IES Holdings, Inc.
Form 10-K
December 08, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2017

Commission File Number 1-13783

IES Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**76-0542208**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5433 Westheimer Road, Suite 500, Houston, Texas, 77056

(Address of principal executive offices and ZIP code)

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

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

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

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

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (Do not check if a smaller reporting company) 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

The aggregate market value of the voting stock of the Registrant on March 31, 2017 held by non-affiliates was approximately $152.8 million. On December 7, 2017, there were 21,337,245 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Proxy Statement for the 2018 Annual Meeting of Stockholders of the Registrant to be held on February 7, 2018 is incorporated by reference into Part III of this Annual Report on Form 10-K.

FORM 10-K

IES HOLDINGS, INC.

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PART I

DEFINITIONS

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

- the ability of our controlling shareholder to take action not aligned with other shareholders;
- the sale or disposition of the shares of our common stock held by our controlling shareholder, which, under certain circumstances, would trigger change of control provisions in our severance plan or financing and surety arrangements, or any other substantial sale of our common stock, which could depress our stock price;
- the possibility that certain tax benefits of our net operating losses may be restricted or reduced in a change in ownership or a change in the federal tax rate;
- the potential recognition of valuation allowances on deferred tax assets;
- the inability to carry out plans and strategies as expected, including our inability to identify and complete acquisitions that meet our investment criteria in furtherance of our corporate strategy, or the subsequent underperformance of those acquisitions;
- limitations on the availability of sufficient credit or cash flow to fund our working capital needs and capital expenditures and debt service;
- difficulty in fulfilling the covenant terms of our credit facilities, including liquidity, EBITDA and other financial requirements, which could result in a default and acceleration of our indebtedness;

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

the relatively low trading volume of our common stock, which could depress our stock price;

competition in the industries in which we operate, both from third parties and former employees, which could result in the loss of one or more customers or lead to lower margins on new projects;

future capital expenditures and refurbishment, repair and upgrade costs; and delays in and costs of refurbishment, repair and upgrade projects; and

a general reduction in the demand for our services;

our ability to enter into, and the terms of, future contracts;

success in transferring, renewing and obtaining electrical and other licenses;

challenges integrating new businesses into the Company or new types of work, products or processes into our segments;

credit and capital market conditions, including changes in interest rates that affect the cost of construction financing and mortgages, and the inability for some of our customers to retain sufficient financing which could lead to project delays or cancellations;

backlog that may not be realized or may not result in profits;

the possibility of errors when estimating revenue and progress to date on percentage-of-completion contracts;

uncertainties inherent in estimating future operating results, including revenues, operating income or cash flow;

complications associated with the incorporation of new accounting, control and operating procedures;

closures or sales of facilities resulting in significant future charges, including potential warranty losses or other unexpected liabilities, or a significant disruption of our operations;

an increased cost of surety bonds affecting margins on work and the potential for our surety providers to refuse bonding or require additional collateral at their discretion;

fluctuations in operating activity due to downturns in levels of construction, seasonality and differing regional economic conditions;

our ability to successfully manage projects;

inaccurate estimates used when entering into fixed-priced contracts;

the cost and availability of qualified labor and the ability to maintain positive labor relations;

our ability to pass along increases in the cost of commodities used in our business, in particular, copper, aluminum, steel, fuel and certain plastics;

a change in the mix of our customers, contracts or business;

increases in bad debt expense and days sales outstanding due to liquidity problems faced by our customers;

the recognition of potential goodwill, long-lived assets and other investment impairments;

potential supply chain disruptions due to credit or liquidity problems faced by our suppliers;

accidents resulting from the physical hazards associated with our work and the potential for accidents;

the possibility that our current insurance coverage may not be adequate or that we may not be able to obtain a policy at acceptable rates;

the possibility that our internal controls over financial reporting and our disclosure controls and procedures may not prevent all possible errors that could occur;

disagreements with taxing authorities with regard to tax positions we have adopted;

the recognition of tax benefits related to uncertain tax positions;

the effect of litigation, claims and contingencies, including warranty losses, damages or other latent defect claims in excess of our existing reserves and accruals;

growth in latent defect litigation in states where we provide residential electrical work for home builders not otherwise covered by insurance;

interruptions to our information systems and cyber security or data breaches;

liabilities under laws and regulations protecting the environment; and

loss of key personnel and effective transition of new management.

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

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Item 1. ***Business***

OVERVIEW

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

Commercial & Industrial Provider of electrical and mechanical design, construction, and maintenance services to the commercial and industrial markets in various regional markets and nationwide in certain areas of expertise, such as the power infrastructure market.

Communications Nationwide provider of technology infrastructure services to large corporations and independent businesses.

Infrastructure Solutions Provider of electro-mechanical solutions for industrial operations.

Residential Regional provider of electrical installation services for single-family housing and multi-family apartment complexes.

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

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

CORPORATE STRATEGY

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

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

strong cash flow characteristics.

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

Recent Transactions

In fiscal 2017, we acquired three businesses for aggregate consideration of $21.0 million, as described below:

An 80% interest in NEXT Electric, LLC (NEXT Electric), a Wisconsin-based electrical contractor specializing in the design, installation and maintenance of electrical systems for commercial, industrial, healthcare, water treatment and education end-markets, was acquired in July 2017 in our Commercial & Industrial segment.

Technical Services II, LLC (Technical Services), a Virginia-based provider of mechanical maintenance services, including commercial heating, ventilation and air conditioning, food service equipment, electrical and plumbing services, was acquired in June 2017 in our Commercial & Industrial segment.

Freeman Enclosure Systems, LLC, an Ohio-based manufacturer of custom generator enclosures primarily used by data centers and large commercial and industrial facilities, was acquired in March 2017 along with its affiliate Strategic Edge, LLC (together, Freeman) in our Infrastructure Solutions segment.

For more information on these transactions, please see Note 18, Business Combinations and Divestitures in the notes to our Consolidated Financial Statements.

Controlling Shareholder

A majority of our outstanding common stock is owned by Tontine Associates, L.L.C. and its affiliates (collectively, Tontine). Based on a Form 4 filed on October 3, 2017, Tontine owns approximately 58% of the Company. As a result, Tontine can control most of our affairs, including most actions requiring the approval of shareholders, such as the approval of any potential merger or sale of all or substantially all assets, segments, or the Company itself. Most of Tontine s shares are registered for resale on a shelf registration statement filed by the Company with the United States Securities and Exchange Commission (the SEC). Tontine s sale of all or any portion of its shares could result in a change of control, which would trigger the change of control provisions in a number of our material agreements, including our credit facility, bonding agreements with our sureties and our executive severance plan. For more information see Note 3, Controlling Shareholder in the notes to our Consolidated Financial Statements.

Net Operating Loss Tax Carry Forward and Other Deferred Tax Assets

The Company and certain of its subsidiaries have an estimated federal net operating loss (NOL) of approximately $378.3 million at September 30, 2017, including approximately $142.1 million resulting from the additional amortization of personal goodwill.

In fiscal 2016, we released a significant valuation allowance against our deferred tax assets. An inability to generate sufficient taxable income in future periods to realize our deferred tax assets may lead to the recording of additional valuation allowances in future periods and a reduction in income under accounting principles generally accepted in the United States of America (GAAP). Further, any future reduction in the federal statutory tax rate could also cause a reduction in the economic benefit of the NOL and other deferred tax assets available to us and a corresponding charge to reduce the book value of the deferred tax asset recorded on our balance sheet. The US House of Representatives and Senate have each passed tax reform legislation which, if enacted, would reduce the corporate income tax rate to 20%, from a current rate of 35%. At September 30, 2017, we had deferred tax assets with a net book value of $86.2 million, based on a federal tax rate of 35%. If the federal statutory corporate income tax rate is reduced to 20%, this asset will be revalued at the lower rate, resulting in a charge to income tax expense and a corresponding reduction in deferred tax assets.

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

Consolidated Financial Statements.

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

OPERATING SEGMENTS

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

	Years Ended September 30,					
	2017		2016		2015	
	$	%	$	%	$	%
	(Dollars in thousands, Percentage of revenues)					
Commercial & Industrial	$ 227,606	28.1%	$ 222,466	32.0%	$ 178,865	31.2%
Communications	225,275	27.8%	189,635	27.2%	141,858	24.7%
Infrastructure Solutions	83,824	10.3%	58,003	8.3%	46,827	8.2%
Residential	274,039	33.8%	225,889	32.5%	206,307	35.9%
Total Consolidated	$ 810,744	100.0%	$ 695,993	100.0%	$ 573,857	100.0%

For additional financial information by segment, see Note 10, Operating Segments in the notes to our Consolidated Financial Statements.

Commercial & Industrial

Business Description

Our Commercial & Industrial segment provides electrical and mechanical design, service, and construction services to commercial and industrial markets. Our design services range from budget assistance to providing design-build and LEED (Leadership in Energy & Environmental Design) solutions to our end customers. Our maintenance and emergency services include critical plant shutdown, troubleshooting, emergency testing, preventative maintenance, and constant presence. Our construction services range from the initial planning and procurement to installation and start-up and are offered to a variety of new and remodel construction projects, ranging from the construction of office buildings and industrial facilities to transmission and distribution projects. We also provide mechanical services such as maintenance agreements, installation, or replacement of mechanical equipment for commercial and industrial facilities.

During fiscal 2016, we expanded our geographic and service offerings with the acquisition of Shanahan Mechanical and Electrical, Inc. (Shanahan) and added mechanical service offerings with the acquisition of STR Mechanical, LLC (STR Mechanical). During fiscal 2017, we continued this expansion with the June 2017 acquisition of Technical Services and the July 2017 acquisition of NEXT Electric.

This segment provides services for a variety of project types, including office buildings, manufacturing facilities, data centers, chemical plants, refineries, wind farms, solar facilities, municipal infrastructure and health care facilities. The Commercial & Industrial segment consists of 24 locations, which includes the segment headquarters in Houston,

Texas. These locations geographically cover Texas, Nebraska, Colorado, Oregon, Wisconsin, and the Southeast and Mid-Atlantic regions.

Industry Overview

Given the diverse end-markets of our Commercial & Industrial customers, which include both commercial buildings, such as offices, healthcare facilities and schools, and industrial projects, such as power, chemical,

refinery and heavy manufacturing facilities, we are subject to many trends within the construction industry. In general, demand for our Commercial & Industrial services is driven by construction and renovation activity levels, economic growth, and availability of bank lending. Due to economic, technological or other factors, there can be no assurance that construction and demand will increase.

Sales and Marketing

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

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

Competition

The electrical and mechanical contracting services industry is generally highly competitive and includes a number of regional or small privately-held local firms. There are few barriers to entry for our electrical and mechanical contracting services in the commercial and industrial markets, which limits our advantages when competing for projects. Industry expertise, project size, location and past performance will determine our bidding strategy, the level of involvement from competitors and our level of success in winning awards. Our primary advantages vary by location and market, but mostly are based upon local individual relationships with key customers or a demonstrated industry expertise. Additionally, due to the size of many of our projects, our financial resources help us compete effectively against local competitors.

Seasonality and Quarterly Fluctuations

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

Communications

Business Description

Originally established in 1984, our Communications segment is a leading provider of network infrastructure solutions for data centers and other mission critical environments. Our services include the design, installation and maintenance of network infrastructure to leading and recognizable global technology, social networking and e-commerce brands,

including many Fortune 100 and 500 corporations. We serve a variety of industries and end-markets, including data centers for colocation and managed hosting customers; corporate, educational, financial, government, hospitality and healthcare buildings, e-commerce distribution centers; and high-tech manufacturing facilities. We also provide the design and installation of audio/visual, telephone, fire, wireless

access and intrusion alarm systems, as well as design/build, service and maintenance of data network systems. We perform services across the United States from our 12 offices, including our Communications headquarters located in Tempe, Arizona, allowing dedicated onsite teams at our customers sites.

Industry Overview

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

Sales and Marketing

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

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

Competition

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

Seasonality and Quarterly Fluctuations

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

Infrastructure Solutions

Business Description

Our Infrastructure Solutions segment provides electro-mechanical solutions for industrial operations to domestic and international customers. Our solutions include the maintenance and repair of alternating current (AC) and direct

current (DC) electric motors and generators, as well as power generating and distribution equipment; the manufacture of custom-engineered, metal enclosed bus duct solutions used in power distribution; the manufacture of customer commercial and industrial generator enclosures; the manufacture, remanufacture, and repair of industrial lifting magnets; and maintenance and repair of railroad main and auxiliary generators, main alternators, and traction motors.

This segment serves the steel, railroad, marine, petrochemical, pulp and paper, wind energy, mining, automotive, power generation, scrap yards, data center, and utility industries. Our Infrastructure Solutions segment is comprised of 10 locations and is headquartered in Ohio. These segment locations geographically cover Alabama, Georgia, Illinois, Ohio, West Virginia and California.

We have enhanced our geographic and service offering through multiple acquisitions since 2015. We added to our service capabilities through the May 2015 acquisition of Southern Industrial Sales and Services, Inc. (Southern Rewinding), a Georgia-based provider of motor repair and field services, and the October 2015 acquisition of Calumet Armature & Electric, LLC (Calumet), an Illinois-based provider of design, manufacturing, assembly, and repair services of electric motors for the industrial and mass transit markets. Additionally, we have strengthened our offering of electro-mechanical products and services through the June 2016 acquisition of Technibus, Inc. (Technibus), a manufacturer of custom-engineered, metal enclosed bus duct solutions, which are highly engineered electrical components that conduct electricity between medium-voltage generators, breakers, transformers, and switchgear, primarily utilized at power generation plants and large electricity-consuming facilities, and the March 2017 acquisition of Freeman, a manufacturer of custom generator enclosures that are primarily used by data centers and large commercial and industrial facilities.

Industry Overview

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

Sales and Marketing

Demand for Infrastructure Solutions services is largely driven by the degree to which industrial and mechanical services are outsourced by our customers, production rates at steel mills, investments in power generation, other heavy industrial facilities, data centers, and the need for electrical infrastructure improvements. Our sales efforts are primarily driven by personnel based at our operating locations, as well as independent sales representatives. Given that the majority of our apparatus repair customers are located within a 200-mile radius of our facilities, we believe that this structure allows us to rapidly address and respond to the needs of our customers. Our custom-engineered bus system and generator enclosure products and services are principally sold in partnership with an original equipment manufacturer (OEM) or to an engineering, procurement and construction firm on behalf of the end-user. Our long term strategy is to be the preferred solutions provider of outsourced electro-mechanical services, repairs, and manufacturing to our select markets and a leader in custom-engineered metal enclosed bus systems.

Competition

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

Seasonality and Quarterly Fluctuations

Infrastructure Solutions revenues from industrial services may be affected by the timing of scheduled outages at its industrial customers facilities and by weather conditions with respect to projects conducted outdoors, but the

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effects of seasonality on revenues in its industrial services business are insignificant. Infrastructure Solutions quarterly results may fluctuate, and the results of one fiscal quarter may not be representative of the results of any other quarter or of the full fiscal year.

Residential

Business Description

Originally established in 1973, our Residential segment is a leading provider of electrical installation services for single-family housing and multi-family apartment complexes and cable television installations for residential and light commercial applications. In addition to our core electrical construction work, the Residential segment also provides services for the installation of residential solar power, both for new construction and existing residences. The Residential segment is made up of 36 total locations, which include the segment headquarters in Houston, Texas. These locations geographically cover the Sun-Belt, Western and Mid-Atlantic regions of the United States.

Industry Overview

Our Residential business is closely correlated to the single and multi-family housing market. Although demand for both single-family and multi-family housing has increased in recent years, we expect to see a decrease in multi-family housing construction in fiscal 2018. Due to economic, technological or other factors, there can be no assurance that overall construction and demand will continue to increase in the future.

Sales and Marketing

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

Our long-term strategy is to continue to be a leading provider of electrical services to the residential market. The key elements of our long-term strategy include a continued focus on maintaining a low and variable cost structure and cash generation, allowing us to effectively scale according to the housing cycle. During the housing downturn, we modified our strategy by expanding into markets less exposed to national building cycles, such as solar panel and cable installation services.

Competition

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

Seasonality and Quarterly Fluctuations

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

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historically been highly cyclical. Our volume of business may be adversely affected by declines in construction projects resulting from adverse regional or national economic conditions. Quarterly results may also be materially affected by the timing of new construction projects. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

SOURCES OF SUPPLY

The raw materials and components we use within our segments include, but are not limited to, electrical fixtures and system components, copper, aluminum, and raw steel. These raw materials and components are generally available from a variety of domestic suppliers at competitive prices. Delivery times are typically short for most raw materials and standard components, but during periods of peak demand, may extend to one month or more. Our strategy to reduce commodity cost exposure includes early buying of commodities for particular projects or general inventory, as well as including escalation and escape provisions in project bids, quotes and contracts wherever possible.

RISK MANAGEMENT

The primary risks in our existing operations include project bidding and management, bodily injury, property and environmental damage, and construction defects. We monitor project bidding and management practices at various levels within the Company. We maintain automobile, general liability and construction defect insurance for third party health, bodily injury and property damage, as well as pollution coverage and workers compensation coverage, which we consider appropriate to insure against these risks. Our third-party insurance is subject to deductibles for which we establish reserves. In light of these risks, we are also committed to a strong safety and environmental compliance culture. We employ full-time and part-time regional safety managers, under the supervision of our full-time Senior Vice President of Safety, and seek to maintain standardized safety and environmental policies, programs, procedures and personal protection equipment relative to each segment, including programs to train new employees, which apply to employees new to the industry and those new to the Company.

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

CUSTOMERS

We have a diverse customer base. During the twelve-month periods ended September 30, 2017, 2016 and 2015, no single customer accounted for more than 10% of our consolidated revenues. We emphasize developing and maintaining relationships with our customers by providing superior, high-quality service. Management at each of our segments is responsible for determining sales strategies and sales activities.

BACKLOG

Backlog is a measure of revenue that we expect to recognize from work that has yet to be performed on uncompleted contracts and from work that has been contracted but has not started, exclusive of short-term projects. Not all of our work is performed under contracts included in backlog; for example, most of the

apparatus repair work that is completed by our Infrastructure Solutions segment is performed under master service agreements on an as-needed basis. Additionally, electrical installation services for single-family housing in our Residential segment is completed on a short-term basis and is therefore excluded from backlog. The table below summarizes our backlog by segment:

	Years Ended September 30,	
	2017	2016
	(Dollars in millions)	
Commercial & Industrial	$ 140	$ 116
Communications	69	91
Infrastructure Solutions	39	34
Residential	83	100
Total	$ 331	$ 341

While our entire backlog is supported by documentation from customers authorizing the performance of future work, backlog is not a guarantee of future revenues as contractual commitments may change. We expect that $278 million of our September 30, 2017, backlog will result in revenue during fiscal 2018, with the remaining $53 million expected to be realized in fiscal 2019; however, there can be no assurance that this backlog will be completed within expected time frames or at all. The decline in our backlog year over year is driven by our Communications and Residential segments. Backlog in our Communications segment can be highly variable, as this segment s backlog is characterized by large, relatively quick-turning projects. The timing of our customers investment cycles may result in periods of lower growth. Our Residential segment s backlog was atypically high at September 30, 2016, as a result of project delays related to labor shortages in other trades. We worked through that delay related backlog during fiscal 2017.

REGULATIONS

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

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

Many state and local regulations governing electricians require permits and licenses to be held by individuals. In some cases, a required permit or license held by a single individual may be sufficient to authorize specified activities for all

our electricians who work in the state or county that issued the permit or license. We endeavour to ensure that, where possible, any permits or licenses that may be material to our operations in a particular geographic area are held by multiple employees within that area.

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

CAPITAL FACILITIES

During fiscal year 2017, the Company maintained a revolving credit facility, as described in Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations The Revolving*

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Credit Facility   of this Annual Report on Form 10-K. For a discussion of the Company s capital resources, see Item 7.   Management s Discussion and Analysis of Financial Condition and Results of Operations   Liquidity and Capital Resources   of this Annual Report on Form 10-K.

FINANCIAL INFORMATION

For information on the Company s financial information by segment, see Note 10,   Operating Segments   in the notes to our Consolidated Financial Statements.

EMPLOYEES

At September 30, 2017, we had 3,532 employees. We are party to two collective bargaining agreements within our Infrastructure Solutions segment. We have not experienced, and do not expect, any work stoppage, and we believe that our relationship with our employees is strong.

LOCATIONS

As of September 30, 2017, we have 84 domestic locations serving the United States. In addition to our 2 executive and corporate offices, as of September 30, 2017, we have 24 locations within our Commercial & Industrial business, 12 locations within our Communications business, 10 locations within our Infrastructure Solutions business and 36 locations within our Residential business. This diversity helps to reduce our exposure to unfavorable economic developments in any given region.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Robert W. Lewey, 55, has served as a Director of the Company since April 2016 and as President of the Company since May 2015. He previously served as Interim Chief Operating Officer of the Company from January 2015 to May 2015 while continuing to serve as Senior Vice President, Chief Financial Officer and Treasurer of the Company, a role he had held from January 2012 to May 2015. From 2001 to 2006 and from 2007 to January 2012, Mr. Lewey served as Director of Tax, Vice President, Tax and Treasurer for IES. From 2006 to 2007, he served as Vice President, Tax for Sulzer US Holdings, Inc. From 1995 to 2001, Mr. Lewey served as Vice President, Tax for Metamor Worldwide, Inc., a leading provider of information technology solutions. Mr. Lewey began his career with Deloitte LLP.

Tracy A. McLauchlin, 47, has served as Senior Vice President, Chief Financial Officer and Treasurer of the Company since May 2015. She previously served as Vice President and Chief Accounting Officer of the Company since February 2014. Prior to joining IES, Ms. McLauchlin served as Vice President and Chief Accounting Officer of Rockwater Energy Solutions, Inc. from June 2011 to November 2013. From June 2004 to June 2011, Ms. McLauchlin was with Dynegy Inc., where she served as Senior Vice President and Controller from March 2009 to June 2011 and from June 2004 to March 2009 served in various other capacities in finance and accounting.

Gail D. Makode, 42, has served as Senior Vice President, General Counsel and Corporate Secretary since October 2012. Ms. Makode previously served in various legal positions at MBIA Inc. and its subsidiaries from 2006 to 2012, including as General Counsel and a member of the Board at MBIA Insurance Corporation and Chief Compliance Officer of MBIA Inc. Prior to MBIA, Ms. Makode served as Vice President and Counsel for Deutsche Bank AG from 2003 to 2006, and before that, was an Associate at Cleary, Gottlieb, Steen & Hamilton, where she specialized in public and private securities offerings and mergers and acquisitions.

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

AVAILABLE INFORMATION

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

Our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports are available free of charge through our website as soon as it is reasonably practicable after we file them with, or furnish them to, the SEC. You may also contact our Investor Relations department and they will provide you with a copy of these reports. The materials that we file with the SEC are also available free of charge through the SEC s website at *www.sec.gov*. You may also read and copy these materials at the SEC s Public Reference Room at 100 F Street, NE., Washington, D.C. 20549. Information on the operation of the Public Reference Room is available by calling the SEC at 1 800 SEC 0330.

In addition to the Code of Ethics for Financial Executives, we have adopted a Code of Business Conduct and Ethics for directors, officers and employees (the Legal Compliance and Corporate Policy Manual), and established Corporate Governance Guidelines and adopted charters outlining the duties of our Audit, Human Resources and Compensation and Nominating/Governance Committees, copies of which may be found on our website. Paper copies of these documents are also available free of charge upon written request to us. We have designated an audit committee financial expert as that term is defined by the SEC. Further information about this designee may be found in the Proxy Statement for the 2018 Annual Meeting of Stockholders of the Company.

Item 1A. *Risk Factors*

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

Existence of a controlling shareholder.

A majority of our outstanding common stock is owned by Tontine. Based on a Form 4 filed on October 3, 2017, by Tontine, Tontine owns approximately 58% of the Company s common stock. As a result, Tontine can control most of our affairs, including the election of our directors, who in turn appoint executive management and can control most actions requiring the approval of shareholders, including the adoption of amendments to our corporate charter and approval of any potential merger or sale of all or substantially all assets, segments, or the Company itself. This control also gives Tontine the ability to bring matters to a shareholder vote that may not be in the best interest of our other shareholders or stakeholders. Additionally, Tontine is in the business of investing in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us or act as suppliers or customers of the Company. Pursuant to a resale shelf registration statement filed by the Company, Tontine has the ability to resell any or all of its registered shares from time to time in one or more offerings as long as the registration statement remains effective, as described further in the registration statement and in any prospectus supplement filed in connection with an offering pursuant to the shelf registration statement. Tontine s sale of all or any portion of its shares could result in a change of control of the Company, which would trigger the change of control provisions in a number of our material agreements, including our credit facility, bonding agreements with our sureties and our executive severance plan.

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

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

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

A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of NOLs, for federal and state income tax purposes. Should Tontine sell or otherwise dispose of all or a portion of its position in IES, a change in ownership could occur. A change in ownership could also result from the purchase of common stock by an existing or a new 5% shareholder as defined by Internal Revenue Code Section 382. As of September 30, 2017, we have approximately $236.2 million of federal NOLs that are available to use to offset taxable income, exclusive of NOLs from the amortization of additional tax goodwill. Should a change in ownership occur, all NOLs incurred prior to the change in ownership would be subject to limitation imposed by Internal Revenue Code Section 382, which would substantially reduce the amount of NOL currently available to offset taxable income.

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

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

As of September 30, 2017, we have a net deferred tax asset of $86.2 million on our consolidated balance sheet, of which $77.5 million is attributable to NOLs. To realize the full benefit of this deferred tax asset attributable to NOLs, we must generate sufficient taxable income within the applicable carry forward period to offset against NOLs. Under GAAP, we are required to assess whether we believe the benefit of the deferred tax asset is more likely than not to be realized based on our expectation of generating sufficient future taxable income, and we are required to record a valuation allowance, or offset, against our deferred tax asset based on the portion of the deferred tax asset that we believe is not more likely than not to be realized.

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

Any decrease in the federal statutory tax rate, including enactment of a tax reform legislation such as the ones recently passed by the US House of Representatives and Senate, or other changes in federal tax statutes, could also cause a reduction in the economic benefit of the NOL currently available to us and a corresponding reduction in the amount of our recorded deferred tax assets.

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

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

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

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

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

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

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

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

Our authorized capital includes 100,000,000 shares of common stock and 10,000,000 shares of preferred stock. As of September 30, 2017, we had 22,049,529 shares of common stock issued, 21,336,975 shares of common stock outstanding and no shares of preferred stock issued or outstanding. We have reserved for issuance 45,750 shares of common stock underlying options that are exercisable at a weighted average price of $6.42 per share. In addition, as of September 30, 2017, we had the ability to issue 1,060,191 shares of common stock pursuant to options and restricted stock that may be granted in the future under our existing equity compensation plans.

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

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

Sales of a substantial number of shares of our common stock by holders of our common stock, or the perception that such sales could occur, could adversely affect the market price of our common stock by introducing a large number of shares into the market. Such sales, or the perception that such sales could occur, could cause the market price of our common stock to decline. We cannot predict whether future sales of our common stock, or the availability of our common stock for sale, will adversely affect the market price for our common stock or our ability to raise capital by offering equity securities.

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

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

If we are unable to offer our services at competitive prices or if we have to reduce our prices to remain competitive, our profitability would be impaired.

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

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

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

The failure to bid and be awarded projects, cancellations of projects or delays in project start dates could affect our ability to deploy our assets profitably. Further, when we are awarded contracts, we face additional risks that could affect whether, or when, work will begin. We could experience a decrease in profitability if we are unable to replace canceled, completed or expired contracts with new work.

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

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

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

- geographically separated organizations and possible differences in corporate cultures and management philosophies;

- significant demands on management resources, which may distract management s attention from day-to-day business;

- differences in the disclosure systems, compliance requirements, accounting systems, and accounting controls and procedures of the acquired company, which may interfere with our ability to make timely and accurate public disclosure; and

- the demands of managing new locations, new personnel and new lines of business acquired.

Challenges with disposing of businesses include fulfilling indemnification and contractual obligations to the purchases of such a business and appropriately valuing such a disposition.

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

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

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

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

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

A significant portion of our revenues are recognized using the percentage-of-completion method of accounting, utilizing the cost-to-cost method, which results in our recognizing contract revenues and earnings ratably over the contract term in proportion to our incurrence of contract costs. The earnings or losses recognized on individual contracts are based on estimates of contract revenues, costs and profitability. We review our estimates of contract revenue, costs and profitability on an ongoing basis. Prior to contract completion, we may adjust our estimates on one or more occasions as a result of change orders to the original contract, collection disputes with the customer on amounts invoiced or claims against the customer for increased costs incurred by us due to customer-induced delays and other factors. Contract losses are recognized in full when determined to be probable and reasonably estimable. Although we have historically made reasonably reliable estimates of the progress towards completion of our construction contracts, the uncertainties inherent in the estimating process make it possible for actual costs to vary materially from estimates, including reductions or reversals of previously recorded revenues and profits. In addition, we may be adversely impacted by new accounting pronouncements which change our revenue recognition or other accounting practices or otherwise alter how we report our financial results, or which require that we change our control and operating procedures, which we may be unable to do in a timely manner.

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

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

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

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

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

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

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

The estimates we use in placing bids could be materially incorrect. The use of incorrect estimates could result in reduced profits or in some cases losses on fixed price contracts.

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

Commodity and labor costs may fluctuate materially, and we may not be able to pass on all cost increases during the term of a contract, which could have an adverse effect on our ability to maintain our profitability.

We enter into many contracts at fixed prices, and if the costs associated with labor and commodities, such as copper, aluminum, steel, fuel and certain plastics, increase due to low supply or other forces, losses may be incurred. Some of our materials have been and may continue to be subject to sudden and significant price increases. Depending on competitive pressures and customer resistance, we may not be able to pass on these cost increases to our customers, which would reduce our gross profit margins and, in turn, make it more difficult for us to maintain our profitability. We have a work force of over 3,500 employees, and our labor costs may fluctuate based on supply as well as other labor related risks, including risks related to collective bargaining agreements, benefits arrangements, wage and hour claims and other compensation arrangements.

Changes in operating factors that are beyond our control could hurt our operating results.

Our operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are beyond management s control. These factors include the costs of new technology; the relative speed and success with which we can acquire customers for our products and services; capital expenditures for equipment; sales, marketing, and promotional activities expenses; changes in suppliers and competitors; changes in operating expenses; increased competition in the markets we serve; changes in regulations; and other general economic and seasonal factors. Adverse changes in one or more of these factors could hurt our operating results.

We may experience difficulties in managing our billings and collections.

Our billings under fixed price contracts in our electrical contracting business are generally based upon achieving certain milestones and will be accepted by the customer once we demonstrate those milestones have been met. If

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we are unable to demonstrate compliance with billing requests, or if we fail to issue a project billing, our likelihood of collection could be delayed or impaired, which, if experienced across several large projects, could have a materially adverse effect on our results of operations. Further, some of our customers may be highly leveraged or may be subject to their own operating and regulatory risks, which may also limit their ability to pay.

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

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

The vendors who make up our supply chain may be adversely affected by a deteriorating operating environment and credit market conditions.

We are dependent upon the vendors within our supply chain to maintain a steady supply of inventory, parts and materials. Many of our segments are dependent upon a limited number of suppliers, and significant supply disruptions could adversely affect our operations. If market conditions deteriorate, resulting in a slowdown in construction activity or a tightening of the credit market, it is possible that one or more of our suppliers will be unable to meet our requirements due to financial hardships, liquidity issues or other reasons related to market conditions.

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

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

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

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

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

On a quarterly basis we evaluate our internal controls over financial reporting and our disclosure controls and procedures, which include a review of the objectives, design, implementation and effectiveness of the controls and the

information generated for use in our periodic reports. In the course of our controls evaluation, we sought (and seek) to identify data errors, control problems and to confirm that appropriate corrective actions, including process improvements, are being undertaken. This type of evaluation is conducted on a quarterly basis so that the conclusions concerning the effectiveness of our controls can be reported in our periodic reports.

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

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

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

Litigation and claims can cause unexpected losses.

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

Latent defect claims could expand.

Latent defect litigation is normal for residential home builders in some parts of the country; however, such litigation is increasing in certain states where we perform work. Also, in recent years, latent defect litigation has expanded to aspects of the commercial market. Should we experience similar increases in our latent defect claims and litigation, additional pressure may be placed on the profitability of the Residential and Commercial & Industrial segments of our business.

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

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

information among other items. If critical information systems fail or are otherwise unavailable or confidential information is released, our business operations could be adversely affected.

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

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

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

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

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Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Facilities

At September 30, 2017, we maintained branch offices, warehouses, sales facilities and administrative offices at 84 locations. Substantially all of our facilities are leased. We lease our executive office located in Greenwich, Connecticut and our corporate office located in Houston, Texas. We believe that our properties are adequate for our current needs and that suitable additional or replacement space will be available as required. For a breakdown of our offices by segment, see Item 1. *Business* *Operating Segments* of this Annual Report on Form 10-K.

Item 3. ***Legal Proceedings***

For further information regarding legal proceedings, see Note 17, *Commitments and Contingencies* *Legal Matters* in the notes to our Consolidated Financial Statements.

Item 4. ***Mine Safety Disclosures***

None.

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PART II

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

Our common stock trades on the NASDAQ Global Market under the ticker symbol IESC. The following table sets forth the daily high and low close price for our common stock as reported on NASDAQ for each of the four quarters of the fiscal years ended September 30, 2017, and 2016.

	High	Low
Year Ended September 30, 2017		
First Quarter	$ 22.55	$ 14.35
Second Quarter	$ 21.15	$ 17.65
Third Quarter	$ 20.20	$ 15.30
Fourth Quarter	$ 18.80	$ 14.80
Year Ended September 30, 2016		
First Quarter	$ 11.37	$ 7.07
Second Quarter	$ 14.68	$ 10.50
Third Quarter	$ 15.48	$ 11.40
Fourth Quarter	$ 17.79	$ 12.39

As of December 6, 2017, the closing market price of our common stock was $18.20 per share and there were approximately 360 holders of record.

We have never paid cash dividends on our common stock and we do not anticipate paying cash dividends in the foreseeable future. We expect that we will utilize all available earnings generated by our operations and borrowings under our credit facility for the development and operation of our business, to retire existing debt, to repurchase our common stock, or to acquire or invest in other businesses. Any future determination as to the payment of dividends will be made at the discretion of our Board of Directors and will depend upon our operating results, financial condition, capital requirements, general business conditions and other factors that the Board of Directors deems relevant. Our debt instruments restrict us from paying cash dividends and also place limitations on our ability to repurchase our common stock. See Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations Working Capital* and Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources* of this Annual Report on Form 10-K.

Stock Repurchase Program

Our Board of Directors has authorized a stock repurchase program for the purchase from time to time of up to 1.5 million shares of the Company s common stock. Share purchases are made for cash in open market transactions at prevailing market prices or in privately negotiated transactions or otherwise. The timing and amount of purchases under the program are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. All or part of the repurchases may be implemented under a Rule 10b5-1 trading plan, which allows repurchases under pre-set terms at times when the Company might otherwise be prevented from purchasing under insider trading laws or because of self-imposed blackout periods. The stock repurchase program does not require the Company to purchase any specific number of shares and may be modified, suspended or

reinstated at any time at the Company s discretion and without notice. The Company initiated the program in February 2015 and during the year ended September 30, 2016, pursuant to the program, we repurchased 46,929 shares of common stock at an average price of $11.07 per share for a total aggregate purchase price of $0.5 million. During the year ended September 30, 2017, we repurchased 145,484 shares of common stock at an average price of $15.37 per share for a total aggregate purchase price of $2.2 million.

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The following table presents information with respect to purchases of common stock of the Company made during the three months ended September 30, 2017:

Date	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan (2)	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plan
July 1, 2017 July 31, 2017				919,242
August 1, 2017 August 31, 2017	93,800	$ 15.20	93,800	825,442
September 1, 2017 September 30, 2017	2,812	$ 17.79	11	825,431
Total	96,612	$ 15.28	93,811	825,431

(1) The total number of shares purchased includes (i) shares purchased pursuant to the plan described in footnote (2) below, and (ii) shares surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees.

(2) Our Board of Directors had authorized a stock repurchase program for the purchase of up to 1.5 million shares of the Company s common stock from time to time.

Five-Year Stock Performance Graph

The graph below compares the cumulative 5 year total return provided shareholders on IES Holdings, Inc. s common stock relative to the cumulative total returns of the Russell 2000 index and a customized peer group of five companies that includes: Black Box Corporation, Comfort Systems USA Inc., MYR Group Inc., Sterling Construction Company Inc. and Team Inc. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock, in each index, and in the peer group on September 30, 2012, and its relative performance is tracked through September 30, 2017.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among IES Holdings, Inc., the Russell 2000 Index,

and a Peer Group

* $100 invested on 9/30/12 in stock or index, including reinvestment of dividends. Fiscal year ending September 30.
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	Years ended September 30,					
	2012	2013	2014	2015	2016	2017
IES Holdings, Inc.	$ 100.00	89.23	181.32	169.67	390.99	380.22
Russell 2000	$ 100.00	130.06	135.17	136.85	158.02	190.80
Peer Group	$ 100.00	127.26	112.82	125.57	137.64	123.41

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Item 6. ***Selected Financial Data***

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

	Years Ended September 30,				
	2017	2016	2015	2014	2013
	(In Thousands, Except Share Information)				
Continuing Operations:					
Revenues	$ 810,744	$ 695,993	$ 573,857	$ 512,395	$ 494,593
Cost of services	670,246	569,013	473,966	429,269	427,633
Gross profit	140,498	126,980	99,891	83,126	66,960
Selling, general and administrative expenses	120,370	100,558	81,416	75,571	66,598
Contingent consideration	(145)	652			
Loss (gain) on sale of assets	(69)	810	(13)	(86)	(64)
Operating Income	20,342	24,960	18,488	7,641	426
Other (income) expense:					
Interest expense	1,702	1,282	1,130	1,574	1,771
Other expense (income), net	(165)	(83)	(180)	(203)	507
Income (loss) from operations before income taxes	18,805	23,761	17,538	6,270	(1,852)
Provision (benefit) for income taxes	5,211	(97,117)	661	748	326
Net income (loss) from continuing operations	13,594	120,878	16,877	5,522	(2,178)
Discontinued operations:					
Loss from discontinued operations			(339)	(198)	(1,395)
Net loss discontinued operations			(339)	(198)	(1,395)
Net income (loss)	13,594	120,878	16,538	5,324	(3,573)
Net income attributable to noncontrolling interest	(172)	(100)			
Net income (loss) attributable to IES Holdings, Inc.	$ 13,422	$ 120,778	$ 16,538	$ 5,324	$ (3,573)

Basic earnings (loss) per share attributable to IES Holdings, Inc.:										
Continuing operations	$	0.62	$	5.63	$	0.79	$	0.30	$	(0.14)
Discontinued operations		0.00		0.00		(0.02)		(0.01)		(0.09)
Total	$	0.62	$	5.63	$	0.77	$	0.29	$	(0.23)
Diluted earnings (loss) per share attributable to IES Holdings, Inc.:										
Continuing operations	$	0.62	$	5.62	$	0.79	$	0.30	$	(0.14)
Discontinued operations		0.00		0.00		(0.02)		(0.01)		(0.09)
Total	$	0.62	$	5.62	$	0.77	$	0.29	$	(0.23)
Shares used to calculate earnings (loss) per share										
Basic		21,280,549		21,279,342		21,480,622		18,417,564		15,460,424
Diluted		21,533,254		21,492,339		21,526,188		18,473,420		15,460,424

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	Years Ended September 30,				
	2017	2016	2015	2014	2013
	(In Thousands, Except Share Information)				
Balance Sheet Data:					
Cash and cash equivalents	$ 28,290	$ 32,961	$ 49,360	$ 47,342	$ 20,757
Working capital	52,834	43,716	31,601	24,731	24,710
Total assets	424,494	394,340	225,679	199,950	177,803
Total debt	29,434	29,257	9,207	9,050	12,323
Total stockholders equity	236,704	223,405	101,414	87,972	62,486

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***
The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and the notes thereto, set forth in Item 8. *Financial Statements and Supplementary Data* of this Annual Report on Form 10-K. For additional information, see *Disclosure Regarding Forward Looking Statements* in Part I of this Annual Report on Form 10-K.

OVERVIEW

Executive Overview

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

Industry Trends

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

Business Outlook

While there are differences among the Company s segments, on an overall basis, increased demand for the Company s services and the Company s previous investment in growth initiatives and other business-specific factors discussed below resulted in aggregate year-over-year revenue growth in fiscal 2017 as compared to fiscal 2016. Among our segments, year-over-year revenue growth rates during fiscal 2017 were driven by organic growth in our Residential and Communications segments, as well as strategic acquisitions within our Infrastructure Solutions and Commercial & Industrial segments.

Provided that no significant deterioration in general economic conditions occurs, the Company expects total revenues from existing businesses to increase on a year-over-year basis during fiscal 2018 due to an increase in overall demand for the services we provide and our efforts to increase our market share. However, we do expect revenue growth in both the Residential and Communications segments to moderate during fiscal 2018. In the Residential segment, we expect to see a decrease in demand for multi-family housing, largely offset by continued growth in our single-family

business. In our Communications business, we expect continued growth in demand for our structured cabling services in the data center markets. However, revenue growth for the Communications

segment as a whole will be tempered by the timing of our customers investment cycles, which may result in periods of lower growth. Despite this expectation of growth within certain segments, we remain focused on controlled growth within certain markets which continue to experience highly competitive margins and increasing costs.

To continue to grow our business, including through acquisitions, and to fund working capital, we may require a significant amount of cash. Our ability to generate cash depends on many factors that are beyond our control, including demand for our services, the availability of projects at margins acceptable to us, the ultimate collectability of our receivables, our ability to borrow on our credit facility, and our ability to raise funds in the capital markets, among many other factors. We anticipate that the combination of cash on hand, cash flows from operations and available capacity under our credit facility will provide sufficient cash to enable us to meet our working capital needs, debt service requirements and capital expenditures for property and equipment through the next twelve months. We expect that our fixed asset requirements will range from $4.5 million to $6.5 million for the fiscal year ending on September 30, 2018, and we may acquire these assets either through capital expenditures or through lease agreements.

Recent Events

During fiscal 2017, we completed a detailed review of the operations of our Commercial & Industrial segment, and in July 2017, we made the decision to wind down operations at our Denver, Colorado and Roanoke, Virginia branches of our Commercial & Industrial segment. These branches have consistently underperformed over the last several years and have ranked at the bottom of our group of branches based on key operational and financial metrics. While these branches did experience revenue growth for fiscal 2017 as compared with fiscal 2016, these two branches did not perform efficiently on the larger projects undertaken in 2017. In particular, these two branches were responsible for four projects that underperformed during fiscal 2017. Revenue in backlog at these two branches at September 30, 2017 was $10.6 million, reflecting our decision not to book additional work at these branches. Backlog related to the four underperforming jobs discussed above was $0.3 million at September 30, 2017, as these jobs are approaching completion. Based on their historical performance, as well as outlook for the future, we determined these two branches no longer meet the criteria to remain in our portfolio of businesses. We do not expect to incur significant costs related to the termination of leases, employee severance or other arrangements related to the wind-down of these two branches.

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The following table presents selected historical financial results of the Denver and Roanoke wind-down branches:

	Three Months Ended December 31, 2016	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017	Three Months Ended September 30, 2017	Year Ended September 30, 2017
Revenues	$ 10,398	$ 9,403	$ 7,575	$ 4,855	$ 32,231
Cost of Service	10,149	11,936	9,548	6,186	37,819
Selling, general and administrative expenses	648	815	635	750	2,848
Gain on sale of assets				(27)	(27)
Operating loss	$ (399)	$ (3,348)	$ (2,608)	$ (2,054)	$ (8,409)

	Three Months Ended December 31, 2015	Three Months Ended March 31, 2016	Three Months Ended June 30, 2016	Three Months Ended September 30, 2016	Year Ended September 30, 2016
Revenues	$ 5,956	$ 4,714	$ 7,574	$ 8,941	$ 27,185
Cost of services	5,741	5,204	6,886	8,471	26,302
Selling, general and administrative expenses	703	824	748	582	2,857
Operating loss	$ (488)	$ (1,314) (1)	$ (60)	$ (112)	$ (1,974)

(1) Includes a $0.5 million charge upon settlement of a dispute related to a project completed in a prior year.

Although we are winding down operations at these branches, the Commercial & Industrial segment remains an important part of our strategic growth plan, as demonstrated by the addition of two new acquisitions in this segment during fiscal 2017. These include the acquisition in July 2017 of an 80% interest in NEXT Electric, LLC (NEXT Electric), a Milwaukee, Wisconsin-based electrical contractor specializing in the design, installation and maintenance of electrical systems for commercial, industrial, healthcare, water treatment and education end-markets, and the acquisition in June 2017 of Technical Services II, LLC (Technical Services), a Chesapeake, Virginia-based provider of mechanical maintenance services, including commercial heating, ventilation and air conditioning, food service equipment, electrical and plumbing services. See Note 18, Business Combinations and Divestitures in the notes to our Consolidated Financial Statements set forth in Part I, Item 8 of this Annual Report on Form 10-K for further discussion.

RESULTS OF OPERATIONS

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

	Years Ended September 30,					
	2017		2016		2015	
	$	%	$	%	$	%
	(Dollars in thousands, Percentage of revenues)					
Revenues	$ 810,744	100.0%	$ 695,993	100.0%	$ 573,857	100.0%
Cost of services	670,246	82.7%	569,013	81.8%	473,966	82.6%
Gross profit	140,498	17.3%	126,980	18.2%	99,891	17.4%
Selling, general and administrative expenses	120,370	14.8%	100,558	14.4%	81,416	14.2%
Contingent consideration expense	(145)	0.0%	652	0.1%		0.0%
Loss (gain) on sale of assets	(69)	0.0%	810	0.1%	(13)	0.0%
Operating income	20,342	2.5%	24,960	3.6%	18,488	3.2%
Interest and other expense, net	1,537	0.2%	1,199	0.2%	950	0.2%
Operating income before income taxes	18,805	2.3%	23,761	3.4%	17,538	3.0%
Provision (benefit) for income taxes	5,211	0.6%	(97,117)	(14.0)%	661	0.1%
Net income from continuing operations	13,594	1.7%	120,878	17.4%	16,877	2.9%
Net loss from discontinued operations		0.0%		0.0%	(339)	(0.1)%
Net income	13,594	1.7%	120,878	17.4%	16,538	2.8%
Net income attributable to noncontrolling interest	(172)	0.0%	(100)	0.0%		0.0%
Net income attributable to IES Holdings, Inc.	$ 13,422	1.7%	$ 120,878	17.4%	$ 16,538	2.8%

The decrease in net income for the year ended September 30, 2017, compared with the year ended September 30, 2016, is the result of a significant income tax benefit realized in 2016 upon release of valuation allowances on deferred tax assets. The decrease in operating income is driven, in large part, by certain project execution difficulties at our Commercial & Industrial segment s Denver and Roanoke branches, which are in the process of winding down operations, as discussed above.

Consolidated revenues for the year ended September 30, 2017, were $114.8 million greater than for the year ended September 30, 2016, an increase of 16.5%. Revenues increased as the Communications, Infrastructure Solutions, and Residential segments each recognized double digit revenue growth driven by an increase in demand for their service offerings combined with continued improvement of conditions in the markets in which they operate. Additionally, businesses acquired during 2017, as well as the full year impact of businesses acquired in 2016, drove $47.6 million of the increase in revenue in our Commercial & Industrial and Infrastructure Solutions segments for the year ended September 30, 2017.

Our overall gross profit percentage decreased to 17.3% during the year ended September 30, 2017 as compared to 18.2% during the year ended September 30, 2016. Gross profit as a percentage of revenue decreased at all of our segments, as discussed in further detail for each segment below.

Selling, general and administrative expenses include costs not directly associated with performing work for our customers. These costs consist primarily of compensation and benefits related to corporate, segment and branch management (including incentive-based compensation), occupancy and utilities, training, professional services,

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information technology costs, consulting fees, travel and certain types of depreciation and amortization. We allocate certain corporate selling, general and administrative costs across our segments as we believe this more accurately reflects the costs associated with operating each segment.

During the year ended September 30, 2017, our selling, general and administrative expenses were $120.4 million, an increase of $19.8 million, or 19.7%, as compared to the year ended September 30, 2016. The increase is primarily attributable to higher personnel costs in connection with the growth and increased profitability at our Residential and Communications segments, branch level general and administrative costs at newly acquired companies, and our increased amortization of intangible assets. Businesses acquired in 2017, as well as the full year impact of businesses acquired in 2016, drove $8.1 million of the increase in general and administrative expense for the year ended September 30, 2017. On a consolidated basis, our selling, general and administrative expense increased slightly as a percentage of revenue from 14.4% for the year ended September 30, 2016, to 14.8% for the year ended September 30, 2017, largely as a result of increased personnel costs and intangible amortization expense.

Commercial & Industrial

2017 Compared to 2016

	Years Ended September 30,			
	2017		2016	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 227,606	100.0%	$ 222,466	100.0%
Cost of services	208,619	91.7%	197,679	88.9%
Gross Profit	18,987	8.3%	24,787	11.1%
Selling, general and administrative expenses	20,170	8.8%	17,169	7.7%
Gain on sale of assets	(32)	0.0%	(17)	0.0%
Operating Income	(1,151)	-0.5%	7,635	3.4%

Revenue. Revenues increased $5.1 million during the year ended September 30, 2017, an increase of 2.3% compared to the year ended September 30, 2016. The increase in revenue was driven largely by the Technical Services and NEXT Electric acquisitions, which contributed $7.6 million of revenue for the year ended September 30, 2017. Revenues also increased at our Denver and Roanoke branches, as discussed above. However, these increases were partly offset by a decrease in work on large, industrial projects in the Southeast market. The market for this segment s services remains highly competitive, and, as such, we continue to seek to maintain a disciplined bid strategy.

Gross Profit. Gross profit during the year ended September 30, 2017 decreased by $5.8 million, or 23.4%, as compared to the year ended September 30, 2016. The decrease was due primarily to the four underperforming jobs at our Denver and Roanoke branches, which drove a $6.4 million reduction in gross profit from those two branches. This decrease was partially offset by $1.3 million of additional gross margin contributed by the Technical Services and NEXT Electric acquisitions. The market remains competitive, and we expect continued pressure on our ability to increase project bid margins in most of the markets we serve. Gross profit margins for the year ended September 30, 2017 were reduced compared with the prior year, primarily as a result of our two underperforming branches.

Selling, General and Administrative Expenses. Selling, general and administrative expenses during the year ended September 30, 2017, increased by $3.0 million, or 17.5%, compared to the year ended September 30, 2016. The increase is primarily attributable to an additional $1.7 million of expense from our 2016 acquisition of STR Mechanical, which incurred higher personnel costs related to commission expenses paid during the year in support of growth. In addition, $0.7 million of expense was incurred at our newly acquired Technical Services

and NEXT Electric businesses. Selling, general and administrative expense as a percentage of revenues in the Commercial & Industrial segment increased by 1.1% during the year ended September 30, 2017, resulting from additional compensation, severance and related costs associated with organizational changes, as well as additional costs associated with the expansion of STR Mechanical.

2016 Compared to 2015

	Years Ended September 30,			
	2016		2015	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	$ 222,466	100.0%	$ 178,865	100.0%
Cost of Services	197,679	88.9%	157,322	88.0%
Gross Profit	24,787	11.1%	21,543	12.0%
Selling, general and administrative expenses	17,169	7.7%	15,027	8.4%
Gain on sale of assets	(17)	0.0%	(11)	0.0%
Operating Income	7,635	3.4%	6,527	3.6%

Revenue. Revenues increased $43.6 million during the year ended September 30, 2016, an increase of 24.4% compared to the year ended September 30, 2015. The increase in revenue was driven largely by the Shanahan Mechanical and Electrical, Inc. (Shanahan) and STR Mechanical acquisitions, which contributed $18.6 million of revenue for the year ended September 30, 2016. The market for this segment s services remains highly competitive and, as such, we continue to seek to maintain a disciplined bid strategy. However, a continued focus on our sales strategy combined with improved market conditions in certain regions where we operate led to the year-over-year revenue increase.

Gross Profit. Gross profit during the year ended September 30, 2016 increased by $3.2 million, or 15.1%, as compared to the year ended September 30, 2015. The increase was due primarily to $3.1 million of additional gross margin contributed by the Shanahan and STR Mechanical acquisitions. The market remains competitive, and we expect continued pressure on our ability to increase project bid margins in most of the markets we serve. Gross profit margins for the year ended September 30, 2016, were reduced compared with the prior year, primarily as a result of an increase in insurance costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses during the year ended September 30, 2016, increased by $2.1 million, or 14.2%, compared to the year ended September 30, 2015. The increase is primarily attributable to $1.7 million of expense incurred at our newly acquired Shanahan and STR Mechanical businesses. Selling, general and administrative expense as a percentage of revenues in the Commercial & Industrial segment decreased by 0.7% during the year ended September 30, 2016, as we benefited from increased activity.

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Communications

2017 Compared to 2016

	Years Ended September 30,			
	2017		2016	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	$ 225,275	100.0%	$ 189,635	100.0%
Cost of services	187,419	83.2%	157,104	82.8%
Gross Profit	37,856	16.8%	32,531	17.2%
Selling, general and administrative expenses	24,219	10.8%	20,839	11.0%
Gain on sale of assets	(1)	0.0%	0	0.0%
Operating Income	13,638	6.0%	11,692	6.2%

Revenue. Revenues increased by $35.6 million during the year ended September 30, 2017, an 18.8% increase compared to the year ended September 30, 2016. Revenues for all of the service offerings, such as data center, audio-visual and security, cabling, and Voice Over Internet Protocol (VoIP) work increased for the year ended September 30, 2017, compared with the year ended September 30, 2016, as we continue to add to our customer base, including entry into new markets.

Gross Profit. Gross profit during the year ended September 30, 2017, increased $5.3 million, or 16.4%, as compared to the year ended September 30, 2016. Gross profit as a percentage of revenue decreased from 17.2% for the year ended September 30, 2016 to 16.8% for the year ended September 30, 2017. The decline is driven, in part, by inefficiencies on certain projects during fiscal 2017. Additionally, margins have been affected by a continued increase in the volume of cost-plus work performed in fiscal 2017. This work is generally lower risk and is typically performed at lower margins than the fixed price arrangements which comprise the majority of the work we perform. Finally, our lower margins reflect the impact of hiring and training a number of new employees needed to support the rapid growth of the business.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $3.4 million, or 16.2%, during the year ended September 30, 2017, compared to the year ended September 30, 2016, as a result of higher personnel cost, including increased incentive compensation associated with increased profitability in fiscal 2017. Selling, general and administrative expenses as a percentage of revenues in the Communications segment decreased slightly to 10.8% of segment revenue during the year ended September 30, 2017, compared to the year ended September 30, 2016, as we benefited from increased activity.

2016 Compared to 2015

	Years Ended September 30,			
	2016		2015	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			

Revenues	$ 189,635	100.0%	$ 141,858	100.0%
Cost of services	157,104	82.8%	116,015	81.8%
Gross Profit	32,531	17.2%	25,843	18.2%
Selling, general and administrative expenses	20,839	11.0%	15,735	11.1%
Gain on sale of assets	0	0.0%	(18)	0.0%
Operating Income	11,692	10.8%	10,126	11.0%

Revenue. Revenues increased by $47.8 million during the year ended September 30, 2016, a 33.7% increase compared to the year ended September 30, 2015. The increase is the result of both the expansion of our customer

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base and additional work with existing customers. Revenues from data center work increased by $32.4 million for the year ended September 30, 2016, compared with the year ended September 30, 2015. The majority of other service offerings such as audio-visual and security, cabling, and Voice Over Internet Protocol (VoIP) work increased as we continue to add to our customer base, including entry into new markets.

Gross Profit. Gross profit during the year ended September 30, 2016, increased $6.7 million, or 25.9%, as compared to the year ended September 30, 2015. This increase was primarily driven by the overall increase in revenues noted above. Gross profit as a percentage of revenue decreased from 18.2% for the year ended September 30, 2015, to 17.2% for the year ended September 30, 2016. During 2016, we took on a larger number of projects where we were paid based on our cost incurred plus an agreed upon margin. This work is generally lower risk and is typically performed at lower margins than the fixed price arrangements which comprise the majority of the work we perform.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $5.1 million, or 32.4%, during the year ended September 30, 2016, compared to the year ended September 30, 2015, as a result of higher personnel cost, including increased incentive compensation associated with higher profitability. Selling, general and administrative expenses as a percentage of revenues in the Communications segment decreased slightly to 11.0% of segment revenue during the year ended September 30, 2016, compared to the year ended September 30, 2015, as we benefited from increased activity.

Infrastructure Solutions

2017 Compared to 2016

	Years Ended September 30,			
	2017		2016	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	$ 83,824	100.0%	$ 58,003	100.0%
Cost of services	63,399	75.6%	42,356	73.0%
Gross Profit	20,425	24.4%	15,647	27.0%
Selling, general and administrative expenses	17,859	21.3%	12,404	21.4%
Contingent consideration	(145)	-0.1%	652	1.1%
(Gain)/Loss on sale of assets	(79)	-0.1%	826	1.4%
Operating Income	2,790	3.3%	1,765	3.1%

Revenue. Revenues in our Infrastructure Solutions segment increased by $25.8 million during the year ended September 30, 2017, an increase of 44.5% compared to the year ended September 30, 2016. The increase in revenue was driven primarily by a full year of operations at Technibus which provided additional revenue of $19.6 million during the year ended September 30, 2017, compared to the year ended September 30, 2016. Additionally, the 2017 acquisition of Freeman provided revenue of $10.9 million for the year ended September 30, 2017. For additional information see Note 18, Business Combinations and Divestitures in the notes to our Consolidated Financial Statements. These increases were partly offset by a decrease in activity at our motor repair business.

Gross Profit. Our Infrastructure Solutions segment s gross profit during the year ended September 30, 2017, increased by $4.8 million, as compared to the year ended September 30, 2016. The increase was driven primarily by Technibus,

which provided additional gross profit of $4.1 million during the year ended September 30, 2017, compared to the year ended September 30, 2016. The acquisition of Freeman contributed $1.7 million of additional gross profit for the year ended September 30, 2017, compared with the year ended September 30, 2016. These increases were partly offset by a slight decrease in activity at our motor repair business. Gross profit as a percent of revenue decreased from 27.0% for the year ended September 30, 2016, to 24.4% for the year ended September 30, 2017, driven primarily by a change in the overall mix of work being performed.

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Selling, General and Administrative Expenses. Our Infrastructure Solutions segment s selling, general and administrative expenses during the year ended September 30, 2017, increased by $5.5 million compared to the year ended September 30, 2016. The increase was driven primarily by a full year of activity at Technibus, which contributed $4.0 million of additional expense during the year ended September 30, 2017, compared to the year ended September 30, 2016. The acquisition of Freeman contributed $2.1 million of additional expense for the year ended September 30, 2017, compared with the year ended September 30, 2016. These increases were partly offset by a reduction of expense throughout the remainder of the Infrastructure Solutions organization. Selling, general and administrative expense as a percentage of revenue remained relatively flat year over year.

(Gain)/Loss on Sale of Asset. In 2016, we recognized a one-time charge of $0.8 million in conjunction with the write down to net realizable value of certain assets related to our engine component business, which we sold in April 2016.

2016 Compared to 2015

	Years Ended September 30,			
	2016		2015	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	$ 58,003	100.0%	$ 46,827	100.0%
Cost of services	42,356	73.0%	36,194	77.3%
Gross Profit	15,647	27.0%	10,633	22.7%
Selling, general and administrative expenses	12,404	21.4%	9,498	20.3%
Contingent consideration	652	1.1%	0	0.0%
Loss on sale of assets	826	1.4%	12	0.0%
Operating Income	1,765	3.0%	1,123	2.4%

Revenue. Revenues in our Infrastructure Solutions segment increased by $11.2 million during the year ended September 30, 2016, an increase of 23.9% compared to the year ended September 30, 2015. The increase in revenue was driven primarily by the Southern Industrial Sales and Services, Inc. (Southern Rewinding), Calumet and Technibus acquisitions, which provided additional revenue of $20.6 million for the year ended September 30, 2016. This increase was partially offset by a $6.7 million decrease in revenues from our engine component business, for which we sold substantially all of the operating assets in April 2016. For additional information see Note 18, Business Combinations and Divestitures in the notes to our Consolidated Financial Statements.

Gross Profit. Our Infrastructure Solutions segment s gross profit during the year ended September 30, 2016, increased by $5.0 million, as compared to the year ended September 30, 2015. The increase was driven primarily by the acquisitions of Southern Rewinding, Technibus and Calumet, which contributed $6.9 million of additional gross profit for the year ended September 30, 2016 compared with the year ended September 30, 2015. This increase was partly offset by a $2.0 million reduction in gross profit from our engine component business, for which we sold substantially all of the operating assets in April 2016. Gross profit as a percent of revenue increased from 22.7% for the year ended September 30, 2015 to 27.0% for the year ended September 30, 2016, as a result of higher margins at Calumet and Technibus.

Selling, General and Administrative Expenses. Our Infrastructure Solutions segment s selling, general and administrative expenses during the year ended September 30, 2016 increased by $2.9 million compared to the year ended September 30, 2015. Selling, general and administrative expense as a percentage of revenue increased from 20.3% for the year ended September 30, 2015 to 21.4% for the year ended September 30, 2016. The increase was driven primarily by the acquisitions of Southern Rewinding, Technibus and Calumet, which contributed $3.6 million of additional expense for the year ended September 30, 2016, compared with the year

ended September 30, 2015. This increase was partly offset by a $0.5 million reduction in selling, general and administrative expense at our engine component business, for which we sold substantially all of the operating assets in April 2016.

Contingent Consideration. Results of operations from Calumet have outperformed forecast measures used in our original valuation of the contingent consideration agreement, which we calculated following the acquisition of Calumet. As at September 30, 2016, we expected to pay higher contingent consideration because of increased profitability, we recorded additional contingent consideration expense of $0.7 million during the year ended September 30, 2016.

Loss on Sale of Asset. We recognized $0.8 million in conjunction with the write down to net realizable value of certain assets related to our engine component business. The sale of these assets to a third party pursuant to an asset purchase agreement was finalized on April 15, 2016.

Residential

2017 Compared to 2016

	Years Ended September 30,			
	2017		2016	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	$ 274,039	100.0%	$ 225,889	100.0%
Cost of services	210,809	76.9%	171,874	76.1%
Gross Profit	63,230	23.1%	54,015	23.9%
Selling, general and administrative expenses	43,689	16.0%	37,585	16.6%
Loss on sale of assets	43	0.0%	1	0.0%
Operating Income	19,498	7.1%	16,429	7.3%

Revenue. Revenues increased $48.2 million during the year ended September 30, 2017, an increase of 21.3% as compared to the year ended September 30, 2016. The increase is driven by our multi-family business, where revenues increased by $33.3 million for the year ended September 30, 2017, compared with the year ended September 30, 2016. We entered the year with a historically high level of backlog, which resulted in increased revenues during fiscal 2017. Single-family construction revenues increased by $16.8 million, primarily driven by our Texas operations. Revenue from solar installations decreased by $2.2 million, and service revenues remained flat for the year ended September 30, 2017, as compared with the same period in 2016.

Gross Profit. During the year ended September 30, 2017, our Residential segment experienced a $9.2 million, or 17.1%, increase in gross profit as compared to the year ended September 30, 2016. Gross profit increased primarily due to a higher volume of work. Gross margin percentage decreased to 23.1% as multi-family projects, which generally have a lower gross margin than single-family projects, were a higher proportion of our total volume during the year ended September 30, 2017, compared with the year ended September 30, 2016.

Selling, General and Administrative Expenses. Our Residential segment experienced a $6.1 million, or 16.2%, increase in selling, general and administrative expenses during the year ended September 30, 2017, compared to the

year ended September 30, 2016, primarily related to higher personnel costs, including profit sharing incentives, in support of growth. Selling, general and administrative expenses as a percentage of revenues in the Residential segment decreased from 16.6% to 16.0% during the year ended September 30, 2017, as we benefited from the increased scale of our operations.

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2016 Compared to 2015

	Years Ended September 30,			
	2016		2015	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenues	$ 225,889	100.0%	$ 206,307	100.0%
Cost of services	171,874	76.1%	164,435	79.7%
Gross Profit	54,015	23.9%	41,872	20.3%
Selling, general and administrative expenses	37,585	16.6%	31,877	15.5%
Loss on sale of assets	1	0.0%	4	0.0%
Operating Income	16,429	7.3%	9,991	4.8%

Revenue. Revenues increased $19.6 million during the year ended September 30, 2016, an increase of 9.5% as compared to the year ended September 30, 2015. Single-family construction revenues increased by $22.2 million, primarily from growth in North Carolina and Georgia, as well as Texas, where the economy experienced continued growth and population expansion. Cable and service activity, as well as revenue from solar installations, also increased year over year. These increases were partly offset by lower revenue for multi-family construction, which decreased by $8.6 million for the year ended September 30, 2016 as compared with the same period in 2015, primarily as a result of delays caused by shortages of qualified labor in other trades.

Gross Profit. During the year ended September 30, 2016, our Residential segment experienced a $12.1 million, or 29.0%, increase in gross profit as compared to the year ended September 30, 2015. Gross profit increased due to higher volume of work across most service lines. Gross margin percentage increased within single-family, as demand for single-family housing increased combined with improved efficiency and favorable commodity prices. Gross margin as a percentage of revenue also increased in our multi-family division, as a result of more competitive pricing and favorable commodity prices. We also recognized higher margins on service and cable work during the year ended September 30, 2016, compared with the year ended September 30, 2015.

Selling, General and Administrative Expenses. Our Residential segment experienced a $5.7 million, or 17.9%, increase in selling, general and administrative expenses during the year ended September 30, 2016, compared to the year ended September 30, 2015. Selling, general and administrative expenses as a percentage of revenues in the Residential segment increased 1.1% to 16.6% of segment revenue during the year ended September 30, 2016. The primary driver of the increase was the cost of incentive compensation for our operations managers, which is based on a profit-sharing model, combined with other bonus and commission expense which increased in connection with increased levels of activity and higher profitability.

INTEREST AND OTHER EXPENSE, NET

	Years Ended September 30,		
	2017	2016	2015
	(In thousands)		
Interest expense	$ 1,408	$ 937	$ 813

Deferred financing charges	294	345	317
Total interest expense	1,702	1,282	1,130
Other (income) expense, net	(165)	(83)	(180)
Total interest and other expense, net	$ 1,537	$ 1,199	$ 950

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Interest Expense

During the year ended September 30, 2017, we incurred interest expense of $1.7 million primarily comprised of interest expense from our term loan facility with Wells Fargo Bank, N.A. (Wells Fargo), an average letter of credit balance of $6.6 million under our revolving credit facility and an average unused line of credit balance of $47.5 million. This compares to interest expense of $1.3 million for the year ended September 30, 2016, on a debt balance primarily comprised of our term loan facility with Wells Fargo, an average letter of credit balance of $6.9 million under our revolving credit facility and an average unused line of credit balance of $40.6 million. The increase in interest expense for the year ended September 30, 2017, as compared with the year ended September 30, 2016, is the result of a higher average debt balance, driven by $20.3 million of borrowings in June 2016 in connection with our acquisition of Technibus.

For the year ended September 30, 2015, we incurred interest expense of $1.1 million on a debt balance primarily comprised of our term loan facility with Wells Fargo, an average letter of credit balance of $6.9 million under our revolving credit facility, and an average unused line of credit balance of $45.5 million.

PROVISION FOR INCOME TAXES

For the year ended September 30, 2017, we recorded income tax expense of $5.2 million. Income tax expense was partly offset by a $3.7 million benefit associated with the reversal of a reserve previously established for an uncertain tax provision.

For the year ended September 30, 2016, we recorded a benefit from income tax of $97.1 million. This benefit included $109.0 million attributable to the release of our valuation allowance on certain of our net operating loss carryforwards and other deferred tax assets during the year ended September 30, 2016. This benefit is the result of our assessment at September 30, 2016, that it is more likely than not that we will generate sufficient taxable income to utilize these net operating loss carryforwards and other deferred tax assets.

Our provision for income taxes was $0.7 million for the year ended September 30, 2015. Tax expense for the year ended September 30, 2015, was partly offset by a $0.7 million benefit from a reduction in our valuation allowance as a result of deferred tax liabilities added in connection with the acquisition of Southern Rewinding.

WORKING CAPITAL

During the year ended September 30, 2017, working capital exclusive of cash increased by $9.4 million from September 30, 2016, reflecting a $27.0 million increase in current assets excluding cash and a $17.6 million increase in current liabilities during the period.

During the year ended September 30, 2017, our current assets exclusive of cash increased to $203.5 million, as compared to $176.5 million as of September 30, 2016. The increase included $13.6 million of current assets, exclusive of cash, associated with the NEXT Electric, Freeman and Technical Services acquisitions in fiscal 2017. Accounts receivable and retainage, excluding acquired balances, increased by $8.6 million, primarily driven by increased activity at our Communications segment. The remaining increase was driven by a $1.8 million increase in inventory excluding the inventory acquired in business combinations, offset by a decrease of $2.1 million in costs and estimated earnings in excess of billings. Days sales outstanding increased to 66 at September 30, 2017 from 60 at September 30, 2016. While the rate of collections may vary, our typically secured position, resulting from our ability in general to secure liens against our customers overdue receivables, offers some protection that collection will occur eventually to the extent that our security retains value.

During the year ended September 30, 2017, our total current liabilities increased by $17.6 million to $150.6 million, compared to $133.1 million as of September 30, 2016. The increase was the result of $10.7 million of accounts payable and accrued liabilities added with the NEXT Electric, Freeman and Technical Services acquisitions in fiscal 2017, as well as higher levels of activity at our Residential and Communications segments.

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Surety

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

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

As of September 30, 2017, the estimated cost to complete our bonded projects was approximately $35.4 million. We believe the bonding capacity currently provided by our sureties is adequate for our current operations and will be adequate for our operations for the foreseeable future.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2017, we had cash and cash equivalents of $28.3 million and $48.3 million of availability under our revolving credit facility. We anticipate that the combination of cash on hand, cash flows from operations and available capacity under our revolving credit facility will provide sufficient cash to enable us to meet our working capital needs, debt service requirements and capital expenditures for property and equipment through the next twelve months. Our ability to generate cash flow is dependent on many factors, including demand for our services, the availability of projects at margins acceptable to us, the ultimate collectability of our receivables, and our ability to borrow on our revolving credit facility or raise funds in the capital markets, if needed.

We continue to monitor the financial markets and general national and global economic conditions. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurances that access to our invested cash and cash equivalents will not be impacted in the future by adverse conditions in the financial markets.

The Revolving Credit Facility

On April 10, 2017, we entered into a Second Amended and Restated Credit and Security Agreement with Wells Fargo, which was further amended on July 14, 2017, and August 2, 2017 (as amended, the Amended Credit Agreement). Pursuant to the Amended Credit Agreement, our maximum revolver amount increased from $70 million to $100 million, and the maturity date of our revolving credit facility was extended from August 9, 2019 to August 9, 2021. The Amended Credit Agreement also modified our financial covenants by, among other items, implementing a new covenant that requires the Company to maintain a minimum EBITDA (as defined in the Amended Credit Agreement) that will be tested quarterly on a trailing twelve month basis; increasing the minimum Liquidity (as defined in the Amended Credit Agreement) requirement applicable to the Company from 12.5% to 30% of the maximum revolver amount; raising the Company s required Fixed Charge Coverage Ratio (as defined in the Amended

Credit Agreement) (the FCCR) to 1.1:1.0 from 1.0:1.0; and requiring that the FCCR be tested quarterly regardless of the Company s Liquidity levels.

On July 14, 2017, we entered into an amendment and joinder to our Amended Credit Agreement permitting certain transactions related to our acquisition of NEXT Electric. On August 2, 2017, we entered into an amendment to our Amended Credit Agreement, which modified the definition of EBITDA used in calculating our financial covenants to exclude the results from the Denver and Roanoke branches, up to a maximum exclusion of $5 million for a given measurement period. The amendment also reduced the minimum EBITDA requirement for the quarters ended December 31, 2017 and March 31, 2018 from $32.5 million to $30.0 million and $35.0 million to $32.5 million, respectively. Minimum EBITDA requirements for all other quarters were unchanged.

Terms of the Amended Credit Agreement

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

As of September 30, 2017, we were in compliance with the financial covenants under the Amended Credit Agreement, requiring that we maintain:

- an FCCR, measured quarterly on a trailing four-quarter basis at the end of each quarter, of at least 1.1 to 1.0;

- minimum Liquidity of at least thirty percent (30%) of the Maximum Revolver Amount (as defined in the Amended Credit Agreement), or $30 million, with, for purposes of this covenant, at least fifty percent (50%) of our Liquidity comprised of Excess Availability; and

- minimum EBITDA, measured at the end of each quarter, of at least the required amount set forth in the following table for the applicable period set forth opposite thereto:

Minimum Amount	Applicable Period
$30.0 million	For each four quarter period ending September 30, 2017, and December 31, 2017
$32.5 million	For the four quarter period ending March 31, 2018
$35.0 million	For each four quarter period ending June 30, 2018 and each quarter-end thereafter

At September 30, 2017, our Liquidity was $76.5 million and our Excess Availability was $48.3 million (or greater than 50% of minimum Liquidity), our FCCR was 8.0:1.0; and our EBITDA, as defined in the Amended Credit Agreement for the year ended September 30, 2017, was $38.2 million.

Our FCCR is calculated as follows (with capitalized terms as defined in the Amended Credit Agreement): (i) our trailing twelve month EBITDA, less non-financed capital expenditures (other than capital expenditures financed by means of an advance under the credit facility), cash taxes and all Restricted Junior Payments consisting of certain pass-through tax liabilities, divided by (ii) the sum of our cash interest (other than interest paid-in-kind, amortization of financing fees, and other non-cash interest expense) and principal debt payments (other than repayment of principal on advances under the credit facility and including cash payments with respect to capital leases), any management, consulting, monitoring, and advisory fees paid to an affiliate, and all Restricted Junior Payments (other than pass-through tax liabilities) and other cash distributions; provided, that if any acquisition is consented to by lender after the date of the Amended Credit Agreement, the components of the FCCR will be calculated for such fiscal period after giving *pro forma* effect to the acquisition assuming that such transaction has occurred on the first day of

such period (including *pro forma* adjustments arising out of events which are directly attributable to such acquisition, are factually supportable, and are expected to have a continuing impact, in each case to be reasonably agreed to by the lender).

As defined in the Amended Credit Agreement, EBITDA is calculated as consolidated net income (or loss), less extraordinary gains, interest income, non-operating income and income tax benefits and decreases in any change in LIFO reserves, plus stock compensation expense, non-cash extraordinary losses (including, but not limited to,

a non-cash impairment charge or write-down), interest expense, income taxes, depreciation and amortization, increases in any change in LIFO reserves, and losses from the wind-down of our Denver and Roanoke branches, up to a maximum exclusion of $5 million for a given measurement period in each case, determined on a consolidated basis in accordance with GAAP; provided, that if any acquisition is consented to by lender after the date of the Amended Credit Agreement, EBITDA for such fiscal period shall be calculated after giving *pro forma* effect to the acquisition assuming that such transaction has occurred on the first day of such period (including *pro forma* adjustments arising out of events which are directly attributable to such acquisition, are factually supportable, and are expected to have a continuing impact, in each case to be reasonably agreed to by Lender).

If in the future our Liquidity falls below $30 million (or Excess Availability falls below 50% of our minimum Liquidity), our FCCR is less than 1.1:1.0, we fail to meet our minimum EBITDA requirement, or if we otherwise fail to perform or otherwise comply with certain of our covenants or other agreements under the Amended Credit Agreement, it would result in an event of default under the Amended Credit Agreement, which could result in some or all of our indebtedness becoming immediately due and payable.

At September 30, 2017, we had $6.5 million in outstanding letters of credit with Wells Fargo and outstanding borrowings of $30.3 million.

Investments

From time to time, the Company may invest in non-controlling positions in the debt or equity securities of other businesses. In October 2014, our Board of Directors approved an investment policy that permits the Company to invest our cash in liquid and marketable securities that include equities and fixed income securities. Equity securities may include unrestricted, publicly traded stock that is listed on a major exchange or a national, over-the-counter market and that is appropriate for our portfolio objectives, asset class, and/or investment style, and fixed income securities are required to have an investment grade credit quality at the time of purchase.

Operating Activities

Our cash flow from operations is not only influenced by cyclicality, demand for our services, operating margins and the type of services we provide, but can also be influenced by working capital needs such as the timing of our receivable collections. Working capital needs are generally lower during our fiscal first and second quarters due to the seasonality that we experience in many regions of the country.

Operating activities provided net cash of $22.3 million during the year ended September 30, 2017, as compared to $25.0 million of net cash provided in the year ended September 30, 2016. The decrease in operating cash flow is the result of decreased net income.

Operating activities provided net cash of $25.0 million during the year ended September 30, 2016, as compared to $11.5 million of net cash provided in the year ended September 30, 2015. The increase in operating cash flow is the result of increased net income, slightly offset by an increase in working capital in connection with the increase in business activity.

Investing Activities

In the year ended September 30, 2017, net cash used in investing activities was $24.5 million as compared to $60.7 million of net cash used by investing activities in the year ended September 30, 2016. Investing activities for the year ended September 30, 2017, include $20.2 million for the acquisition of businesses, as well as $4.6 million of

capital expenditures.

In the year ended September 30, 2016, net cash used in investing activities was $60.7 million as compared to $5.9 million of net cash used by investing activities in the year ended September 30, 2015. Investing activities for

the year ended September 30, 2016, include $59.5 million for the acquisition of businesses, as well as $3.4 million of capital expenditures. These expenditures were slightly offset by the receipt of $2.2 million from the sale of substantially all of the operating assets of our engine components business. For the year ended September 30, 2015, cash used in investing activities included $3.1 million used for the acquisition of a business and $2.8 million of capital expenditures.

Financing Activities

Financing activities used net cash of $2.7 million in the year ended September 30, 2017, compared to $19.6 million provided in the year ended September 30, 2016. For the year ended September 30, 2017, we used $2.4 million for the repurchase of common stock under the Company s stock repurchase program. We repurchased an aggregate $2.3 million of common stock in open market transactions, pursuant to the stock repurchase program, and we used an additional $0.1 million for the repurchase of common stock to satisfy employee payroll tax withholding obligations.

In the year ended September 30, 2016, financing activities provided net cash of $19.6 million compared to $3.6 million used in the year ended September 30, 2015. For the year ended September 30, 2016, we borrowed $20.3 million, which we used to partially fund our acquisition of Technibus. Additionally, we used $0.6 million for the repurchase of common stock under the Company s stock repurchase program, and $0.3 million to collateralize letters of credit outstanding at Technibus. For the year ended September 30, 2015, we used $3.6 million for repurchases of the Company s common stock under the stock repurchase program. We repurchased an aggregate $3.5 million of common stock from an unrelated, third-party investor and in open market transactions, pursuant to the stock repurchase program, and we used an additional $0.1 million for the repurchase of common stock to satisfy employee payroll tax withholding obligations.

CONTROLLING SHAREHOLDER

Based on a Form 4 filed by Tontine on October 3, 2017, Tontine owns approximately 58% of the Company s outstanding common stock. As a result, Tontine can control most of our affairs, including most actions requiring the approval of shareholders, such as the approval of any potential merger or sale of all or substantially all assets, segments, or the Company itself.

We are a party to a sublease agreement with Tontine Associates, L.L.C., an affiliate of our controlling shareholder, for corporate office space in Greenwich, Connecticut. The sublease extends through April 2019, with monthly payments due in the amount of approximately $8 thousand. The lease has terms at market rates, and payments by the Company are at a rate consistent with that paid by Tontine Associates, L.L.C. to its landlord.

Jeffrey L. Gendell has served as a member of the Board of Directors and as non-executive Chairman of the Board from November 2016 to November 2017. He is the managing member and founder of Tontine, the Company s controlling shareholder, and the brother of David B. Gendell, who has served as a member of the Board of Directors since February 2012 and as Interim Director of Operations since November 2017 and who previously served as non-executive Vice Chairman of the Board from November 2016 to November 2017 and as non-executive Chairman of the Board from January 2015 to November 2016. David B. Gendell is also an employee of Tontine.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

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

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

Some of our customers and vendors require us to post letters of credit as a means of guaranteeing performance under our contracts and ensuring payment by us to subcontractors and vendors. If our customer has reasonable cause to effect payment under a letter of credit, we would be required to reimburse our creditor for the letter of credit. At September 30, 2017, $0.5 million of our outstanding letters of credit were to collateralize our customers and vendors.

Some of the underwriters of our casualty insurance program require us to post letters of credit as collateral, as is common in the insurance industry. To date, we have not had a situation where an underwriter has had reasonable cause to effect payment under a letter of credit. At September 30, 2017, $6.0 million of our outstanding letters of credit were to collateralize our insurance programs.

From time to time, we may enter into firm purchase commitments for materials such as copper wire and aluminum wire, among others, which we expect to use in the ordinary course of business. These commitments are typically for terms less than one year and require us to buy minimum quantities of materials at specified intervals at a fixed price over the term. As of September 30, 2017, we did not have any open purchase commitments.

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

As of September 30, 2017, our future contractual obligations due by September 30 of each of the following fiscal years include (in thousands):

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Long-term debt obligations	$	$	$ 29,434	$	$ 29,434
Operating lease obligations	8,553	12,953	5,776	4,461	31,743
Total (1)	$ 8,553	$ 12,953	$ 35,210	$ 4,461	$ 61,177

(1) The tabular amounts exclude the interest obligations that will be created if the debt obligations are outstanding for the periods presented.

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

	2018	2019	2020	Thereafter	Total
Standby letters of credit	$ 6,493	$	$	$	$ 6,493
Total	$ 6,493	$	$	$	$ 6,493

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CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of opera