Marketing

Our sales focus varies by location, but is primarily based upon regional and local relationships and a demonstrated expertise in certain areas, such as heavy industrial, design-build, agricultural, or transmission and distribution. Our maintenance and certain renovation and upgrade work tends to be either recurring or experience lower sensitivity to economic cycles, or both. A significant portion of our larger projects are awarded from long-term, repeat customers. From time to time, we are contracted on projects with completion times extending beyond one year or over several years, which are generally more complex and difficult to estimate.

With a focus on quality service offerings, our long-term strategy is to continue to be one of the preferred providers of electrical and mechanical services in the markets where we have demonstrated expertise and/or are a local market leader. Key elements of our long-term strategy include leveraging our expertise in certain niche markets, expanding our service and maintenance business, attracting and retaining highly qualified employees, and maintaining our focus on returns on risk adjusted capital through an emphasis on reducing costs and managing working capital.

Competition

The electrical and mechanical contracting services industry is generally highly competitive and includes a number of regional or small privately-held local firms. Traditionally, competitors in certain parts of this market have faced few barriers to entry. Our strategy is to pursue projects where our access to capital and expertise provide a competitive advantage.

Industry expertise, project size, location and past performance will determine our bidding strategy, the level of involvement from competitors and our level of success in winning awards. Our primary advantages vary by location and market, but mostly are based upon local individual relationships with key customers or a demonstrated industry expertise. Additionally, due to the size of many of our projects, our financial resources help us compete effectively against local competitors.

Seasonality and Quarterly Fluctuations

The effects of seasonality on our Commercial & Industrial business are not significant, as most of our work generally is performed inside structures protected from the weather. However, we do perform some work outdoors, which can be affected by the weather. Most of our service and maintenance business is also generally not affected by seasonality. However, the construction industry has historically been highly cyclical. Our volume of business may be adversely affected by declines in construction projects resulting from adverse regional or national economic conditions. Quarterly results may also be materially affected by the timing of new construction projects. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

Communications

Business Description

Originally established in 1984, our Communications segment is a leading provider of network infrastructure solutions for data centers and other mission critical environments. Our services include the design, installation and maintenance of network infrastructure to leading and recognizable global technology, social networking and e-commerce brands, including many Fortune 100 and 500 corporations. We serve a variety of industries and end-markets, including data centers for colocation and managed hosting customers; corporate, educational, financial, hospitality and healthcare buildings; e-commerce distribution centers; and high-tech manufacturing facilities. We also provide the design and installation of audio/visual, telephone, fire, wireless access and intrusion alarm systems, as well as design/build, service and maintenance of data network systems. We perform services across the United States from our 15 offices, which includes the segment headquarters located in Tempe, Arizona, and also provide dedicated onsite teams at our customers' sites.

Industry Overview

Our Communications segment is driven by demand increases for computing and storage resources as a result of technology advancements and obsolescence and changes in data consumption patterns. The data center market remains strong, and the needs of several of our large customers are growing rapidly. Additionally, we are continuing to expand our offerings in this market to broaden our customer base. Demand has also been growing for our audio-visual and other building technology offerings. Nevertheless, due to economic, technological and other factors, there can be no assurance that demand will continue to increase.

Sales and Marketing

Our sales strategy relies on a concentrated business development effort, with centralized marketing programs and direct end-customer communications and relationships. Due to the mission critical nature of the facilities we service, our end-customers significantly rely upon our past performance record, technical expertise and specialized knowledge. A significant portion of our Communications business volume is generated from long-term, repeat customers, some of whom use IES as a preferred provider for major projects.

Our long-term strategy is to improve our position as a preferred solutions and services provider to large national corporations and strategic local companies. Key elements of our long-term strategy include continued investment in our employees' technical expertise and expansion of our on-site maintenance and recurring revenue model, as well as opportunistic acquisitions of businesses that serve our markets, consistent with our stated corporate strategy.

Competition

Our competition consists of both large national or regional competitors and small, privately owned contractors who have limited access to capital. We compete on quality of service and/or price and seek to emphasize our financial capabilities and long history of delivering high quality solutions to our customers.

Seasonality and Quarterly Fluctuations

The effects of seasonality on our Communications business are not significant, as work generally is performed inside structures protected from the weather. Our service and maintenance business is also generally not affected by seasonality. However, communications infrastructure spending has historically been highly cyclical. Our volume of business may be adversely affected by declines in projects resulting from adverse regional or national economic conditions. Quarterly results may also be materially affected by the timing of new construction projects. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

Infrastructure Solutions

Business Description

Our Infrastructure Solutions segment provides electro-mechanical solutions for industrial operations to domestic and international customers. Our solutions include the maintenance and repair of alternating current (AC) and direct current (DC) electric motors and generators, as well as power generating and distribution equipment; the manufacture of custom-engineered, metal enclosed bus duct solutions used in power distribution; the manufacture of custom commercial and industrial generator enclosures; the manufacture, re-manufacture, and repair of industrial lifting magnets; and maintenance and repair of railroad main and auxiliary generators, main alternators, and traction motors.

This segment serves the steel, railroad, marine, petrochemical, pulp and paper, wind energy, mining, automotive, power generation, scrap yards, data center, and utility industries. Our Infrastructure Solutions segment is comprised of nine locations and is headquartered in Ohio. These segment locations geographically cover Alabama, Georgia, Illinois, Indiana, Ohio, and West Virginia.

Industry Overview

Given the diverse end-markets of Infrastructure Solutions' customers, we are subject to many economic trends. In general, demand for our services has been driven by growth in industries, such as data centers, in-house maintenance departments continuing to outsource maintenance and repair work, output levels and equipment utilization at heavy industrial facilities, railroad companies' and mass transit authorities' capital investments and repair needs, investment in the United States' aging energy and industrial infrastructure, demand for critical power applications, that have high power demands and require dependable power supplies, and the overall health of the economy.

Sales and Marketing

Demand for Infrastructure Solutions' services is largely driven by the degree to which industrial and mechanical services are outsourced by our customers, production rates at steel mills, investments in power generation, other heavy industrial facilities, data centers, and the need for electrical infrastructure improvements. Our sales efforts are primarily driven by personnel based at our operating locations, as well as independent sales representatives. Given that the majority of our apparatus repair customers are located

within a 200-mile radius of our facilities, we believe that this structure allows us to rapidly address and respond to the needs of our customers. Our custom-engineered bus system and generator enclosure products and services are principally sold in partnership with an original equipment manufacturer (“OEM”) or to an engineering, procurement and construction firm on behalf of the end-user. Our long term strategy is to be the preferred solutions provider of outsourced electro-mechanical services, repairs, and manufacturing to our select markets and a leader in custom-engineered metal enclosed bus systems.

Competition

Our competition is comprised mainly of small, specialized manufacturing and repair shops, a limited number of other multi-location providers of electric motor repair, engineering and maintenance services, and various OEMs. Participants in this industry compete primarily on the basis of capabilities, service, quality, timeliness and price. We believe that we have a competitive advantage due to our breadth of capabilities, focus on quality, technical support, customer service, and financial resources.

Seasonality and Quarterly Fluctuations

Infrastructure Solutions’ revenues from industrial services may be affected by the timing of scheduled outages at its industrial customers’ facilities and by weather conditions with respect to projects conducted outdoors, but the effects of seasonality on revenues in its industrial services business are not significant. Infrastructure Solutions’ quarterly results may fluctuate, and the results of one fiscal quarter may not be representative of the results of any other quarter or of the full fiscal year.

Residential

Business Description

Originally established in 1973, our Residential segment is a leading provider of electrical installation services for single-family housing and multi-family apartment complexes and cable television installations for residential and light commercial applications. In addition to our core electrical construction work, the Residential segment also provides services for the installation of residential solar power, both for new construction and existing residences. The Residential segment is made up of 30 total locations, which include the segment headquarters in Houston, Texas. These locations geographically cover the Sun-Belt, Western and Mid-Atlantic regions of the United States.

Industry Overview

Our Residential business is closely correlated to the single and multi-family housing market. Although demand for both single-family and multi-family housing has increased in recent years, due to economic, technological or other factors, there can be no assurance that overall construction and demand will continue to increase in the future.

Sales and Marketing

Demand for our Residential services is highly dependent on the number of single-family and multi-family home starts in the markets we serve. Although we operate in multiple states throughout the Sun-Belt, Mid-Atlantic and Western regions of the United States, the majority of our single-family revenues are derived from services provided in Texas. The Texas market also remains an important part of our multi-family business; however, the majority of our multi-family revenue is earned across the Mid-Atlantic and Southeast. Our sales efforts include a variety of strategies, including a concentrated focus on national and regional homebuilders and multi-family developers and a local sales strategy for single and multi-family housing projects. Our cable and solar revenues are typically generated through third parties specializing in these industries who select us as a preferred provider of installation services. A significant portion of our Residential business volume is generated from long-term, repeat customers, some of whom use IES as a preferred provider for major projects.

Our long-term strategy is to continue to be a leading provider of electrical services to the residential market. The key elements of our long-term strategy include a continued focus on maintaining a low and variable cost structure and cash generation, allowing us to effectively scale according to the housing cycle, and to opportunistically increase our market share.

Competition

Our competition primarily consists of small, privately owned contractors who have limited access to capital. We believe that we have a competitive advantage over these smaller competitors due to our key employees’ long-standing customer relationships, our financial capabilities, our strong employee training program, and our local market knowledge and competitive pricing. There are few barriers to entry for electrical contracting services in the residential markets.

Seasonality and Quarterly Fluctuations

Results of operations from our Residential segment can be seasonal, depending on weather trends, with typically higher revenues generated during spring and summer and lower revenues during fall and winter. Our service and maintenance business is generally not affected by seasonality. In addition, the construction industry has historically been highly cyclical. Our volume of business may be adversely affected

by declines in multi-family occupancy rates as well as single-family housing starts within our operational footprint. Quarterly results may also be materially affected by the timing of new construction projects. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

SOURCES OF SUPPLY

The raw materials and components we use within our segments include, but are not limited to, electrical fixtures and system components, copper, aluminum, and raw steel. These raw materials and components are generally available from a variety of domestic suppliers at competitive prices. Delivery times are typically short for most raw materials and standard components, but during periods of peak demand, may extend to one month or more. Our strategy to reduce commodity cost exposure includes early buying of commodities for particular projects or general inventory, as well as including escalation and escape provisions in project bids, quotes and contracts wherever possible. However, such protections may not be included in every contract or project, and in such cases, we may not be fully reimbursed for increases in commodity prices by our customers and may be exposed to commodity price volatility on longer-term projects where we have prepaid for commodities.

RISK MANAGEMENT

The primary risks in our existing operations include project bidding and management, bodily injury, property and environmental damage, and construction defects. We monitor project bidding and management practices at various levels within the Company. We maintain automobile, general liability and construction defect insurance for third party health, bodily injury and property damage, as well as pollution coverage and workers' compensation coverage, which we consider appropriate to insure against these risks. Our third-party insurance is subject to deductibles for which we establish reserves. In light of these risks, we are also committed to a strong safety and environmental compliance culture. We employ full-time and part-time regional safety managers, under the supervision of our full-time Senior Vice President of Safety, and seek to maintain standardized safety and environmental policies, programs, procedures and personal protection equipment relative to each segment, including programs to train new employees, which apply to employees new to the industry and those new to the Company. We are also subject to cyber security and information theft risks in our operations, which we seek to manage through a cyber and information security program, training and insurance coverage. Given the dynamic and evolving nature of cyber threats, we cannot be assured that we are protected against all such threats.

In the electrical contracting industry, our ability to post surety bonds provides us with an advantage over competitors that are smaller or have fewer financial resources. We believe that the strength of our balance sheet, as well as a good relationship with our bonding providers, enhances our ability to obtain adequate financing and surety bonds, although there can be no assurance that surety bonding coverage will be available when we need it. For a further discussion of our risks, please refer to Item 1A. "Risk Factors" of this Annual Report on Form 10-K.

CUSTOMERS

We have a diverse customer base. During each of the years ended September 30, 2019, 2018 and 2017, no single customer accounted for more than 10% of our consolidated revenues. We emphasize developing and maintaining relationships with our customers by providing superior, high-quality service. Management at each of our segments is responsible for determining sales strategies and sales activities.

REMAINING PERFORMANCE OBLIGATIONS AND BACKLOG

Remaining performance obligations represent the unrecognized revenue value of our contract commitments. While backlog is not a defined term under GAAP, it is a common measurement used in our industry, and we believe it improves our ability to forecast future results and identify operating trends that may not otherwise be apparent. Backlog is a measure of revenue that we expect to recognize from work that has yet to be performed on uncompleted contracts and from work that has been contracted but has not started, exclusive of short-term projects. While all of our backlog is supported by documentation from customers, backlog is not a guarantee of future revenues, as contractual commitments may change and our performance may vary. Not all of our work is performed under contracts included in backlog; for example, most of the apparatus repair work that is completed by our Infrastructure Solutions segment is performed under master service agreements on an as-needed basis. Additionally, electrical installation services for single-family housing at our Residential segment are completed on a short-term basis and are therefore excluded from backlog. The table below summarizes our backlog by segment:

Year Ended September 30,

	2019			2018		
	Remaining Performance Obligations	Agreements without an enforceable obligation ⁽¹⁾	Backlog	Remaining Performance Obligations	Agreements without an enforceable obligation ⁽¹⁾	Backlog
	(Dollars in millions)					
Commercial & Industrial	\$ 152	\$ 11	\$ 163	\$ 145	\$ 61	\$ 206
Communications	131	29	160	85	9	94
Infrastructure Solutions	37	11	48	33	43	76
Residential	132	34	166	63	43	106
Total	\$ 452	\$ 85	\$ 537	\$ 326	\$ 156	\$ 482

(1) Our backlog includes signed agreements and letters of intent that we do not have a legal right to enforce prior to beginning work. These agreements are excluded from remaining performance obligations until work begins.

We expect that \$392 million of our September 30, 2019 backlog will result in revenue during fiscal 2020, with the remaining \$145 million expected to be realized in fiscal 2021; however, there can be no assurance that this backlog will be completed within expected time frames or at all. The increase in our backlog year over year was driven by strong demand and increased market share within our Communications and Residential segments.

REGULATIONS

Our operations are subject to various federal, state and local laws and regulations, including:

- licensing requirements applicable to electricians and mechanical service technicians;
- building and electrical codes;
- regulations relating to worker safety, labor relations and protection of the environment;
- regulations relating to consumer protection, including those governing residential service agreements; and
- qualifications of our business legal structure in the jurisdictions where we do business.

Many state and local regulations governing electricians and mechanical services require permits and licenses to be held by individuals. In some cases, a required permit or license held by a single individual may be sufficient to authorize specified activities for all our electricians or mechanical service technicians who work in the state or county that issued the permit or license. While we seek permits or licenses, where available, that may be material to our operations in a particular geographic area to be held by multiple employees within that area, given the large number of permits and licenses required, we are unable to ensure that multiple employees hold such required permits and licenses.

We believe we have all licenses required to conduct our operations and are in compliance with applicable regulatory requirements. Failure to comply with applicable regulations could result in substantial fines or revocation of our operating licenses or an inability to perform government work.

CAPITAL FACILITIES

During fiscal year 2019, the Company maintained a revolving credit facility, as further described in Item 7. “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — The Revolving Credit Facility*” of this Annual Report on Form 10-K. For a discussion of the Company’s capital resources, see Item 7. “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources*” of this Annual Report on Form 10-K.

FINANCIAL INFORMATION

For the Company's financial information by segment, see Note 11, "Operating Segments" in the notes to our Consolidated Financial Statements.

EMPLOYEES

As of September 30, 2019, we had 5,389 employees. We are party to two collective bargaining agreements within our Infrastructure Solutions segment. We have not experienced, and do not expect, any work stoppage, and we believe that our relationship with our employees is strong.

LOCATIONS

As of September 30, 2019, we have 79 domestic locations serving the United States. In addition to our two executive and corporate offices, as of September 30, 2019, we have 23 locations within our Commercial & Industrial business, 15 locations within our Communications business, nine locations within our Infrastructure Solutions business and 30 locations within our Residential business. This diversity helps to reduce our exposure to unfavorable economic developments in any given region.

EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information with respect to each executive officer is as follows:

Gary S. Matthews, 62, has served as Chief Executive Officer and a Director of the Company since March 2019. Prior to joining the Company, he served as Managing Director of Morgan Stanley Capital Partners from 2007 where he worked with the private equity team in evaluating companies for direct investment and helping to oversee the management and strategies for those businesses. Prior to joining Morgan Stanley, Mr. Matthews led several private equity-backed manufacturing companies, including serving as President of Simmons Bedding Company, Chief Executive Officer of Sleep Innovations, Inc. and Chief Executive Officer of Derby Cycle Corporation, and also led business units of several public companies. He received a B.A., cum laude, from Princeton University and his Masters in Business with distinction from Harvard Business School. Mr. Matthews currently serves on the board of directors of Pathway Partners Vet Holding LLC and Manna Pro Products, LLC. He has previously served as Chairman of the board of directors of Hojeij Branded Foods, Creative Circle, LLC and Tops Markets, LLC, and as a member of the board of directors of Lagunitas Brewing Company, Molson Coors Brewing Company, Lenox Group Inc. (previously Department 56), Learning Care Group, Inc., Van Wagner, Inc. and Canyon Ranch.

Tracy A. McLaughlin, 50, has served as Senior Vice President, Chief Financial Officer and Treasurer of the Company since May 2015. She previously served as Vice President and Chief Accounting Officer of the Company since February 2014. Prior to joining IES, Ms. McLaughlin served as Vice President and Chief Accounting Officer of Rockwater Energy Solutions, Inc. from June 2011 to November 2013. From June 2004 to June 2011, Ms. McLaughlin was with Dynegy Inc., where she served as Senior Vice President and Controller from March 2009 to June 2011 and from June 2004 to March 2009 served in various other capacities in finance and accounting. She began her career with PricewaterhouseCoopers LLP after receiving her Master of Accounting from Rice University. Ms. McLaughlin is a Certified Public Accountant.

We have adopted a Code of Ethics for Financial Executives that applies to our principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics may be found on our website at www.ies-co.com. If we make any substantive amendments to the Code of Ethics or grant any waiver, including any implicit waiver, from a provision of the Code of Ethics to our principal executive officer, principal financial officer or principal accounting officer, we will disclose the nature of such amendment or waiver on that website or in a report on Form 8-K. Paper copies of these documents are also available free of charge upon written request to us.

AVAILABLE INFORMATION

General information about us can be found on our website at www.ies-co.com under "Investor Relations." We file our interim and annual financial reports, as well as other reports required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with the SEC.

Our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports are available free of charge through our website as soon as it is reasonably practicable after we file them with, or furnish them to, the SEC. You may also contact our Investor Relations department and they will provide you with a copy of these

reports, or you may find them at www.ies-corporate.com/sec-filings. The materials that we file with the SEC are also available free of charge through the SEC's website at www.sec.gov.

In addition to the Code of Ethics for Financial Executives, we have adopted a Code of Business Conduct and Ethics for directors, officers and employees (the Legal Compliance and Corporate Policy Manual), and established Corporate Governance Guidelines and adopted charters outlining the duties of our Audit, Human Resources and Compensation and Nominating/Governance Committees, copies of which may be found on our website. Paper copies of these documents are also available free of charge upon written request to us. We have designated an "audit committee financial expert" as that term is defined by the SEC. Further information about this designee may be found in the Proxy Statement for the 2020 Annual Meeting of Stockholders of the Company.

Item 1A. Risk Factors

You should consider carefully the risks described below, as well as the other information included in this document before making an investment decision. Our business, results of operations or financial condition could be materially and adversely affected by any of these risks, and the value of your investment may decrease due to any of these risks.

Risks Relating to Our Common Stock

Existence of a controlling shareholder.

A majority of our outstanding common stock is owned by Tontine. Based on a Form 4 filed by Tontine on October 3, 2019, Tontine owns approximately 58 percent of the Company's outstanding common stock. As a result, Tontine can control most of our affairs, including the election of our directors, who in turn appoint executive management and can control most actions requiring the approval of shareholders, including the adoption of amendments to our corporate charter and approval of any potential merger or sale of all or substantially all assets, segments, or the Company itself. This control also gives Tontine the ability to bring matters to a shareholder vote that may not be in the best interest of our other shareholders or stakeholders. Additionally, Tontine is in the business of investing in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us or act as suppliers or customers of the Company. Pursuant to a resale shelf registration statement filed by the Company, Tontine has the ability to resell any or all of its registered shares from time to time in one or more offerings as long as the registration statement remains effective and the Company remains eligible to use it, as described further in the registration statement and in any prospectus supplement filed in connection with an offering pursuant to the shelf registration statement. Tontine's sale of all or any portion of its shares could result in a change of control of the Company, which would trigger the change of control provisions in a number of our material agreements, including our credit facility, bonding agreements with our sureties, and our executive severance plan, as well as the exercisability of the purchase rights under our NOL Rights Plan.

Our common stock has less liquidity than many other stocks listed on the NASDAQ Global Market.

Historically, the trading volume of our common stock has been relatively low when compared to other companies listed on the NASDAQ Global Market or other stock exchanges. While we have experienced increased liquidity in our stock during recent years compared with historical levels, we cannot say with certainty that a more active and liquid trading market for our common stock will continue to develop. Because of this, it may be more difficult for shareholders to sell a substantial number of shares for the same price at which shareholders could sell a smaller number of shares.

We may issue additional shares of common stock or convertible securities that will dilute the percentage ownership interest of existing stockholders and may dilute the book value per share of our common stock.

Our authorized capital includes 100,000,000 shares of common stock and 10,000,000 shares of preferred stock. As of September 30, 2019, we had 22,049,529 shares of common stock issued, 21,165,011 shares of common stock outstanding and no shares of preferred stock issued or outstanding. We have reserved for issuance 21,750 shares of common stock underlying options that are exercisable at a weighted average price of \$6.35 per share. In addition, as of September 30, 2019, we had the ability to issue 824,676 shares of common stock, including upon the exercise of options, as future grants under our existing equity compensation plans.

Although we currently do not have any intention of issuing additional common stock (other than pursuant to our equity compensation plans), we may do so in the future in order to meet our capital needs. Subject to applicable NASDAQ Listing Rules, our Board of Directors generally has the authority, without action by or vote of the stockholders, to issue all or part of any authorized but unissued shares of common stock for any corporate purpose. We may seek additional equity capital in the future as we develop our business and expand our operations. Any issuance of additional shares of common stock or convertible securities will dilute the percentage ownership interest of our stockholders and may dilute the book value per share of our common stock.

Substantial sales of our common stock could adversely affect our stock price.

Most of Tontine's shares are registered for resale on a shelf resale registration statement filed by the Company with the SEC. Sales of a substantial number of shares of our common stock by holders of our common stock, including Tontine or the perception that such sales could occur, could adversely affect the market price of our common stock by introducing a large number of shares into the market. Such sales, or the perception that such sales could occur, could cause the market price of our common stock to decline. We cannot predict whether future sales of our common stock, or the availability of our common stock for sale, will adversely affect the market price for our common stock or our ability to raise capital by offering equity securities.

Risks Relating to the Operations of our Business

The highly competitive nature of our industries could affect our profitability by reducing our profit margins.

With respect to electrical contracting services, the industries in which we compete are highly fragmented and are served by many small, owner-operated private companies. There are also several large private regional companies and a small number of large public companies from which we face competition in these industries. In the future, we could also face competition from new competitors entering these markets because certain segments, such as our electrical contracting services, have a relatively low barrier for entry while other segments, such as our services for mission critical infrastructure, have attractive characteristics. Some of our competitors offer a greater range of services, including mechanical construction, facilities management, plumbing and heating, ventilation and air conditioning services. Competition in our markets depends on a number of factors, including price. Some of our competitors may have lower overhead cost structures and may, therefore, be able to provide services comparable to ours at lower rates than we do. If we are unable to offer our services at competitive prices or if we have to reduce our prices to remain competitive, our profitability would be impaired.

The markets in which Infrastructure Solutions does business are highly competitive, and we do not expect the level of competition that we face to decrease in the future. An increase in competitive pressures in these markets or our failure to compete effectively (including efficiently managing future capital expenditures and refurbishment, repair and upgrade costs) may result in pricing reductions, reduced gross margins, and loss of market share. Some of our competitors have longer operating histories, greater name recognition, more customers, and significantly greater financial, marketing, technical, and other competitive resources than we have. These competitors may be able to adapt more quickly to new technologies and changes in customer needs or devote greater resources to the development, promotion, and sale of their services. While we believe Infrastructure Solutions' overall product and service offerings distinguish it from its competitors, these competitors could develop new products or services that could directly compete with Infrastructure Solutions' services.

We generate a significant portion of our revenues under fixed price contracts. The estimates we use in placing bids and changes in commodity and labor costs could have an adverse effect on our ability to maintain our profitability.

We currently generate, and expect to continue to generate, a significant portion of our revenues under fixed price contracts. The cost of fuel, labor and materials, including copper wire or other commodities, may vary significantly from the costs we originally estimate. Variations from estimated contract costs along with other risks inherent in performing fixed price contracts, including our ability to successfully manage projects, may result in actual revenue and gross profits for a project differing from those we originally estimated and could result in losses on projects. Depending upon the size of a particular project, variations from estimated contract costs can have a significant impact on our operating results.

If the costs associated with labor and commodities, such as copper, aluminum, steel, fuel and certain plastics, increase due to low supply or other forces, losses may be incurred. Some of our materials have been and may continue to be subject to sudden and significant price increases. Depending on competitive pressures and customer resistance, we may not be able to pass on these cost increases to our customers, which would reduce our gross profit margins and, in turn, make it more difficult for us to maintain our profitability. We have a work force of over 5,000 employees, and our labor costs may fluctuate based on supply as well as other labor related risks, including risks related to collective bargaining agreements, benefits arrangements, wage and hour claims and other compensation arrangements.

A failure to secure new contracts may adversely affect our cash flows and financial results.

Much of our revenue is derived from projects that are awarded through a competitive bid process. Contract bidding and negotiations are affected by a number of factors, including our own cost structure and bidding policies. In addition, our ability to secure new contracts depends on our ability to maintain all required electrical, construction, mechanical and business licenses. If we fail to successfully transfer, renew or obtain such licenses where applicable, we may be unable to compete for new business.

The failure to bid and be awarded projects, cancellations of projects or delays in project start dates could affect our ability to deploy our assets profitably. Further, when we are awarded contracts, we face additional risks that could affect whether, or when, work will

begin. We could experience a decrease in profitability if we are unable to replace canceled, completed or expired contracts with new work.

Our inability to carry out plans and strategies as expected, including our inability to identify and complete acquisitions that meet our investment criteria in furtherance of our corporate strategy or the subsequent underperformance of those acquisitions, may adversely impact our future growth.

Our corporate strategy involves creating shareholder value through acquiring or investing in stand-alone platform companies based in North America or acquiring businesses that we believe will strategically complement our existing business segments. While we believe that acquisitions will provide an opportunity to expand into new end-markets and diversify our revenue and profit streams, potential acquisitions in new industries could result in changes in our operations from those historically conducted by us and introduce the requirement for new controls. Alternatively, our failure to diversify from existing markets may limit our future growth. In addition, our investments may not perform as expected or may not generate a positive return on investment, due to factors we could not predict prior to the acquisition or due to incorrect investment assumptions.

We may be unsuccessful at integrating other companies that we may acquire, or new types of work, products or processes into our segments.

We are actively seeking to engage in acquisitions of operations, assets and investments, or to develop new types of work or processes, and we may seek to engage in dispositions of certain operations, assets or investments from time to time. If we are unable to successfully integrate newly acquired assets or operations or if we make untimely or unfavorable investments or dispositions, it could negatively impact the market value of our common stock. Additionally, any future acquisition, investment or disposition may result in significant changes in the composition of our assets and liabilities, and as a result, our financial condition, results of operations and the market value of our common stock following any such acquisition, investment or disposition may be affected by factors different from those currently affecting our financial condition, results of operations and market value of our common stock.

The difficulties of integrating a business, assets or operations potentially will include, among other things:

- geographically separated organizations and possible differences in corporate cultures and management philosophies;
- significant demands on management resources, which may distract management's attention from day-to-day business;
- differences in the disclosure systems, compliance requirements, accounting systems, and accounting controls and procedures of the acquired company, which may interfere with our ability to make timely and accurate public disclosure; and
- the demands of managing new locations, new personnel and new lines of business acquired.

Demand for our services is cyclical and vulnerable to economic downturns affecting the industries we serve.

Demand for our services has been, and will likely continue to be, cyclical in nature and vulnerable to downturns in the general economy, as well as in the construction industry and the housing market. Many of our customers depend on the availability of credit to purchase our services or electrical and mechanical products. Prolonged uncertainties in, or the return of, constrained credit market conditions could have adverse effects on our customers, which would adversely affect our financial condition and results of operations.

Backlog may not be realized or may not result in profits.

Customers often have no obligation under our contracts to assign or release work to us, and many contracts may be terminated on short notice. Reductions in backlog due to cancellation of one or more contracts by a customer or for other reasons could significantly reduce the revenue and profit we actually receive from contracts included in backlog. In the event of a project cancellation, we may be reimbursed for certain costs, but typically have no contractual right to the total revenues reflected in our backlog.

We may incur significant charges or be adversely impacted by the closure or sale of facilities or assets.

In the past, we incurred significant costs associated with the closure or disposition of facilities, and we expect from time to time to evaluate the need for future facility closures or dispositions of assets. If we were to elect to dispose of a substantial portion of any of our segments, facilities, or assets, the realized values of such assets could be substantially less than current book values, which would likely result in a material adverse impact on our financial results. In addition, we may have warranty claims or other unexpected liabilities from closed facilities beyond the closing date, which could adversely impact our financial returns.

The availability and cost of surety bonds affect our ability to enter into new contracts and our margins on those engagements.

Many of our customers require us to post performance and payment bonds issued by a surety. Those bonds guarantee the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. We obtain surety bonds from two primary

surety providers; however, there is no commitment from these providers to guarantee our ability to issue bonds for projects as they are required. Our ability to access this bonding capacity is at the sole discretion of our surety providers. Accordingly, if we were to experience an interruption or reduction in our availability of bonding capacity, we may be unable to compete for, or work on, certain projects.

Due to seasonality and differing regional economic conditions, our results may fluctuate from period to period.

Our business is subject to seasonal variations in operations and demand that affect the construction business, particularly in the Residential and Commercial & Industrial segments, as well as seasonal variations in the industries in which Infrastructure Solutions participates. Untimely weather delay from rain, heat, ice, cold or snow can not only delay our work but can negatively impact our schedules and profitability by delaying the work of other trades on a construction site. Our quarterly results may also be affected by regional economic conditions that affect the construction market. In particular, a prolonged period of weak demand in the oil and gas industry could dampen the housing market in certain regions, resulting in reduced demand for the services provided by our Residential segment. Infrastructure Solutions' revenues from industrial services may be affected by the timing of scheduled outages at its industrial customers' facilities, by weather conditions with respect to projects conducted outdoors, by data center construction, and by changes in spending in public infrastructure, power and steel markets. Industrial and rail customers may also be affected by volatility in oil prices. Accordingly, our performance in any particular quarter may not be indicative of the results that can be expected for any other quarter or for the entire year.

We may experience difficulties in managing our billings and collections.

Our billings under fixed price contracts in our electrical contracting business are generally based upon achieving certain milestones and will be accepted by the customer once we demonstrate those milestones have been met. If we are unable to demonstrate compliance with billing requests, or if we fail to issue a project billing, our likelihood of collection could be delayed or impaired, which, if experienced across several large projects, could have a material adverse effect on our results of operations. Further, some of our customers may be highly leveraged or may be subject to their own operating and regulatory risks, which may also limit their ability to pay.

Our operations are subject to numerous physical hazards. If an accident occurs, it could result in an adverse effect on our business.

Hazards related to our industry include, but are not limited to, electrocutions, fires, injuries involving ladders, machinery-caused injuries, mechanical failures and transportation accidents. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment, and suspension of operations. Our insurance does not cover all types or amounts of liabilities. In addition, if our safety record were to substantially deteriorate over time, our customers could cancel our contracts or not award us future business.

Our current insurance coverage may not be adequate, and we may not be able to obtain insurance at acceptable rates, or at all.

Our third-party insurance is subject to deductibles for which we establish reserves. No assurance can be given that our insurance or our provisions for incurred claims and incurred but not reported claims will be adequate to cover all losses or liabilities we may incur in our operations; nor can we provide assurance that we will be able to maintain adequate insurance at reasonable rates.

Litigation and claims can cause unexpected losses.

In all of our businesses, we are subject to potential claims and litigation, including contractual disputes, warranty claims, and claims related to our compliance with legal and regulatory requirements. Such claims and litigation are common in the construction and electrical and mechanical maintenance businesses and may be related to contract delays, changes in the scope of work or alleged defects. There are also inherent claims and litigation risks associated with the number of people that work on construction sites and the fleet of vehicles on the road every day. In our Infrastructure Solutions businesses, we also may be subject to product liability litigation. Claims are sometimes made and lawsuits filed for amounts in excess of their value or in excess of the amounts for which they are eventually resolved. Claims and litigation normally follow a predictable course of time to resolution. However, there may be periods of time in which a disproportionate amount of our claims and litigation are concluded in the same quarter or year. If multiple matters are resolved during a given period, then the cumulative effect of these matters may be higher than the ordinary level in any one reporting period.

Latent defect litigation is normal for residential home builders in some parts of the country, as well as in certain areas of the commercial market. Any increases in our latent defect claims and litigation could place pressure on the profitability of the Residential and Commercial & Industrial segments of our business.

Interruptions in the proper functioning of our information systems, or security breaches of our information systems or confidential data, could disrupt operations and cause increases in costs and/or decreases in revenues.

As our Company continues to increase its dependence on information technology systems, networks, and infrastructure to conduct its day to day operations, the proper functioning and security of our information technology environment are critical to the successful operation of our business. Although our information systems, networks and infrastructure are protected through physical and software safeguards, our information technology environment is still vulnerable to natural disasters, power losses, telecommunication failures, deliberate intrusions and other cyber security risks, and other problems, which could cause a loss of data, release of personally identifiable information or release of confidential customer information among other items. If critical information systems fail or are otherwise unavailable or confidential information is released, our business operations could be adversely affected.

We may be required to conduct environmental remediation activities, which could be expensive and inhibit the growth of our business and our ability to maintain profitability, particularly in our Infrastructure Solutions business.

We are subject to a number of environmental laws and regulations, including those concerning the handling, treatment, storage, and disposal of hazardous materials. These laws predominantly affect our Infrastructure Solutions business but may impact our other businesses. These environmental laws generally impose liability on current and former owners and operators, transporters and generators of hazardous materials for remediation of contaminated properties. We believe that our business is operating in compliance in all material respects with applicable environmental laws, many of which provide for substantial penalties for violations. There can be no assurance that future changes in such laws, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional expenditures. In addition, if we do not comply with these laws and regulations, we could be subject to material administrative, civil or criminal penalties, or other liabilities. We may also be required to incur substantial costs to comply with current or future environmental and safety laws and regulations. Any such additional expenditures or costs that we may incur could hurt our operating results.

The loss of a group or several key personnel, either at the corporate or operating level, or general labor constraints could adversely affect our business.

The loss of key personnel or the inability to hire and retain qualified employees could have an adverse effect on our business, financial condition and results of operations. Our operations depend on the continued efforts of our executive officers, senior management and management personnel at our segments. We cannot guarantee that any member of management at the corporate or subsidiary level will continue in their capacity for any particular period of time. We have a severance plan in place that covers certain of our senior leaders; however, this plan can neither guarantee that we will not lose key employees, nor prevent them from competing against us, which is often dependent on state and local employment laws. If we lose a group of key personnel or even one key person at a segment, we may not be able to recruit suitable replacements at comparable salaries or at all, which could adversely affect our operations. Additionally, we generally do not maintain key man life insurance for members of our management. We also may be constrained in hiring and retaining qualified employees due to historically low unemployment rates and general labor shortages in our industries. Continued labor constraints may limit our ability to grow and may limit our profitability due to the impact of rising wages.

Risks Relating to our Financial Results, Financing and Liquidity

Availability of net operating losses may be reduced by a change in ownership.

A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of NOLs, for federal and state income tax purposes. Should Tontine sell or otherwise dispose of all or a portion of its position in IES, a change in ownership could occur. A change in ownership could also result from the purchase of common stock by an existing or a new 5% shareholder as defined by Internal Revenue Code Section 382. As of September 30, 2019, we have approximately \$306.3 million of federal NOLs that are available to use to offset taxable income, including approximately \$143.6 million resulting from net operating losses on which a deferred tax asset is not recorded. Should a change in ownership occur, all NOLs incurred prior to the change in ownership would be subject to limitation imposed by Internal Revenue Code Section 382, which would substantially reduce the amount of NOL currently available to offset taxable income.

The Company maintains an NOL Rights Plan, which was designed to deter an acquisition of the Company's stock in excess of a threshold amount that could trigger an ownership change within the meaning of Internal Revenue Code Section 382. The NOL Rights Plan is designed to dilute the ownership of such an acquirer through the offering of rights to the Company's other stockholders that will become exercisable upon the acquirer's purchase of the Company's stock in excess of the threshold amount. We can make no assurances the NOL Rights Plan will be effective in deterring an ownership change or protecting or realizing NOLs.

We have adopted tax positions that a taxing authority may view differently. If a taxing authority differs with our tax positions, our results may be adversely affected.

Our effective tax rate and cash paid for taxes are impacted by the tax positions that we have adopted. Taxing authorities may not always agree with the positions we have taken. We have established reserves for tax positions that we have determined to be less likely than not to be sustained by taxing authorities. However, there can be no assurance that our results of operations will not be adversely affected in the event that disagreement over our tax positions does arise.

We have recognized deferred tax assets based upon our estimates of future taxable income, and we may recognize tax expense if there is a reduction in the statutory tax rate or if future taxable income is lower than our estimates.

As of September 30, 2019, we have a net deferred tax asset of \$40.9 million on our Consolidated Balance Sheet, of which \$39.0 million is attributable to NOLs. To realize the full benefit of this deferred tax asset attributable to NOLs, we must generate sufficient taxable income within the applicable carry forward period to offset against NOLs. Under accounting principles generally accepted in the United States of America ("GAAP"), we are required to assess whether we believe the benefit of the deferred tax asset is more likely than not to be realized based on our expectation of generating sufficient future taxable income, and we are required to record a valuation allowance, or offset, against our deferred tax asset based on the portion of the deferred tax asset that we believe is not more likely than not to be realized.

If we are unable to generate sufficient taxable income in the future to utilize our NOLs, then we could be required to record valuation allowances, resulting in an increase in income tax expense and a reduction of our consolidated net income. Failure to generate sufficient taxable income in the future could also result in the expiration of certain NOLs.

In addition, we recorded a charge of \$31.3 million during fiscal 2018 to reflect the impact of the reduced statutory federal corporate tax rate as a result of the U.S. Tax Cuts and Jobs Act, which became effective on January 1, 2018, on the value of our net deferred tax asset on our Consolidated Balance Sheet. Any further decrease in the federal statutory tax rate or other changes in federal tax statutes could also cause a reduction in the economic benefit of the NOL currently available to us and a corresponding reduction in the amount of our recorded deferred tax assets.

To fund our working capital requirements and service any debt we may incur, we may require a significant amount of cash. Our ability to generate cash depends on many factors that are beyond our control.

Our ability to make payments on and to refinance any indebtedness we may incur and to fund working capital requirements will depend on our ability to generate cash in the future. This is subject to our operational performance, as well as general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot provide assurance that our business will generate sufficient cash flow from operations or asset sales or that future borrowings will be available to us under our credit facility in an amount sufficient to enable us to service any debt we may incur or to fund our other liquidity needs. We may need to refinance our credit facility on or before maturity. We cannot provide assurance that we will be able to refinance our credit facility on commercially reasonable terms or at all. Our inability to access capital on commercially reasonable terms could have a material adverse effect on our business.

We have restrictions and covenants under our credit facility and the failure to meet these covenants, including liquidity and other financial requirements, could result in a default under our credit facility.

We may not be able to remain in compliance with the covenants in our credit facility, including financial covenants which, among other things, require minimum levels of liquidity and require us to maintain a specified fixed charge coverage ratio as defined under our credit facility. A failure to fulfill the terms and requirements of our credit facility may result in a default under our credit agreement and acceleration of any indebtedness we may incur, as well as a default under one or more of our material agreements, any of which could have a material adverse effect on our ability to conduct our operations and our financial condition.

Our use of percentage-of-completion accounting could result in a reduction or elimination of previously reported profits, and we may be adversely impacted by new accounting, control and operating procedures.

A significant portion of our revenue is recognized using the percentage-of-completion method of accounting, utilizing the cost-to-cost method, which results in our recognizing contract revenues and earnings ratably over the contract term in proportion to contract costs incurred. The earnings or losses recognized on individual contracts are based on estimates of contract revenues, costs and profitability. We review our estimates of contract revenue, costs and profitability on an ongoing basis. Prior to contract completion, we may adjust our estimates on one or more occasions as a result of change orders to the original contract, collection disputes with the customer on amounts invoiced or claims against the customer for increased costs incurred by us due to customer-induced delays and other factors.

Contract losses are recognized in full when determined to be probable and reasonably estimable. Although we have historically made reasonably reliable estimates of the progress towards completion of our construction contracts, the uncertainties inherent in the estimating process make it possible for actual costs to vary materially from estimates, including reductions or reversals of previously recorded revenues and profits. In addition, we may be adversely impacted by new accounting pronouncements which change our revenue recognition or other accounting practices or otherwise alter how we report our financial results, or which require that we change our control and operating procedures, which we may be unable to do in a timely manner.

Our reported operating results could be adversely affected as a result of goodwill impairment charges.

GAAP accounting requires that goodwill attributable to each of our reporting units be tested at least annually, or when changes in circumstance indicate the carrying value of our reporting units may not be recoverable. Factors that could lead to impairment of goodwill include significant adverse changes in the business climate, declines in the financial condition of our business, and actual or projected operating results affecting our company as a whole or affecting any particular reporting unit. On an ongoing basis, we expect to perform impairment tests at least annually as of September 30. Impairment adjustments, if any, are required to be recognized as operating expenses. We cannot assure that we will not have future impairment adjustments to our recorded goodwill.

Our internal controls over financial reporting and our disclosure controls and procedures may not prevent all possible errors that could occur. Internal controls over financial reporting and disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objective will be met.

On a quarterly basis we evaluate our internal controls over financial reporting and our disclosure controls and procedures, which include a review of the objectives, design, implementation and effectiveness of the controls and the information generated for use in our periodic reports. In the course of our controls evaluation, we sought (and seek) to identify data errors, control problems and to confirm that appropriate corrective actions, including process improvements, are being undertaken. This type of evaluation is conducted on a quarterly basis so that the conclusions concerning the effectiveness of our controls can be reported in our periodic reports.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be satisfied. Internal controls over financial reporting and disclosure controls and procedures are designed to give reasonable assurance that they are effective and achieve their objectives. We cannot provide absolute assurance that all possible future control issues have been detected. These inherent limitations include the possibility that our judgments can be faulty and that isolated breakdowns can occur because of human error or mistake. The design of our system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed absolutely in achieving our stated goals under all potential future or unforeseeable conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error could occur without being detected.

We may be adversely affected by changes in LIBOR reporting practices or the method in which LIBOR is determined.

We are subject to interest rate risk on floating interest rate borrowings under our revolving credit facility. Borrowings under our revolving credit facility use London Interbank Offering Rate ("LIBOR") as a benchmark for establishing the interest rate. In July 2017, the Financial Conduct Authority (the regulatory authority over LIBOR) stated they will plan for a phase out of regulatory oversight of LIBOR after 2021 to allow for an orderly transition to an alternative reference rate. Although the full impact of the transition away from LIBOR, including the discontinuance of LIBOR publication and the adoption of a replacement rate for LIBOR, remains unclear, these changes may have an adverse impact on our financing costs and any floating rate indebtedness we may incur.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At September 30, 2019, we maintained branch offices, warehouses, sales facilities and administrative offices at 79 locations. Substantially all of our facilities are leased. We lease our executive office located in Greenwich, Connecticut and our corporate office located in Houston, Texas. We believe that our properties are adequate for our current needs and that suitable additional or replacement space will be available as required. For a breakdown of our offices by segment, see Item 1. "Business—Operating Segments" of this Annual Report on Form 10-K.

Item 3. Legal Proceedings

For further information regarding legal proceedings, see Note 18, “*Commitments and Contingencies — Legal Matters*” in the notes to our Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

None.

PART II

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

Our common stock trades on the NASDAQ Global Market under the ticker symbol "IESC."

As of December 4, 2019, the closing market price of our common stock was \$21.38 per share and there were approximately 341 holders of record.

We have never declared or paid dividends on our common stock. We intend to retain any future earnings and do not expect to pay cash dividends in the foreseeable future.

Stock Repurchase Program

In 2015, our Board of Directors authorized a stock repurchase program for the purchase from time to time of up to 1.5 million shares of the Company's common stock, and on May 2, 2019, authorized the repurchase from time to time of up to an additional 1,000,000.0 million shares of the Company's common stock under the stock repurchase program. Share purchases are made for cash in open market transactions at prevailing market prices or in privately negotiated transactions or otherwise. The timing and amount of purchases under the program are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. All or part of the repurchases may be implemented under a Rule 10b5-1 trading plan, which allows repurchases under pre-set terms at times when the Company might otherwise be prevented from purchasing under insider trading laws or because of self-imposed blackout periods. The program does not require the Company to purchase any specific number of shares and may be modified, suspended or reinstated at any time at the Company's discretion and without notice. During the year ended September 30, 2019, we repurchased 467,819 shares of common stock at an average price of \$17.34 per share for a total aggregate purchase price of \$8.1 million. The Company had 1.3 million shares remaining under its stock repurchase authorization at September 30, 2019.

The following table presents information with respect to purchases of common stock by the Company during the three months ended September 30, 2019:

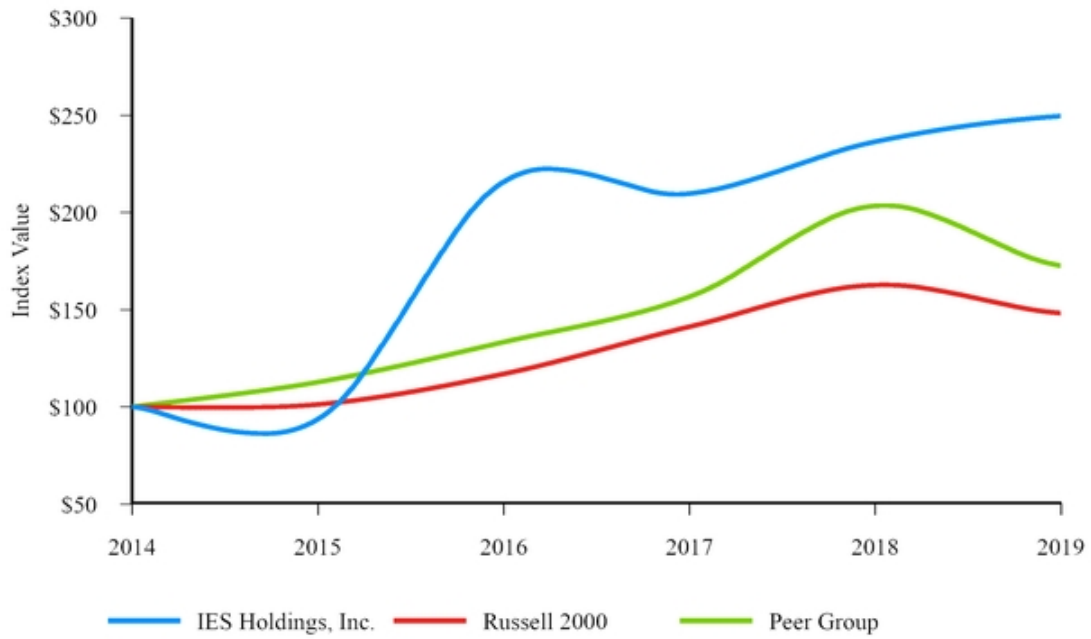
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plan as of September 30, 2019
July 1, 2019 – July 31, 2019	2,818	\$18.00	2,818	1,323,039
August 1, 2019 – August 31, 2019	55,954	\$18.84	55,954	1,267,085
September 1, 2019 – September 30, 2019	10,100	\$18.84	10,100	1,256,985
Total	68,872	\$18.80	68,872	1,256,985

Five-Year Stock Performance Graph

The graph below compares the cumulative five year total return provided shareholders on IES Holdings, Inc.'s common stock relative to the cumulative total returns of the Russell 2000 index and a customized peer group of four companies that includes: Comfort Systems USA Inc., MYR Group Inc., Sterling Construction Company Inc. and Team Inc. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock, in the Russell 2000 index, and in the peer group on September 30, 2014, and its relative performance is tracked through September 30, 2019.

Comparison of Five Year Cumulative Total Return*

Among IES Holdings, Inc., the Russell 2000 Index, and a Peer Group



*\$100 invested on 9/30/14 in stock or index, including reinvestment of dividends.
Fiscal year ending September 30.

	Year Ended September 30,					
	2014	2015	2016	2017	2018	2019
IES Holdings, Inc.	\$ 100.00	93.58	215.64	209.70	236.36	249.58
Russell 2000	\$ 100.00	101.25	116.91	141.16	162.67	148.21
Peer Group	\$ 100.00	112.69	133.28	156.57	203.36	172.58

Item 6. Selected Financial Data

The following selected consolidated historical financial information for IES should be read in conjunction with the audited historical Consolidated Financial Statements of IES Holdings, Inc. and subsidiaries, and the notes thereto, set forth in Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

	Year Ended September 30,				
	2019	2018	2017	2016	2015
	(In Thousands, Except Share Information)				
Continuing Operations:					
Revenues	\$ 1,076,996	\$ 876,828	\$ 810,744	\$ 695,993	\$ 573,857
Cost of services	894,893	726,866	670,246	569,013	473,966
Gross profit	182,103	149,962	140,498	126,980	99,891
Selling, general and administrative expenses	140,575	123,920	120,370	100,558	81,416
Contingent consideration	(374)	103	(145)	652	—
Loss (gain) on sale of assets	52	(15)	(69)	810	(13)
Operating Income	41,850	25,954	20,342	24,960	18,488
Interest and other (income) expense:					
Interest expense	1,857	1,946	1,702	1,282	1,130
Other income, net	(148)	(340)	(165)	(83)	(180)
Income from operations before income taxes	40,141	24,348	18,805	23,761	17,538
Provision (benefit) for income taxes	6,663	38,151	5,211	(97,117)	661
Net income (loss) from continuing operations	33,478	(13,803)	13,594	120,878	16,877
Discontinued operations:					
Loss from discontinued operations	—	—	—	—	(339)
Net loss discontinued operations	—	—	—	—	(339)
Net income (loss)	33,478	(13,803)	13,594	120,878	16,538
Net income attributable to noncontrolling interest	(272)	(354)	(172)	(100)	—
Net income (loss) attributable to IES Holdings, Inc.	\$ 33,206	\$ (14,157)	\$ 13,422	\$ 120,778	\$ 16,538
Basic earnings (loss) per share attributable to IES Holdings, Inc.:					
Continuing operations	\$ 1.56	\$ (0.67)	\$ 0.62	\$ 5.63	\$ 0.79
Discontinued operations	—	—	—	—	(0.02)
Total	\$ 1.56	\$ (0.67)	\$ 0.62	\$ 5.63	\$ 0.77
Diluted earnings (loss) per share attributable to IES Holdings, Inc.:					
Continuing operations	\$ 1.55	\$ (0.67)	\$ 0.62	\$ 5.62	\$ 0.79
Discontinued operations	—	—	—	—	(0.02)
Total	\$ 1.55	\$ (0.67)	\$ 0.62	\$ 5.62	\$ 0.77
Shares used to calculate earnings (loss) per share					
Basic	21,082,012	21,196,388	21,280,549	21,279,342	21,480,622
Diluted	21,315,245	21,196,388	21,533,254	21,492,339	21,526,188

	Year Ended September 30,				
	2019	2018	2017	2016	2015
	(In Thousands, Except Share Information)				
Balance Sheet Data:					
Cash and cash equivalents	\$ 18,934	\$ 26,247	\$ 28,290	\$ 32,961	\$ 49,360
Working capital, exclusive of cash	84,049	72,029	52,834	43,716	31,601
Total assets	445,258	421,994	424,494	394,340	225,679
Total debt	299	29,564	29,434	29,257	9,207
Total stockholders' equity	246,248	220,407	236,704	223,405	101,414

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

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and the notes thereto, set forth in Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. For additional information, see "Disclosure Regarding Forward Looking Statements" in Part I of this Annual Report on Form 10-K.

OVERVIEW

Executive Overview

Please refer to Item 1. "Business" of this Annual Report on Form 10-K for a discussion of the Company's services and corporate strategy. IES Holdings, Inc., a Delaware corporation, is a holding company that owns and manages operating subsidiaries, comprised of providers of industrial products and infrastructure services to a variety of end markets. Our operations are currently organized into four principal business segments: Commercial & Industrial, Communications, Infrastructure Solutions and Residential.

Industry Trends

Our performance is affected by a number of trends that drive the demand for our services. In particular, the markets in which we operate are exposed to many regional and national trends such as the demand for single and multi-family housing, the need for mission critical facilities as a result of technology-driven advancements, the degree to which in-house maintenance departments outsource maintenance and repair work, output levels and equipment utilization at heavy industrial facilities, demand for our rail and infrastructure services and custom engineered products, and changes in commercial, institutional, public infrastructure and electric utility spending. Over the long term, we believe that there are numerous factors that could positively drive demand and affect growth within the industries in which we operate, including (i) population growth, which will increase the need for commercial and residential facilities, (ii) aging public infrastructure, which must be replaced or repaired, (iii) an increasing demand for data storage, (iv) increased emphasis on environmental and energy efficiency, which may lead to both increased public and private spending, and (v) demand for natural gas which is expected to spur the construction of and modifications to heavy industrial facilities. However, there can be no assurance that we will not experience a decrease in demand for our services due to economic, technological or other factors beyond our control, including weakness in the oil and gas sector, interest rate changes, increases in steel and commodity prices and other economic factors, which may reduce the demand for housing including in the Texas region, where our Residential division operates and may impact levels of construction. For a further discussion of the industries in which we operate, please see Item 1. "Business - Operating Segments" of this Annual Report on Form 10-K.

Business Outlook

While there are differences among the Company's segments, on an overall basis, increased demand for the Company's services and the Company's previous investment in growth initiatives and other business-specific factors discussed below resulted in aggregate year-over-year revenue growth in fiscal 2019 as compared to fiscal 2018. Among our segments, year-over-year revenue growth rates during fiscal 2019 were driven primarily by organic growth.

Provided that no significant deterioration in general economic conditions occurs, the Company expects total revenues from existing businesses to increase on a year-over-year basis during fiscal 2020 due to an increase in overall demand for the services we provide, efforts to increase our market share, and current backlog levels. We remain focused on controlled growth within many of our markets which continue to experience highly competitive margins and increasing costs.

To continue to grow our business, including through acquisitions and the funding of working capital, we may require a significant amount of cash. Our ability to generate cash depends on many externally influenced factors, including demand for our services, the availability of projects at margins acceptable to us, the ultimate collectability of our receivables, our ability to borrow on our credit facility, and our ability to raise funds in the capital markets, among many other factors. We anticipate that the combination of cash on hand, cash flows from operations and available capacity under our credit facility will provide sufficient cash to enable us to meet our working capital needs, debt service requirements and capital expenditures for property and equipment through the next twelve months. We expect that our fixed asset requirements will range from \$5.0 million to \$7.0 million for the fiscal year ending on September 30, 2020, and we may acquire these assets either through capital expenditures or through lease agreements.

RESULTS OF OPERATIONS

We report our operating results across our four operating segments: Commercial & Industrial, Communications, Infrastructure Solutions and Residential. Expenses associated with our corporate office are classified separately. The following table presents selected historical results of operations of IES, as well as the results of acquired businesses from the dates acquired.

	Year Ended September 30,					
	2019		2018		2017	
	\$	%	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)					
Revenues	\$ 1,076,996	100.0 %	\$ 876,828	100.0 %	\$ 810,744	100.0 %
Cost of services	894,893	83.1 %	726,866	82.9 %	670,246	82.7 %
Gross profit	182,103	16.9 %	149,962	17.1 %	140,498	17.3 %
Selling, general and administrative expenses	140,575	13.1 %	123,920	14.1 %	120,370	14.8 %
Contingent consideration	(374)	— %	103	— %	(145)	— %
Loss (gain) on sale of assets	52	— %	(15)	— %	(69)	— %
Operating income	41,850	3.9 %	25,954	3.0 %	20,342	2.5 %
Interest and other expense, net	1,709	0.2 %	1,606	0.2 %	1,537	0.2 %
Operating income before income taxes	40,141	3.7 %	24,348	2.8 %	18,805	2.3 %
Provision (benefit) for income taxes ⁽¹⁾	6,663	0.6 %	38,151	4.4 %	5,211	0.6 %
Net income (loss)	33,478	3.1 %	(13,803)	(1.6)%	13,594	1.7 %
Net income attributable to noncontrolling interest	(272)	— %	(354)	— %	(172)	— %
Net income (loss) attributable to IES Holdings, Inc.	\$ 33,206	3.1 %	\$ (14,157)	(1.6)%	\$ 13,422	1.7 %

(1)The year ended September 30, 2018 includes a charge of \$31.3 million to re-measure our net deferred taxes in connection with the Tax Cuts and Jobs Act.

2019 Compared to 2018

Consolidated revenues for the year ended September 30, 2019, were \$200.2 million higher than for the year ended September 30, 2018, an increase of 22.8%, with increases at all of our operating segments, driven by strong demand.

Our overall gross profit percentage decreased slightly to 16.9% during the year ended September 30, 2019, as compared to 17.1% during the year ended September 30, 2018. Gross profit as a percentage of revenue increased at our Infrastructure Solutions and Residential segments but decreased at our Commercial & Industrial and Communications segments, as discussed in further detail for each segment below.

Selling, general and administrative expenses include costs not directly associated with performing work for our customers. These costs consist primarily of compensation and benefits related to corporate, segment and branch management (including incentive-based compensation), occupancy and utilities, training, professional services, information technology costs, consulting fees, travel and certain types of depreciation and amortization. We allocate certain corporate selling, general and administrative costs across our segments as we believe this more accurately reflects the costs associated with operating each segment.

During the year ended September 30, 2019, our selling, general and administrative expenses were \$140.6 million, an increase of \$16.7 million, or 13.4%, over the year ended September 30, 2018, driven by increased personnel costs at our operating segments in connection with their growth. This increase also includes a \$4.2 million increase in expenses at the corporate level, primarily related to an increase in stock-based compensation expense, as well as a severance payment to our former President, who stepped down in March 2019. However, selling, general and administrative expense as a percentage of revenue decreased from 14.1% for the year ended September 30, 2018, to 13.1% for the year ended September 30, 2019, as we benefited from the increased scale of our operations.

2018 Compared to 2017

Consolidated revenues for the year ended September 30, 2018, were \$66.1 million higher than for the year ended September 30, 2017, an increase of 8.2%. Revenues increased within our Commercial & Industrial, Infrastructure Solutions, and Residential segments driven by an increase in demand for their service offerings combined with continued improvement of conditions in the markets in which they operate. Businesses acquired in fiscal 2017 and 2018 contributed \$61.0 million of the revenue increase year over year, partially offset by

a \$23.7 million decrease in revenue at the Denver and Roanoke branches of our Commercial & Industrial segment, where the wind-down of operations that occurred over the last 18 months is substantially complete.

Our overall gross profit percentage decreased slightly to 17.1% during the year ended September 30, 2018, as compared to the year ended September 30, 2017. Businesses acquired in fiscal 2017 and 2018 contributed an additional \$6.6 million of gross profits for the year ended September 30, 2018, as compared with the year ended September 30, 2017. Gross profit as a percentage of revenue increased at our Commercial & Industrial and Communications segments and decreased at our Infrastructure Solutions and Residential segments, as discussed in further detail for each segment below.

During the year ended September 30, 2018, our selling, general and administrative expenses were \$123.9 million, an increase of \$3.6 million, or 2.9%, as compared to the year ended September 30, 2017. The increase is primarily attributable to expense incurred at businesses acquired during fiscal 2017 and 2018, which contributed \$6.0 million of the increase year over year. This increase was partly offset by a reduction in variable compensation expense. On a consolidated basis, our selling, general and administrative expense decreased slightly as a percentage of revenue from 14.8% for the year ended September 30, 2017, to 14.1% for the year ended September 30, 2018, largely as a result of decreased personnel costs and intangible amortization expense.

Commercial & Industrial

2019 Compared to 2018

	Year Ended September 30,			
	2019		2018	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	\$ 305,624	100.0 %	\$ 274,299	100.0 %
Cost of services	275,722	90.2 %	244,656	89.2 %
Gross Profit	29,902	9.8 %	29,643	10.8 %
Selling, general and administrative expenses	27,815	9.1 %	27,031	9.9 %
Contingent consideration	—	— %	(100)	— %
Gain on sale of assets	(30)	— %	(37)	— %
Operating income	2,117	0.7 %	2,749	1.0 %

Revenue. Revenues in our Commercial & Industrial segment increased \$31.3 million, or 11.4%, during the year ended September 30, 2019, compared to the year ended September 30, 2018. The increase in revenue over this period was driven by an increase in large agricultural and other projects in the Midwest.

Gross Profit. Our Commercial & Industrial segment's gross profit during the year ended September 30, 2019 increased by \$0.3 million, or 0.9%, as compared to the year ended September 30, 2018. We benefited from higher volumes; however, these benefits were offset by certain project inefficiencies during the second half of the year. As a percentage of revenue, gross profit decreased from 10.8% for the year ended September 30, 2018, to 9.8% for the year ended September 30, 2019, as a result of these project inefficiencies.

Selling, General and Administrative Expenses. Our Commercial & Industrial segment's selling, general and administrative expenses during the year ended September 30, 2019, increased \$0.8 million, or 2.9%, compared to the year ended September 30, 2018, but decreased 1.0% as a percentage of revenue, as we benefited from the increased scale of our operations and a focus on controlling costs.

	Year Ended September 30,			
	2018		2017	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 274,299	100.0 %	\$ 227,606	100.0 %
Cost of services	244,656	89.2 %	208,619	91.7 %
Gross profit	29,643	10.8 %	18,987	8.3 %
Selling, general and administrative expenses	27,031	9.9 %	20,170	8.8 %
Contingent consideration	(100)	— %	—	— %
Gain on sale of assets	(37)	— %	(32)	— %
Operating income (loss)	2,749	1.0 %	(1,151)	(0.5)%

Revenue. Revenues in our Commercial & Industrial segment increased \$46.7 million, or 20.5%, during the year ended September 30, 2018, as compared to the year ended September 30, 2017. The increase in revenue over this period was driven by our 2017 business acquisitions, which contributed \$42.7 million of additional revenue during the year ended September 30, 2018 compared to the year ended September 30, 2017. This increase was partly offset by a \$23.7 decrease in revenue attributable to the winding down of operations at our Denver and Roanoke locations for the year ended September 30, 2018, as compared with the year ended September 30, 2017. Additionally, increased bid volume at several of our branches and improving market conditions in certain areas also contributed to the overall increase in revenues.

Gross Profit. Our Commercial & Industrial segment's gross profit during the year ended September 30, 2018 increased by \$10.7 million, or 56.1%, as compared to the year ended September 30, 2017. As a percentage of revenue, gross profit increased from 8.3% for the year ended September 30, 2017, to 10.8% for the year ended September 30, 2018. The increase was driven by \$5.9 million of additional gross profit contributed by our fiscal 2017 business acquisitions during the year ended September 30, 2018, compared to the year ended September 30, 2017. Additionally, for the year ended September 30, 2018, gross margin at our Denver and Roanoke branches, where the wind down of operations is substantially complete, improved by \$4.7 million compared with the year ended September 30, 2017. This increase was partly offset by a \$1.9 million charge to adjust the contract value on a large project based on the terms of a memorandum of agreement.

Selling, General and Administrative Expenses. Our Commercial & Industrial segment's selling, general and administrative expenses during the year ended September 30, 2018, increased \$6.9 million, or 34.0%, compared to the year ended September 30, 2017, and increased 1.1% as a percentage of revenue. The increase was driven by our fiscal 2017 business acquisitions, where selling, general and administrative expense for the year ended September 30, 2018, increased by \$4.1 million. The remaining increase relates primarily to employee expense associated with management hired to provide additional oversight at the regional and branch levels.

During fiscal 2017, we completed a detailed review of the operations of our Commercial & Industrial segment and decided to wind down operations at our Denver, Colorado and Roanoke, Virginia branches within our Commercial & Industrial segment. At September 30, 2018, we had approximately \$1.5 million of backlog remaining at these branches. The following table summarizes the results of our Denver and Roanoke branches, which are included in the consolidated Commercial & Industrial segment results shown above:

	Year Ended September 30,	
	2018	2017
Revenues	\$ 8,572	\$ 32,231
Cost of services	9,441	37,819
Selling, general and administrative expenses	1,772	2,848
Gain on sale of assets	(1)	(27)
Operating loss	\$ (2,640)	\$ (8,409)

Communications

2019 Compared to 2018

	Year Ended September 30,			
	2019		2018	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 321,246	100.0 %	\$ 219,655	100.0 %
Cost of services	264,746	82.4 %	179,518	81.7 %
Gross Profit	56,500	17.6 %	40,137	18.3 %
Selling, general and administrative expenses	31,850	9.9 %	26,003	11.8 %
Contingent consideration	(97)	— %	(85)	— %
Gain on sale of assets	(6)	— %	(4)	— %
Operating Income	24,753	7.7 %	14,223	6.5 %

Revenue. Our Communications segment's revenues increased by \$101.6 million, or 46.3%, during the year ended September 30, 2019, compared to the year ended September 30, 2018. This increase primarily resulted from increased demand from several of our data center customers. Revenues in our Communications segment can vary from period to period based on the capital spending cycles of our customers.

Gross Profit. Our Communications segment's gross profit during the year ended September 30, 2019, increased \$16.4 million, or 40.8%, as compared to the year ended September 30, 2018. While total gross profits increased in connection with higher volumes, gross profit as a percentage of revenue decreased 0.7% to 17.6% for the year ended September 30, 2019, as we took on a larger proportion of cost-plus arrangements. These arrangements provide us with a reimbursement for our costs plus a markup, and are typically lower margin, but also lower risk, as compared with our fixed-cost arrangements.

Selling, General and Administrative Expenses. Our Communications segment's selling, general and administrative expenses increased \$5.8 million, or 22.5% during the year ended September 30, 2019, as compared to the year ended September 30, 2018. The increase is a result of higher personnel cost, particularly related to continuing investment to support the growth of the business, along with higher incentive compensation in connection with improved profitability and cash flows. Selling, general and administrative expenses as a percentage of revenues in the Communications segment decreased by 1.9% to 9.9% of segment revenue during the year ended September 30, 2019, compared to the year ended September 30, 2018, as we benefited from the increased scale of our operations.

2018 Compared to 2017

	Year Ended September 30,			
	2018		2017	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 219,655	100.0 %	\$ 225,275	100.0 %
Cost of services	179,518	81.7 %	187,419	83.2 %
Gross Profit	40,137	18.3 %	37,856	16.8 %
Selling, general and administrative expenses	26,003	11.8 %	24,219	10.8 %
Contingent consideration	(85)	— %	—	— %
Gain on sale of assets	(4)	— %	(1)	— %
Operating Income	14,223	6.5 %	13,638	6.0 %

Revenue. Our Communications segment's revenues decreased by \$5.6 million, or 2.5%, during the year ended September 30, 2018, as compared to the year ended September 30, 2017. This decrease in revenue was primarily the result of two large projects with non-recurring customers we completed in fiscal 2017: \$7.9 million of revenue from a large system upgrade project for a school district, and \$5.6 million related to construction of a sporting venue. The decrease in revenue was offset by growth with our data center customers, as well as the acquisition of Azimuth Communications, Inc. ("Azimuth"), which contributed \$4.3 million of additional revenue during the year ended September 30, 2018 compared to the year ended September 30, 2017. Our revenues for the year ended September 30, 2018, were also affected by the timing of capital spending by certain of our data center customers. Revenues in our Communications segment can vary based on the capital spending cycles of our customers.

Gross Profit. Our Communications segment's gross profit during the year ended September 30, 2018, increased \$2.3 million, or 6.0%, as compared to the year ended September 30, 2017. Gross profit as a percentage of revenue increased 1.5% to 18.3% for the year ended September 30, 2018. The increase was driven primarily by improved project execution. As revenue growth slowed in 2018, our margins benefitted from lower training and hiring costs that often affect us during periods of higher growth. Additionally, our acquisition of Azimuth during fiscal 2018 contributed \$1.0 million of additional gross profit during the year ended September 30, 2018, compared to the year ended September 30, 2017.

Selling, General and Administrative Expenses. Our Communications segment's selling, general and administrative expenses increased \$1.8 million, or 7.4% during the year ended September 30, 2018, as compared to the year ended September 30, 2017. Selling, general and administrative expenses as a percentage of revenues in the Communications segment increased to 11.8% of segment revenue during the year ended September 30, 2018, compared to 10.8% for the year ended September 30, 2017. The increase was driven by our acquisition of Azimuth during fiscal 2018, which incurred selling, general and administrative expense for the year ended September 30, 2018, of \$1.6 million, which includes amortization of intangible assets.

Infrastructure

2019 Compared to 2018

	Year Ended September 30,			
	2019		2018	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 136,790	100.0 %	\$ 97,163	100.0%
Cost of services	105,863	77.4 %	75,337	77.5%
Gross Profit	30,927	22.6 %	21,826	22.5%
Selling, general and administrative expenses	18,664	13.6 %	18,293	18.8%
Contingent consideration	(277)	(0.2)%	288	0.3%
Loss on sale of assets	105	0.1 %	18	—%
Operating Income	12,435	9.1 %	3,227	3.3%

Revenue. Revenues in our Infrastructure Solutions segment increased by \$39.6 million during the year ended September 30, 2019, an increase of 40.8% compared to the year ended September 30, 2018. The increase in revenue relates primarily to our generator enclosure business, driven by increased demand for enclosures to be used at data centers. We also experienced an increase in demand for our motor repair services.

Gross Profit. Our Infrastructure Solutions segment's gross profit during the year ended September 30, 2019, increased by \$9.1 million, as compared to the year ended September 30, 2018, primarily as a result of increased volumes. Gross profit as a percent of revenue slightly increased to 22.6% for the year ended September 30, 2019.

Selling, General and Administrative Expenses. Our Infrastructure Solutions segment's selling, general and administrative expenses during the year ended September 30, 2019, increased by \$0.4 million compared to the year ended September 30, 2018. However, the selling, general and administrative expenses as a percentage of revenue decreased from 18.8% for the year ended September 30, 2018, to 13.6% for the year ended September 30, 2019. Through a focus on controlling costs, we were able to scale our business effectively without adding significant general and administrative expense.

	Year Ended September 30,			
	2018		2017	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 97,163	100.0%	\$ 83,824	100.0 %
Cost of services	75,337	77.5%	63,399	75.6 %
Gross Profit	21,826	22.5%	20,425	24.4 %
Selling, general and administrative expenses	18,293	18.8%	17,859	21.3 %
Contingent consideration	288	0.3%	(145)	(0.1)%
(Gain)/Loss on sale of assets	18	—%	(79)	(0.1)%
Operating Income	3,227	3.3%	2,790	3.3 %

Revenue. Revenues in our Infrastructure Solutions segment increased by \$13.3 million during the year ended September 30, 2018, an increase of 15.9% compared to the year ended September 30, 2017. The increase was primarily driven by \$14.0 million of additional revenue contributed by Freeman Enclosure Systems, LLC (“Freeman”), which we acquired during the second quarter of fiscal 2017. An increase in revenues from the manufacture of bus duct was offset by a decrease in revenue from our motor repair business, which remains highly dependent on the steel industry.

Gross Profit. Our Infrastructure Solutions segment’s gross profit during the year ended September 30, 2018, increased by \$1.4 million, as compared to the year ended September 30, 2017. Gross profit as a percent of revenue decreased to 22.5% for the year ended September 30, 2018. Margins improved year over year at both our bus duct manufacturing business and our motor repair business. However, our overall gross margin was affected by the mix of work performed, as Freeman has lower margins than our motor repair business, but represented a larger percentage of our total revenues.

Selling, General and Administrative Expenses. Our Infrastructure Solutions segment’s selling, general and administrative expenses during the year ended September 30, 2018, increased by \$0.4 million compared to the year ended September 30, 2017. The increase was primarily the result of \$0.3 million increase in general and administrative costs incurred at Freeman, which was acquired during the second quarter of fiscal 2017. Additional selling and administrative costs in support of growth of the business, were largely offset by a decrease in intangible amortization expense related to the acquisition of Technibus Inc. in fiscal 2016.

Residential

2019 Compared to 2018

	Year Ended September 30,			
	2019		2018	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 313,336	100.0 %	\$ 285,711	100.0%
Cost of services	248,562	79.3 %	227,355	79.6%
Gross Profit	64,774	20.7 %	58,356	20.4%
Selling, general and administrative expenses	46,864	15.0 %	41,401	14.5%
(Gain)/Loss on sale of assets	(17)	—%	8	—%
Operating Income	17,927	5.7 %	16,947	5.9%

Revenue. Our Residential segment’s revenues increased by \$27.6 million, or 9.7%, during the year ended September 30, 2019, as compared to the year ended September 30, 2018. The increase was driven by increases in our single-family business, where revenues increased by \$22.0 million, and our multi-family businesses, where revenues increased by \$8.9 million for the year ended September 30, 2019, compared with the year ended September 30, 2018. This increase was partly offset by a \$3.2 million decrease in our solar and service revenues for the year ended September 30, 2019, compared with the prior year.

Gross Profit. During the year ended September 30, 2019, our Residential segment experienced a \$6.4 million, or 11.0%, increase in gross profit as compared to the year ended September 30, 2018. The increase in gross profit was driven primarily by higher volumes. Gross margin as a percentage of revenue increased 0.3% to 20.7% during the year ended September 30, 2019, as compared with the year ended September 30, 2018, as we benefited from improved commodity prices and the increased scale of our operations.

Selling, General and Administrative Expenses. Our Residential segment experienced a \$5.5 million, or 13.2%, increase in selling, general and administrative expenses during the year ended September 30, 2019, compared to the year ended September 30, 2018. This increase was driven by increased compensation expense in connection with a growing business, including both incentive profit sharing for division management and increased headcount. Selling, general and administrative expenses as a percentage of revenues in the Residential segment increased by 0.5% to 15.0% of segment revenue during the year ended September 30, 2019.

2018 Compared to 2017

	Year Ended September 30,			
	2018		2017	
	\$	%	\$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	\$ 285,711	100.0%	\$ 274,039	100.0%
Cost of services	227,355	79.6%	210,809	76.9%
Gross Profit	58,356	20.4%	63,230	23.1%
Selling, general and administrative expenses	41,401	14.5%	43,689	16.0%
Loss on sale of assets	8	—%	43	—%
Operating Income	16,947	5.9%	19,498	7.1%

Revenue. Our Residential segment's revenues increased by \$11.7 million, or 4.3%, during the year ended September 30, 2018, as compared to the year ended September 30, 2017. The increase was driven by our single-family business, where revenues increased by \$28.3 million for the year ended September 30, 2018, compared with the year ended September 30, 2017. Service and solar revenues also increased by \$4.7 million for the year ended September 30, 2018, compared with the prior year. These increases were partly offset by a decrease in multi-family revenues, which declined by \$21.3 million. While backlog was lower at the beginning of fiscal 2018, we ended fiscal 2018 with backlog up approximately 28% over prior year.

Gross Profit. During the year ended September 30, 2018, our Residential segment experienced a \$4.9 million, or 7.7%, decrease in gross profit as compared to the year ended September 30, 2017. The decrease in gross profit was driven primarily by an increase in copper and other commodity prices, as well as an increase in labor costs, as a result of tightening labor markets. Gross margin as a percentage of revenue decreased 2.7% to 20.4% during the year ended September 30, 2018, as compared with the year ended September 30, 2017.

Selling, General and Administrative Expenses. Our Residential segment experienced a \$2.3 million, or 5.2%, decrease in selling, general and administrative expenses during the year ended September 30, 2018, compared to the year ended September 30, 2017, driven by decreased compensation expense, primarily as a result of a decrease of \$1.2 million in variable compensation and incentive costs associated with decreased profitability, partly offset by an increase in salary and travel costs. Selling, general and administrative expenses as a percentage of revenues in the Residential segment decreased by 1.5% to 14.5% of segment revenue during the year ended September 30, 2018.

INTEREST AND OTHER EXPENSE, NET

	Year Ended September 30,		
	2019	2018	2017
	(In thousands)		
Interest expense	\$ 1,539	\$ 1,658	\$ 1,408
Deferred financing charges	318	288	294
Total interest expense	1,857	1,946	1,702
Other income, net	(148)	(340)	(165)
Total interest and other expense, net	1,709	1,606	1,537

Interest Expense

During the year ended September 30, 2019, we incurred interest expense of \$1.9 million primarily comprised of interest expense from our revolving credit facility with Wells Fargo Bank, N.A. ("Wells Fargo"), an average letter of credit balance of \$6.6 million under our revolving credit facility and an average unused line of credit balance of \$73.7 million. This compares to interest expense of \$1.9 million

for the year ended September 30, 2018, primarily comprised of interest expense from our revolving credit facility with Wells Fargo, an average letter of credit balance of \$6.6 million under our revolving credit facility and an average unused line of credit balance of \$63.2 million.

For the year ended September 30, 2017, we incurred interest expense of \$1.7 million on a debt balance primarily comprised of our revolving credit facility with Wells Fargo, an average letter of credit balance of \$6.6 million under our revolving credit facility, and an average unused line of credit balance of \$47.5 million.

PROVISION FOR INCOME TAXES

For the year ended September 30, 2019, we recorded income tax expense of \$6.7 million. Income tax expense was partly offset by a \$4.0 million benefit related to the recognition of previously unrecognized tax benefits.

For the year ended September 30, 2018, we recorded income tax expense of \$38.2 million. Income tax expense was partly offset by a \$1.9 million benefit related to the recognition of previously unrecognized tax benefits. Our income tax expense included a charge of \$31.3 million to re-measure our deferred tax assets and liabilities to reflect the impact from the enactment of the Tax Cuts and Jobs Act on December 22, 2017.

For the year ended September 30, 2017, we recorded income tax expense of \$5.2 million. Income tax expense was partly offset by a \$3.7 million benefit related to the recognition of previously unrecognized tax benefits.

WORKING CAPITAL

During the year ended September 30, 2019, working capital exclusive of cash increased by \$12.0 million from September 30, 2018, reflecting a \$41.1 million increase in current assets excluding cash and a \$29.1 million increase in current liabilities during the period, reflecting a continued investment in growing our business.

During the year ended September 30, 2019, our current assets exclusive of cash increased to \$277.5 million, as compared to \$236.4 million as of September 30, 2018. The increase primarily relates to a \$34.7 million increase in accounts receivable, in connection with growth in our business. Days sales outstanding was 62 as of each of September 30, 2019 and 2018. While the rate of collections may vary, our typically secured position, resulting from our ability in general to secure liens against our customers' overdue receivables, offers some protection that collection will occur eventually to the extent that our security retains value.

During the year ended September 30, 2019, our total current liabilities increased by \$29.1 million to \$193.5 million, compared to \$164.4 million as of September 30, 2018, primarily related to an increase in accounts payable and accrued liabilities in connection with the growth of our business.

Surety

Many customers, particularly in connection with new construction, require us to post performance and payment bonds issued by a surety. These bonds provide a guarantee to the customer that we will perform under the terms of our contract and that we will pay our subcontractors and vendors. If we fail to perform under the terms of our contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. We must reimburse the sureties for any expenses or outlays they incur on our behalf. To date, we have not been required to make any reimbursements to our sureties for bond-related costs.

As is common in the surety industry, sureties issue bonds on a project-by-project basis and can decline to issue bonds at any time. We believe that our relationships with our sureties will allow us to provide surety bonds as they are required. However, current market conditions, as well as changes in our sureties' assessment of our operating and financial risk, could cause our sureties to decline to issue bonds for our work. If our sureties decline to issue bonds for our work, our alternatives would include posting other forms of collateral for project performance, such as letters of credit or cash, seeking bonding capacity from other sureties, or engaging in more projects that do not require surety bonds. In addition, if we are awarded a project for which a surety bond is required but we are unable to obtain a surety bond, the result could be a claim for damages by the customer for the costs of replacing us with another contractor.

As of September 30, 2019, the estimated cost to complete our bonded projects was approximately \$88.7 million. We believe the bonding capacity currently provided by our sureties is adequate for our current operations and will be adequate for our operations for the foreseeable future.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2019, we had cash and cash equivalents of \$18.9 million and \$93.5 million of availability under our revolving credit facility. We anticipate that the combination of cash on hand, cash flows from operations and available capacity under our revolving credit facility will provide sufficient cash to enable us to meet our working capital needs, debt service requirements and capital expenditures for property and equipment through the next twelve months. Our ability to generate cash flow is dependent on many factors, including demand for our services, the availability of projects at margins acceptable to us, the ultimate collectability of our receivables, and our ability to borrow on our revolving credit facility or raise funds in the capital markets, if needed.

The Revolving Credit Facility

We maintain a \$100 million revolving credit facility with Wells Fargo that matures September 30, 2024, (as amended, the “Amended Credit Agreement”).

Terms of the Amended Credit Agreement

Borrowings under the Credit Facility may not exceed a “borrowing base” that is determined monthly by our lenders based on available collateral, primarily certain accounts receivables, inventories, and equipment. Under the terms of the Amended Credit Agreement, amounts outstanding bear interest at a per annum rate equal to a Daily Three Month LIBOR (as defined in the Amended Credit Agreement), plus an interest rate margin, which is determined quarterly, based on the following thresholds:

Level	Thresholds	Interest Rate Margin
I	If Liquidity is less than 35% of the Maximum Revolver Amount at any time during the period	1.75 percentage points
II	If Liquidity is greater than or equal to 35% of the Maximum Revolver Amount at all times during the period and less than 50% of the Maximum Revolver Amount at any time during the period	1.50 percentage points
III	If Liquidity is greater than or equal to 50% of the Maximum Revolver Amount at all times during the period	1.25 percentage points

In addition, we are charged monthly in arrears for (1) an unused commitment fee of 0.25% per annum, (2) a collateral monitoring fee of \$5 thousand per quarter, (3) a letter of credit fee based on the then-applicable interest rate margin and (4) certain other fees and charges as specified in the Amended Credit Agreement.

The Amended Credit Agreement contains customary affirmative, negative and financial covenants, as well as events of default.

As of September 30, 2019, we were in compliance with the financial covenants under the Amended Credit Agreement, requiring that we maintain:

- a Fixed Charge Coverage Ratio (as defined in the Amended Credit Agreement), measured quarterly on a trailing four-quarter basis at the end of each quarter, of at least 1.1 to 1.0; and
- minimum Liquidity (as defined in the Amended Credit Agreement) of at least twenty percent (20%) of the Maximum Revolver Amount (as defined in the Amended Credit Agreement), or \$20 million; with, for purposes of this covenant, at least fifty percent (50%) of our Liquidity comprised of Excess Availability (as defined in the Amended Credit Agreement).

At September 30, 2019, our Liquidity was \$112.5 million and our Excess Availability was \$93.5 million (or greater than 50% of minimum Liquidity), and our Fixed Charge Coverage Ratio was 4.7:1.0.

Our Fixed Charge Coverage Ratio is calculated as follows (with capitalized terms as defined in the Amended Credit Agreement): (i) our trailing twelve month EBITDA, less Non-Financed Capital Expenditures (other than capital expenditures financed by means of an advance under the credit facility), cash taxes and all Restricted Junior Payments consisting of certain Pass-Through Tax Liabilities, divided by (ii) the sum of our cash interest (other than interest paid-in-kind, amortization of financing fees, and other non-cash interest expense) and principal debt payments (other than repayment of principal on advances under the credit facility and including cash payments with respect to capital leases), any management, consulting, monitoring, and advisory fees paid to an affiliate, and all Restricted Junior Payments (other than Pass-Through Tax Liabilities) and other cash distributions; provided, that if any Loan Party makes an acquisition consented to by Lender after the date of the Amended Credit Agreement, the components of the Fixed Charge Coverage Ratio will be calculated for such fiscal period after giving *pro forma* effect to the acquisition assuming that such transaction has occurred on the first day of such period (including *pro forma* adjustments arising out of events which are directly attributable to

such acquisition, are factually supportable, and are expected to have a continuing impact, in each case to be reasonably agreed to by the Lender).

As defined in the Amended Credit Agreement, EBITDA is calculated as consolidated net income (or loss), less extraordinary gains, interest income, non-operating income and income tax benefits and decreases in any change in LIFO reserves, plus stock compensation expense, non-cash extraordinary losses (including, but not limited to, a non-cash impairment charge or write-down), Interest Expense, income taxes, depreciation and amortization, increases in any change in LIFO reserves, and losses from the wind-down of our Denver and Roanoke branches, up to a maximum exclusion of \$5 million for a given measurement period in each case, determined on a consolidated basis in accordance with GAAP; provided, that if any Loan party makes an acquisition consented to by Lender after the date of the Amended Credit Agreement, EBITDA for such fiscal period shall be calculated after giving *pro forma* effect to the acquisition assuming that such transaction has occurred on the first day of such period (including *pro forma* adjustments arising out of events which are directly attributable to such acquisition, are factually supportable, and are expected to have a continuing impact, in each case to be reasonably agreed to by Lender).

If in the future our Liquidity falls below \$20 million (or Excess Availability falls below 50% of our minimum Liquidity), our Fixed Charge Coverage Ratio is less than 1.1:1.0, or if we otherwise fail to perform or otherwise comply with certain of our covenants or other agreements under the Amended Credit Agreement, it would result in an event of default under the Amended Credit Agreement, which could result in some or all of any indebtedness we may take on becoming immediately due and payable.

At September 30, 2019, we had \$6.5 million in outstanding letters of credit with Wells Fargo and no outstanding borrowings.

Investments

From time to time, the Company may invest in non-controlling positions in the debt or equity securities of other businesses. Our Board of Directors has approved an investment policy that permits the Company to invest our cash in liquid and marketable securities that include equities and fixed income securities. Equity securities may include unrestricted, publicly traded stock that is listed on a major exchange or a national, over-the-counter market and that is appropriate for our portfolio objectives, asset class, and/or investment style, and fixed income securities are required to have an investment grade credit quality at the time of purchase.

Operating Activities

Our cash flow from operations is not only influenced by cyclicity, demand for our services, operating margins and the type of services we provide, but can also be influenced by working capital needs such as the timing of our receivable collections. Working capital needs are generally lower during our fiscal first and second quarters due to the seasonality that we experience in many regions of the country; however, a seasonal decline in working capital may be offset by needs associated with higher growth or acquisitions.

Operating activities provided net cash of \$38.7 million during the year ended September 30, 2019, as compared to \$12.2 million of net cash provided in the year ended September 30, 2018. The increase in operating cash flow resulted primarily from an increase in earnings, partly offset by an increase in working capital in support of our growth. In particular increased accounts receivable resulted in cash outflows of \$35.3 million, offset by cash inflows of \$22.5 million driven by increased accrued liabilities.

Operating activities provided net cash of \$12.2 million during the year ended September 30, 2018, as compared to \$22.3 million of net cash provided in the year ended September 30, 2017. The decrease in operating cash flow is the result of an investment in working capital to support the growth of our business. In particular, costs in excess of billings increased by \$18.1 million as a result of an increase in cost-plus work, where costs are typically billed later than in our typical fixed-price arrangements, as well as an increase in orders for generator enclosures, which are billed when shipped.

Investing Activities

In the year ended September 30, 2019, net cash used in investing activities was \$5.7 million as compared to \$11.9 million of net cash used by investing activities in the year ended September 30, 2018. Investing activities for the year ended September 30, 2019, include \$6.3 million of capital expenditures.

In the year ended September 30, 2018, net cash used in investing activities was \$11.9 million as compared to \$24.5 million of net cash used by investing activities in the year ended September 30, 2017. Investing activities for the year ended September 30, 2018, include \$7.4 million for the acquisition of businesses, as well as \$4.6 million of capital expenditures.

Net cash used in financing activities was \$40.3 million in the year ended September 30, 2019, compared to \$2.4 million used in the year ended September 30, 2018. For the year ended September 30, 2019, we used \$119.5 million to repay a portion of our revolving credit facility, partly offset by \$89.3 million of additional borrowings. We also used \$9.8 million to repurchase our shares in conjunction with our stock repurchase program, as well as to satisfy statutory withholding requirements upon the vesting of employee stock compensation.

Financing activities used net cash of \$2.4 million in the year ended September 30, 2018, compared to \$2.7 million used in the year ended September 30, 2017. For the year ended September 30, 2018, we used \$2.1 million for the repurchase of the common stock under the Company's stock repurchase program. We repurchased an aggregate \$1.6 million of common stock in open market transactions, pursuant to the stock repurchase program, and we used an additional \$0.5 million for the repurchase of common stock to satisfy employee payroll tax withholding obligations.

CONTROLLING SHAREHOLDER

Tontine Associates, L.L.C. ("Tontine Associates"), together with its affiliates (collectively, "Tontine"), is the Company's controlling stockholder, owning approximately 58 percent of the Company's outstanding common stock according to a Form 4 filed with the SEC by Tontine on October 3, 2019. Accordingly, Tontine has the ability to exercise significant control over our affairs, including the election of directors and most actions requiring the approval of shareholders.

We are a party to a sublease agreement with Tontine Associates for corporate office space in Greenwich, Connecticut. The sublease extends through February 27, 2023, with monthly payments due in the amount of approximately \$8 thousand. The lease has terms at market rates, and payments by the Company are at a rate consistent with that paid by Tontine Associates to its landlord.

On December 6, 2018, the Company entered into a Board Observer Letter Agreement (the "Observer Agreement") with Tontine Associates in order to assist Tontine in managing its investment in the Company. Subject to the terms and conditions set forth in the Observer Agreement, the Company granted Tontine the right, at any time that Tontine holds at least 20% of the outstanding common stock of the Company, to appoint a representative to serve as an observer to the Board (the "Board Observer"). The Board Observer, who shall serve at the discretion of and must be reasonably acceptable to those members of the Board who are not affiliates of Tontine, shall have no voting rights or other decision making authority. Subject to the terms and conditions set forth in the Observer Agreement, so long as Tontine has the right to appoint a Board Observer, the Board Observer will have the right to attend and participate in meetings of the Board and the committees thereof, subject to confidentiality requirements, and to receive reimbursement for reasonable out-of-pocket expenses incurred in his or her capacity as a Board Observer and such rights to coverage under the Company's directors' and officers' liability insurance policy as are available to other directors.

Jeffrey L. Gendell was appointed as a member of the Board of Directors and as Chairman of the Board in November 2016. He is the managing member and founder of Tontine, and the brother of David B. Gendell, who has served as a member of our Board of Directors since February 2012, and who previously served as Interim Director of Operations from November 2017 to January 2019, as Vice Chairman of the Board from November 2016 to November 2017 and as Chairman of the Board from January 2015 to November 2016. David B. Gendell was an employee of Tontine from 2004 until December 31, 2017.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

As is common in our industry, we have entered into certain off-balance sheet arrangements that expose us to increased risk. Our significant off-balance sheet transactions include commitments associated with non-cancelable operating leases, letter of credit obligations, firm commitments for materials and surety guarantees.

We enter into operating leases for many of our vehicle and equipment needs. These leases allow us to retain our cash when we do not own the vehicles or equipment, and we pay a monthly lease rental fee. At the end of the lease, we have no further obligation to the lessor. We may cancel or terminate a lease before the end of its term. Typically, we would be liable to the lessor for various lease cancellation or termination costs and the difference between the fair market value of the leased asset and the implied book value of the leased asset as calculated in accordance with the lease agreement.

Some of our customers and vendors require us to post letters of credit as a means of guaranteeing performance under our contracts and ensuring payment by us to subcontractors and vendors. If our customer has reasonable cause to effect payment under a letter of credit,

we would be required to reimburse our creditor for the letter of credit. At September 30, 2019, \$0.2 million of our outstanding letters of credit were to collateralize our customers and vendors.

Some of the underwriters of our casualty insurance program require us to post letters of credit as collateral, as is common in the insurance industry. To date, we have not had a situation where an underwriter has had reasonable cause to effect payment under a letter of credit. At September 30, 2019, \$6.3 million of our outstanding letters of credit were to collateralize our insurance programs.

From time to time, we may enter into firm purchase commitments for materials such as copper wire and aluminum wire, among others, which we expect to use in the ordinary course of business. These commitments are typically for terms less than one year and require us to buy minimum quantities of materials at specified intervals at a fixed price over the term. As of September 30, 2019, we did not have any significant open purchase commitments.

Many of our customers require us to post performance and payment bonds issued by a surety. Those bonds guarantee the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. In the event that we fail to perform under a contract or pay subcontractors and vendors, the customer may demand the surety to pay or perform under our bond. Our relationship with our sureties is such that we will indemnify the sureties for any expenses they incur in connection with any of the bonds they issue on our behalf and may be required to post collateral to support the bonds. To date, we have not incurred any material costs to indemnify our sureties for expenses they incurred on our behalf.

As of September 30, 2019, our future contractual obligations due by September 30 of each of the following fiscal years for commenced agreements include (in thousands):

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Long-term debt obligations	\$ —	\$ 299	\$ —	\$ —	\$ 299
Operating lease obligations	8,101	10,985	5,269	3,595	27,950
Total	\$ 8,101	\$ 11,284	\$ 5,269	\$ 3,595	\$ 28,249

Our other commitments expire by September 30 of each of the following fiscal years (in thousands):

	2020	2021	2022	Thereafter	Total
Standby letters of credit	\$ 3,018	\$ 3,450	\$ —	\$ —	\$ 6,468
Total	\$ 3,018	\$ 3,450	\$ —	\$ —	\$ 6,468

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations are based on our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of our Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist as of the date the Consolidated Financial Statements, and the reported amounts of revenues and expenses recognized during the periods presented. We review all significant estimates affecting our Consolidated Financial Statements on a recurring basis and record the effect of any necessary adjustments prior to their publication. Judgments and estimates are based on our beliefs and assumptions derived from information available at the time such judgments and estimates are made. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements. There can be no assurance that actual results will not differ from those estimates.

Accordingly, we have identified the accounting principles which we believe are most critical to our reported financial status by considering accounting policies that involve the most complex or subjective decisions or assessments. We identified our most critical accounting policies to be those related to revenue recognition, accounting for business combinations, the assessment of goodwill and asset impairment, our allowance for doubtful accounts receivable, the recording of our insurance liabilities and estimation of the valuation allowance for deferred tax assets, and unrecognized tax benefits. These accounting policies, as well as others, are described in Note 2, "Summary of Significant Accounting Policies" in the notes to our Consolidated Financial Statements and at relevant sections in this discussion and analysis.

Revenue Recognition. We enter into contracts principally on the basis of competitive bids. We frequently negotiate the final terms and prices of those contracts with the customer. Although the terms of our contracts vary considerably, approximately 88% of our revenues are based on either a fixed price or unit price basis in which we agree to do the work for a fixed amount for the entire project (fixed price) or for units of work performed (unit price). Approximately 12% of our revenues are earned from contracts where we are paid on a time and materials basis. Our most significant cost drivers are the cost of labor, the cost of materials and the cost of casualty and

health insurance. These costs may vary from the costs we originally estimated. Variations from estimated contract costs along with other risks inherent in performing fixed price and unit price contracts may result in actual revenue and gross profits or interim projected revenue and gross profits for a project differing from those we originally estimated and could result in losses on projects. Depending on the size of a particular project, variations from estimated project costs could have a significant impact on our operating results for any fiscal quarter or year.

We complete most of our projects within one year. We frequently provide service and maintenance work under open-ended, unit price master service agreements which are renewable annually. We recognize revenue on service, time and material work when services are performed. Work performed under a construction contract generally provides that the customers accept completion of progress to date and compensate us for services rendered, measured in terms of units installed, hours expended or some other measure of progress. Revenues from construction contracts are recognized on the percentage-of-completion method. Revenues recognized on a percentage-of-completion basis, all of which are fixed price or cost plus arrangements, comprised approximately 60% of our total revenue for the year ended September 30, 2019. The percentage-of-completion method for construction contracts is measured principally by the percentage of costs incurred and accrued to date for each contract to the estimated total costs for each contract at completion. We generally consider contracts substantially complete upon departure from the work site and acceptance by the customer. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Changes in job performance, job conditions, estimated contract costs, profitability and final contract settlements may result in revisions to costs and income, and the effects of such revisions are recognized in the period in which the revisions are determined. Provisions for total estimated losses on uncompleted contracts are made in the period in which such losses are determined.

We generally do not incur significant incremental costs related to obtaining or fulfilling a contract prior to the start of a project. When significant pre-contract costs are incurred, they will be capitalized and amortized on a percentage of completion basis over the life of the contract.

The current asset "Costs and estimated earnings in excess of billings" represents revenues recognized in excess of amounts billed that management believes will be billed and collected within the next twelve months. The current liability "Billings in excess of costs and estimated earnings" represents billings in excess of revenues recognized. Costs and estimated earnings in excess of billings are amounts considered recoverable from customers based on different measures of performance, including achievement of specific milestones, completion of specified units or completion of the contract. Also included in this asset, from time to time, are claims and unapproved change orders, which include amounts that we are in the process of collecting from our customers or agencies for changes in contract specifications or design, contract change orders in dispute or unapproved as to scope and price, or other related causes of unanticipated additional contract costs. Claims and unapproved change orders are recorded at estimated realizable value when collection is probable and can be reasonably estimated. We do not recognize profits on construction costs incurred in connection with claims. Claims made by us involve negotiation and, in certain cases, litigation. Such litigation costs are expensed as incurred.

Business Combinations. In accounting for business combinations, certain assumptions and estimates are employed in determining the fair value of assets acquired, evaluating the fair value of liabilities assumed, as well as in determining the allocation of goodwill to the appropriate reporting unit. These estimates may be affected by factors such as changing market conditions affecting the industries in which we operate. The most significant assumptions requiring judgment involve identifying and estimating the fair value of intangible assets and the associated useful lives for establishing amortization periods. To finalize purchase accounting for significant intangible assets and liabilities, we utilize the services of independent valuation specialists to assist in the determination of the fair value.

Valuation of Intangibles and Long-Lived Assets. We evaluate goodwill for potential impairment at least annually at year end; however, if impairment indicators exist, we will evaluate as needed. In evaluating goodwill for impairment, we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is greater than its carrying value. If we determine that it is more likely than not that the carrying value of a reporting unit is greater than its fair value, then we perform an impairment test by calculating the fair value of the reporting unit and comparing this calculated fair value with the carrying value of the reporting unit. We estimate the fair value of the reporting unit based on the market approach and income approach. Included in this evaluation are certain assumptions and estimates to determine the fair values of reporting units such as estimates of future cash flows and discount rates, as well as assumptions and estimates related to the valuation of other identified intangible assets. Changes in these assumptions and estimates or significant changes to the market value of our common stock could materially impact our results of operations or financial position. We did not record goodwill impairment during the years ended September 30, 2019, 2018 or 2017.

Each reporting period, we assess impairment indicators related to long-lived assets and intangible assets. If we determine impairment indicators exist, we conduct an evaluation to determine whether any impairment has occurred. This evaluation includes certain assumptions and estimates to determine fair value of asset groups, including estimates about future cash flows and discount rates, among others. Changes in these assumptions and estimates could materially impact our results of operations or financial projections. No impairment charges were recorded in the years ended September 30, 2019, 2018 or 2017.

Current and Non-Current Accounts Receivable and Provision for Doubtful Accounts. We provide an allowance for doubtful accounts for unknown collection issues, in addition to reserves for specific accounts receivable where collection is considered doubtful. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates including, among others, our customers' access to capital, our customers' willingness to pay, general economic conditions, and the ongoing relationships with our customers. In addition to these factors, the method of accounting for construction contracts requires the review and analysis of not only the net receivables, but also the amount of billings in excess of costs and costs in excess of billings. The analysis management utilizes to assess collectability of our receivables includes detailed review of older balances, analysis of days sales outstanding where we include in the calculation, in addition to accounts receivable balances net of any allowance for doubtful accounts, the level of costs in excess of billings netted against billings in excess of costs and the ratio of accounts receivable, net of any allowance for doubtful accounts plus the level of costs in excess of billings, to revenues. These analyses provide an indication of those amounts billed ahead of or behind the recognition of revenue on our construction contracts and are important to consider in understanding the operational cash flows related to our revenue cycle.

Risk-Management. We are insured for workers' compensation, automobile liability, general liability, construction defects, pollution, employment practices and employee-related health care claims, subject to deductibles. Our general liability program provides coverage for bodily injury and property damage. Losses up to the deductible amounts are accrued based upon our estimates of the liability for claims incurred and an estimate of claims incurred but not reported. The accruals are derived from actuarial studies, known facts, historical trends and industry averages utilizing the assistance of an actuary to determine the best estimate of the ultimate expected loss. We believe such accruals to be adequate; however, insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents incurred but not reported and the effectiveness of our safety program. Therefore, if actual experience differs from the assumptions used in the actuarial valuation, adjustments to the reserve may be required and would be recorded in the period that the experience becomes known.

Valuation Allowance for Deferred Tax Assets. We regularly evaluate valuation allowances established for deferred tax assets for which future realization is uncertain. We perform this evaluation quarterly. The estimation of required valuation allowances includes estimates of future taxable income. In assessing the realizability of deferred tax assets at September 30, 2019, we concluded, based upon the assessment of positive and negative evidence, that it is more likely than not that the Company will generate sufficient taxable income within the applicable NOL carryforward periods to realize \$40.9 million of its deferred tax assets. We considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

An inability to generate sufficient taxable income in future periods to realize our deferred tax assets may lead to a future need for a valuation allowance and a corresponding reduction in GAAP net income. In addition, any further reduction in the federal statutory tax rate in the future could also cause a reduction in the economic benefit of the NOL available to us and a corresponding charge to reduce the book value of the deferred tax asset recorded on our balance sheet.

Income Taxes. GAAP specifies the methodology by which a company must identify, recognize, measure and disclose in its financial statements the effects of any uncertain tax return reporting positions that it has taken or expects to take. GAAP requires financial statement reporting of the expected future tax consequences of uncertain tax return reporting positions on the presumption that all relevant tax authorities possess full knowledge of those tax reporting positions, as well as all of the pertinent facts and circumstances, but it prohibits discounting of any of the related tax effects for the time value of money.

The evaluation of a tax position is a two-step process. The first step is the recognition process to determine if it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authority, based on the technical merits of the position. The second step is a measurement process whereby a tax position that meets the more likely than not recognition threshold is calculated to determine the amount of benefit/expense to recognize in the financial statements. The tax position is measured at the largest amount of benefit/expense that is more likely than not of being realized upon ultimate settlement.

The tax years ended September 30, 2017 and forward are subject to federal audit as are prior tax years, to the extent of unutilized net operating losses generated in those years.

We anticipate that approximately \$1.6 million in liabilities for unrecognized tax benefits, including accrued interest, may be reversed in the next twelve months. This reversal is predominantly due to the expiration of the statutes of limitation for unrecognized tax benefits.

New Accounting Pronouncements. Recent accounting pronouncements are described in Note 2, "Summary of Significant Accounting Policies — *New Accounting Pronouncements*" in the notes to our Consolidated Financial Statements and at relevant sections in this discussion and analysis.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Management is actively involved in monitoring exposure to market risk and continues to develop and utilize appropriate risk management techniques. Our exposure to significant market risks includes fluctuations in labor costs and commodity prices for copper, aluminum, steel and fuel. Commodity price risks may have an impact on our results of operations due to the fixed price nature of many of our contracts. We are also exposed to interest rate risk with respect to our outstanding debt obligations on the Credit Facility. For additional information see “*Risk Factors*” in Item 1A of this Annual Report on Form 10-K.

Commodity Risk

Our exposure to significant market risks includes fluctuations in commodity prices for copper, aluminum, steel and fuel. Commodity price risks may have an impact on our results of operations due to the fixed nature of many of our contracts. Over the long-term, we expect to be able to pass along a portion of these costs to our customers, as market conditions in the construction industry will allow.

Interest Rate Risk

We are subject to interest rate risk on floating interest rate borrowings under our revolving credit facility. If LIBOR were to increase, our interest payment obligations on outstanding borrowings would increase, having a negative effect on our cash flow and financial condition. As we have no borrowings outstanding at September 30, 2019, we had no exposure to interest rate risk as of that date. We currently do not maintain any hedging contracts that would limit our exposure to variable rates of interest when we have outstanding borrowings. Floating rate debt, where the interest rate fluctuates periodically, exposes us to short-term changes in market interest rates.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of IES Holdings, Inc. and subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of IES Holdings, Inc. and subsidiaries (the Company) as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended September 30, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 6, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

s/ ERNST & YOUNG LLP

We have served as the Company's auditor since 2002
Houston, Texas
December 6, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of IES Holdings, Inc. and subsidiaries

Opinion on Internal Control Over Financial Reporting

We have audited IES Holdings Inc. and subsidiaries' internal control over financial reporting as of September 30, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, IES Holdings, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended September 30, 2019, and the related notes, and our report dated December 6, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

s/ ERNST & YOUNG LLP

Houston, Texas
December 6, 2019

IES HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In Thousands, Except Share Information)

	September 30,	
	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,934	\$ 26,247
Accounts receivable:		
Trade, net of allowance	186,279	151,578
Retainage	29,214	24,312
Inventories	21,543	20,966
Costs and estimated earnings in excess of billings	29,860	31,446
Prepaid expenses and other current assets	10,625	8,144
Total current assets	296,455	262,693
Property and equipment, net	25,746	25,364
Goodwill	50,622	50,702
Intangible assets, net	26,623	30,590
Deferred tax assets	40,874	46,580
Other non-current assets	4,938	6,065
Total assets	\$ 445,258	\$ 421,994
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	152,909	130,591
Billings in excess of costs and estimated earnings	40,563	33,826
Total current liabilities	193,472	164,417
Long-term debt	299	29,564
Other non-current liabilities	1,945	4,374
Total liabilities	195,716	198,355
Noncontrolling interest	3,294	3,232
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized; 22,049,529 issued and 21,165,011 and 21,205,536 outstanding, respectively	220	220
Treasury stock, at cost, 884,518 and 843,993 shares, respectively	(12,483)	(8,937)
Additional paid-in capital	192,911	196,810
Retained earnings	65,600	32,314
Total stockholders' equity	246,248	220,407
Total liabilities and stockholders' equity	\$ 445,258	\$ 421,994

The accompanying notes are an integral part of these Consolidated Financial Statements.

IES HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(In Thousands, Except Share Information)

	Year Ended September 30,		
	2019	2018	2017
Revenues	\$ 1,076,996	\$ 876,828	\$ 810,744
Cost of services	894,893	726,866	670,246
Gross profit	182,103	149,962	140,498
Selling, general and administrative expenses	140,575	123,920	120,370
Contingent consideration	(374)	103	(145)
Loss (gain) on sale of assets	52	(15)	(69)
Operating income	41,850	25,954	20,342
Interest and other (income) expense:			
Interest expense	1,857	1,946	1,702
Other (income) expense, net	(148)	(340)	(165)
Income from operations before income taxes	40,141	24,348	18,805
Provision (benefit) for income taxes	6,663	38,151	5,211
Net income (loss)	33,478	(13,803)	13,594
Net income attributable to noncontrolling interest	(272)	(354)	(172)
Comprehensive income (loss) attributable to IES Holdings, Inc.	\$ 33,206	\$ (14,157)	\$ 13,422
Earnings (loss) per share attributable to IES Holdings, Inc.:			
Basic	\$ 1.56	\$ (0.67)	\$ 0.62
Diluted	\$ 1.55	\$ (0.67)	\$ 0.62
Shares used in the computation of earnings (loss) per share:			
Basic	21,082,012	21,196,388	21,280,549
Diluted	21,315,245	21,196,388	21,533,254

The accompanying notes are an integral part of these Consolidated Financial Statements.

IES HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(In Thousands, Except Share Information)

	Common Stock		Treasury Stock		APIC	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
BALANCE, September 30, 2016	22,049,529	\$ 220	(592,990)	\$ (4,781)	\$ 195,221	\$ 32,745	\$ 223,405
Grants under compensation plans	—	—	1,803	15	(15)	—	—
Cumulative effect adjustment from adoption of ASU 2016-09	—	—	—	—	59	304	363
Acquisition of treasury stock	—	—	(152,860)	(2,367)	—	—	(2,367)
Stock forfeitures	—	—	(2,257)	(40)	40	—	—
Options exercised	—	—	33,750	275	(57)	—	218
Non-cash compensation	—	—	—	—	1,707	—	1,707
Increase in noncontrolling interest	—	—	—	—	—	(44)	(44)
Net income attributable to IES Holdings, Inc.	—	—	—	—	—	13,422	13,422
BALANCE, September 30, 2017	22,049,529	\$ 220	(712,554)	\$ (6,898)	\$ 196,955	\$ 46,427	\$ 236,704
Grants under compensation plans	—	—	520	5	(5)	—	—
Acquisition of treasury stock	—	—	(133,459)	(2,059)	—	—	(2,059)
Options exercised	—	—	1,500	15	(4)	—	11
Non-cash compensation	—	—	—	—	(136)	—	(136)
Decrease in noncontrolling interest	—	—	—	—	—	44	44
Net loss attributable to IES Holdings, Inc.	—	—	—	—	—	(14,157)	(14,157)
BALANCE, September 30, 2018	22,049,529	\$ 220	(843,993)	\$ (8,937)	\$ 196,810	\$ 32,314	\$ 220,407
Issuance of restricted stock & performance stock	—	—	501,797	5,942	(5,942)	—	—
Options exercised	—	—	22,500	314	(314)	—	—
Cumulative effect adjustment from adoption of new accounting standard	—	—	—	—	—	80	80
Acquisition of treasury stock	—	—	(564,822)	(9,802)	—	—	(9,802)
Non-cash compensation	—	—	—	—	2,357	—	2,357
Net income attributable to IES Holdings, Inc.	—	—	—	—	—	33,206	33,206
BALANCE, September 30, 2019	22,049,529	\$ 220	(884,518)	\$ (12,483)	\$ 192,911	\$ 65,600	\$ 246,248

The accompanying notes are an integral part of these Consolidated Financial Statements.

IES HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended September 30,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 33,478	\$ (13,803)	\$ 13,594
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Bad debt expense	552	421	296
Deferred financing cost amortization	318	288	294
Depreciation and amortization	9,557	8,860	9,634
Loss (gain) on sale of assets	52	(15)	(69)
Non-cash compensation expense	2,357	(136)	1,707
Deferred income taxes	5,681	38,151	6,899
Changes in operating assets and liabilities			
Accounts receivable	(35,254)	(7,574)	(7,621)
Inventories	(684)	(3,970)	(1,856)
Costs and estimated earnings in excess of billings	1,586	(17,840)	2,571
Prepaid expenses and other current assets	(7,171)	(2,250)	(6,798)
Other non-current assets	(444)	274	(510)
Accounts payable and accrued expenses	22,472	6,584	(2,829)
Billings in excess of costs and estimated earnings	6,683	3,570	5,898
Other non-current liabilities	(459)	(336)	1,139
Net cash provided by operating activities	<u>38,724</u>	<u>12,224</u>	<u>22,349</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(6,300)	(4,563)	(4,589)
Proceeds from sales of assets	502	108	270
Cash received (paid) in conjunction with business combinations or dispositions	50	(7,406)	(20,213)
Net cash used in investing activities	<u>(5,748)</u>	<u>(11,861)</u>	<u>(24,532)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings of debt	89,261	168	5,434
Repayments of debt	(119,508)	(177)	(5,432)
Contingent consideration payment	—	—	(448)
Distribution to noncontrolling interest	(240)	(349)	(153)
Purchase of treasury stock	(9,802)	(2,059)	(2,367)
Issuance of shares	—	11	218
Net cash provided by (used in) financing activities	<u>(40,289)</u>	<u>(2,406)</u>	<u>(2,748)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,313)	(2,043)	(4,931)
CASH, CASH EQUIVALENTS, beginning of period	26,247	28,290	33,221
CASH, CASH EQUIVALENTS, end of period	<u>\$ 18,934</u>	<u>\$ 26,247</u>	<u>\$ 28,290</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	\$ 1,743	\$ 1,684	\$ 1,521
Cash paid for income taxes (net)	\$ 1,370	\$ 2,839	\$ 2,429

The accompanying notes are an integral part of these Consolidated Financial Statements.

IES HOLDINGS, INC.
Notes to the Consolidated Financial Statements
(All Amounts in Thousands Except Share Amounts)

1. BUSINESS

Description of the Business

IES Holdings, Inc. is a holding company that owns and manages operating subsidiaries in business activities across a variety of end-markets. Our operations are currently organized into four principal business segments, based upon the nature of our current services:

- Commercial & Industrial – Provider of electrical and mechanical design, construction, and maintenance services to the commercial and industrial markets in various regional markets and nationwide in certain areas of expertise, such as the power infrastructure market.
- Communications – Nationwide provider of technology infrastructure services, including the design, build, and maintenance of the communications infrastructure within data centers for colocation and managed hosting customers for both large corporations and independent businesses.
- Infrastructure Solutions – Provider of electro-mechanical solutions for industrial operations, including apparatus repair and custom-engineered products such as generator enclosures to be used in data centers and other industrial applications.
- Residential – Regional provider of electrical installation services for single-family housing and multi-family apartment complexes.

The words “IES”, the “Company”, “we”, “our”, and “us” refer to IES Holdings, Inc. and, except as otherwise specified herein, to our consolidated subsidiaries.

Controlling Shareholder

As of September 30, 2019, Tontine Associates, L.L.C., together with its affiliates (collectively, “Tontine”), is the controlling shareholder of the Company’s common stock. Accordingly, Tontine has the ability to exercise significant control over our affairs, including the election of directors and most actions requiring the approval of shareholders, including the approval of any potential merger or sale of all or substantially all assets or segments of the Company, or the Company itself. For a more complete discussion on our relationship with Tontine, please refer to Note 3, “Controlling Shareholder” in the notes to our Consolidated Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of IES Holdings, Inc. and its consolidated subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Asset Impairment

During the fiscal years ended September 30, 2019, 2018 and 2017, the Company recorded no asset impairment charges.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are primarily used in our revenue recognition of construction in progress, fair value assumptions in accounting for business combinations and analyzing goodwill, investments, intangible assets and long-lived asset impairments and adjustments, allowance for doubtful accounts receivable, stock-based compensation, reserves for legal matters, realizability of deferred tax assets, unrecognized tax benefits and self-insured claims liabilities and related reserves.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories consist of raw materials, work in process, finished goods, and parts and supplies held for use in the ordinary course of business. Inventory is valued at the lower of cost or net realizable value generally using the historical average cost or first-in, first-out (FIFO) method. When circumstances dictate, we write down inventory to its estimated net realizable value based on assumptions about future demand, market conditions, plans for disposal, and physical condition of the product. Where shipping and handling costs on inventory purchases are borne by us, these charges are included in inventory and charged to cost of services upon use in our projects or the providing of services.

Securities and Equity Investments

Our investments in entities where we do not have the ability to exercise significant influence are accounted for using the cost method of accounting. Each period, we evaluate whether an event or change in circumstances has occurred that may indicate an investment has been impaired. If, upon further investigation of such events, we determine the investment has suffered a decline in value that is other than temporary, we write down the investment to its estimated fair value.

Property and Equipment

Additions of property and equipment are recorded at cost, and depreciation is computed using the straight-line method over the estimated useful life of the related asset. Leasehold improvements are capitalized and depreciated over the lesser of the life of the lease or the estimated useful life of the asset.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing property and equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the capitalized cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of comprehensive income in the caption (gain) loss on sale of assets.

Goodwill

Goodwill attributable to each reporting unit is tested for impairment either by comparing the fair value of each reporting unit with its carrying value or by a qualitative assessment. These impairment tests are required to be performed at least annually. On an ongoing basis (absent any impairment indicators), we perform an impairment test annually using a measurement date of September 30. In evaluating goodwill for impairment, we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is greater than its carrying value. If we determine that it is more likely than not that the carrying value of a reporting unit is greater than its fair value, then we perform an impairment test by calculating the fair value of the reporting unit and comparing this calculated fair value with the carrying value of the reporting unit.

We estimate the fair value of the reporting unit based on both a market approach and an income approach, using discounted estimated future cash flows. The market approach uses market multiples of enterprise value to earnings before interest, taxes, depreciation and amortization for comparable publicly traded companies. The income approach relies on significant estimates for future cash flows, projected long-term growth rates, and the weighted average cost of capital.

Intangible Assets

Intangible assets with definite lives are amortized over their estimated useful lives based on expected economic benefit with no residual value.

Debt Issuance Costs

Debt issuance costs are included as a reduction of our debt outstanding, or alternately classified within other non-current assets if we have no borrowings drawn on our credit facility at the balance sheet date, and are amortized to interest expense over the scheduled maturity of the debt. Amortization expense of debt issuance costs was \$318, \$288 and \$294, respectively, for the years ended 2019, 2018 and 2017. Remaining unamortized capitalized debt issuance costs were \$782 and \$912 at September 30, 2019, and 2018, respectively.

Revenue Recognition

Revenue is generally recognized from a contract with a customer when: (i) it has approval and commitment from both parties, (ii) the rights of the parties are identified, (iii) payment terms are identified, (iv) the contract has commercial substance, and (v) collectability of consideration is probable. We consider the start of a project to be when the above criteria have been met and we have written authorization from the customer to proceed.

We recognize revenue on project contracts using the percentage of completion method. Project contracts generally provide that customers accept completion of progress to date and compensate us for services rendered measured in terms of units installed, hours expended or

some other measure of progress. We recognize revenue on both signed contracts and change orders. A discussion of our treatment of claims and unapproved change orders is described later in this section. Percentage of completion for construction contracts is measured principally by the percentage of costs incurred and accrued to date for each contract to the estimated total cost for each contract at completion. We generally consider contracts to be substantially complete upon departure from the work site and acceptance by the customer. Contract costs include all direct material, labor and insurance costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Changes in job performance, job conditions, estimated contract costs and profitability and final contract settlements can result in change orders under which the customer agrees to pay additional contract price. Revisions can also result in claims we might make against the customer to recover additional costs that have not been resolved through change orders with the customer. Except in certain circumstances, we do not recognize revenue or margin based on change orders or claims until they have been agreed upon with the customer. The amount of revenue associated with unapproved change orders and claims was immaterial for the years ended September 30, 2019, 2018 and 2017. Provisions for total estimated losses on uncompleted contracts are made in the period in which such losses are determined. The balances billed but not paid by customers pursuant to retainage provisions in project contracts are typically due upon completion of the contracts and acceptance by the customer. Based on our experience, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

Certain divisions in the Residential and Infrastructure Solutions segments use the completed contract method of accounting because the duration of their contracts is short in nature. We recognize revenue on completed contracts when the project is complete and billable to the customer. Provisions for estimated losses on these contracts are recorded in the period such losses are determined.

Accounts Receivable and Allowance for Doubtful Accounts

We record accounts receivable for all amounts billed and not collected. Generally, we do not charge interest on outstanding accounts receivable; however, from time to time we may believe it necessary to charge interest on a case by case basis. Additionally, we provide an allowance for doubtful accounts for specific accounts receivable where collection is considered doubtful as well as for general unknown collection issues based on historical trends. Accounts receivable not determined to be collectible are written off as deemed necessary in the period such determination is made. As is common in our industry, some of these receivables are in litigation or require us to exercise our contractual lien rights in order to collect. Our allowance for doubtful accounts at September 30, 2019 and 2018 was \$1,184 and \$868, respectively. We believe that our allowance for doubtful accounts is sufficient to cover uncollectible receivables as of September 30, 2019.

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in equity during a period except those resulting from investments by and distributions to stockholders.

Income Taxes

We follow the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recorded for the future income tax consequences of temporary differences between the financial reporting and income tax bases of assets and liabilities, and are measured using enacted tax rates and laws.

We regularly evaluate valuation allowances established for deferred tax assets for which future realization is uncertain. We perform this evaluation on a quarterly basis. The estimation of required valuation allowances includes estimates of future taxable income. In assessing the realizability of deferred tax assets at September 30, 2019, we concluded, based upon the assessment of positive and negative evidence, that it is more likely than not that the Company will generate sufficient taxable income within the applicable NOL carryforward periods to realize its net deferred tax assets of \$40,874. We considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. If actual future taxable income is different from these estimates, our results could be affected.

Risk Management

We retain the risk for workers' compensation, employer's liability, automobile liability, construction defects, general liability and employee group health claims, as well as pollution coverage, resulting from uninsured deductibles per accident or occurrence which are generally subject to annual aggregate limits. Our general liability program provides coverage for bodily injury and property damage. In many cases, we insure third parties, including general contractors, as additional insureds under our insurance policies. Losses are accrued based upon our known claims incurred and an estimate of claims incurred but not reported. Each year, we compile our historical data pertaining to the insurance experiences and actuarially develop the ultimate loss associated with our insurance programs other than pollution coverage for our Infrastructure Solutions segment. We believe that the actuarial valuation provides the best estimate of the ultimate losses to be expected under these programs.

The undiscounted ultimate losses of our workers' compensation, auto and general liability insurance reserves at September 30, 2019, and 2018, was \$4,975 and \$5,286, respectively. Based on historical payment patterns, we expect payments of undiscounted ultimate losses to be made as follows:

Year Ended September 30:		
2020	\$	1,422
2021		1,065
2022		727
2023		504
2024		290
Thereafter		967
Total	\$	4,975

We elect to discount the ultimate losses above to present value using an approximate risk-free rate over the average life of our insurance claims. For the years ended September 30, 2019 and 2018, the discount rate used was 1.6 percent and 2.9 percent, respectively. The present value of all insurance reserves for the employee group health claims, workers' compensation, auto and general liability recorded at September 30, 2019, and 2018 was \$6,683 and \$6,202, respectively. Our employee group health claims are anticipated to be resolved within the year ended September 30, 2020.

We had letters of credit totaling \$6,268 outstanding at September 30, 2019 to collateralize certain of our high deductible insurance obligations.

Realization of Long-Lived Assets

We evaluate the recoverability of property and equipment and other long-lived assets as facts and circumstances indicate that any of those assets might be impaired. If an evaluation is required for our assets we plan to hold and use, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property has occurred. The effect of any impairment would be to expense the difference between the fair value of such property and its carrying value. Estimated fair values are determined based on expected future cash flows discounted at a rate we believe incorporates the time value of money, the expectations about future cash flows and an appropriate risk premium.

For the years ended September 30, 2019, 2018 and 2017, no indicators of impairments were identified, and no impairment charges were recorded.

Risk Concentration

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash deposits and accounts receivable. Through delayed payment terms, we at times grant credit, usually without collateral, to our customers, who are generally large public companies, contractors and homebuilders throughout the United States. Consequently, we are subject to potential credit risk related to changes in business and economic factors throughout the United States, specifically, within the construction, homebuilding and mission critical facility markets. However, we are entitled to payment for work performed and generally have certain lien rights in that work. Further, management believes that its contract acceptance, billing and collection policies are adequate to manage potential credit risk. We routinely maintain cash balances in financial institutions in excess of federally insured limits. We periodically assess the financial condition of these institutions where these funds are held and believe the credit risk is minimal. We maintain the majority of our cash and cash equivalents in money market mutual funds. There can be no assurance, however, that we will not be adversely affected by credit risks we face.

No single customer accounted for more than 10% of our consolidated revenues for the years ended September 30, 2019, 2018 and 2017.

Fair Value of Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable, and a loan agreement. We believe that the carrying value of financial instruments approximates their fair value due to their short-term nature. The carrying value of our debt approximates fair value, as debt incurs interest at a variable rate.

Stock-Based Compensation

We measure and record compensation expense for all share-based payment awards based on the fair value of the awards granted at the date of grant. The fair value of restricted stock awards and phantom stock unit awards is determined based on the number of shares granted and the closing price of IES's common stock on the date of grant. For awards vesting upon achievement of a market condition, the likelihood of achieving that market condition is considered in determining the fair value of the grant, which we expense ratably over the

vesting period. For awards vesting upon achievement of a performance condition, we record expense based on the grant date fair value when it becomes probable the performance condition will be achieved. Forfeitures are recorded in the period in which they occur. The resulting compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period.

Deferred Compensation Plans

The Company maintains a rabbi trust to fund certain deferred compensation plans. The securities held by the trust are classified as trading securities. The investments are recorded at fair value and are classified as other non-current assets in the accompanying Consolidated Balance Sheets as of September 30, 2019, and 2018. The changes in fair values are recorded as a component of other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

The corresponding deferred compensation liability is included in other non-current liabilities on the Consolidated Balance Sheets and changes in this obligation are recognized as adjustments to compensation expense in the period in which they are determined.

Noncontrolling Interest

In connection with our acquisitions of STR Mechanical, LLC (“STR Mechanical”) in fiscal 2016 and NEXT Electric, LLC (“NEXT Electric”) in fiscal 2017, we acquired 80 percent interests in these entities, and the remaining 20 percent was retained by the third party sellers. The interests retained by those third party sellers are identified on our Consolidated Balance Sheets as noncontrolling interest, classified outside of permanent equity. Under the terms of the operating agreements governing these entities, after five years from the dates of the acquisitions, we may elect to purchase, or the third party sellers may require us to purchase, part of all of the remaining 20 percent interests in these entities. The purchase price is variable, based on a multiple of earnings as defined in the operating agreements. Therefore, this noncontrolling interest is carried at the greater of the balance determined under ASC 810 and the redemption amounts assuming the noncontrolling interests were redeemable at the balance sheet date. If all of these interests had been redeemable at September 30, 2019, the redemption amount would have been \$3,294. For the year ended September 30, 2018, we recorded an increase to retained earnings of \$44 to offset an increase to noncontrolling interest recorded in fiscal 2017, decreasing the carrying amount of the noncontrolling interest in STR to the balance determined under ASC 810, as if it had been redeemable at September 30, 2018, as the redemption amount would have been less than the carrying amount.

Accounting Standards Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standard Update No. 2016-02, Leases (“ASU 2016-02”). Under ASU 2016-02, we will recognize a right-of-use asset and a lease liability on our Balance Sheet for all leases, other than those that meet the definition of a short-term lease. For income statement purposes, leases must be classified as either operating or finance. Operating leases will result in straight-line expense, similar to current operating leases, while finance leases will be accounted for similar to current capital leases. We plan to adopt this standard on October 1, 2019, using a modified retrospective transition approach. We plan to utilize the optional transition method allowed under Accounting Standard Update No. 2018-11, which allows the recognition of a cumulative-effect adjustment to retained earnings on such date and the continued reporting of retrospective periods using the previous accounting standards. We plan to elect all of the available practical expedients, which would allow the use of hindsight in the determination of the lease term and impairment assessment of the right-of-use assets, and eliminate the need to reassess whether our existing or expired contracts contain a lease and its corresponding classification. We have developed processes and internal controls to meet the reporting and disclosure requirements of the standard, including the validation and detailed assessment of our full lease population. Our balance sheet will be impacted from this standard by recording lease right-of-use assets and lease liabilities in similar amounts, which we currently estimate to be less than \$35 million as of October 1, 2019, with any difference between the right-of-use asset and the lease liabilities recorded to previously accrued or deferred rent expense relating to prior periods. We do not anticipate that the standard will have a significant impact on our net earnings, cash flows or compliance with the financial covenants under our revolving credit facility.

In June 2016, the FASB issued Accounting Standard Update No. 2016-13, Financial Instruments – Credit Losses (“ASU 2016-13”), which requires companies to consider historical experiences, current market conditions and reasonable and supportable forecasts in the measurement of expected credit losses, with further clarifications made in April 2019 and May 2019 with the issuances of Accounting Standard Updates No. 2019-04 and 2019-05. This update is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, although early adoption is permitted. We are currently evaluating the impact it will have on our Consolidated Financial Statements. We plan to adopt this standard on October 1, 2020.

In June 2018, the FASB issued Accounting Standard Update No. 2018-07, Compensation—Stock Compensation (“ASU 2018-07”), to simplify the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments for employees, with certain exceptions. Under the new guidance, the cost for nonemployee awards may be lower and less volatile than under current GAAP because the measurement generally will occur earlier and will be fixed at the grant date. This update is effective for the fiscal year ended September 30, 2020.

In August 2018, the FASB issued Accounting Standard Update No. 2018-13, Fair Value Measurement Disclosure Framework (“ASU 2018-13”), to modify certain disclosure requirements for fair value measurements. Under the new guidance, registrants will need to disclose weighted average information for significant unobservable inputs for all Level 3 fair value measurements. The guidance does not specify how entities should calculate the weighted average, but requires them to explain their calculation. The new guidance also requires disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements of instruments held at the end of the reporting period. This guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, although early adoption is permitted for either the entire standard or only the provisions that eliminate or modify the requirements.

We do not expect ASU 2018-07 or ASU 2018-13 to have a material effect on our Consolidated Financial Statements and we plan to adopt these standards on October 1, 2019 and October 1, 2020, respectively.

Accounting Standards Recently Adopted

In May 2014, the FASB issued Accounting Standard Update No. 2014-09, which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes prior industry-specific guidance. The new standard requires companies to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which the company expects to be entitled. The new model requires companies to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time for each obligation. The new standard also expands disclosure requirements regarding revenue and cash flows arising from contracts with customers.

We adopted the new revenue recognition standard on October 1, 2018 (“Adoption Date”), using the modified retrospective method, which provides for a cumulative effect adjustment to beginning fiscal 2019 retained earnings for uncompleted contracts impacted by the adoption. We recorded an adjustment of \$80 to beginning fiscal 2019 retained earnings as a result of adoption of the new standard. The changes to the method and/or timing of our revenue recognition associated with the new standard primarily affect revenue recognition within our Infrastructure Solutions segment for which, as of October 1, 2018, certain of our contracts do not qualify for revenue recognition over time. In addition, we have now combined in process contracts that historically had been accounted for as separate contracts in cases where those contracts meet the criteria for combination of contracts under the new standard, and we now capitalize certain commissions which were previously expensed when incurred. The impact on our results for the year ended September 30, 2019, of applying the new standard to our contracts was not material.

Consistent with our adoption method, the comparative prior period information continues to be reported using the previous accounting standards in effect for the period presented. We have elected to utilize the modified retrospective transition practical expedient that allows us to evaluate the impact of contract modifications as of the Adoption Date rather than evaluating the impact of the modifications at the time they occurred prior to the Adoption Date.

See Note 4, “Revenue Recognition” for additional discussion of our revenue recognition accounting policies and expanded disclosures.

In January 2016, the FASB issued Accounting Standard Update No. 2016-01, Financial Instruments. This standard is associated with the recognition and measurement of financial assets and liabilities, with further clarifications made in February 2018 with the issuance of Accounting Standard Update No. 2018-03. The amended guidance requires certain equity investments that are not consolidated and not accounted for under the equity method to be measured at fair value with changes in fair value recognized in net income rather than as a component of accumulated other comprehensive income (loss). It further states that an entity may choose to measure equity investments that do not have readily determinable fair values using a quantitative approach, or measurement alternative, which is equal to its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Our adoption of this standard on October 1, 2018 had no impact on our Consolidated Financial Statements.

In January 2017, the FASB issued Accounting Standard Update No. 2017-01, Business Combinations. This standard clarifies the definition of a business to assist entities with evaluation of whether transactions should be accounted for as acquisitions or disposals of assets or businesses. Our adoption of this standard on October 1, 2018 using the prospective transition method had no impact on our Condensed Consolidated Financial Statements.

In May 2017, the FASB issued Accounting Standard Update No. 2017-09, Compensation—Stock Compensation, to reduce the diversity in practice and the cost and complexity when changing the terms or conditions of a share-based payment award. Our adoption of this standard on October 1, 2018 using the prospective transition method had no impact on our Consolidated Financial Statements.

3. CONTROLLING SHAREHOLDER

Tontine is the Company's controlling shareholder, owning approximately 58 percent of the Company's outstanding common stock according to a Form 4 filed with the SEC by Tontine on October 3, 2019. Accordingly, Tontine has the ability to exercise significant control over our affairs, including the election of directors and most actions requiring the approval of shareholders.

While Tontine is subject to certain restrictions under federal securities laws on sales of its shares as an affiliate, the Company has filed a shelf registration statement to register all of the shares of IES common stock owned by Tontine at the time of registration. As long as the shelf registration statement remains effective and the Company remains eligible to use it, Tontine has the ability to resell any or all of its registered shares from time to time in one or more offerings, as described in the shelf registration statement and in any prospectus supplement filed in connection with an offering pursuant to the shelf registration statement.

Should Tontine sell or otherwise dispose of all or a portion of its position in IES, a change in ownership of IES could occur. A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of the Company's net operating losses ("NOLs") for federal and state income tax purposes. On November 8, 2016, the Company implemented a tax benefit protection plan (the "NOL Rights Plan"). The NOL Rights Plan was designed to deter an acquisition of the Company's stock in excess of a threshold amount that could trigger a change in ownership within the meaning of Internal Revenue Code Section 382. There can be no assurance that the NOL Rights Plan will be effective in deterring a change in ownership or protecting the NOLs. Furthermore, a change of control would trigger the change of control provisions in a number of our material agreements, including our credit facility, bonding agreements with our sureties and our executive severance plan.

Jeffrey L. Gendell was appointed as a member of the Board of Directors and as Chairman of the Board in November 2016. He is the managing member and founder of Tontine, and the brother of David B. Gendell, who has served as a member of our Board of Directors since February 2012, and who previously served as Interim Director of Operations from November 2017 to January 2019, as Vice Chairman of the Board from November 2016 to November 2017 and as Chairman of the Board from January 2015 to November 2016. David B. Gendell was an employee of Tontine from 2004 until December 31, 2017.

The Company is party to a sublease agreement with Tontine Associates for corporate office space in Greenwich, Connecticut. The sublease extends through February 27, 2023, with monthly payments due in the amount of approximately \$8. Payments by the Company are at a rate consistent with that paid by Tontine Associates to its landlord.

On December 6, 2018, the Company entered into a Board Observer Letter Agreement (the "Observer Agreement") with Tontine Associates, in order to assist Tontine in managing its investment in the Company. Subject to the terms and conditions set forth in the Observer Agreement, the Company granted Tontine the right, at any time that Tontine holds at least 20% of the outstanding common stock of the Company, to appoint a representative to serve as an observer to the Board (the "Board Observer"). The Board Observer, who must be reasonably acceptable to those members of the Board who are not affiliates of Tontine, shall have no voting rights or other decision making authority. Subject to the terms and conditions set forth in the Observer Agreement, so long as Tontine has the right to appoint a Board Observer, the Board Observer will have the right to attend and participate in meetings of the Board and the committees thereof, subject to confidentiality requirements, and to receive reimbursement for reasonable out-of-pocket expenses incurred in his or her capacity as a Board Observer and such rights to coverage under the Company's directors' and officers' liability insurance policy as are available to the Company's directors.

4. REVENUE RECOGNITION

Contracts

Our revenue is derived from contracts with customers, and we determine the appropriate accounting treatment for each contract at its inception. Our contracts primarily relate to electrical and mechanical contracting services, technology infrastructure products and services, and electro-mechanical solutions for industrial operations. Revenue is earned based upon an agreed fixed price or actual costs incurred plus an agreed upon percentage.

We account for a contract when: (i) it has approval and commitment from both parties, (ii) the rights of the parties are identified, (iii) payment terms are identified, (iv) the contract has commercial substance, and (v) collectability of consideration is probable. We consider the start of a project to be when the above criteria have been met and we have written authorization from the customer to proceed.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

We recognize revenue over time for the majority of the services we perform as (i) control continuously transfers to the customer as work progresses at a project location controlled by the customer and (ii) we have the right to bill the customer as costs are incurred. Within our Infrastructure Solutions segment, we often perform work inside our own facilities, where control does not continuously transfer to the customer as work progresses. In such cases, we evaluate whether we have the right to bill the customer as costs are incurred. Such assessment involves an evaluation of contractual termination clauses. Where we have a contractual right to payment for work performed to date, we recognize revenue over time. If we do not have such a right, we recognize revenue upon completion of the contract, when control of the work transfers to the customer.

For fixed price arrangements, we use the percentage of completion method of accounting under which revenue recognized is measured principally by the costs incurred and accrued to date for each contract as a percentage of the estimated total cost for each contract at completion. Contract costs include all direct material, labor and indirect costs related to contract performance. Changes in job performance, job conditions, estimated contract costs and profitability and final contract settlements may result in revisions to costs and income, and the effects of these revisions are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. This measurement and comparison process requires updates to the estimate of total costs to complete the contract, and these updates may include subjective assessments and judgments.

Variable Consideration

The transaction price for our contracts may include variable consideration, which includes changes to transaction price for approved and unapproved change orders, claims and incentives. Change orders, claims and incentives are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. We estimate variable consideration for a performance obligation at the probability weighted value we expect to receive (or the most probable amount we expect to incur in the case of liquidated damages, if any), utilizing estimation methods that best predict the amount of consideration to which we will be entitled (or will be incurred in the case of liquidated damages, if any). We include variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. The effect of variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis. To the extent unapproved change orders and claims reflected in transaction price (or accounted for as a reduction of the transaction price in the case of liquidated damages) are not resolved in our favor, or to the extent incentives reflected in transaction price are not earned, there could be reductions in, or reversals of, previously recognized revenue.

Costs of Obtaining a Contract

In certain of our operations, we incur commission costs related to entering into a contract that we only incurred because of that contract. When this occurs, we capitalize that cost and amortize it over the expected term of the contract. At September 30, 2019, we had capitalized commission costs of \$86.

We generally do not incur significant incremental costs related to obtaining or fulfilling a contract prior to the start of a project. When significant pre-contract costs are incurred, they will be capitalized and amortized on a percentage of completion basis over the life of the contract.

Disaggregation of Revenue

We disaggregate our revenue from contracts with customers by activity and contract type, as these categories reflect how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Our consolidated 2019, 2018, and 2017 revenue was derived from the following service activities. See details in the following tables:

	Year Ended September 30,		
	2019	2018	2017
Commercial & Industrial	\$ 305,624	\$ 274,299	\$ 227,606
Communications	321,246	219,655	225,275
Infrastructure Solutions			
Industrial Services	48,948	44,701	46,079
Custom Power Solutions	87,842	52,462	37,745
Total Infrastructure Solutions	136,790	97,163	83,824
Residential			
Single-family	212,358	190,379	162,100
Multi-family and Other	100,978	95,332	111,939
Total Residential	313,336	285,711	274,039
Total Revenue	\$ 1,076,996	\$ 876,828	\$ 810,744

	Year Ended September 30, 2019				
	Commercial & Industrial	Communications	Infrastructure Solutions	Residential	Total
Fixed-price	\$ 286,319	\$ 229,143	\$ 129,096	\$ 313,336	\$ 957,894
Time-and-material	19,305	92,103	7,694	—	119,102
Total revenue	\$ 305,624	\$ 321,246	\$ 136,790	\$ 313,336	\$ 1,076,996

	Year Ended September 30, 2018				
	Commercial & Industrial	Communications	Infrastructure Solutions	Residential	Total
Fixed-price	\$ 244,464	\$ 166,258	\$ 90,155	\$ 285,711	\$ 786,588
Time-and-material	29,835	53,397	7,008	—	90,240
Total revenue	\$ 274,299	\$ 219,655	\$ 97,163	\$ 285,711	\$ 876,828

	Year Ended September 30, 2017				
	Commercial & Industrial	Communications	Infrastructure Solutions	Residential	Total
Fixed-price	\$ 206,850	\$ 174,922	\$ 76,232	\$ 274,039	\$ 732,043
Time-and-material	20,756	50,353	7,592	—	78,701
Total revenue	\$ 227,606	\$ 225,275	\$ 83,824	\$ 274,039	\$ 810,744

Accounts Receivable

Accounts receivable include amounts which we have billed or have an unconditional right to bill our customers. As of September 30, 2019, Accounts receivable included \$11,329 of unbilled receivables for which we have an unconditional right to bill.

Contract Assets and Liabilities

Project contracts typically provide for a schedule of billings on percentage of completion of specific tasks inherent in the fulfillment of our performance obligation(s). The schedules for such billings usually do not precisely match the schedule on which costs are incurred. As a result, contract revenue recognized in the statement of operations can and usually does differ from amounts that can be billed to the customer at any point during the contract. Amounts by which cumulative contract revenue recognized on a contract as of a given date exceeds cumulative billings and unbilled receivables to the customer under the contract are reflected as a current asset in our balance sheet under the caption "Costs and estimated earnings in excess of billings". Amounts by which cumulative billings to the customer under a contract as of a given date exceed cumulative contract revenue recognized are reflected as a current liability in our balance sheet under the caption "Billings in excess of costs and estimated earnings".

The net asset (liability) position for contracts in process consisted of the following:

	September 30,	
	2019	2018
Costs and estimated earnings on uncompleted contracts	\$ 761,401	\$ 539,226
Less: Billings to date and unbilled accounts receivable	(772,104)	(541,606)
	<u>\$ (10,703)</u>	<u>\$ (2,380)</u>

The net asset (liability) position for contracts in process included in the accompanying consolidated balance sheets was as follows:

	September 30,	
	2019	2018
Costs and estimated earnings in excess of billings	\$ 29,860	\$ 31,446
Billings in excess of costs and estimated earnings	(40,563)	(33,826)
	<u>\$ (10,703)</u>	<u>\$ (2,380)</u>

During the year ended September 30, 2019, and 2018, we recognized revenue of \$31,831 and \$31,135 related to our contract liabilities at October 1, 2018 and 2017, respectively.

We did not have any impairment losses recognized on our receivables or contract assets for the years ended September 30, 2019, 2018, or 2017.

Remaining Performance Obligations

Remaining performance obligations represent the unrecognized revenue value of our contract commitments. New awards represent the total expected revenue value of new contract commitments undertaken during a given period, as well as additions to the scope of existing contract commitments. Our new performance obligations vary significantly each reporting period based on the timing of our major new contract commitments. At September 30, 2019, we had remaining performance obligations of \$451,884. The Company expects to recognize revenue on approximately \$391,769 of the remaining performance obligations over the next 12 months, with the remaining recognized thereafter.

For the year ended September 30, 2019, net revenue recognized from our performance obligations satisfied in previous periods was not material.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Estimated Useful Lives in Years	Year Ended September 30,	
		2019	2018
Land	N/A	\$ 1,436	\$ 1,348
Buildings and improvements	5-20	13,608	12,479
Machinery and equipment	3-10	30,600	27,443
Information systems	2-8	7,945	7,854
Furniture and fixtures	5-7	1,587	1,579
		\$ 55,176	\$ 50,703
Less-Accumulated depreciation		(29,560)	(25,613)
Construction in progress		130	274
Property and equipment, net		\$ 25,746	\$ 25,364

Depreciation expense was \$5,607, \$4,759 and \$3,840, respectively, for the years ended September 30, 2019, 2018 and 2017.

6. PER SHARE INFORMATION

Basic earnings per share is calculated as income (loss) available to common stockholders, divided by the weighted average number of common shares outstanding during the period. If the effect is dilutive, participating securities are included in the computation of basic earnings per share. Our participating securities do not have a contractual obligation to share in the losses in any given period. As a result, these participating securities will not be allocated any losses in the periods of net losses, but will be allocated income in the periods of net income using the two-class method.

The following table reconciles the components of the basic and diluted earnings (loss) per share for the years ended September 30, 2019, 2018 and 2017:

	Year Ended September 30,		
	2019	2018	2017
Numerator:			
Net income (loss) attributable to common shareholders of IES Holdings, Inc.	\$ 32,950	\$ (14,113)	\$ 13,275
Increase (decrease) in noncontrolling interest	—	(44)	44
Net income attributable to restricted shareholders of IES Holdings, Inc.	256	—	103
Net income (loss) attributable to IES Holdings, Inc.	\$ 33,206	\$ (14,157)	\$ 13,422
Denominator:			
Weighted average common shares outstanding — basic	21,082,012	21,196,388	21,280,549
Effect of dilutive stock options and non-vested securities	233,233	—	252,705
Weighted average common and common equivalent shares outstanding — diluted	21,315,245	21,196,388	21,533,254
Earnings (loss) per share attributable to IES Holdings, Inc.:			
Basic	\$ 1.56	\$ (0.67)	\$ 0.62
Diluted	\$ 1.55	\$ (0.67)	\$ 0.62

For the years ended September 30, 2019 and September 30, 2017, the average price of our common shares exceeded the exercise price of outstanding options; therefore, outstanding stock options were included in the computation of fully diluted earnings per share.

When an entity has a net loss, it is prohibited from including potential common shares in the computation of diluted per share amounts. Accordingly, we have utilized basic shares outstanding to calculate both basic and diluted loss per share for the year ended September 30, 2018. The number of potential anti-dilutive shares excluded from the calculation was 301,879 shares for the year ended September 30, 2018.

7. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Activity in our allowance for doubtful accounts on accounts receivable consists of the following:

	Year Ended September 30,	
	2019	2018
Balance at beginning of period	\$ 868	\$ 650
Additions to costs and expenses	552	515
Deductions for uncollectible receivables written off, net of recoveries	(236)	(297)
Balance at end of period	<u>\$ 1,184</u>	<u>\$ 868</u>

Accounts payable and accrued expenses consist of the following:

	Year Ended September 30,	
	2019	2018
Accounts payable, trade	\$ 85,276	75,293
Accrued compensation and benefits	42,828	34,058
Accrued insurance liabilities	6,683	6,202
Other accrued expenses	18,122	15,038
	<u>\$ 152,909</u>	<u>130,591</u>

Other non-current assets are comprised of the following:

	Year Ended September 30,	
	2019	2018
Executive Savings Plan assets	\$ 763	\$ 747
Securities and equity investments	408	558
Other	3,767	4,760
Total	<u>\$ 4,938</u>	<u>\$ 6,065</u>

8. DEBT

Debt consists of the following:

	Year Ended September 30,	
	2019	2018
Revolving loan (long-term debt)	\$ —	\$ 30,247
Debt issuance costs ⁽¹⁾	—	(912)
Other long-term debt	299	229
Total debt	<u>\$ 299</u>	<u>\$ 29,564</u>

(1) At September 30, 2019, the remaining unamortized debt issuance costs of \$782 were reclassified to Other non-current assets on the Consolidated Balance Sheet.

At September 30, 2019, we had no outstanding borrowings under our revolving credit facility, \$6,468 in outstanding letters of credit and \$93,532 available to us under our revolving credit facility with Wells Fargo Bank, N.A. ("Wells Fargo"). All amounts outstanding under our revolving credit facility are due and payable in September 2024, upon expiration of our revolving credit facility, and all amounts described as available are available without triggering our financial covenant under the Amended Credit Agreement (as defined below).

Our interest rate on our outstanding borrowings under our revolving credit facility was 4.25% at September 30, 2018. For the years ended September 30, 2019, 2018 and 2017, we incurred interest expense of \$1,857, \$1,946 and \$1,702, respectively.

The Revolving Credit Facility

We maintain a \$100,000 revolving credit facility with Wells Fargo that matures in September 2024, pursuant to a Second Amended and Restated Credit and Security Agreement with Wells Fargo Bank dated as of April 10, 2017, which was amended on July 14, 2017, August 2, 2017, July 23, 2018, May 17, 2019 and September 6, 2019 (as amended, the “Amended Credit Agreement”). The Fourth Amendment to the Second Amended and Restated Credit and Security Agreement, which was entered into on May 20, 2019, permits the Company to repurchase up to 1.0 million additional shares of common stock pursuant to its previously authorized stock repurchase program for an aggregate purchase price (including for any remaining shares under the previous share repurchase authorization) not to exceed \$25,000. The Fifth Amendment to the Second Amendment and Restated Credit and Security Agreement, which was entered into on September 6, 2019, reduced the interest rate margin applicable to borrowings by 50 basis points, removed the Company's minimum EBITDA financial covenant, granted pre-approval for acquisitions meeting certain conditions with an aggregate purchase price of up to \$25,000, and reduced the minimum liquidity covenant from 30% to 20% of the maximum revolver amount.

Terms of the Amended Credit Agreement

The Amended Credit Agreement contains other customary affirmative, negative and financial covenants, as well as events of default.

As of September 30, 2019, we were in compliance with the financial covenants under the Amended Credit Agreement, requiring that we maintain:

- a Fixed Charge Coverage Ratio (as defined in the Amended Credit Agreement), measured quarterly on a trailing four-quarter basis at the end of each quarter, of at least 1.1 to 1.0; and
- minimum Liquidity (as defined in the Amended Credit Agreement) of at least twenty percent (20%) of the Maximum Revolver Amount (as defined in the Amended Credit Agreement), or \$20,000; with, for purposes of this covenant, at least fifty percent (50%) of our Liquidity comprised of Excess Availability (as defined in the Amended Credit Agreement).

At September 30, 2019, our Liquidity was \$112,467 and our Excess Availability was \$93,532 (or greater than 50% of minimum Liquidity), our Fixed Charge Coverage Ratio was 4.7:1.0.

Our Fixed Charge Coverage Ratio is calculated as follows (with capitalized terms as defined in the Amended Credit Agreement): (i) our trailing twelve month EBITDA, less Non-Financed Capital Expenditures (other than capital expenditures financed by means of an advance under the credit facility), cash taxes and all Restricted Junior Payments consisting of certain Pass-Through Tax Liabilities, divided by (ii) the sum of our cash interest (other than interest paid-in-kind, amortization of financing fees, and other non-cash interest expense) and principal debt payments (other than repayment of principal on advances under the credit facility and including cash payments with respect to capital leases), any management, consulting, monitoring, and advisory fees paid to an affiliate, and all Restricted Junior Payments (other than Pass-Through Tax Liabilities) and other cash distributions; provided, that if any acquisition is consented to by the lender after the date of the Amended Credit Agreement, the components of the Fixed Charge Coverage Ratio will be calculated for such fiscal period after giving *pro forma* effect to the acquisition assuming that such transaction has occurred on the first day of such period (including *pro forma* adjustments arising out of events which are directly attributable to such acquisition, are factually supportable, and are expected to have a continuing impact, in each case to be reasonably agreed to by the lender).

If in the future our Liquidity falls below \$20,000 (or Excess Availability falls below 50% of our minimum Liquidity), our Fixed Charge Coverage Ratio is less than 1.1:1.0, or if we otherwise fail to perform or otherwise comply with certain of our covenants or other agreements under the Amended Credit Agreement, it would result in an event of default under the Amended Credit Agreement, which could result in any indebtedness we may take on becoming immediately due and payable.

9. LEASES

We enter into operating leases for many of our facilities, vehicle and equipment needs. These leases allow us to retain cash, and we pay a monthly lease rental fee. At the end of the lease, we have no further obligation to the lessor. We may cancel or terminate a lease before the end of its term. Typically, we would be liable to the lessor for various lease cancellation or termination costs and the difference between the fair market value of the leased asset and the implied book value of the leased asset as calculated in accordance with the lease agreement.

For a discussion of leases with certain related parties which are included below, see Note 13, “Related-Party Transactions.”

Rent expense was \$10,553, \$7,680 and \$6,990 for the years ended September 30, 2019, 2018 and 2017, respectively.

Future minimum lease payments under these non-cancelable operating leases that had commenced as of September 30, 2019 with terms in excess of one year are as follows:

Year Ended September 30:		
2020	\$	8,101
2021		6,235
2022		4,750
2023		3,139
2024		2,130
Thereafter		3,595
Total	\$	<u>27,950</u>

Some of the lease agreements entered into will not commence until the year ended September 30, 2020. The total future undiscounted cash flows related to lease agreements committed to but not yet commenced as of September 30, 2019, is \$1,964. We also entered into two large building lease renewals at our Infrastructure Solutions segment in October 2019 that will commence in the year ended September 30, 2020 and have total future undiscounted cash flows of \$2,422.

10. INCOME TAXES

Federal and state income tax provisions are as follows:

	Year Ended September 30,		
	2019	2018	2017
Federal:			
Current	\$ (1,330)	\$ (2,345)	\$ (3,092)
Deferred	5,908	38,744	6,384
State:			
Current	2,312	1,536	1,432
Deferred	(227)	216	487
Total provision for income taxes	<u>\$ 6,663</u>	<u>\$ 38,151</u>	<u>\$ 5,211</u>

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate rate to income (loss) before income taxes as follows:

	Year Ended September 30,		
	2019	2018	2017
Provision at the statutory rate ⁽¹⁾	\$ 8,430	\$ 5,973	\$ 6,582
Increase resulting from:			
Non-deductible expenses	1,277	1,241	1,173
State income taxes, net of federal deduction	2,009	1,193	1,003
Change in valuation allowance	—	1,761	142
Rate change	—	31,333	—
Other	—	183	17
Decrease resulting from:			
Share-based compensation	(556)	(238)	(207)
Change in valuation allowance	(83)	—	—
Contingent tax liabilities	(3,967)	(1,908)	(3,499)
State deferred true up	—	(1,387)	—
Other	(447)	—	—
Total provision for income taxes	<u>\$ 6,663</u>	<u>\$ 38,151</u>	<u>\$ 5,211</u>

(1) A statutory rate of 21% was used in 2019, 24.53% in 2018 and 35% in 2017. The lower effective tax rate used in 2019 and 2018 is related to the enactment of Tax Cuts and Jobs Act enacted on December 22, 2017.

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for income tax purposes. The income tax effects of these temporary differences, representing deferred income tax assets and liabilities, result principally from the following:

	Year Ended September 30,	
	2019	2018
Deferred income tax assets:		
Allowance for doubtful accounts	\$ 245	\$ 207
Accrued expenses	9,783	8,054
Net operating loss carryforward	39,045	46,881
Various reserves	1,396	1,172
Equity losses in affiliate	119	119
Share-based compensation	672	665
Capital loss carryforward	74	94
Other	1,137	712
Subtotal	52,471	57,904
Less valuation allowance	4,044	4,127
Total deferred income tax assets	48,427	53,777
Deferred income tax liabilities:		
Property and equipment	840	1,122
Intangible assets	5,978	5,499
Other	735	576
Total deferred income tax liabilities	7,553	7,197
Net deferred income tax assets	\$ 40,874	\$ 46,580

In fiscal 2019 and 2018, the valuation allowance on our deferred tax assets decreased by \$83 and increased by \$1,761, respectively, which is included in “Provision (benefit) for income taxes” in our Consolidated Comprehensive Income Statement.

As of September 30, 2019, we had available approximately \$306,324 of federal net tax operating loss carry forward for federal income tax purposes, including \$143,577 from net operating losses on which no tax benefit has been recognized and has not been recorded as a deferred tax asset. This carry forward, which may provide future tax benefits, will begin to expire in 2026. As of September 30, 2019, we had available approximately \$94,007 state net tax operating loss carry forwards, including \$8,722 from net operating losses on which no tax benefit has been recognized and has not been recorded as a deferred tax asset. The carry forwards, which may provide future tax benefits, will begin to expire in 2020. We have provided valuation allowances on all net operating losses where it is determined it is more likely than not that they will expire without being utilized.

In assessing the realizability of deferred tax assets at September 30, 2019, we considered whether it was more likely than not that some portion or all of the deferred tax assets will not be realized. Our realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. As a result, we have recorded a net deferred tax asset of \$40,874 on our Consolidated Balance Sheets. We will continue to evaluate the appropriateness of our remaining deferred tax assets and need for valuation allowances on a quarterly basis. Further, any future reduction in the federal statutory tax rate could result in a charge to reduce the book value of the net deferred tax assets recorded on our Consolidated Balance Sheet.

As a result of a 2006 reorganization and related adjustment to the book basis in goodwill, we have tax basis in excess of book basis in amortizable goodwill of approximately \$23,050. The tax basis in amortizable goodwill in excess of book basis is not reflected as a deferred tax asset. To the extent the amortization of the excess tax basis results in a cash tax benefit, the benefit will first go to reduce goodwill, then other long-term intangible assets, and then tax expense.

GAAP requires financial statement reporting of the expected future tax consequences of uncertain tax return reporting positions on the presumption that all relevant tax authorities possess full knowledge of those tax reporting positions, as well as all of the pertinent facts and circumstances, but it prohibits discounting of any of the related tax effects for the time value of money. The evaluation of a tax position is a two-step process. The first step is the recognition process to determine if it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authority, based on the technical merits of the position. The second step is a measurement process whereby a tax position that meets the more likely than not recognition threshold is calculated to determine the amount of benefit/expense to recognize in the financial statements. The tax position is measured at the largest amount of benefit/expense that is more likely than not of being realized upon ultimate settlement.

A reconciliation of the beginning and ending balances of unrecognized tax benefit is as follows:

	Year Ended September 30,	
	2019	2018
Balance at beginning of period	\$ 30,256	\$ 51,968
Additions for position related to current year	93	13
Additions for positions of prior years	19	272
Reduction resulting from the lapse of the applicable statutes of limitations	4,074	3,361
Reduction resulting from rate change	—	18,636
Balance at end of period	\$ 26,294	\$ 30,256

As of September 30, 2019, and 2018, \$26,294 and \$30,256, respectively, of unrecognized tax benefits would result in a decrease in the provision for income tax expense. We anticipate that approximately \$1,573 in liabilities for unrecognized tax benefits, including accrued interest, primarily from net operating losses on which no tax benefit has been recognized, may be reversed in the next twelve months. The reversal is predominately due to the expiration of the statutes of limitation for unrecognized tax benefits.

We had approximately \$43 and \$35 accrued for the payment of interest and penalties at September 30, 2019, and 2018, respectively. We recognize interest and penalties related to unrecognized tax benefits as part of the provision for income taxes.

The tax years ended September 30, 2017, and forward are subject to federal audit as are tax years prior to September 30, 2017, to the extent of unutilized net operating losses generated in those years. The tax years ended September 30, 2016, and forward are subject to state audits as are tax years prior to September 30, 2016, to the extent of unutilized net operating losses generated in those years.

11. OPERATING SEGMENTS

We manage and measure performance of our business in four distinct operating segments: Commercial & Industrial, Communications, Infrastructure Solutions and Residential. These segments are reflective of how the Company's Chief Operating Decision Maker ("CODM") reviews operating results for the purposes of allocating resources and assessing performance. The Company's CODM is its Chief Executive Officer.

Transactions between segments, if any, are eliminated in consolidation. Our corporate office provides general and administrative, as well as support services, to our four operating segments. Management allocates certain shared costs between segments for selling, general and administrative expenses and depreciation expense.

Segment information for the years ended September 30, 2019, 2018 and 2017 is as follows:

	Year Ended September 30, 2019						Total
	Commercial & Industrial	Communications	Infrastructure Solutions	Residential	Corporate		
Revenues	\$ 305,624	\$ 321,246	\$ 136,790	\$ 313,336	\$ —	\$ 1,076,996	
Cost of services	275,722	264,746	105,863	248,562	—	894,893	
Gross profit	29,902	56,500	30,927	64,774	—	182,103	
Selling, general and administrative	27,815	31,850	18,664	46,864	15,382	140,575	
Contingent consideration	—	(97)	(277)	—	—	(374)	
Loss (gain) on sale of assets	(30)	(6)	105	(17)	—	52	
Income (loss) from operations	\$ 2,117	\$ 24,753	\$ 12,435	\$ 17,927	\$ (15,382)	\$ 41,850	
Other data:							
Depreciation and amortization expense	\$ 2,563	\$ 1,513	\$ 4,528	\$ 852	\$ 101	\$ 9,557	
Capital expenditures	\$ 2,402	\$ 973	\$ 1,377	\$ 1,412	\$ 136	\$ 6,300	
Total assets	\$ 82,050	\$ 109,263	\$ 116,867	\$ 63,903	\$ 73,175	\$ 445,258	

Year Ended September 30, 2018

	Commercial & Industrial	Communications	Infrastructure Solutions	Residential	Corporate	Total
Revenues	\$ 274,299	\$ 219,655	\$ 97,163	\$ 285,711	\$ —	\$ 876,828
Cost of services	244,656	179,518	75,337	227,355	—	726,866
Gross profit	29,643	40,137	21,826	58,356	—	149,962
Selling, general and administrative	27,031	26,003	18,293	41,401	11,192	123,920
Contingent consideration	(100)	(85)	288	—	—	103
Loss (gain) on sale of assets	(37)	(4)	18	8	—	(15)
Income (loss) from operations	\$ 2,749	\$ 14,223	\$ 3,227	\$ 16,947	\$ (11,192)	\$ 25,954
Other data:						
Depreciation and amortization expense	\$ 2,197	\$ 1,247	\$ 4,672	\$ 637	\$ 107	\$ 8,860
Capital expenditures	\$ 2,216	\$ 647	\$ 735	\$ 932	\$ 33	\$ 4,563
Total assets	\$ 89,729	\$ 80,528	\$ 109,506	\$ 55,176	\$ 87,055	\$ 421,994

Year Ended September 30, 2017

	Commercial & Industrial	Communications	Infrastructure Solutions	Residential	Corporate	Total
Revenues	\$ 227,606	\$ 225,275	\$ 83,824	\$ 274,039	\$ —	\$ 810,744
Cost of services	208,619	187,419	63,399	210,809	—	670,246
Gross profit	18,987	37,856	20,425	63,230	—	140,498
Selling, general and administrative	20,170	24,219	17,859	43,689	14,433	120,370
Contingent consideration	—	—	(145)	—	—	(145)
Loss (gain) on sale of assets	(32)	(1)	(79)	43	—	(69)
Income (loss) from operations	\$ (1,151)	\$ 13,638	\$ 2,790	\$ 19,498	\$ (14,433)	\$ 20,342
Other data:						
Depreciation and amortization expense	\$ 1,648	\$ 740	\$ 6,412	\$ 565	\$ 269	\$ 9,634
Capital expenditures	\$ 1,241	\$ 2,046	\$ 538	\$ 561	\$ 203	\$ 4,589
Total assets	\$ 84,756	\$ 63,917	\$ 106,114	\$ 51,994	\$ 117,713	\$ 424,494

12. STOCKHOLDERS' EQUITY

Equity Incentive Plan

The Company's 2006 Equity Incentive Plan, as amended and restated (the "Equity Incentive Plan"), provides for grants of stock options as well as grants of stock, including restricted stock. Approximately 3.0 million shares of common stock are authorized for issuance under the Equity Incentive Plan, of which approximately 824,676 shares were available for issuance at September 30, 2019.

Stock Repurchase Program

In 2015, our Board of Directors authorized a stock repurchase program for the purchase from time to time of up to 1.5 million shares of the Company's common stock, and on May 2, 2019, authorized the repurchase from time to time of up to an additional 1.0 million shares of our common stock under the stock repurchase program. Share purchases are made for cash in open market transactions at prevailing market prices or in privately negotiated transactions or otherwise. The timing and amount of purchases under the program are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. All or part of the repurchases may be implemented under a Rule 10b5-1 trading plan, which allows repurchases under pre-set terms at times when the Company might otherwise be prevented from purchasing under insider trading laws or because of self-imposed blackout periods. The program does not require the Company to purchase any specific number of shares and may be modified, suspended or reinstated at any time at the Company's discretion and without notice.

We repurchased 467,819 shares of our common stock during the year ended September 30, 2019, in open market transactions at an average price of \$17.34 per share.

We repurchased 100,627 shares of our common stock during the year ended September 30, 2018, in open market transactions at an average price of \$15.41 per share.

Treasury Stock

During the year ended September 30, 2019, we issued 216,679 shares of common stock from treasury and repurchased 97,003 shares of common stock from our employees to satisfy statutory tax withholding requirements upon the vesting of certain performance phantom stock units under the Equity Incentive Plan. We also repurchased 467,819 shares of common stock on the open market pursuant to our stock repurchase program. During the year ended September 30, 2019, we issued 1,923 unrestricted shares of common stock from treasury to members of our Board of Directors as part of their overall compensation and 22,500 unrestricted shares to satisfy the exercise of outstanding options. We also issued 283,195 shares out of treasury for restricted shares granted upon the appointment of the Company's Chief Executive Officer in March 2019 (as described below).

During the year ended September 30, 2018, we repurchased 32,832 shares of common stock from our employees to satisfy minimum tax withholding requirements upon the vesting of restricted stock under the Equity Incentive Plan and repurchased 100,627 shares of common stock on the open market pursuant to our stock repurchase program. During the year ended September 30, 2018, we issued 520 unrestricted shares of common stock from treasury to members of our Board of Directors as part of their overall compensation and 1,500 unrestricted shares to satisfy the exercise of outstanding options.

Restricted Stock

During the years ended September 30, 2019, 2018, and 2017, we recognized \$776, \$256, and \$538, respectively, in compensation expense related to our restricted stock awards. At September 30, 2019, the unamortized compensation cost related to outstanding unvested restricted stock was \$3,024. A summary of restricted stock awards for the years ended September 30, 2019, 2018, and 2017 is provided in the table below:

	Year Ended September 30,		
	2019	2018	2017
Unvested at beginning of year	—	140,668	174,334
Granted	283,195	—	—
Vested	—	(140,668)	(31,409)
Forfeited	—	—	(2,257)
Unvested at end of year	283,195	—	140,668

The fair value of shares vesting during the years ended September 30, 2019, 2018, and 2017 was \$0, \$2,201 and \$460, respectively. Fair value was calculated as the number of shares vested times the market price of shares on the date of vesting. At September 30, 2019, we had unvested restricted stock of \$3,800. Vesting of this restricted stock is as follows:

1. Time-Based Award: 80,000 restricted shares vest over a four-year period ending March 4, 2023, based on continued employment with the Company, with 20,000 shares vesting each year.
2. Long-term Incentive Plan Award: Subject to a service requirement, 23,195 restricted shares vest contingent upon the Company achieving specified performance targets for the three-year period ending September 30, 2021.
3. Stock Price-Based Awards: Subject to a service requirement, 180,000 restricted shares vest in four tranches when the closing price per share of the Company's common stock equals or exceeds the price specified below for such tranche for any 20 trading days out of 25 consecutive trading days (the "Vesting Stock Price") at any time during the five years ending March 4, 2024.
 - a. Tranche 1: 60,000 shares with a Vesting Stock Price of \$35 per share;
 - b. Tranche 2: 40,000 shares with a Vesting Stock Price of \$40 per share;
 - c. Tranche 3: 40,000 shares with a Vesting Stock Price of \$45 per share;
 - d. Tranche 4: 40,000 shares with a Vesting Stock Price of \$50 per share;

All the restricted shares granted under the Equity Incentive Plan (vested or unvested) participate in dividends issued to common shareholders, if any.

Director Phantom Stock Units

Director phantom stock units ("Director PSUs") are primarily granted to the members of the Board of Directors as part of their overall compensation. These Director PSUs are paid via unrestricted stock grants to each director upon their departure from the Board of Directors. We record compensation expense for the full value of the grant on the date of grant. For the years ended September 30, 2019, 2018, and 2017, we recognized \$300, \$189, and \$167, respectively, in compensation expense related to these grants. At September 30, 2019, the Company had an aggregate of 210,386 Director PSUs outstanding.

Employee Phantom Stock Units

An employee phantom stock unit (an "Employee PSU") is a contractual right to receive one share of the Company's common stock. Depending on the terms of each grant, Employee PSUs may vest upon the achievement of certain specified performance objectives and continued performance of services, or may vest based on continued performance of services through the vesting date. On February 6, 2019, the Company granted Employee PSUs, which, subject to the achievement of certain performance metrics, could result in the issuance of 264,815 shares of common stock. Of these Employee PSUs, 97,985 Employee PSUs were forfeited during the year ended September 30, 2019, and 3,991 Employee PSUs vested in conjunction with the departure of Company employees. As of September 30, 2019, a maximum of 162,840 shares of common stock may be issued under outstanding Employee PSUs.

During the year ended September 30, 2019, we recognized compensation expense of \$1,151 related to these grants. The vesting of these awards is subject to either the achievement of specified levels of cumulative net income before taxes or specified stock price levels and continued performance of services through mid-December 2021, or based on continued performance through the vesting date alone. At September 30, 2019, redemption of a portion of the awards is deemed probable.

During the year ended September 30, 2018, we recognized a benefit to compensation expense of \$581 related to Employee PSU grants. This benefit was the result of a reduction in the estimated number of units deemed probable of vesting, based on the projected achievement of specified performance objectives.

Stock Options

We did not issue stock options during the years ended September 30, 2019, 2018 and 2017.

The following table summarizes activity relating to options granted in the years ended September 30, 2013 and 2015.

	Shares	Weighted Average Exercise Price
Outstanding, September 30, 2016	79,500	\$ 6.43
Options granted	—	—
Exercised	33,750	6.46
Forfeited and canceled	—	—
Outstanding, September 30, 2017	45,750	\$ 6.42
Options granted	—	—
Exercised	1,500	7.21
Forfeited and canceled	—	—
Outstanding, September 30, 2018	44,250	\$ 6.39
Options granted	—	—
Exercised	22,500	6.43
Forfeited and canceled	—	—
Outstanding, September 30, 2019	21,750	\$ 6.35

The following table summarizes options outstanding and exercisable at September 30, 2019:

Outstanding and Exercisable as of September 30, 2019	Remaining Contractual Life in Years	Weighted-Average Exercise Price
13,000	3.58	\$5.76
1,000	5.29	\$7.27
7,750	5.34	\$7.21
21,750		\$6.35

Our 2013 and 2015 options cliff vested at the end of a two year period ending at the anniversary date of the grant. All options expire ten years from the grant date if they are not exercised. Upon exercise of stock options, it is our policy to first issue shares from treasury, then issue new shares. Unexercised stock options expire May 2023, January 2025 and February 2025.

During the years ended September 30, 2019, 2018, and 2017, we recognized zero, zero and \$23, respectively, in compensation expense related to our stock option awards.

The intrinsic value of stock options outstanding and exercisable was \$254 and \$292 at September 30, 2019, and 2018, respectively. The intrinsic value is calculated as the difference between the fair value as of the end of the period and the exercise price of the stock options.

13. RELATED-PARTY TRANSACTIONS

The Company is a party to a sublease agreement with Tontine Associates, for corporate office space in Greenwich, Connecticut. The lease was renewed in November 2019, with monthly rent of approximately \$8. Payments by the Company are at a rate consistent with that paid by Tontine Associates to its landlord. See Note 3, “Controlling Shareholder” for additional information regarding Tontine.

14. EMPLOYEE BENEFIT PLANS

401(k) Plan

In November 1998, we established the IES Holdings, Inc. 401(k) Retirement Savings Plan. All full-time IES employees are eligible to participate on the first day of the month subsequent to completing sixty days of service and attaining age twenty-one. Participants become vested in our matching contributions following three years of service. We also maintain several subsidiary retirement savings plans. We recognized \$2,144, \$1,895, and \$1,157 in matching expenses in fiscal years 2019, 2018, and 2017, respectively.

Executive Savings Plan

Under the Executive Deferred Compensation Plan adopted on July 1, 2004 (the “Executive Savings Plan”), certain employees are permitted to defer a portion (up to 75%) of their base salary and/or bonus for a plan year. The Human Resources and Compensation Committee of the Board of Directors may, in its sole discretion, credit one or more participants with an employer deferral (contribution) in such amount as the Committee may choose (“Employer Contribution”). The Employer Contribution, if any, may be a fixed dollar amount, a fixed percentage of the participant’s compensation, base salary, or bonus, or a “matching” amount with respect to all or part of the participant’s elective deferrals for such plan year, and/or any combination of the foregoing as the Committee may choose. No compensation earned during the years ended September 30, 2019, 2018, or 2017 was deferred under this plan.

Post Retirement Benefit Plans

Certain individuals at one of the Company’s locations are entitled to receive fixed annual payments that reach a maximum amount, as specified in the related agreements, for a ten year period following retirement or, in some cases, the attainment of 62 years of age. We recognize the unfunded status of the plan in accrued expenses and other non-current liabilities in our Consolidated Balance Sheet. Benefits vest 50% after ten years of service, which increases by 10% per annum until benefits are fully vested after 15 years of service. We had an unfunded benefit liability of \$738 and \$755 recorded as of September 30, 2019 and 2018, respectively. We recognized compensation expense related to these agreements of \$42, zero and zero during the years ended September 30, 2019, 2018, and 2017, respectively.

Multiemployer Pension Plan

The Infrastructure Solutions segment participates in a multiemployer direct benefit pension plan for employees covered under our collective bargaining agreement. We do not administer the plan. We do not significantly participate in this plan. As of December 31, 2018, this plan was funded at 83.27%.

15. FAIR VALUE MEASUREMENTS

Fair value is considered the price to sell an asset, or transfer a liability, between market participants on the measurement date. Fair value measurements assume that the asset or liability is (1) exchanged in an orderly manner, (2) the exchange is in the principal market for that asset or liability, and (3) the market participants are independent, knowledgeable, able and willing to transact an exchange. Fair value accounting and reporting establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. Considerable judgment is required to interpret the market data used to develop fair value estimates. As such, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair value.

At September 30, 2019, financial assets and liabilities measured at fair value on a recurring basis were limited to our Executive Deferred Compensation Plan, under which certain employees are permitted to defer a portion of their base salary and/or bonus for a Plan Year (as defined in the plan), and contingent consideration liabilities related to certain of our acquisitions.

Financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2019 and 2018, are summarized in the following tables by the type of inputs applicable to the fair value measurements:

	September 30, 2019		
	Total Fair Value	Quoted Prices (Level 1)	Significant Unobservable (Level 3)
Executive savings plan assets	\$ 763	\$ 763	\$ —
Executive savings plan liabilities	(646)	(646)	—
Contingent consideration liability	(11)	—	(11)
Total	<u>\$ 106</u>	<u>\$ 117</u>	<u>\$ (11)</u>

	September 30, 2018		
	Total Fair Value	Quoted Prices (Level 1)	Significant Unobservable (Level 3)
Executive savings plan assets	\$ 747	\$ 747	\$ —
Executive savings plan liabilities	(631)	(631)	—
Contingent consideration liability	(680)	—	(680)
Total	\$ (564)	\$ 116	\$ (680)

In fiscal years 2016, 2017, and 2018, we entered into contingent consideration arrangements related to certain acquisitions. Please see Note 19, “Business Combinations” for further discussion. At September 30, 2019, we estimated the fair value of these contingent consideration liabilities at \$11. The table below presents a reconciliation of the fair value of these obligations, which used significant unobservable inputs (Level 3).

	Contingent Consideration Agreement
Fair Value at September 30, 2018	\$ 680
Settlements	(295)
Net adjustments to fair value	(374)
Fair Value at September 30, 2019	<u>\$ 11</u>

Below is a description of the inputs used to value the assets summarized in the preceding tables:

Level 1 — Inputs represent unadjusted quoted prices for identical assets exchanged in active markets.

Level 2 — Inputs include directly or indirectly observable inputs other than Level 1 inputs such as quoted prices for similar assets exchanged in active or inactive markets; quoted prices for identical assets exchanged in inactive markets; and other inputs that are considered in fair value determinations of the assets.

Level 3 — Inputs include unobservable inputs used in the measurement of assets. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or related observable inputs that can be corroborated at the measurement date.

16. INVENTORY

Inventories consist of the following components:

	September 30,	
	2019	2018
Raw materials	\$ 4,104	\$ 4,453
Work in process	6,301	5,168
Finished goods	1,861	1,746
Parts and supplies	9,277	9,599
Total inventories	\$ 21,543	\$ 20,966

17. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following summarizes changes in the carrying value of goodwill by segment for the years ended September 30, 2019 and 2018:

	Commercial & Industrial	Communications	Infrastructure Solutions	Residential	Total
Balance at September 30, 2017	\$ 7,176	\$ —	\$ 30,886	\$ 8,631	\$ 46,693
Acquisitions (Note 19)	—	2,892	—	1,348	4,240
Purchase accounting adjustments	(200)	(76)	45	—	(231)
Balance at September 30, 2018	6,976	2,816	30,931	9,979	50,702
Divestitures	—	—	(119)	—	(119)
Purchase accounting adjustments	—	—	—	39	39
Balance at September 30, 2019	\$ 6,976	\$ 2,816	\$ 30,812	\$ 10,018	\$ 50,622

Based upon the results of our annual impairment assessment, the fair value of our each of our four segments exceeded the book value at September 30, 2019, and warranted no impairment.

Intangible Assets

Intangible assets consist of the following:

	Estimated Useful Lives (in Years)	September 30, 2019		
		Gross Carrying Amount	Accumulated Amortization	Net
Trademarks/trade names	5 - 20	\$ 5,084	\$ (1,267)	\$ 3,817
Technical library	20	400	(121)	279
Customer relationships	6 - 15	33,539	(11,051)	22,488
Non-competition arrangements	5	40	(9)	31
Backlog and construction contracts	1	599	(591)	8
Total		\$ 39,662	\$ (13,039)	\$ 26,623

	Estimated Useful Lives (in Years)	September 30, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net
Trademarks/trade names	5 - 20	\$ 5,084	\$ (831)	\$ 4,253
Technical library	20	400	(101)	299
Customer relationships	6 - 15	33,539	(7,870)	25,669
Non-competition arrangements	5	40	(1)	39
Backlog and construction contracts	1	2,562	(2,232)	330
Total		\$ 41,625	\$ (11,035)	\$ 30,590

For the years ended September 30, 2019, 2018, and 2017, amortization expense of intangible assets was \$3,950, \$4,101 and \$5,766, respectively. The weighted average useful life of our intangible assets at September 30, 2019, was 9.3 years. Our estimated future amortization expense for years ended September 30 is as follows:

Year Ended September 30,		
2020	\$	3,222
2021		3,249
2022		3,422
2023		2,785
2024		2,240
Thereafter		11,705
Total	\$	26,623

18. COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time we are a party to various claims, lawsuits and other legal proceedings that arise in the ordinary course of business. We maintain various insurance coverages to minimize financial risk associated with these proceedings. None of these proceedings, separately or in the aggregate, are expected to have a material adverse effect on our financial position, results of operations or cash flows. With respect to all such proceedings, we record reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. We expense routine legal costs related to these proceedings as they are incurred. As of September 30, 2019, we did not have any significant outstanding legal matters.

Risk-Management

We retain the risk for workers' compensation, employer's liability, automobile liability, construction defects, general liability and employee group health claims, as well as pollution coverage, resulting from uninsured deductibles per accident or occurrence which are generally subject to annual aggregate limits. Our general liability program provides coverage for bodily injury and property damage. In many cases, we insure third parties, including general contractors, as additional insureds under our insurance policies. Losses are accrued based upon our known claims incurred and an estimate of claims incurred but not reported. As a result, many of our claims are effectively self-insured. Many claims against our insurance are in the form of litigation. At September 30, 2019 and 2018, we had \$6,683 and \$6,202, respectively, accrued for self-insurance liabilities. We are also subject to construction defect liabilities, primarily within our Residential segment. As of September 30, 2019 and 2018, we had \$90 and \$171, respectively, reserved for these claims. Because the reserves are based on judgment and estimates, and involve variables that are inherently uncertain, such as the outcome of litigation and an assessment of insurance coverage, there can be no assurance that the ultimate liability will not be higher or lower than such estimates or that the timing of payments will not create liquidity issues for the Company.

Some of the underwriters of our casualty insurance program require us to post letters of credit as collateral. This is common in the insurance industry. To date, we have not had a situation where an underwriter has had reasonable cause to effect payment under a letter of credit. At September 30, 2019, \$6,268 of our outstanding letters of credit was utilized to collateralize our insurance program.

Surety

As of September 30, 2019, the estimated cost to complete our bonded projects was approximately \$88,698. We evaluate our bonding requirements on a regular basis, including the terms offered by our sureties. We believe the bonding capacity presently provided by our current sureties is adequate for our current operations and will be adequate for our operations for the foreseeable future. Posting letters of credit in favor of our sureties reduces the borrowing availability under our revolving credit facility.

Other Commitments and Contingencies

Some of our customers and vendors require us to post letters of credit, or provide intercompany guarantees, as a means of guaranteeing performance under our contracts and ensuring payment by us to subcontractors and vendors. If our customer has reasonable cause to effect payment under a letter of credit, we would be required to reimburse our creditor for the letter of credit. At September 30, 2019, \$200 of our outstanding letters of credit were to collateralize our vendors.

From time to time, we may enter into firm purchase commitments for materials, such as copper or aluminum wire, which we expect to use in the ordinary course of business. These commitments are typically for terms of less than one year and require us to buy minimum quantities of materials at specific intervals at a fixed price over the term. As of September 30, 2019, we had no such significant commitments.

19. BUSINESS COMBINATIONS

The Company completed two acquisitions in the year ended September 30, 2018, for a total aggregate consideration of \$7,413, which includes cash consideration paid at closing of \$7,091, cash consideration paid subsequent to closing of \$125, cash consideration payable in the next fiscal year of \$15, and contingent consideration payable in July 2019 and 2020 with aggregate acquisition date fair value estimated at \$182.

- Azimuth Communications, Inc. ("Azimuth") – On April 6, 2018, the Company's Communications segment acquired all of the outstanding capital stock of Azimuth, a Portland, Oregon-based provider of design and integration services for structured cabling, physical security, access control systems, distributed antenna systems, wireless access, and audio visual systems. The acquisition of Azimuth has accelerated our Communications segment's expansion into the Pacific Northwest market, which the Company believes to be an attractive market.
- Electrical Contractors North, Inc. ("ECNI") – On July 31, 2018, the Company's Residential segment acquired substantially all of the assets of ECNI, a Salt Lake City, Utah-based provider of electrical contracting for multi-family residential and hotel construction. We believe the acquisition of ECNI furthers our Residential segment's growth strategy by providing a foothold in the Salt Lake City market.

The Company accounted for these fiscal 2018 transactions under the acquisition method of accounting, which requires recording assets and liabilities at fair value (Level 3). The valuation of the assets and liabilities assumed for our fiscal 2018 acquisitions as of the acquisition dates is as follows:

Current assets	\$	1,767
Property and equipment		590
Intangible assets (primarily customer relationships)		3,182
Goodwill		4,164
Current liabilities		(1,580)
Long term liabilities		(14)
Deferred tax liability		(696)
Net assets acquired	\$	<u>7,413</u>

With regard to goodwill, the balance is attributable to the workforce of the acquired business and other intangibles that do not qualify for separate recognition. In connection with the Azimuth and ECNI acquisitions, we acquired aggregate goodwill of \$4,164, of which \$1,448 is tax deductible.

20. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Quarterly financial information for the years ended September 30, 2019 and 2018 is summarized as follows:

	Year Ended September 30, 2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 243,842	\$ 256,914	\$ 282,633	\$ 293,607
Gross profit	\$ 41,601	\$ 43,235	\$ 46,397	\$ 50,870
Net income (loss) attributable to IES Holdings, Inc.	\$ 6,884	\$ 5,489	\$ 10,972	\$ 9,861
Earnings (loss) per share:				
Basic	\$ 0.32	\$ 0.26	\$ 0.52	\$ 0.47
Diluted	\$ 0.32	\$ 0.26	\$ 0.52	\$ 0.46

Year Ended September 30, 2018

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 198,300	\$ 205,677	\$ 232,576	\$ 240,275
Gross profit	\$ 33,064	\$ 33,840	\$ 42,537	\$ 40,521
Net income (loss) attributable to IES Holdings, Inc.	\$ (29,569)	\$ 2,221	\$ 8,516	\$ 4,675
Earnings (loss) per share:				
Basic	\$ (1.39)	\$ 0.11	\$ 0.40	\$ 0.22
Diluted	\$ (1.39)	\$ 0.11	\$ 0.40	\$ 0.22

The sum of the individual quarterly earnings per share amounts may not agree with year-to-date earnings per share as each period's computation is based on the weighted average number of shares outstanding during the period.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15 and 15d-15 under the Exchange Act) during the fiscal quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2019, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management, including the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control system was designed to provide reasonable assurance to the Company's Management and Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 framework). Based on this assessment, our management determined that our disclosure controls and procedures were effective as of September 30, 2019.

Ernst & Young LLP, an independent registered public accounting firm that has audited the Company's financial statements as of and for the three-year period ended September 30, 2019, has issued a report on their audit of management's internal control over financial reporting, which is included herein.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required to be included Item 10 of Part III of this Annual Report on Form 10-K is incorporated by reference from the section entitled "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K and the sections entitled "Security Ownership of Certain Beneficial Owners and Management;" "Report of the Audit Committee" and "Election of Directors" in the Company's definitive Proxy Statement for its 2020 Annual Meeting of Stockholders (the "Proxy Statement") to be filed with the SEC no later than January 28, 2020.

Item 11. Executive Compensation

The information required to be included in Item 11 of Part III of this Annual Report on Form 10-K is incorporated by reference from the section entitled "Executive Compensation" in the Proxy Statement.

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

Certain information required to be included in Item 12 of Part III of this Annual Report on Form 10-K is incorporated by reference from the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

Securities Authorized for Issuance Under Equity Plans

The following table provides information as of September 30, 2019 with respect to shares of our common stock that may be issued upon the exercise of options, warrants and rights granted to employees, consultants or members of the Board of Directors under the Company's existing equity compensation plans. For additional information about our equity compensation plans, see Note 12, "Stockholders' Equity" in the notes to our Consolidated Financial Statements set forth in Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Equity Compensation Plan Information

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	162,840	\$ —	824,676 ⁽¹⁾
Equity compensation plans not approved by security holders	21,750 ⁽²⁾	\$ 6.35	—

(1) Represents shares available for issuance under the Company's 2006 Equity Incentive Plan, as amended and restated effective February 9, 2016 (the "Amended Plan"). This plan provides for the granting or awarding of stock options, stock, restricted stock and other forms of equity to employees (including officers), consultants and directors of the Company. This includes 162,840 shares that may be issued pursuant to outstanding performance based phantom stock units ("PPSUs") based on achievement of performance metrics, where applicable, and otherwise assuming the target award is met.

(2) Represents shares issuable upon exercise of outstanding options granted under the Company's 2006 Equity Incentive Plan (as amended and restated as of October 2007), which was in place prior to the Amended Plan. This includes 21,750 options with a weighted-average term of 4.29 years.

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

The information required to be included in Item 13 of Part III of this Annual Report on Form 10-K is incorporated by reference from the section entitled "Certain Relationships and Related Person Transactions" in the Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

The information required to be included in Item 14 of Part III of this Form 10-K is incorporated by reference from the section entitled “Audit Fees” in the Proxy Statement.

PART IV

Item 15. *Exhibits, Financial Statement Schedules*

- (a) Financial Statements and Supplementary Data, Financial Statement Schedules and Exhibits

See Index to Financial Statements under Item 8. “*Financial Statements and Supplementary Data*” of this Form 10-K.

- (b) Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger effective as of March 13, 2013, by and among Integrated Electrical Services, Inc. (n/k/a IES Holdings, Inc.), IES Subsidiary Holdings, Inc. and MISCOR Group, Ltd. (Attached as part of Annex A to the joint proxy statement/prospectus that is part of Amendment No. 4 to the Company's Registration Statement on Form S-4 filed on August 5, 2013) (the schedules and annexes have been omitted pursuant to Item 601(b)(2) of Regulation S-K).
2.2	First Amendment to Agreement and Plan of Merger, dated as of July 10, 2013, by and among Integrated Electrical Services, Inc. (n/k/a IES Holdings, Inc.), IES Subsidiary Holdings, Inc. and MISCOR Group, Ltd. (Attached as part of Annex A to the joint proxy statement/prospectus that is part of Amendment No. 4 to the Company's Registration Statement on Form S-4 filed on August 5, 2013).
2.3	Stock Purchase Agreement dated as of June 1, 2016, by and among IES Infrastructure Solutions, LLC, IES Holdings, Inc., Technibus, Inc. and Technibus, LLC. (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed June 15, 2016).
3.1	Second Amended and Restated Certificate of Incorporation of IES Holdings, Inc., as amended by the Certificate of Amendment thereto, effective May 24, 2016 (composite). (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed August 8, 2016).
3.2	Certificate of Designations of Series A Junior Participating Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed January 28, 2013).
3.3	Amended and Restated Bylaws of IES Holdings, Inc., effective November 6, 2019 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 8, 2019).
4.1	Specimen common stock certificate. (Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed December 9, 2016).
4.2	Tax Benefit Protection Plan Agreement by and between IES Holdings, Inc. and American Stock Transfer & Trust Company, LLC, as Rights Agent, dated as of November 8, 2016, including the form of Rights Certificate and Summary of Stockholder Rights Plan attached thereto as Exhibits A and B, respectively (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed November 9, 2016).
4.3	Registration Rights Agreement, dated May 12, 2006, by and among Integrated Electrical Services, Inc. (n/k/a IES Holdings, Inc.), Tontine Capital Partners, L.P. and certain of its affiliates and Southpoint Master Fund, L.P. (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed May 17, 2006).
4.4	First Amendment to Registration Rights Agreement, dated September 11, 2007, by and among Integrated Electrical Services, Inc. (n/k/a IES Holdings, Inc.), Tontine Capital Partners, L.P. and certain of its affiliates (Incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K filed December 14, 2012).
10.1	Restated Underwriting, Continuing Indemnity and Security Agreement, dated May 12, 2006, by Integrated Electrical Services, Inc. (n/k/a IES Holdings, Inc.) and certain of its subsidiaries and affiliates in favor of Federal Insurance Company. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed May 17, 2006).
10.2	First Amendment, dated as of October 30, 2006, to the Restated Underwriting, Continuing Indemnity, and Security Agreement, dated May 12, 2006, by Integrated Electrical Services, Inc. (n/k/a IES Holdings, Inc.), certain of its subsidiaries and Federal Insurance Company and certain of its affiliates. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 6, 2006).

- 10.3 — [Third Amendment, dated May 1, 2007, to the Restated Underwriting, Continuing Indemnity and Security Agreement, dated May 12, 2006, by Integrated Electrical Services, Inc. \(n/k/a IES Holdings, Inc.\), certain of its subsidiaries and Federal Insurance Company and certain of its affiliates. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 12, 2007\)](#)
- 10.4 — [Fourth Amendment to the Restated Underwriting, Continuing Indemnity and Security Agreement, dated May 12, 2006, by Integrated Electrical Services, Inc. \(n/k/a IES Holdings, Inc.\), certain of its subsidiaries and Federal Insurance Company and certain of its affiliates. \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed October 12, 2007\)](#)
- 10.5 — [Rider to Add Principal/Indemnitor and Fifth Amendment, dated September 29, 2008, to Restated Underwriting, Continuing Indemnity, and Security Agreement, dated May 12, 2006, by Integrated Electrical Services, Inc. \(n/k/a IES Holdings, Inc.\), certain of its subsidiaries and Federal Insurance Company and certain of its affiliates. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 24, 2008\)](#)
- 10.6 — [Agreement of Indemnity, dated May 7, 2010, by Integrated Electrical Services, Inc. \(n/k/a IES Holdings, Inc.\) and certain of its present and future subsidiaries and affiliates and Chartis Property Casualty Company, Chartis Insurance Company of Canada, American Home Assurance Company, Commerce and Industry Insurance Company, Granite State Insurance Company, Lexington Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company and The Insurance Company of the State of Pennsylvania and any and all of their affiliates, subsidiaries, successors and assigns. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 13, 2010\)](#)
- 10.7 — [Amendment No. 1 to Agreement of Indemnity, dated August 16, 2012, between Integrated Electrical Services, Inc. \(n/k/a IES Holdings, Inc.\) and certain of its present and future subsidiaries and affiliates and Chartis Property Casualty Company, Chartis Insurance Company of Canada, American Home Assurance Company, Commerce and Industry Insurance Company, Granite State Insurance Company, Lexington Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company and The Insurance Company of the State of Pennsylvania, and any and all of their affiliates, subsidiaries, successors and assigns \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 17, 2012\)](#)
- 10.8 — [Agreement of Indemnity, dated May 7, 2013, by Integrated Electrical Services, Inc. \(n/k/a IES Holdings, Inc.\) and certain of its present and future subsidiaries and affiliates and XL Specialty Insurance Company, XL Reinsurance America, Inc. and Greenwich Insurance Company and their affiliates, subsidiaries, successors and assigns. \(Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed May 13, 2013\)](#)
- 10.9 — [Agreement of Indemnity, September 9, 2016, by IES Holdings, Inc. and certain of its present and future subsidiaries and affiliates and Everest Reinsurance Company and Everest National Insurance Company, and their affiliated, associated and subsidiary companies, successors and assigns. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 13, 2016\)](#)
- 10.10 — [General Agreement of Indemnity, July 14, 2017, by IES Holdings, Inc. and certain of its present and future subsidiaries and affiliates and Travelers Casualty and Surety Company of America, St. Paul Fire and Marine Insurance Company, and their affiliated, associated and subsidiary companies, successors and assigns. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 14, 2017\)](#)
- 10.11 — [Second Amended and Restated Credit and Security Agreement, dated as of April 10, 2017, by and among IES Holdings, Inc., each of the other Borrowers and Guarantors named therein and Wells Fargo Bank, National Association. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 10, 2017\)](#)
- 10.12 — [Joinder, Limited Consent and First Amendment to Second Amended and Restated Credit and Security Agreement, dated as of July 14, 2017, by and among IES Holdings, Inc., each of the other Borrowers and Guarantors named therein and Wells Fargo Bank, National Association. \(Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 4, 2017\)](#)
- 10.13 — [Second Amendment to the Amended Credit Agreement, dated as of August 2, 2017, to Second Amended and Restated Credit and Security Agreement, dated as of April 10, 2017, by and among IES Holdings, Inc., each of the other Borrowers and Guarantors named therein and Wells Fargo Bank, National Association. \(Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on August 4, 2017\)](#)
- 10.14 — [Third Amendment to Second Amended and Restated Credit and Security Agreement, dated as of July 23, 2018, by and among IES Holdings, Inc., each of the other Borrowers and Guarantors named therein and Wells Fargo Bank, National Association. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 23, 2018\)](#)

- 10.15 — [Fourth Amendment, dated as of May 20, 2019, to Second Amended and Restated Credit and Security Agreement, dated as of April 10, 2017, by and among IES Holdings, Inc., each of the other Borrowers and Guarantors named therein and Wells Fargo Bank, National Association \(Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed August 2, 2019\).](#)
- 10.16 — [Fifth Amendment to Second Amended and Restated Credit and Security Agreement, dated as of September 6, 2019, by and among IES Holdings, Inc., each of the other Borrowers and Guarantors named therein and Wells Fargo Bank, National Association \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 9, 2019\).](#)
- 10.17 — [Sublease Agreement between Tontine Associates, L.L.C. and IES Shared Services, Inc., dated March 29, 2012 \(Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed May 15, 2012\)](#)
- 10.18 — [First Amendment between Tontine Associates, L.L.C., IES Shared Services, Inc. and IES Management ROO, LP, dated as of March 31, 2016, to Sublease Agreement between Tontine Associates, L.L.C., and IES Shared Services, Inc., dated March 29, 2012. \(Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed May 9, 2016\)](#)
- 10.19 — [Second Amendment, dated as of May 1, 2019, to Sublease Agreement, dated as of March 29, 2012 and amended as of March 31, 2016, between Tontine Associates, L.L.C. and IES Management ROO, LP \(Incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q filed May 6, 2019\)](#)
- 10.20 — [Third Amendment, dated as of November 5, 2019, to Sublease Agreement, dated as of March 29, 2012 and amended as of March 31, 2016 and May 1, 2019, between Tontine Associates, L.L.C. and IES Management ROO, LP \(an exhibit to this agreement has been omitted pursuant to Item 601\(a\)\(5\) of Regulation S-K. A copy of the omitted exhibit will be furnished to the SEC upon request.\)](#)⁽¹⁾
- 10.21 — [Board Observer Letter Agreement between Tontine Associates, L.L.C. and IES Holdings, Inc., dated December 6, 2018 \(Incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed December 7, 2018\)](#)
- *10.22 — [Term Life Insurance Plan \(Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed October 17, 2007\)](#)
- *10.23 — [Integrated Electrical Services, Inc. \(n/k/a IES Holdings, Inc.\) 2006 Equity Incentive Plan, as amended and restated through 2007 \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 17, 2007\)](#)
- *10.24 — [Form of Performance-Based Phantom Stock Unit Award Agreement under the Company's 2006 Equity Incentive Plan, as amended and restated through 2007 \(Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed February 8, 2016\)](#)
- *10.25 — [Integrated Electrical Services, Inc. \(n/k/a IES Holdings, Inc.\) Amended and Restated 2006 Equity Incentive Plan \(as of February 9, 2016\) \(Incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement filed December 28, 2015\)](#)
- *10.26 — [Form of Phantom Stock Unit Award under the Company's Amended and Restated 2006 Equity Incentive Plan \(as of February 9, 2016\) \(Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed May 9, 2016\)](#)
- *10.27 — [Form of Stock Option Award Agreement under the Company's Amended and Restated 2006 Equity Incentive Plan \(as of February 9, 2016\) \(Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed May 9, 2016\)](#)
- *10.28 — [Form of Restricted Stock Award Agreement under the Company's Amended and Restated 2006 Equity Incentive Plan \(as of February 9, 2016\) \(Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed May 9, 2016\)](#)
- *10.29 — [Performance-Based Phantom Stock Unit Award Agreement, dated as of June 6, 2016, by and between the Company and Mr. Santoni, under the Company's Amended and Restated 2006 Equity Incentive Plan \(as of February 9, 2016\) \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 7, 2016\)](#)
- *10.30 — [Performance-Based Phantom Cash Unit Award Agreement, dated as of June 6, 2016, by and between the Company and Mr. Santoni, under the Company's Amended and Restated 2006 Equity Incentive Plan \(as of February 9, 2016\) \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 7, 2016\)](#)
- *10.31 — [Amended and Restated 2009 Deferred Compensation Plan \(Incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K filed December 15, 2008\)](#)
- *10.32 — [Integrated Electrical Services, Inc. \(n/k/a IES Holdings, Inc.\) Long Term Incentive Plan, as amended and restated. \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 23, 2009\)](#)

- *10.33 — [Amended and Restated Integrated Electrical Services, Inc. \(n/k/a IES Holdings, Inc.\) Executive Severance Benefit Plan, effective January 12, 2016 \(Incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K filed December 9, 2016\)](#)
- *10.34 — [Form of Phantom Stock Unit Award under the Company's Amended and Restated 2006 Equity Incentive Plan \(as of February 9, 2016\), dated February 6, 2019 \(Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed May 6, 2019\)](#)
- *10.35 — [IES Holdings, Inc. Short-Term Incentive Plan \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March, 5, 2019\)](#)
- *10.36 — [IES Holdings, Inc. Long-Term Incentive Plan Annual Grant Program \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed March, 5, 2019\)](#)
- *10.37 — [Form of Cumulative Income Restricted Stock Award Agreement under the Company's 2006 Equity Incentive Plan \(as of February 9, 2016\), dated March 4, 2019 \(Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed May 6, 2019\)](#)
- *10.38 — [Time-Based Restricted Stock Award Agreement, dated as of March 4, 2019, by and between IES Holdings, Inc. and Gary S. Matthews, under the Company's Amended and Restated 2006 Equity Incentive Plan \(as of February 9, 2016\) \(Incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed May 6, 2019\)](#)
- *10.39 — [First Stock Price-Based Restricted Stock Award Agreement, dated as of March 4, 2019, by and between IES Holdings, Inc. and Gary S. Matthews, under the Company's Amended and Restated 2006 Equity Incentive Plan \(as of February 9, 2016\) \(Incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed May 6, 2019\)](#)
- *10.40 — [Second Stock Price-Based Restricted Stock Award Agreement, dated as of March 4, 2019, by and between IES Holdings, Inc. and Gary S. Matthews, under the Company's Amended and Restated 2006 Equity Incentive Plan \(as of February 9, 2016\) \(Incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed May 6, 2019\)](#)
- *10.41 — [Employment Agreement between IES Holdings, Inc. and Gary S. Matthews, dated as of February 28, 2019 \(Incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed May 6, 2019\)](#)
- *10.42 — [Transition Agreement and Release between IES Holdings, Inc. and Robert W. Lewey, dated as of March 9, 2019 \(Incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed May 6, 2019\)](#)
- *10.43 — [Consulting Fee Agreement between IES Holdings, Inc. and Robert W. Lewey, dated as of March 9, 2019 \(Incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed May 6, 2019\)](#)
- 21.1 — [Subsidiaries of the Registrant](#) ⁽¹⁾
- 23.1 — [Consent of Ernst & Young LLP](#) ⁽¹⁾
- 31.1 — [Rule 13a-14\(a\)/15d-14\(a\) Certification of Gary S. Matthews, Chief Executive Officer](#) ⁽¹⁾
- 31.2 — [Rule 13a-14\(a\)/15d-14\(a\) Certification of Tracy A. McLaughlin, Chief Financial Officer](#) ⁽¹⁾
- 32.1 — [Section 1350 Certification of Gary S. Matthews, Chief Executive Officer](#) ⁽²⁾
- 32.2 — [Section 1350 Certification of Tracy A. McLaughlin, Chief Financial Officer](#) ⁽²⁾
- 101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document ⁽¹⁾
- 101.SCH Inline XBRL Schema Document ⁽¹⁾
- 101.LAB Inline XBRL Label Linkbase Document ⁽¹⁾
- 101.PRE Inline XBRL Presentation Linkbase Document ⁽¹⁾
- 101.DEF Inline XBRL Definition Linkbase Document ⁽¹⁾
- 101.CAL Inline XBRL Calculation Linkbase Document ⁽¹⁾
- 104 Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* Management contracts or compensatory plans or arrangements required to be filed herewith pursuant to Item 15(a) (3) of this Annual Report on Form 10-K.

(1) Filed herewith.

(2) Furnished herewith.

THIRD AMENDMENT TO SUBLEASE AGREEMENT

This Third Amendment to Sublease Agreement is entered into as of November 5, 2019 (the "Sublease Amendment"), by and between **TONTINE ASSOCIATES, LLC**, having an office at One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830 (the "Sublessor"), and **IES MANAGEMENT ROO, LP**, sharing office space with Sublessor (the "Sublessee" and, together with the Sublessor, the "Parties").

RECITALS

WHEREAS, the Sublessor and **IES SHARED SERVICES, INC.** (the "Original Sublessee"), are parties to a Sublease dated March 29, 2012 ("Original Sublease"), for a portion of the premises (the "Subleased Premises") located at One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830 (the "Lease Premises"), which is leased by Sublessor from Sound Shore Partners LLC pursuant to a Lease Agreement (the "Lease Agreement");

WHEREAS, the Original Sublease expired on March 31, 2016 and (i) was amended by that certain First Amendment to the Original Sublease dated April 1, 2016 between the Sublessor, Original Sublessee and Sublessee (the "First Amendment"), pursuant to which the Original Sublease was novated with respect to the Original Sublessee, and the Sublessee was substituted in place of the Original Sublessee under the Sublease, and the lease term was extended to June 30, 2019, and (ii) was further amended by that certain Second Amendment to the Original Sublease dated May 1, 2019 (the "Second Amendment" and, together with the First Amendment and the Original Sublease, the "Sublease"), pursuant to which, the lease term was further extended to December 31, 2019;

WHEREAS, Sublessor has renewed its Lease Agreement for the Lease Premises effective January 1, 2020 for a term expiring on February 28, 2023, and

WHEREAS, the Parties desire to amend the Sublease, effective as of January 1, 2020 (the "Effective Date"), as set forth below to extend the term of the Sublease and to reflect the new lease rates therein of the Subleased Premises.

NOW THEREFORE, in consideration for the mutual and reciprocal promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree to amend the Sublease as follows:

All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Sublease.

1. **Term**. The Term of the Sublease shall be extended for three (3) years and two (2) months so that the Sublease Expiration Date shall be February 27, 2023.

2. **Base Rent**. As of the Effective Date, the first paragraph of Section 2.1 of the Sublease is hereby deleted and the following is inserted in its place:

(a) **Base Rent**. As of the Effective Date and continuing thereafter on the first day of each and every calendar month during the term of this Sublease, Sublessee shall pay to Sublessor, as base rent for the Subleased Premises, monthly rent (exclusive of any Additional Rent pursuant to and in accordance with Article 2.2 of the Original Sublease) (the "Base Rent") for each calendar month or portion thereof during the Term of this Sublease as follows:

<u>Period</u>	<u>Annual Base Rent*</u>	<u>Monthly Installment*</u>
from January 1, 2020 through and including December 31, 2020;	\$96,862.50	\$8,071.88
from January 1, 2021 through and including December 31, 2021;	\$99,076.50	\$8,256.38
from January 1, 2022 through and including the Sublease Expiration Date.	\$101,290.50	\$8,440.88

* See Exhibit B for a reconciliation of these amounts to amounts payable by Sublessor under renewed Lease Agreement.

(b) **Additional Rent**. Sublessee shall continue to pay the Additional Rent due and owing under the Sublease pursuant to and in accordance with Article 2.2 of the Original Sublease.

3. Rental Credit: Notwithstanding the terms of Section 2(a), and provided that Sublessee is not in default under this Sublease, Sublessee shall receive a rental credit in the amount of \$11,346.75 (the "Credit"), which Sublessee shall apply in one (1) installment of \$8,071.88 to pay in part the Base Rent for the first month following the Effective Date (i.e., January 2020) and one (1) installment of \$3,274.87 to pay in part the Base Rent for the second month following the Effective Date (i.e., February 2020). The Credit shall abate during any period of a default by Sublessee. In the event Sublessee is in default at any time during this Sublease, any Credit provided shall be negated and recoverable by Sublessor and may be sued for in a non-payment proceeding.

4. Sublessor Representations and Warranties.

(a) Sublessor hereby represents and warrants to Sublessee the following:

(i) attached hereto, marked Exhibit A is a true, complete, and correct copy of the Prime Lease;

(ii) the Prime Lease is in full force and effect and has not been amended or modified except as expressly set forth in Exhibit A;

5. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6. All other terms and conditions of the Sublease shall remain the same and in full force and effect.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, Sublessor and Sublessee have duly executed this Third Amendment as of the day and year first above written.

SUBLESSOR:

TONTINE ASSOCIATES, L.L.C., a Delaware limited liability company

By: /s/ Jeffrey L. Gendell

Name: Jeffrey L. Gendell

Title: Managing Member

SUBLEESSEE:

IES MANAGEMENT ROO, L.P., a Texas limited partnership

By: IES OPERATIONS GROUP, INC., its General Partner

By: /s/ Tracy A. McLauchlin

Name: Tracy A. McLauchlin

Title: President and Treasurer

Exhibit A

Tontine 2019 Prime Lease Renewal

Omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of the omitted exhibit will be furnished to the SEC upon request.

Exhibit B

Reconciliation of Amounts Payable by Sublessor Under Lease Renewal and Amounts Payable by Sublessee Under Third Amendment to Sublease Agreement

	<u>1/1/20-12/31/20</u>	<u>1/1/21-12/31/21</u>	<u>1/1/22-2/28/23</u>
Aggregate Square Footage	3,690	3,690	3,690
Sublessee Share of Square Footage	60%	60%	60%
Sublessee Square Footage	2,214	2,214	2,214
Annual Fixed Rent Payable by Sublessor before Rent Inclusion Factor	\$ 151,290.00	\$ 154,980.00	\$ 158,670.00
Annual Rent Inclusion Factor	10,147.50	10,147.50	10,147.50
Annual Fixed Rent Payable by Sublessor including Rent Inclusion Factor	<u>\$ 161,437.50</u>	<u>\$ 165,127.50</u>	<u>\$ 168,817.50</u>
Annual Fixed Rent per Square Foot Payable by Sublessor including Rent Inclusion Factor	\$43.75	\$44.75	\$45.75
Sublessee's % Share of Annual Fixed Rent Payable by Sublessor including Rent Inclusion Factor	60%	60%	60%
Sublessee's Annual Base Rent Payable under Sublease	\$ 96,862.50	\$ 99,076.50	\$ 101,290.50
Sublessee's Annual Base Rent per Square Foot Payable under Sublease	\$43.75	\$44.75	\$45.75
Monthly Fixed Rent Payable by Sublessor before Rent Inclusion Factor	\$ 12,607.50	\$ 12,915.00	\$ 13,222.50
Monthly Rent Inclusion Factor	845.63	845.63	845.63
Monthly Fixed Rent Payable by Sublessor including Rent Inclusion Factor	<u>\$ 13,453.13</u>	<u>\$ 13,760.63</u>	<u>\$ 14,068.13</u>
Monthly Fixed Rent per Square Foot Payable by Sublessor including Rent Inclusion Factor	\$3.65	\$3.73	\$3.81
Sublessee's % Share of Monthly Fixed Rent Payable by Sublessor including Rent Inclusion Factor	60%	60%	60%
Sublessee's Monthly Base Rent Payable under Sublease	\$ 8,071.88	\$ 8,256.38	\$ 8,440.88
Sublessee's Monthly Base Rent per Square Foot Payable under Sublease	\$3.65	\$3.73	\$3.81

Note: "Rent Inclusion Factor" is that part of the Fixed Rent payable by Sublessor under Lease Agreement allocable to the provision of electrical energy. In the original Lease Agreement and first three amendments thereto, the Fixed Rent was stated on a basis including the Rent Inclusion Factor. In the current amendment to the Lease Agreement, the Fixed Rent is stated on a basis before the Rent Inclusion Factor, with the Rent Inclusion Factor identified separately. In the Original Sublease and prior amendments, Sublessee's Base Rent is based on a certain percentage of Sublessor's Fixed Rent including the Rent Inclusion Factor. In this Third Amendment to Sublease Agreement, Sublessee's share of the Fixed Rent is stated as a percentage of the Fixed Rent including the Rent Inclusion Factor, consistent with the Original Sublease and prior amendments.

SUBSIDIARIES OF THE REGISTRANT

As of September 30, 2019

Subsidiary	Jurisdiction of Incorporation
Azimuth Communications, Inc.	Oregon
Calumet Armature and Electric, L.L.C.	Illinois
Freeman Enclosure Systems, LLC	Ohio
HK Engine Components, LLC	Indiana
ICS Holdings LLC	Arizona
IES Commercial, Inc.	Delaware
IES Communications, LLC	Delaware
IES Consolidation, LLC	Delaware
IES Infrastructure Solutions, LLC	Delaware
IES Management, LP	Texas
IES Management ROO, LP	Texas
IES Operations Group, Inc.	Delaware
IES Residential, Inc.	Delaware
IES Shared Services, Inc.	Delaware
IES Subsidiary Holdings, Inc.	Delaware
Integrated Electrical Finance, Inc.	Delaware
Key Electrical Supply, Inc.	Texas
Magnetech Industrial Services, Inc.	Indiana
NEXT Electric, LLC	Wisconsin
Southern Industrial Sales and Services, Inc.	Georgia
STR Mechanical, LLC	North Carolina
Technibus, Inc.	Delaware
Technical Services II, LLC	Virginia
Thomas Popp & Company	Ohio

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement on Form S-8 (No. 333-209483) pertaining to the Amended and Restated 2006 Equity Incentive Plan of IES Holdings, Inc.;
- (2) Registration Statement on Form S-8 (No. 333-134100) pertaining to the 2006 Equity Incentive Plan of IES Holdings, Inc.;
- (3) Registration Statement on Form S-3 (No. 333-186786) pertaining to the registration for resale of common stock of IES Holdings, Inc. by the selling stockholders named therein; and
- (4) Registration Statement on Form S-3 (No. 333-215071) pertaining to the registration for resale of common stock of IES Holdings, Inc. by the selling stockholders named therein;

of our reports dated December 6, 2019, with respect to the consolidated financial statements of IES Holdings, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of IES Holdings, Inc. and subsidiaries, included in this Annual Report (Form 10-K) of IES Holdings, Inc. and subsidiaries for the year ended September 30, 2019.

s/ ERNST & YOUNG LLP

Houston, Texas
December 6, 2019

CERTIFICATION

I, Gary S. Matthews, certify that:

1. I have reviewed this Annual Report on Form 10-K of IES 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

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

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

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

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

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

Date: December 6, 2019

/s/ GARY S. MATTHEWS

Gary S. Matthews
Chief Executive Officer
as Principal Executive Officer

CERTIFICATION

I, Tracy A. McLauchlin, certify that:

1. I have reviewed this Annual Report on Form 10-K of IES 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

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

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

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

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

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

Date: December 6, 2019

/s/ TRACY A. MCLAUCHLIN

Tracy A. McLauchlin

Senior Vice President, Chief Financial Officer and Treasurer
as Principal Financial Officer

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

In connection with this Annual Report of IES Holdings, Inc. (the “Company”) on Form 10-K for the period ending September 30, 2019 (the “Report”), I, Gary S. Matthews, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 6, 2019

By: /s/ GARY S. MATTHEWS

Gary S. Matthews
Chief Executive Officer
as Principal Executive Officer

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

In connection with this Annual Report of IES Holdings, Inc. (the “Company”) on Form 10-K for the period ending September 30, 2019 (the “Report”), I, Tracy A. McLauchlin, Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 6, 2019

By: /s/ TRACY A. MCLAUHLIN

Tracy A. McLauchlin
Senior Vice President, Chief Financial Officer and Treasurer
as Principal Financial Officer