# 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 March 29, 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** | **84-3749368** |
| **( State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **530 Technology Drive**<br>**Suite 300**<br>**Irvine, CA** | **92618** |
| **(Address of principal executive offices)** | **(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 | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| Emerging growth company | ☒ | | |

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

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

As of May 16, 2024, the registrant had 25,723,242 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 contact 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,
- 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 and rising inflation and/or 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
- 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)**

| | March 29, 2024 | December 29, 2023 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 27,327 | $ 62,939 |
| Restricted cash | 912 | 971 |
| Accounts receivable, net | 49,700 | 54,178 |
| Contract assets, current | 136,031 | 125,943 |
| Prepaids and other current assets | 11,695 | 13,427 |
| **TOTAL CURRENT ASSETS** | 225,665 | 257,458 |
| Property, plant and equipment, net | 47,094 | 46,373 |
| Intangible assets, net | 8,600 | 9,244 |
| Contract assets, non-current | 46,703 | 48,316 |
| Lease right-of-use assets | 23,351 | 23,855 |
| Investment in unconsolidated joint ventures | 23,731 | 21,283 |
| Deferred tax assets | - | 17,252 |
| Other assets | 2,849 | 2,871 |
| **TOTAL ASSETS** | $ 377,993 | $ 426,652 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 77,683 | $ 81,589 |
| Contract liabilities, current | 110,204 | 115,785 |
| Accrued salaries, wages and benefits | 30,287 | 26,911 |
| Accrued expenses | 33,405 | 33,897 |
| Other current liabilities | 18,173 | 13,071 |
| **TOTAL CURRENT LIABILITIES** | 269,752 | 271,253 |
| Long-term debt, net | 31,489 | 29,627 |
| Lease liabilities, non-current | 14,855 | 15,045 |
| Contract liabilities, non-current | 2,704 | 3,215 |
| Contingent consideration | 15,725 | 15,488 |
| Deferred tax liabilities | - | 17,252 |
| Other liabilities | 5,350 | 4,282 |
| **TOTAL LIABILITIES** | 339,875 | 356,162 |
| Commitments and Contingencies (Note 11) | | |
| **STOCKHOLDERS' EQUITY** | | |
| Common stock, $0.01 par value, 100,000,000 shares authorized as of March 29, 2024 and December 29, 2023; 25,738,857 and 25,493,877 shares issued and outstanding as of March 29, 2024 and December 29, 2023, respectively | 257 | 255 |
| Additional paid-in-capital | 25,578 | 24,445 |
| Retained earnings | 13,204 | 46,537 |
| Non-controlling interests | (921 ) | (747 ) |
| **TOTAL STOCKHOLDERS' EQUITY** | 38,118 | 70,490 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 377,993 | $ 426,652 |

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 | |
|---|---|---|
| | **March 29, 2024** | **March 31, 2023** |
| Revenue | $ 120,043 | $ 164,108 |
| Cost of revenue | 135,903 | 157,886 |
| **Gross margin** | (15,860) | 6,222 |
| Selling, general and administrative expenses | 15,524 | 15,558 |
| Amortization of intangibles | 644 | 658 |
| Total operating expenses | 16,168 | 16,216 |
| Equity in earnings (loss) of unconsolidated joint ventures | 263 | (541) |
| (Loss) gain on sale of assets | (26) | 1,540 |
| **Loss from operations** | (31,791) | (8,995) |
| Other expense, net | 1,543 | 338 |
| **Net loss before income tax** | (33,334) | (9,333) |
| Income tax expense | — | — |
| **Net loss** | (33,334) | (9,333) |
| **Net (loss) income attributable to non-controlling interests** | (1) | 4 |
| **Net loss attributable to Shimmick Corporation** | $ (33,333) | $ (9,337) |
| **Net loss attributable to Shimmick Corporation per common share** | | |
| **Basic** | $ (1.30) | $ (0.43) |
| **Diluted** | $ (1.30) | $ (0.43) |

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 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 | — | — | — | (33,333) | (1) | (33,334) |
| Issuance of common stock related to share-based awards | 244,980 | 2 | 135 | — | — | 137 |
| Stock-based compensation | — | — | 998 | — | — | 998 |
| Distributions to non-controlling interests | — | — | — | — | (173) | (173) |
| Balance as of March 29, 2024 | 25,738,857 | $ 257 | $ 25,578 | $ 13,204 | $ (921) | $ 38,118 |

| | Common Stock | | Additional Paid-in-Capital | Retained 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 (loss) income | — | — | — | (9,337) | 4 | (9,333) |
| Stock-based compensation | — | — | 528 | — | — | 528 |
| Balance as of March 31, 2023 | 21,908,800 | $ 219 | $ 3,869 | $ 39,746 | $ (1,044) | $ 42,790 |

See accompanying notes to the condensed consolidated financial statements.

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

| | Three Months Ended | |
|---|---|---|
| | March 29, 2024 | March 31, 2023 |
| **Cash Flows From Operating Activities** | | |
| Net loss | $ (33,334) | $ (9,333) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation | 998 | 528 |
| Depreciation and amortization | 4,410 | 4,165 |
| Equity in (earnings) loss of unconsolidated joint ventures | (263) | 541 |
| Return on investment in unconsolidated joint ventures | 284 | 5,762 |
| Loss (gain) on sale of assets | 26 | (1,877) |
| Other | 279 | 270 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 4,478 | (8,511) |
| Contract assets | (8,475) | (6,902) |
| Accounts payable | (8,901) | 9,919 |
| Contract liabilities | (5,579) | (9,703) |
| Accrued expenses | (492) | (21,070) |
| Accrued salaries, wages and benefits | 3,376 | 5,264 |
| Other assets and liabilities | 8,205 | 4,797 |
| Net cash used in operating activities | (34,988) | (26,150) |
| **Cash Flows From Investing Activities** | | |
| Purchases of property, plant and equipment | (4,620) | (2,470) |
| Proceeds from sale of assets | 199 | 377 |
| Unconsolidated joint venture equity contributions | (2,980) | (1,550) |
| Return of investment in unconsolidated joint ventures | - | 1,535 |
| Net cash used in investing activities | (7,401) | (2,108) |
| **Cash Flows From Financing Activities** | | |
| Net borrowings on revolving credit facility | 1,835 | 22,808 |
| Other | 4,883 | (77) |
| Net cash provided by financing activities | 6,718 | 22,731 |
| Net decrease in cash, cash equivalents and restricted cash | (35,671) | (5,527) |
| Cash, cash equivalents and restricted cash, beginning of period | 63,910 | 82,085 |
| Cash, cash equivalents and restricted cash, end of period | $ 28,239 | $ 76,558 |
| **Reconciliation of cash, cash equivalents and restricted cash to the Condensed Consolidated Balance Sheets** | | |
| Cash and cash equivalents | 27,327 | 72,145 |
| Restricted cash | 912 | 4,413 |
| Total cash, cash equivalents and restricted cash | $ 28,239 | $ 76,558 |

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 months ended March 29, 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 and statements of cash flows and accompanying notes have been combined or rounded to conform to current period presentation. These changes had no impact on net loss, cash flows, assets and liabilities, or equity previously reported.

**Stock Split**

On October 23, 2023, the Board of Directors (the "Board") approved an amendment to the Company’s Certificate of Incorporation in order to effect a stock split of the Company’s Common Stock. Further, the Board authorized 100,000,000 shares of Common Stock, with a par value of $0.01 par value per share and 25,000,000 shares of Preferred Stock, with a par value of $0.01 per share. Upon the effectiveness of the filing of the amendment, each share of common stock, par value $0.01 per share (the “Old Common Stock”), issued and outstanding automatically, without further action on the part of the Company or any holder of such Old Common Stock, was reclassified as and became 2.7386 validly issued, fully paid and non-assessable shares of Common Stock. There were no fractional shares issued with respect to the reclassification of shares of Old Common Stock. In lieu of fractional shares, the Company rounded up to the nearest whole number of shares of Common Stock. The Company has retro-actively applied the stock split made effective on October 23, 2023, to share and per share amounts in the condensed consolidated financial statements. Accordingly, any information related to or dependent upon the share amounts in the condensed consolidated financial statements and Note 8 - Stock-Based Compensation and Note 9 - Earnings Per Share have been updated to reflect the effect of the stock split.

**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.

**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 condensed 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 condensed consolidated financial statements.

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

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

| | Three Months Ended | |
|---|---|---|
| ***(In thousands)*** | **March 29, 2024** | **March 31, 2023** |
| Fixed-price | $ 113,065 | $ 151,528 |
| Cost reimbursable | 6,505 | 10,843 |
| Equipment and labor revenue | 473 | 1,737 |
| Total revenue | $ 120,043 | $ 164,108 |

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:

| | Three Months Ended | |
|---|---|---|
| ***(In thousands)*** | **March 29, 2024** | **March 31, 2023** |
| Shimmick Projects | $ 90,292 | $ 88,099 |
| Foundations Projects | 6,640 | 20,104 |
| Legacy Projects | 23,111 | 55,905 |
| Total revenue | $ 120,043 | $ 164,108 |

*Remaining performance obligations*

The Company had $1.0 billion of remaining performance obligations yet to be satisfied as of March 29, 2024. Our remaining performance obligations have a weighted average life of 2.1 years as of March 29, 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:

| ***(In thousands)*** | **March 29, 2024** | **December 29, 2023** | **Change** |
|---|---|---|---|
| Contract assets, current and non-current: | | | |
| Costs and estimated earnings in excess of billings on uncompleted contracts | $ 136,031 | $ 125,943 | $ 10,088 |
| Retainage receivable | 46,703 | 48,316 | (1,613) |
| Total contract assets | 182,734 | 174,259 | 8,475 |
| Contract liabilities, current and non-current: | | | |
| Billings on uncompleted contracts in excess of costs and estimated earnings | (43,548) | (48,841) | 5,293 |
| Forward loss reserve | (69,360) | (70,159) | 799 |
| Total contract liabilities | (112,908) | (119,000) | 6,092 |
| Net | $ 69,826 | $ 55,259 | $ 14,567 |

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 $18.9 million during the three months ended March 29, 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.

| ***(In thousands)*** | **March 29, 2024** | **December 29, 2023** |
|---|---|---|
| Total accounts receivable, gross | $ 50,630 | $ 55,202 |
| Allowance for credit losses | (930) | (1,024) |
| Accounts receivable, net | $ 49,700 | $ 54,178 |

Substantially all contract assets as of March 29, 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*

| Significant Customers as a Percentage of Accounts Receivable, Net | |
|---|---|
| **As of March 29, 2024** | |
| Customer one | 29.6% |
| Customer two | 17.2% |
| | |
| **As of December 29, 2023** | |
| Customer one | 32.5% |
| Customer two | 21.7% |

| Significant Customers as a Percentage of Revenue | |
|---|---|
| **Three Months Ended March 29, 2024** | |
| Customer one | 21.2% |
| Customer two | 14.8% |
| | |
| **Three Months Ended March 31, 2023** | |
| Customer one | 19.1% |
| Customer two | 18.4% |
| Customer three | 16.5% |

*Revisions in Estimates*

Changes in contract estimates resulted in net decreases in gross margin of $18 million for the three months ended March 29, 2024, primarily due to increased forecasted cost to complete loss jobs.

There were no material changes in estimates for the three months ended March 31, 2023.

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

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

| *(In thousands)* | March 29, 2024 | December 29, 2023 |
|---|---|---|
| Current assets | $ 45,774 | $ 34,071 |
| Non-current assets | - | 8,971 |
| Total assets | 45,774 | 43,042 |
| Current liabilities | 61,543 | 59,602 |
| Non-current liabilities | 2,029 | 2,013 |
| Total liabilities | $ 63,572 | $ 61,615 |

| | Three Months Ended | |
|---|---|---|
| *(In thousands)* | March 29, 2024 | March 31, 2023 |
| Revenue | $ 4,004 | $ 4,614 |

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:

| (In thousands) | March 29, 2024 | December 29, 2023 |
|---|---|---|
| Current assets | $ 81,404 | $ 74,498 |
| Non-current assets | 12,862 | 14,333 |
| Total assets | 94,266 | 88,831 |
| Current liabilities | 40,928 | 42,817 |
| Total liabilities | $ 40,928 | $ 42,817 |

| | Three Months Ended | |
|---|---|---|
| (In thousands) | March 29, 2024 | March 31, 2023 |
| Revenue | $ 20,456 | $ 28,888 |
| Cost of revenue | 20,931 | 33,972 |
| Gross margin | (475) | (5,084) |
| Net loss | $ (475) | $ (5,084) |

As of March 29, 2024 and December 29, 2023, the Company's investment in unconsolidated joint ventures was $24 million and $21 million, respectively.

The Company recognized equity in earnings of unconsolidated joint ventures of $263 thousand for the three months ended March 29, 2024 and equity in loss of unconsolidated joint ventures of $541 thousand for the three months ended March 31, 2023.

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 | |
|---|---|---|
| (In thousands) | March 29, 2024 | March 31, 2023 |
| Revenue | $ 478 | $ 1,045 |

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

| (In thousands) | March 29, 2024 | December 29, 2023 |
|---|---|---|
| Accounts receivable, net | $ 2,471 | $ 2,092 |

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

The following table summarizes the components of property, plant and equipment as of March 29, 2024 and December 29, 2023.

| *(In thousands)* | March 29, 2024 | December 29, 2023 |
|---|---|---|
| Building and land | $ 3,993 | $ 4,002 |
| Machinery, equipment, and vehicles | 70,406 | 70,250 |
| Office equipment, software and construction in progress | 13,402 | 9,324 |
| Property, plant and equipment, gross | 87,801 | 83,576 |
| Accumulated depreciation | (40,707) | (37,203) |
| Property, plant and equipment, net | $ 47,094 | $ 46,373 |

| | Three Months Ended | |
|---|---|---|
| *(In thousands)* | March 29, 2024 | March 31, 2023 |
| Depreciation expense | $ 3,700 | $ 3,507 |

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.

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

| | March 29, 2024 | | | |
|---|---|---|---|---|
| *(In thousands)* | Weighted Average Remaining Useful Life | Intangible Assets, Gross | Accumulated Amortization | Intangible Assets, Net |
| Trademark | 3.8 | $ 10,600 | $ (4,921) | $ 5,679 |
| Customer contracts | 2.8 | 6,373 | (3,452) | 2,921 |
| Total | | $ 16,973 | $ (8,373) | $ 8,600 |

| | December 29, 2023 | | | |
|---|---|---|---|---|
| *(In thousands)* | Weighted Average Remaining Useful Life | Intangible Assets, Gross | Accumulated Amortization | Intangible Assets, Net |
| Trademark | 4 | $ 10,600 | $ (4,543) | $ 6,057 |
| Customer contracts | 3 | 6,527 | (3,340) | 3,187 |
| Total | | $ 17,127 | $ (7,883) | $ 9,244 |

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

| *(In thousands)* | Amortization Expense |
|---|---|
| 2024 | $ 1,932 |
| 2025 | 2,577 |
| 2026 | 2,577 |
| 2027 | 1,514 |
| Total | $ 8,600 |

**Note 6. Debt**

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

| *(In thousands)* | March 29, 2024 | December 29, 2023 |
|---|---|---|
| Revolving Credit Facility | $ 31,749 | $ 29,914 |
| Total debt | 31,749 | 29,914 |
| Unamortized debt issuance costs | (260) | (287) |
| Long-term debt, net | $ 31,489 | $ 29,627 |

*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 was subsequently amended on June 30, 2023, September 22, 2023 and May 20, 2024. As amended, the Revolving Credit Facility provides for a total commitment of $33 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 $5 million. As of March 29, 2024, we were not in compliance with the leverage covenant set forth in the Revolving Credit Facility prior to the May 20, 2024 amendment. As a result of the May 20, 2024 amendments, the leverage covenant was replaced with the aforementioned minimum liquidity requirement. As amended, we are currently in compliance with all covenants under the Revolving Credit Facility. The Revolving Credit Facility matures on September 30, 2024.

*Project Financing Agreement*

On March 26, 2024, we entered into a Project Financing Agreement (the "Project Financing Agreement") with Berkshire Hathaway Specialty Insurance Company, National Liability & Fire Insurance Company and National Indemnity Company (collectively "Berkshire") which provides an advance of up to $25 million in exchange for security interest in the assigned and secured collateral specified in the Project Financing Agreement. If drawn, the advance will be used to satisfy bond and bonded contract obligations and bears interest at an annual rate of adjusted term SOFR, subject to a 1.0% floor, plus 4.50%. All funds provided by Berkshire under the Project Financing Agreement as well as all accrued interest are due and payable in full on March 28, 2028.

In connection with our entry into the Credit Agreement (as defined below), we terminated the Project Financing Agreement. As a result, all obligations of the Company and its subsidiaries under the Project Financing Agreement were released and all security interests and liens granted by the Company and such subsidiaries to secure such obligations were terminated.

*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 BHSI as lenders, entered into a revolving credit facility (the “Credit Agreement”). 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 replaced the Project Financing Agreement. The Company expects to use the proceeds from the Credit Agreement for general corporate purposes. 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 that will be tested starting for the third quarter of fiscal year 2025. The Credit Agreement also contains representations and warranties and event of default provisions customary for a transaction of this type.

**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 months ended March 29, 2024, and March 31, 2023, respectively.

For the three months ended March 29, 2024 and March 31, 2023, the deferred tax provision resulting from the current year loss is completely offset by the change in 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 $133 million and $124 million as of March 29, 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 $1 million for each of the three months ended March 29, 2024 and March 31, 2023. Unrecognized compensation expense related to stock-based grants to employees of Shimmick outstanding as of March 29, 2024 and March 31, 2023 was $5 million and $4 million, respectively, to be recognized on a straight-line basis over the awards' weighted average remaining vesting period of 1.1 years and 2.0 years, respectively.

For the three months ended March 29, 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 | (195,864) | 1.26 | 0.66 | — |
| Forfeited & expired | (200,415) | 1.26 | 0.66 | — |
| Outstanding as of March 29, 2024 | 3,740,904 | 1.26 | 0.66 | 7.1 |
| Exercisable as of March 29, 2024 | 2,662,487 | $ 1.26 | $ 0.66 | 7.1 |

The following table summarizes the activities for unvested Shimmick restricted stock units for the three months ended March 29, 2024:

| | Restricted Stock Units | |
|---|---|---|
| | Number of shares | Weighted average grant date fair value |
| Unvested as of December 29, 2023 | 576,714 | $ 6.49 |
| Awarded | 12,097 | 6.20 |
| Forfeited | (3,049) | 6.56 |
| Outstanding as of March 29, 2024 | 585,762 | 6.48 |
| Ended vested as of March 29, 2024 | 39,683 | 6.56 |
| Ended unvested as of March 29, 2024 | 546,079 | $ 6.47 |

**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 3.7 million and 4.4 million employee stock options were excluded from the calculation of diluted earnings per share for the three months ended March 29, 2024 and March 31, 2023, respectively, as they are antidilutive to the EPS calculation.

The computation of basic and diluted EPS is as follows:

| | Three Months Ended | |
|---|---|---|
| ***(In thousands, except per share data)*** | **March 29, 2024** | **March 31, 2023** |
| **Numerator:** | | |
| Net loss attributable to Shimmick Corporation | $ (33,333) | $ (9,337) |
| Numerator for basic and diluted EPS | $ (33,333) | $ (9,337) |
| **Denominator:** | | |
| Denominator for basic EPS - weighted average shares | 25,560 | 21,909 |
| Effect of dilutive securities: | | |
| Employee stock options | — | — |
| Restricted stock units | — | — |
| Dilutive potential common shares | — | — |
| Denominator for diluted EPS - adjusted weighted average shares and assumed conversions | 25,560 | 21,909 |
| Basic earnings per common share | $ (1.30) | $ (0.43) |
| Diluted earnings per common share | $ (1.30) | $ (0.43) |

**Note 10. Leases**

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

| | Three Months Ended | |
|---|---|---|
| *(In thousands)* | March 29, 2024 | March 31, 2023 |
| Operating lease cost | | |
| Cost of revenue | $ 2,353 | $ 3,235 |
| Selling, general and administrative expenses | 305 | 293 |
| Finance lease cost (all in cost of revenue): | | |
| Amortization of right-of-use assets | 66 | 75 |
| Interest on lease liabilities | 8 | 7 |
| Short-term lease cost | 82 | 143 |
| Total lease cost | $ 2,814 | $ 3,753 |

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

| *(In thousands)* | Balance Sheet Classification | March 29, 2024 | December 29, 2023 |
|---|---|---|---|
| *Assets:* | | | |
| Operating lease assets | Lease right-of-use assets | $ 23,130 | $ 23,568 |
| Finance lease assets | Lease right-of-use assets | 221 | 287 |
| Total lease assets | | $ 23,351 | $ 23,855 |
| | | | |
| *Liabilities:* | | | |
| Current: | | | |
| Operating lease liabilities | Other current liabilities | $ 7,955 | $ 8,247 |
| Finance lease liabilities | Other current liabilities | 269 | 317 |
| Total current lease liabilities | | $ 8,224 | $ 8,564 |
| | | | |
| Non-current: | | | |
| Operating lease liabilities | Lease liabilities, non-current | $ 14,855 | $ 15,017 |
| Finance lease liabilities | Lease liabilities, non-current | - | 28 |
| Total non-current lease liabilities | | $ 14,855 | $ 15,045 |

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

| | March 29, 2024 | December 29, 2023 |
|---|---|---|
| Weighted average remaining lease term (in years): | | |
| Operating leases | 3.4 | 3.4 |
| Finance leases | 0.8 | 1.1 |
| Weighted average discount rate: | | |
| Operating leases | 6.4% | 6.3% |
| Finance leases | 9.9% | 9.9% |

Supplemental cash flow information related to leases is as follows:

| | Three Months Ended | |
|---|---|---|
| *(In thousands)* | March 29, 2023 | March 31, 2023 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 2,334 | $ 2,792 |
| Financing cash flows from finance leases | 76 | 77 |
| Right-of-use assets obtained in exchange for new operating leases | $ 1,879 | $ 8,604 |

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

| (In thousands) | Operating Leases | Financing Leases |
|---|---|---|
| **Year** | | |
| 2024 | $ 6,954 | $ 253 |
| 2025 | 8,848 | 28 |
| 2026 | 4,005 | — |
| 2027 | 2,352 | — |
| 2028 | 2,187 | — |
| Thereafter | 1,046 | — |
| Total lease payments | 25,392 | 281 |
| Amounts representing interest | (2,582) | (12) |
| Total lease liabilities | $ 22,810 | $ 269 |

**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 March 29, 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 March 29, 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 March 29, 2024 or December 29, 2023.

**Note 12. Subsequent Events**

*Sale of Assets of Foundations Projects Business*

On May 10, 2024, the Company entered into an agreement to sell the assets of its non-core Foundations Projects business for total consideration of $17.5 million, consisting of $15 million in cash and a $2.5 million promissory note. The net proceeds will be used to repay borrowings under the existing Revolving Credit Facility.

*Equipment Sale-Leaseback*

On May 10, 2024, the Company entered into a non-binding letter of intent for the sale-leaseback of its equipment yard in Tracy, California. The transaction contemplates the sale of the equipment yard for approximately $22 million, along with a five-year lease for Shimmick to continue using the property. The net proceeds will be used to repay borrowings under the existing Revolving Credit Facility.

*Mutual Release*

In connection with the entry into the Credit Agreement and related agreements, on May 20, 2024, we entered into a Settlement Agreement and Mutual Release with AECOM pursuant to which, among other things, we and our subsidiaries released AECOM from all claims that have or could have been asserted against us and our subsidiaries, including claims or defenses asserted or which could have been asserted under the Purchase and Sale Agreement, dated December 9, 2020, between AECOM, URS Holdings, Inc. and Shimmick Corporation (as successor in interest to SCC Group LLC (the "PSA"). In return, AECOM is releasing us and our subsidiaries from certain claims under the PSA, specifically those related to or arising in respect to: (a) the Golden Gate Bridge Project and the Gerald Desmond Bridge Project, under the claim sharing provisions contained in Sections 2.13(a)(i) and (a)(ii) of the PSA, respectively; (b) any Earn-Out Payment arising solely under Section 2.11 of the PSA and (c) the Chickamauga Lock Project arising under the claim sharing provisions of that certain Working Capital Settlement Agreement, dated as of January 31, 2022, by and among SCC Group LLC, AECOM and URS Holdings, Inc.

In connection with the releases, AECOM will jointly file, or caused to be filed, a request for dismissal of the AECOM v. SCCI National Holdings, Inc., et al., Delaware Chancery Court C.A. No. 2022-0727-MTZ, in its entirety, with prejudice.

*Share Issuance*

In connection with the Mutual Release, we entered into a Share Issuance Agreement (the "Share Issuance Agreement") with AECOM, pursuant to which we agreed to issue an aggregate 7,745,000 shares of common stock (the "Shares"). 5,144,622 of the Shares (the "Initial Shares"), which represent approximately 19.99% of our outstanding common stock immediately prior to the issuance, were issued on May 20, 2024. Issuance of the remaining 2,600,378 Shares (the "Additional Shares") are subject to approval by the Company's stockholders, pursuant to NASDAQ listing requirements.

*Credit Agreements*

See Note 6 - Debt for additional information regarding subsequent events.

**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 2023, Shimmick was nationally ranked as a top ten builder of water supply (#6), dams and reservoirs (#7), 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 March 29, 2024, we had a backlog of projects in excess of $1 billion, 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**

On May 20, 2024 (the "Closing Date"), Shimmick Corporation (the "Company"), entered into a series of transactions (the "Transactions") with AECOM, a Delaware corporation ("AECOM") and Berkshire Hathaway Specialty Insurance Company ("BHSI"). A summary of the Transactions is included below.

The transactions included, among other things, entry into the new $60 million Credit Agreement, a mutual release and settlement of certain claims with AECOM and a corresponding agreement to issue 7,745,000 shares of our common stock to AECOM, termination of the existing Project Financing Agreement with BHSI and amendments to the existing Revolving Credit Facility with MidCap. For a description of these transactions, see Note 6 - Debt and Note 12 - Subsequent Events to our condensed consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q.

In addition, we entered into an agreement for the sale of the assets of our foundation drilling business for total consideration of $17.5 million, consisting of $15 million in cash and a $2.5 million promissory note. The sale is expected to close in May 2024. The net proceeds will be used to repay borrowings under the Revolving Credit Facility. We will continue working on certain existing foundation projects, which are largely expected to be completed by the end of the year.

In addition, we entered into a non-binding letter of intent for the sale-leaseback of our equipment yard in Tracy, California. The transaction contemplates the sale of the equipment yard for approximately $22 million, along with a five-year lease for us to continue using the property. We expect the sale-leaseback to close in the second quarter of fiscal 2024. The net proceeds will be used to repay borrowings under the Revolving Credit Facility.

**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 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 will 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 will generally be 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 we expect will increase 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.

*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

The following table sets forth selected financial data for the three months ended March 29, 2024 compared to the three months ended March 31, 2023:

| | **Three Months Ended** | | | | **% of Revenue** | |
|---|---|---|---|---|---|---|
| ***(In thousands, except percentage data)*** | **March 29, 2024** | **March 31, 2023** | **$ Change** | **% Change** | **March 29, 2024** | **March 31, 2023** |
| Revenue | $ 120,043 | $ 164,108 | $ (44,065) | (27)% | 100% | 100% |
| Cost of revenue | 135,903 | 157,886 | (21,983) | (14) | 113 | 96 |
| **Gross margin** | (15,860) | 6,222 | (22,082) | (355) | (13) | 4 |
| Selling, general and administrative expenses | 15,524 | 15,558 | (34) | - | 13 | 9 |
| Amortization of intangibles | 644 | 658 | (14) | (2) | - | - |
| Total operating expenses | 16,168 | 16,216 | (48) | - | 13 | 9 |
| Equity in earnings (loss) of unconsolidated joint ventures | 263 | (541) | 804 | (149) | - | - |
| (Loss) gain on sale of assets | (26) | 1,540 | (1,566) | (102) | - | 1 |
| **Loss from operations** | (31,791) | (8,995) | (22,796) | 253 | (26) | (4) |
| Other expense, net | 1,543 | 338 | 1,205 | 357 | 2 | 1 |
| **Net loss before income tax** | (33,334) | (9,333) | (24,001) | 257 | (28) | (5) |
| Income tax expense | - | - | - | - | - | - |
| **Net loss** | $ (33,334) | $ (9,333) | $ (24,001) | 257% | (28)% | (5)% |

*Revenue and gross margin*

The following table sets forth selected revenue and gross margin data for the three months ended March 29, 2024 compared to the three months ended March 31, 2023:

| *(In thousands, except percentage data)* | Shimmick Projects | Foundations Projects | Legacy Projects | Consolidated Total |
|---|---|---|---|---|
| **First Quarter 2024** | | | | |
| Revenue | $ 90,292 | $ 6,640 | $ 23,111 | $ 120,043 |
| Gross margin | (436 ) | (4,365 ) | (11,059 ) | (15,860 ) |
| Gross margin (%) | (0 )% | (66 )% | (48 )% | (13 )% |
| **First Quarter 2023** | | | | |
| Revenue | $ 88,099 | $ 20,104 | $ 55,905 | $ 164,108 |
| Gross margin | 4,779 | 1,860 | (417 ) | 6,222 |
| Gross margin (%) | 5 % | 9 % | (1 )% | 4 % |
| **Variances First Quarter 2024 to First Quarter 2023 Increase (Decrease)** | | | | |
| Revenue | $ 2,193 | $ (13,464 ) | $ (32,794 ) | $ (44,065 ) |
| Revenue (%) | 2 % | (67 )% | (59 )% | (27 )% |
| Gross margin | (5,215 ) | (6,225 ) | (10,642 ) | (22,082 ) |

*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 $90 million and $88 million for the three months ended March 29, 2024 and March 31, 2023, respectively. The $2 million increase in revenue was primarily the result of new jobs and jobs ramping up.

Gross margin recognized on Shimmick Projects was $(1) million and $5 million for the three months ended March 29, 2024 and March 31, 2023, respectively. The decline in the gross margin was primarily the result of jobs winding down and costs tied to pending change orders.

*Foundations Projects*

As described in Note 12 - Subsequent Events, the Company has entered into an agreement to sell the assets of our non-core foundation projects in the second quarter of 2024 and will be winding down any remaining work during the year. As the revenue will decline during the year, the Company will be reporting revenue related to these projects separately for 2024 ("Foundations Projects"). Revenue recognized on Foundations Projects was $7 million and $20 million for the three months ended March 29, 2024 and March 31, 2023, respectively. The $13 million decline in revenue was the result of timing of multiple jobs winding down.

Gross margin recognized on Foundations Projects was $(4) million and $2 million for the three months ended March 29, 2024 and March 31, 2023, respectively. The decline in the gross margin was the result of cost overruns on subcontract jobs and timing of 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 $23 million, a decline of $33 million as the Company works to complete these projects. Gross margin was $(11) million, a decrease of $11 million as compared to the three months ended March 31, 2023, primarily as a result of projects winding down and additional cost overruns on a subset of these projects ("Legacy Loss Projects") that have experienced significant cost overruns due to the COVID pandemic, design issues 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 $15 million and $27 million for the three months ended March 29, 2024 and March 31, 2023, respectively. Gross margin recognized on these Legacy Loss Projects was $(11) million and $(1) million for the three months ended March 29, 2024 and March 31, 2023, respectively, as a result of an additional increases in the cost to complete as well as additional legal fees to pursue contract modifications and recoveries.

*Selling, general and administrative expenses*

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

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

Equity in earnings (loss) of unconsolidated joint ventures increased $1 million primarily due to improved equity in earnings pickup on projects winding down and nearing completion.

*(Loss) gain on sale of assets*

(Loss) gain on sale of assets decreased by $2 million primarily due to a one-time gain on sale of an office building for $2 million during the three months ended March 31, 2023 that did not reoccur during the three months ended March 29, 2024.

*Other expense, net*

Other expense, net increased by $1 million primarily due to interest expense on the Revolving Credit Facility during the three months ended March 29, 2024 which was not entered into until March 27, 2023.

*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, March 31, 2023.

*Net loss*

Net loss increased by $24 million to a net loss of $33 million for the three months ended March 29, 2024, primarily due to the decrease in gross margin of $22 million as described above and a $2 million decrease in gain on sale of assets 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 loss and Adjusted EBITDA.

*Adjusted Net Loss*

Adjusted net loss represents Net loss attributable to Shimmick Corporation adjusted to eliminate changes in fair value of contingent consideration, transaction-related costs, stock-based compensation, and legal fees and other costs for a Legacy Loss Project.

We have included Adjusted net 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 loss can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that Adjusted net loss provides useful information to investors and others in understanding and evaluating our results of operations.

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

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

*Adjusted EBITDA*

Adjusted EBITDA represents our Net loss attributable to Shimmick Corporation before interest expense, income tax expense and depreciation and amortization, adjusted to eliminate changes in fair value of contingent consideration, transaction-related costs, stock-based compensation, and legal fees and other costs for a Legacy Loss Project.

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 loss attributable to Shimmick Corporation, which is the most directly comparable GAAP measure.

See reconciliations below:

| | Three Months Ended | |
|---|---|---|
| *(In thousands)* | March 29, 2024 | March 31, 2023 |
| Net loss attributable to Shimmick Corporation | $ (33,333) | $ (9,337) |
| Changes in fair value of contingent consideration | 237 | 220 |
| Transaction-related costs | - | 809 |
| Stock-based compensation | 998 | 528 |
| Legal fees and other costs for a Legacy Loss Project [1] | 2,731 | 2,510 |
| Adjusted net loss | $ (29,367) | $ (5,270) |

| | Three Months Ended | |
|---|---|---|
| *(In thousands)* | March 29, 2024 | March 31, 2023 |
| Net loss attributable to Shimmick Corporation | $ (33,333) | $ (9,337) |
| Depreciation and amortization | 4,410 | 4,165 |
| Interest expense | 897 | 32 |
| Income tax expense | - | - |
| Changes in fair value of contingent consideration | 237 | 220 |
| Transaction-related costs | - | 809 |
| Stock-based compensation | 998 | 528 |
| Legal fees and other costs for a Legacy Loss Project [1] | 2,731 | 2,510 |
| Adjusted EBITDA | $ (24,060) | $ (1,073) |

(1) Consists of legal fees and other costs incurred in connection with claims relating to a Legacy Loss Project.

**Liquidity and Capital Resources**

*Capital Requirements and Sources of Liquidity*

During the three months ended March 29, 2024 our capital expenditures were approximately $5 million compared to $2 million for the three months ended March 31, 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.

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, 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:

| ***(In thousands)*** | **March 29, 2024** | **December 29, 2023** |
|---|---|---|
| Revolving Credit Facility | $ 31,749 | $ 29,914 |
| Total debt | 31,749 | 29,914 |
| Unamortized debt issuance costs | (260) | (287) |
| Long-term debt, net | $ 31,489 | $ 29,627 |

*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 was subsequently amended on June 30, 2023, September 22, 2023 and May 20, 2024. As amended, the Revolving Credit Facility provides for a total commitment of $33 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 $5 million. As of March 29, 2024, we were not in compliance with the leverage covenant set forth in the Revolving Credit Facility prior to the May 20, 2024 amendment. As a result of the May 20, 2024 amendments, the leverage covenant was replaced with the aforementioned minimum liquidity requirement. As amended, we are currently in compliance with all covenants under the Revolving Credit Facility. The Revolving Credit matures on September 30, 2024.

*Project Financing Agreement*

On March 26, 2024, we entered into a Project Financing Agreement with Berkshire Hathaway Specialty Insurance Company, National Liability & Fire Insurance Company and National Indemnity Company (collectively "Berkshire") which provides an advance of up to $25 million in exchange for security interest in the assigned and secured collateral specified in the Project Financing Agreement. If drawn, the advance will be used to satisfy bond and bonded contract obligations and bears interest at an annual rate of adjusted term SOFR, subject to a 1.0% floor, plus 4.50%. All funds provided by Berkshire under the Project Financing Agreement as well as all accrued interest are due and payable in full on March 28, 2028.

In connection with our entry into the Credit Agreement, we terminated the Project Financing Agreement. As a result, all obligations of the Company and its subsidiaries under the Project Financing Agreement were released and all security interests and liens granted by the Company and such subsidiaries to secure such obligations were terminated.

*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 BHSI as lenders, entered into a revolving credit facility (the “Credit Agreement”). 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 replaced the Project Financing Agreement. We expect to use the proceeds from the Credit Agreement for general corporate purposes. 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 that will be tested starting for the third quarter of fiscal year 2025. The Credit Agreement also contains representations and warranties and event of default provisions customary for a transaction of this type.

*Cash Flows Analysis*

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

| | Three Months Ended | |
|---|---|---|
| ***(In thousands)*** | **March 29, 2024** | **March 31, 2023** |
| Net cash used in operating activities | $ (34,988) | $ (26,150) |
| Net cash used in investing activities | (7,401) | (2,108) |
| Net cash provided by financing activities | 6,718 | 22,731 |
| Net decrease in cash, cash equivalents and restricted cash | (35,671) | (5,527) |
| Cash, cash equivalents and restricted cash, beginning of period | 63,910 | 82,085 |
| Cash, cash equivalents and restricted cash, end of period | $ 28,239 | $ 76,558 |

*Operating Activities*

During the three months ended March 29, 2024, net cash used in operating activities was $35 million, compared to net cash used in operating activities of $26 million for the three months ended March 31, 2023. Cash flows used in operating activities were driven by increased net loss, adjusted for various non-cash items and changes in accounts receivable, due from unconsolidated joint ventures, contract assets, accounts payable, contract liabilities and accrued expenses balances (collectively, “Contract Capital”), as discussed below, accrued salaries and wages and other assets and liabilities.

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 three months ended March 29, 2024 and March 31, 2023 were as follows:

| | Three Months Ended | |
|---|---|---|
| *(In thousands)* | **March 29, 2024** | **March 31, 2023** |
| Accounts receivable, net | $ 4,478 | $ (8,511) |
| Contract assets | (8,475) | (6,902) |
| Accounts payable | (8,901) | 9,919 |
| Contract liabilities | (5,579) | (9,703) |
| Accrued expenses | (492) | (21,070) |
| Changes in Contract Capital, net | $ (18,969) | $ (36,267) |

During the three months ended March 29, 2024, the decrease in Contract Capital was $19 million, which was primarily driven by decreases in contract assets, accounts payable and contract liabilities. 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 three months ended March 29, 2024, net cash used in investing activities was $7 million, which was primarily driven by purchases of property, plant and equipment of $5 million and contributions to unconsolidated joint ventures of $3 million.

For the three months ended March 31, 2023, net cash used in investing activities was $2 million, which was primarily driven by purchases of property, plant and equipment of $3 million and contributions to unconsolidated joint ventures of $2 million, partially offset by return of investment in unconsolidated joint ventures of $2 million.

*Financing Activities*

For the three months ended March 29, 2024, net cash provided by financing activities was $7 million, which primarily consisted of net borrowings from the Revolving Credit Facility borrowings of $2 million and other notes payable borrowings of $5 million.

For the three months ended March 31, 2023, net cash provided by financing activities was $23 million, which primarily consisted of net borrowings from the Revolving Credit Facility borrowings of $23 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 March 29, 2024 or December 29, 2023.

*Contractual Obligations*

Contractual obligations of the Company consisted of liabilities associated with remaining lease payments for the nine months ending December 27, 2024 through the fiscal years ending through December 29, 2028 of approximately $7 million, $9 million, $4 million, $2 million and $2 million, respectively, and approximately $1 million in the aggregate thereafter based on balances outstanding as of March 29, 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 March 29, 2024, we had a backlog of projects in excess of $1.0 billion, 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 table presents the Company's percentage of backlog by customer type, contract type and backlog recognized:

| | As of March 29, 2024 |
|---|---|
| **Backlog by customer type:** | |
| State and local agencies | 73 % |
| Federal agencies | 14 % |
| Private owners | 13 % |
| Total backlog | 100 % |

| | As of March 29, 2024 |
|---|---|
| **Backlog by contract type:** | |
| Fixed-price | 86 % |
| Cost reimbursable | 14 % |
| Total backlog | 100 % |

| | As of March 29, 2024 |
|---|---|
| **Estimated backlog recognized:** | |
| 0 to 24 months | 74 % |
| 25 to 36 months | 15 % |
| Beyond 36 months | 11 % |
| Total backlog | 100 % |

**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 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 Chief Financial Officer concluded that as of March 29, 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 eighteen 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.

However, given the limited number of quarters since implementing the remediation plan, such remediation has not been fully tested. Material weaknesses cannot be considered fully remediated until the existing controls have been in place and operating for a sufficient period of time to enable management to test and to conclude on the operating effectiveness of the controls. 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 March 29, 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 March 29, 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.”

## Item 6. Exhibits

| Exhibit Number | Description |
|---|---|
| 10.1+ | Credit, Security and Guaranty Agreement, dated May 20, 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 10.1 to the Company's Current Report on Form 8-K filed on May 20, 2024). |
| 10.2 | Side Letter, dated May 20, 2024, between Shimmick Corporation and AECOM (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 20, 2024). |
| 10.3 | Share Issuance Agreement, dated May 20, 2024, between Shimmick Corporation and AECOM (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 20, 2024). |
| 10.4 | Amendment No. 3 to Credit, Security and Guaranty Agreement, dated May 20, 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 10.4 to the Company's Current Report on Form 8-K filed on May 20, 2024). |
| 31.1* | 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. |
| 31.2* | 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. |
| 32.1* | 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. |
| 32.2* | 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. |
| 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.

\+ Portions of this exhibit have been redacted in accordance with Item 601(a)(5) of Regulation S-K.

**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: May 20, 2024 | By: | /s/ Devin J. Nordhagen |
| | | Devin J. Nordhagen |
| | | Executive Vice President, Chief Financial Officer and Treasurer |

**Exhibit 31.1**

**CERTIFICATION 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**

I, Steven E. Richards, certify that:

1. I have reviewed this Form 10-Q of Shimmick Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

   (b) [omitted]

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: May 20, 2024

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

**Exhibit 31.2**

**CERTIFICATION 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**

I, Devin J. Nordhagen, certify that:

1. I have reviewed this Form 10-Q of Shimmick Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

   (b) [omitted]

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: May 20, 2024

By: /s/ Devin J. Nordhagen
Devin J. Nordhagen
Executive Vice President, Chief Financial Officer and Treasurer

**Exhibit 32.1**

**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 three months ended March 29, 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: May 20, 2024

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

**Exhibit 32.2**

**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 three months ended March 29, 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: May 20, 2024

By: /s/ Devin J. Nordhagen
Devin J. Nordhagen
Executive Vice President, Chief Financial Officer and Treasurer