

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 27, 2024

OR

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

Commission File Number: 001-41867

**Shimmick Corporation**

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

530 Technology Drive

Suite 300

Irvine, CA

(Address of principal executive offices)

84-3749368

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

92618

(Zip Code)

Registrant's telephone number, including area code: (833) 723-2021

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	SHIM	NASDAQ

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, 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 type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" 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 Exchange Act). Yes  No

As of November 7, 2024, the registrant had 33,796,922 shares of Common Stock, par value \$0.01 per share, outstanding.

## FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Quarterly Report on Form 10-Q (“Form 10-Q”) within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are subject to risks and uncertainties. For these statements, we claim the protections of the safe harbor for forward-looking statements contained in such Sections. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “project,” “will,” “should,” “may” or similar expressions, we intend to identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements.

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, important factors included in the sections entitled “Forward Looking Statements” and “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 29, 2023 (“Form 10-K”) and those described from time to time in our future reports with the SEC (in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements) that could have a significant impact on our operations and financial results, and could cause our actual results to differ materially from those contained or implied in forward-looking statements made by us or on our behalf in this Form 10-Q, in presentations, on our websites, in response to questions or otherwise. We believe these factors include, but are not limited to, the following:

- our ability to accurately estimate risks, requirements or costs when we bid on or negotiate a contract,
- the impact of our fixed-price contracts,
- qualifying as an eligible bidder for contracts
- the availability of qualified personnel, joint venture partners and subcontractors,
- inability to attract and retain qualified managers and skilled employees and the impact of loss of key management,
- higher costs to lease, acquire and maintain equipment necessary for our operations or a decline in the market value of owned equipment,
- subcontractors failing to satisfy their obligations to us or other parties or any inability to maintain subcontractor relationships,
- marketplace competition,
- our inability to obtain bonding
- our limited operating history as an independent company following our separation from AECOM,
- our relationship and transactions with our prior owner, AECOM,
- AECOM defaulting on its contractual obligations to us or under agreements in which we are beneficiary,
- our limited number of customers,
- dependence on subcontractors and suppliers of materials,
- any inability to secure sufficient aggregates,
- an inability to complete a merger or acquisition or to integrate an acquired company’s business,
- adjustments in our contract backlog,
- accounting for our revenue and costs involves significant estimates, as does our use of the input method of revenue recognition based on costs incurred relative to total expected costs,
- material impairments,
- any failure to comply with covenants under any current indebtedness, and future indebtedness we may incur,
- the adequacy of sources of liquidity,
- cybersecurity attacks against, disruptions, failures or security breaches of, our information technology systems,

- seasonality of our business,
- pandemics and health emergencies,
- commodity products price fluctuations, inflation and/or elevated interest rates,
- liabilities under environmental laws, compliance with immigration laws, and other regulatory matters, including changes in regulations and laws,
- climate change
- deterioration of the U.S. economy, and
- uncertain political conditions (including {as a result of the }2024 elections) and geopolitical risks, including those related to the war between Russia and Ukraine, the conflict in the Gaza strip and the conflict within the Red Sea Region.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances, including, but not limited to, unanticipated events, after the date on which such statement is made, unless otherwise required by law. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained or implied in any forward-looking statement.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Shimmick Corporation**  
**Condensed Consolidated Balance Sheets**  
(In thousands, except share data)  
(unaudited)

	September 27, 2024	December 29, 2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 25,962	\$ 62,939
Restricted cash	611	971
Accounts receivable, net	53,516	54,178
Contract assets, current	127,518	125,943
Prepays and other current assets	13,582	13,427
<b>TOTAL CURRENT ASSETS</b>	<b>221,189</b>	<b>257,458</b>
Property, plant and equipment, net	21,396	46,373
Intangible assets, net	7,312	9,244
Contract assets, non-current	49,159	48,316
Lease right-of-use assets	25,996	23,855
Investment in unconsolidated joint ventures	19,936	21,283
Deferred tax assets	-	17,252
Other assets	1,749	2,871
<b>TOTAL ASSETS</b>	<b>\$ 346,737</b>	<b>\$ 426,652</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 69,441	\$ 81,589
Contract liabilities, current	97,627	115,785
Accrued salaries, wages and benefits	29,400	26,911
Accrued expenses	62,782	33,897
Other current liabilities	18,926	13,071
<b>TOTAL CURRENT LIABILITIES</b>	<b>278,176</b>	<b>271,253</b>
Long-term debt, net	39,903	29,627
Lease liabilities, non-current	17,117	15,045
Contract liabilities, non-current	-	3,215
Contingent consideration	4,718	15,488
Deferred tax liabilities	-	17,252
Other liabilities	5,850	4,282
<b>TOTAL LIABILITIES</b>	<b>345,764</b>	<b>356,162</b>
Commitments and Contingencies (Note 11)		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.01 par value, 100,000,000 shares authorized as of September 27, 2024 and December 29, 2023; 33,738,739 and 25,493,877 shares issued and outstanding as of September 27, 2024 and December 29, 2023, respectively	338	255
Additional paid-in-capital	40,543	24,445
Retained (deficit) earnings	(39,749)	46,537
Non-controlling interests	(159)	(747)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>973</b>	<b>70,490</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 346,737</b>	<b>\$ 426,652</b>

See accompanying notes to the condensed consolidated financial statements.

**Shimmick Corporation**  
**Condensed Consolidated Statements of Operations**  
(In thousands, except per share data)  
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Revenue	\$ 166,035	\$ 175,448	\$ 376,684	\$ 494,744
Cost of revenue	153,846	158,436	411,485	471,967
<b>Gross margin</b>	12,189	17,012	(34,801)	22,777
Selling, general and administrative expenses	12,985	14,022	47,878	47,841
ERP pre-implementation asset impairment and associated costs	15,708	—	15,708	—
Total operating expenses	28,693	14,022	63,586	47,841
Equity in earnings (loss) of unconsolidated joint ventures	812	2,577	(779)	9,570
Gain on sale of assets	16,896	30,069	20,585	31,749
<b>Income (loss) from operations</b>	1,204	35,636	(78,581)	16,255
Interest expense	1,977	412	4,370	1,020
Other expense, net	791	393	3,335	48
<b>Net (loss) income before income tax</b>	(1,564)	34,831	(86,286)	15,187
Income tax expense	—	—	—	—
<b>Net (loss) income</b>	(1,564)	34,831	(86,286)	15,187
<b>Net income attributable to non-controlling interests</b>	—	264	—	257
<b>Net (loss) income attributable to Shimmick Corporation</b>	\$ (1,564)	\$ 34,567	\$ (86,286)	\$ 14,930
<b>Net (loss) income attributable to Shimmick Corporation per common share</b>				
<b>Basic</b>	\$ (0.05)	\$ 1.58	\$ (2.96)	\$ 0.68
<b>Diluted</b>	\$ (0.05)	\$ 1.58	\$ (2.96)	\$ 0.68

See accompanying notes to the condensed consolidated financial statements.

**Shimmick Corporation**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(In thousands, except share data)  
(unaudited)

	Common Stock		Additional Paid-in- Capital	Retained (Deficit) Earnings	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount				
Balance as of June 28, 2024	33,709,919	\$ 337	\$ 39,205	\$ (38,185)	\$ (921)	\$ 436
Net loss	-	-	-	(1,564)	-	(1,564)
Issuance of common stock	28,820	1	1	-	-	2
Stock-based compensation	-	-	1,337	-	-	1,337
Contributions from non-controlling interests	-	-	-	-	762	762
Balance as of September 27, 2024	33,738,739	\$ 338	\$ 40,543	\$ (39,749)	\$ (159)	\$ 973

	Common Stock		Additional Paid-in- Capital	Retained (Deficit) Earnings	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount				
Balance as of June 30, 2023	21,908,800	\$ 219	\$ 4,392	\$ 29,446	\$ (1,014)	\$ 33,043
Net income	—	—	—	34,567	264	34,831
Exercise of stock options	10,077	—	13	—	—	13
Stock-based compensation	—	—	496	—	—	496
Balance as of September 29, 2023	21,918,877	\$ 219	\$ 4,901	\$ 64,013	\$ (750)	\$ 68,383

	Common Stock		Additional Paid-in- Capital	Retained (Deficit) Earnings	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 29, 2023	25,493,877	\$ 255	\$ 24,445	\$ 46,537	\$ (747)	\$ 70,490
Net loss	—	—	—	(86,286)	—	(86,286)
Issuance of common stock	8,244,862	83	12,794	—	—	12,877
Stock-based compensation	—	—	3,304	—	—	3,304
Contributions from non-controlling interests	—	—	—	—	762	762
Distributions to non-controlling interests	—	—	—	—	(174)	(174)
Balance as of September 27, 2024	33,738,739	\$ 338	\$ 40,543	\$ (39,749)	\$ (159)	\$ 973

	Common Stock		Additional Paid-in- Capital	Retained (Deficit) Earnings	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 30, 2022	21,908,800	\$ 219	\$ 3,341	\$ 49,083	\$ (1,048)	\$ 51,595
Net income	—	—	—	14,930	257	15,187
Exercise of stock options	10,077	—	13	—	—	13
Stock-based compensation	—	—	1,547	—	—	1,547
Contributions from non-controlling interests	—	—	—	—	301	301
Distributions to non-controlling interests	—	—	—	—	(260)	(260)
Balance as of September 29, 2023	21,918,877	\$ 219	\$ 4,901	\$ 64,013	\$ (750)	\$ 68,383

See accompanying notes to the condensed consolidated financial statements.

**Shimmick Corporation**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(unaudited)

	Nine Months Ended	
	September 27, 2024	September 29, 2023
<b>Cash Flows From Operating Activities</b>		
Net (loss) income	\$ (86,286)	\$ 15,187
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Stock-based compensation	3,304	1,547
Depreciation and amortization	11,646	13,186
Equity in loss (earnings) of unconsolidated joint ventures	779	(9,570)
Return on investment in unconsolidated joint ventures	610	14,220
ERP pre-implementation asset impairment	10,428	-
Gain on sale of assets	(20,585)	(31,749)
Other	1,892	111
Changes in operating assets and liabilities:		
Accounts receivable, net	663	(12,012)
Contract assets	(2,418)	(10,134)
Accounts payable	(12,149)	24,221
Contract liabilities	(18,157)	(41,797)
Accrued salaries, wages and benefits	2,489	(2,073)
Accrued expenses	34,165	(22,042)
Other assets and liabilities	7,436	(3,871)
Net cash used in operating activities	<u>(66,183)</u>	<u>(64,776)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property, plant and equipment	(9,963)	(6,140)
Proceeds from sale of assets	31,608	34,983
Unconsolidated joint venture equity contributions	(3,460)	(19,670)
Return of investment in unconsolidated joint ventures	204	3,980
Net cash provided by investing activities	<u>18,389</u>	<u>13,153</u>
<b>Cash Flows From Financing Activities</b>		
Net borrowings on Credit Facility	42,000	—
Net (repayments of) borrowings on Revolving Credit Facility	(29,619)	33,722
Other, net	(1,924)	(1,028)
Net cash provided by financing activities	<u>10,457</u>	<u>32,694</u>
Net decrease in cash, cash equivalents and restricted cash	<u>(37,337)</u>	<u>(18,929)</u>
Cash, cash equivalents and restricted cash, beginning of period	63,910	82,085
Cash, cash equivalents and restricted cash, end of period	<u>\$ 26,573</u>	<u>\$ 63,156</u>
<b>Reconciliation of cash, cash equivalents and restricted cash to the</b>		
<b>Condensed Consolidated Balance Sheets</b>		
Cash and cash equivalents	\$ 25,962	\$ 61,862
Restricted cash	611	1,294
Total cash, cash equivalents and restricted cash	<u>\$ 26,573</u>	<u>\$ 63,156</u>

See accompanying notes to the condensed consolidated financial statements.



**Shimmick Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**Note 1. Business and Organization**

Shimmick Corporation ("Shimmick", the "Company") was founded in 1990 in California and operated as a regional infrastructure construction contractor throughout California for nearly 30 years. In 2017, AECOM acquired Shimmick and consolidated it with its existing construction services, which included former legacy construction operations from Morrison Knudsen, Washington Group International, and others. In January 2021, we consummated the AECOM Sale Transactions and began operating as an independent company under new private ownership (the "AECOM Sale Transactions").

The accompanying condensed consolidated financial statements include the accounts of Shimmick Corporation and its subsidiaries ("Shimmick", "we", "our", "us", "its" or the "Company"), unless otherwise indicated. On September 12, 2023, the Company changed its name from SCCI National Holdings, Inc. to Shimmick Corporation.

On November 16, 2023, Shimmick completed its initial public offering of 3,575,000 shares of common stock at a price to the public of \$7.00 per share (the "IPO"). The net proceeds to Shimmick from the IPO were approximately \$19 million after deducting underwriting discounts and commissions of \$2 million and other offering expenses of \$4 million. Shimmick's common stock began trading on the NASDAQ Global Market on November 14, 2023.

**Note 2. Basis of Presentation and Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP"), and in conformity with the rules and regulations of the Securities and Exchange Commission. The information furnished reflects all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair presentation of the results of operations, cash flows and financial position for the interim periods presented. A statement of comprehensive income is not presented as the Company's results of operations do not contain any items classified as comprehensive income. All intercompany accounts and transactions have been eliminated. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations, although management believes the disclosures are adequate to prevent the information presented from being misleading. The accompanying condensed consolidated interim financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements and notes in our Annual Report on Form 10-K for the fiscal year ended December 29, 2023 ("Form 10-K"). Because of the seasonal nature of some of the Company's operations, the results of operations for the three and nine months ended September 27, 2024 are not necessarily indicative of the results of operations to be expected for the full fiscal year.

**Change in Presentation**

Certain prior period balances in the condensed consolidated balance sheets, statements of operations and statements of cash flows and accompanying notes have been combined, reclassified or rounded to conform to current period presentation. These changes had no impact on net (loss) income, cash flows, assets and liabilities, or equity previously reported.

**Summary of Significant Accounting Policies**

Our significant accounting policies are described in more detail in Note 2 - Basis of Presentation and Summary of Significant Accounting Policies of our Form 10-K.

**Use of Estimates**

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts included in the condensed consolidated financial statements and accompanying notes thereto. Actual results could differ from those estimates.

**Recently Issued Accounting Pronouncements**

Accounting pronouncements not listed below were assessed and determined to be not applicable or are expected to have minimal impact on the condensed consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07 to enhance disclosures of significant expense and segment profitability categories and amounts for reportable business segments. The amendment is effective in interim periods in the fiscal year beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the provisions of the amendments and the impact on its future consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09 to improve disclosures and presentation requirements to the transparency of the income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. The amendment is effective in interim periods in the fiscal year beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the provisions of the amendments and the impact on its future consolidated financial statements.

### Note 3. Revenue, Receivables and Contract Assets and Liabilities

The following table presents the Company's revenue disaggregated by contract types:

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Fixed-price	\$ 153,802	\$ 153,178	\$ 349,182	\$ 440,015
Cost reimbursable	11,602	19,864	25,983	48,757
Equipment and labor revenue	631	2,406	1,519	5,972
Total revenue	<u>\$ 166,035</u>	<u>\$ 175,448</u>	<u>\$ 376,684</u>	<u>\$ 494,744</u>

Projects started after the AECOM Sale Transactions ("Shimmick Projects") have focused on water infrastructure and other critical infrastructure. Projects that focus on foundation drilling are referred to as "Foundations Projects". Projects that started prior to consummation of the AECOM Sale Transactions are referred to as "Legacy Projects".

The following table presents the Company's revenue disaggregated by Shimmick Projects, Foundations Projects and Legacy Projects:

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Shimmick Projects	\$ 101,475	\$ 109,884	\$ 275,457	\$ 301,475
Foundations Projects	10,837	11,523	25,931	40,615
Legacy Projects <sup>(1)</sup>	53,723	54,041	75,296	152,654
Total revenue	<u>\$ 166,035</u>	<u>\$ 175,448</u>	<u>\$ 376,684</u>	<u>\$ 494,744</u>

(1) Legacy Projects revenue for the three and nine months ended September 27, 2024 reflects a \$31 million increase to revenue as a result of the GGB Project settlement in which the Company will receive \$97 million in cash and a contract change order for reduced scope of work of \$6 million. See Note 12 – Subsequent Events for additional details. Legacy Projects revenue for the nine months ended September 27, 2024 also reflects a reduction to revenue of \$23 million recorded during the three months ended June 28, 2024 to write off previously recorded contract assets as a result of a settlement of a claim with the United States Army Corps of Engineers.

#### *Remaining performance obligations*

The Company had \$777 million of remaining performance obligations yet to be satisfied as of September 27, 2024. Our remaining performance obligations have a weighted average life of 2.0 years as of September 27, 2024.

## Contract Balances

The following table provides information about contract assets (also referred to as costs and estimated earnings in excess of billings on uncompleted contracts and retainage receivable) and contract liabilities (also referred to as billings on uncompleted contracts in excess of costs and estimated earnings and forward loss reserve), which include assets and liabilities that are dependent upon future activity:

<i>(In thousands)</i>	September 27, 2024	December 29, 2023	Change
Contract assets, current and non-current:			
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 127,518	\$ 125,943	\$ 1,575
Retainage receivable	49,159	48,316	843
Total contract assets	176,677	174,259	2,418
Contract liabilities, current and non-current:			
Billings on uncompleted contracts in excess of costs and estimated earnings	(42,998)	(48,841)	5,843
Forward loss reserve	(54,629)	(70,159)	15,530
Total contract liabilities	(97,627)	(119,000)	21,373
Net	\$ 79,050	\$ 55,259	\$ 23,791

Contract terms with customers include the timing of billing and payment, which usually differs from the timing of revenue recognition. As a result, the Company carries contract assets and liabilities within the condensed consolidated balance sheets. These contract assets and liabilities are calculated on a contract-by-contract basis and reported on a net basis at the end of each period and are classified as current or non-current. Many of the contracts under which the Company performs work also contain retainage provisions. Retainage refers to that portion of our billings held for payment by the customer pending satisfactory completion of the project. Unless reserved, the Company assumes that all amounts retained by customers under such provisions are fully collectible. These assets and liabilities are reported in the condensed consolidated balance sheets within "Contract assets, current," "Contract assets, non-current," "Contract liabilities, current" and "Contract liabilities, non-current." Costs and estimated earnings in excess of billings on uncompleted contracts consists of revenue recognized in excess of billings. Billings on uncompleted contracts in excess of costs and estimated earnings consists of billings in excess of revenue recognized. The Company recognized revenue of \$41 million during the nine months ended September 27, 2024 that was included in contract liabilities as of December 29, 2023.

The Company's timing of revenue recognition may not be consistent with its rights to bill and collect cash from its clients. Those rights are generally dependent upon advance billing terms, milestone billings based on the completion of certain phases of work or when services are performed. The Company's accounts receivable represents amounts billed to clients that have yet to be collected and represent an unconditional right to cash from its clients as presented below.

<i>(In thousands)</i>	September 27, 2024	December 29, 2023
Total accounts receivable, gross	\$ 54,470	\$ 55,202
Allowance for credit losses	(954)	(1,024)
Accounts receivable, net	\$ 53,516	\$ 54,178

Substantially all contract assets as of September 27, 2024 and December 29, 2023 are expected to be collected within the Company's estimated operating cycle, except for retainage and claims pertaining to certain contracts. The Company's operating cycle may extend beyond one year.

The Company is in the process of negotiating or awaiting approval of unapproved change orders and claims with its customers. The Company is proceeding with its contractual rights to recoup additional costs incurred from its customers based on completing work associated with change orders, including change orders with pending change order pricing, or claims related to significant changes in scope which resulted in substantial delays and additional costs in completing the work. The Company may take legal action if it and the customer cannot reach a mutually acceptable resolution.

*Information about significant customers*

<b>Significant Customers as a Percentage of Accounts Receivable, Net</b>	
<b>As of September 27, 2024</b>	
Customer one	32.8%
Customer two	18.6%
<b>As of December 29, 2023</b>	
Customer one	32.5%
Customer two	21.7%
<b>Significant Customers as a Percentage of Revenue</b>	
<b>Three Months Ended September 27, 2024</b>	
Customer one	22.8%
Customer two	11.9%
Customer three	11.8%
Customer four	10.8%
<b>Three Months Ended September 29, 2023</b>	
Customer one	15.3%
Customer two	13.9%
Customer three	13.1%
<b>Significant Customers as a Percentage of Revenue</b>	
<b>Nine Months Ended September 27, 2024</b>	
Customer one	17.3%
Customer two	14.6%
Customer three	12.1%
<b>Nine Months Ended September 29, 2023</b>	
Customer one	15.5%
Customer two	14.2%
Customer three	12.5%

*Revisions in Estimates*

Changes in contract estimates resulted in net increases in gross margin of \$7 million for the three months ended September 27, 2024, primarily due to the favorable GGB Project settlement described in Note 12 - Subsequent Events, partially offset by increased forecasted cost to complete loss jobs. Changes in contract estimates resulted in net decreases in gross margin of \$44 million for the nine months ended September 27, 2024, primarily due to the United States Army Corps of Engineers settlement and increased forecasted cost to complete loss jobs, partially offset by the GGB Project settlement.

Changes in contract estimates resulted in net increases in gross margin of \$5 million for the three months ended September 29, 2023, primarily due to a change in an outstanding claim. Changes in contract estimates resulted in net decreases in gross margin of \$10 million for the nine months ended September 29, 2023, primarily due to increased forecasted costs to complete and an agreed upon contract settlement lower than previously estimated, partially offset by increases in gross margin on an outstanding claim.

#### Note 4. Joint Ventures and Variable Interest Entities

A summary of financial information of the consolidated joint ventures is as follows:

	<u>September 27, 2024</u>	<u>December 29, 2023</u>
<i>(In thousands)</i>		
Current assets	\$ 82,389	\$ 34,071
Non-current assets	-	8,971
Total assets	<u>82,389</u>	<u>43,042</u>
Current liabilities	74,129	59,602
Non-current liabilities	2,223	2,013
Total liabilities	<u>\$ 76,352</u>	<u>\$ 61,615</u>

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 27, 2024</u>	<u>September 29, 2023</u>	<u>September 27, 2024</u>	<u>September 29, 2023</u>
<i>(In thousands)</i>				
Revenue	<u>\$ 38,136</u>	<u>\$ 5,277</u>	<u>\$ 45,494</u>	<u>\$ 18,750</u>

The assets of the Company's consolidated joint ventures are restricted for use only by the particular joint venture and are not available for the general operations of the Company.

A summary of financial information of the unconsolidated joint ventures, as derived from their financial statements, is as follows:

	<u>September 27, 2024</u>	<u>December 29, 2023</u>
<i>(In thousands)</i>		
Current assets	\$ 84,541	\$ 74,498
Non-current assets	406	14,333
Total assets	<u>84,947</u>	<u>88,831</u>
Current liabilities	39,536	42,817
Total liabilities	<u>\$ 39,536</u>	<u>\$ 42,817</u>

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 27, 2024</u>	<u>September 29, 2023</u>	<u>September 27, 2024</u>	<u>September 29, 2023</u>
<i>(In thousands)</i>				
Revenue	\$ 21,393	\$ 16,862	\$ 53,018	\$ 59,458
Cost of revenue	22,996	12,003	61,821	44,114
Gross margin	<u>(1,603)</u>	<u>4,859</u>	<u>(8,803)</u>	<u>15,344</u>
Net (loss) income	<u>\$ (1,603)</u>	<u>\$ 4,909</u>	<u>\$ (8,803)</u>	<u>\$ 14,960</u>

The Company recognized equity in earnings (loss) of unconsolidated joint ventures of \$1 million and \$(1) million for the three and nine months ended September 27, 2024, respectively, and equity in earnings of unconsolidated joint ventures of \$3 million and \$10 million for the three and nine months ended September 29, 2023, respectively.

Contractually required support provided to the Company's joint ventures is discussed in Note 11 - Commitments and Contingencies.

### Related Party Transactions

We often provide construction management and other subcontractor services to the Company's joint ventures and revenue includes amounts related to these services which is eliminated to the extent of our ownership. Revenue included related to services provided to unconsolidated joint venture related parties is as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<i>(In thousands)</i>				
Revenue	\$ 474	\$ 604	\$ 1,207	\$ 2,677

Amounts included in the condensed consolidated balance sheets related to services provided to unconsolidated joint ventures as of September 27, 2024 and December 29, 2023 are as follows:

	September 27, 2024	December 29, 2023
<i>(In thousands)</i>		
Accounts receivable, net	\$ 2,155	\$ 2,092

### Note 5. Property, Plant and Equipment and Intangible Assets

The following tables summarize the components of property, plant and equipment as of September 27, 2024 and December 29, 2023 and depreciation expense for the three and nine months ended September 27, 2024 and September 29, 2023.

<i>(In thousands)</i>	September 27, 2024	December 29, 2023
Building, land and leasehold improvements	\$ 171	\$ 4,002
Machinery, equipment, and vehicles	50,565	70,250
Office equipment, software and construction in progress	7,093	9,324
Property, plant and equipment, gross	57,829	83,576
Accumulated depreciation	(36,433)	(37,203)
Property, plant and equipment, net	\$ 21,396	\$ 46,373

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<i>(In thousands)</i>				
Depreciation expense	\$ 2,737	\$ 3,604	\$ 9,515	\$ 10,687

Depreciation is recorded within cost of revenue and selling, general and administrative expenses and is calculated using the straight-line method over the estimated useful lives of the assets, or in the case of leasehold improvements and capitalized leases, the lesser of the remaining term of the lease or its estimated useful life.

During the three months ended September 27, 2024, Shimmick completed the sale-leaseback of the Company's equipment yard in Tracy, California. The agreement consummated the sale of the equipment yard for \$20.5 million and allows us to continue using the property pursuant to a separately executed seven-year lease. The Company received net proceeds of \$17 million, after adjustments for prepaid rent through February 2026 and related closing costs, which were used to repay borrowings under the Revolving Credit Facility. As a result of the sale, the Company recorded a gain of \$17 million in Gain on sale of assets within the condensed consolidated statements of operations.

During the three months ended September 27, 2024, Shimmick made the strategic decision to enhance the Company's current enterprise resource planning (ERP) system rather than implementing a new platform which, due to prior capitalized pre-implementation costs and remaining contractual obligations of \$5 million included in accrued expenses in the accompanying condensed consolidated balance sheets, resulted in a one-time charge of \$16 million recorded in the three months ended September 27,

2024. The write-off is recorded in ERP pre-implementation asset impairment and associated costs within the condensed consolidated statements of operations.

The following tables present the Company's finite-lived intangible assets, including the weighted average useful lives for each major intangible asset category and in total:

<b>September 27, 2024</b>				
<i>(In thousands)</i>	<b>Weighted Average Remaining Useful Life in Years</b>	<b>Intangible Assets, Gross</b>	<b>Accumulated Amortization</b>	<b>Intangible Assets, Net</b>
Trademark	3.3	\$ 10,600	\$ (5,679)	\$ 4,921
Customer contracts	2.3	6,373	(3,982)	2,391
<b>Total</b>		<b>\$ 16,973</b>	<b>\$ (9,661)</b>	<b>\$ 7,312</b>

<b>December 29, 2023</b>				
<i>(In thousands)</i>	<b>Weighted Average Remaining Useful Life in Years</b>	<b>Intangible Assets, Gross</b>	<b>Accumulated Amortization</b>	<b>Intangible Assets, Net</b>
Trademark	4	\$ 10,600	\$ (4,543)	\$ 6,057
Customer contracts	3	6,527	(3,340)	3,187
<b>Total</b>		<b>\$ 17,127</b>	<b>\$ (7,883)</b>	<b>\$ 9,244</b>

The Company's estimated aggregate remaining amortization is as follows:

<i>(In thousands)</i>	<b>Amortization Expense</b>
2024	\$ 644
2025	2,577
2026	2,577
2027	1,514
<b>Total</b>	<b>\$ 7,312</b>

#### **Note 6. Debt**

Total debt outstanding is presented on the condensed consolidated balance sheets as follows:

<i>(In thousands)</i>	<b>September 27, 2024</b>	<b>December 29, 2023</b>
Credit Facility	\$ 42,000	\$ -
Revolving Credit Facility	-	29,914
Unamortized debt issuance costs	(2,097)	(287)
Long term debt, net	<b>\$ 39,903</b>	<b>\$ 29,627</b>

#### *Revolving Credit Facility*

On March 27, 2023, we entered into the Revolving Credit Facility with MidCap Financial Services, LLC, which originally provided a total commitment of \$30 million. The Revolving Credit Facility has been subsequently amended, most recently on September 25, 2024. As amended, the Revolving Credit Facility provides for a total commitment of \$15 million and bears interest at an annual rate of adjusted term SOFR, subject to a 1.0% floor, plus 5.50%. Further, the Revolving Credit Facility is subject to an annual collateral management fee of 0.50% and an annual unused line fee of 0.50%. The Revolving Credit Facility includes certain financial operating covenants, including a minimum liquidity requirement of \$7.5 million. The Revolving Credit Facility matures on December 31, 2024. The Company is not aware of any instances of noncompliance with the key financial covenants as of September 27, 2024.

In the three months ended September 27, 2024, we repaid \$15 million of the amount outstanding under the Revolving Credit Facility. As of September 27, 2024, no borrowings were outstanding under the Revolving Credit Facility. As of December 29, 2023, \$30 million was outstanding under the Revolving Credit Facility.

#### *Credit Facility*

On May 20, 2024, the Company, as guarantor, and its wholly-owned subsidiaries as borrowers (“Borrowers”), Alter Domus (US) LLC, as agent, and AECOM and Berkshire Hathaway Specialty Insurance Company (“BHSI”) as lenders, entered into a revolving credit facility (the “Credit Agreement”), which was subsequently amended on September 25, 2024 to, among other things, permit the Company’s concurrent amendment to the Revolving Credit Facility. As amended, the Credit Agreement provides borrowing capacity up to \$60 million. The obligations under the Credit Agreement bear interest at a per annum rate equal to one month Term SOFR (as defined in the Credit Agreement), subject to a 1.00% floor, plus 3.50%. Interest on any outstanding amounts drawn under the Credit Agreement will be payable, in kind or in cash at the election of the Company, on the last day of each month and upon prepayment.

The Credit Agreement matures on May 20, 2029 (the “Maturity Date”), and the Borrowers may borrow, repay and reborrow amounts under the Credit Agreement until the Maturity Date.

Obligations of the Borrowers under the Credit Agreement are guaranteed by the Company and secured by a lien on substantially all assets of the Company and the Borrowers.

The Credit Agreement contains customary affirmative and negative covenants for a transaction of this type, including covenants that limit liens, asset sales and investments, in each case subject to negotiated exceptions and baskets. In addition, the Credit Agreement contains a maximum leverage ratio covenant as tested quarterly commencing with the close of the fourth quarter of 2025. The Credit Agreement also contains representations and warranties and event of default provisions customary for a transaction of this type. The Company is not aware of any instances of noncompliance with financial covenants as of September 27, 2024. As of September 27, 2024, \$42 million was outstanding under the Credit Facility.

The transactions with AECOM also included a mutual release and settlement of certain claims with AECOM and a corresponding agreement to issue 7,745,000 shares of our common shares to AECOM. 5,144,622 of the common shares were issued on May 20, 2024 and issuance of the remaining 2,600,378 shares was completed following shareholder approval on June 26, 2024. Of the total common shares issued, 1,036,949 were held in escrow which resulted in an AECOM voting interest of 19.9% as of September 27, 2024. The Company recognized a loss of \$1 million in Other expense, net within the condensed consolidated statements of operations as a result of the share issuance which represented the excess of the \$13 million fair market value of the common shares at the time of issuance over the \$12 million carrying value of the contingent consideration liabilities settled with AECOM.

#### **Note 7. Income Taxes**

We compute the year-to-date income tax provision by applying our estimated annual effective tax rate to our year-to-date pre-tax income and adjust for discrete tax items in the period in which they occur.

The effective tax rate was 0% for the three and nine months ended September 27, 2024 and September 29, 2023.

For the nine months ended September 27, 2024, the deferred tax provision resulting from the current year loss is completely offset by the valuation allowance, resulting in zero tax expense.

For the nine months ended September 29, 2023, the deferred tax provision resulting from the loss was completely offset by the valuation allowance, resulting in zero tax expense.

The Company generally anticipates a zero effective tax rate due to a full valuation allowance. However, the Company may recognize a current tax expense in a specific period if its taxable income, net of available deferred tax assets in that period, exceeds the allowable utilization of tax attributes such as NOL carryforwards. The allowable limitation typically restricts the use of NOL carryforwards to 80% of taxable income.

#### *Deferred Tax Assets and Liabilities*

We recognize deferred tax assets and liabilities for future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under U.S. GAAP and their respective tax bases, and for net operating loss carryforwards and tax credit carryforwards. We evaluate the recoverability of our deferred tax assets, weighing all positive and negative evidence, and are required to establish or maintain a valuation allowance for these assets if we determine that it is more likely than not that some or all the deferred tax assets will not be realized.



As of each reporting date, we consider new evidence, both positive and negative, that could impact our view with regard to the future realization of deferred tax assets. We will maintain our positions with regard to future realization of deferred tax assets, including those with respect to which we continue maintaining valuation allowances, until there is sufficient new evidence to support a change in expectations. Such a change in expectations could arise due to many factors, including those impacting our forecasts of future earnings, as well as changes in the tax laws under which we operate and tax planning. It is not reasonably possible to forecast any such changes at the present time, but it is possible that, should they arise, our view of their effect on the future realization of deferred tax assets may impact materially our condensed consolidated financial statements.

After weighing all the evidence, giving more weight to the evidence that was objectively verifiable, a valuation allowance of \$147 million and \$124 million as of September 27, 2024 and December 29, 2023, respectively, has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if the objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

#### Note 8. Stock-Based Compensation

On April 12, 2021, the Company's Board approved the Company's 2021 Stock Plan (the "2021 Stock Plan"). The 2021 Stock Plan reserves 5,477,200 of the Company's shares for issuance of incentive instruments, including Incentive Stock Options ("ISOs"), Non-statutory Stock Options, Stock Appreciation Rights, Restricted Stock Awards, and Restricted Stock Unit Awards. ISOs granted under the Plan have a term of 10 years and vest over four years of service.

On November 13, 2023, the Company's Board approved the Shimmick Corporation 2023 Equity Incentive Plan (the "2023 Omnibus Incentive Plan"). 3,729,149 is the maximum aggregate number of shares of Common Stock available under the 2023 Omnibus Incentive Plan (equal to ten percent (10%) of the Company's Common Stock outstanding immediately following the completion of the Company's IPO on November 16, 2023 plus (ii) the reserved and authorized shares for awards under the Company's 2021 Stock Plan that were not granted as of November 13, 2023). The maximum aggregate number of shares of Common Stock that may be issued under the 2023 Omnibus Incentive Plan will automatically increase annually on the first day of each fiscal year, beginning with the 2024 fiscal year in an amount equal to five percent (5%) of Common Stock outstanding on the last day of the immediately preceding fiscal year unless the plan administration determines that a lesser amount should instead be issued. The shares reserved under the 2023 Omnibus Incentive Plan are for issuance of incentive instruments, including stock options, restricted stock awards, restricted stock units, stock appreciation rights, performance units and other share-based awards.

Total compensation expense related to stock-based grants was \$3 million and \$2 million for the nine months ended September 27, 2024 and September 29, 2023, respectively. Unrecognized compensation expense related to stock-based grants to employees of Shimmick outstanding as of September 27, 2024 and September 29, 2023 was \$7 million and \$3 million, respectively, to be recognized on a straight-line basis over the awards' weighted average remaining vesting period of 1 year and 1.6 years, respectively.

For the nine months ended September 27, 2024, stock option activity was as follows:

	Stock Options			
	Number of shares	Weighted average exercise price per share	Weighted average grant date fair value	Weighted average years of remaining contractual term
Outstanding as of December 29, 2023	4,137,183	\$ 1.26	\$ —	7.6
Exercised	(403,473)	1.26	0.66	—
Forfeited & expired	(377,978)	1.26	0.66	—
Outstanding as of September 27, 2024	3,355,732	1.26	0.66	6.6
Exercisable as of September 27, 2024	2,788,977	\$ 1.26	\$ 0.66	6.6

The following table summarizes the activities for unvested Shimmick restricted stock units for the nine months ended September 27, 2024:

**Restricted Stock Units**

	Weighted average grant date fair value	
	Number of shares	\$
Unvested as of December 29, 2023	576,714	6.49
Awarded	1,898,160	2.57
Forfeited	(57,666)	6.56
Outstanding as of September 27, 2024	2,417,208	3.11
Ended vested as of September 27, 2024	363,279	6.56
Ended unvested as of September 27, 2024	2,053,929	3.11

**Note 9. Earnings Per Share**

Basic earnings per share (“EPS”) is calculated based on the weighted average shares outstanding during the period. Diluted earnings per share includes the dilutive effect of employee and director stock options and restricted stock units. Stock options are considered dilutive whenever the exercise price is less than the average market price of the stock during the period and antidilutive whenever the exercise price exceeds the average market price of the common stock during the period. All 3.4 million and 4.3 million employee stock options for the three and nine months ended September 27, 2024 and September 29, 2023, respectively, and 2.4 million restricted stock units for the three and nine months ended September 27, 2024 were excluded from the calculation of diluted earnings per share as they are antidilutive to the EPS calculation.

The computation of basic and diluted EPS is as follows:

<i>(In thousands, except per share data)</i>	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<b>Numerator:</b>				
Net (loss) income attributable to Shimmick Corporation	\$ (1,564)	\$ 34,567	\$ (86,286)	\$ 14,930
Numerator for basic and diluted EPS	<u>\$ (1,564)</u>	<u>\$ 34,567</u>	<u>\$ (86,286)</u>	<u>\$ 14,930</u>
<b>Denominator:</b>				
Denominator for basic EPS - weighted average shares	33,723	21,914	29,127	21,910
Effect of dilutive securities:				
Employee stock options	—	—	—	—
Restricted stock units	—	—	—	—
Dilutive potential common shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Denominator for diluted EPS - adjusted weighted average shares and assumed conversions	33,723	21,914	29,127	21,910
Basic earnings per common share	<u>\$ (0.05)</u>	<u>\$ 1.58</u>	<u>\$ (2.96)</u>	<u>\$ 0.68</u>
Diluted earnings per common share	<u>\$ (0.05)</u>	<u>\$ 1.58</u>	<u>\$ (2.96)</u>	<u>\$ 0.68</u>

**Note 10. Leases**

Lease expenses recorded within the condensed consolidated statements of operations are comprised as follows:

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<b>Operating lease cost</b>				
Cost of revenue	\$ 3,239	\$ 2,954	\$ 7,988	\$ 9,732
Selling, general and administrative expenses	478	213	1,028	885
<b>Finance lease cost (all in cost of revenue):</b>				
Amortization of right-of-use assets	66	66	199	216
Interest on lease liabilities	4	47	18	60
Short-term lease cost	88	203	332	521
Total lease cost	<u>\$ 3,875</u>	<u>\$ 3,483</u>	<u>\$ 9,565</u>	<u>\$ 11,414</u>

Additional condensed consolidated balance sheets information related to leases is as follows:

<i>(In thousands)</i>	<b>Balance Sheet Classification</b>	<b>September 27, 2024</b>	<b>December 29, 2023</b>
<i>Assets:</i>			
Operating lease assets	Lease right-of-use assets	\$ 25,908	\$ 23,568
Finance lease assets	Lease right-of-use assets	88	287
Total lease assets		<u>\$ 25,996</u>	<u>\$ 23,855</u>
<i>Liabilities:</i>			
<i>Current:</i>			
Operating lease liabilities	Other current liabilities	\$ 6,680	\$ 8,247
Finance lease liabilities	Other current liabilities	110	317
Total current lease liabilities		<u>\$ 6,790</u>	<u>\$ 8,564</u>
<i>Non-current:</i>			
Operating lease liabilities	Lease liabilities, non-current	\$ 17,117	\$ 15,017
Finance lease liabilities	Lease liabilities, non-current	-	28
Total non-current lease liabilities		<u>\$ 17,117</u>	<u>\$ 15,045</u>

Weighted average remaining lease term information related to leases is as follows:

	<b>September 27, 2024</b>	<b>December 29, 2023</b>
<i>Weighted average remaining lease term (in years):</i>		
Operating leases	4.4	3.4
Finance leases	0.3	1.1
<i>Weighted average discount rate:</i>		
Operating leases	6.9%	6.3%
Finance leases	9.9%	9.9%

Supplemental cash flow information related to leases is as follows:

<i>(In thousands)</i>	<b>Nine Months Ended</b>	
	<b>September 27, 2024</b>	<b>September 29, 2023</b>
<i>Cash paid for amounts included in the measurement of lease liabilities:</i>		
Operating cash flows from operating leases	\$ 7,768	\$ 8,685
Financing cash flows from finance leases	\$ 235	\$ 228
Right-of-use assets obtained in exchange for new operating leases	\$ 6,527	\$ 12,905

Total remaining lease payments under both the Company's operating and finance leases are as follows:

<i>(In thousands)</i>	<b>Operating Leases</b>	<b>Financing Leases</b>
<b>Year</b>		
2024	\$ 1,837	\$ 84
2025	7,224	28
2026	5,383	—
2027	3,930	—
2028	3,956	—
Thereafter	5,926	—
Total lease payments	<u>28,256</u>	<u>112</u>
Amounts representing interest	(4,459)	(2)
Total lease liabilities	<u>\$ 23,797</u>	<u>\$ 110</u>

## **Note 11. Commitments and Contingencies**

In the Company's joint venture arrangements, the liability of each partner is usually joint and several. This means as each joint venture partner may become liable for the entire risk of performance guarantees provided by each partner to the customer. Typically, each joint venture partner indemnifies the other partners for any liabilities incurred in excess of the liabilities the other party is obligated to bear under the respective joint venture agreement. In addition, the Company may be required to guarantee performance directly to the customer. The Company is unable to estimate the maximum potential amount of future payments that the Company could be required to make under outstanding performance guarantees related to joint venture projects due to a number of factors, including but not limited to, the nature and extent of any contractual defaults by the other joint venture partners, resource availability, potential performance delays caused by the defaults, the location of the projects, and the terms of the related contracts.

In the ordinary course of business, the Company is subject to other claims, lawsuits, investigations and disputes arising out of the conduct of its business, including matters relating to commercial transactions, government contracts, and employment matters. The Company recognizes a liability for contingencies that are probable of occurrence and reasonably estimable. To date, no such matters are material to the condensed consolidated statements of operations.

In certain contracts, there are provisions that require the Company to pay liquidated damages if the Company is responsible for the failure to meet specified contractual milestone dates and the applicable customer asserts a conforming claim under these provisions. These contracts define the conditions under which customers may make claims against the Company for liquidated damages. Based upon the evaluation of performance and other commercial and legal analysis, management has recognized relevant probable liquidated damages as of September 27, 2024 and December 29, 2023, and believes that the ultimate resolution of such matters will not materially affect the Company's condensed consolidated financial position, results of operations, or cash flows.

The Company has recorded contingent consideration as of September 27, 2024 and December 29, 2023 at its estimated fair value. The Company is unable to reasonably determine an estimated range of amounts of the payments that could be made due to the uncertainty of future events.

### *Guarantees*

The Company obtains bonding on construction contracts through third-party bonding companies. As is customary in the construction industry, the Company indemnifies the third-party bonding companies for any losses incurred by it in connection with bonds that are issued. The Company has granted the third-party bonding companies a security interest in accounts receivable, contract assets and contract rights for that obligation.

The Company typically indemnifies contract owners for claims arising during the construction process and carries insurance coverage for such claims.

### *Letters of Credit*

In the ordinary course of business and under certain contracts, the Company is required to post standby letters of credit for its insurance carriers. The Company did not have any letters of credit outstanding as of September 27, 2024 or December 29, 2023.

## **Note 12. Subsequent Events**

### *Legacy Project Settlement*

On October 31, 2024, the Company entered into a settlement agreement in its Golden Gate Bridge Project (the "GGB Project"). Under the terms of the settlement and through its consolidated joint venture with Danny's Construction Co. LLC, Shimmick/Danny's Joint Venture ("SDJV"), SDJV will receive total settlement proceeds of \$97 million, a contract change order for reduced scope of work of \$6 million and a contract change order for extension of project completion and costs incurred on the GGB Project. The GGB Project owner is required to pay SDJV \$25 million within 14 business days of the executed agreement and the remaining \$72 million cash payment to SDJV on or before December 17, 2024. After paying subcontractor pass-through claims, Shimmick plans to use the remaining proceeds for ongoing operations, including completion of the GGB Project.

The settlement amount and reduction of outstanding scope of work are recorded in Contract assets, current and Contract liabilities, current within the condensed consolidated balance sheets.

As a result of the GGB Project settlement and after accounting for subcontractor, legal and other costs as well as previously recorded revenue, the Company recognized an increase in gross margin of \$11 million on the project during the three months ended September 27, 2024 within the condensed consolidated statements of operations.

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

*Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to assist in understanding and assessing the trends and significant changes in our results of operations and financial condition. Historical results may not be indicative of future performance. The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and all other non-historical statements in this discussion are forward looking statements and are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward looking statements as a result of various factors, including those discussed below and elsewhere in the Form 10-K, particularly in "Risk Factors" or in other sections of this Form 10-Q, as well as the "Risk Factors" section in the Form 10-K and those described from time to time in our future reports with the SEC. This discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q.*

*In this discussion, we use certain non-GAAP financial measures. Explanation of these non-GAAP financial measures and reconciliation to the most directly comparable GAAP financial measures are included in this Management's Discussion and Analysis of Financial Condition and Results of Operations. Investors should not consider non-GAAP financial measures in isolation or as substitutes for financial information presented in compliance with GAAP.*

### Overview

We are a leading provider of water and other critical infrastructure solutions nationwide. We have a long history of successfully completing complex water projects, ranging from the world's largest wastewater recycling and purification system in California to the iconic Hoover Dam. According to *Engineering News Record*, in 2024, Shimmick was nationally ranked as a top ten builder of water supply (#8), dams and reservoirs (#6), and water treatment and desalination plants (#7). Shimmick is led by industry veterans, many with over 20 years of experience, and works closely with its customers to deliver complete solutions, including long-term operations and maintenance.

We selectively focus on the following types of infrastructure projects:

- **Water Treatment:** We expand, rehabilitate, upgrade, build and rebuild water and wastewater treatment infrastructure, including desalination plants. We implement complex cleantech treatment technologies including ozonation, biological activated carbon, membrane filtration, reverse osmosis, chemical treatment, and oxidation. We also conduct facility commissioning. Our projects and solutions aim to ensure access to clean and safe drinking water, protect public health, and reduce waterborne diseases. Our work contributes to protecting the environment by removing pollutants and contaminants from wastewater before it is released back into ecosystems. Additionally, water treatment infrastructure supports sustainable water management, which conserves this precious resource for future generations.
- **Water Resources:** We build, expand, and improve water storage and conveyance, dams, levees, flood control systems, pump stations, and coastal protection. We also upgrade and expand dams, levees and locks along our nation's waterways to enable continued emissions-reducing movement of goods. Select projects of ours enable reliable water supply, generate hydroelectric power, and control flooding, ensuring water availability and energy security. Our work contributes to protecting communities from flood damage to safeguard lives, property, and infrastructure.
- **Other Critical Infrastructure:** We build, retrofit, expand, rehabilitate, operate, and maintain our nation's critical infrastructure, including mass transit, bridges, and military infrastructure. We work on projects that we believe are vital for economic growth, social connectivity, and accessibility. We believe our projects enable smooth and efficient movement of people and goods, foster trade, address environmental sustainability, and improve quality of life for individuals and communities.

As of September 27, 2024, we had a backlog of projects of \$834 million, with over half of that amount comprised of water projects. We believe we have the ability to self-perform many of these projects, enabling us to compete for complex projects and differentiating us from many of our competitors. Self-performance also enables us to better control the critical aspects of our projects, reducing the risk of cost and schedule overruns.

### Recent Developments

#### *Legacy Project Settlement*

On October 31, 2024, the Company entered into a settlement agreement in its Golden Gate Bridge Project (the "GGB Project"). Under the terms of the settlement and through its consolidated joint venture with Danny's Construction Co. LLC, Shimmick/Danny's Joint

Venture (“SDJV”), SDJV will receive total settlement proceeds of \$97 million, a contract change order for reduced scope of work of \$6 million and a contract change order for extension of project completion and costs incurred on the GGB Project. The GGB Project owner is required to pay SDJV \$25 million within 14 business days of the executed agreement and the remaining \$72 million cash payment to SDJV on or before December 17, 2024. After paying subcontractor pass-through claims, Shimmick plans to use the remaining proceeds for ongoing operations, including completion of the GGB Project.

The settlement amount and reduction of outstanding scope of work are recorded in Contract assets, current and Contract liabilities, current within the condensed consolidated balance sheets.

As a result of the GGB Project settlement and after accounting for subcontractor, legal and other costs as well as previously recorded revenue, the Company recognized an increase in gross margin of \$11 million on the project during the three months ended September 27, 2024 within the condensed consolidated statements of operations.

Additionally, on August 23, 2024, the Company received \$33 million in cash as a result of the previously announced settlement of a claim with the United States Army Corps of Engineers for which the revenue and cost of revenue impact was recorded within the condensed consolidated statements of operations for the six months ended June 28, 2024.

#### *Sale-Leaseback Agreement*

During the three months ended September 27, 2024, Shimmick completed the sale-leaseback of the Company's equipment yard in Tracy, California. The agreement consummated the sale of the equipment yard for \$20.5 million and allows us to continue using the property pursuant to a separately executed seven-year lease. The Company received net proceeds of \$17 million, after adjustments for prepaid rent through February 2026 and related closing costs, which were used to repay borrowings under the Revolving Credit Facility. As a result of the sale, the Company recorded a gain of \$17 million in Gain on sale of assets within the condensed consolidated statements of operations.

#### *ERP Pre-implementation Asset Impairment and Associated Costs*

During the three months ended September 27, 2024, Shimmick made the strategic decision to enhance the Company's current enterprise resource planning (ERP) system rather than implementing a new platform which, due to prior capitalized pre-implementation costs and remaining contractual obligations of \$5 million included in accrued expenses in the accompanying condensed consolidated balance sheets, resulted in a one-time charge of \$16 million recorded in the three months ended September 27, 2024. The write-off is recorded in ERP pre-implementation asset impairment and associated costs within the condensed consolidated statements of operations.

#### **Our History and Initial Public Offering**

Shimmick was founded in 1990 in California and operated as a regional infrastructure construction contractor throughout California for nearly 30 years. In 2017, AECOM acquired Shimmick and consolidated it with its existing construction services, which included former construction operations from Morrison Knudsen, Washington Group International, and others.

In January 2021, we were sold by AECOM and began operating as an independent company under new private ownership. After the transaction, we began a transformation to shift our strategy to meet the nation's growing need for water and other critical infrastructure and grow our business. We are also focusing more on smaller complex projects that we can largely self perform and which we believe will have lower risk and higher margin.

On November 16, 2023, the Company completed its initial public offering of 3,575,000 shares of common stock at a price to the public of \$7.00 per share (the “IPO”). The net proceeds to the Company from the IPO were approximately \$19 million, after deducting underwriting discounts and commissions and before estimated offering expenses payable by the Company. The Company's common stock began trading on the NASDAQ Global Market on November 14, 2023.

#### **Key Factors Affecting Our Performance and Results of Operations**

We expect that our results of operations will be affected by a number of factors which have discussed below.

*Weather, natural disasters and emergencies.* The results of our business in a given period can be impacted by adverse weather conditions, severe weather events, natural disasters or other emergencies, which include, among other things, heavy or prolonged snowfall or rainfall, hurricanes, tropical storms, tornadoes, floods, blizzards, extreme temperatures, wildfires, post-wildfire floods and debris flows, pandemics and earthquakes. These conditions and events can negatively impact our financial results due to, among other things, the termination, deferral or delay of projects, reduced productivity and exposure to significant liabilities.

*Seasonality.* Typically, our revenue is lowest in the first quarter of the year because cold, snowy or wet conditions can create challenging working environments that are more costly for our customers or cause delays on projects. Second quarter revenue is typically higher than those in the first quarter, as some projects begin, but continued cold and wet weather can often impact productivity. Third quarter revenue is typically the highest of the year, as a greater number of projects are underway and operating conditions, including weather, are normally more accommodating. Project geographic location will also dictate how seasonality affects productivity and timing. Also, the holiday season and inclement weather can sometimes cause delays during the fourth quarter, reducing revenue and increasing costs.

*Our Ability to Fulfill Backlog Orders.* Our backlog consists of the estimated amount of services to be completed from future work on uncompleted contracts or work that has been awarded with contracts still being negotiated. It also includes revenue from change orders and renewal options. Most of our contracts are cancelable on short or no advance notice. Reductions in backlog due to cancellation by a customer, or for other reasons, could significantly reduce the revenue that we actually receive from contracts in backlog. In the event of a project cancellation, we may be reimbursed for certain costs, but we typically have no contractual right to the total revenues reflected in our backlog. Backlog amounts are determined based on target price estimates that incorporate historical trends, anticipated seasonal impacts, experience from similar projects and from communications with our customers. These estimates may prove inaccurate, which could cause estimated revenue to be realized in periods later than originally expected, or not at all. As a result, our backlog as of any particular date is an uncertain indicator of future revenue and earnings. In addition, contracts included in our backlog may not be profitable. If our backlog fails to materialize, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

*Our Ability to Obtain New Projects.* We selectively bid on projects that we believe offer an opportunity to meet our profitability objectives or that offer the opportunity to enter promising new markets. The potential customers conduct rigorous competitive processes for awarding many contracts. We will potentially face strong competition and pricing pressures for any additional contract awards from other government agencies, and we may be required to qualify or continue to qualify under various multiple award task order contract criteria.

*Our Ability to Successfully Expand our Footprint.* We review our bidding opportunities to attempt to minimize concentration of work with any one customer, in any one industry, or in tight labor markets. We believe that by carefully positioning ourselves in markets that have meaningful barriers to entry, like those with highly technical or specialized scopes of work, we can continue to be competitive. For example, we target projects with significant, highly-technical work that we can self-perform. We believe this provides us with a distinct pricing advantage, as well as better risk management. In addition, as a result of federal and state-level infrastructure initiatives, we believe that funding for technical construction projects may exceed capacity, enabling us to opportunistically target smaller specialized projects with less risk at higher margins. We may be limited in our ability to expand our footprint by barriers to entry to new markets, competition, and availability of capital and skilled labor.

We primarily compete for new contracts independently, seeking to win and complete new projects directly for our customers. Our customers primarily award contracts using one of two methods: the traditional public “competitive bid” method, in which price is the major determining factor, or through a “best value” proposal, where contracts are awarded based on a combination of technical qualifications, proposed project team, schedule, the ability to obtain surety bonds, past performance on similar projects and price, which we believe creates a barrier to entry. Contracts are principally awarded on a fixed-price basis, and we earn and recognize revenue using an input measure of total costs incurred divided by total costs expected to be incurred.

*Our Ability to Obtain Approval of Change Orders and Successfully Pursue Claims.* We are subject to variation in scope and cost of projects from our original projections. In certain circumstances, we seek to collect or assert claims against customers, engineers, consultants, subcontractors or others involved in a project for additional costs exceeding the contract price or for amounts not included in the original contract price. Our experience has often been that public customers have been willing to negotiate equitable adjustments in the contract compensation or completion time provisions if unexpected circumstances arise. However, this process may result in disputes over whether the work performed is beyond the scope of the work included in the original project plans and specifications or, if the customer agrees that the work performed qualifies as extra work, the price that the customer is willing to pay for the extra work. Public customers may seek to impose contractual risk-shifting provisions more aggressively or there could be statutory and other legal prohibitions that prevent or limit contract changes or equitable adjustments.

*Our Ability to Control Project Costs.* Our costs primarily consist of payroll, equipment, materials, and other project related expenses. With a consistent focus on profitability by our management team, we leverage information technology and utilize financial systems to improve project execution and control costs. However, if we are unable to accurately estimate the overall risks, requirements or costs when we bid on or negotiate a contract that is ultimately awarded to us, we may achieve a lower than anticipated profit or incur a loss on the contract. Also, our labor and training expenses may increase as a result of a shortage in the supply of skilled personnel. We may

not be able to pass these expenses on to our customers, which could adversely affect our profitability. To the extent that we are unable to buy construction equipment necessary for our needs, either due to a lack of available funding or equipment shortages in the marketplace, we may be forced to rent equipment on a short-term basis, which could increase the costs of performing our contracts. If we are unable to continue to maintain the equipment in our fleet, we may be forced to obtain third-party repair services, which could increase our costs. In addition, the market value of our equipment may unexpectedly decline at a faster rate than anticipated.

In addition, as is customary in the construction business, we are required to provide surety bonds to our customers to secure our performance under construction contracts. Our ability to obtain surety bonds primarily depends upon our capitalization, working capital, past performance, management expertise and reputation, as well as certain external factors, including the overall capacity of the surety market. Surety companies consider such factors in relationship to the amount of our backlog and their underwriting standards, which may change from time to time. Events that adversely affect the insurance and bonding markets generally may result in bonding becoming more difficult to obtain in the future, or being available only at a significantly greater cost. If we are unable to obtain adequate bonding or if the cost of bonding materially increased, it would limit the amount that we can bid on new contracts, limit the competitiveness of our bids, and could have a material adverse effect on our future revenue and business prospects.

*Our Ability to Control Selling General and Administrative Costs.* Because we now exist as a public company, we incur significant expenses on an ongoing basis that we did not incur as a private company. Those costs include additional director and officer liability insurance expenses, stock exchange listing expenses, as well as third-party and internal resources related to accounting, auditing, Sarbanes-Oxley Act compliance, legal and investor and public relations expenses. These costs are generally selling, general and administrative expenses. We have also implemented the 2023 Omnibus Incentive Plan to align our equity compensation program with public company plans and practices, which increases our stock-based compensation expense.

*Joint Ventures.* We participate in various construction joint ventures in order to share expertise, risk and resources for certain highly complex, large, and/or unique projects. Generally, each construction joint venture is formed to accomplish a specific project and is jointly controlled by the joint venture partners. We select our joint venture partners based on our analysis of their construction and financial capabilities, expertise in the type of work to be performed and past working relationships, among other criteria. The joint venture agreements typically provide that our interests in any profits and assets, and our respective share in any losses and liabilities, that may result from the performance of the contract are limited to our stated percentage interest in the project. Under each joint venture agreement, one partner is designated as the sponsor. The sponsoring partner typically provides administrative, accounting and much of the project management support for the project and generally receives a fee from the joint venture for these services. We have been designated as the sponsoring partner in some venture projects and are a non-sponsoring partner in others. We incur transaction and integration costs prior to fully realizing the benefits of acquisition synergies. Joint ventures often require significant investments before they begin operations and we incur many of these costs prior to realizing any gain on the investment in the joint venture. If we are unable to recoup these costs, it could have a significant impact on our business.

## **How We Assess Performance of Our Business**

### *Revenue*

We currently derive our revenue predominantly by providing infrastructure, operations and management services around the United States. We generally recognize revenue over-time as performance obligations are satisfied and control over promised goods or services are transferred to our customers.

### *Gross Margin*

Gross margin represents revenue less contract costs. Contract costs consist of all direct and indirect costs on contracts, including raw materials, labor, equipment costs, and subcontractor costs. If the estimates of costs to complete fixed-price contracts indicate a further loss, the entire amount of the additional loss expected over the life of the project is recognized in the current period in the cost of revenue.

### *Selling, General, and Administrative Expenses*

Selling, general and administrative expenses consist primarily of salaries and personnel costs for our administrative, finance and accounting, legal, information systems, human resources and certain managerial employees. Additional expenses include audit, consulting and professional fees, travel, insurance, office space rental costs, property taxes and other corporate and overhead expenses.

### *Equity in Earnings (Loss) of Unconsolidated Joint Ventures*

Equity in earnings (loss) of unconsolidated joint ventures includes our return on investment in unconsolidated joint ventures.

## **Results of Operations**



Three Months Ended September 27, 2024 compared to the Three Months Ended September 29, 2023

The following table sets forth selected financial data for the three months ended September 27, 2024 compared to the three months ended September 29, 2023:

<i>(In thousands, except percentage data)</i>	Three Months Ended			% Change	% of Revenue	
	September 27, 2024	September 29, 2023	\$ Change		September 27, 2024	September 29, 2023
Revenue	\$ 166,035	\$ 175,448	\$ (9,413)	(5)%	100%	100%
Cost of revenue	153,846	158,436	(4,590)	(3)	93	90
<b>Gross margin</b>	<b>12,189</b>	<b>17,012</b>	<b>(4,823)</b>	<b>(28)</b>	<b>7</b>	<b>10</b>
Selling, general and administrative expenses	12,985	14,022	(1,037)	(7)	8	8
ERP pre-implementation asset impairment and associated costs	15,708	-	15,708	NM	9	-
Total operating expenses	28,693	14,022	14,671	105	17	8
Equity in earnings of unconsolidated joint ventures	812	2,577	(1,765)	(68)	-	1
Gain on sale of assets	16,896	30,069	(13,173)	(44)	10	17
<b>Income from operations</b>	<b>1,204</b>	<b>35,636</b>	<b>(34,432)</b>	<b>(97)</b>	<b>-</b>	<b>20</b>
Interest expense	1,977	412	1,565	380	1	-
Other expense, net	791	393	398	101	-	-
<b>Net (loss) income before income tax</b>	<b>(1,564)</b>	<b>34,831</b>	<b>(36,395)</b>	<b>(104)</b>	<b>(1)</b>	<b>20</b>
Income tax expense	-	-	-	-	-	-
<b>Net (loss) income</b>	<b>\$ (1,564)</b>	<b>\$ 34,831</b>	<b>\$ (36,395)</b>	<b>(104)%</b>	<b>(1)%</b>	<b>20%</b>

Revenue and gross margin

The following table sets forth selected revenue and gross margin data for the three months ended September 27, 2024 compared to the three months ended September 29, 2023:

<i>(In thousands, except percentage data)</i>	Three Months Ended			% Change
	September 27, 2024	September 29, 2023	\$ Change	
<b>Shimmick Projects</b>				
Revenue	\$ 101,475	\$ 109,884	\$ (8,409)	(8)%
Gross Margin	\$ 6,181	\$ 15,060	\$ (8,879)	(59)%
Gross Margin (%)	6%	14%		
<b>Foundations Projects</b>				
Revenue	\$ 10,837	\$ 11,523	\$ (686)	(6)%
Gross Margin	\$ (1,904)	\$ (1,432)	\$ (472)	33%
Gross Margin (%)	(18)%	(12)%		
<b>Legacy Projects</b>				
Revenue	\$ 53,723	\$ 54,041	\$ (318)	(1)%
Gross Margin	\$ 7,912	\$ 3,384	\$ 4,528	134%
Gross Margin (%)	15%	6%		
<b>Consolidated Total</b>				
Revenue	\$ 166,035	\$ 175,448	\$ (9,413)	(5)%
Gross Margin	\$ 12,189	\$ 17,012	\$ (4,823)	(28)%
Gross Margin (%)	7%	10%		

### *Shimmick Projects*

Projects started after the AECOM Sale Transactions ("Shimmick Projects") have focused on water infrastructure and other critical infrastructure. Revenue recognized on Shimmick Projects was \$101 million and \$110 million for the three months ended September 27, 2024 and September 29, 2023, respectively. The \$9 million decrease in revenue was primarily the result of a \$28 million decrease from lower activity on existing jobs and jobs winding down partially offset by \$19 million of revenue from a new water infrastructure job.

Gross margin recognized on Shimmick Projects was \$6 million and \$15 million for the three months ended September 27, 2024 and September 29, 2023, respectively. The decline in the gross margin was primarily the result of a \$12 million decrease in gross margin on existing jobs that are winding down and completing partially offset by a \$3 million increase in margin from a new water infrastructure job.

### *Foundations Projects*

The Company entered into an agreement to sell the assets of our non-core Foundations Projects in the second quarter of 2024 and will be winding down any remaining work during the remainder of the 2024 fiscal year. As a result, revenue from Foundations Projects will decline during the remainder of the 2024 fiscal year. Revenue recognized on Foundations Projects was \$11 million and \$12 million for the three months ended September 27, 2024 and September 29, 2023, respectively. The decline in revenue was the result of timing of jobs winding down.

Gross margin recognized on Foundations Projects was \$(2) million and \$(1) million for the three months ended September 27, 2024 and September 29, 2023, respectively. The decline in gross margin was the result of cost overruns and jobs winding down.

### *Legacy Projects*

As part of the AECOM Sale Transactions, we assumed the Legacy Projects and backlog that were started under AECOM. Legacy Projects revenue was flat at \$54 million for each of the three months ended September 27, 2024 and September 29, 2023. As a result of the GGB Project settlement and after accounting for previously recorded revenue, we made an adjustment to revenue of \$31 million to reflect the settlement amount (which is included in the \$54 million of revenue for the three months ended September 27, 2024), which offset continued impacts of Legacy Projects winding down. See *Recent Developments* for additional details.

Gross margin was \$8 million and \$3 million for the three months ended September 27, 2024 and September 29, 2023, respectively. The increase in gross margin was primarily as a result of the GGB Project settlement which was partially offset by continued impacts of Legacy Projects winding down, as well as additional legal fees to pursue contract modifications and recoveries and additional cost overruns on other Legacy Loss Projects (as defined below).

A subset of Legacy Projects ("Legacy Loss Projects") have experienced significant cost overruns due to the COVID pandemic, design issues, legal costs and other factors. In the Legacy Loss Projects, we have recognized the estimated costs to complete and the loss expected from these projects. If the estimates of costs to complete fixed-price contracts indicate a further loss, the entire amount of the additional loss expected over the life of the project is recognized as a period cost in the cost of revenue. As these Legacy Loss Projects continue to wind down to completion, no further gross margin will be recognized and in some cases, there may be additional costs associated with these projects. Revenue recognized on these Legacy Loss Projects was \$49 million and \$27 million for the three months ended September 27, 2024 and September 29, 2023, respectively. The increase was primarily as a result of the GGB Project settlement discussed above, partially offset by continued impacts of other Legacy Loss Projects winding down. Gross margin recognized on these Legacy Loss Projects was \$10 million and \$(1) million for the three months ended September 27, 2024 and September 29, 2023, respectively, the increase of which is primarily as a result of the GGB Project settlement.

### *Selling, general and administrative expenses*

Selling, general and administrative expenses remained approximately flat period over period.

### *Equity in earnings of unconsolidated joint ventures*

Equity in earnings of unconsolidated joint ventures was \$1 million, compared to earnings of \$3 million in the prior year period. The decrease was primarily driven by increased costs due to schedule extensions experienced during the nine months ended September 27, 2024.

### *Gain on sale of assets*

Gain on sale of assets decreased by \$13 million primarily due to the gain recognized on the sale of non-core business contracts for \$30 million during the three months ended September 29, 2023 that did not reoccur during the nine months ended September 27, 2024, partially offset by the \$17 million gain recognized on the transaction for the sale-leaseback of our equipment yard in Tracy, California during the three months ended September 27, 2024.

*ERP pre-implementation asset impairment and associated costs*

ERP pre-implementation asset impairment and associated costs increased by \$16 million due to the strategic decision to enhance the Company's current ERP system rather than implementing a new platform which, due to prior capitalized costs and remaining contractual obligations, resulted in a one-time charge of \$16 million recorded in the three months ended September 27, 2024.

*Interest expense*

Interest expense increased by \$2 million primarily due to interest charges on the Credit Facility which was not entered into until May 20, 2024.

*Other expense, net*

Other expense, net remained approximately flat period over period.

*Income tax expense*

Income tax expense was flat period over period. Due to an expected tax loss for fiscal year ending 2024, no taxable income or tax expense is anticipated for 2024, and no taxable income was recorded for the prior year three months ended September 29, 2023.

*Net (loss) income*

Net (loss) income decreased by \$36 million to a net loss of \$2 million for the three months ended September 27, 2024, primarily due to an increase in ERP pre-implementation asset impairment and associated costs of \$16 million, a decrease in gain on the sale of assets of \$13 million, decrease in gross margin of \$5 million, increase of interest expense of \$2 million and decrease in equity in earnings of unconsolidated joint ventures of \$2 million all as described above.

*Nine Months Ended September 27, 2024 compared to the Nine Months Ended September 29, 2023*

The following table sets forth selected financial data for the nine months ended September 27, 2024 compared to the nine months ended September 29, 2023:

	Nine Months Ended			% Change	% of Revenue	
	September 27, 2024	September 29, 2023	\$ Change		September 27, 2024	September 29, 2023
<i>(In thousands, except percentage data)</i>						
Revenue	\$ 376,684	\$ 494,744	\$ (118,060)	(24)%	100%	100%
Cost of revenue	411,485	471,967	(60,482)	(13)	109	95
<b>Gross margin</b>	<b>(34,801)</b>	<b>22,777</b>	<b>(57,578)</b>	<b>(253)</b>	<b>(9)</b>	<b>5</b>
Selling, general and administrative expenses	47,878	47,841	37	-	13	10
ERP pre-implementation asset impairment and associated costs	15,708	-	15,708	NM	4	-
Total operating expenses	63,586	47,841	15,745	33	17	10
Equity in (loss) earnings of unconsolidated joint ventures	(779)	9,570	(10,349)	(108)	-	2
Gain on sale of assets	20,585	31,749	(11,164)	(35)	5	6
<b>(Loss) income from operations</b>	<b>(78,581)</b>	<b>16,255</b>	<b>(94,836)</b>	<b>(583)</b>	<b>(21)</b>	<b>3</b>
Interest expense	4,370	1,020	3,350	328	1	-
Other expense, net	3,335	48	3,287	6,848	1	-
<b>Net (loss) income before income tax</b>	<b>(86,286)</b>	<b>15,187</b>	<b>(101,473)</b>	<b>(668)</b>	<b>(23)</b>	<b>3</b>
Income tax expense	-	-	-	-	-	-
<b>Net (loss) income</b>	<b>\$ (86,286)</b>	<b>\$ 15,187</b>	<b>\$ (101,473)</b>	<b>(668)%</b>	<b>(23)%</b>	<b>3%</b>

## Revenue and gross margin

The following table sets forth selected revenue and gross margin data for the nine months ended September 27, 2024 compared to the nine months ended September 29, 2023:

<i>(In thousands, except percentage data)</i>	Nine Months Ended		\$ Change	% Change
	September 27, 2024	September 29, 2023		
<b>Shimmick Projects</b>				
Revenue	\$ 275,457	\$ 301,475	\$ (26,018)	(9)%
Gross Margin	\$ 10,316	\$ 28,626	\$ (18,310)	(64)%
Gross Margin (%)	4%	9%		
<b>Foundations Projects</b>				
Revenue	\$ 25,931	\$ 40,615	\$ (14,684)	(36)%
Gross Margin	\$ (8,212)	\$ (7,041)	\$ (1,171)	17%
Gross Margin (%)	(32)%	(17)%		
<b>Legacy Projects</b>				
Revenue	\$ 75,296	\$ 152,654	\$ (77,358)	(51)%
Gross Margin	\$ (36,905)	\$ 1,192	\$ (38,097)	(3196)%
Gross Margin (%)	(49)%	1%		
<b>Consolidated Total</b>				
Revenue	\$ 376,684	\$ 494,744	\$ (118,060)	(24)%
Gross Margin	\$ (34,801)	\$ 22,777	\$ (57,578)	(253)%
Gross Margin (%)	(9)%	5%		

### Shimmick Projects

Shimmick Projects have focused on water infrastructure and other critical infrastructure. Revenue recognized on Shimmick Projects was \$275 million and \$301 million for the nine months ended September 27, 2024 and September 29, 2023, respectively. The \$26 million decrease in revenue was primarily the result of a \$63 million decrease from lower activity on existing jobs and jobs winding down partially offset by \$37 million of revenue from a new water infrastructure job and ramp up of a transportation project.

Gross margin recognized on Shimmick Projects was \$10 million and \$29 million for the nine months ended September 27, 2024 and September 29, 2023, respectively. The decline in the gross margin was primarily the result of a \$23 million decrease driven by increased cost, schedule extensions and a decrease on existing jobs that are winding down, partially offset by \$6 million of gross margin from a new water infrastructure job.

### Foundations Projects

The Company entered into an agreement to sell the assets of our non-core Foundations Projects in the second quarter of 2024 and will be winding down any remaining work during the remainder of the 2024 fiscal year. As a result, revenue will decline during the remainder of the 2024 fiscal year. Revenue recognized on Foundations Projects was \$26 million and \$41 million for the nine months ended September 27, 2024 and September 29, 2023, respectively. The \$15 million decline in revenue was the result of timing of multiple jobs winding down.

Gross margin recognized on Foundations Projects was \$(8) million and \$(7) million for the nine months ended September 27, 2024 and September 29, 2023, respectively. The decline in gross margin was the result of cost overruns and jobs winding down.

### Legacy Projects

As part of the AECOM Sale Transactions, we assumed the Legacy Projects and backlog that were started under AECOM. Legacy Projects revenue was \$75 million, a decline of \$77 million as the Company works to complete these projects. The decline in revenue was primarily driven by continued impacts of Legacy Projects winding down during fiscal 2024, the sale of non-core business contracts in the third quarter of 2023 as well as a non-cash adjustment to revenue on a Legacy Loss Project settlement recognized during the second quarter of 2024, partially offset by the GGB Project settlement. See *Recent Developments* for additional details associated with the GGB Project settlement.

Gross margin was \$(37) million, a decrease of \$38 million as compared to the nine months ended September 29, 2023, primarily as a result of the Legacy Loss Project settlement during the second quarter of 2024, projects winding down and additional cost overruns on Legacy Loss Projects that have experienced additional increases in the cost to complete as well as additional legal fees to pursue contract modifications and recoveries, partially offset by the GGB Project settlement.

In the Legacy Loss Projects, we have recognized the estimated costs to complete and the loss expected from these projects. If the estimates of costs to complete fixed-price contracts indicate a further loss, the entire amount of the additional loss expected over the life of the project is recognized as a period cost in the cost of revenue. As these Legacy Loss Projects continue to wind down to completion, no further gross margin will be recognized and in some cases, there may be additional costs associated with these projects. Revenue recognized on these Legacy Loss Projects was \$57 million and \$80 million for the nine months ended September 27, 2024 and September 29, 2023, respectively. Gross margin recognized on these Legacy Loss Projects was \$(34) million and \$(3) million for the nine months ended September 27, 2024 and September 29, 2023, respectively. The decrease in gross margin was primarily the result of the Legacy Loss Project settlement during the second quarter of 2024, additional increases in the cost to complete as well as additional legal fees to pursue contract modifications and recoveries, partially offset by the GGB Project settlement.

#### *Selling, general and administrative expenses*

Selling, general and administrative expenses remained approximately flat period over period.

#### *Equity in (loss) earnings of unconsolidated joint ventures*

Equity in (loss) earnings of unconsolidated joint ventures was a loss of \$1 million, compared to earnings of \$10 million in the prior year period, primarily due a favorable subcontractor settlement during the nine months ended September 29, 2023 that did not reoccur during the nine months ended September 27, 2024 and increased costs due to schedule extensions.

#### *Gain on sale of assets*

Gain on sale of assets decreased by \$11 million primarily due to the gain recognized on the sale of non-core business contracts for \$30 million during the three months ended September 29, 2023 that did not reoccur during the nine months ended September 27, 2024, partially offset by the \$17 million gain recognized on the transaction for the sale-leaseback of our equipment yard in Tracy, California and \$2 million gain recognized on the sale of the assets of our non-core Foundations Projects during the nine months ended September 27, 2024.

#### *ERP pre-implementation asset impairment and associated costs*

ERP pre-implementation asset impairment and associated costs increased by \$16 million due to the strategic decision to enhance the Company's current ERP system rather than implementing a new platform which, due to prior capitalized costs and remaining contractual obligations, resulted in a one-time charge of \$16 million recorded in the nine months ended September 27, 2024.

#### *Interest expense*

Interest expense increased by \$3 million primarily due to interest charges on the Credit Facility which was entered into on May 20, 2024 as well as interest charges on the Revolving Credit Facility which was not entered into until March 27, 2023.

#### *Other expense, net*

Other expense, net increased by \$3 million for the nine months ended September 27, 2024 primarily due to a \$1 million loss recognized on the settlement of certain claims with AECOM as well as expenses recognized associated with the change in fair value of contingent consideration and other costs incurred during the nine months ended September 27, 2024.

#### *Income tax expense*

Income tax expense was flat period over period. Due to an expected tax loss for fiscal year ending 2024, no taxable income or tax expense is anticipated for 2024, and no taxable income was recorded for the prior year nine months ended September 29, 2023.

#### *Net loss*

Net loss increased by \$101 million to a net loss of \$86 million for the nine months ended September 27, 2024, primarily due to decreases in gross margin of \$58 million, an increase in ERP pre-implementation asset impairment and associated costs of \$16 million, decrease of gain on the sale of assets of \$11 million, increase in equity in loss of unconsolidated joint ventures of \$10 million, increase in other expense, net of \$3 million as well as an increase in interest expense of \$3 million all as described above.

#### *Non-GAAP Financial Measures*

We report our financial results in accordance with GAAP. However, management believes that certain non-GAAP financial measures provide investors with additional useful information in evaluating our performance. Therefore, to supplement our condensed consolidated financial statements, we provide investors with certain non-GAAP financial measures, including Adjusted net income (loss) and Adjusted EBITDA.

#### *Adjusted Net Income (Loss)*

Adjusted net income (loss) represents Net income (loss) attributable to Shimmick Corporation adjusted to eliminate stock-based compensation, ERP pre-implementation asset impairment and associated costs, legal fees and other costs for Legacy Projects and transaction-related costs and changes in fair value of contingent consideration remaining after the impact of transactions with AECOM. We have also made an adjustment for transformation costs we have incurred including advisory costs as we settle outstanding claims, exit the Legacy Projects and transform the Company into a water-focused business.

We have included Adjusted net income (loss) in this Form 10-Q because it is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short and long-term operational plans. In particular, we believe that the exclusion of the income and expenses eliminated in calculating Adjusted net income (loss) can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that Adjusted net income (loss) provides useful information to investors and others in understanding and evaluating our results of operations.

Our use of Adjusted net income (loss) as an analytical tool has limitations, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are:

- Adjusted net income (loss) does not reflect changes in, or cash requirements for, our working capital needs,
- Adjusted net income (loss) does not reflect the potentially dilutive impact of stock-based compensation, and
- other companies, including companies in our industry, might calculate Adjusted net income (loss) or similarly titled measures differently, which reduces their usefulness as comparative measures.

Because of these and other limitations, you should consider Adjusted net income (loss) alongside Net income (loss) attributable to Shimmick Corporation, which is the most directly comparable GAAP measure.

#### *Adjusted EBITDA*

Adjusted EBITDA represents our Net income (loss) attributable to Shimmick Corporation before interest expense, income tax expense and depreciation and amortization, adjusted to eliminate stock-based compensation, ERP pre-implementation asset impairment and associated costs, legal fees and other costs for Legacy Projects and other costs. We have also made an adjustment for transformation costs we have incurred including advisory costs as we settle outstanding claims, exit the Legacy Projects and transform the Company into a water-focused business.

We have included Adjusted EBITDA in this Form 10-Q because it is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short and long-term operational plans. In particular, we believe that the exclusion of the income and expenses eliminated in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our results of operations.

Our use of Adjusted EBITDA as an analytical tool has limitations, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized might have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements,
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs,
- Adjusted EBITDA does not reflect the potentially dilutive impact of stock-based compensation,
- Adjusted EBITDA does not reflect interest or tax payments that would reduce the cash available to us, and
- other companies, including companies in our industry, might calculate Adjusted EBITDA or similarly titled measures differently, which reduces their usefulness as comparative measures.

Because of these and other limitations, you should consider Adjusted EBITDA alongside Net income (loss) attributable to Shimmick Corporation, which is the most directly comparable GAAP measure.

See reconciliations below:

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<i>(In thousands)</i>				
Net (loss) income attributable to Shimmick Corporation	\$ (1,564)	\$ 34,567	\$ (86,286)	\$ 14,930
Transformation costs <sup>(1)</sup>	1,924	-	4,532	-
Stock-based compensation	1,337	496	3,304	1,547
ERP pre-implementation asset impairment and associated costs <sup>(2)</sup>	15,708	-	15,708	-
Legal fees and other costs for Legacy Projects <sup>(3)</sup>	6,436	1,708	11,796	6,346
Other <sup>(4)</sup>	414	(109)	860	1,808
Adjusted net income (loss)	\$ 24,255	\$ 36,662	\$ (50,086)	\$ 24,631

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<i>(In thousands)</i>				
Net (loss) income attributable to Shimmick Corporation	\$ (1,564)	\$ 34,567	\$ (86,286)	\$ 14,930
Depreciation and amortization	3,447	4,637	11,646	13,186
Interest expense	1,977	413	4,370	1,020
Income tax expense	-	-	-	-
Transformation costs <sup>(1)</sup>	1,924	-	4,532	-
Stock-based compensation	1,337	496	3,304	1,547
ERP pre-implementation asset impairment and associated costs <sup>(2)</sup>	15,708	-	15,708	-
Legal fees and other costs for Legacy Projects <sup>(3)</sup>	6,436	1,708	11,796	6,346
Other <sup>(4)</sup>	414	(109)	860	1,808
Adjusted EBITDA	\$ 29,679	\$ 41,712	\$ (34,070)	\$ 38,837

(1) Consists of transformation-related costs we have incurred including advisory costs as we settle outstanding claims, exit the Legacy Projects and transform the Company into a water-focused business.

(2) Reflects a strategic decision to enhance the Company's current ERP system rather than implementing a new platform which, due to prior capitalized costs and remaining contractual obligations, resulted in a one-time charge of \$16 million in the third quarter of fiscal 2024.

(3) Consists of legal fees and other costs incurred in connection with claims relating to Legacy Projects.

(4) Consists of transaction-related costs and changes in fair value of contingent consideration remaining after the impact of transactions with AECOM.

## Liquidity and Capital Resources

### Capital Requirements and Sources of Liquidity

During the nine months ended September 27, 2024 our capital expenditures were approximately \$10 million compared to \$6 million for the nine months ended September 29, 2023. Historically, we have had significant cash requirements in order to organically expand our business to undertake new projects. Our cash requirements include costs related to increased expenditures for equipment, facilities and information systems, purchase of materials and production of materials and cash to fund our organic expansion into new markets, including through joint ventures. Our working capital needs are driven by the seasonality and growth of our business, with our cash requirements greater in periods of growth. Additional cash requirements resulting from our growth include the costs of additional personnel, enhancing our information systems, our compliance with laws and rules applicable to being a public company and, in the future, our integration of any acquisitions. Unrestricted cash and cash equivalents at September 27, 2024 totaled \$26 million and availability under the Revolving Credit Facility and Credit Facility totaled \$15 million and \$18 million, respectively, resulting in total liquidity of \$59 million. In addition, we expect to receive approximately \$97 million in the 2024 fiscal year as a result of the settlement of the claim on the GGB Project as discussed in *Recent Developments*.

We have historically relied upon cash available through operating activities, in addition to credit facilities and existing cash balances, to finance our working capital requirements and to support our growth. On November 16, 2023, we completed our IPO pursuant to which we issued and sold an aggregate of 3,575,000 shares of common stock at a price to the public of \$7.00 per share. We received aggregate net proceeds of approximately \$19 million after deducting underwriting discounts and commissions of \$2 million and other offering expenses of \$4 million. We will continue to monitor the capital markets and may continue raising additional capital through the issuance of our common shares, authorized preferred shares or other securities.

We regularly monitor potential capital sources, including equity and debt financing, in an effort to meet our planned expenditures and liquidity requirements. Our future success will be highly dependent on our ability to access outside sources of capital.

As is customary in our business, we are required to provide surety bonds to secure our performance under our contracts. Our ability to obtain surety bonds primarily depends upon our capitalization, working capital, past performance, management expertise and reputation and certain external factors, including the overall capacity of the surety market. Surety companies consider such factors in relationship to the amount of our backlog and their underwriting standards, which may change from time to time. We have pledged proceeds and other rights under our contracts to our bond surety company. Events that affect the insurance and bonding markets may result in bonding becoming more difficult to obtain in the future, or being available only at a significantly greater cost.

We believe that our operating, investing and financing cash flows are sufficient to fund our operations for at least the next twelve months. However, future cash flows are subject to a number of variables, and significant additional expenditures will be required to conduct our operations. Furthermore, as a result of the completion of our IPO on November 16, 2023, we have incurred and expect to continue to incur additional costs associated with being a public company. There can be no assurance that operations and other capital resources will provide cash in sufficient amounts to maintain planned or future levels of expenditures. In the event we make one or more acquisitions and the amount of capital required is greater than the amount we have available for acquisitions at that time, we could be required to reduce the expected level of expenditures and/or seek additional capital. If we seek additional capital, we may do so through joint ventures, asset sales and sale-leaseback transactions, offerings of debt or equity securities or other means. We cannot guarantee that this additional capital will be available on acceptable terms or at all. If we are unable to obtain the funds we need, we may not be able to complete acquisitions that may be favorable to us or finance the expenditures necessary to conduct our operations.

Total debt outstanding is presented on the condensed consolidated balance sheets as follows:

<i>(In thousands)</i>	<b>September 27, 2024</b>	<b>December 29, 2023</b>
Credit Facility	\$ 42,000	\$ -
Revolving Credit Facility	-	29,914
Unamortized debt issuance costs	(2,097)	(287)
Long term debt, net	<u>\$ 39,903</u>	<u>\$ 29,627</u>

### Revolving Credit Facility

On March 27, 2023, we entered into the Revolving Credit Facility with MidCap Financial Services, LLC, which originally provided a total commitment of \$30 million. The Revolving Credit Facility has been subsequently amended, most recently on September 25, 2024. As amended, the Revolving Credit Facility provides for a total commitment of \$15 million and bears interest at an annual rate of adjusted term SOFR, subject to a 1.0% floor, plus 5.50%. Further, the Revolving Credit Facility is subject to an annual collateral management fee of 0.50% and an annual unused line fee of 0.50%. The Revolving Credit Facility includes certain financial operating



covenants, including a minimum liquidity requirement of \$7.5 million. The Revolving Credit Facility matures on December 31, 2024. The Company is not aware of any instances of noncompliance with the key financial covenants as of September 27, 2024.

In the three months ended September 27, 2024, we repaid \$15 million of the amount outstanding under the Revolving Credit Facility. As of September 27, 2024, no borrowings were outstanding under the Revolving Credit Facility. As of December 29, 2023, \$30 million was outstanding under the Revolving Credit Facility, respectively.

#### *Credit Facility*

On May 20, 2024, the Company, as guarantor, and its wholly-owned subsidiaries as borrowers (“Borrowers”), Alter Domus (US) LLC, as agent, and AECOM and Berkshire Hathaway Specialty Insurance Company (“BHSP”) as lenders, entered into a revolving credit facility (the “Credit Agreement”). The Credit Agreement was subsequently amended on September 25, 2024 to among other things, permit the Company’s concurrent amendment to the Revolving Credit Facility. As amended, the Credit Agreement provides borrowing capacity up to \$60 million. The obligations under the Credit Agreement bear interest at a per annum rate equal to one month Term SOFR (as defined in the Credit Agreement), subject to a 1.00% floor, plus 3.50%. Interest on any outstanding amounts drawn under the Credit Agreement will be payable, in kind or in cash at the election of the Company, on the last day of each month and upon prepayment.

The Credit Agreement matures on May 20, 2029 (the “Maturity Date”), and the Borrowers may borrow, repay and reborrow amounts under the Credit Agreement until the Maturity Date.

Obligations of the Borrowers under the Credit Agreement are guaranteed by the Company and secured by a lien on substantially all assets of the Company and the Borrowers.

The Credit Agreement contains customary affirmative and negative covenants for a transaction of this type, including covenants that limit liens, asset sales and investments, in each case subject to negotiated exceptions and baskets. In addition, the Credit Agreement contains a maximum leverage ratio covenant as tested quarterly commencing with the close of the fourth quarter of 2025. The Credit Agreement also contains representations and warranties and event of default provisions customary for a transaction of this type. The Company is not aware of any instances of noncompliance with financial covenants as of September 27, 2024. As of September 27, 2024, \$42 million was outstanding under the Credit Facility.

The transactions with AECOM also included a mutual release and settlement of certain claims with AECOM and a corresponding agreement to issue 7,745,000 shares of our common shares to AECOM. 5,144,622 of the common shares were issued on May 20, 2024 and issuance of the remaining 2,600,378 shares was completed following shareholder approval on June 26, 2024. Of the total common shares issued, 1,036,949 were held in escrow which resulted in an AECOM voting interest of 19.9% as of September 27, 2024. The Company recognized a loss of \$1 million in Other expense, net within the condensed consolidated statements of operations as a result of the share issuance which represented the excess of the \$13 million fair market value of the common shares at the time of issuance over the \$12 million carrying value of the contingent consideration liabilities settled with AECOM.

#### *Cash Flows Analysis*

The following table sets forth our cash flows for the periods indicated:

<i>(In thousands)</i>	<b>Nine Months Ended</b>	
	<b>September 27,</b>	<b>September 29,</b>
	<b>2024</b>	<b>2023</b>
Net cash used in operating activities	\$ (66,183)	\$ (64,776)
Net cash provided by investing activities	18,389	13,153
Net cash provided by financing activities	10,457	32,694
Net decrease in cash, cash equivalents and restricted cash	(37,337)	(18,929)
Cash, cash equivalents and restricted cash, beginning of period	63,910	82,085
Cash, cash equivalents and restricted cash, end of period	<u>\$ 26,573</u>	<u>\$ 63,156</u>

#### *Operating Activities*

During the nine months ended September 27, 2024, net cash used in operating activities was \$66 million, compared to net cash used in operating activities of \$65 million for the nine months ended September 29, 2023. Cash flows used in operating activities were driven by increased net loss, adjusted for various non-cash items and changes in accounts receivable, contract assets, accounts payable, contract liabilities and accrued expenses balances (collectively, “Contract Capital”), as discussed below.

Changes in Contract Capital—The change in operating assets and liabilities varies due to fluctuations and timing in operating activities and Contract Capital. The changes in the components of Contract Capital during the nine months ended September 27, 2024 and September 29, 2023 were as follows:

<i>(In thousands)</i>	<b>Nine Months Ended</b>	
	<b>September 27, 2024</b>	<b>September 29, 2023</b>
Accounts receivable, net	\$ 663	\$ (12,012)
Due from unconsolidated joint ventures	-	313
Contract assets	(2,418)	(10,134)
Accounts payable	(12,149)	24,221
Contract liabilities	(18,157)	(41,797)
Accrued expenses	34,165	(22,042)
Changes in Contract Capital, net	<u>\$ 2,104</u>	<u>\$ (61,451)</u>

During the nine months ended September 27, 2024, the increase in contract capital was \$2 million, which was primarily due to decreases in accounts payable and contract liabilities, partially offset by increases in accrued expenses. The Company's Contract Capital fluctuations are impacted by the mix of projects in backlog, seasonality, the timing of new awards and related payments for work performed and the contract billings to the customer as projects are completed. Contract Capital is also impacted at period-end by the timing of accounts receivable collections and accounts payable payments for projects.

#### *Investing Activities*

For the nine months ended September 27, 2024, net cash provided by investing activities was \$18 million, which was primarily driven by proceeds from the sale of assets of \$32 million, partially offset by purchases of property, plant and equipment of \$10 million and contributions to unconsolidated joint ventures of \$3 million.

For the nine months ended September 29, 2023, net cash provided by investing activities was \$13 million, which primarily consisted of cash proceeds from the sale of non-core business contracts of \$30 million, proceeds from sale of property, plant and equipment of \$5 million (\$4 million due to sale of an office building), and return of investment in unconsolidated joint ventures of \$4 million, partially offset by unconsolidated joint venture equity contributions of \$20 million and purchases of property, plant and equipment of \$6 million.

#### *Financing Activities*

For the nine months ended September 27, 2024, net cash provided by financing activities was \$10 million, which primarily consisted of net borrowings from credit facilities of \$12 million, partially offset by \$2 million of debt issuance costs incurred for the Credit Facility agreement and associated amendment entered into during the second and third quarters of 2024.

For the nine months ended September 29, 2023, net cash provided by financing activities was \$33 million, which primarily consisted of net proceeds from the Revolving Credit Facility borrowings of \$34 million.

#### *Letters of Credit*

We obtain standby letters of credit required by our insurance carriers. The Company did not have any letters of credit outstanding as of September 27, 2024 or December 29, 2023.

#### *Contractual Obligations*

Contractual obligations of the Company consisted of liabilities associated with remaining lease payments for the three months ending January 3, 2025 through the fiscal years ending through December 29, 2028 of approximately \$2 million, \$7 million, \$5 million, \$4 million, \$4 million, respectively, and approximately \$6 million in the aggregate thereafter based on balances outstanding as of September 27, 2024.

#### **Backlog**

Our backlog consists of the remaining unearned revenue on awarded contracts, including our pro-rata share of work to be performed by unconsolidated joint ventures, less the joint venture partners' pro-rata share of work to be performed by consolidated joint ventures. We include in backlog estimates of the amount of consideration to be received, including bonuses, awards, incentive fees, fixed-price awards, claims, unpriced change orders, penalties, minimum customer commitments on cost plus arrangements, liquidated damages

and certain time and material arrangements in which the estimated value is firm or can be estimated with a reasonable amount of certainty in both timing and amounts. As construction on our contracts progresses, we increase or decrease backlog to take account of changes in estimated quantities under fixed-price contracts, as well as to reflect changed conditions, change orders and other variations from initially anticipated contract revenue and costs, including completion penalties and bonuses. Substantially all of the contracts in our backlog may be canceled or modified at the election of the customer.

As of September 27, 2024, we had a backlog of projects of \$834 million with over half of that amount comprised of water projects. We believe we have the ability to self-perform many of these projects, enabling us to compete for complex projects and differentiating us from many of our competitors. Self-performance also enables us to better control the critical aspects of our projects, reducing the risk of cost and schedule overruns.

The following tables present the Company's percentage of backlog by customer type, contract type and backlog recognized:

	<b>As of September 27, 2024</b>
<b>Backlog by customer type:</b>	
State and local agencies	70 %
Federal agencies	13 %
Private owners	17 %
Total backlog	<u>100 %</u>

	<b>As of September 27, 2024</b>
<b>Backlog by contract type:</b>	
Fixed-price	85 %
Cost reimbursable	15 %
Total backlog	<u>100 %</u>

	<b>As of September 27, 2024</b>
<b>Estimated backlog recognized:</b>	
0 to 24 months	81 %
25 to 36 months	10 %
Beyond 36 months	9 %
Total backlog	<u>100 %</u>

### Off-Balance Sheet Arrangements

In our joint ventures, the liability of each partner is usually joint and several. This means that each joint venture partner may become liable for the entire risk of performance guarantees provided by each partner to the customer. Typically each joint venture partner indemnifies the other partners for any liabilities incurred in excess of the liabilities the other party is obligated to bear under the respective joint venture agreement. We are unable to estimate the maximum potential amount of future payments that we could be required to make under outstanding performance guarantees related to joint venture projects due to a number of factors, including but not limited to, the nature and extent of any contractual defaults by our joint venture partners, resource availability, potential performance delays caused by the defaults, the location of the projects, and the terms of the related contracts.

### Critical Accounting Estimates

The discussion of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We evaluate our estimates and assumptions on an ongoing basis. The results of our analysis form the basis for making assumptions about the carrying values of assets

and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our condensed consolidated financial statements.

Our critical accounting estimates are described in more detail in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, of our Form 10-K. There have been no other significant changes in our critical accounting estimates from those reported in our Form 10-K and we believe that the related judgments and assessments have been consistently applied and produce financial information that fairly depicts the financial condition, results of operations, and cash flows for all periods presented.

### **Emerging Growth Company and Smaller Reporting Company**

We are an “emerging growth company,” as defined in the JOBS Act. For so long as we are an emerging growth company, we will, among other things:

- not be required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act,
- not be required to hold a nonbinding advisory stockholder vote on executive compensation pursuant to Section 14A(a) of the Exchange Act,
- not be required to seek stockholder approval of any golden parachute payments not previously approved pursuant to Section 14A(b) of the Exchange Act,
- be exempt from any rule adopted by the Public Company Accounting Oversight Board, requiring mandatory audit firm rotation and identification of critical audit matters,
- be subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and
- be subject to reduced obligations with respect to financial data, including presenting only two years of audited financial statements and only two years of selected financial data in the Form 10-K.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can use the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. This permits an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

We will continue to qualify as an emerging growth company until the earliest of:

- the last day of our fiscal year following the fifth anniversary of the date of our initial public offering,
- the last day of our fiscal year in which we have annual gross revenue of \$1.235 billion or more,
- the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt, and
- the date on which we are deemed to be a “large accelerated filer,” which will occur at such time as we (1) have an aggregate worldwide market value of common equity securities held by non-affiliates of \$700.0 million or more as of the last business day of our most recently completed second fiscal quarter, (2) have been required to file annual and quarterly reports under the Exchange Act for a period of at least 12 months and (3) have filed at least one annual report pursuant to the Exchange Act.

We are also a smaller reporting company as defined in the Exchange Act. We may continue to be a smaller reporting company even after we are no longer an emerging growth company. We may take advantage of certain of the scaled disclosures available to smaller reporting companies and will be able to take advantage of these scaled disclosures for so long as our voting and non-voting common stock held by non-affiliates is less than \$250.0 million measured on the last business day of our second fiscal quarter, or our annual revenue is less than \$100 million during the most recently completed fiscal year and our voting and non-voting common stock held by non-affiliates is less than \$700 million measured on the last business day of our second fiscal quarter.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable as we are a “smaller reporting company,” as defined in the Exchange Act.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Management, under the supervision and with the participation of the Chief Executive Officer and Interim Chief Financial Officer, has conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). In conducting our evaluation, management used the updated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control–Integrated Framework (2013). Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that as of September 27, 2024, our disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting described below. We have in place and are executing a remediation plan to address the material weaknesses described below.

As discussed in Item 9A of our Form 10-K, we identified material weaknesses in our internal control over financial reporting, which relate to the design and operation of internal control over financial reporting, including the lack of formal and effective controls over certain financial statement account balances, and lack of effective controls over the COSO principles including control environment, risk assessment, control activities, information and communications and monitoring as of December 29, 2023 and December 30, 2022.

Management performed additional analyses and other procedures to ensure that our condensed consolidated financial statements were prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”). Accordingly, management believes that the condensed consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our financial position, results of operations, and cash flows as of and for the periods presented in this Form 10-Q, in accordance with U.S. GAAP.

#### *Management’s Plan to Remediate the Identified Material Weaknesses*

We believe our current staff, which has changed over the last twenty-four months, possess the appropriate skillsets and public company reporting experience to prepare and report on complete and accurate financial statements. We have designed and implemented new entity level controls, information system general controls and financial reporting and business process controls over estimate at completion (revenue), payroll, treasury, property, plant and equipment and leases.

We continue to evaluate the controls that we have implemented and conduct such testing that is necessary to conclude on the operating effectiveness of the controls. Additional remediation may be necessary as we continue to monitor and evaluate the effectiveness of controls implemented to date.

#### *Changes in Internal Control over Financial Reporting*

With the exception of the implementation and enhancement of controls in connection with our remediation activities described above, there were no changes to our internal control over financial reporting during the quarter ended September 27, 2024 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The information required with respect to this Part II, Item 1 can be found under Item 1., Financial Statements, Note 11 - Commitments and Contingencies, to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

### Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Form 10-K.

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

None

### Item 3. Defaults Upon Senior Securities

None

### Item 4. Mine Safety Disclosures

None

### Item 5. Other Information

During the fiscal quarter ended September 27, 2024, none of our directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement,” except as follows:

Name and Title	Action	Date	Plan Arrangement		Maximum Number of Securities to be Sold <sup>(2)</sup>	Plan Expiration Date
			Rule 10b5-1(c)	Non-Rule 10b5-1		
Mitchell B. Goldstein <sup>(1)</sup> , Executive Chairman	Adoption	08/20/2024	X	-	1,300,000	08/01/2025

(1) Mr. Goldstein entered into his Rule 10b5-1 trading arrangement, dated August 20, 2024, through GOHO LLC, an entity which he controls.

(2) The maximum amount shares of common stock to be sold in any three-month period is 325,000 shares. No sales of securities occurred during the fiscal quarter ended September 27, 2024.

## Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
10.1	<a href="#"><u>Amendment No. 5 to Credit, Security and Guaranty Agreement, dated September 25, 2024, by and among Shimmick Construction Company, Inc., Rust Constructors Inc., The Leasing Corporation, SCCI National Holdings, Inc., MidCap Funding IV Trust and other parties thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 26, 2024).</u></a>
10.2	<a href="#"><u>Amendment No. 1 to Credit, Security and Guaranty Agreement, dated September 25, 2024, by and among Shimmick Construction Company, Inc., Rust Constructors Inc., The Leasing Corporation, Shimmick Corporation, the other guarantors party thereto, the agent thereunder, and the lenders time to time party thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 26, 2024).</u></a>
31.1*	<a href="#"><u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2*	<a href="#"><u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1#	<a href="#"><u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2#	<a href="#"><u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

# Furnished herewith

**SIGNATURES**

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

Shimmick Corporation

Date: November 12, 2024

By: \_\_\_\_\_  
/s/ Amanda Mobley  
Amanda Mobley  
Interim Chief 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 the Quarterly Report of Shimmick Corporation (the "Company") on Form 10-Q for the period ended September 27, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I 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 result of operations of the Company.

Date: November 12, 2024

By: \_\_\_\_\_  
/s/ Steven E. Richards  
Steven E. Richards  
Chief Executive Officer

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