

## Section 1: 10-Q (10-Q)

### UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2019

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

Commission File Number 1-38494

# ARCOSA

## Arcosa, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

82-5339416

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

500 N. Akard Street, Suite 400

Dallas , Texas

(Address of principal executive offices)

75201

(Zip Code)

(972) 942-6500

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock (\$0.01 par value)	ACA	New York Stock Exchange

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

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

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

Large accelerated filer  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

At October 15, 2019 the number of shares of common stock outstanding was 48,390,174.



ARCOSA, INC.  
FORM 10-Q  
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**PART I**

**Item 1. Financial Statements**  
**Arcosa, Inc. and Subsidiaries**  
**Consolidated and Combined Statements of Operations**  
**(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in millions)			
Revenues	\$ 445.0	\$ 378.6	\$ 1,290.0	\$ 1,086.0
Operating costs:				
Cost of revenues	356.7	308.9	1,035.2	877.5
Selling, engineering, and administrative expenses	45.5	40.1	132.4	117.1
Impairment charge	—	23.2	—	23.2
	<u>402.2</u>	<u>372.2</u>	<u>1,167.6</u>	<u>1,017.8</u>
Total operating profit	42.8	6.4	122.4	68.2
Interest expense	1.6	—	5.1	—
Other, net (income) expense	(0.7)	(0.2)	(1.0)	2.0
Income before income taxes	<u>41.9</u>	<u>6.6</u>	<u>118.3</u>	<u>66.2</u>
Provision for income taxes	<u>9.2</u>	<u>3.4</u>	<u>26.1</u>	<u>18.2</u>
Net income	<u>\$ 32.7</u>	<u>\$ 3.2</u>	<u>\$ 92.2</u>	<u>\$ 48.0</u>
Net income per common share:				
Basic	\$ 0.68	\$ 0.07	\$ 1.91	\$ 0.98
Diluted	\$ 0.67	\$ 0.07	\$ 1.89	\$ 0.98
Weighted average number of shares outstanding <sup>(1)</sup> :				
Basic	47.9	48.8	47.8	48.8
Diluted	48.3	48.8	48.3	48.8
Dividends declared per common share	\$ 0.05	\$ —	\$ 0.15	\$ —

<sup>(1)</sup> For periods prior to the Separation, the denominator for basic and diluted net income per common share was calculated using the 48.8 million shares of common stock outstanding immediately following the Separation.

See accompanying notes to consolidated and combined financial statements.

**Arcosa, Inc. and Subsidiaries**  
**Consolidated and Combined Statements of Comprehensive Income**  
**(unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	(in millions)			
Net income	\$ 32.7	\$ 3.2	\$ 92.2	\$ 48.0
Other comprehensive income (loss):				
Derivative financial instruments:				
Unrealized losses arising during the period, net of tax expense (benefit) of (\$0.1), \$0.0, (\$0.8), and \$0.0	(0.6)	—	(3.4)	—
Reclassification adjustments for losses included in net income, net of tax expense (benefit) of \$0.0, \$0.0, \$0.0, and \$0.0	0.1	—	0.2	—
Currency translation adjustment:				
Unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$0.0, \$0.0, \$0.0, and \$0.0	(0.1)	(0.1)	0.3	0.4
	(0.6)	(0.1)	(2.9)	0.4
Comprehensive income	<u>\$ 32.1</u>	<u>\$ 3.1</u>	<u>\$ 89.3</u>	<u>\$ 48.4</u>

See accompanying notes to consolidated and combined financial statements.

**Arcosa, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

	September 30, 2019	December 31, 2018
	(unaudited)	
	(in millions)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 127.5	\$ 99.4
Receivables, net of allowance	213.4	291.4
Inventories:		
Raw materials and supplies	148.8	128.4
Work in process	49.4	33.3
Finished goods	107.9	90.8
	<u>306.1</u>	<u>252.5</u>
Other	27.4	24.1
Total current assets	<u>674.4</u>	<u>667.4</u>
Property, plant, and equipment, net	815.0	803.0
Goodwill	626.6	615.2
Deferred income taxes	7.7	6.9
Other assets	94.3	79.7
	<u>\$ 2,218.0</u>	<u>\$ 2,172.2</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 82.6	\$ 86.2
Accrued liabilities	140.1	121.5
Current portion of long-term debt	1.1	1.8
Total current liabilities	<u>223.8</u>	<u>209.5</u>
Debt	106.4	183.7
Deferred income taxes	63.2	58.3
Other liabilities	59.0	36.2
	<u>452.4</u>	<u>487.7</u>
Stockholders' equity:		
Common stock – 200.0 shares authorized	0.5	0.5
Capital in excess of par value	1,684.6	1,685.7
Retained earnings	104.3	19.5
Accumulated other comprehensive loss	(20.6)	(17.7)
Treasury stock	(3.2)	(3.5)
	<u>1,765.6</u>	<u>1,684.5</u>
	<u>\$ 2,218.0</u>	<u>\$ 2,172.2</u>

See accompanying notes to consolidated and combined financial statements.

**Arcosa, Inc. and Subsidiaries**  
**Consolidated and Combined Statements of Cash Flows**  
**(unaudited)**

	Nine Months Ended September 30,	
	2019	2018
	(in millions)	
<b>Operating activities:</b>		
Net income	\$ 92.2	\$ 48.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	63.2	49.7
Impairment charge	—	23.2
Stock-based compensation expense	11.1	7.5
Provision for deferred income taxes	14.9	7.1
Gains on dispositions of property and other assets	(2.6)	(1.2)
(Increase) decrease in other assets	0.2	3.6
Increase (decrease) in other liabilities	2.4	3.8
Other	(1.9)	6.0
Changes in current assets and liabilities:		
(Increase) decrease in receivables	86.1	10.9
(Increase) decrease in inventories	(47.7)	(31.6)
(Increase) decrease in other current assets	(3.2)	(1.4)
Increase (decrease) in accounts payable	(3.9)	6.7
Increase (decrease) in accrued liabilities	8.2	(13.8)
Net cash provided by operating activities	<u>219.0</u>	<u>118.5</u>
<b>Investing activities:</b>		
Proceeds from dispositions of property and other assets	4.7	2.6
Capital expenditures	(61.0)	(33.0)
Acquisitions, net of cash acquired	(31.1)	(25.0)
Net cash required by investing activities	<u>(87.4)</u>	<u>(55.4)</u>
<b>Financing activities:</b>		
Payments to retire debt	(81.0)	(0.1)
Shares repurchased	(11.0)	—
Dividends paid to common shareholders	(7.4)	—
Purchase of shares to satisfy employee tax on vested stock	(4.1)	—
Net transfers to Former Parent and affiliates	—	(56.3)
Holdback payment from acquisition	—	(3.1)
Net cash required by financing activities	<u>(103.5)</u>	<u>(59.5)</u>
Net increase in cash and cash equivalents	28.1	3.6
Cash and cash equivalents at beginning of period	99.4	6.8
Cash and cash equivalents at end of period	<u>\$ 127.5</u>	<u>\$ 10.4</u>

See accompanying notes to consolidated and combined financial statements.

**Arcosa, Inc. and Subsidiaries**  
**Consolidated and Combined Statements of Stockholders' Equity**  
**(unaudited)**

	Former Parent's Net Investment	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
		Shares	\$0.01 Par Value				Shares	Amount	
(in millions, except par value)									
<b>Balances at June 30, 2018</b>	\$ 1,414.2	—	\$ —	\$ —	\$ —	\$ (19.3)	—	\$ —	\$ 1,394.9
Net income	3.2	—	—	—	—	—	—	—	3.2
Other comprehensive income	—	—	—	—	—	(0.1)	—	—	(0.1)
Net transfers from parent and affiliates	2.4	—	—	—	—	—	—	—	2.4
Restricted shares, net	2.7	—	—	—	—	—	—	—	2.7
<b>Balances at September 30, 2018</b>	<u>\$ 1,422.5</u>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (19.4)</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 1,403.1</u>
<b>Balances at June 30, 2019</b>	\$ —	48.4	\$ 0.5	\$ 1,679.8	\$ 74.0	\$ (20.0)	—	\$ —	\$ 1,734.3
Net income	—	—	—	—	32.7	—	—	—	32.7
Other comprehensive loss	—	—	—	—	—	(0.6)	—	—	(0.6)
Cash dividends on common stock	—	—	—	—	(2.4)	—	—	—	(2.4)
Restricted shares, net	—	—	—	4.3	—	—	—	(0.2)	4.1
Shares repurchased	—	—	—	—	—	—	(0.1)	(3.0)	(3.0)
Other	—	—	—	0.5	—	—	—	—	0.5
<b>Balances at September 30, 2019</b>	<u>\$ —</u>	<u>48.4</u>	<u>\$ 0.5</u>	<u>\$ 1,684.6</u>	<u>\$ 104.3</u>	<u>\$ (20.6)</u>	<u>(0.1)</u>	<u>\$ (3.2)</u>	<u>\$ 1,765.6</u>
<b>Balances at December 31, 2017</b>	\$ 1,427.7	—	\$ —	\$ —	\$ —	\$ (19.8)	—	\$ —	\$ 1,407.9
Cumulative effect of adopting new accounting standards (see Note 1)	(4.0)	—	—	—	—	—	—	—	(4.0)
Net income	48.0	—	—	—	—	—	—	—	48.0
Other comprehensive income	—	—	—	—	—	0.4	—	—	0.4
Net transfers from parent and affiliates	(56.7)	—	—	—	—	—	—	—	(56.7)
Restricted shares, net	7.5	—	—	—	—	—	—	—	7.5
<b>Balances at September 30, 2018</b>	<u>\$ 1,422.5</u>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (19.4)</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 1,403.1</u>
<b>Balances at December 31, 2018</b>	\$ —	48.8	\$ 0.5	\$ 1,685.7	\$ 19.5	\$ (17.7)	(0.1)	\$ (3.5)	\$ 1,684.5
Net income	—	—	—	—	92.2	—	—	—	92.2
Other comprehensive loss	—	—	—	—	—	(2.9)	—	—	(2.9)
Cash dividends on common stock	—	—	—	—	(7.4)	—	—	—	(7.4)
Restricted shares, net	—	0.2	—	12.1	—	—	(0.2)	(5.1)	7.0
Shares repurchased	—	—	—	—	—	—	(0.4)	(11.0)	(11.0)
Retirement of treasury stock	—	(0.6)	—	(16.4)	—	—	0.6	16.4	—
Other	—	—	—	3.2	—	—	—	—	3.2
<b>Balances at September 30, 2019</b>	<u>\$ —</u>	<u>48.4</u>	<u>\$ 0.5</u>	<u>\$ 1,684.6</u>	<u>\$ 104.3</u>	<u>\$ (20.6)</u>	<u>(0.1)</u>	<u>\$ (3.2)</u>	<u>\$ 1,765.6</u>

See accompanying notes to consolidated and combined financial statements.



**Arcosa, Inc. and Subsidiaries**  
**Notes to Consolidated and Combined Financial Statements**  
**(Unaudited)**

**Note 1. Overview and Summary of Significant Accounting Policies**

**Basis of Presentation**

On November 1, 2018, Arcosa, Inc. and its consolidated subsidiaries (“Arcosa,” the “Company,” “we,” or “our”) became an independent publicly-traded company as a result of the distribution by Trinity Industries, Inc. (“Trinity” or “Former Parent”) of 100% of the outstanding shares of Arcosa, Inc. to Trinity’s stockholders (the “Separation”). Trinity stockholders received one share of Arcosa, Inc. common stock for every three shares of Trinity common stock held as of 5:00 p.m. local New York City time on October 17, 2018, the record date for the distribution. The transaction was structured to be tax-free to both Trinity and Arcosa stockholders for U.S. federal income tax purposes.

The accompanying Consolidated and Combined Financial Statements present our historical financial position, results of operations, comprehensive income/loss, and cash flows in accordance with accounting principles generally accepted in the U.S. (“GAAP”). The combined financial statements for periods prior to the Separation were derived from Trinity’s consolidated financial statements and accounting records and prepared in accordance with GAAP for the preparation of carved-out combined financial statements. Through the date of the Separation, all revenues and costs as well as assets and liabilities directly associated with Arcosa have been included in the combined financial statements. Prior to the Separation, the combined financial statements also included allocations of certain selling, engineering, and administrative expenses provided by Trinity to Arcosa and allocations of related assets, liabilities, and the Former Parent’s net investment, as applicable. The allocations were determined on a reasonable basis; however, the amounts are not necessarily representative of the amounts that would have been reflected in the financial statements had the Company been an entity that operated independently of Trinity during the applicable periods.

Following the Separation, the consolidated financial statements include the accounts of the Company and its subsidiaries and no longer include any allocations from Trinity.

All normal and recurring adjustments necessary for a fair presentation of the financial position of the Company and the results of operations and cash flows have been made in conformity with GAAP. All significant intercompany accounts and transactions have been eliminated. Because of seasonal and other factors, the results of operations for the three and nine months ended September 30, 2019 may not be indicative of expected results of operations for the year ending December 31, 2019. These interim financial statements and notes are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated and combined financial statements of the Company included in its Annual Report on Form 10-K for the year ended December 31, 2018.

**Relationship with Former Parent and Related Entities**

Prior to the Separation, Arcosa was managed and operated in the normal course of business with other business units of Trinity. The accompanying combined financial results for periods prior to the Separation include sales and purchase transactions with Trinity and its subsidiaries in addition to certain shared costs which have been allocated to Arcosa and reflected as expenses in the Combined Statements of Operations. Transactions and allocations between Trinity and Arcosa are reflected in the Combined Statements of Cash Flows as a financing activity in Net transfers from/(to) Former Parent and affiliates. All transactions and allocations between Trinity and Arcosa prior to the Separation have been deemed paid between the parties, in cash, in the period in which the transaction or allocation was recorded in the Combined Financial Statements. Disbursements and cash receipts were made through centralized accounts payable and cash collection systems, respectively, which were operated by Trinity. As cash was disbursed and received by Trinity, it was accounted for by Arcosa through the Former Parent’s net investment account. Allocations of current income taxes receivable or payable prior to the Separation were deemed to have been remitted to Arcosa or Trinity, respectively, in cash, in the period to which the receivable or payable applies.

*Corporate Costs/Allocations*

Prior to the Separation, the combined financial results include an allocation of costs related to certain corporate functions incurred by Trinity for services that were provided to or on behalf of Arcosa. Corporate costs have been allocated to Arcosa using methods management believes are consistent and reasonable. Such cost allocations to Arcosa consisted of (1) shared service charges and (2) corporate overhead costs. Shared service charges consisted of monthly charges to each Trinity business unit for certain corporate functions such as information technology, human resources, and legal based on usage rates and activity units. Corporate overhead costs consisted of costs not previously allocated to Trinity’s business units and were allocated to Arcosa based on an analysis of each cost function and the relative benefits received by Arcosa for the period. Corporate overhead costs allocated to Arcosa prior to the Separation totaled \$9.1 million and \$24.7 million for the three and nine months ended September 30, 2018. Corporate overhead costs are included in selling, engineering, and administrative expenses in the accompanying Consolidated and Combined Statements of Operations. Also see Note 4 Segment Information.

The Combined Financial Statements of Arcosa for the three and nine months ended September 30, 2018 may not include all of the actual expenses that would have been incurred had we operated as a standalone company during the periods presented and may not reflect our combined results of operations, financial position, and cash flows had we operated as a standalone company during the periods presented. Actual costs that would have been incurred if we had operated as a standalone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. We also may incur additional costs associated with being a standalone, independent, publicly-traded company that were not included in the expense allocations and, therefore, would result in additional costs that are not reflected in our historical results of operations, financial position, and cash flows.

#### *Other Transactions with Trinity Businesses*

For the three and nine months ended September 30, 2018, the Company had sales to Trinity businesses of \$43.8 million and \$119.9 million, respectively, and purchases from Trinity businesses of \$10.7 million and \$35.5 million, respectively. Subsequent to the Separation, Trinity is no longer considered a related entity.

#### **Stockholders' Equity**

In December 2018, the Company's Board of Directors authorized a \$50 million share repurchase program effective December 5, 2018 through December 31, 2020. For the three and nine months ended September 30, 2019, the Company repurchased 91,868 and 361,442 shares at a cost of \$3.0 million and \$11.0 million, respectively. As of September 30, 2019, the Company had a remaining authorization of \$36.0 million under the program.

#### **Revenue Recognition**

Revenue is measured based on the allocation of the transaction price in a contract to satisfied performance obligations. The transaction price does not include any amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The following is a description of principal activities from which the Company generates its revenue, separated by reportable segments. Payments for our products and services are generally due within normal commercial terms. For a further discussion regarding the Company's reportable segments, see Note 4 Segment Information.

#### *Construction Products Group*

The Construction Products Group recognizes revenue when the customer has accepted the product and legal title of the product has passed to the customer.

#### *Energy Equipment Group*

Within the Energy Equipment Group, revenue is recognized for our wind tower, certain utility structure, and certain storage tank product lines over time as the products are manufactured using an input approach based on the costs incurred relative to the total estimated costs of production. We recognize revenue over time for these products as they are highly customized to the needs of an individual customer resulting in no alternative use to the Company if not purchased by the customer after the contract is executed, and we have the right to bill the customer for our work performed to date plus at least a reasonable profit margin for work performed. As of September 30, 2019, we had a contract asset of \$44.0 million related to these contracts, compared to \$44.0 million at December 31, 2018, which is included in receivables, net of allowance, on the Consolidated Balance Sheet. For all other products, revenue is recognized when the customer has accepted the product and legal title of the product has passed to the customer.

#### *Transportation Products Group*

The Transportation Products Group recognizes revenue when the customer has accepted the product and legal title of the product has passed to the customer.

*Unsatisfied Performance Obligations*

The following table includes estimated revenue expected to be recognized in future periods related to performance obligations that are unsatisfied or partially satisfied as of September 30, 2019 and the percentage of the outstanding performance obligations as of September 30, 2019 expected to be delivered during the remainder of 2019:

	<b>Unsatisfied performance obligations at September 30, 2019</b>	
	<b>Total Amount</b>	<b>Percent expected to be delivered in 2019</b>
<b>(in millions)</b>		
<b>Energy Equipment Group:</b>		
Wind towers and utility structures	<b>\$ 563.6</b>	<b>30%</b>
Other	<b>\$ 44.3</b>	<b>53%</b>
<b>Transportation Products Group:</b>		
Inland barges	<b>\$ 363.8</b>	<b>29%</b>

All unsatisfied performance obligations beyond 2019 are expected to be delivered during 2020.

**Income Taxes**

The liability method is used to account for income taxes. Deferred income taxes represent the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances reduce deferred tax assets to an amount that will more likely than not be realized.

The Company regularly evaluates the likelihood of realization of tax benefits derived from positions it has taken in various federal and state filings after consideration of all relevant facts, circumstances, and available information. For those tax positions that are deemed more likely than not to be sustained, the Company recognizes the benefit it believes is cumulatively greater than 50% likely to be realized. To the extent the Company were to prevail in matters for which accruals have been established or be required to pay amounts in excess of recorded reserves, the effective tax rate in a given financial statement period could be materially impacted.

Prior to the Separation, the Company's operating results were included in the Former Parent's various consolidated U.S. federal and state income tax returns, as well as non-U.S. tax filings. In the Company's Combined Financial Statements for the periods prior to the Separation, income tax expense and deferred tax balances have been recorded as if the Company filed tax returns on a standalone basis separate from the Former Parent. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if the Company was a separate taxpayer and a standalone enterprise for the periods presented.

**Financial Instruments**

The Company considers all highly liquid debt instruments to be cash and cash equivalents if purchased with a maturity of three months or less. Financial instruments that potentially subject the Company to a concentration of credit risk are primarily cash investments and receivables. The Company currently places its cash investments primarily in bank deposits and highly-rated money market funds, and its investment policy limits the amount of credit exposure to any one commercial issuer. We seek to limit concentrations of credit risk with respect to receivables with control procedures that monitor the credit worthiness of customers, together with the large number of customers in the Company's customer base and their dispersion across different industries and geographic areas. As receivables are generally unsecured, the Company maintains an allowance for doubtful accounts based upon the expected collectibility of all receivables. Receivable balances determined to be uncollectible are charged against the allowance. To accelerate the conversion to cash, the Company may sell a portion of its trade receivables to a third party. The Company has no continuing involvement or recourse related to these receivables once they are sold, and the impact of these transactions recognized in the Company's Consolidated Statements of Operations for the three and nine months ended September 30, 2019 was not significant. The carrying values of cash, receivables, and accounts payable are considered to be representative of their respective fair values.

## **Derivative Instruments**

The Company may, from time to time, use derivative instruments to mitigate the impact of changes in interest rates or changes in foreign currency exchange rates. For derivative instruments designated as hedges, the Company formally documents the relationship between the derivative instrument and the hedged item, as well as the risk management objective and strategy for the use of the derivative instrument. This documentation includes linking the derivative to specific assets or liabilities on the balance sheet, commitments, or forecasted transactions. At the time a derivative instrument is entered into, and at least quarterly thereafter, the Company assesses whether the derivative instrument is effective in offsetting the changes in fair value or cash flows of the hedged item. Any change in the fair value of the hedged instrument is recorded in accumulated other comprehensive loss (“AOCL”) as a separate component of stockholders' equity and reclassified into earnings in the period during which the hedged transaction affects earnings. The Company monitors its derivative positions and the credit ratings of its counterparties and does not anticipate losses due to counterparties' non-performance.

## **Recent Accounting Pronouncements**

### *Recently adopted accounting pronouncements*

Effective as of January 1, 2018, the Company adopted Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers,” (“ASU 2014-09”) which provides common revenue recognition guidance for GAAP. Under ASU 2014-09, an entity recognizes revenue when it transfers promised goods or services to customers in an amount that reflects what it expects to receive in exchange for the goods or services. It also requires additional detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company applied ASU 2014-09 to all contracts that were not complete as of January 1, 2018 using the modified retrospective method of adoption, resulting in a reduction to Net Parent Investment of \$4.0 million, net of tax, as of January 1, 2018 related to the cumulative effect of applying this standard.

The primary impact of adopting the standard is a change in the timing of revenue recognition for our wind towers and certain utility structures product lines within our Energy Equipment Group. Previously, the Company recognized revenue when the product was delivered. Under ASU 2014-09, revenue is recognized over time as the products are manufactured. Revenue recognition policies in our other business segments remain substantially unchanged.

Effective as of January 1, 2019, the Company adopted Accounting Standards Update No. 2016-02, “Leases”, (“ASU 2016-02”) which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The Company elected to use the optional transition method that allows the Company to apply the provisions of the standard at the effective date without adjusting the comparative prior periods. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard which allowed us to carry forward the historical lease classification. The cumulative effect of adopting the standard on the opening balance of retained earnings was not significant.

The primary impact of adopting the standard was the recognition of a right-of-use asset and corresponding lease liability for our operating leases included in other assets and other liabilities, respectively, on the Consolidated Balance Sheet. See Note 8 Leases for further discussion.

The Company has implemented processes and a lease accounting system to ensure adequate internal controls were in place to assess our contracts and enable proper accounting and reporting of financial information upon adoption.

### *Recently issued accounting pronouncements not yet adopted*

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, “Financial Instruments - Credit Losses”, (“ASU 2016-13”) which amends the existing accounting guidance for recognizing credit losses on financial assets and certain other instruments not measured at fair value through net income, including financial assets measured at amortized cost, such as trade receivables and contract assets. ASU 2016-13 replaces the existing incurred loss impairment model with an expected credit loss model that requires consideration of a broader range of information to estimate expected credit losses over the lifetime of the asset. The new guidance is expected to result in earlier recognition of credit losses. ASU 2016-13 will become effective for public companies during interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. We are currently assessing the effects of the new standard, including its impact on our Consolidated Financial Statements.

## **Reclassifications**

Certain prior year balances have been reclassified in the Consolidated and Combined Financial Statements to conform to the 2019 presentation.

**Note 2. Acquisitions and Divestitures***Acquisitions*

In August 2019, we completed acquisitions of certain assets and liabilities of two construction aggregates businesses in our Construction Products Group for a total purchase price of \$9.4 million. The acquisitions were recorded as business combinations based on preliminary valuations of the assets acquired and liabilities assumed at their acquisition date fair value using level three inputs, defined as unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. The valuation resulted in the recognition of \$1.8 million of goodwill in our Construction Products Group. Such assets and liabilities were not significant in relation to assets and liabilities at the consolidated or segment level.

In June 2019, we completed the acquisition of certain assets and liabilities of an inland barge components business within our Transportation Products Group. We also completed the acquisition of certain assets and liabilities of a construction aggregates business in our Construction Products Group. The total purchase price for the businesses acquired was \$29.8 million, a portion of which includes estimated royalties to be paid to the seller of the construction aggregates business over the next 10 years. The acquisitions were recorded as business combinations based on preliminary valuations of the assets acquired and liabilities assumed at their acquisition date fair value using level three inputs. The valuation resulted in the recognition of \$12.2 million of goodwill in our Transportation Products Group and no goodwill in our Construction Products Group. Such assets and liabilities were not significant in relation to assets and liabilities at the consolidated or segment level.

In March 2018, we completed the acquisition of certain assets of an inland barge business with a purchase price and net cash paid of \$25.0 million. The acquisition was recorded as a business combination based on valuations of the acquired assets at their acquisition date fair value using level three inputs. The valuation resulted in the recognition of \$9.5 million of goodwill in our Transportation Products Group. Such assets were not significant in relation to assets at the combined or segment level.

With regard to the acquisition of ACG Materials (“ACG”) in December 2018, the purchase price allocation continues to be preliminary as of September 30, 2019. We expect to complete our purchase price allocation as soon as reasonably possible not to exceed one year from the acquisition date. Adjustments to the preliminary purchase price allocation could be material to the purchase price allocation, particularly with respect to our preliminary estimates of depletable land and deferred income taxes. The following table represents our preliminary purchase price allocation as of September 30, 2019:

	<b>September 30, 2019</b>	
	<b>(in millions)</b>	
Accounts receivable	\$	23.7
Inventories		12.5
Property, plant, and equipment		78.2
Depletable land		137.0
Goodwill		108.8
Other assets		6.2
Accounts payable		(10.2)
Accrued and other liabilities		(14.8)
Finance lease liability		(8.3)
Deferred income taxes		(24.0)
Total net assets acquired	\$	<u>309.1</u>

*Divestitures*

There was no divestiture activity for the three and nine months ended September 30, 2019.

During the third quarter of 2018, the Company’s management team committed to plans to divest certain businesses whose revenues for the period were included in the other component of the Energy Equipment Group. The Company completed the divestiture of these businesses in the fourth quarter of 2018. The net proceeds from these divestitures were not significant.

As of September 30, 2018, the assets and liabilities of the divested businesses were classified as held for sale and recorded at fair value less expected costs to sell in accordance with Accounting Standards Codification Topic 360 - Property, Plant, and Equipment. Our fair value estimates consisted of level three inputs and were based on our discussions with the buyers of these businesses. As a result, we recorded a pre-tax impairment charge of \$23.2 million during the three and nine months ended September 30, 2018 associated with the write-down of the net assets of these businesses to their estimated fair values.

We have concluded that the divestiture of these businesses did not represent a strategic shift that would result in a material effect on our operations and financial results; therefore, these disposals were not reflected as discontinued operations in our Consolidated and Combined Financial Statements.

### Note 3. Fair Value Accounting

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
	(in millions)			
<b>Assets:</b>				
Cash equivalents	\$ 60.1	\$ —	\$ —	\$ 60.1
<b>Total assets</b>	<b>\$ 60.1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 60.1</b>
<b>Liabilities:</b>				
Interest rate hedge <sup>(1)</sup>	\$ —	\$ 5.2	\$ —	\$ 5.2
Contingent consideration <sup>(2)</sup>	—	—	6.6	6.6
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 5.2</b>	<b>\$ 6.6</b>	<b>\$ 11.8</b>

	Fair Value Measurement as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
	(in millions)			
<b>Assets:</b>				
Cash equivalents	\$ 30.0	\$ —	\$ —	\$ 30.0
<b>Total assets</b>	<b>\$ 30.0</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 30.0</b>
<b>Liabilities:</b>				
Interest rate hedge <sup>(1)</sup>	\$ —	\$ 1.2	\$ —	\$ 1.2
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 1.2</b>	<b>\$ —</b>	<b>\$ 1.2</b>

<sup>(1)</sup> Included in other liabilities on the Consolidated Balance Sheets.

<sup>(2)</sup> Current portion included in accrued liabilities and non-current portion included in other liabilities on the Consolidated Balance Sheets.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for that asset or liability in an orderly transaction between market participants on the measurement date. An entity is required to establish a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair values are listed below:

Level 1 – This level is defined as quoted prices in active markets for identical assets or liabilities. The Company’s cash equivalents are instruments of the U.S. Treasury or highly-rated money market mutual funds.

Level 2 – This level is defined as observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Interest rate hedges are valued at exit prices obtained from each counterparty. See Note 7 Debt.

Level 3 – This level is defined as unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Contingent consideration relates to estimated future payments owed to the sellers of businesses previously acquired. We estimate the fair value of the contingent consideration using a discounted cash flow model. The fair value is sensitive to changes in the forecast of sales and changes in discount rates and is reassessed quarterly based on assumptions used in our latest projections.

**Note 4. Segment Information**

The Company reports operating results in three principal business segments:

*Construction Products.* The Construction Products segment produces and sells construction aggregates including natural aggregates and specialty materials and manufactures and sells construction site support equipment including trench shields and shoring products and services for infrastructure-related projects.

*Energy Equipment.* The Energy Equipment segment manufactures and sells products for energy-related businesses, including structural wind towers, steel utility structures for electricity transmission and distribution, and storage and distribution tanks.

*Transportation Products.* The Transportation Products segment manufactures and sells products for the inland waterway including barges and barge-related products and steel components for railcars and other transportation and industrial equipment.

The financial information for these segments is shown in the tables below. We operate principally in North America.

	<b>Three Months Ended September 30,</b>			
	<b>Revenues</b>		<b>Operating Profit (Loss)</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	(in millions)			
<b>Construction aggregates</b>	\$ 96.9	\$ 52.9		
<b>Other</b>	19.0	19.7		
<b>Construction Products Group</b>	<b>115.9</b>	72.6	<b>\$ 16.5</b>	\$ 15.3
<b>Wind towers and utility structures</b>	159.8	147.0		
<b>Other</b>	50.4	51.4		
<b>Energy Equipment Group</b>	<b>210.2</b>	198.4	<b>26.6</b>	(13.2)
<b>Inland barges</b>	77.5	49.3		
<b>Steel components</b>	43.1	59.2		
<b>Transportation Products Group</b>	<b>120.6</b>	108.5	<b>11.2</b>	13.5
<b>All Other</b>	—	—	—	(0.1)
<b>Segment Totals before Eliminations and Corporate</b>	<b>446.7</b>	379.5	<b>54.3</b>	15.5
<b>Corporate</b>	—	—	(11.5)	(9.1)
<b>Eliminations</b>	(1.7)	(0.9)	—	—
<b>Consolidated and Combined Total</b>	<b>\$ 445.0</b>	\$ 378.6	<b>\$ 42.8</b>	\$ 6.4

	<b>Nine Months Ended September 30,</b>			
	<b>Revenues</b>		<b>Operating Profit (Loss)</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	(in millions)			
<b>Construction aggregates</b>	\$ 278.5	\$ 166.6		
<b>Other</b>	59.0	60.1		
<b>Construction Products Group</b>	<b>337.5</b>	226.7	<b>\$ 45.3</b>	\$ 45.3
<b>Wind towers and utility structures</b>	469.4	427.5		
<b>Other</b>	154.2	145.6		
<b>Energy Equipment Group</b>	<b>623.6</b>	573.1	<b>79.8</b>	12.5
<b>Inland barges</b>	193.0	123.0		
<b>Steel components</b>	140.4	166.3		
<b>Transportation Products Group</b>	<b>333.4</b>	289.3	<b>32.1</b>	35.2
<b>All Other</b>	—	—	—	(0.1)
<b>Segment Totals before Eliminations and Corporate</b>	<b>1,294.5</b>	1,089.1	<b>157.2</b>	92.9
<b>Corporate</b>	—	—	(34.8)	(24.7)

<b>Eliminations</b>	<b>(4.5)</b>	<b>(3.1)</b>	<b>—</b>	<b>—</b>
<b>Consolidated and Combined Total</b>	<b>\$ 1,290.0</b>	<b>\$ 1,086.0</b>	<b>\$ 122.4</b>	<b>\$ 68.2</b>



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

The following table summarizes the components of property, plant, and equipment as of September 30, 2019 and December 31, 2018.

	September 30, 2019	December 31, 2018
	(in millions)	
Land <sup>(1)</sup>	\$ 331.6	\$ 316.5
Buildings and improvements	276.5	267.5
Machinery and other	739.9	715.9
Construction in progress	47.6	28.8
	<u>1,395.6</u>	<u>1,328.7</u>
Less accumulated depreciation and depletion	(580.6)	(525.7)
	<u>\$ 815.0</u>	<u>\$ 803.0</u>

<sup>(1)</sup> Includes depletable land of \$209.1 million as of September 30, 2019 and \$201.9 million as of December 31, 2018.

**Note 6. Goodwill**

Goodwill by segment is as follows:

	September 30, 2019	December 31, 2018
	(in millions)	
Construction Products Group	\$ 170.9	\$ 171.7
Energy Equipment Group	416.9	416.9
Transportation Products Group	38.8	26.6
	<u>\$ 626.6</u>	<u>\$ 615.2</u>

The decrease in the Construction Products Group goodwill during the nine months ended September 30, 2019 is primarily due to a refinement of the purchase price allocation for ACG. The increase in the Transportation Products Group goodwill during the nine months ended September 30, 2019 is due to an acquisition. See Note 2 Acquisitions and Divestitures.

**Note 7. Debt**

The following table summarizes the components of debt as of September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
	(in millions)	
Revolving credit facility	\$ 100.0	\$ 180.0
Finance leases	7.5	5.5
Total debt	<u>\$ 107.5</u>	<u>\$ 185.5</u>

On November 1, 2018, the Company entered into a \$400.0 million unsecured revolving credit facility that matures in November 2023. The interest rates under the facility are variable based on LIBOR or an alternate base rate plus a margin, that is determined based on Arcosa's leverage as measured by a consolidated total indebtedness to consolidated EBITDA ratio, which is currently set at LIBOR plus 1.25%. A commitment fee accrues on the average daily unused portion of the revolving credit facility at the current rate of 0.20%.

As of September 30, 2019, we had \$100.0 million of outstanding loans borrowed and \$38.7 million of letters of credit issued under the facility, leaving \$261.3 million available. Of the outstanding letters of credit as of September 30, 2019, \$21.6 million are expected to expire in 2019, with the remainder in 2020. The majority of our letter of credit obligations support the Company's various insurance programs and warranty claims and generally renew by their terms each year.

The Company's revolving credit facility requires the maintenance of certain ratios related to leverage and interest coverage. As of September 30, 2019, we were in compliance with all such financial covenants. Borrowings under the credit facility are guaranteed by certain wholly-owned subsidiaries of the Company.

The carrying value of borrowings under our revolving credit facility approximates fair value because the interest rate adjusts to the market interest rate (Level 3 input). See Note 3 Fair Value Accounting.



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As of September 30, 2019, the Company had \$1.2 million of unamortized debt issuance costs related to the revolving credit facility, which are included in other assets on the Consolidated Balance Sheet.

The remaining principal payments under our revolving credit facility as of September 30, 2019 are as follows:

	<u>2019</u>		<u>2020</u>		<u>2021</u>		<u>2022</u>		<u>2023</u>		<u>Thereafter</u>	
	(in millions)											
Revolving credit facility	\$	—	\$	—	\$	—	\$	—	\$	100.0	\$	—

*Interest rate hedges*

In December 2018, the Company entered into an interest rate swap instrument, effective as of January 2, 2019 and expiring in 2023, to reduce the effect of changes in the variable interest rates associated with borrowings under the revolving credit facility. The instrument carried an initial notional amount of \$100.0 million, thereby hedging the first \$100.0 million of borrowings under the credit facility. The instrument effectively fixes the LIBOR component of the credit facility borrowings at a monthly rate of 2.71%. As of September 30, 2019, the Company has recorded a liability of \$5.2 million for the fair value of the instrument, all of which is recorded in accumulated other comprehensive loss. See Note 3 Fair Value Accounting.

**Note 8. Leases**

We have various leases primarily for office space and certain equipment. At inception, we determine if an arrangement contains a lease and whether that lease meets the classification criteria of a finance or operating lease. For leases that contain options to purchase, terminate, or extend, such options are included in the lease term when it is reasonably certain that the option will be exercised. Some of the Company's lease arrangements contain lease components and non-lease components which are accounted for as a single lease component as we have elected the practical expedient to group lease and non-lease components for all leases.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on information available at commencement date in determining the present value of lease payments.

*Operating Leases*

The following table presents information about the amount, timing, and uncertainty of cash flows arising from the Company's operating leases as of September 30, 2019.

	<u>September 30, 2019</u>
	(in millions)
<b>Maturity of Lease Liabilities</b>	
2019 (remaining)	\$ 1.9
2020	6.2
2021	3.9
2022	2.5
2023	1.9
Thereafter	7.6
Total undiscounted operating lease payments	24.0
Less imputed interest	(2.5)
Present value of operating lease liabilities	\$ 21.5
<b>Balance Sheet Classification</b>	
Other assets	\$ 18.0
Accrued liabilities	\$ 6.6
Other liabilities	14.9
Total operating lease liabilities	\$ 21.5
<b>Other Information</b>	
Weighted average remaining lease term	5.7 years
Weighted average discount rate	4.8%

Operating lease costs were \$2.9 million and \$6.9 million during the three and nine months ended September 30, 2019, respectively. Costs related

to variable lease rates or leases with terms less than twelve months were not significant.

Cash paid for amounts included in the measurement of operating lease liabilities was \$2.1 million and \$5.9 million during the three and nine months ended September 30, 2019, respectively, and is included in operating cash flows. The additional right-of-use assets recognized as non-cash asset additions that resulted from new operating lease liabilities during the three and nine months ended September 30, 2019 were not significant.

*Finance Leases*

Finance leases are included in property, plant, and equipment, net and debt on the consolidated balance sheets. The associated amortization expense and interest expense are included in depreciation and interest expense, respectively, on the consolidated income statements. These leases are not material to the consolidated financial statements as of September 30, 2019.

**Note 9. Other, Net**

Other, net (income) expense consists of the following items:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in millions)			
Interest income	\$ (0.3)	\$ —	\$ (1.0)	\$ —
Foreign currency exchange transactions	(0.3)	—	0.7	2.2
Other	(0.1)	(0.2)	(0.7)	(0.2)
Other, net (income) expense	<u>\$ (0.7)</u>	<u>\$ (0.2)</u>	<u>\$ (1.0)</u>	<u>\$ 2.0</u>

**Note 10. Income Taxes**

For interim income tax reporting, we estimate our annual effective tax rate and apply it to our year to date ordinary income (loss). Tax jurisdictions with a projected or year to date loss for which a tax benefit cannot be realized are excluded. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are reported in the interim period in which they occur. We have open tax years from 2013 to 2018 with various significant tax jurisdictions.

For the three and nine months ended September 30, 2019, the effective tax rate of 22.0% and 22.1%, respectively, was higher than the U.S. federal statutory rate of 21.0% due primarily to state taxes partially offset by foreign tax benefits and excess tax benefits related to equity compensation. For the three and nine months ended September 30, 2018, the effective tax rate of 51.5% and 27.5%, respectively, was higher than the U.S. federal statutory tax rate of 21.0% due primarily to state taxes and the impact of nondeductible impairment charges, partially offset by excess tax benefits related to equity compensation. A portion of the \$23.2 million pre-tax impairment charge recorded in the three and nine months ended September 30, 2018 was attributable to certain of our foreign operations for which taxes were not provided. This impairment charge increased the losses in those jurisdictions with no corresponding tax benefit.

**Note 11. Employee Retirement Plans**

Total employee retirement plan expense, which includes related administrative expenses, was \$2.5 million and \$7.8 million for the three and nine months ended September 30, 2019, respectively. Total employee retirement plan expense was \$2.5 million and \$7.6 million for the three and nine months ended September 30, 2018, respectively. Prior to the Separation, these costs were funded through intercompany transactions with Trinity.

The Company participates in a multiemployer defined benefit plan under the terms of a collective-bargaining agreement that covers certain union-represented employees. The Company contributed \$0.5 million and \$1.4 million to the multiemployer plan for the three and nine months ended September 30, 2019, respectively. The Company contributed \$0.5 million and \$1.6 million to the multiemployer plan for the three and nine months ended September 30, 2018, respectively. Total contributions to the multiemployer plan for 2019 are expected to be approximately \$1.9 million.

In connection with the acquisition of ACG in December 2018, the Company assumed the assets and liabilities related to a defined benefit pension plan. Employer contributions for 2019 are not expected to be significant.

**Note 12. Accumulated Other Comprehensive Loss**

Changes in accumulated other comprehensive loss for the nine months ended September 30, 2019 and 2018 are as follows:

	Currency translation adjustments	Unrealized loss on derivative financial instruments	Accumulated Other Comprehensive Loss
	(in millions)		
Balances at December 31, 2017	\$ (19.8)	\$ —	\$ (19.8)
Other comprehensive income (loss), net of tax, before reclassifications	0.4	—	0.4
Amounts reclassified from accumulated other comprehensive loss, net of tax benefit of \$0.0, \$0.0, and \$0.0	—	—	—
Other comprehensive income (loss)	0.4	—	0.4
Balances at September 30, 2018	<u>\$ (19.4)</u>	<u>\$ —</u>	<u>\$ (19.4)</u>
Balances at December 31, 2018	\$ (16.8)	\$ (0.9)	\$ (17.7)
Other comprehensive income (loss), net of tax, before reclassifications	0.3	(3.4)	(3.1)
Amounts reclassified from accumulated other comprehensive loss, net of tax benefit of \$0.0, \$0.0 and \$0.0	—	0.2	0.2
Other comprehensive income (loss)	0.3	(3.2)	(2.9)
Balances at September 30, 2019	<u>\$ (16.5)</u>	<u>\$ (4.1)</u>	<u>\$ (20.6)</u>

**Note 13. Stock-Based Compensation**

Stock-based compensation totaled approximately \$4.0 million and \$11.1 million for the three and nine months ended September 30, 2019, respectively. Stock-based compensation totaled approximately \$2.7 million and \$7.5 million for the three and nine months ended September 30, 2018, respectively.

For periods prior to the Separation, Arcosa's Combined Financial Statements reflect compensation expense for stock-based plans associated with the portion of the Former Parent's equity incentive plans in which Arcosa employees participated.

#### Note 14. Earnings Per Common Share

Basic earnings per common share is computed by dividing net income remaining after allocation to unvested restricted shares, which includes unvested restricted shares of Arcosa stock held by employees of the Former Parent, by the weighted average number of basic common shares outstanding for the period. Except when the effect would be antidilutive, the calculation of diluted earnings per common share includes the weighted average net impact of nonparticipating unvested restricted shares. For periods prior to the Separation, the denominator for basic and diluted net income per share was calculated using the 48.8 million shares of common stock outstanding immediately following the Separation. Total weighted average restricted shares were 1.6 million for the three and nine months ended September 30, 2019, respectively. There were no weighted average restricted shares prior to the Separation.

The computation of basic and diluted earnings per share follows.

	Three Months Ended September 30, 2019			Three Months Ended September 30, 2018		
	Income (Loss)	Average Shares	EPS	Income (Loss)	Average Shares	EPS
(in millions, except per share amounts)						
Net income	\$ 32.7			\$ 3.2		
Unvested restricted share participation	(0.3)			—		
Net income per common share – basic	<u>32.4</u>	<u>47.9</u>	<u>\$ 0.68</u>	3.2	48.8	<u>\$ 0.07</u>
Effect of dilutive securities:						
Nonparticipating unvested restricted shares	—	0.4		—	—	
Net income per common share – diluted	<u>\$ 32.4</u>	<u>48.3</u>	<u>\$ 0.67</u>	<u>\$ 3.2</u>	<u>48.8</u>	<u>\$ 0.07</u>
(in millions, except per share amounts)						
Net income	\$ 92.2			\$ 48.0		
Unvested restricted share participation	(1.0)			—		
Net income per common share – basic	<u>91.2</u>	<u>47.8</u>	<u>\$ 1.91</u>	48.0	48.8	<u>\$ 0.98</u>
Effect of dilutive securities:						
Nonparticipating unvested restricted shares	—	0.5		—	—	
Net income per common share – diluted	<u>\$ 91.2</u>	<u>48.3</u>	<u>\$ 1.89</u>	<u>\$ 48.0</u>	<u>48.8</u>	<u>\$ 0.98</u>

#### Note 15. Contingencies

The Company is involved in claims and lawsuits incidental to our business arising from various matters including commercial disputes, alleged product defect and/or warranty claims, intellectual property matters, personal injury claims, environmental issues, employment and/or workplace-related matters, and various governmental regulations. At September 30, 2019, the range of reasonably possible losses for such matters, taking into consideration our rights in indemnity and recourse to third parties is \$1.1 million to \$12.3 million.

The Company evaluates its exposure to such claims and suits periodically and establishes accruals for these contingencies when a probable loss can be reasonably estimated. At September 30, 2019, total accruals of \$4.8 million, including environmental matters described below, are included in accrued liabilities in the accompanying Consolidated Balance Sheet. The Company believes any additional liability from such claims and suits would not be material to its financial position or results of operations.

Arcosa is subject to remedial orders and federal, state, local, and foreign laws and regulations relating to the environment. The Company has reserved \$0.9 million as of September 30, 2019, included in our total accruals of \$4.8 million discussed above, to cover our probable and estimable liabilities with respect to the investigations, assessments, and remedial responses to such matters, taking into account currently available information and our contractual rights to indemnification and recourse to third parties.

On July 22, 2019, the Company was served with a breach of contract lawsuit filed by Thomas & Betts Corporation (“T&B”) against the Company and its wholly-owned subsidiary, Trinity Meyer Utility Structures, LLC, now known as Meyer Utility Structures, LLC (“Meyer”), in the Supreme Court of the State of New York, New York County. T&B’s claims relate to responsibility for alleged product warranty claims pursuant to the terms of the Asset Purchase Agreement, dated June 24, 2014, entered into by and between T&B and Meyer (the “APA”) with respect to Meyer’s purchase of certain assets of T&B’s utility structure business. The Company and Meyer subsequently removed the litigation to federal court. The case is currently pending under Case No. 1:19-cv-07829-PAE; Thomas & Betts Corporation, now known as, ABB Installation Products, Inc., Plaintiff, v. Trinity Meyer Utility Structures, LLC, formerly known as McKinley 2014 Acquisition, LLC, and Arcosa, Inc., Defendants; In the United States District Court for the Southern District of New York. The Company and Meyer have filed a motion to dismiss T&B’s claims, and an Answer and Counterclaims against T&B. We intend to vigorously defend ourselves in this matter. Based on the facts and circumstances currently known to the Company, (i) we cannot determine that a loss is probable at this time, and therefore no accrual has been included in the accompanying consolidated financial statements; and (ii) a possible loss is not reasonably estimable.

Estimates of liability arising from future proceedings, assessments, or remediation are inherently imprecise. Accordingly, there can be no assurance that we will not become involved in future litigation or other proceedings involving the environment or, if we are found to be responsible or liable in any such litigation or proceeding, that such costs would not be material to the Company.



## **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 ("MD&A") is intended to provide management's perspective on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Our MD&A is presented in the following sections:

- Separation from Trinity
- Basis of Historical Presentation
- Executive Summary
- Results of Operations
- Liquidity and Capital Resources
- Recent Accounting Pronouncements
- Forward-Looking Statements

Our MD&A should be read in conjunction with the Consolidated and Combined Financial Statements of Arcosa, Inc. and subsidiaries ("Arcosa," "Company," "we," and "our") and related Notes in Part I, Item 1 of this Quarterly Report on Form 10-Q and the Consolidated and Combined Financial Statements and related Notes in Item 8, Financial Statements and Supplementary Data, of our Annual Report on Form 10-K for the year ended December 31, 2018 ("2018 Annual Report on Form 10-K").

### **Separation from Trinity**

Arcosa is a Delaware corporation and was incorporated in 2018 in connection with the separation of Arcosa from Trinity Industries, Inc. ("Trinity" or "Former Parent") on November 1, 2018 as an independent, publicly-traded company, listed on the New York Stock Exchange (the "Separation"). At the time of the Separation, Arcosa consisted of certain of Trinity's former construction products, energy equipment, and transportation products businesses. The Separation was effectuated through a pro rata dividend distribution on November 1, 2018 of all of the then-outstanding shares of common stock of Arcosa to the holders of common stock of Trinity as of October 17, 2018, the record date for the distribution. Trinity stockholders received one share of Arcosa common stock for every three shares of Trinity common stock held as of the record date. The transaction was structured to be tax-free to both Trinity and Arcosa stockholders for U.S. federal income tax purposes.

### **Basis of Historical Presentation**

The accompanying Consolidated and Combined Financial Statements present our historical financial position, results of operations, comprehensive income/loss, and cash flows in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The combined financial statements for periods prior to the Separation were derived from Trinity's consolidated financial statements and accounting records and prepared in accordance with GAAP for the preparation of carved-out combined financial statements. Through the date of the Separation, all revenues and costs as well as assets and liabilities directly associated with Arcosa have been included in the combined financial statements. Prior to the Separation, the combined financial statements also included allocations of certain selling, engineering, and administrative expenses provided by Trinity to Arcosa and allocations of related assets, liabilities, and the Former Parent's net investment, as applicable. The allocations were determined on a reasonable basis; however, the amounts are not necessarily representative of the amounts that would have been reflected in the financial statements had the Company been an entity that operated independently of Trinity during the applicable periods. Related party allocations prior to the Separation, including the method for such allocation, are described further in Note 1, "Overview and Summary of Significant Accounting Policies" to the Consolidated and Combined Financial Statements. Following the Separation, the consolidated financial statements include the accounts of Arcosa and those of our wholly-owned subsidiaries and no longer include any allocations from Trinity.

Trinity continues to provide some general and administrative functions on a transitional basis for a fee following the Separation.

### **Executive Summary**

#### *Financial and Operational Highlights*

- Revenues for the three and nine months ended September 30, 2019 increased 17.5% and 18.8% to \$445.0 million and \$1,290.0 million, respectively, compared to the same periods in 2018, primarily due to the impact of the ACG acquisition in our Construction Products Group, higher unit volumes and prices in our Energy Equipment Group, and higher tank barge deliveries in our Transportation Products Group.
- Operating profit for the three and nine months ended September 30, 2019 totaled \$42.8 million and \$122.4 million, respectively, representing an increase of \$36.4 million and \$54.2 million, respectively, from the same periods in 2018, primarily driven by increased revenues, operating improvements in our Energy Equipment Group, and certain other charges recognized in the prior periods including an impairment charge of \$23.2 million related to divested businesses.
- Selling, engineering, and administrative expenses increased by 13.5% and 13.1%, respectively, for the three and nine months ended September 30, 2019 when compared to the prior year periods largely due to additional costs from the acquired ACG business.

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- The effective tax rate for the three and nine months ended September 30, 2019 was 22.0% and 22.1%, respectively, compared to 51.5% and 27.5% for the same periods in 2018. The decrease in the tax rate for the three and nine months ended September 30, 2019 is primarily due to increased foreign tax benefits in the current periods as well as a portion of the \$23.2 million impairment charge recorded in the third quarter of 2018 related to foreign operations for which taxes were not provided. See Note 10, “Income Taxes” of the Consolidated and Combined Financial Statements.
- Net income for the three and nine months ended September 30, 2019 was \$32.7 million and \$92.2 million, respectively, compared with \$3.2 million and \$48.0 million, respectively, for the same periods in 2018.

Our Energy Equipment and Transportation Products Groups operate in cyclical industries. Additionally, results in our Construction Products Group are affected by weather and seasonal fluctuations with the second and third quarters historically being the quarters with the highest revenues.

*Unsatisfied Performance Obligations (Backlog)*

As of September 30, 2019 and 2018 our unsatisfied performance obligations, or backlog, were as follows:

	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
	(in millions)	
<b>Energy Equipment Group:</b>		
Wind towers and utility structures	\$ 563.6	\$ 700.3
Other	44.3	83.5
<b>Transportation Products Group:</b>		
Inland barges	\$ 363.8	\$ 210.4

Approximately 30% of unsatisfied performance obligations for wind towers and utility structures in our Energy Equipment Group are expected to be delivered during the year ending December 31, 2019, with the remainder expected to be delivered in 2020. Approximately 53% of the unsatisfied performance obligations for our other business lines in our Energy Equipment Group are expected to be delivered during the year ending December 31, 2019, with the remainder expected to be delivered in 2020. Approximately 29% of unsatisfied performance obligations for inland barges in our Transportation Products Group are expected to be delivered during the year ending December 31, 2019 with the remainder expected to be delivered in 2020.

**Results of Operations**

*Overall Summary*

Revenues

	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>Percent</u> <u>Change</u>	<u>2019</u>	<u>2018</u>	<u>Percent</u> <u>Change</u>
	(in millions)			(in millions)		
Construction Products Group	\$ 115.9	\$ 72.6	59.6%	\$ 337.5	\$ 226.7	48.9%
Energy Equipment Group	210.2	198.4	5.9	623.6	573.1	8.8
Transportation Products Group	120.6	108.5	11.2	333.4	289.3	15.2
Segment Totals before Eliminations	446.7	379.5	17.7	1,294.5	1,089.1	18.9
Eliminations	(1.7)	(0.9)		(4.5)	(3.1)	
Consolidated and Combined Total	<u>\$ 445.0</u>	<u>\$ 378.6</u>	17.5	<u>\$ 1,290.0</u>	<u>\$ 1,086.0</u>	18.8

Our revenues for the three and nine months ended September 30, 2019 increased by 17.5% and 18.8%, respectively, from the prior year periods primarily due to the impact of the ACG acquisition in our Construction Products Group, higher unit volumes and prices in our Energy Equipment Group, and higher tank barge deliveries in our Transportation Products Group.

### Operating Costs

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
	(in millions)			(in millions)		
Construction Products Group	\$ 99.4	\$ 57.3	73.5 %	\$ 292.2	\$ 181.4	61.1 %
Energy Equipment Group	183.6	211.6	(13.2)	543.8	560.6	(3.0)
Transportation Products Group	109.4	95.0	15.2	301.3	254.1	18.6
All Other	—	0.1		—	0.1	
Segment Totals before Eliminations and Corporate Expenses	392.4	364.0	7.8	1,137.3	996.2	14.2
Corporate	11.5	9.1	26.4	34.8	24.7	40.9
Eliminations	(1.7)	(0.9)	88.9	(4.5)	(3.1)	45.2
Consolidated and Combined Total	\$ 402.2	\$ 372.2	8.1	\$ 1,167.6	\$ 1,017.8	14.7

Operating costs for the three and nine months ended September 30, 2019 increased by 8.1% and 14.7%, respectively, over the same periods in 2018. The increases in our Construction Products Group were primarily due to higher volumes from the acquired ACG business. Operating costs for the Energy Equipment Group were lower for the three and nine months ended September 30, 2019 compared to the same periods of 2018, primarily due to the elimination of operating losses from businesses divested in 2018 and an impairment charge recognized in the prior year periods, partially offset by higher volumes. Operating costs for the Transportation Products Group were higher for the three and nine months ended September 30, 2019 due to higher tank barge deliveries and start-up costs incurred related to the re-opening of a previously idled barge facility.

Selling, engineering, and administrative expenses, including Corporate expenses, increased by 13.5% and 13.1% for the three and nine months ended September 30, 2019, respectively, largely due to additional costs from the acquired ACG business. As a percentage of revenue, selling, engineering, and administrative expenses were 10.2% and 10.3% for the three and nine months ended September 30, 2019, respectively, as compared to 10.6% and 10.8% for the same periods in 2018.

### Operating Profit (Loss)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
	(in millions)			(in millions)		
Construction Products Group	\$ 16.5	\$ 15.3	7.8 %	\$ 45.3	\$ 45.3	— %
Energy Equipment Group	26.6	(13.2)	301.5	79.8	12.5	538.4
Transportation Products Group	11.2	13.5	(17.0)	32.1	35.2	(8.8)
All Other	—	(0.1)		—	(0.1)	
Segment Totals before Corporate Expenses	54.3	15.5	250.3	157.2	92.9	69.2
Corporate	(11.5)	(9.1)	26.4	(34.8)	(24.7)	40.9
Consolidated and Combined Total	\$ 42.8	\$ 6.4	568.8	\$ 122.4	\$ 68.2	79.5

Operating profit for the three months ended September 30, 2019 increased by 568.8% when compared to the same period in 2018. Operating profit in the Construction Products Group increased for the three months ended September 30, 2019 when compared to the prior year period due to higher volumes from the acquired ACG business and our legacy businesses. Operating profit in our Energy Equipment Group increased for the three months ended September 30, 2019 compared to the prior year period primarily due to higher unit volumes in wind towers and higher volume and pricing levels in utility structures., the elimination of operating losses from businesses divested in 2018, and an impairment charge recognized in the prior year period. Operating profit in our Transportation Products Group decreased for the three months ended September 30, 2019 compared to the prior year period primarily due to lower pricing for steel components, partially offset by higher tank barge deliveries.

Operating profit for the nine months ended September 30, 2019 increased by 79.5% when compared to the same period in 2018. Operating profit in the Construction Products Group was flat for the nine months ended September 30, 2019 when compared to the prior year period. Operating profit in our Energy Equipment Group increased for the nine months ended September 30, 2019 compared to the prior year period primarily due to higher unit volumes in wind towers and higher volume and pricing levels in utility structures., the elimination of operating losses from businesses divested in 2018, and an impairment charge recognized in the prior year period. Operating profit in our Transportation Products Group decreased for the nine months ended September 30, 2019 compared to the prior year period primarily due to decreased deliveries and lower contractual pricing for steel components and start-up costs incurred toward the re-opening of a previously idled barge facility, partially offset by higher tank barge deliveries.

For a further discussion of revenues, costs, and the operating results of individual segments, see *Segment Discussion* below.

Other Income and Expense

Other, net (income) expense consists of the following items:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in millions)			
Interest income	\$ (0.3)	\$ —	\$ (1.0)	\$ —
Foreign currency exchange transactions	(0.3)	—	0.7	2.2
Other	(0.1)	(0.2)	(0.7)	(0.2)
Other, net	\$ (0.7)	\$ (0.2)	\$ (1.0)	\$ 2.0

Income Taxes

The provision for income taxes results in effective tax rates that differ from the statutory rates. The Company's effective tax rate for the three and nine months ended September 30, 2019 was 22.0% and 22.1%, respectively, compared to 51.5% and 27.5% for the same periods in 2018. The decrease in the tax rate for the three and nine months ended September 30, 2019 is primarily due to increased foreign tax benefits in the current periods as well as a portion of the \$23.2 million impairment charge recorded in third quarter of 2018 related to foreign operations for which taxes were not provided.

Our effective tax rate reflects the Company's estimate for its state income tax expense, excess tax benefits related to equity compensation, and the impact of foreign tax benefits. See Note 10, "Income Taxes" of the Consolidated and Combined Financial Statements for a further discussion of income taxes.

Segment Discussion

**Construction Products Group**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
	(\$ in millions)			(\$ in millions)		
Revenues:						
Construction aggregates	\$ 96.9	\$ 52.9	83.2 %	\$ 278.5	\$ 166.6	67.2 %
Other	19.0	19.7	(3.6)	59.0	60.1	(1.8)
Total revenues	115.9	72.6	59.6	337.5	226.7	48.9
Operating costs:						
Cost of revenues	88.9	49.9	78.2	257.9	159.9	61.3
Selling, engineering, and administrative costs	10.5	7.4	41.9	34.3	21.5	59.5
Operating profit	\$ 16.5	\$ 15.3	7.8	\$ 45.3	\$ 45.3	—
Operating profit margin	14.2%	21.1%		13.4%	20.0%	
Depreciation, depletion, and amortization <sup>(1)</sup>	\$ 9.7	\$ 5.2	86.5	\$ 27.5	\$ 15.4	78.6

<sup>(1)</sup> Depreciation, depletion, and amortization are components of operating profit.

Revenues and cost of revenues increased by 59.6% and 78.2%, respectively, for the three months ended September 30, 2019, when compared to the same period in 2018. The acquisition of ACG resulted in an increase of approximately 50% in revenues for the three months ended September 30, 2019 compared to the same period in 2018, combined with increased volumes in our legacy businesses. Cost of revenues increased during the three months ended September 30, 2019 compared to the same period in the prior year, primarily driven by the increased revenues as a result of the ACG acquisition, increased sales volumes and production costs in our legacy businesses, and increased depreciation, depletion, and amortization. Selling, engineering, and administrative costs increased by 41.9% for the three months ended September 30, 2019, compared to the same period in 2018, primarily due to additional costs from the acquired ACG business. Operating profit margin decreased for the three months ended September 30, 2019 compared to the same period in 2018, reflective of the change in product mix as a result of the ACG business acquired at the end of 2018.

Revenues and cost of revenues increased by 48.9% and 61.3%, respectively, for the nine months ended September 30, 2019, when compared to the same period in 2018. The acquisition of ACG resulted in an increase of approximately 50% in revenues for the nine months ended September 30, 2019 compared to the same period in 2018, partially offset by weather-driven volume declines in our legacy businesses in the first six months of 2019. Cost of revenues increased during the nine months ended September 30, 2019 compared to the same period in the prior year, primarily driven by the increased revenues as a result of the ACG acquisition, increased production costs in our legacy businesses, and increased depreciation, depletion, and amortization. Selling, engineering, and administrative costs increased by 59.5% for the nine months ended September 30, 2019, compared to the same period in 2018, primarily due to additional costs from the acquired ACG business. Operating profit margin decreased for the nine months ended September 30, 2019 compared to the same period in 2018, reflective of the change in product mix as a result of the ACG business acquired at the end of 2018.

### Energy Equipment Group

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Percent	2019	2018	Percent
	(\$ in millions)			(\$ in millions)		
			Change			Change
<b>Revenues:</b>						
Wind towers and utility structures	\$ 159.8	\$ 147.0	8.7 %	\$ 469.4	\$ 427.5	9.8 %
Other	50.4	51.4	(1.9)	154.2	145.6	5.9
Total revenues	210.2	198.4	5.9	623.6	573.1	8.8
<b>Operating costs:</b>						
Cost of revenues	165.6	171.0	(3.2)	497.2	484.0	2.7
Selling, engineering, and administrative costs	18.0	17.4	3.4	46.6	53.4	(12.7)
Impairment charge	—	23.2		—	23.2	
Operating profit	\$ 26.6	\$ (13.2)	(301.5)	\$ 79.8	\$ 12.5	538.4
Operating profit margin	12.7%	(6.7)%		12.8%	2.2%	
Depreciation and amortization <sup>(1)</sup>	\$ 6.9	\$ 7.4	(6.8)	\$ 21.2	\$ 22.6	(6.2)

<sup>(1)</sup> Depreciation and amortization are components of operating profit.

Revenues increased by 5.9% for the three months ended September 30, 2019 when compared to the same period in 2018. Revenues from our wind towers and utility structures product lines increased by 8.7%, driven primarily by higher unit volumes in wind towers and higher volume and pricing levels in utility structures. Revenues from other product lines decreased slightly by 1.9% as higher storage tank pricing levels were offset by the reduction in revenues from businesses divested in 2018. Cost of revenues decreased by 3.2% for the three months ended September 30, 2019 compared to 2018, driven by the reduction in costs from businesses divested in 2018 as well as a \$6.1 million reserve on finished goods inventory recognized in the prior year period related to an order for a single customer in our utility structures business, partially offset by costs related to higher overall volumes. Selling, engineering, and administrative costs were substantially unchanged for the three months ended September 30, 2019 when compared to the same period in 2018.

Revenues increased by 8.8% for the nine months ended September 30, 2019 when compared to the same period in 2018. Revenues from our wind towers and utility structures product lines increased by 9.8%, driven primarily by higher unit volumes in wind towers and higher pricing levels in utility structures. Revenues from other product lines increased by 5.9% as higher storage tank pricing levels were partially offset by the reduction in revenues from businesses divested in 2018. Cost of revenues increased by 2.7% for the nine months ended September 30, 2019 compared to 2018, driven primarily by higher overall volumes offset partially by the reduction in costs from businesses divested in 2018 as well as a \$6.1 million reserve on finished goods inventory recognized in the prior year period related to an order for a single customer in our utility structures business. Selling, engineering, and administrative costs decreased by 12.7% for the nine months ended September 30, 2019 when compared to the same period in 2018, primarily due to the reduction of costs from businesses divested in 2018 and due to a \$2.9 million recovery of bad debt related to a single customer in our utility structures business.

In the third quarter of 2018, the Company recorded an impairment charge of \$23.2 million associated with the write-down of the net assets of certain businesses classified as held for sale. See Note 2 to the Consolidated and Combined Financial Statements for further information about the impairment charge.

The backlog for wind towers and utility structures was \$563.6 million and \$700.3 million at September 30, 2019 and 2018, respectively. Approximately 30% of unsatisfied performance obligations for wind towers and utility structures are expected to be delivered during the year ending December 31, 2019 with the remainder expected to be delivered during 2020. Future wind tower orders are subject to uncertainty following the phase-out of the Production Tax Credit. Pricing of orders and individual order quantities during the three months ended September 30, 2019 continue to be reflective of a market transitioning from production tax credit incentives. As of September 30, 2019, the backlog for our other business lines in our Energy Equipment Group was \$44.3 million, of which 53% is expected to be delivered during the year ending December 31, 2019, with the remainder to be delivered during 2020.

### Transportation Products Group

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Percent	2019	2018	Percent
	(\$ in millions)			(\$ in millions)		
			Change			Change
<b>Revenues:</b>						
Inland barges	\$ 77.5	\$ 49.3	57.2 %	\$ 193.0	\$ 123.0	56.9 %
Steel components	43.1	59.2	(27.2)	140.4	166.3	(15.6)
Total revenues	120.6	108.5	11.2	333.4	289.3	15.2
<b>Operating costs:</b>						
Cost of revenues	103.9	88.8	17.0	284.6	236.6	20.3
Selling, engineering, and administrative costs	5.5	6.2	(11.3)	16.7	17.5	(4.6)
Operating profit	\$ 11.2	\$ 13.5	(17.0)	\$ 32.1	\$ 35.2	(8.8)
Operating profit margin	9.3%	12.4%		9.6%	12.2%	
Depreciation and amortization <sup>(1)</sup>	\$ 4.3	\$ 4.2	2.4	\$ 12.0	\$ 11.7	2.6

<sup>(1)</sup> Depreciation and amortization are components of operating profit.

Revenues and cost of revenues increased for the three months ended September 30, 2019 by 11.2% and 17.0%, respectively, compared to the same period in 2018 primarily from higher tank barge deliveries which were partially offset by lower contractual pricing and decreased deliveries for steel components. Railcar component demand has declined as the North American industry outlook for new railcar builds has softened. The Company expects the decline to continue into 2020 unless the industry backlog for new railcars recovers.

Revenues and cost of revenues increased for the nine months ended September 30, 2019 by 15.2% and 20.3%, respectively, compared to the same period in 2018 primarily from higher tank barge deliveries, partially offset by decreased deliveries and lower contractual pricing for steel components. Cost of revenues also increased by \$3.3 million for the nine months ended September 30, 2019 due to start-up costs incurred towards the re-opening of a previously idled barge manufacturing facility, which began delivering barges in the third quarter of 2019.

Selling, engineering, and administrative costs decreased for the three and nine months ended September 30, 2019 by 11.3% and 4.6%, respectively, compared to the same periods in 2018, primarily due to lower compensation costs.

As of September 30, 2019, the backlog for the Transportation Products Group was \$363.8 million compared to \$210.4 million as of September 30, 2018. Approximately 29% of unsatisfied performance obligations for inland barges are expected to be delivered during the year ending December 31, 2019 with the remainder expected to be delivered in 2020.

### Corporate

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Percent	2019	2018	Percent
	(in millions)			(in millions)		
			Change			Change
Corporate overhead costs	\$ 11.5	\$ 9.1	26.4%	\$ 34.8	\$ 24.7	40.9%

For periods prior to the Separation, corporate overhead costs consisted of costs not previously allocated to Trinity's business units and have been allocated to Arcosa based on an analysis of each cost function and the relative benefits received by Arcosa for each of the periods using methods management believes are consistent and reasonable. See Note 1, "Overview and Summary of Significant Accounting Policies" of the Notes to the Consolidated and Combined Financial Statements for further information.

For the three and nine months ended September 30, 2019, the increase in corporate overhead costs compared to 2018 was primarily due to incremental standalone costs related to the replacement of services and fees previously provided or incurred by Trinity as well as other standalone public company costs. We estimate full-year corporate costs will be approximately \$50.0 million in fiscal year 2019.

### Liquidity and Capital Resources

Arcosa's liquidity requirements are primarily to fund our business operations, including capital expenditures, working capital, and disciplined acquisitions. Our primary sources of liquidity are cash flows from operations, our existing cash balance and, as necessary, borrowings under the revolving credit facility and issuance of long-term debt or equity. To the extent we generate discretionary cash flow, we may consider using this additional cash flow to undertake new capital investment projects, execute strategic acquisitions, return capital to stockholders, or for general corporate purposes.

#### Cash Flows

The following table summarizes our cash flows from operating, investing, and financing activities for the nine months ended September 30, 2019 and 2018:

	Nine Months Ended September 30,	
	2019	2018
(in millions)		
Total cash provided by (required by):		
Operating activities	\$ 219.0	\$ 118.5
Investing activities	(87.4)	(55.4)
Financing activities	(103.5)	(59.5)
Net increase in cash and cash equivalents	<u>\$ 28.1</u>	<u>\$ 3.6</u>

**Operating Activities.** Net cash provided by operating activities for the nine months ended September 30, 2019 was \$219.0 million compared to \$118.5 million for the nine months ended September 30, 2018.

- The increase in net cash provided by operating activities was primarily driven by increased earnings for the nine months ended September 30, 2019 and changes in current assets and liabilities.
- The changes in current assets and liabilities resulted in a net source of cash of \$39.5 million for the nine months ended September 30, 2019 compared to a net use of cash of \$29.2 million for the nine months ended September 30, 2018. This increase was primarily driven by a reduction in receivables for our Energy Equipment and Transportation Products Groups, partially offset by the increase in inventories primarily in our Transportation Products Group.

**Investing Activities.** Net cash required by investing activities for the nine months ended September 30, 2019 was \$87.4 million compared to \$55.4 million for the nine months ended September 30, 2018.

- Capital expenditures for the nine months ended September 30, 2019 were \$61.0 million compared to \$33.0 million for the same period last year. Full-year capital expenditures are expected to range between \$80 million and \$85 million in 2019. We expect maintenance capital expenditures of approximately \$60 million and capital expenditures related to additional growth to be in the range of \$20 million and \$25 million in 2019.
- Proceeds from the sale of property, plant, and equipment and other assets totaled \$4.7 million for the nine months ended September 30, 2019, compared to \$2.6 million for the same period in 2018.
- Cash paid for acquisitions, net of cash acquired, was \$31.1 million for the nine months ended September 30, 2019 compared to \$25.0 million for the same period in 2018. There was no divestiture activity for the nine months ended September 30, 2019 and 2018.

**Financing Activities.** Net cash required by financing activities during the nine months ended September 30, 2019 was \$103.5 million compared to \$59.5 million for the same period in 2018.

- Current year activity was primarily related to the \$80.0 million repayments of advances under the Company's revolving credit facility, while prior year activity was primarily related to net transfers to Former Parent totaling \$56.3 million.

## **Other Investing and Financing Activities**

### ***Revolving Credit Facility***

On November 1, 2018, the Company entered into a \$400.0 million unsecured revolving credit facility that matures in November 2023. The interest rates under the facility are variable based on LIBOR or an alternate base rate plus a margin that is determined based on Arcosa's leverage as measured by a consolidated total indebtedness to consolidated EBITDA ratio, which is currently set at LIBOR plus 1.25%. A commitment fee accrues on the average daily unused portion of the revolving facility at the current rate of 0.20%. Borrowings under the credit facility are guaranteed by certain wholly-owned subsidiaries of the Company.

As of September 30, 2019, we had \$100.0 million of outstanding loans borrowed and \$38.7 million of letters of credit issued under the facility, leaving \$261.3 million available.

The Company's revolving credit facility requires the maintenance of certain ratios related to leverage and interest coverage. As of September 30, 2019, we were in compliance with all such financial covenants.

### ***Dividends and Repurchase Program***

In September 2019, the Company declared a quarterly cash dividend of \$0.05 per share to be paid in October 2019.

In December 2018, the Company's Board of Directors authorized a \$50 million share repurchase program effective December 5, 2018 through December 31, 2020. Under the program, the Company repurchased 361,442 shares at a cost of \$11.0 million during the nine months ended September 30, 2019. As of September 30, 2019, the Company had a remaining authorization of \$36.0 million under the program. See Note 1 "Overview and Summary of Significant Accounting Policies" to the Consolidated and Combined Financial Statements.

### ***Derivative Instruments***

In December 2018, the Company entered into an interest rate swap instrument, effective as of January 2, 2019 and expiring in 2023, to reduce the effect of changes in the variable interest rates associated with borrowings under the revolving credit facility. The instrument carried an initial notional amount of \$100.0 million, thereby hedging the first \$100.0 million of borrowings under the credit facility. The instrument effectively fixes the LIBOR component of the credit facility borrowings at a monthly rate of 2.71%. As of September 30, 2019, the Company has recorded a liability of \$5.2 million for the fair value of the instrument, all of which is recorded in accumulated other comprehensive loss. See Note 3 "Fair Value Accounting" and Note 7 "Debt" to the Consolidated and Combined Financial Statements.

### ***Off-Balance Sheet Arrangements***

As of September 30, 2019, we had letters of credit issued under our revolving credit facility in an aggregate principal amount of \$38.7 million. Of the outstanding letters of credit as of September 30, 2019, \$21.6 million are expected to expire in 2019, with the remainder in 2020. The majority of our letters of credit obligations support the Company's various insurance programs and warranty claims and generally renew by their terms each year. See Note 7 "Debt" to the Consolidated and Combined Financial Statements.

### ***Recent Accounting Pronouncements***

See Note 1, "Overview and Summary of Significant Accounting Policies" of the Consolidated and Combined Financial Statements for information about recent accounting pronouncements.



## Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not historical facts are forward-looking statements. These forward-looking statements include expectations, beliefs, plans, objectives, future financial performances, estimates, projections, goals and forecasts. The words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “forecasts,” “may,” “will,” “should” and similar expressions generally identify these forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause our actual results of operations to differ materially from those in the forward-looking statements including, among others:

- market conditions and demand for Arcosa's business products and services;
- the cyclical nature of industries in which Arcosa competes;
- variations in weather in areas where Arcosa construction products are sold, used, or installed;
- naturally-occurring events and disasters causing disruption to our manufacturing, product deliveries, and production capacity, thereby giving rise to an increase in expenses, loss of revenue, and property losses;
- the timing of introduction of new products;
- the timing and delivery of customer orders or a breach of customer contracts;
- the credit worthiness of customers and their access to capital;
- product price changes;
- changes in mix of products sold;
- the costs incurred to align manufacturing capacity with demand and the extent of its utilization;
- the operating leverage and efficiencies that can be achieved by Arcosa's manufacturing businesses;
- availability and costs of steel, component parts, supplies, and other raw materials;
- competition and other competitive factors;
- changing technologies;
- surcharges and other fees added to fixed pricing agreements for steel, component parts, supplies and other raw materials;
- interest rates and capital costs;
- counter-party risks for financial instruments;
- long-term funding of our operations;
- taxes;
- the stability of the governments and political and business conditions in certain foreign countries, particularly Mexico;
- changes in import and export quotas and regulations;
- business conditions in emerging economies;
- costs and results of litigation;
- changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies;
- legal, regulatory, and environmental issues, including compliance of Arcosa's products with mandated specifications, standards, or testing criteria and obligations to remove and replace Arcosa's products following installation or to recall our products and install different products manufactured by Arcosa or our competitors;
- actions by the executive and legislative branches of the U.S. government relative to federal government budgeting, taxation policies, government expenditures, U.S. borrowing/debt ceiling limits, trade policies, including tariffs, and border closures;
- the use of social or digital media to disseminate false, misleading and/or unreliable or inaccurate information;
- the inability to sufficiently protect our intellectual property rights;
- if Arcosa does not realize some or all of the benefits expected to result from the spin-off, or if such benefits are delayed;
- Arcosa's ongoing businesses may be adversely affected and subject to certain risks and consequences as a result of the spin-off transaction;
- if the distribution of shares of Arcosa, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, the Company's stockholders and the Company could be subject to significant tax liability; and
- if the spin-off transaction does not comply with state and federal fraudulent conveyance laws and legal dividend requirements.

Any forward-looking statement speaks only as of the date on which such statement is made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, except as required by applicable federal securities laws. Factors that could cause actual results or events to differ materially from those anticipated include the matters described under the section entitled “Risk Factors” in our 2018 Annual Report on Form 10-K.

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

There has been no material change in our market risks since December 31, 2018 as set forth in our 2018 Annual Report on Form 10-K. See Note 9 “Other, Net” of the Consolidated and Combined Financial Statements for the impact of foreign exchange rate fluctuations for the three and nine months ended September 30, 2019.

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

#### **Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures designed to ensure that it is able to collect and record the information it is required to disclose in the reports it files with the Securities and Exchange Commission (“SEC”), and to process, summarize, and disclose this information within the time periods specified in the rules of the SEC. The Company’s Chief Executive and Chief Financial Officers are responsible for establishing and maintaining these procedures and, as required by the rules of the SEC, evaluating their effectiveness. Based on their evaluation of the Company’s disclosure controls and procedures that took place as of the end of the period covered by this report, the Chief Executive and Chief Financial Officers believe that these procedures are effective to 1) ensure that the Company is able to collect, process, and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods and 2) accumulate and communicate this information to the Company’s management, including its Chief Executive and Chief Financial Officers, to allow timely decisions regarding this disclosure.

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

During the period covered by this report, there have been no changes in the Company’s internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.

As permitted by the SEC Staff interpretive guidance for recently acquired businesses, management’s assessment and conclusion on the effectiveness of the Company’s disclosure controls and procedures as of September 30, 2019 excludes an assessment of the internal control over financial reporting of the ACG business acquired in December 2018. The ACG business represents approximately 17% of consolidated total assets and approximately 9% of consolidated revenues as of and for the nine months ended September 30, 2019.

**PART II**

**Item 1. Legal Proceedings**

On July 22, 2019, the Company was served with a breach of contract lawsuit filed by Thomas & Betts Corporation (“T&B”) against the Company and its wholly-owned subsidiary, Trinity Meyer Utility Structures, LLC, now known as Meyer Utility Structures, LLC (“Meyer”), in the Supreme Court of the State of New York, New York County. T&B’s claims relate to responsibility for alleged product warranty claims pursuant to the terms of the Asset Purchase Agreement, dated June 24, 2014, entered into by and between T&B and Meyer (the “APA”) with respect to Meyer’s purchase of certain assets of T&B’s utility structure business. The Company and Meyer subsequently removed the litigation to federal court. The case is currently pending under Case No. 1:19-cv-07829-PAE; Thomas & Betts Corporation, now known as, ABB Installation Products, Inc., Plaintiff, v. Trinity Meyer Utility Structures, LLC, formerly known as McKinley 2014 Acquisition, LLC, and Arcosa, Inc., Defendants; In the United States District Court for the Southern District of New York. The Company and Meyer have filed a motion to dismiss T&B’s claims, and an Answer and Counterclaims against T&B. We intend to vigorously defend ourselves in this matter.

**Item 1A. Risk Factors**

There have been no material changes in the Company's risk factors from those set forth in our 2018 Annual Report on Form 10-K.

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

This table provides information with respect to purchases by the Company of shares of its common stock during the quarter ended September 30, 2019:

Period	Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
July 1, 2019 through July 31, 2019	916	\$ 36.50	—	\$ 39,023,255
August 1, 2019 through August 31, 2019	92,800	\$ 32.66	91,868	\$ 36,025,126
September 1, 2019 through September 30, 2019	—	\$ —	—	\$ 36,025,126
Total	<u>93,716</u>	\$ 32.70	<u>91,868</u>	\$ 36,025,126

<sup>(1)</sup> These columns include: (i) the surrender to the Company of 1,848 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock and restricted stock units issued to employees and (ii) the purchase of 91,868 shares of common stock on the open market as part of the stock repurchase program.

<sup>(2)</sup> In December 2018, the Company’s Board of Directors authorized a new \$50 million share repurchase program that expires December 31, 2020.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-Q.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

<b>NO.</b>	<b>DESCRIPTION</b>
3.1	<a href="#">Restated Certificate of Incorporation of Arcosa, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-8 filed on October 31, 2018, File No. 333-228098).</a>
3.2	<a href="#">Amended and Restated Bylaws of Arcosa, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-8 filed on October 31, 2018, File No. 333-228098).</a>
31.1	<a href="#">Rule 13a-15(e) and 15d-15(e) Certification of the Chief Executive Officer (filed herewith).</a>
31.2	<a href="#">Rule 13a-15(e) and 15d-15(e) Certification of the Chief Financial Officer (filed herewith).</a>
32.1	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>
32.2	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>
95	<a href="#">Mine Safety Disclosure Exhibit (filed herewith).</a>
101.INS	Inline XBRL Instance Document (filed electronically herewith).
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed electronically herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed electronically herewith).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed electronically herewith).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed electronically herewith).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed electronically herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

## SIGNATURES

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

ARCOSA, INC.  
Registrant

By /s/ Scott C. Beasley

Scott C. Beasley  
Chief Financial Officer  
October 31, 2019

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## Section 2: EX-31.1 (EXHIBIT 31.1)

**Exhibit 31.1**

### CERTIFICATION

I, Antonio Carrillo, certify that:

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

Date: October 31, 2019

/s/ Antonio Carrillo

Antonio Carrillo  
President and Chief Executive Officer

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## Section 3: EX-31.2 (EXHIBIT 31.2)

**Exhibit 31.2**

### CERTIFICATION

I, Scott C. Beasley, certify that:

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

Date: October 31, 2019

/s/ Scott C. Beasley

Scott C. Beasley  
Chief Financial Officer

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## Section 4: EX-32.1 (EXHIBIT 32.1)

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 Arcosa, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Antonio Carrillo, President and Chief Executive Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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, as of, and for, the periods presented in the Report.

/s/ Antonio Carrillo

Antonio Carrillo  
President and Chief Executive Officer  
October 31, 2019

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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## Section 5: EX-32.2 (EXHIBIT 32.2)

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 Arcosa, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott C. Beasley, Chief Financial Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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, as of, and for, the periods presented in the Report.

/s/ Scott C. Beasley

Scott C. Beasley  
Chief Financial Officer  
October 31, 2019

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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## Section 6: EX-95 (EXHIBIT 95)

Exhibit 95

### Mine Safety Disclosures

The Company owned or operated mines during the three months ended September 30, 2019. The Financial Reform Act ("Dodd-Frank") requires us to disclose in our periodic reports filed with the SEC, specific information about each of our mines comprised of notices, violations, and orders<sup>1</sup> made by the Federal Mine Safety and Health Administration pursuant to the Federal Mine Safety and Health Act of 1977.

The following table is a summary of the reportable information required for our mines that operated during the three months ended September 30, 2019:

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104 (d) Citations and Orders (#)	Section 110(b) (2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104 (e) (yes/no)	Received Notice of Potential to Have Pattern under Section 104 (e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Asa (4104399)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Belton (4101043)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Cottonwood (4104553)	—	—	—	—	—	\$ — <sup>2</sup>	—	No	No	—	—	—
Curry (4105307)	1	—	—	—	—	\$ 977	—	No	No	—	—	—
Kopperl (4104450)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Malloy Bridge (4102946)	—	—	—	—	—	\$ — <sup>2</sup>	—	No	No	—	—	—
Paradise (4103253)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Anacoco (1600543)	—	—	—	—	—	\$ — <sup>2</sup>	—	No	No	—	—	—
Indian Village (1600348)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Rye (4102547)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Pearl River (1601334)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Moody (4105204)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Materials Bouse Junction (3401828)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Materials Diamond (3401660)	1	—	—	—	—	\$ — <sup>3</sup>	—	No	No	—	—	—
ACG Materials Diamond North (3401977)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Materials Shamrock (4104758)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Adams Claim (2600668)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Harrison Gypsum #2 (3401364)	—	—	—	—	—	\$ — <sup>2</sup>	—	No	No	—	—	—
Harrison Gypsum #5 (3401964)	2	—	—	—	—	\$ — <sup>4</sup>	—	No	No	—	—	—
Ludwig (2602775)	—	—	—	—	—	\$ — <sup>2</sup>	—	No	No	—	—	—

<sup>1</sup> Significant and Substantial (S&S) citations are reported on this form. Non-S&S citations are not reported on this form but any assessments resulting from non-S&S



citations are reported.

<sup>2</sup> Proposed penalty amounts are pending regarding non-S&S citation(s) issued during the reporting period.

<sup>3</sup> Proposed penalty amounts are pending regarding S&S citation(s) issued during the reporting period.

<sup>4</sup> Proposed penalty amounts are pending regarding S&S citation(s), non-S&S citation(s), and non-S&S order(s) issued during the reporting period.

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104 (d) Citations and Orders (#)	Section 110(b) (2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104 (e) (yes/no)	Received Notice of Potential to Have Pattern under Section 104 (e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
ACG Ainsworth (4105117)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Garrett (4105169)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Bruni Pit (4105454)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Mentone Pit (4105458)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Deiringer (4104878)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Ft Stockton (4104943)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Materials Ark City (1401743)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Materials Newkirk (3401781)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Materials Orla LLC (4104958)	—	—	—	—	—	\$ — <sup>5</sup>	—	No	No	—	—	—
ACG Midkiff (4104913)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Stanton (4105067)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Dilley Pit (4104879)	—	—	—	—	—	\$ —	—	No	No	—	—	—
J A Jack & Sons (4503239)	—	—	—	—	—	\$ — <sup>5</sup>	—	No	No	—	—	—
KRMI Quarry (4503363)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Marianna Quarry (0801267)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Wills Point (4104113)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Wills Point Lester (4104071)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Boulder (0504415)	2	—	—	—	—	\$ 2,219	—	No	No	—	—	—
Brooklyn (1200254)	1	—	—	—	—	\$ 708 <sup>5</sup>	—	No	No	—	—	—
Brooks (1500187)	—	—	—	—	—	\$ — <sup>5</sup>	—	No	No	—	—	—
Erwinville (1600033)	2	—	—	—	—	\$ 5,620	—	No	No	—	—	—
Frazier Park (0400555)	—	—	—	—	—	\$ — <sup>5</sup>	—	No	No	—	—	—
Livingston (0100034)	—	—	—	—	—	\$ — <sup>5</sup>	—	No	No	—	—	—
Streetman (4101628)	—	—	—	—	—	\$ — <sup>5</sup>	—	No	No	—	—	—

<sup>5</sup> Proposed penalty amounts are pending regarding non-S&S citation(s) issued during the reporting period.