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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from to .

Commission file number 001-34145

Primoris Services Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

20-4743916
(I.R.S. Employer Identification No.)

2300 N. Field Street, Suite 1900
Dallas, Texas
(Address of Principal Executive Offices)

75201
(Zip Code)

Registrant’s telephone number, including area code: **(214) 740-5600**

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	PRIM	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

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

At August 5, 2019, 50,982,098 shares of the registrant’s common stock, par value $0.0001 per share, were outstanding.

PRIMORIS SERVICES CORPORATION

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PRIMORIS SERVICES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Amounts)
(Unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 54,114	$ 151,063
Accounts receivable, net	472,946	372,695
Contract assets	415,142	364,245
Prepaid expenses and other current assets	30,142	36,444
Total current assets	972,344	924,447
Property and equipment, net	377,147	375,884
Operating lease assets	179,000	—
Deferred tax assets	903	1,457
Intangible assets, net	75,516	81,198
Goodwill	215,103	206,159
Other long-term assets	5,198	5,002
Total assets	$ 1,825,211	$ 1,594,147
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 218,263	$ 249,217
Contract liabilities	197,785	189,539
Accrued liabilities	203,235	117,527
Dividends payable	3,058	3,043
Current portion of long-term debt	64,651	62,488
Total current liabilities	686,992	621,814
Long-term debt, net of current portion	347,397	305,669
Noncurrent operating lease liabilities, net of current portion	124,894	—
Deferred tax liabilities	3,610	8,166
Other long-term liabilities	41,453	51,515
Total liabilities	1,204,346	987,164
Commitments and contingencies (See Note 17)		
Stockholders' equity		
Common stock—$.0001 par value; 90,000,000 shares authorized; 50,965,221 and 51,715,518 issued and outstanding at June 30, 2019 and December 31, 2018	5	5
Additional paid-in capital	146,064	144,048
Retained earnings	474,684	461,075
Accumulated other comprehensive loss	(172)	(908)
Noncontrolling interest	284	2,763
Total stockholders' equity	620,865	606,983
Total liabilities and stockholders' equity	$ 1,825,211	$ 1,594,147

See Accompanying Notes to Condensed Consolidated Financial Statements

PRIMORIS SERVICES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenue	$ 789,929	$ 648,787	$ 1,451,487	$ 1,152,906
Cost of revenue	709,398	577,368	1,318,496	1,036,927
Gross profit	80,531	71,419	132,991	115,979
Selling, general and administrative expenses	48,719	43,489	91,650	80,445
Merger and related costs	—	7,668	—	9,363
Operating income	31,812	20,262	41,341	26,171
Other income (expense):				
Foreign exchange (loss) gain	(403)	1,256	(588)	1,513
Other income (expense), net	177	(771)	(193)	(783)
Interest income	219	340	568	612
Interest expense	(6,716)	(3,191)	(12,308)	(5,189)
Income before provision for income taxes	25,089	17,896	28,820	22,324
Provision for income taxes	(7,265)	(3,705)	(8,060)	(3,917)
Net income	17,824	14,191	20,760	18,407
Less net income attributable to noncontrolling interests	(37)	(2,476)	(1,026)	(6,004)
Net income attributable to Primoris	$ 17,787	$ 11,715	$ 19,734	$ 12,403
Dividends per common share	$ 0.060	$ 0.060	$ 0.120	$ 0.120
Earnings per share:				
Basic	$ 0.35	$ 0.23	$ 0.39	$ 0.24
Diluted	$ 0.35	$ 0.23	$ 0.39	$ 0.24
Weighted average common shares outstanding:				
Basic	50,912	51,531	50,841	51,505
Diluted	51,228	51,793	51,208	51,770

See Accompanying Notes to Condensed Consolidated Financial Statements

PRIMORIS SERVICES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net income	$ 17,824	$ 14,191	$ 20,760	$ 18,407
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	362	377	736	377
Comprehensive income	18,186	14,568	21,496	18,784
Less net income attributable to noncontrolling interests	(37)	(2,476)	(1,026)	(6,004)
Comprehensive income attributable to Primoris	$ 18,149	$ 12,092	$ 20,470	$ 12,780

See Accompanying Notes to Condensed Consolidated Financial Statements

PRIMORIS SERVICES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In Thousands, Except Share Amounts)
(Unaudited)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Non Controlling	Total Stockholders'
	Shares	Amount	Capital	Earnings	Loss	Interest	Equity
Balance, December 31, 2018	50,715,518	$ 5	$ 144,048	$ 461,075	$ (908)	$ 2,763	$ 606,983
Net income	—	—	—	1,947	—	989	2,936
Foreign currency translation adjustments, net of tax	—	—	—	—	374	—	374
Issuance of shares to employees and directors	127,384	—	2,661	—	—	—	2,661
Amortization of Restricted Stock Units	—	—	487	—	—	—	487
Dividend equivalent Units accrued - Restricted Stock Units	—	—	12	(12)	—	—	—
Distribution of noncontrolling entities	—	—	—	—	—	(5)	(5)
Dividends declared ($0.06 per share)	—	—	—	(3,051)	—	—	(3,051)
Balance, March 31, 2019	50,842,902	$ 5	$ 147,208	$ 459,959	$ (534.0)	$ 3,747	$ 610,385
Net income	—	—	—	17,787	—	37	17,824
Foreign currency translation adjustments, net of tax	—	—	—	—	362	—	362
Conversion of Restricted Stock Units, net of shares withheld for taxes	122,319	—	(1,519)	—	—	—	(1,519)
Amortization of Restricted Stock Units	—	—	371	—	—	—	371
Dividend equivalent Units accrued - Restricted Stock Units	—	—	4	(4)	—	—	—
Distribution of noncontrolling entities	—	—	—	—	—	(3,500)	(3,500)
Dividends declared ($0.06 per share)	—	—	—	(3,058)	—	—	(3,058)
Balance, June 30, 2019	50,965,221	$ 5	$ 146,064	$ 474,684	$ (172)	$ 284	$ 620,865

See Accompanying Notes to Condensed Consolidated Financial Statements

PRIMORIS SERVICES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(In Thousands, Except Share Amounts)
(Unaudited)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Non Controlling	Total Stockholders'
	Shares	Amount	Capital	Earnings	Loss	Interest	Equity
Balance, December 31, 2017	51,448,753	$ 5	$ 160,502	$ 395,961	$ —	$ 5,715	$ 562,183
Net income	—	—	—	688	—	3,528	4,216
Issuance of shares to employees and directors	81,819	—	1,974	—	—	—	1,974
Amortization of Restricted Stock Units	—	—	215	—	—	—	215
Dividend equivalent Units accrued - Restricted Stock Units	—	—	10	(10)	—	—	—
Dividends declared ($0.06 per share)	—	—	—	(3,092)	—	—	(3,092)
Balance, March 31, 2018	51,530,572	$ 5	$ 162,701	$ 393,547	$ —	$ 9,243	$ 565,496
Net income	—	—	—	11,715	—	2,476	14,191
Foreign currency translation adjustments, net of tax	—	—	—	—	377	—	377
Amortization of Restricted Stock Units	—	—	215	—	—	—	215
Dividend equivalent Units accrued - Restricted Stock Units	—	—	12	(12)	—	—	—
Dividends declared ($0.06 per share)	—	—	—	(3,092)	—	—	(3,092)
Balance, June 30, 2018	51,530,572	$ 5	$ 162,928	$ 402,158	$ 377	$ 11,719	$ 577,187

See Accompanying Notes to Condensed Consolidated Financial Statements

PRIMORIS SERVICES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net income	$ 20,760	$ 18,407
Adjustments to reconcile net income to net cash used in operating activities (net of effect of acquisitions):		
Depreciation	37,710	30,014
Amortization of intangible assets	5,682	5,161
Stock-based compensation expense	858	430
Gain on sale of property and equipment	(4,713)	(1,580)
Other non-cash items	160	68
Changes in assets and liabilities:		
Accounts receivable	(97,964)	18,331
Contract assets	(51,048)	(64,074)
Other current assets	5,309	(6,036)
Other long-term assets	(137)	(499)
Accounts payable	(31,405)	2,115
Contract liabilities	4,205	(18,220)
Operating lease assets and liabilities, net	(918)	—
Accrued liabilities	13,481	13,647
Other long-term liabilities	1,496	1,520
Net cash used in operating activities	(96,524)	(716)
Cash flows from investing activities:		
Purchase of property and equipment	(56,907)	(46,107)
Issuance of a note receivable	—	(15,000)
Proceeds from a note receivable	—	15,000
Proceeds from sale of property and equipment	21,196	5,811
Cash paid for acquisitions, net of cash and restricted cash acquired	—	(111,030)
Net cash used in investing activities	(35,711)	(151,326)
Cash flows from financing activities:		
Borrowings under revolving line of credit	140,000	170,000
Payments on revolving line of credit	(85,000)	—
Proceeds from issuance of long-term debt	23,105	19,467
Repayment of long-term debt	(34,320)	(28,001)
Proceeds from issuance of common stock purchased under a long-term incentive plan	1,804	1,498
Payment of taxes on conversion of Restricted Stock Units	(1,519)	—
Cash distribution to noncontrolling interest holders	(3,505)	—
Dividends paid	(6,094)	(6,179)
Other	(39)	(47)
Net cash provided by financing activities	34,432	156,738
Effect of exchange rate changes on cash and cash equivalents	854	(185)
Net change in cash and cash equivalents	(96,949)	4,511
Cash and cash equivalents at beginning of the period	151,063	170,385
Cash and cash equivalents at end of the period	$ 54,114	$ 174,896

See Accompanying Notes to Condensed Consolidated Financial Statements

PRIMORIS SERVICES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In Thousands)
(Unaudited)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(Unaudited)	
Cash paid for interest	$ 7,955	$ 4,191
Cash (received) paid for income taxes, net	$ (9,599)	$ 3,610
Leased assets obtained in exchange for new operating leases	$ 51,060	$ —

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(Unaudited)	
Dividends declared and not yet paid	$ 3,058	$ 3,092

See Accompanying Notes to Condensed Consolidated Financial Statements

PRIMORIS SERVICES CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars In Thousands, Except Share and Per Share Amounts)
(Unaudited)

Note 1—Nature of Business

Organization and operations — Primoris Services Corporation is a holding company of various construction and product engineering subsidiaries. We are incorporated in the State of Delaware, and our corporate headquarters are located at 2300 N. Field Street, Suite 1900, Dallas, Texas 75201. Unless specifically noted otherwise, as used throughout these consolidated financial statements, “Primoris”, “the Company”, “we”, “our”, “us” or “its” refers to the business, operations and financial results of the Company and its wholly-owned subsidiaries.

Reportable Segments — We segregate our business into five reportable segments: the Power, Industrial and Engineering (“Power”) segment, the Pipeline and Underground (“Pipeline”) segment, the Utilities and Distribution (“Utilities”) segment, the Transmission and Distribution (“Transmission”) segment, and the Civil segment. See Note 18 – “*Reportable Segments*” for a brief description of the reportable segments and their operations.

The classification of revenue and gross profit for segment reporting purposes can at times require judgment on the part of management. Our segments may perform services across industries or perform joint services for customers in multiple industries. To determine reportable segment gross profit, certain allocations, including allocations of shared and indirect costs, such as facility costs, equipment costs and indirect operating expenses were made.

Acquisition of Willbros Group, Inc. — On June 1, 2018, we completed our acquisition of Willbros Group, Inc. (“Willbros”) for approximately $110.6 million, net of cash and restricted cash acquired. Willbros is a specialty energy infrastructure contractor serving the oil and gas and power industries through its utility transmission and distribution, oil and gas, and Canadian operations, which principally provides unit-price maintenance services in existing operating facilities and executes industrial and power projects. The utility transmission and distribution operations formed the Transmission segment, the oil and gas operations are included in the Pipeline segment, and the Canadian operations are included in the Power segment. See Note 5— “*Business Combinations*”.

Joint Ventures — We own a 50% interest in the Carlsbad Power Constructors joint venture (“Carlsbad”), which engineered and constructed a gas-fired power generation facility located in Southern California, and its operations are included as part of the Power segment. As a result of determining that we are the primary beneficiary of the variable interest entity (“VIE”), the results of the Carlsbad joint venture are consolidated in our financial statements. The project was substantially complete as of December 31, 2018 and the warranty period expires in December 2020.

We owned a 50% interest in the “ARB Inc. & B&M Engineering Co.” joint venture (“Wilmington”), which engineered and constructed a gas-fired power generation facility in Southern California, and its operations were included as part of the Power segment. As a result of determining that we were the primary beneficiary of the VIE, the results of the Wilmington joint venture were consolidated in our financial statements. The project has been completed, the project warranty period expired, and dissolution of the joint venture was completed in the first quarter of 2019.

Financial information for the joint ventures is presented in Note 11 – *“Noncontrolling Interests*”.

Note 2—Basis of Presentation

Interim condensed consolidated financial statements — The interim condensed consolidated financial statements for the three and six month periods ended June 30, 2019 and 2018 have been prepared in accordance with Rule 10-01 of Regulation S-X of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As such, certain disclosures, which would substantially duplicate the disclosures contained in our Annual Report on Form 10-K, filed on February 28, 2019, which contains our audited consolidated financial statements for the year ended December 31, 2018, have been omitted.

This Second Quarter 2019 Report on Form 10-Q should be read in conjunction with our most recent Annual Report on Form 10-K. The interim financial information is unaudited. In the opinion of management, the interim information includes all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the interim financial information.

Customer concentration — We operate in multiple industry segments encompassing the construction of commercial, industrial and public works infrastructure assets primarily throughout the United States. Typically, the top ten customers in any one calendar year generate revenue that is approximately 50% of total revenue; however, the group that comprises the top ten customers varies from year to year.

During the three and six months ended June 30, 2019, revenue generated by the top ten customers was approximately $372.4 million and $696.5 million, respectively, which represented 47.1% and 48.0%, respectively of total revenue during the period. During the three and six months ended June 30, 2019, a Midwest utility customer represented 8.0% and 6.7% of total revenue, respectively, and an electric utility customer represented 7.6% and 8.3% of total revenue, respectively.

During the three and six months ended June 30, 2018, revenue generated by the top ten customers was approximately $322.6 million and $581.6 million, respectively, which represented 50.4% and 49.7%, respectively, of total revenue during the period. During the three and six months ended June 30, 2018, a state department of transportation customer represented 9.4% and 9.3% of total revenue, respectively, and a California utility customer represented 8.7% and 9.0% of total revenue, respectively.

At June 30, 2019, approximately 8.7% of our accounts receivable was due from one customer, and that customer provided 8.3% of our revenue for the six months ended June 30, 2019.

On January 29, 2019, one of our utility customers filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. As of June 30, 2019, the utility customer comprised approximately 14.0% of our total accounts receivable. In addition to accounts receivable, there is approximately $15.8 million in unbilled revenue, net as of June 30, 2019. For the three and six months ended June 30, 2019, the customer accounted for approximately 5.9% and 5.7%, respectively, of our total revenue. A portion of the accounts receivable balance is past due, but we do not believe a reserve for the accounts receivable and unbilled revenue is appropriate at this time. However, we will closely monitor our current and future potential exposure.

Note 3—Recent Accounting Pronouncements

Recently adopted accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*", with several clarifying updates. ASU 2016-02 requires recognition of operating leases with lease terms of more than twelve months on the balance sheet as both assets for the rights and liabilities for the obligations created by the leases. The ASU also requires disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the financial statements. The standard is effective for fiscal years beginning after December 15, 2018, and requires a modified retrospective transition method where a company applies the new lease standard at (i) the beginning of the earliest period presented in the financial statements, or (ii) the adoption date and recognizes a cumulative effect adjustment to the opening balance of retained earnings. We adopted the new standard as of January 1, 2019 using the modified retrospective transition method and elected to apply the new lease standard at the adoption date. See Note 16 — "*Leases*" for further details.

In January 2017, the FASB issued ASU 2017-04, "*Simplifying the Test for Goodwill Impairment*". ASU 2017-04 removes the second step of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. We adopted the standard on January 1, 2019, and it did not have an impact on our financial position, results of operations, or cash flows.

Recently issued accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*", which introduced an expected credit loss methodology for the measurement and recognition of credit losses on most financial assets, including trade accounts receivables. The expected credit loss methodology under ASU 2016-13 is based on historical experience, current conditions and reasonable and supportable forecasts, and replaces the probable/incurred loss model for measuring and recognizing expected losses under current GAAP. The ASU also requires disclosure of information regarding how a company developed its allowance, including changes in the factors that influenced management's estimate of expected credit losses and the reasons for those changes. The ASU and its related clarifying updates are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. Based on our historical experience, we do not currently expect this ASU to have a material impact on our estimate of the allowance for uncollectable accounts.

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*", which eliminates certain disclosure requirements for recurring and nonrecurring fair value measurements. The ASU eliminates such disclosures as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and adds new disclosure requirements for Level 3 measurements. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for any eliminated or modified disclosures. We do not expect the adoption of this ASU to have a material impact on our disclosures.

Note 4—Fair Value Measurements

ASC Topic 820, "*Fair Value Measurements and Disclosures*", defines fair value, establishes a framework for measuring fair value in GAAP and requires certain disclosures about fair value measurements. ASC Topic 820 addresses fair value GAAP for financial assets and financial liabilities that are re-measured and reported at fair value at each reporting period and for non-financial assets and liabilities that are re-measured and reported at fair value on a non-recurring basis.

In general, fair values determined by Level 1 inputs use quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs use data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are "unobservable data points" for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The following table presents, for each of the fair value hierarchy levels identified under ASC Topic 820, our financial assets and liabilities that are required to be measured at fair value at June 30, 2019 and December 31, 2018 (in thousands):

	Fair Value Measurements at Reporting Date		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets as of June 30, 2019:			
Cash and cash equivalents	$ 54,114	$ —	$ —
Contingent consideration	$ —	$ —	$ 938
Liabilities as of June 30, 2019:			
Interest rate swap	$ —	$ 7,023	$ —
Assets as of December 31, 2018:			
Cash and cash equivalents	$ 151,063	$ —	$ —
Liabilities as of December 31, 2018:			
Interest rate swap	$ —	$ 2,829	$ —

Other financial instruments not listed in the table consist of accounts receivable, accounts payable and certain accrued liabilities. These financial instruments generally approximate fair value based on their short-term nature. The carrying value of our long-term debt approximates fair value based on comparison with current prevailing market rates for loans of similar risks and maturities.

In the second quarter of 2019, we sold certain assets that included an earnout of $2.0 million, contingent upon the buyer meeting certain performance targets. The estimated fair value of the contingent consideration on the sale date was approximately $0.9 million. We measured the fair value of the contingent consideration using the income approach, which discounts the future cash payments expected upon meeting the performance targets to present value. The fair value of the contingent consideration was impacted by two unobservable inputs, management's estimate of the probability of meeting the performance target and the estimated discount rate (a rate that approximates our cost of capital). Significant changes in either of those inputs in isolation would result in a different fair value measurement.

The interest rate swap is measured at fair value using the income approach, which discounts the future net cash settlements expected under the derivative contracts to a present value. These valuations primarily utilize indirectly observable inputs, including contractual terms, interest rates and yield curves observable at commonly quoted intervals. See Note 10 – "*Derivative Instruments*" for additional information.

Note 5 — Business Combinations

2018 Acquisition

Acquisition of Willbros Group, Inc.

On June 1, 2018, we acquired all of the outstanding common stock of Willbros, a specialty energy infrastructure contractor serving the oil and gas and power industries for approximately $110.6 million, net of cash and restricted cash acquired. The total purchase price was funded through a combination of existing cash balances and borrowings under our revolving credit facility.

During the second quarter of 2019, we finalized the estimate of fair values of the assets acquired and liabilities assumed of Willbros. The tables below represent the purchase consideration and estimated fair values of the assets acquired and liabilities assumed. Significant changes since our initial estimates reported in the second quarter of 2018 primarily relate to fair value adjustments to our acquired contracts, which resulted in an increase to contract liabilities of $23.7 million. In addition, fair value adjustments to our acquired lease obligations and insurance liabilities reduced our liabilities assumed by approximately $11.9 million and $6.0 million, respectively, and fair value adjustments to our acquired intangible assets decreased our assets acquired by $6.8 million. As a result of these and other adjustments to the initial estimated fair values of the assets acquired and liabilities assumed, goodwill increased by approximately $18.0 million since the second quarter of 2018. Adjustments recorded to the estimated fair values of the assets acquired and liabilities assumed are recognized in the period in which the adjustments are determined and calculated as if the accounting had been completed as of the acquisition date.

Purchase consideration (in thousands)		
Total purchase consideration	$	164,758
Less cash and restricted cash acquired		(54,138)
Net cash paid		110,620

Identifiable assets acquired and liabilities assumed (in thousands)		
Cash and restricted cash	$	54,138
Accounts receivable		103,186
Contract assets		30,762
Other current assets		18,255
Property, plant and equipment		30,522
Intangible assets:		
Customer relationships		47,500
Tradename		200
Deferred income taxes		27,954
Other non-current assets		2,261
Accounts payable and accrued liabilities		(122,692)
Contract liabilities		(68,104)
Other non-current liabilities		(20,953)
Total identifiable net assets		103,029
Goodwill		61,729
Total purchase consideration	$	164,758

We separated the operations of Willbros among two of our existing segments, and created a new segment for the utility transmission and distribution operations called the Transmission segment. The oil and gas operations are included in the Pipeline segment, and the Canadian operations are included in the Power segment. Goodwill associated with the Willbros acquisition principally consists of expected benefits from the expansion of our services into electric utility-focused offerings and the expansion of our geographic presence. Goodwill also includes the value of the assembled workforce. We allocated $59.0 million of goodwill to the Transmission segment, $1.8 million to the Power segment, and $0.9 million to the Pipeline segment. Based on the current tax treatment, goodwill is not expected to be deductible for income tax purposes.

As part of the Willbros acquisition, we acquired approximately $40.2 million of restricted cash that was pledged by Willbros to secure letters of credit. Subsequent to the acquisition, we issued new letters of credit under our Credit Facility to replace the Willbros letters of credit secured by the restricted cash. As of June 30, 2019, substantially all of the restricted cash had been released.

For the three and six months ended June 30, 2019, Willbros contributed revenue of $182.3 million and $340.0 million, respectively, and gross profit of $14.4 million and $22.0 million, respectively . For the period June 1, 2018, the acquisition date, to June 30, 2018, Willbros contributed revenue of $61.0 million and gross profit of $6.8 million.

Acquisition related costs were $7.7 million and $9.3 million for the three and six months ended June 30, 2018, respectively, related to the acquisition of Willbros and are included in “Merger and related costs” on the Condensed Consolidated Statements of Income. Such costs primarily consisted of severance and retention bonus costs for certain employees of Willbros and professional fees paid to advisors.

Supplemental Unaudited Pro Forma Information for the three and six months ended June 30, 2018

The following pro forma information for the three and six months ended June 30, 2018 presents our results of operations as if the acquisitions of Willbros had occurred at the beginning of 2018. The supplemental pro forma information has been adjusted to include:

- the pro forma impact of amortization of intangible assets and depreciation of property, plant and equipment;
- the pro forma impact of nonrecurring merger and related costs directly attributable to the acquisition;
- the pro forma impact of interest expense relating to the acquisition; and
- the pro forma tax effect of both income before income taxes, and the pro forma adjustments, calculated using a tax rate of 28.0% for the three and six months ended June 30, 2018.

The pro forma results are presented for illustrative purposes only and are not necessarily indicative of, or intended to represent, the results that would have been achieved had the Willbros acquisition been completed on January 1, 2018. For example, the pro forma results do not reflect any operating efficiencies and associated cost savings that we might have achieved with respect to the acquisition.

	Three Months Ended June 30, 2018 (unaudited)	Six Months Ended June 30, 2018 (unaudited)
Revenue	$ 774,018	$ 1,479,118
Income before provision for income taxes	$ 14,688	$ 12,569
Net income attributable to Primoris	$ 9,405	$ 5,379
Weighted average common shares outstanding:		
Basic	51,531	51,505
Diluted	51,793	51,770
Earnings per share:		
Basic	$ 0.18	$ 0.10
Diluted	$ 0.18	$ 0.10

Note 6—Revenue

We generate revenue under a range of contracting types, including fixed-price, unit-price, time and material, and cost reimbursable plus fee contracts. A substantial portion of our revenue is derived from contracts that are fixed-price or unit-price and is recognized over time as work is completed because of the continuous transfer of control to the customer (typically using an input measure such as costs incurred to date relative to total estimated costs at completion to measure progress). For time and material and cost reimbursable plus fee contracts, revenue is recognized primarily on an input basis, based on contract costs incurred as defined within the respective contracts. Costs to obtain contracts are generally not significant and are expensed in the period incurred.

We evaluate whether two or more contracts should be combined and accounted for as one single performance obligation and whether a single contract should be accounted for as more than one performance obligation. ASC 606 defines a performance obligation as a contractual promise to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our evaluation requires significant judgment and the decision to combine a group of contracts or separate a contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. The majority of our contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and, therefore, is not distinct. However, occasionally we have contracts with multiple performance obligations. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using the observable standalone selling price, if available, or alternatively our best estimate of the standalone selling price of each distinct performance obligation in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach for each performance obligation.

As of June 30, 2019, we had $1.93 billion of remaining performance obligations. We expect to recognize approximately 55% of our remaining performance obligations as revenue during the next four quarters and substantially all of the remaining balance by the second quarter of 2021.

Accounting for long-term contracts involves the use of various techniques to estimate total transaction price and costs. For long-term contracts, transaction price, estimated cost at completion and total costs incurred to date are used to calculate revenue earned. Unforeseen events and circumstances can alter the estimate of the costs and potential profit associated with a particular contract. Total estimated costs, and thus contract revenue and income, can be impacted by changes in productivity, scheduling, the unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, client needs, client delays in providing permits and approvals, labor availability, governmental regulation and politics may affect the progress of a project's completion, and thus the timing of revenue recognition. To the extent that original cost estimates are modified, estimated costs to complete increase, delivery schedules are delayed, or progress under a contract is otherwise impeded, cash flow, revenue recognition and profitability from a particular contract may be adversely affected.

The nature of our contracts gives rise to several types of variable consideration, including contract modifications (change orders and claims), liquidated damages, volume discounts, performance bonuses, incentive fees, and other terms that can either increase or decrease the transaction price. We estimate variable consideration as the most likely amount to which we expect to be entitled. We include estimated amounts in the transaction price to the extent we believe we have an enforceable right, and it is probable that a significant reversal of cumulative revenue recognized will not occur. Our estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us at this time.

Contract modifications result from changes in contract specifications or requirements. We consider unapproved change orders to be contract modifications for which customers have not agreed to both scope and price. We consider claims to be contract modifications for which we seek, or will seek, to collect from customers, or others, for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no agreement with customers. Claims can also be caused by non-customer-caused changes, such as rain or other weather delays. Costs associated with contract modifications are included in the estimated costs to complete the contracts and are treated as project costs when incurred. In most instances, contract modifications are for goods or services that are not distinct, and, therefore, are accounted for as part of the existing contract. The effect of a contract modification on the transaction price, and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis. In some cases, settlement of contract modifications may not occur until after completion of work under the contract.

As a significant change in one or more of these estimates could affect the profitability of our contracts, we review and update our contract-related estimates regularly. We recognize adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the cumulative impact of the profit adjustment is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate. In the three and six months ended June 30, 2019, revenue recognized from performance obligations satisfied in previous periods was $4.2 million and $10.7 million, respectively. If at any time the estimate of contract profitability indicates an anticipated loss on a contract, the projected loss is recognized in full, including any previously recognized profit, in the period it is identified and recognized as an "accrued loss provision" which is included in "Contract liabilities" on the Condensed Consolidated Balance Sheets. For contract revenue recognized over time, the accrued loss provision is adjusted so that the gross profit for the contract remains zero in future periods.

At June 30, 2019, we had approximately $84.1 million of unapproved contract modifications included in the aggregate transaction prices. These contract modifications were in the process of being negotiated in the normal course of business. Approximately $79.3 million of the contract modifications had been recognized as revenue on a cumulative catch-up basis through June 30, 2019.

In all forms of contracts, we estimate the collectability of contract amounts at the same time that we estimate project costs. If we anticipate that there may be issues associated with the collectability of the full amount calculated as the transaction price, we may reduce the amount recognized as revenue to reflect the uncertainty associated with realization of the eventual cash collection. For example, when a cost reimbursable project exceeds the client's expected budget amount, the client frequently requests an adjustment to the final amount. Similarly, some utility clients reserve the right to audit costs for significant periods after performance of the work.

The timing of when we bill our customers is generally dependent upon agreed-upon contractual terms, milestone billings based on the completion of certain phases of the work, or when services are provided. Sometimes, billing occurs subsequent to revenue recognition, resulting in unbilled revenue, which is a contract asset. Also, we sometimes receive advances or deposits from our customers before revenue is recognized, resulting in deferred revenue, which is a contract liability.

The caption "Contract assets" in the Condensed Consolidated Balance Sheets represents the following:

- unbilled revenue, which arise when revenue has been recorded but the amount will not be billed until a later date;
- retainage amounts for the portion of the contract price earned by us for work performed, but held for payment by the customer as a form of security until we reach certain construction milestones; and
- contract materials for certain job specific materials not yet installed, which are valued using the specific identification method relating the cost incurred to a specific project.

Contract assets consist of the following (in thousands):

	June 30, 2019	December 31, 2018
Unbilled revenue	$ 311,915	$ 249,577
Retention receivable	84,805	88,953
Contract materials (not yet installed)	18,422	25,715
	$ 415,142	$ 364,245

Contract assets increased by $50.9 million compared to December 31, 2018 due primarily to higher unbilled revenue, partially offset by a reduction in contract materials net yet installed.

The caption "Contract liabilities" in the Condensed Consolidated Balance Sheets represents deferred revenue on billings in excess of contract revenue recognized to date, and the accrued loss provision.

Contract liabilities consist of the following (in thousands):

	June 30, 2019	December 31, 2018
Deferred revenue	$ 192,772	$ 182,232
Accrued loss provision	5,013	7,307
	$ 197,785	$ 189,539

Contract liabilities increased by $8.2 million compared to December 31, 2018 primarily due to an increase in deferred revenue, partially offset by a reduction in the accrued loss provision.

Revenue recognized for the six months ended June 30, 2019, that was included in the contract liability balance at December 31, 2018 was approximately $135.1 million.

The following tables present our revenue disaggregated into various categories.

Master Service Agreements ("MSA") and Non-MSA revenue was as follows (in thousands):

Segment	For the three months ended June 30, 2019 MSA	Non-MSA	Total
Power	$ 43,689	$ 128,481	$ 172,170
Pipeline	20,153	117,090	137,243
Utilities	172,371	49,941	222,312
Transmission	110,875	24,479	135,354
Civil	1,225	121,625	122,850
Total	$ 348,313	$ 441,616	$ 789,929

Segment	For the six months ended June 30, 2019 MSA	Non-MSA	Total
Power	$ 92,884	$ 224,669	$ 317,553
Pipeline	42,002	230,055	272,057
Utilities	291,833	76,685	368,518
Transmission	212,598	41,199	253,797
Civil	1,875	237,687	239,562
Total	$ 641,192	$ 810,295	$ 1,451,487

Segment	For the three months ended June 30, 2018 MSA	Non-MSA	Total
Power	$ 22,672	$ 144,329	$ 167,001
Pipeline	12,213	78,392	90,605
Utilities	168,336	60,516	228,852
Transmission	35,517	6,937	42,454
Civil	—	119,875	119,875
Total	$ 238,738	$ 410,049	$ 648,787

Segment	For the six months ended June 30, 2018 MSA	Non-MSA	Total
Power	$ 42,070	$ 291,486	$ 333,556
Pipeline	19,493	128,695	148,188
Utilities	288,103	107,459	395,562
Transmission	35,517	6,937	42,454
Civil	—	233,146	233,146
Total	$ 385,183	$ 767,723	$ 1,152,906

Revenue by contract type was as follows (in thousands):

Segment	For the three months ended June 30, 2019 Fixed-price	Unit-price	Cost reimbursable (1)	Total
Power	$ 105,105	$ 4,042	$ 63,023	$ 172,170
Pipeline	14,109	10,130	113,004	137,243
Utilities	30,120	119,618	72,574	222,312
Transmission	14,251	115,679	5,424	135,354
Civil	19,001	83,905	19,944	122,850
Total	$ 182,586	$ 333,374	$ 273,969	$ 789,929

(1) Includes time and material and cost reimbursable plus fee contracts.

Segment	For the six months ended June 30, 2019 Fixed-price	Unit-price	Cost reimbursable (1)	Total
Power	$ 180,248	$ 10,655	$ 126,650	$ 317,553
Pipeline	31,336	10,504	230,217	272,057
Utilities	52,887	187,496	128,135	368,518
Transmission	22,714	221,520	9,563	253,797
Civil	41,686	162,399	35,477	239,562
Total	$ 328,871	$ 592,574	$ 530,042	$ 1,451,487

(1) Includes time and material and cost reimbursable plus fee contracts.

Segment	For the three months ended June 30, 2018 Fixed-price	Unit-price	Cost reimbursable (1)	Total
Power	$ 108,383	$ 14,532	$ 44,086	$ 167,001
Pipeline	28,102	31,678	30,825	90,605
Utilities	41,299	127,863	59,690	228,852
Transmission	8,000	25,457	8,997	42,454
Civil	14,780	92,132	12,963	119,875
Total	$ 200,564	$ 291,662	$ 156,561	$ 648,787

(1) Includes time and material and cost reimbursable plus fee contracts.

Segment	For the six months ended June 30, 2018 Fixed-price	Unit-price	Cost reimbursable (1)	Total
Power	$ 225,038	$ 25,644	$ 82,874	$ 333,556
Pipeline	40,622	50,323	57,243	148,188
Utilities	105,363	194,614	95,585	395,562
Transmission	8,000	25,457	8,997	42,454
Civil	24,423	179,212	29,511	233,146
Total	$ 403,446	$ 475,250	$ 274,210	$ 1,152,906

(1) Includes time and material and cost reimbursable plus fee contracts.

Each of these contract types has a different risk profile. Typically, we assume more risk with fixed-price contracts. Unforeseen events and circumstances can alter the estimate of the costs and potential profit associated with a particular fixed-price contract. However, these types of contracts offer additional profits when we complete the work for less cost than originally estimated. Unit-price and cost reimbursable contracts generally subject us to lower risk. Accordingly, the associated fees are usually lower than fees earned on fixed-price contracts. Under these contracts, our profit may vary if actual costs vary significantly from the negotiated rates.

Note 7—Goodwill and Intangible Assets

The change in goodwill by segment for the six months ended June 30, 2019 was as follows (in thousands):

	Power	Pipeline	Utilities	Transmission	Civil	Total
Balance at January 1, 2019	$ 25,933	$ 52,285	$ 37,312	$ 50,479	$ 40,150	$ 206,159
Adjustments to identifiable assets acquired and liabilities assumed	261	130	—	8,553	—	8,944
Balance at June 30, 2019	$ 26,194	$ 52,415	$ 37,312	$ 59,032	$ 40,150	$ 215,103

The table below summarizes the intangible asset categories, amounts and the average amortization periods, which are on a straight-line basis (in thousands):

		June 30, 2019			December 31, 2018		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Intangible assets, net	Gross Carrying Amount	Accumulated Amortization	Intangible assets, net
Tradename	9 years	$ 31,390	$ (26,923)	$ 4,467	$ 31,390	$ (25,156)	$ 6,234
Customer relationships	16 years	97,400	(26,945)	70,455	97,400	(23,079)	74,321
Non-compete agreements	5 years	1,900	(1,390)	510	1,900	(1,387)	513
Other	3 years	275	(191)	84	275	(145)	130
Total	15 years	$ 130,965	$ (55,449)	$ 75,516	$ 130,965	$ (49,767)	$ 81,198

Amortization expense of intangible assets was $3.0 million and $2.7 million for the three months ended June 30, 2019 and 2018, respectively, and $5.7 million and $5.2 million for the six months ended June 30, 2019 and 2018, respectively. Estimated future amortization expense for intangible assets is as follows (in thousands):

For the Years Ending December 31,	Estimated Intangible Amortization Expense
2019 (remaining six months)	$ 5,690
2020	8,814
2021	7,577
2022	6,416
2023	5,581
Thereafter	41,438
	$ 75,516

Note 8—Accounts Payable and Accrued Liabilities

At June 30, 2019 and December 31, 2018, accounts payable included retention amounts of approximately $9.5 million and $13.2 million, respectively. These amounts owed to subcontractors have been retained pending contract completion and customer acceptance of jobs.

The following is a summary of accrued liabilities (in thousands):

	June 30, 2019	December 31, 2018
Payroll and related employee benefits	$ 78,630	$ 60,509
Current operating lease liability	59,371	—
Insurance, including self-insurance reserves	12,245	21,224
Corporate income taxes and other taxes	12,432	5,040
Other	40,557	30,754
	$ 203,235	$ 117,527

Note 9—Credit Arrangements

Long-term debt and credit facilities consist of the following (in thousands):

	June 30, 2019	December 31, 2018
Term loan	$ 209,000	$ 214,500
Revolving credit facility	55,000	—
Commercial equipment notes	122,279	127,458
Mortgage notes	26,663	27,200
Total debt	412,942	369,158
Unamortized debt issuance costs	(894)	(1,001)
Total debt, net	$ 412,048	$ 368,157
Less: current portion	(64,651)	(62,488)
Long-term debt, net of current portion	$ 347,397	$ 305,669

The weighted average interest rate on total debt outstanding at June 30, 2019 and December 31, 2018 was 4.2% and 4.1%, respectively.

Credit Agreement

Our credit agreement consists of a $220.0 million term loan and a $200.0 million revolving credit facility (“Revolving Credit Facility”), whereby the lenders agreed to make loans on a revolving basis from time to time and to issue letters of credit for up to the $200.0 million committed amount. The credit agreement also includes an accordion feature that would allow us to increase the borrowing capacity thereunder by $75.0 million, subject to obtaining additional or increased lender commitments. The maturity date of the credit agreement is July 9, 2023. At June 30, 2019, there was $55.0 million of outstanding borrowings under the Revolving Credit Facility, commercial letters of credit outstanding were $41.4 million, and available borrowing capacity was $103.6 million.

The credit agreement contains various restrictive and financial covenants including, among others, a senior debt/EBITDA ratio and debt service coverage requirements. In addition, the credit agreement includes restrictions on investments, change of control provisions and provisions in the event we dispose of more than 20% of our total assets. We were in compliance with the covenants for the Credit Agreement at June 30, 2019.

Canadian Credit Facility

We have a demand credit facility for $4.0 million in Canadian dollars with a Canadian bank for purposes of issuing commercial letters of credit in Canada. At June 30, 2019, commercial letters of credit outstanding were $0.2 in Canadian dollars, and the available borrowing capacity was $3.8 million in Canadian dollars. The credit facility contains a working capital restrictive covenant for OnQuest Canada, ULC, our wholly owned subsidiary. At June 30, 2019, OnQuest Canada, ULC was in compliance with the covenant.

Note 10 — Derivative Instruments

We are exposed to certain market risks related to changes in interest rates. To monitor and manage these market risks, we have established risk management policies and procedures. We do not enter into derivative instruments for any purpose other than hedging interest rate risk. None of our derivative instruments are used for trading purposes.

Interest Rate Risk. We are exposed to variable interest rate risk as a result of variable-rate borrowings under our Credit Agreement. To manage fluctuations in cash flows resulting from changes in interest rates on a portion of our variable-rate debt, we entered into an interest rate swap agreement on September 13, 2018 with an initial notional amount of $165.0 million, or 75% of the debt outstanding under our Term Loan, which was not designated as a hedge for accounting purposes. The notional amount of the swap will be adjusted down each quarter by 75% of the required principal payments made on the Term Loan. The swap effectively changes the variable-rate cash flow exposure on the debt obligations to fixed rates. The fair value of outstanding interest rate swap derivatives can vary significantly from period to period depending on the total notional amount of swap derivatives outstanding and fluctuations in market interest rates compared to the interest rates fixed by the swaps. As of June 30, 2019, and December 31, 2018, our outstanding interest rate swap agreement contained a notional amount of $156.8 million and $160.9 million, respectively, with a maturity date of July 10, 2023.

Credit Risk. By using derivative instruments to economically hedge exposures to changes in interest rates, we are exposed to counterparty credit risk. Credit risk is the failure of a counterparty to perform under the terms of a derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, we do not possess credit risk. We minimize the credit risk in derivative instruments by entering into transactions with high quality counterparties. We have entered into netting agreements, including International Swap Dealers Association ("ISDA") Agreements, which allow for netting of contract receivables and payables in the event of default by either party.

The following table summarizes the fair value of our derivative contracts included in the Condensed Consolidated Balance Sheets (in thousands):

		Liability Derivatives	
	Balance Sheet Location	June 30, 2019	December 31, 2018
Interest rate swap	Other long-term liabilities	$ 7,023	$ 2,829
Total derivatives		$ 7,023	$ 2,829

The following table summarizes the amounts recognized with respect to our derivative instruments within the Condensed Consolidated Statements of Income (in thousands):

	Location of Loss Recognized on Derivatives	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Interest rate swap	Interest expense	$ 2,912	$ —	$ 4,508	$ —

Cash flows from derivatives settled are reported as cash flows from operating activities.

Note 11 — Noncontrolling Interests

We own a 50% interest in the Carlsbad joint venture and we owned a 50% interest in the Wilmington joint venture, each of which operates in the Power segment. Both joint ventures have been determined to be a VIE and we were determined to be the primary beneficiary as a result of our significant influence over the joint venture operations.

Each joint venture is a partnership, and consequently, only the tax effect of our share of the income was recognized by us. The net assets of the joint ventures are restricted for use by the specific project and are not available for our general operations.

Carlsbad Joint Venture

The Carlsbad joint venture's operating activities began in 2015 and are included in our Condensed Consolidated Statements of Income as follows (in thousands):

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenue	$ 227	$ 29,437	$ 4,251	$ 71,257
Net income attributable to noncontrolling interests	$ 37	$ 2,330	$ 1,026	$ 5,444

The Carlsbad joint venture made distributions of $3.5 million to the noncontrolling interest and $3.5 million to us during the three and six months ended June 30, 2019. No distributions were made during the six months ended June 30, 2018. In addition, we did not make any capital contributions to the Carlsbad joint venture during the six months ended June 30, 2019 and 2018. The project was substantially complete as of December 31, 2018 and the warranty period expires in December 2020.

The carrying value of the assets and liabilities associated with the operations of the Carlsbad joint venture are included in our Condensed Consolidated Balance Sheets as follows (in thousands):

	June 30, 2019	December 31, 2018
Cash	$ 2,201	$ 3,117
Accounts receivable	$ —	$ 4,451
Contract assets	$ 300	$ 8,158
Accounts payable	$ —	$ 2,279
Contract liabilities	$ 1,676	$ 5,946
Due to Primoris	$ 251	$ 1,979

Wilmington Joint Venture

The Wilmington joint venture's operating activities began in October 2015 and are included in our Condensed Consolidated Statements of Income as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue	$ —	$ 437	$ —	$ 1,921
Net income attributable to noncontrolling interests	$ —	$ 146	$ —	$ 560

The project has been completed, the project warranty period has expired, and the dissolution of the joint venture was completed in the first quarter of 2019. The Wilmington joint venture made a final immaterial distribution to the noncontrolling interest and to us during the first quarter of 2019. No distributions were made during the six months ended June 30, 2018. In addition, we did not make any capital contributions to the Wilmington joint venture during the six months ended June 30, 2019 and 2018. The carrying value of the assets and liabilities associated with the operations of the Wilmington joint venture were included in our Condensed Consolidated Balance Sheet and were immaterial at December 31, 2018.

Summary – Joint Venture Balance Sheets

The following table summarizes the total balance sheet amounts for the Carlsbad and Wilmington joint ventures, which are included in our Condensed Consolidated Balance Sheets, and the total consolidated balance sheet amounts (in thousands):

At June 30, 2019	Joint Venture Amounts	Consolidated Amounts
Cash	$ 2,201	$ 54,114
Accounts receivable	$ —	$ 472,946
Contract assets	$ 300	$ 415,142
Accounts payable	$ —	$ 218,263
Contract liabilities	$ 1,676	$ 197,785
At December 31, 2018		
Cash	$ 3,127	$ 151,063
Accounts receivable	$ 4,451	$ 372,695
Contract assets	$ 8,158	$ 364,245
Accounts payable	$ 2,279	$ 249,217
Contract liabilities	$ 5,946	$ 189,539

Note 12—Stock-Based Compensation

In May 2013, the shareholders approved and we adopted the Primoris Services Corporation 2013 Long-term Incentive Equity Plan ("Equity Plan"). Our Board of Directors has granted 423,105 Restricted Stock Units ("Units"), net of forfeitures to employees under the Equity Plan. The grants were documented in RSU Award Agreements, which provide for a vesting schedule and require continuing employment of the employee. The Units are subject to earlier acceleration, termination, cancellation or forfeiture as provided in the underlying RSU Award Agreement.

At June 30, 2019, a total of 254,955 Units were vested. The vesting schedule for the remaining Units are as follows:

For the Years Ending December 31,	Number of Units to Vest
2019 (remaining six months)	4,393
2020	11,067
2021	122,649
2022	27,700
2023	2,341
	168,150

Under guidance of ASC Topic 718 "*Compensation — Stock Compensation*", stock-based compensation cost is measured at the date of grant, based on the calculated fair value of the stock-based award, and is recognized as expense over the employee's requisite service period (generally the vesting period of the award).

The fair value of the Units was based on the closing market price of our common stock on the day prior to the date of the grant. Stock compensation expense for the Units is being amortized using the straight-line method over the service period. We recognized $0.4 million and $0.2 million in compensation expense for the three months ended June 30, 2019 and 2018, respectively, and $0.9 million and $0.4 million for the six months ended June 30, 2019 and 2018, respectively. At June 30, 2019, approximately $2.9 million of unrecognized compensation expense remained for the Units, which will be recognized over a weighted average period of 2.2 years.

Vested Units accrue "Dividend Equivalent Units" (as defined in the Equity Plan), which will be accrued as additional Units until the Units are converted to Common Stock. At June 30, 2019, a total of 1,745 Dividend Equivalent Units were accrued.

Note 13—Income Taxes

We are subject to tax liabilities imposed by multiple jurisdictions. We determine our best estimate of the annual effective tax rate at each interim period using expected annual pre-tax earnings, statutory tax rates, and available tax planning opportunities. Certain significant or unusual items are separately recognized in the quarter in which they occur which can cause variability in the effective tax rate from quarter to quarter. We recognize interest and penalties related to uncertain tax positions, if any, as an income tax expense.

We do not include the income tax expense or benefit related to the net earnings or loss attributable to noncontrolling interest in our income tax expense as the entities are considered pass-through entities and, as such, the income tax expense or benefit is attributable to its owners. The effective tax rate on income including noncontrolling interests for the six months ended June 30, 2019 and 2018 was 28.0% and 17.5%, respectively. Excluding noncontrolling interest, the effective tax rate on income attributable to Primoris for the six months ended June 30, 2019 and 2018 was 29.0% and 24.0%, respectively. For the first six months of 2019, our tax rate differs from the U.S. federal statutory rate of 21.0% primarily due to the impact of state income taxes and nondeductible components of per diem expenses. For the first six months of 2018, our tax rate differs from the U.S. federal statutory rate of 21.0% primarily due to the impact of state income taxes, investment tax credits, and nondeductible components of per diem expenses.

Our U.S. federal income tax returns are generally no longer subject to examination for tax years before 2015. The statutes of limitation of state and foreign jurisdictions generally vary between 3 to 5 years. Accordingly, our state and foreign income tax returns are generally no longer subject to examination for tax years before 2013.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting bases and tax bases of assets and liabilities based on enacted tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based upon consideration of available evidence, including future reversals of existing taxable temporary differences, future projected taxable income, the length of the tax asset carryforward periods, and tax planning strategies. The effects of remeasurement of deferred tax assets and liabilities resulting from changes in tax rates are recognized in income in the period of enactment.

Note 14—Dividends and Earnings Per Share

We have paid or declared cash dividends during 2019 and 2018 as follows:

Declaration Date	Record Date	Payable Date	Amount Per Share
February 21, 2018	March 30, 2018	April 13, 2018	$ 0.060
May 4, 2018	June 29, 2018	July 13, 2018	$ 0.060
August 2, 2018	September 28, 2018	October 15, 2018	$ 0.060
November 2, 2018	December 31, 2018	January 15, 2019	$ 0.060
February 26, 2019	March 29, 2019	April 15, 2019	$ 0.060
May 3, 2019	June 28, 2019	July 15, 2019	$ 0.060

The payment of future dividends is contingent upon our revenue and earnings, capital requirements and our general financial condition, as well as contractual restrictions and other considerations deemed relevant by the Board of Directors.

The table below presents the computation of basic and diluted earnings per share for the three and six months ended June 30, 2019 and 2018 (in thousands, except per share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Net income attributable to Primoris	$ 17,787	$ 11,715	$ 19,734	$ 12,403
Denominator:				
Weighted average shares for computation of basic earnings per share	50,912	51,531	50,841	51,505
Dilutive effect of shares issued to independent directors	—	—	4	3
Dilutive effect of restricted stock units (1)	316	262	363	262
Weighted average shares for computation of diluted earnings per share	51,228	51,793	51,208	51,770
Earnings per share attributable to Primoris:				
Basic	$ 0.35	$ 0.23	$ 0.39	$ 0.24
Diluted	$ 0.35	$ 0.23	$ 0.39	$ 0.24

(1) Represents the dilutive effect of the grant of Units and vested Dividend Equivalent Units for the respective periods presented.

Note 15—Stockholders' Equity

Common stock

We issued 114,106 and 71,757 shares of common stock in the six months ended June 30, 2019 and 2018, respectively, under our long-term retention plan ("LTR Plan"). The shares were purchased by the participants in the LTR Plan with payment made to us of $1.8 million and $1.5 million in the six months ended June 30, 2019 and 2018, respectively. Our LTR Plan for managers and executives allows participants to use a portion of their annual bonus amount to purchase our common stock at a discount from the market price. The shares purchased in the six months ended June 30, 2019 were for bonus amounts earned in 2018, and the number of shares was calculated at 75% of the average daily closing market price during December 2018. The shares purchased in the six months ended June 30, 2018 were for bonus amounts earned in 2017, and the number of shares was calculated at 75% of the average closing market price of December 2017.

In February 2019 and 2018, we issued 13,278 and 10,062 shares of common stock, respectively, as part of the quarterly compensation of the non-employee members of the Board of Directors.

During the three and six months ended June 30, 2019, a total of 122,319 Units, net of forfeitures for tax withholdings, were converted to common stock. There were no Units converted to common stock during the six months ended June 30, 2018.

As discussed in Note 12 — *"Stock–Based Compensation"*, as of June 30, 2019, the Board of Directors has granted a total of 423,105 shares of Units, net of forfeitures under the Equity Plan and a total of 1,745 Dividend Equivalent Units were accrued at June 30, 2019.

Note 16—Leases

We lease administrative and fabrication facilities, which are generally longer-term, project specific facilities or yards, and construction equipment under non-cancelable operating leases. On January 1, 2019, we adopted ASC 842, "*Leases*" using the modified retrospective method and elected to apply the new lease standard at the adoption date. The cumulative impact of adopting ASC 842 was immaterial and did not require an adjustment to retained earnings. In adopting ASC 842, we changed our accounting policy for leases. Under the modified retrospective method, results for periods prior to January 1, 2019, are not adjusted and continue to be reported in accordance with our historic accounting under ASC 840, *"Leases"*.

We elected certain transition practical expedients permitted with the new standard, which among other things, allowed us to carry forward the historical lease classification. In addition, we elected the hindsight practical expedient to determine the reasonably certain lease term for existing leases. We also made an accounting policy election in which leases with an initial term of 12 months or less are not recorded on the balance sheet and lease payments are recognized in the Condensed Consolidated Statements of Income on a straight-line basis over the lease term.

We determine if an arrangement is a lease at inception. We have lease agreements with lease and non-lease components, which are generally accounted for separately. Operating leases are included in operating lease assets, accrued liabilities, and noncurrent operating lease liabilities on our Condensed Consolidated Balance Sheets.

Operating lease assets and operating lease liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term. In determining our lease term, we include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of future payments. Lease expense from minimum lease payments is recognized on a straight-line basis over the lease term.

Our leases have remaining lease terms that expire at various dates through 2029, some of which may include options to extend the leases for up to 5 years. The exercise of lease extensions is at our sole discretion. Periodically, we sublease excess facility space, but any sublease income is generally not significant. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease expense are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Operating lease expense	$ 17,654 **(1)**	$ 9,836 **(2)**	$ 34,167 **(1)**	$ 16,668 **(2)**

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(1) Includes short-term leases and variable lease costs, which are immaterial.

(2) Reported in accordance with our historical accounting under ASC 840, "*Leases*".

Our operating lease liabilities are reported on the Condensed Consolidated Balance Sheet as follows (in thousands):

		June 30, 2019
Accrued liabilities	$	59,371
Noncurrent operating lease liabilities, net of current portion		124,894
	$	184,265

The future minimum lease payments under non-cancelable operating leases are as follows (in thousands):

For the Years Ending December 31,		Future Minimum Lease Payments
2019 (remaining six months)	$	34,410
2020		59,102
2021		43,333
2022		28,180
2023		19,534
Thereafter		16,950
Total lease payments	$	201,509
Less imputed interest		(17,244)
Total	$	184,265

Other information related to operating leases is as follows (in thousands, except lease term and discount rate):

		Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	34,924
Weighted-average remaining lease term on operating leases (years)		4.00
Weighted-average discount rate on operating leases		4.45%

Note 17—Commitments and Contingencies

NTTA settlement — On February 7, 2012, we were sued in an action entitled North Texas Tollway Authority ("NTTA"), Plaintiff v. James Construction Group, LLC, and KBR, Inc., Defendants, v. Reinforced Earth Company, Third-Party Defendant (the "Lawsuit"). On February 25, 2015, the Lawsuit was settled, and we recorded a liability for $17.0 million. A second defendant agreed to provide up to $5.4 million to pay for the total expected remediation cost of approximately $22.4 million. We will pay a third-party contractor approved by the NTTA to complete the remediation. In the event that the total remediation costs exceed the $22.4 million, the second defendant would pay 20% of the excess amount and we would pay for 80% of the excess amount. During the six months ended June 30, 2019, we increased our liability by $1.6 million. We also spent $5.0 million for remediation during the six months ended June 30, 2019. While we continue to monitor the progress toward remediation and the total remediation costs, at this time we cannot determine the eventual remediation cost. At June 30, 2019, the remaining accrual balance was $15.1 million.

Legal proceedings —We are subject to other claims and legal proceedings arising out of our business. We provide for costs related to contingencies when a loss from such claims is probable and the amount is reasonably estimable. In determining whether it is possible to provide an estimate of loss, or range of possible loss, we review and evaluate our litigation and regulatory matters on a quarterly basis in light of potentially relevant factual and legal developments. If we determine an unfavorable outcome is not probable or probable but not reasonably estimable, we do not accrue for a potential litigation loss.

Management is unable to ascertain the ultimate outcome of other claims and legal proceedings; however, after review and consultation with counsel and taking into consideration relevant insurance coverage and related deductibles/self-insurance retention, management believes that it has meritorious defenses to such claims and believes that the reasonably possible outcome of such claims will not, individually or in the aggregate, have a material adverse effect on our consolidated results of operations, financial condition or cash flow.

Bonding **—** At June 30, 2019 and December 31, 2018, the Company had bid and completion bonds issued and outstanding totaling approximately $598.7 million and $554.9 million, respectively.

Note 18—Reportable Segments

We segregate our business into five reportable segments: the Power segment, the Pipeline segment, the Utilities segment, the Transmission segment, and the Civil segment. Each of our reportable segments is comprised of similar business units that specialize in services unique to the segment. Driving the end-user focused segments are differences in the economic characteristics of each segment, the nature of the services provided by each segment; the production processes of each segment; the type or class of customer using the segment's services; the methods used by the segment to provide the services; and the regulatory environment of each segment's customers.

The classification of revenue and gross profit for segment reporting purposes can at times require judgment on the part of management. Our segments may perform services across industries or perform joint services for customers in multiple industries. To determine reportable segment gross profit, certain allocations, including allocations of shared and indirect costs, such as facility costs, equipment costs and indirect operating expenses, were made.

The following is a brief description of the reportable segments:

The Power segment operates throughout the United States and in Canada and specializes in a range of services that include full EPC project delivery, turnkey construction, retrofits, upgrades, repairs, outages, specialty services, fabrication, material lining, and maintenance for entities in the power, solar, petroleum, petrochemical, water, and other industries.

The Pipeline segment operates throughout the United States and specializes in a range of services, including pipeline construction, pipeline maintenance, pipeline integrity, pipeline facility work, compressor stations, pump stations, metering facilities, and other pipeline related services for entities in the petroleum and petrochemical industries.

The Utilities segment operates primarily in California, the Midwest, the Atlantic Coast, and the Southeast regions of the United States and specializes in a range of services, including gas utility line installation, replacement and maintenance, gas distribution, and fiber optic cable installation.

The Transmission segment operates primarily in the Southeastern, Midwest, Atlantic Coast, and Gulf Coast regions of the United States and specializes in a range of services in electric transmission and distribution, streetlight maintenance and construction, substation construction and specialty services, fiber optic cable installation, comprehensive engineering, procurement, maintenance and construction, repair, and restoration of utility infrastructure.

The Civil segment operates primarily in the Southeastern and Gulf Coast regions of the United States and specializes in highway and bridge construction, airport runway and taxiway construction, demolition, site clearing and grading, heavy earthwork, soil stabilization, mass excavation, and drainage projects.

All intersegment revenue and gross profit, which were immaterial, have been eliminated in the following tables.

Segment Revenue

Revenue by segment was as follows (in thousands):

	For the three months ended June 30,			
	2019		2018	
Segment	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Power	$ 172,170	21.8%	$ 167,001	25.7%
Pipeline	137,243	17.4%	90,605	14.0%
Utilities	222,312	28.1%	228,852	35.3%
Transmission	135,354	17.1%	42,454 **(1)**	6.5%
Civil	122,850	15.6%	119,875	18.5%
Total	$ 789,929	100.0%	$ 648,787	100.0%

(1) Represents results from the June 1, 2018 acquisition date of Willbros to June 30, 2018.

	For the six months ended June 30,			
	2019		2018	
Segment	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Power	$ 317,553	21.9%	$ 333,556	28.9%
Pipeline	272,057	18.7%	148,188	12.9%
Utilities	368,518	25.4%	395,562	34.3%
Transmission	253,797	17.5%	42,454 **(1)**	3.7%
Civil	239,562	16.5%	233,146	20.2%
Total	$ 1,451,487	100.0%	$ 1,152,906	100.0%

(1) Represents results from the June 1, 2018 acquisition date of Willbros to June 30, 2018.

Segment Gross Profit

Gross profit by segment was as follows (in thousands):

	For the three months ended June 30,			
	2019		2018	
Segment	Gross Profit	% of Segment Revenue	Gross Profit	% of Segment Revenue
Power	$ 23,167	13.5%	$ 20,526	12.3%
Pipeline	11,531	8.4%	10,678	11.8%
Utilities	30,866	13.9%	34,564	15.1%
Transmission	10,200	7.5%	5,721 **(1)**	13.5%
Civil	4,767	3.9%	(70)	(0.1%)
Total	$ 80,531	10.2%	$ 71,419	11.0%

(1) Represents results from the June 1, 2018 acquisition date of Willbros to June 30, 2018.

	For the six months ended June 30,			
	2019		2018	
Segment	Gross Profit	% of Segment Revenue	Gross Profit	% of Segment Revenue
Power	$ 43,365	13.7%	$ 44,597	13.4%
Pipeline	26,547	9.8%	18,569	12.5%
Utilities	39,107	10.6%	43,615	11.0%
Transmission	16,828	6.6%	5,721 **(1)**	13.5%
Civil	7,144	3.0%	3,477	1.5%
Total	$ 132,991	9.2%	$ 115,979	10.1%

(1) Represents results from the June 1, 2018 acquisition date of Willbros to June 30, 2018.

Segment Goodwill

The amount of goodwill recorded by each segment at June 30, 2019 and at December 31, 2018 is presented in Note 7 – "*Goodwill and Intangible Assets*".

Geographic Region — Revenue and Total Assets

The majority of our revenue is derived from customers in the United States with approximately 5.0% and 1.4% generated from sources outside of the United States during the six months ended June 30, 2019 and 2018, respectively, principally in Canada. At June 30, 2019 and December 31, 2018, approximately 3.2% of total assets were located outside of the United States.

Note 19—Subsequent Events

Cash Dividend

On August 2, 2019, the Board of Directors declared a cash dividend of $0.06 per share of common stock for stockholders of record as of September 30, 2019, payable on or about October 15, 2019.

PRIMORIS SERVICES CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Forward Looking Statements

This Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 ("Second Quarter 2019 Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to the "safe harbor" created by those sections. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of regulation and the economy, generally. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates", "believes", "could", "estimates", "expects", "intends", "may", "plans", "potential", "predicts", "projects", "should", "will", "would" or similar expressions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss many of these risks in detail in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2018 and our other filings with the Securities and Exchange Commission ("SEC"). You should read this Second Quarter 2019 Report, our Annual Report on Form 10-K for the year ended December 31, 2018 and our other filings with the SEC completely and with the understanding that our actual future results may be materially different from what we expect.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this Second Quarter 2019 Report. We assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available.

The following discussion and analysis should be read in conjunction with the unaudited financial statements and the accompanying notes included in Part 1, Item 1 of this Second Quarter 2019 Report and our Annual Report on Form 10-K for the year ended December 31, 2018.

Introduction

Primoris is a holding company of various subsidiaries, which form one of the larger publicly traded specialty contractors and infrastructure companies in the United States. Serving diverse end-markets, we provide a wide range of construction, specialty services, fabrication, maintenance, replacement, and engineering services to major public and private utilities, petrochemical companies, refiners, energy companies, municipalities, state departments of transportation and other customers. We install, replace, repair and rehabilitate natural gas infrastructure, refined product, water and wastewater pipeline systems; large diameter gas and liquid pipeline facilities; electric transmission and distribution infrastructure; and heavy civil projects, earthwork, as well as site clearing, grading and soil stabilization. We also construct mechanical facilities and other structures, including power plants, petrochemical facilities, hydrogen plants, refineries, solar facilities, battery storage facilities, electrical substations, water and wastewater treatment facilities and parking structures. Finally, we provide specialized process and product engineering services.

We have longstanding customer relationships with major utility, refining, petrochemical, power state departments of transportation, and engineering companies. We have completed major underground and industrial projects for a number of large natural gas transmission and petrochemical companies in the United States, major electrical and gas projects for a number of large utility companies in the United States, as well as significant projects for our engineering customers. We enter into a large number of contracts each year, and the projects can vary in length from daily work orders to as long as 60 months, or longer for completion on larger projects. Although we have not been dependent upon any one customer in any year, a small number of customers tend to constitute a substantial portion of our total revenue in any given year.

We generate revenue under a range of contracting options, including fixed-price, unit-price, time and material, and cost reimbursable plus fee contracts. A substantial portion of our revenue is derived from contracts that are fixed-price or unit-price and is recognized over time as work is completed because of the continuous transfer of control to the customer. For time and material and cost reimbursable plus fee contracts, revenue is recognized primarily on an input basis, based on contract costs incurred as defined within the respective contracts.

Our reportable segments include the Power, Industrial, and Engineering (“Power”) segment, the Pipeline and Underground (“Pipeline”) segment, the Utilities and Distribution (“Utilities”) segment, the Transmission and Distribution (“Transmission”) segment, and the Civil segment. See Note 18 – “*Reportable Segments*” for a brief description of the reportable segments and their operations.

The classification of revenue and gross profit for segment reporting purposes can at times require judgment on the part of management. Our segments may perform services across industries or perform joint services for customers in multiple industries. To determine reportable segment gross profit, certain allocations, including allocations of shared and indirect costs, such as facility costs, equipment costs and indirect operating expenses were made.

On June 1, 2018, we acquired Willbros Group Inc. (“Willbros”) for approximately $110.6 million, net of cash and restricted cash acquired. Willbros is a specialty energy infrastructure contractor serving the oil and gas and power industries through its utility transmission and distribution, oil and gas, and Canadian operations, which principally provides unit-price maintenance services in existing operating facilities and executes industrial and power projects. The utility transmission and distribution operations formed the Transmission segment, the oil and gas operations are included in the Pipeline segment, and the Canadian operations are included in the Power segment. Willbros expands our services into electric utility-focused offerings and increases our geographic presence in the United States and Canada.

We own a 50% interest in the Carlsbad Power Constructors joint venture (“Carlsbad”), which engineered and constructed a gas-fired power generation facility located in Southern California, and its operations are included as part of the Power segment. As a result of determining that we are the primary beneficiary of the variable interest entity (“VIE”), the results of the Carlsbad joint venture are consolidated in our financial statements. The project was substantially complete as of December 31, 2018 and the warranty period expires in December 2020.

We owned a 50% interest in the “ARB Inc. & B&M Engineering Co.” joint venture (“Wilmington”), which engineered and constructed a gas-fired power generation facility in Southern California, and its operations were included as part of the Power segment. As a result of determining that we were the primary beneficiary of the VIE, the results of the Wilmington joint venture were consolidated in our financial statements. The project has been completed, the project warranty period expired, and dissolution of the joint venture was completed in the first quarter of 2019.

Financial information for the joint ventures is presented in Note 11 – “*Noncontrolling Interests*”.

Material trends and uncertainties

We generate our revenue from both large and small construction and engineering projects. The award of these contracts is dependent on many factors, most of which are not within our control. We depend in part on spending by companies in the energy and oil and gas industries, the gas and electric utility industry, as well as municipal water and wastewater customers. Over the past several years, each segment has benefited from demand for more efficient and more environmentally friendly energy and power facilities, local highway and bridge needs and from the activity level in the oil and gas industry. However, periodically, each of these industries and government agencies is adversely affected by macroeconomic conditions. Economic factors outside of our control may affect the amount and size of contracts we are awarded in any particular period.

We closely monitor our customers to assess the effect that changes in economic, market and regulatory conditions may have on them. We have experienced reduced spending by some of our customers over the last several years, which we attribute to negative economic and market conditions, and we anticipate that these negative conditions may continue to affect demand for our services in the near-term.

Fluctuations in market prices of oil, gas and other fuel sources have affected demand for our services. The significant volatility in the price of oil, gas and liquid natural gas that occurred in the past few years could create uncertainty with respect to demand for our oil and gas pipeline services both in the near-term and for future projects. We have started to see increased activity in our upstream operations, such as the construction of gathering lines within the oil shale formations and believe that over time, the need for pipeline infrastructure for mid-stream and gas utility companies will result in a continuing need for our services. However, a prolonged period of depressed oil prices could delay midstream pipeline opportunities.

We are also monitoring the impact of recently imposed domestic and foreign trade tariffs, which could raise the price of raw materials, such as steel, utilized on construction projects or delay the start of certain projects. The continuing changes in the regulatory environment also affect the demand for our services, either by increasing our work or delaying projects. For example, environmental laws and regulation can provide challenges to major pipeline projects, resulting in delays that impact the timing of revenue recognition. In addition, the regulatory environment in California may result in delays for the construction of gas-fired power plants while regulators continue to search for significant renewable resources, but renewable resources may also create a demand for our construction and specialty services such as the need for battery storage of renewable generated electricity.

On January 29, 2019, one of our utility customers filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. As of June 30, 2019, the utility customer comprised approximately 14.0% of our total accounts receivable. In addition to accounts receivable, there is approximately $15.8 million in unbilled revenue, net as of June 30, 2019. For the three and six months ended June 30, 2019, the customer accounted for approximately 5.9% and 5.7% of our total revenue, respectively. A portion of the accounts receivable balance is past due, but we do not believe a reserve for the accounts receivable and unbilled revenue is appropriate at this time. However, we will closely monitor our current and future potential exposure.

Seasonality, cyclicality and variability

Our results of operations are subject to quarterly variations. Some of the variation is the result of weather, particularly rain, ice and snow, which can impact our ability to perform construction and specialty services. These seasonal impacts can affect revenue and profitability in all of our businesses since utilities defer routine replacement and repair during their period of peak demand. Any quarter can be affected either negatively or positively by atypical weather patterns in any part of the country. In addition, demand for new projects tends to be lower during the early part of the calendar year due to clients' internal budget cycles. As a result, we usually experience higher revenue and earnings in the third and fourth quarters of the year as compared to the first two quarters.

Our project values range in size from a few hundred dollars to much larger projects. The bulk of our work is comprised of project sizes that average less than $10 million. We also perform large construction projects which tend not to be seasonal, but can fluctuate from year to year based on general economic conditions. Our business may be affected by declines or delays in new projects or by client project schedules. Because of the cyclical nature of our business, the financial results for any period may fluctuate from prior periods, and our financial condition and operating results may vary from quarter to quarter. Results from one quarter may not be indicative of financial condition or operating results for any other quarter or for an entire year.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and that affect the amounts of revenue and expenses reported for each period. These estimates and assumptions must be made because certain information that is used in the preparation of our financial statements cannot be calculated with a high degree of precision from data available, is dependent on future events, or is not capable of being readily calculated based on generally accepted methodologies. Often, these estimates are particularly difficult to determine, and we must exercise significant judgment. Actual results could differ significantly from our estimates, and our estimates could change if they were made under different assumptions or conditions. Our critical accounting policies are described in our Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes to our critical accounting policies since December 31, 2018.

Results of Operations

Consolidated Results

The following discussion compares the results of the three and six months ended June 30, 2019 to the three and six months ended June 30, 2018.

Revenue

Revenue was $789.9 million for the three months ended June 30, 2019, an increase of $141.1 million, or 21.7%, compared to the same period in 2018. The increase was primarily due to incremental revenue from the Willbros acquisition ($121.3 million) and organic growth in the Pipeline segment.

Revenue was $1,451.5 million for the six months ended June 30, 2019, an increase of $298.6 million, or 25.9%, compared to the same period in 2018. The increase was primarily due to incremental revenue from the Willbros acquisition ($279.0 million) and organic growth in the Pipeline segment. The overall increase was partially offset by lower revenue in our Power and Utilities segments.

Gross Profit

Gross profit was $80.5 million for the three months ended June 30, 2019, an increase of $9.1 million, or 12.8%, compared to the same period in 2018. The increase was primarily due to revenue growth. Gross profit for the three months ended June 30, 2019 from the Willbros acquisition totaled $7.7 million. Gross profit as a percentage of revenue decreased to 10.2% in the three months ended June 30, 2019 from 11.0% in the same period in 2018 due primarily to unfavorable weather conditions in the Transmission, Pipeline and Utilities segments.

Gross profit was $133.0 million for the six months ended June 30, 2019, an increase of $17.0 million, or 14.7%, compared to the same period in 2018. The increase was primarily due to revenue growth. Gross profit for the six months ended June 30, 2019 from the Willbros acquisition totaled $15.2 million. Gross profit as a percentage of revenue decreased to 9.2% in the six months ended June 30, 2019 from 10.1% in the same period in 2018 due to unfavorable weather conditions in the Transmission, Pipeline and Utilities segments.

Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses were $48.7 million during the three months ended June 30, 2019, an increase of $5.2 million, or 12.0%, compared to 2018 primarily due to $3.7 million of incremental expense from the Willbros acquisition and a $1.7 million increase in compensation related expenses, including discretionary incentive compensation. SG&A expense as a percentage of revenue decreased to 6.2% compared to 6.7% for the corresponding period in 2018 due to increased revenue.

SG&A expenses were $91.7 million during the six months ended June 30, 2019, an increase of $11.2 million, or 13.9%, compared to 2018 primarily due to $10.9 million of incremental expense from the Willbros acquisition. SG&A expense as a percentage of revenue decreased to 6.3% compared to 7.0% for the corresponding period in 2018 due to increased revenue.

Merger and related costs

No merger and related costs were incurred for the three and six months ended June 30, 2019, compared to $7.7 million and $9.4 million in the same periods in 2018, which consisted primarily of severance and retention bonus costs for certain employees of Willbros and professional fees paid to advisors associated with the acquisition of Willbros.

Other income and expense

Non-operating income and expense items for the three and six months ended June 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Foreign exchange (loss) gain	(403)	1,256	$ (588)	$ 1,513
Other income (expense), net	177	(771)	(193)	(783)
Interest income	219	340	568	612
Interest expense	(6,716)	(3,191)	(12,308)	(5,189)
Total other income (expense)	$ (6,723)	$ (2,366)	$ (12,521)	$ (3,847)

Foreign exchange gains reflect currency exchange fluctuations associated with our Canadian engineering operation, which operates principally in United States dollars.

Interest expense for the three and six months ended June 30, 2019 increased compared to the same periods in 2018 due to higher average debt balances and weighted average interest rates in 2019. In addition, we had a $2.7 million and $4.2 million unrealized loss on the change in the fair value of our interest rate swap agreement during the three and six months ended June 30, 2019, respectively.

Provision for income taxes

We are subject to tax liabilities imposed by multiple jurisdictions. We determine our best estimate of the annual effective tax rate at each interim period using expected annual pre-tax earnings, statutory tax rates, and available tax planning opportunities. Certain significant or unusual items are separately recognized in the quarter in which they occur which can cause variability in the effective tax rate from quarter to quarter. We recognize interest and penalties related to uncertain tax positions, if any, as an income tax expense.

The effective tax rate on income attributable to Primoris (excluding noncontrolling interests) was 29.0% for the six months ended June 30, 2019. The rate differs from the U.S. federal statutory rate of 21.0% primarily due to state income taxes and nondeductible components of per diem expenses.

We recorded income tax expense for the three months ended June 30, 2019 of $7.3 million compared to $3.7 million for the three months ended June 30, 2018. The $3.6 million increase in income tax expense was primarily driven by a $9.6 million increase in pre-tax income (excluding noncontrolling interests).

We recorded income tax expense for the six months ended June 30, 2019 of $8.1 million compared to $3.9 million for the six months ended June 30, 2018. The $4.2 million increase in income tax expense was primarily driven by a $11.5 million increase in pre-tax income (excluding noncontrolling interests).

Segment results

Power Segment

Revenue and gross profit for the Power segment for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three Months Ended June 30,			
	2019		2018	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Power Segment				
Revenue	$ 172,170		$ 167,001	
Gross profit	$ 23,167	13.5%	$ 20,526	12.3%

	Six Months Ended June 30,			
	2019		2018	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Power Segment				
Revenue	$ 317,553		$ 333,556	
Gross profit	$ 43,365	13.7%	$ 44,597	13.4%

Revenue increased by $5.2 million, or 3.1%, for the three months ended June 30, 2019, compared to the same period in 2018. The increase is primarily due to a West Texas solar facility project that began in 2019 ($34.1 million) and revenue from the acquisition of Willbros in June of 2018 ($26.4 million). The overall increase was partially offset by the substantial completions of our Carlsbad joint venture project and a West Texas solar facility project in 2018 ($47.2 million combined) and lower revenue from a LNG plant project in the Northeast in 2019.

Revenue decreased by $16.0 million, or 4.8%, for the six months ended June 30, 2019, compared to the same period in 2018. The decrease is primarily due to the substantial completion of our Carlsbad joint venture project in 2018 ($67.0 million), partially offset by revenue from the acquisition of Willbros in June of 2018 ($52.2 million).

Gross profit for the three months ended June 30, 2019, increased by $2.6 million, or 12.9% compared to the same period in 2018. The increase is primarily due to higher revenue and margins. Gross profit as a percentage of revenue increased to 13.5% during the three months ended June 30, 2019, compared to 12.3% in the same period in 2018 primarily due to more favorable margins realized by our solar project in 2019 compared to the solar project completed in 2018.

Gross profit for the six months ended June 30, 2019, decreased by $1.2 million, or 2.8% compared to the same period in 2018. The decrease is attributable to lower revenue. Gross profit as a percentage of revenue during the six months ended June 30, 2019 was comparable to the same period in 2018.

Pipeline Segment

Revenue and gross profit for the Pipeline segment for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three Months Ended June 30,			
	2019		2018	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Pipeline Segment				
Revenue	$ 137,243		$ 90,605	
Gross profit	$ 11,531	8.4%	$ 10,678	11.8%

	Six Months Ended June 30,			
	2019		2018	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Pipeline Segment				
Revenue	$ 272,057		$ 148,188	
Gross profit	$ 26,547	9.8%	$ 18,569	12.5%

Revenue increased by $46.6 million, or 51.5%, for the three months ended June 30, 2019, compared to the same period in 2018. The increase is primarily due to increased pipeline maintenance, facility construction and specialty activity ($37.3 million) and progress on a major pipeline project in West Texas that began in June of 2018.

Revenue increased by $123.9 million for the six months ended June 30, 2019, compared to the same period in 2018. The increase is primarily due to increased pipeline maintenance, facility construction and specialty services activity ($82.7 million) and progress on major pipeline projects in the Mid-Atlantic and West Texas that began in 2018 ($54.7 million combined), partially offset by the completion of pipeline projects in Florida in 2018.

Gross profit for the three months ended June 30, 2019 increased by $0.9 million, or 8.0%, compared to the same period in 2018 due to revenue growth, partially offset by lower margins. Gross profit as a percentage of revenue decreased to 8.4% during the three months ended June 30, 2019, compared to 11.8% in the same period in 2018 primarily due to unfavorable weather conditions on a West Texas pipeline project and the impact of a client delay on a project in Southern California.

Gross profit for the six months ended June 30, 2019 increased by $8.0 million compared to the same period in 2018 due to revenue growth, partially offset by lower margins. Gross profit as a percentage of revenue decreased to 9.8% during the six months ended June 30, 2019, compared to 12.5% in the same period in 2018 primarily due to higher costs in 2019 on a West Texas pipeline project driven by unfavorable weather conditions.

Utilities Segment

Revenue and gross profit for the Utilities segment for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three Months Ended June 30,			
	2019		2018	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Utilities Segment				
Revenue	$ 222,312		$ 228,852	
Gross profit	$ 30,866	13.9%	$ 34,564	15.1%

	Six Months Ended June 30,			
	2019		2018	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Utilities Segment				
Revenue	$ 368,518		$ 395,562	
Gross profit	$ 39,107	10.6%	$ 43,615	11.0%

Revenue decreased by $6.5 million, or 2.9%, for the three months ended June 30, 2019, compared to the same period in 2018 primarily due to decreased activity with a major utility customer in California ($9.5 million) and unfavorable weather conditions experienced in the Midwest.

Revenue decreased by $27.0 million, or 6.8%, for the six months ended June 30, 2019, compared to the same period in 2018 primarily due to decreased activity with two major utility customers in California ($25.3 million combined) and unfavorable weather conditions experienced in the Midwest.

Gross profit for the three and six months ended June 30, 2019 decreased by $3.7 million, or 10.7%, and $4.5 million, or 10.3%, respectively, compared to the same periods in 2018. The decrease is primarily due to lower revenue and margins from unfavorable weather conditions experienced in the Midwest.

Gross profit as a percent of revenue decreased to 13.9% during the three months ended June 30, 2019, compared to 15.1%, in the same period in 2018 primarily due to a shift in the mix of work performed and unfavorable weather conditions experienced in the Midwest.

Gross profit as a percent of revenue decreased to 10.6% during the six months ended June 30, 2019, compared to 11.0%, in the same period in 2018 primarily due to a shift in the mix of work performed.

Transmission Segment

Revenue and gross profit for the Transmission segment for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three Months Ended June 30,			
	2019		2018	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Transmission Segment				
Revenue	$ 135,354		$ 42,454	
Gross profit	$ 10,200	7.5%	$ 5,721	13.5%

	Six Months Ended June 30,			
	2019		2018	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Transmission Segment				
Revenue	$ 253,797		$ 42,454	
Gross profit	$ 16,828	6.6%	$ 5,721	13.5%

The Transmission segment was created in connection with the acquisition of Willbros in the second quarter of 2018. Revenue and gross profit for the three and six months ended June 30, 2018, represent results from June 1, 2018, the acquisition date, to June 30, 2018.

Revenue increased by $92.9 million and $211.3 million for the three and six months ended June 30, 2019, respectively, compared to the same periods in 2018 primarily due to incremental revenue from the acquisition of Willbros in June of 2018.

Gross profit for the three and six months ended June 30, 2019, increased by $4.5 million and $11.1 million, respectively, due primarily to higher revenue, partially offset by lower margins. Gross profit as a percentage of revenue decreased to 7.5% and 6.6% during the three and six months ended June 30, 2019, respectively, compared to 13.5% in the same periods in 2018 primarily due to a shift in the mix of work performed, unfavorable weather conditions experienced in 2019, and upfront costs to expand our operations.

Civil Segment

Revenue and gross profit for the Civil segment for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three Months Ended June 30,			
	2019		2018	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Civil Segment				
Revenue	$ 122,850		$ 119,875	
Gross profit	$ 4,767	3.9%	$ (70)	(0.1%)

	Six Months Ended June 30,			
	2019		2018	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Civil Segment				
Revenue	$ 239,562		$ 233,146	
Gross profit	$ 7,144	3.0%	$ 3,477	1.5%

Revenue increased by $3.0 million, or 2.5%, for the three months ended June 30, 2019, compared to the same period in 2018. The increase is primarily due to a project with a major refining customer that began in 2019 ($9.0 million) and progress on a port project and an ethylene plant project that began in 2018, partially offset by lower Texas Department of Transportation ("DOT") volumes.

Revenue increased by $6.4 million, or 2.8%, for the six months ended June 30, 2019, compared to the same period in 2018. The increase is primarily due to a project with a major refining customer that began in 2019 ($17.2 million), and progress on a port project and an ethylene plant project that began in 2018, partially offset by lower Texas DOT and Arkansas DOT volumes.

Gross profit increased by $4.8 million for the three months ended June 30, 2019, compared to the same period in 2018 primarily due to higher revenue and margins. Gross profit as a percentage of revenue increased to 3.9% during the three months ended June 30, 2019, compared to (0.1%) in the same period in 2018 due primarily to higher costs on an airport project in the second quarter of 2018.

Gross profit increased by $3.7 million for the six months ended June 30, 2019, compared to the same period in 2018 primarily due to higher revenue and margins. Gross profit as a percentage of revenue increased to 3.0% during the six months ended June 30, 2019, compared to 1.5% in the same period in 2018 due primarily to higher costs on an airport project in 2018.

Revenue at the five Belton area projects was $15.9 million and $31.9 million for the three and six months ended June 30, 2019, respectively, representing 12.9% and 13.3% of total Civil revenue, respectively. Revenue for which no margin was recognized was $9.3 million and $15.1 million for the three and six months ended June 30, 2019, respectively. During the three and six months ended June 30, 2019, four Belton area jobs were in a loss position and reported $3.7 million and $2.0 million of gross profit, respectively. Two of the Belton area jobs in a loss position were completed during 2017, and the two remaining loss jobs are scheduled to be completed in 2019. At June 30, 2019, the accrued loss provision for the two open loss jobs was $0.1 million and estimated remaining revenue for the jobs was $0.6 million. The remaining Belton area job is not in a loss position and contributed ($0.7) million and ($0.2) million gross profit during the three and six months ended June 30, 2019, respectively. At June 30, 2019, estimated remaining revenue for the remaining Belton area job was $10.7 million, with completion scheduled for 2019.

At June 30, 2019, we had approximately $50.2 million of unapproved contract modifications included in the aggregate transaction prices associated with the Belton area projects. Approximately $49.1 million of the contract modifications had been recognized as revenue on a cumulative catch-up basis through June 30, 2019.

Geographic area financial information

The majority of our revenue is derived from customers in the United States with approximately 5.0% generated from sources outside of the United States during the six months ended June 30, 2019, principally in Canada.

Backlog

For companies in the construction industry, backlog can be an indicator of future revenue streams. Different companies define and calculate backlog in different manners. We define backlog as a combination of: (1) anticipated revenue from the uncompleted portions of existing contracts for which we have known revenue amounts for fixed-price and unit-price contracts ("Fixed Backlog"), and (2) the estimated revenue on MSA work for the next four quarters ("MSA Backlog"). We normally do not include time-and-equipment, time-and-materials and cost reimbursable plus fee contracts in the calculation of backlog, since their final revenue amount is difficult to estimate in advance. However, we will include these types of contracts in backlog if the customer specifies an anticipated revenue amount.

The two components of backlog, Fixed Backlog and MSA Backlog, are detailed below.

Fixed Backlog

Fixed Backlog by reportable segment as of December 31, 2018 and June 30, 2019 and the changes in Fixed Backlog for the six months ended June 30, 2019 are as follows (in millions):

Reportable Segment	Beginning Fixed Backlog at December 31, 2018	Contract Additions to Fixed Backlog	Revenue Recognized from Fixed Backlog	Ending Fixed Backlog at June 30, 2019	Revenue Recognized from Non-Fixed Backlog Projects	Total Revenue for Six Months ended June 30, 2019
Power	$ 245.3	$ 359.2	$ 224.7	$ 379.8	$ 92.9	$ 317.6
Pipeline	672.5	341.5	230.0	784.0	42.0	272.0
Utilities	31.1	94.1	76.6	48.6	291.9	368.5
Transmission	21.5	48.0	41.2	28.3	212.6	253.8
Civil	505.6	300.0	231.6	574.0	8.0	239.6
Total	$ 1,476.0	$ 1,142.8	$ 804.1	$ 1,814.7	$ 647.4	$ 1,451.5

Revenue recognized from non-Fixed Backlog projects shown above are generated by MSA projects and projects completed under time and material and cost reimbursable plus fee contracts or are generated from the sale of construction materials, such as rock or asphalt to outside third parties or sales of water services.

At June 30, 2019, our total Fixed Backlog was $1.81 billion, representing an increase of $338.7 million, or 22.9%, compared to $1.48 billion at December 31, 2018.

MSA Backlog

The following table outlines historical MSA revenue for the past six quarters (in millions):

	Quarterly MSA Revenue 2018	Quarterly MSA Revenue 2019
First Quarter	$ 146.4	$ 292.9
Second Quarter	$ 238.7	$ 348.3
Third Quarter	$ 390.4	
Fourth Quarter	$ 353.1	

MSA Backlog includes anticipated MSA revenue for the next twelve months. We estimate MSA revenue based on historical trends, anticipated seasonal impacts and estimates of customer demand based on information from our customers.

The following table shows our estimated MSA Backlog at June 30, 2019 by reportable segment (in millions):

Reportable Segment:	MSA Backlog at June 30, 2019
Power	$ 119.0
Pipeline	82.3
Utilities	733.8
Transmission	444.7
Civil	2.0
Total	$ 1,381.8

Total Backlog

The following table shows total backlog (Fixed Backlog plus MSA Backlog), by reportable segment as of the quarter-end dates shown below (in millions):

Reportable Segment:	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
Power	$ 387.2	$ 358.7	$ 367.1	$ 557.8	$ 498.8
Pipeline	910.3	868.6	702.8	659.5	866.3
Utilities	683.4	698.0	789.3	802.3	782.4
Transmission	325.9	341.1	394.9	468.9	473.0
Civil	527.2	440.2	505.6	451.5	576.0
Total	$ 2,834.0	$ 2,706.6	$ 2,759.7	$ 2,940.0	$ 3,196.5

We expect that during the next four quarters, we will recognize as revenue approximately 73% of the total backlog at June 30, 2019, comprised of backlog of approximately: 78% of the Power segment; 32% of the Pipeline segment; 100% of the Utilities segment; 100% of the Transmission segment; and 71% of the Civil segment.

Backlog should not be considered a comprehensive indicator of future revenue, as a percentage of our revenue is derived from projects that are not part of a backlog calculation. The backlog estimates include amounts from estimated MSA revenue, but our customers are not contractually obligated to purchase an amount of services from us under the MSAs. Any of our contracts, MSA, fixed-price or unit-price, may be terminated by our customers on relatively short notice. In the event of a project cancellation, we may be reimbursed for certain costs, but typically we have no contractual right to the total revenue reflected in backlog. Projects may remain in backlog for extended periods of time as a result of customer delays, regulatory requirements or project specific issues. Future revenue from projects completed under time and material and cost reimbursable plus fee contracts may not be included in our estimated backlog amount.

Liquidity and Capital Resources

Cash Needs

Liquidity represents our ability to pay our liabilities when they become due, fund business operations and meet our contractual obligations and execute our business plan. Our primary sources of liquidity are our cash balances at the beginning of each period and our net cash flow. If needed, we have availability under our lines of credit to augment liquidity needs. At June 30, 2019, there was $55.0 million of outstanding borrowings under the Revolving Credit Facility, commercial letters of credit outstanding were $41.4 million, and available borrowing capacity was $103.6 million. In order to maintain sufficient liquidity, we evaluate our working capital requirements on a regular basis. We may elect to raise additional capital by issuing common stock, convertible notes, term debt or increasing our credit facility as necessary to fund our operations or to fund the acquisition of new businesses.

Our cash and cash equivalents totaled $54.1 million at June 30, 2019, compared to $151.1 million at December 31, 2018. We anticipate that our cash and investments on hand, existing borrowing capacity under our credit facility and our future cash flows from operations will provide sufficient funds to enable us to meet our operating needs, our planned capital expenditures, and settle our commitments and contingencies for at least the next twelve months. In evaluating our liquidity needs, we do not consider cash and cash equivalents held by our consolidated VIEs. These amounts, which totaled $2.2 million and $3.1 million as of June 30, 2019 and December 31, 2018, respectively, were not available for general corporate purposes.

The construction industry is capital intensive, and we expect to continue to make capital expenditures to meet anticipated needs for our services. Historically, we have invested an amount that approximated the sum of depreciation and amortization expenses plus proceeds from equipment sales. During the six months ended June 30, 2019, we spent approximately $56.9 million for capital expenditures, which included $38.2 million for construction equipment. The total of our depreciation, amortization and equipment sales was approximately $64.6 million. Capital expenditures for the remaining six months of 2019 are expected to total between $15.0 million and $20.0 million.

Cash Flows

Cash flows during the six months ended June 30, 2019 and 2018 are summarized as follows (in thousands):

	Six months ended June 30, 2019	Six months ended June 30, 2018
Change in cash:		
Net cash used in operating activities	$ (96,524)	$ (716)
Net cash used in investing activities	(35,711)	(151,326)
Net cash provided by financing activities	34,432	156,738
Effect of exchange rate changes	854	(185)
Net change in cash and cash equivalents	$ (96,949)	$ 4,511

Operating Activities

The source of our cash flows from operating activities for the six months ended June 30, 2019 and 2018 were as follows (in thousands):

	Six months ended June 30, 2019	Six months ended June 30, 2018	Change
Operating Activities:			
Net income	$ 20,760	$ 18,407	$ 2,353
Depreciation and amortization	43,392	35,175	8,217
Changes in assets and liabilities	(156,981)	(53,216)	(103,765)
Other	(3,695)	(1,082)	(2,613)
Net cash used in operating activities	$ (96,524)	$ (716)	$ (95,808)

Net cash used in operating activities for the six months ended June 30, 2019 was $96.5 million compared to $0.7 million for the six months ended June 30, 2018. The change year-over-year was primarily due to an unfavorable impact from the changes in assets and liabilities.

The significant components of the $157.0 million change in assets and liabilities for the six months ended June 30, 2019 are summarized as follows:

- Accounts receivable increased by $98.0 million from December 31, 2018, due primarily to an increase in revenue and a $58.9 million increase from the delay in payments from one of our utility customers while they go through bankruptcy proceedings. We continue to maintain an excellent collection history, and we have certain lien rights that provide additional security for collections, if necessary;

- Contract assets increased by $51.0 million from December 31, 2018, primarily due to an increase in unbilled revenue;

- Accounts payable and accrued liabilities decreased by $17.9 million from December 31, 2018, due to the timing of payments.

Investing activities

For the six months ended June 30, 2019, we used $35.7 million in cash from investing activities compared to $151.3 million for the six months ended June 30, 2018.

During the six months ended June 30, 2019, we purchased property and equipment for $56.9 million in cash compared to $46.1 million during the same period in the prior year. We believe the ownership of equipment is generally preferable to renting equipment on a project-by-project basis, as ownership helps to ensure the equipment is available for our projects when needed. In addition, ownership has historically resulted in lower overall equipment costs.

During the six months ended June 30, 2018, we used $111.0 million of cash for the acquisition of Willbros.

In connection with the acquisition of Willbros, we agreed to provide, at our discretion, up to $20.0 million in secured bridge financing to support Willbros' working capital needs through the closing date. In March 2018 and May 2018, we provided $10.0 million and $5.0 million, respectively, in secured bridge financing to Willbros. The $15.0 million was repaid in its entirety on June 1, 2018.

Financing activities

Financing activities provided cash of $34.4 million for the six months ended June 30, 2019, which was primarily due to the following:

- Net borrowings under our revolving credit facility of $55.0 million;
- Proceeds from the issuance of debt secured by our equipment of $23.1 million;
- Repayment of long-term debt of $34.3 million;
- Dividend payments to our stockholders of $6.1 million; and
- Cash distributions to non-controlling interest holders of $3.5 million.

Financing activities provided cash of $156.7 million for the six months ended June 30, 2018, which was primarily due to the following:

- Borrowings under our revolving credit facility of $170.0 million;
- Proceeds from the issuances of debt secured by our equipment of $19.5 million
- Repayment of long-term debt of $28.0 million; and
- Dividend payments to our stockholders of $6.2 million.

Credit Agreements

For a description of our credit agreements, see Note 9 — "*Credit Arrangements*" in Item 1, Financial Statements of this Second Quarter 2019 Report.

Common stock

For a discussion of items affecting our common stock, please see Note 15 — "*Stockholders' Equity*" in Item 1, Financial Statements of this Second Quarter 2019 Report.

Off-balance sheet transactions

We enter into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected on our balance sheet. We have no off-balance sheet financing arrangement with VIEs. The following represents transactions, obligations or relationships that could be considered material off-balance sheet arrangements.

- At June 30, 2019, we had letters of credit outstanding of $41.6 million under the terms of our credit agreements. These letters of credit are used by our insurance carriers to ensure reimbursement for amounts that they are disbursing on our behalf, such as beneficiaries under our self-funded insurance program. In addition, from time to time, certain customers require us to post a letter of credit to ensure payments to our subcontractors or guarantee performance under our contracts. Letters of credit reduce our borrowing availability under our Credit Agreement and Canadian Credit Facility. If these letters of credit were drawn on by the beneficiary, we would be required to reimburse the issuer of the letter of credit, and we may be required to record a charge to earnings for the reimbursement. As of the date of this Second Quarter 2019 Report, we do not believe that it is likely that any material claims will be made under a letter of credit;

- In the ordinary course of our business, we may be required by our customers to post surety bid or completion bonds in connection with services that we provide. At June 30, 2019, we had $598.7 million in outstanding bonds. As of the date of this Second Quarter 2019 Report, we do not anticipate that we would have to fund material claims under our surety arrangements;

- Certain of our subsidiaries are parties to collective bargaining agreements with unions. In most instances, these agreements require that we contribute to multi-employer pension and health and welfare plans. For many plans, the contributions are determined annually and required future contributions cannot be determined since contribution rates depend on the total number of union employees and actuarial calculations based on the demographics of all participants. The Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Multi-Employer Pension Amendments Act of 1980, subjects employers to potential liabilities in the event of an employer's complete or partial withdrawal of an underfunded multi-employer pension plan. The Pension Protection Act of 2006 added new funding rules for multi-employer plans that are classified as "endangered", "seriously endangered", or "critical". We do not currently anticipate withdrawal from any multi-employer pension plans. Withdrawal liabilities or requirements for increased future contributions could negatively impact our results of operations and liquidity;

- We enter into employment agreements with certain employees which provide for compensation and benefits under certain circumstances and which may contain a change of control clause. We may be obligated to make payments under the terms of these agreements; and

- From time to time, we make other guarantees, such as guaranteeing the obligations of our subsidiaries.

Effects of Inflation and Changing Prices

Our operations are affected by increases in prices, whether caused by inflation or other economic factors. We attempt to recover anticipated increases in the cost of labor, equipment, fuel and materials through price escalation provisions in certain major contracts or by considering the estimated effect of such increases when bidding or pricing new work or by entering into back-to-back contracts with suppliers and subcontractors. To date, our operations have not been materially impacted by the effects of increases in prices.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, we are exposed to risks related to market conditions. These risks primarily include fluctuations in foreign currency exchange rates, interest rates and commodity prices. We may seek to manage these risks through the use of financial derivative instruments. These instruments may include foreign currency exchange contracts and interest rate swaps.

Interest rate risk. Our revolving credit facility and term loan bear interest at a variable rate and exposes us to interest rate risk. From time to time, we may use certain derivative instruments to hedge our exposure to variable interest rates. As of June 30, 2019, $156.8 million of our variable rate debt outstanding was economically hedged. Based on our variable rate debt outstanding as of June 30, 2019, a 1.0% increase or decrease in interest rates would change annual interest expense by approximately $1.1 million.

We do not execute transactions or use financial derivative instruments for trading or speculative purposes. We generally enter into transactions with counter parties that are financial institutions as a means to limit significant exposure with any one party.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of June 30, 2019, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our "disclosure controls and procedures", as such term is defined under Exchange Act Rules 13a-15(e) and 15d-15(e).

Based on this evaluation, our CEO and CFO concluded that, at June 30, 2019, the disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their stated objectives.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting practices or processes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the six months ended June 30, 2019.

Part II. Other Information

Item 1. Legal Proceedings

The information required for this item is provided in Note 17 — "*Commitments and Contingencies*", included in the unaudited notes to our condensed consolidated financial statements included under Part I of this Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors.

In addition to the information set forth in this Report, you should carefully consider the factors discussed in the section entitled *"Risk Factors"* in our Annual Report on Form 10-K for the year ended December 31, 2018, which to our knowledge have not materially changed. Those risks, which could materially affect our business, financial condition or future results, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 6. Exhibits.

The following exhibits are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Description
10.1	Agreement for Services, dated August 1, 2019, by and among Primoris Services Corporation and Brian Pratt. (*) (#)
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Registrant's Chief Executive Officer (*)
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Registrant's Chief Financial Officer (*)
32.1	Section 1350 Certification by the Registrant's Chief Executive Officer (**)
32.2	Section 1350 Certification by the Registrant's Chief Financial Officer (**)
101 INS	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (*)
101 SCH	XBRL Taxonomy Extension Schema Document (*)
101 CAL	XBRL Taxonomy Extension Calculation Linkbase Document (*)
101 LAB	XBRL Taxonomy Extension Label Linkbase Document (*)
101 PRE	XBRL Taxonomy Extension Presentation Linkbase Document (*)
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document (*)

(*) Filed herewith.
(**) Furnished herewith.
(#) Management contract or compensatory plan, contract or arrangement.

SIGNATURES

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

PRIMORIS SERVICES CORPORATION

Date: August 5, 2019

/s/ Kenneth M. Dodgen
Kenneth M. Dodgen
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

AGREEMENT FOR SERVICES

This Agreement for Services ("Agreement") is made and entered into as of July 1, 2019 between Primoris Services Corporation, a Delaware corporation ("PRIM"), and Brian Pratt, an individual (hereinafter referred to as "Director/Advisor") and supersedes, in its entirety, the agreement entered into between PRIM and Director/Advisor dated August 1, 2015. PRIM and Director/Advisor may be individually referred to as "Party" or collectively referred to herein as the "Parties."

A. INTRODUCTION

WHEREAS, PRIM is engaged in the business of providing, among other services, site development, heavy civil construction, water and wastewater construction, fabrication, infrastructure construction, including highways and bridges, oil and gas pipeline construction and replacement, directional drilling, construction of industrial facilities, equipment installation, storage facilities, process piping, engineering, project management, inspection services, structural steel and maintenance services (the "Business").

WHEREAS, PRIM desires to retain Director/Advisor as i) a director on the board of directors of PRIM ("Director"), and ii) as a consultant to PRIM for the performance of strategic advisory services ("Strategic Advisor"), and Director/Advisor desires to be retained by PRIM as a Director and as Strategic Advisor to assist PRIM and its affiliates (as defined in defined Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended ("Affiliates") in further developing the Business, whether conducted by PRIM or any of PRIM's Affiliates.

B. AGREEMENT

In consideration of the foregoing and the mutual promises and covenants set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Services**. PRIM hereby retains Director/Advisor to perform such services, duties and obligations as are described in this Agreement and as PRIM and Director/Advisor may agree from time to time. During the Term (as defined below):

a. Director/Advisor shall provide services to PRIM as Strategic Advisor and shall use reasonable efforts to support and assist PRIM, in the manner and at the times requested by PRIM, with all current and future Business of PRIM or its Affiliates, which support and assistance shall primarily be comprised of any and all prospective real estate transactions of PRIM and its affiliates, but shall also include, without limitation, advisory and consulting services concerning the operations of the Business, any and all prospective acquisition opportunities or PRIM and its Affiliates, as well as services related to the customers and prospects of the Business; and

b . Director/Advisor shall serve as a non-employee Director on PRIM's board of directors. Such services shall be provided by Director/Advisor subject to and in accordance with the bylaws and corporate charters of PRIM, and Director/Advisor shall dedicate such time and effort as are reasonable and necessary to the performance of any and all duties and fiduciary responsibilities required of a Director.

2. Term; Termination.

a. PRIM's engagement of Director/Advisor pursuant to this Agreement is for a term of two (2) years commencing on the effective date of this Agreement, unless or until earlier terminated in accordance with this Section 2 (such period of time prior to termination is herein referred to as the "Term").

b. PRIM may terminate this Agreement at any time, for any or no reason, with or without Cause (as defined below) upon thirty days prior written notice; provided that in the case of Cause (as defined below), termination may be immediate (i.e. the thirty day prior notice period shall not be applicable). PRIM may, in its sole discretion, partially terminate this Agreement, such that the rights and obligations of the Parties relating to services as Director and the rights and obligations of the Parties relating to the services provided as Strategic Advisor can be segregated, and the services not terminated by PRIM shall survive such partial termination and remain in full force and effect.

c. Director/Advisor may terminate this Agreement at any time, for any or no reason, upon thirty (30) days prior written notice. Director/Advisor may partially terminate this Agreement, such that the rights and obligations of the Parties relating to services as Director and the rights and obligations of the Parties relating to the services provided as Strategic Advisor can be suggested, and the services not terminated by Director/Advisor shall survive such partial termination and remain in full force and effect.

d . "Cause" shall exist if, during the Term of this Agreement:: (i) Director/Advisor materially breaches any of Director/Advisor's obligations pursuant to Section 1 of this Agreement; (ii) Director/Advisor commits any felony or any other crime involving moral turpitude; (iii) Director/Advisor commits any intentional or grossly negligent act or omission that materially damages or threatens the operation of PRIM's or any of its Affiliates' businesses, including the Business, or exposes PRIM or any of its Affiliates to any material loss, liability, claim, penalty or judicial or administrative action; (iv) Director/Advisor materially interferes with any contract, agreement, relationship or understanding which PRIM or any of its Affiliates has with a customer, prospect, vendor, or any other person or entity; (v) Director/Advisor takes any action that materially damages or threatens PRIM's or any of its Affiliates' reputation, image, business or business relationships; (vi) Director/Advisor materially breaches, in any respect, any of Director/Advisor's obligations under Section 4, 5 or 6; or (vii) Director/Advisor otherwise materially breaches this Agreement.

3. Compensation; Reimbursements; Effect of Termination on Compensation; Benefits; Transfer of Title.

a. PRIM shall pay Director/Advisor the sum equal to the non-employee director fees of PRIM then being paid by PRIM, and at the usual and customary times that such payments are made to the members of PRIM's Board of Directors. All such payments hereunder shall be payable as approved by the Board of Directors of PRIM and PRIM's compensation committee (the "Compensation Committee") and in accordance with and at the times specified by PRIM's policies and procedures regarding payments to directors as set forth in the bylaws of PRIM and the charter of the Compensation Committee. The compensation referred to in this paragraph is exclusive of reimbursements and other compensation for any benefit as otherwise provided in this Agreement.

b. PRIM shall pay Director/Advisor an annual fee in the sum of One Hundred Twenty Five Thousand Dollars ($125,000) per year for consulting services related to Director/Advisor's role as Strategic Advisor, which shall be payable by PRIM to Director/Advisor annually beginning with the expiration of the first year of this Agreement, and subject to the provisions of Paragraph 3(e) below.

c. PRIM shall reimburse Director/Advisor for all reasonable and necessary business-related expenses incurred by Director/Advisor in the course of performing the duties under this Agreement which are consistent with PRIM's policies and practices in effect and then in place at the time of reimbursement submission, including travel, entertainment and other business expenses, subject to the PRIM's requirements with respect to reporting and documentation of such expenses.

d. Effect of Termination on Compensation.

(i) In the event this Agreement terminates before the end of the term, A) By PRIM, with Cause (including removal in accordance with the bylaws and corporate charters of PRIM), or B) as a result of death, disability or voluntary termination by Director/Advisor, and regardless of whether such termination relates to the services provided herein as a Director of the Board of Directors, or the services provided herein as Strategic Advisor, or both, PRIM shall pay, and Director/Advisor shall only be entitled to, all of the compensation to which Director/Advisor has been paid through the date of such termination, including any accelerated payments that may have been paid to Director/Advisor.

(ii) In the event this Agreement terminates before the end of the term by PRIM, without Cause, and such termination relates to the services provided herein as a Director of the Board of Directors, PRIM shall pay, and Director/Advisor shall be entitled to, all of the compensation to which Director/Advisor has been paid through the date of such termination, including any accelerated payments that may have been paid to Director/Advisor.

(iii) In the event this Agreement terminates before the end of the term by PRIM, without Cause, and such termination relates to the services provided herein as Strategic Advisor, PRIM shall pay, and Director/Advisor shall be entitled to, all of the compensation to which Director/Advisor would have been paid through the entire term of this Agreement.

e. In the performance of Director/Advisor's duties as a non-employee Director of the Board of Directors of PRIM, and subject to any and all applicable taxes required to be paid by Director/Advisor, Director/Advisor shall be entitled to the use of any aircraft owned or leased by PRIM during the term of this Agreement for up to one-hundred (100) hours of personal use during each year of this Agreement. Each hour of personal use by Director/Advisor under this provision shall be valued at $1,250.00, which sum shall diminish the annual fee payable to Director/Advisor under Paragraph 3(b) above by a corresponding amount. To the extent Director/Advisor has any unused personal use hours at the end of each year during the term of this Agreement, Consultant shall not be paid the difference between the value of the use and the fee set forth in Paragraph 3(b), but rather in such case, the fee paid shall be reduced accordingly.

4. Non-Solicitation. In order to protect the Business of PRIM and any of its Affiliates, during the Term and until the date that is the two (2) year anniversary of the date on which the Agreement terminates for Cause or voluntary termination by Director/Advisor, Director/Advisor will not, without the express prior written consent of PRIM's Board of Directors, directly or indirectly (A) employ, or permit any company or business directly or indirectly controlled by Director/Advisor to employ, any person who is employed by PRIM or any of its Affiliates; (B) interfere with or attempt to disrupt the relationship, contractual or otherwise, between Buyer, or any of its Affiliates and any of their employees or Director/Advisors; (C) solicit or in any manner seek to induce any employee or Director/Advisor of Buyer, or any of its Affiliates to terminate his, her or its employment or engagement with Buyer, or any of its Affiliates.

5. Intellectual Property Rights.

a. PRIM is and shall be, the sole and exclusive owner of all right, title and interest throughout the world in and to all the results and proceeds of the services performed under this Agreement, including all patents, copyrights, trademarks, trade secrets and other intellectual property rights (collectively "Intellectual Property Rights") therein. Director/Advisor hereby irrevocably assigns to PRIM, in each case without additional consideration, all right, title and interest throughout the world in and to all such results and proceeds of the services performed under this Agreement, including all Intellectual Property Rights therein.

b. Director/Advisor shall make full and prompt disclosure to PRIM of any inventions or processes, as such terms are defined in 35 U.S.C. § 100 (the "Patent Act"), made or conceived by Director/Advisor alone or with others during the Term relating to the Business or in connection with Director/Advisor's performance of services pursuant to this Agreement, whether or not such inventions or processes are patentable or protected as trade secrets and whether or not such inventions or processes are made or conceived during normal working hours or on the premises of PRIM. Director/Advisor shall not disclose to any third party the nature or details of any such inventions or processes without the prior written consent of PRIM.

c . Upon the reasonable request of PRIM, and at no cost to Director/Advisor, Director/Advisor shall promptly take such further actions, including execution and delivery of all appropriate instruments of conveyance, as may be necessary to assist PRIM to prosecute, register, perfect, record or enforce its rights in any deliverables delivered by Director/Advisor to PRIM. In the event PRIM is unable, after reasonable effort, to obtain Director/Advisor's signature on any such documents, Director/Advisor hereby irrevocably designates and appoints PRIM as Director/Advisor's agent and attorney-in-fact, to act for and on Director/Advisor's behalf solely to execute and file any such application or other document and do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights or other intellectual property protected related to any deliverables delivered by Director/Advisor to PRIM with the same legal force and effect as if Director/Advisor had executed them. Director/Advisor agrees that this power of attorney is coupled with an interest.

6. Confidential Information; Securities Laws.

a. Director/Advisor acknowledges that Director/Advisor has had and will have access to information that is treated as confidential and proprietary by PRIM and its Affiliates, including, without limitation, any trade secrets, technology, information pertaining to business operations and strategies, customers, pricing, and marketing, marketing, finances, sourcing, personnel or operations of PRIM and its Affiliates or their suppliers or customers, in each case whether spoken, printed, electronic or in any other form or medium (collectively, the "Confidential Information"). Any Confidential Information that Director/Advisor develops in connection with the providing the services contemplated by this Agreement, including but not limited to any deliverables delivered by Director/Advisor to PRIM, shall be subject to the terms and conditions of this paragraph. Director/Advisor agrees to treat all Confidential Information as strictly confidential, not to disclose Confidential Information or permit it to be disclosed, in whole or part, to any third party without the prior written consent of PRIM in each instance, and not to use any Confidential Information for any purpose except as required in the performance of the Services. Director/Advisor shall notify PRIM immediately in the event Director/Advisor becomes aware of any loss or disclosure of any Confidential Information.

b. Confidential Information shall not include information that:

(i) is or becomes generally available to the public other than through Director/Advisor's breach of this Agreement;

(ii) is communicated to Director/Advisor by a third party that had no confidentiality obligations with respect to such information; or

(iii) is required to be disclosed by law, including without limitation, pursuant to the terms of a court order; provided that Director/Advisor has PRIM prior notice of such disclosure and an opportunity to contest such disclosure.

c. Upon the termination of this Agreement, Director/Advisor shall (i) deliver to PRIM all tangible documents and materials (and any copies) containing, reflecting, incorporating or based on the Confidential Information; (ii) permanently erase all of the Confidential Information from Director/Advisor's computer systems; and (iii) certify in writing to PRIM that Director/Advisor has complied with the requirements of this Section 6(c).

d. Director/Advisor also hereby acknowledges that Director/Advisor is aware, and that Director/Advisor has been advised, that the United States securities laws prohibit any person who has received material, non-public information concerning an issuer of securities from purchasing or selling securities of such issuer from or to a person not in possession of such material, non-public information, or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell the securities or otherwise to violate those securities laws. Director/Advisor hereby agrees not to (i) purchase or sell securities of PRIM or any of its Affiliates at any time when Director/Advisor is in possession of material, non-public information concerning any such person and (ii) without limiting the other obligations set forth in this Agreement, communicate material, non-public information concerning PRIM or any of its Affiliates to any person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell the securities or otherwise violate securities laws.

e. Director/Advisor acknowledges that the provisions of Securities and Exchange Commission Regulation FD ("Regulation FD") require the public announcement of previously non-public information if that information is disclosed to anyone who has not agreed to maintain the confidentiality of that information. Director/Advisor agrees not to take any action that would require PRIM or any of its Affiliates to make a public announcement pursuant to the requirements of Regulation FD.

7. Independent Contractor (Strategic Advisor Services). PRIM and Director/Advisor hereby agree that with regard to the services provided by Director/Advisor as Strategic Advisor, Director/Advisor is an independent contractor and that Director/Advisor is solely responsible for the manner and form in which

Director/Advisor performs the services hereunder. Nothing contained herein shall be construed as creating an employer/employee, principal/agent, partnership, joint venture or other similar type of relationship. Director/Advisor shall be solely responsible for the payment of all taxes owed by Director/Advisor arising out of Director/Advisor's performance of services under this Agreement, and shall indemnify PRIM and its Affiliates against all such taxes or contributions, including penalties and interest. Director/Advisor shall not have the ability to, and shall not represent himself as having the ability to, bind or obligate PRIM or any of its Affiliates in any manner whatsoever. Except as otherwise provided in Section 3 of this Agreement, as an independent contractor, Director/Advisor shall not receive nor participate in any insurance, deferred compensation or other plans or benefits which PRIM or any of its Affiliates provides to its employees, including vacation, group medical or life insurance, disability, profit sharing or retirement benefits or any other fringe benefits or benefit plans offered by PRIM or any of its Affiliates to its employees, and neither PRIM nor any of its Affiliates will be responsible for withholding or paying any income, payroll, Social Security or other federal, state or local taxes, making any insurance contributions, including unemployment or disability, or obtaining worker's compensation insurance on Director/Advisor's behalf.

8. Indemnification.

a. Director/Advisor shall defend, indemnify and hold harmless PRIM and its Affiliates and PRIM's and their officers, directors, employees, agents, successors and permitted assigns from and against all losses, damages, liabilities, deficiencies, actions, judgments, interest, awards, penalties, fines, costs or expenses of whatever kind (including reasonable attorneys' fees) arising out of or resulting from bodily injury, death of any person or damage to real or tangible, personal property but only to the extent resulting from and caused by Director/Advisor's acts or omissions.

b . PRIM shall defend, indemnify and hold harmless Director/Advisor and Director/Advisor's officers, directors, employees, agents, successors and permitted assigns from and against all losses, damages, liabilities, deficiencies, actions, judgments, interest, awards, penalties, fines, costs or expenses of whatever kind (including reasonable attorneys' fees) arising out of or resulting from bodily injury, death of any person or damage to real or tangible, personal property but only to the extent resulting from and caused by PRIM's or any of its Affiliates' acts or omissions.

9. Insurance. If required by PRIM, during the Term, Director/Advisor shall maintain in force adequate workers' compensation, commercial general liability, and other forms of insurance, in each case with insurers reasonably acceptable to PRIM, with policy limits sufficient to protect and indemnify PRIM and its Affiliates, and each of their officers, directors, agents, employees, subsidiaries, partners, members and controlling persons, from any losses resulting from Director/Advisor's or Director/Advisor's agents', servants' or employees' conduct, acts, or omissions. PRIM shall be listed as additional insured under such policy, and Director/Advisor shall forward a certificate of insurance verifying such insurance upon PRIM's written request, which certificate will indicate that such insurance policies may not be cancelled before the expiration of a 30 day notification period and that PRIM will be immediately notified in writing of any such notice of termination. If PRIM desires to require Director/Advisor to procure such insurance, PRIM shall provide notice to Director/Advisor setting forth in reasonable detail PRIM's reasonable coverage requirements, and PRIM procure such insurance in the name of Director/Advisor.

10. Export Controls. Director/Advisor shall not export, directly or indirectly, any technical data acquired from PRIM or any of its Affiliates, or any products utilizing any such data, to any country in violation of any applicable export laws or regulations.

11. Waiver of Breach By Parties. No waiver by any Party of any breach or default of any other Party will be effective unless in writing and signed by the Party waiving, and no such waiver shall be or be deemed a waiver of the same, a similar or any future breach or default by any Party.

12. Assignment; Delegation.

a. Director/Advisor acknowledges that the services to be rendered by Director/Advisor pursuant to this Agreement are unique and, accordingly, Director/Advisor may not assign this Agreement or assign or delegate any of Director/Advisor's rights or duties or obligations under this Agreement, without the prior written consent of PRIM, which consent may be withheld in PRIM's sole and absolute discretion.

b. This Agreement and the rights and obligations hereunder may not be assigned or delegated by PRIM without the prior written consent of Director/Advisor; provided, however, that PRIM may assign this Agreement and assign and/or delegate any of its rights or obligations this Agreement without the prior consent of Director/Advisor to: (i) any one or more of its Affiliates, or (ii) a purchaser of or successor to all or substantially all of the business, assets, stock of PRIM, whether by asset sale, stock sale, merger or other transaction, regardless of form.

c. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the Parties' respective successors, heirs and assigns.

13. Notices. Any and all notices, demands, requests, consents, designations and other communications required or desired to be given pursuant to this Agreement will be given in writing and will be deemed duly given upon personal delivery, or on the third day after mailing if sent by certified mail, postage prepaid, return receipt requested, or on the day after deposit with a nationally recognized overnight delivery service which maintains records of the time, place and receipt of delivery, and in each case to the person and address set forth below, or to such other person or address which Director/Advisor or PRIM may respectively designate in like manner from time to time.

If to Director/Advisor then to:

Brian Pratt
4419 Highland Drive
Dallas, TX 75205
Telephone: (214) 690-3868
Email: bpratt@prim.com

If to PRIM then to:

Primoris Services Corporation
26000 Commercentre Drive
Lake Forest, CA 92630
Attn: John Perisich
Facsimile: (949) 595-5544
Email: jperisich@prim.com

14. Severability. If any provision contained herein is held to be invalid or unenforceable by a court of competent jurisdiction, such provision will be severed herefrom and such invalidity or unenforceability will not affect any other provision of this Agreement, the balance of which will remain in and have its intended full force and effect; provided, however, if such invalid or unenforceable provision may be modified so as to be valid and enforceable as a matter of law, such provision will be deemed to have been modified so as to be valid and enforceable to the maximum extent permitted by law.

15. Governing Law. This Agreement will be governed, construed and interpreted in accordance with the laws and decisions of the State of Texas, without regard to conflict of law principles that would require the law of another state or jurisdiction to be applied.

16. Dispute Resolution. Any controversy or claim arising out of or relating to this Agreement or the breach thereof (a "Dispute") shall be decided by mandatory, final and binding arbitration in accordance with the Comprehensive Arbitration Rules and Procedures of JAMS, as supplemented below, with exclusive venue for such arbitration in Dallas, Texas.

a. Independent Nature of Arbitrator. The arbitrator shall be independent of the Parties and under no circumstance shall any mediator or arbitrator have any connection to or relationship with any of the Parties, or their respective principals or employees.

b. Arbitration Proceeding.

(i) If any Party desires to arbitrate any Dispute, such Party shall notify the other Party of the Dispute desired to be arbitrated, including a brief statement of the matter in controversy. If the Parties are not able to resolve the Dispute within five (5) days after the Party notifies the other Party of its desire to arbitrate (an "Arbitration Notice") then, within five (5) days immediately after the expiration of the aforesaid five (5) day period, the Parties shall attempt to agree upon an independent arbitrator. Unless the Parties can agree in writing on a single arbitrator within five (5) days, then, within five (5) days after thereafter, each Party shall notify the other in writing of the name of the independent arbitrator chosen by them to identify the independent arbitrator. If either Party fails to timely give the other notice of such appointment, then the Party who timely gave such notice shall be entitled to require that its arbitrator act as the sole arbitrator hereunder. If an arbitrator is timely appointed by each of the Parties, the two named arbitrators shall select the independent arbitrator within five (5) days after they have both been appointed, and they shall promptly notify the Parties thereof. Each Party shall promptly notify the other Party and the Party-selected arbitrators in writing if the independent arbitrator has any relationship to or affiliation with such Party (a "Notice of Relationship") in which event another arbitrator shall be selected within five (5) days after receipt of such Notice of Relationship by the Party-selected arbitrators. If the two initially appointed arbitrators cannot agree on an independent arbitrator, then any Party may request that JAMS select the independent arbitrator.

(ii) Arbitration demanded hereunder by any Party shall be final and binding on the Parties and may not be appealed.

(iii) The Parties agree that the independent arbitrator may render and the Parties shall abide by any interim ruling that the independent arbitrator deems necessary or prudent regarding discovery, summary proceedings, or other pre-arbitration matters.

(iv) The Parties hereby submit to the in personam jurisdiction of the state and federal courts located in Dallas County, Texas, and agree that any such court may enter all such orders as may be necessary or appropriate to enforce the provisions hereof and/or to confirm any pre-arbitration ruling or decision or any award rendered by the independent arbitrator. Any court of law of Texas or the United States of America shall enforce the decision of the independent arbitrator (or single arbitrator, as applicable) in its entirety and only in its entirety; provided, however, that if a court for any reason refuses to enforce any equitable remedies ordered by the independent arbitrator, such refusal shall not affect any damage or attorney fee award made by the independent arbitrator.

(v) Any costs or other expenses, including reasonable attorneys' fees and costs incurred by the successful Party, arising out of or occurring because of the arbitration proceedings may be assessed against the unsuccessful Party, borne equally, or assessed in any manner within the sound discretion of the independent arbitrator and shall be included as part of any order or decision rendered by the independent arbitrator. The independent arbitrator may also order any Party who is ordered to pay any other Party's attorneys' fees and costs to pay interest on such award at a rate not to exceed ten percent (10%) per annum from the date of the award until paid. As an initial matter (and until ordered differently by the independent arbitrator in connection with an award), the Parties shall each pay the fees, costs and expenses charged by the arbitrator chosen by it, and, in advance, one-half (1/2) of the fees, costs and expenses charged by the independent arbitrator.

(vi) Third parties dealing with any Party shall be entitled to fully rely on any written arbitration order or decision with regard to the matters addressed therein, whether or not such arbitration order or decision has been confirmed or adopted by a court, or incorporated in any order of any court.

c. Power and Authority of Arbitrator. The arbitrator shall not have any power to alter, amend, modify or change any of the terms of this Agreement nor to grant any remedy which is either prohibited by the terms of this Agreement, or not available in a court of law.

d. Attorneys' Fees. If a Party to this Agreement shall bring any action, suit, counterclaim, appeal, arbitration, or mediation for any relief against the other Party, declaratory or otherwise, to enforce the terms hereof or to declare rights hereunder ("Action"), the non-prevailing Party in such Action shall pay to the prevailing Party in such Action a reasonable sum for the prevailing Party's attorneys' fees and expenses (at the prevailing Party's attorneys' then-current rates, as increased from time to time by the giving of advance written notice by such counsel to such Party) incurred in prosecuting or defending such Action and/or enforcing any judgment, order, ruling or award ("Decision") granted therein, all of which shall be deemed to have accrued from the commencement of such Action, and shall be paid whether or not such Action is prosecuted to a Decision. Any Decision entered into in such Action shall contain a specific provision providing for the recovery of attorneys' fees and expenses incurred in enforcing such Decision. The court or arbitrator may fix the amount of reasonable attorneys' fees and expenses upon the request of any Party. For purposes of this Section 16, attorneys' fees shall include, without limitation, fees incurred in connection with (i) post-judgment motions and collection actions, (ii) contempt proceedings, (iii) garnishment, levy and debtor and third party examination, (iv) discovery, and (v) bankruptcy litigation.

17. WAIVER OF JURY TRIAL. THE PARTIES HERETO CONSENT TO TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER OR THEIR SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, REGARDLESS OF THE FORM OF ANY ACTION OR PROCEEDING.

18. Construction; Miscellaneous.

a. The numbers, headings, titles or designations of the various Sections are not a part of this Agreement, but are for convenience and reference only, and do not and will not be used to define, limit or construe the contents of the Sections.

b. This Agreement constitutes the entire agreement between PRIM and Director/Advisor with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous oral or written agreements between Director/Advisor and PRIM; provided, however, that Director/Advisor acknowledges and agrees that the non-competition and non-solicitation provisions set forth in Section 4 shall not affect or supersede any non-competition, non-solicitation or other similar restrictive covenants or provisions contained in any other agreement entered into by and between Director/Advisor and PRIM and/or any of its Affiliates, including any Non-Competition Agreement entered into in connection with the sale of the assets of the Seller to PRIM or one of its Affiliates.

c. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

d. This Agreement may not be amended, changed, modified discharged or terminated except by a writing signed by PRIM and Director/Advisor.

e. The recitals set forth at the beginning of this Agreement are hereby incorporated in full into and made a part of this Agreement by this reference as if fully set forth in the body of this Agreement.

19. Survival. The rights and obligations of the Parties set forth in Sections 5 - 8 and 10 - 19 shall indefinitely survive the expiration or any earlier termination of this Agreement. The obligations of PRIM set forth in Section 3 shall survive until fully performed by PRIM or otherwise discharged. The obligations of the Parties set forth in Section 4 and Section 9 shall survive for the periods of time set forth in each such Section.

IN WITNESS WHEREOF, PRIM and Director/Advisor have executed this Agreement as of the date first written above.

	PRIM:	**DIRECTOR/ADVISOR**
	Primoris Services Corporation	
By:	/s/ John M. Perisich	/s/ Brian Pratt
Name:	John M. Perisich	Brian Pratt
Its:	Executive Vice President/Chief Legal Officer	

Exhibit 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David L. King, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of Primoris Services Corporation;

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2019

/s/ David L. King
David L. King
Executive Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth M. Dodgen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2019, of Primoris Services Corporation;

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2019

/s/ Kenneth M. Dodgen
Kenneth M. Dodgen
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

In connection with the Quarterly Report of Primoris Services Corporation (the "Company") on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. King, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

Date: August 5, 2019

/s/ David L. King
David L. King
Executive Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

In connection with the Quarterly Report of Primoris Services Corporation (the "Company") on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth M. Dodgen, Executive Vice President, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

Date: August 5, 2019

/s/ Kenneth M. Dodgen
Kenneth M. Dodgen
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)