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 March 31, 2020

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 April 27, 2020, 48,260,436 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)

	March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 93,474	$ 120,286
Accounts receivable, net	416,412	404,911
Contract assets	359,370	344,806
Prepaid expenses and other current assets	47,409	42,704
Total current assets	916,665	912,707
Property and equipment, net	363,993	375,888
Operating lease assets	253,117	242,385
Deferred tax assets	1,090	1,100
Intangible assets, net	67,460	69,829
Goodwill	215,103	215,103
Other long-term assets	17,675	13,453
Total assets	$ 1,835,103	$ 1,830,465
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 258,962	$ 235,972
Contract liabilities	176,847	192,397
Accrued liabilities	192,648	183,501
Dividends payable	2,895	2,919
Current portion of long-term debt	52,430	55,659
Total current liabilities	683,782	670,448
Long-term debt, net of current portion	290,749	295,642
Noncurrent operating lease liabilities, net of current portion	176,546	171,225
Deferred tax liabilities	17,820	17,819
Other long-term liabilities	50,762	45,801
Total liabilities	1,219,659	1,200,935
Commitments and contingencies (See Note 16)		
Stockholders' equity		
Common stock—$.0001 par value; 90,000,000 shares authorized; 48,254,575 and 48,665,138 issued and outstanding at March 31, 2020 and December 31, 2019, respectively	5	5
Additional paid-in capital	91,414	97,130
Retained earnings	524,655	531,291
Accumulated other comprehensive (loss) income	(1,661)	76
Noncontrolling interest	1,031	1,028
Total stockholders' equity	615,444	629,530
Total liabilities and stockholders' equity	$ 1,835,103	$ 1,830,465

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenue	$ 743,243	$ 661,558
Cost of revenue	695,433	609,098
Gross profit	47,810	52,460
Selling, general and administrative expenses	44,388	42,931
Operating income	3,422	9,529
Other income (expense):		
Foreign exchange gain (loss)	136	(185)
Other income (expense), net	12	(370)
Interest income	281	349
Interest expense	(9,112)	(5,592)
(Loss) income before provision for income taxes	(5,261)	3,731
Benefit (provision) for income taxes	1,527	(795)
Net (loss) income	(3,734)	2,936
Less net income attributable to noncontrolling interests	(3)	(989)
Net (loss) income attributable to Primoris	$ (3,737)	$ 1,947
Dividends per common share	$ 0.06	$ 0.06
(Loss) earnings per share:		
Basic	$ (0.08)	$ 0.04
Diluted	$ (0.08)	$ 0.04
Weighted average common shares outstanding:		
Basic	48,588	50,770
Diluted	48,588	51,188

See Accompanying Notes to Condensed Consolidated Financial Statements

PRIMORIS SERVICES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In Thousands)
(Unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net (loss) income	$ (3,734)	$ 2,936
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(1,737)	374
Comprehensive (loss) income	(5,471)	3,310
Less net income attributable to noncontrolling interests	(3)	(989)
Comprehensive (loss) income attributable to Primoris	$ (5,474)	$ 2,321

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non Controlling Interest	Total Stockholders' Equity
Balance, December 31, 2019	48,665,138	$ 5	$ 97,130	$ 531,291	$ 76	$ 1,028	$ 629,530
Net (loss) income	—	—	—	(3,737)	—	3	(3,734)
Foreign currency translation adjustments, net of tax	—	—	—	—	(1,737)	—	(1,737)
Issuance of shares to employees and directors	51,268	—	1,174	—	—	—	1,174
Amortization of Restricted Stock Units	—	—	499	—	—	—	499
Dividend equivalent Units accrued - Restricted Stock Units	—	—	4	(4)	—	—	—
Repurchase of stock	(461,831)	—	(7,393)	—	—	—	(7,393)
Dividends declared ($0.06 per share)	—	—	—	(2,895)	—	—	(2,895)
Balance, March 31, 2020	48,254,575	$ 5	$ 91,414	$ 524,655	$ (1,661)	$ 1,031	$ 615,444

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non Controlling Interest	Total Stockholders' 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)	$ 3,747	$ 610,385

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Cash flows from operating activities:		
Net (loss) income	$ (3,734)	$ 2,936
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	19,797	21,700
Stock-based compensation expense	499	487
Gain on sale of property and equipment	(2,311)	(2,217)
Unrealized loss on interest rate swap	4,970	1,447
Other non-cash items	1,821	80
Changes in assets and liabilities:		
Accounts receivable	(13,911)	(24,722)
Contract assets	(15,682)	(2,328)
Other current assets	(4,849)	(2,231)
Other long-term assets	204	182
Accounts payable	23,934	(59,198)
Contract liabilities	(15,389)	2,590
Operating lease assets and liabilities, net	119	(1,447)
Accrued liabilities	(179)	(9,663)
Other long-term liabilities	(756)	288
Net cash used in operating activities	(5,467)	(72,096)
Cash flows from investing activities:		
Purchase of property and equipment	(9,311)	(14,377)
Proceeds from sale of property and equipment	6,902	4,398
Net cash used in investing activities	(2,409)	(9,979)
Cash flows from financing activities:		
Borrowings under revolving line of credit	—	40,000
Payments on revolving line of credit	—	(40,000)
Proceeds from issuance of long-term debt	6,800	23,105
Repayment of long-term debt	(14,976)	(17,170)
Proceeds from issuance of common stock purchased under a long-term incentive plan	578	1,804
Repurchase of common stock	(7,393)	—
Dividends paid	(2,919)	(3,043)
Other	(1,285)	(26)
Net cash (used in) provided by financing activities	(19,195)	4,670
Effect of exchange rate changes on cash and cash equivalents	259	327
Net change in cash and cash equivalents	(26,812)	(77,078)
Cash and cash equivalents at beginning of the period	120,286	151,063
Cash and cash equivalents at end of the period	$ 93,474	$ 73,985

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

	Three Months Ended March 31,	
	2020	2019
Cash paid for interest	$ 4,061	$ 4,065
Cash paid for income taxes, net of refunds received	(369)	(707)
Leased assets obtained in exchange for new operating leases	34,711	8,847

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Three Months Ended March 31,	
	2020	2019
Dividends declared and not yet paid	$ 2,895	$ 3,051

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 one of the leading providers of specialty contracting services operating mainly in the United States and Canada. We provide a wide range of specialty construction services, fabrication, maintenance, replacement, and engineering services to a diversified base of customers through our five segments.

We have longstanding customer relationships with major utility, refining, petrochemical, power, midstream, and engineering companies, and state departments of transportation. We provide our services to a diversified base of customers, under a range of contracting options. A substantial portion of our services are provided under Master Service Agreements ("MSA"), which are generally multi-year agreements. The remainder of our services are generated from contracts for specific construction or installation projects.

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 17 – "*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.

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.

Financial information for the joint ventures is presented in Note 10 – "*Noncontrolling Interests*".

Note 2—Basis of Presentation

Interim condensed consolidated financial statements **—** The interim condensed consolidated financial statements for the three month period ended March 31, 2020 and 2019 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 24, 2020, which contains our audited consolidated financial statements for the year ended December 31, 2019, have been omitted.

This 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. For the three months ended March 31, 2020 and 2019, approximately 50.1% and 49.1%, respectively, of total revenue was generated from our top ten customers. For the three months ended March 31, 2020, one pipeline customer represented approximately 11.3% of total revenue and for the three months ended March 31, 2019 no one single customer represented greater than 10.0% of total revenue.

Note 3—Recent Accounting Pronouncements

Recently adopted accounting pronouncements

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. We adopted the new standard on January 1, 2020, and it did not 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 adopted the new standard on January 1, 2020, and it did not have a material impact on our disclosures.

Recently issued accounting pronouncements not yet adopted

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”, which removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Depending on the amendment, adoption may be applied on the retrospective, modified retrospective, or prospective basis. We are currently evaluating the potential effects of adopting the provisions of ASU No. 2019-12.

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 March 31, 2020 and December 31, 2019 (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 March 31, 2020:			
Cash and cash equivalents	$ 93,474	$ —	$ —
Contingent consideration	—	—	938
Liabilities as of March 31, 2020:			
Interest rate swap	$ —	$ 11,414	$ —
Assets as of December 31, 2019:			
Cash and cash equivalents	$ 120,286	$ —	$ —
Contingent consideration	—	—	938
Liabilities as of December 31, 2019:			
Interest rate swap	$ —	$ 6,443	$ —

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 a certain performance target. 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 target 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. During the first quarter of 2020, there was no change to the fair value of the contingent consideration.

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 9 – "*Derivative Instruments*" for additional information.

Note 5—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 March 31, 2020, we had $2.08 billion of remaining performance obligations. We expect to recognize approximately 58% of our remaining performance obligations as revenue during the next four quarters and substantially all of the remaining balance by the first quarter of 2022.

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, politics and any prevailing impacts from the pandemic caused by the coronavirus 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 months ended March 31, 2020, revenue recognized from performance obligations satisfied in previous periods was $3.6 million. 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 March 31, 2020, we had approximately $94.4 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 $80.6 million of the contract modifications had been recognized as revenue on a cumulative catch-up basis through March 31, 2020.

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):

	March 31, 2020	December 31, 2019
Unbilled revenue	$ 268,282	$ 251,429
Retention receivable	78,216	81,393
Contract materials (not yet installed)	12,872	11,984
	$ 359,370	$ 344,806

Contract assets increased by $14.6 million compared to December 31, 2019 due primarily to higher unbilled revenue.

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):

	March 31, 2020	December 31, 2019
Deferred revenue	$ 171,553	$ 186,081
Accrued loss provision	5,294	6,316
	$ 176,847	$ 192,397

Contract liabilities decreased by $15.6 million compared to December 31, 2019 due primarily to lower deferred revenue.

Revenue recognized for the three months ended March 31, 2020, that was included in the contract liability balance at December 31, 2019 was approximately $97.9 million.

The following tables present our revenue disaggregated into various categories.

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

	For the three months ended March 31, 2020		
Segment	**MSA**	**Non-MSA**	**Total**
Power	$ 37,095	159,098	196,193
Pipeline	46,732	144,791	191,523
Utilities	104,011	43,159	147,170
Transmission	81,774	21,010	102,784
Civil	796	104,777	105,573
Total	$ 270,408	$ 472,835	$ 743,243

	For the three months ended March 31, 2019		
Segment	**MSA**	**Non-MSA**	**Total**
Power	$ 49,195	$ 96,188	$ 145,383
Pipeline	21,849	112,965	134,814
Utilities	119,462	26,744	146,206
Transmission	101,723	16,720	118,443
Civil	650	116,062	116,712
Total	$ 292,879	$ 368,679	$ 661,558

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

	For the three months ended March 31, 2020			
Segment	**Fixed-price**	**Unit-price**	**Cost reimbursable (1)**	**Total**
Power	$ 144,850	181	51,162	196,193
Pipeline	15,345	81,830	94,348	191,523
Utilities	24,089	80,639	42,442	147,170
Transmission	13,636	88,789	359	102,784
Civil	19,859	75,447	10,267	105,573
Total	$ 217,779	$ 326,886	$ 198,578	$ 743,243

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

	For the three months ended March 31, 2019			
Segment	**Fixed-price**	**Unit-price**	**Cost reimbursable (1)**	**Total**
Power	$ 75,143	$ 6,613	$ 63,627	$ 145,383
Pipeline	17,227	374	117,213	134,814
Utilities	22,767	67,878	55,561	146,206
Transmission	8,463	105,841	4,139	118,443
Civil	22,685	78,494	15,533	116,712
Total	$ 146,285	$ 259,200	$ 256,073	$ 661,558

(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 6—Goodwill and Intangible Assets

The carrying amount of goodwill by reportable segment is as follows (in thousands):

Reporting Segment	March 31, 2020	December 31, 2019
Power	$ 26,194	$ 26,194
Pipeline	52,415	52,415
Utilities	37,312	37,312
Transmission	59,032	59,032
Civil	40,150	40,150
Total Goodwill	$ 215,103	$ 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):

		March 31, 2020			December 31, 2019		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Intangible assets, net	Gross Carrying Amount	Accumulated Amortization	Intangible assets, net
Tradename	9 years	$ 16,040	(13,714)	2,326	$ 16,040	$ (13,216)	$ 2,824
Customer relationships	17 years	91,000	(26,128)	64,872	91,000	(24,353)	66,647
Non-compete agreements	5 years	1,900	(1,653)	247	1,900	(1,580)	320
Other	3 years	275	(260)	15	275	(237)	38
Total	16 years	$ 109,215	$ (41,755)	$ 67,460	$ 109,215	$ (39,386)	$ 69,829

Amortization expense of intangible assets was $2.4 million and $2.7 million for the three months ended March 31, 2020 and 2019, respectively. Estimated future amortization expense for intangible assets is as follows (in thousands):

For the Years Ending December 31,	Estimated Intangible Amortization Expense
2020 (remaining nine months)	$ 6,448
2021	7,577
2022	6,416
2023	5,581
2024	4,862
Thereafter	36,576
	$ 67,460

Note 7—Accounts Payable and Accrued Liabilities

At March 31, 2020 and December 31, 2019, accounts payable included retention amounts of approximately $10.9 million and $11.3 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):

	March 31, 2020	December 31, 2019
Payroll and related employee benefits	$ 74,008	$ 64,705
Current operating lease liability	79,532	74,036
Casualty insurance reserves	9,902	9,918
Corporate income taxes and other taxes	6,822	9,027
Other	22,384	25,815
	$ 192,648	$ 183,501

Note 8—Credit Arrangements

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

	March 31, 2020	December 31, 2019
Term loan	$ 200,750	$ 203,500
Revolving credit facility	—	—
Commercial equipment notes	93,309	105,114
Mortgage notes	49,854	43,474
Total debt	343,913	352,088
Unamortized debt issuance costs	(734)	(787)
Total debt, net	$ 343,179	$ 351,301
Less: current portion	(52,430)	(55,659)
Long-term debt, net of current portion	$ 290,749	$ 295,642

The weighted average interest rate on total debt outstanding at March 31, 2020 and December 31, 2019 was 3.9% and 4.0%, respectively.

Credit Agreement

Our amended and restated credit agreement (“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 the ability 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 March 31, 2020, there were no outstanding borrowings under the Revolving Credit Facility, commercial letters of credit outstanding were $39.5 million, and available borrowing capacity was $160.5 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 March 31, 2020.

Canadian Credit Facilities

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 March 31, 2020, commercial letters of credit outstanding were $0.6 million in Canadian dollars, and the available borrowing capacity was $3.4 million in Canadian dollars. The credit facility contains a working capital restrictive covenant for OnQuest Canada, ULC, our wholly owned subsidiary. At March 31, 2020, OnQuest Canada, ULC was in compliance with the covenant.

We have a credit facility for $10.0 million in Canadian dollars with CIBC Bank for working capital purposes in the normal course of business (“Working Capital Credit Facility”). At March 31, 2020, there were no outstanding borrowings under the Working Capital Credit Facility, and available borrowing capacity was $10.0 million in Canadian dollars. The Working Capital Credit Facility contains a cross default restrictive covenant where a default under our Credit Agreement will represent a default in the Working Capital Credit Facility.

Note 9 — 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 March 31, 2020, and December 31, 2019, our outstanding interest rate swap agreement contained a notional amount of $150.6 million and $152.6 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):

	Balance Sheet Location	March 31, 2020	December 31, 2019
Interest rate swap	Other long-term liabilities	11,414	6,443
Total derivatives		$ 11,414	$ 6,443

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

	Location of Loss Recognized on Derivatives	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Interest rate swap	Interest expense	$ 5,435	$ 1,596

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

Note 10 — Noncontrolling Interests

We own a 50% interest in the Carlsbad joint venture which operates in the Power segment. The joint venture has 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.

The 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 venture are restricted for use by the specific project and are not available for our general operations.

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenue	$ —	$ 4,024
Net income attributable to noncontrolling interests	3	989

The Carlsbad joint venture made no distributions to the partners and we made no capital contributions to the Carlsbad joint venture during the three months ended March 31, 2020 and 2019. The project was substantially complete as of December 31, 2018 and the warranty period expires in December 2020.

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

At March 31, 2020	Joint Venture Amounts	Consolidated Amounts
Cash	$ 2,026	$ 93,474
Accounts receivable	—	416,412
Contract assets	—	359,370
Due from Primoris	476	—
Accounts payable	—	258,962
Contract liabilities	434	176,847
At December 31, 2019		
Cash	$ 2,124	$ 120,286
Accounts receivable	—	404,911
Contract assets	—	344,806
Accounts payable	38	235,972
Contract liabilities	425	192,397

Note 11—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 607,361 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 March 31, 2020, a total of 260,630 Units were vested. The vesting schedule for the remaining Units are as follows:

For the Years Ending December 31,	Number of Units to Vest
2020 (remaining nine months)	23,896
2021	179,364
2022	84,415
2023	59,056
	346,731

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 $0.5 million in compensation expense for each of the three months ended March 31, 2020 and 2019, respectively. At March 31, 2020, approximately $5.4 million of unrecognized compensation expense remained for the Units, which will be recognized over a weighted average period of 2.4 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 March 31, 2020, a total of 2,401 Dividend Equivalent Units were accrued.

Note 12—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 three months ended March 31, 2020 and 2019 was 29.0% and 21.3%, respectively. Excluding noncontrolling interest, the effective tax rate on (loss) income attributable to Primoris for the three months ended March 31, 2020 and 2019 was 29.0%. For the first three months of 2020 and 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.

Our U.S. federal income tax returns are generally no longer subject to examination for tax years before 2016. 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 2014.

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.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted by the US Government in response to the COVID-19 pandemic. Similarly, the Canada Emergency Wage Subsidy legislation was enacted on April 11, 2020 to provide employment retention incentives to certain Canadian employers. These relief measures did not materially affect the Consolidated Financial Statements for the first quarter of 2020. We are currently assessing the future implications of these provisions on our Consolidated Financial Statements.

Note 13—Dividends and Earnings Per Share

We paid cash dividends during 2020 and 2019 as follows:

Declaration Date	Record Date	Date Paid	Amount Per Share
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
August 2, 2019	September 30, 2019	October 15, 2019	0.060
October 31, 2019	December 31, 2019	January 15, 2020	0.060
February 21, 2020	March 31, 2020	April 15, 2020	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 (loss) earnings per share for the three months ended March 31, 2020 and 2019 (in thousands, except per share amounts).

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Numerator:		
Net (loss) income attributable to Primoris	$ (3,737)	$ 1,947
Denominator:		
Weighted average shares for computation of basic earnings per share	48,588	50,770
Dilutive effect of shares issued to independent directors (1)	—	8
Dilutive effect of restricted stock units (1)	—	410
Weighted average shares for computation of diluted (loss) earnings per share	48,588	51,188
(Loss) earnings per share attributable to Primoris:		
Basic	$ (0.08)	$ 0.04
Diluted	$ (0.08)	$ 0.04

(1) The dilutive effect of shares issued to independent directors and restricted stock units of 9 and 300, respectively, for the three months ended March 31, 2020, were excluded from the weighted average diluted shares outstanding for the three months ended March 31, 2020, as their inclusion would be anti-dilutive.

Note 14—Stockholders' Equity

Common stock

We issued 34,524 and 114,106 shares of common stock in the three months ended March 31, 2020 and 2019, 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 $0.6 million and $1.8 million in the three months ended March 31, 2020 and 2019, respectively. Our LTR Plan for certain 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 three months ended March 31, 2020 were a portion of bonus amounts earned in 2019, and the number of shares purchased was calculated based on 75% of the average daily closing market price of our common stock during December 2019. The shares purchased in the three months ended March 31, 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.

In the three months ended March 31, 2020 and 2019, we issued 16,744 and 13,278 shares of common stock, respectively, as part of the quarterly compensation of the non-employee members of the Board of Directors.

As discussed in Note 11 — "*Stock–Based Compensation*", as of March 31, 2020, the Board of Directors has granted a total of 607,361 shares of Units, net of forfeitures under the Equity Plan and a total of 2,401 Dividend Equivalent Units were accrued at March 31, 2020.

Share Repurchase Plan

In February 2020, our Board of Directors authorized a $25.0 million share repurchase program. Under the share repurchase program, we can, depending on market conditions, share price and other factors, acquire shares of our common stock on the open market or in privately negotiated transactions. In the three months ended March 31, 2020 we purchased and cancelled 461,831 shares of common stock, which in the aggregate, equaled $7.4 million at an average share price of $16.01. The share repurchase plan expires on December 31, 2020.

Note 15—Leases

We lease administrative and various operational facilities, which are generally longer-term, project specific facilities or yards, and construction equipment under non-cancelable operating leases. 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 2030, 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 March 31,	
	2020	2019
Operating lease expense	$ 22,978 (1)	$ 16,513 (1)

(1) Includes short-term leases which are immaterial.

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

	March 31, 2020	December 31, 2019
Accrued liabilities	$ 79,532	$ 74,036
Noncurrent operating lease liabilities, net of current portion	176,546	171,225
	$ 256,078	$ 245,261

Note 16—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 three months ended March 31, 2020, we increased our estimate of the total expected remediation costs by $0.5 million. We also spent $2.5 million for remediation during the three months ended March 31, 2020. While we continue to monitor the progress toward remediation and the total remediation costs, at this time we cannot determine the total eventual remediation cost. At March 31, 2020, the remaining accrual balance was $6.5 million.

Legal proceedings — We had been engaged in dispute resolution to collect money we believe we were owed for a construction project completed in 2014. The dispute resolution for the receivable initially required international arbitration; however, in the first half of 2016, the owner sought bankruptcy protection in U.S. bankruptcy court. We initiated litigation against the sureties who had provided lien and stop payment release bonds for the amount owed. During 2018, we settled with the sureties. In addition, we believe we are owed amounts from the bankruptcy trustee. We expect that we will collect a portion of the amount owed to us but cannot predict the timing of such collection.

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 March 31, 2020 and December 31, 2019, the Company had bid and completion bonds issued and outstanding totaling approximately $829.0 million and $648.6 million, respectively.

Note 17—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 engineering, procurement, and construction, retrofits, upgrades, repairs, outages, and maintenance services for entities in the petroleum and petrochemical industries, as well as traditional and renewable power generators.

The Pipeline segment operates throughout the United States and specializes in a range of services, including pipeline construction and maintenance, pipeline facility and integrity services, installation of compressor and pump stations, and metering facilities for entities in the petroleum and petrochemical industries, as well as gas, water, and sewer utilities.

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 installation and maintenance of new and existing natural gas utility distribution systems and pipeline integrity services for entities in the gas utility market.

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, including installation and maintenance of new and existing electric utility transmission, substation, and distribution systems for entities in the electric utility market.

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 construction, demolition, site work, soil stabilization, mass excavation, flood control, and drainage projects for entities in the petroleum and petrochemical industries, state and municipal departments of transportation, and airports.

All intersegment revenue and gross profit, which was immaterial, has been eliminated in the following tables. Total assets by segment is not presented as our Chief Operating Decision Maker as defined by ASC 280 does not review or allocate resources based on segment assets.

Segment Revenue

Revenue by segment was as follows (in thousands):

	For the three months ended March 31,			
	2020		2019	
Segment	**Revenue**	**% of Total Revenue**	**Revenue**	**% of Total Revenue**
Power	$ 196,193	26.4%	$ 145,383	22.0%
Pipeline	191,523	25.8%	134,814	20.4%
Utilities	147,170	19.8%	146,206	22.1%
Transmission	102,784	13.8%	118,443	17.9%
Civil	105,573	14.2%	116,712	17.6%
Total	$ 743,243	100.0%	$ 661,558	100.0%

Segment Gross Profit

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

	For the three months ended March 31,			
	2020		2019	
Segment	**Gross Profit**	**% of Segment Revenue**	**Gross Profit**	**% of Segment Revenue**
Power	$ 18,682	9.5%	$ 20,198	13.9%
Pipeline	16,492	8.6%	15,016	11.1%
Utilities	4,602	3.1%	8,241	5.6%
Transmission	1,712	1.7%	6,628	5.6%
Civil	6,322	6.0%	2,377	2.0%
Total	$ 47,810	6.4%	$ 52,460	7.9%

Segment Goodwill

The amount of goodwill recorded by each segment at March 31, 2020 and at December 31, 2019 is presented in Note 6 – "*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 4.2% and 4.6% generated from sources outside of the United States during the three months ended March 31, 2020 and 2019, respectively, principally in Canada. At March 31, 2020 and December 31, 2019, approximately 3.4% and 4.4%, respectively, of total assets were located outside of the United States, principally in Canada.

Note 18—Subsequent Events

Cash Dividend

On May 1, 2020, the Board of Directors declared a cash dividend of $0.06 per share of common stock for stockholders of record as of June 30, 2020, payable on or about July 15, 2020.

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 March 31, 2020 ("First Quarter 2020 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, 2019 and our other filings with the Securities and Exchange Commission ("SEC"), including in Part II, Item 1A "Risk Factors" of this First Quarter 2020 report. You should read this First Quarter 2020 Report, our Annual Report on Form 10-K for the year ended December 31, 2019 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 First Quarter 2020 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 First Quarter 2020 Report and our Annual Report on Form 10-K for the year ended December 31, 2019.

Introduction

We are one of the leading providers of specialty contracting services operating mainly in the United States and Canada. We provide a wide range of specialty construction services, fabrication, maintenance, replacement, and engineering services to a diversified base of customers through our five segments: Power, Industrial, and Engineering ("Power"), Pipeline and Underground ("Pipeline"), Utilities and Distribution ("Utilities"), Transmission and Distribution ("Transmission"), and Civil. The structure of our reportable segments is generally focused on broad end-user markets for our services.

The Power segment operates throughout the United States and in Canada and specializes in a range of services that include engineering, procurement, and construction, retrofits, upgrades, repairs, outages, and maintenance services for entities in the petroleum and petrochemical industries, as well as traditional and renewable power generators.

The Pipeline segment operates throughout the United States and specializes in a range of services, including pipeline construction and maintenance, pipeline facility and integrity services, installation of compressor and pump stations, and metering facilities for entities in the petroleum and petrochemical industries, as well as gas, water, and sewer utilities.

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 installation and maintenance of new and existing natural gas utility distribution systems and pipeline integrity services for entities in the gas utility market.

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, including installation and maintenance of new and existing electric utility transmission, substation, and distribution systems for entities in the electric utility market.

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 construction, demolition, site work, soil stabilization, mass excavation, flood control, and drainage projects for entities in the petroleum and petrochemical industries, state and municipal departments of transportation, and airports.

We have longstanding customer relationships with major utility, refining, petrochemical, power, midstream, and engineering companies, and state departments of transportation. 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 36 months, and occasionally 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.

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.

Material trends and uncertainties

We generate our revenue from construction and engineering projects, as well as from providing a variety of construction services. We depend in part on spending by companies in the gas and electric utility industries, the energy, chemical, and oil and gas industries, as well as state departments of transportation and 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, more reliable gas and electric utility infrastructure, 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 and other factors outside of our control may affect the amount and size of contracts we are awarded in any particular period.

In March 2020, the novel coronavirus (“COVID-19”) outbreak was declared a National Public Health Emergency which continues to spread throughout the world and has adversely impacted global activity and contributed to significant declines and volatility in financial markets. In an effort to contain COVID-19 or slow its spread, governments around the world have also enacted various measures, including orders to close all businesses not deemed “essential”, isolate residents to their homes or places of residence, and practice social distancing when engaging in essential activities. While our services have generally been deemed to be essential services, all segments have reported various levels of project interruptions and restrictions that have delayed project timelines from those originally planned. In some cases, we have experienced temporary work stoppages. This led to general inefficiencies from having to start and stop work, re-sequencing work, requiring on-site health screenings before entering a job site, and following proper social distancing practices. We have also been restricted from completing work or have been prevented from starting work on certain projects.

We anticipate that the outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. When COVID-19 is demonstrably contained, we anticipate a rebound in economic activity, depending on the rate, pace, and effectiveness of the containment efforts deployed by various national, state, and local governments.

To date, the inefficiencies experienced have had an unquantifiable impact to our business. We will continue to actively monitor the situation and may take further actions to alter our business operations that we determine are in the best interests of our employees, customers, suppliers, and stakeholders, or as required by federal, state, or local authorities. It is not clear what the potential effects any such alterations or modifications may have on our business or on our financial results for the remainder of 2020.

We also monitor our customers and their industries 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 months, which we attribute to negative economic and market conditions, and we anticipate that these negative conditions and the impact of COVID-19 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 volatility in the prices of oil, gas, and liquid natural gas that has occurred in the past few years could create uncertainty with respect to demand for our oil and gas pipeline services, specifically in our oil field services and Canadian operations. The recent significant reduction in the price of oil could create uncertainty with respect to demand for our oil and gas pipeline services in the near term, with additional uncertainty resulting over the length of time that prices remain depressed. When the current oversupply eases and with a return to increasing global demand for oil, we expect oil prices to recover from the current levels. While the construction of gathering lines within the oil shale formations may remain at lower levels for an extended period, we 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.

The continuing changes in the regulatory environment may 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. Renewable resources are also creating a demand for our construction and specialty services, such as the need for battery storage and the construction of solar power production facilities.

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, snow, and named storms, 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 several hundred dollars to several hundred million dollars. The bulk of our work is comprised of project sizes that average less than $5.0 million. We also perform construction projects which tend not to be seasonal, but can fluctuate from year to year based on customer timing, project duration, weather, and 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 our 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, 2019. There have been no material changes to our critical accounting policies since December 31, 2019.

Results of Operations

Consolidated Results

The following discussion compares the results of the three months ended March 31, 2020 to the three months ended March 31, 2019.

Revenue

Revenue was $743.2 million for the three months ended March 31, 2020, an increase of $81.7 million, or 12.3%, compared to the same period in 2019. The increase was primarily due to growth in our Pipeline and Power segments, partially offset by lower revenue in our Transmission and Civil segments.

Gross Profit

Gross profit was $47.8 million for the three months ended March 31, 2020, a decrease of $4.7 million, or 8.9%, compared to the same period in 2019. The decrease was primarily due to a decrease in gross profit as a percentage of revenue, partially offset by revenue growth. Gross profit as a percentage of revenue decreased to 6.4% for the three months ended March 31, 2020, compared to 7.9% for the same period in 2019 as described in the forthcoming segment results.

Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses were $44.4 million during the three months ended March 31, 2020, an increase of $1.5 million, or 3.4%, compared to 2019 primarily due to a $1.0 million increase in consulting expenses. SG&A expense as a percentage of revenue decreased to 6.0% compared to 6.5% for the corresponding period in 2019 due to increased revenue.

Other income and expense

Non-operating income and expense items for the three months ended March 31, 2020 and 2019 were as follows (in thousands):

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Foreign exchange gain (loss)	$ 136	$ (185)
Other income (expense), net	12	(370)
Interest income	281	349
Interest expense	(9,112)	(5,592)
Total other income (expense)	$ (8,683)	$ (5,798)

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 months ended March 31, 2020, increased compared to the same period in 2019 due primarily to a $5.0 million unrealized loss on the change in the fair value of our interest rate swap agreement during the three months ended March 31, 2020, compared to $1.4 million in 2019.

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 three months ended March 31, 2020. 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 an income tax benefit for the three months ended March 31, 2020 of $1.5 million compared to an expense of $0.8 million for the three months ended March 31, 2019. The $2.3 million decrease in income tax expense was primarily driven by a $8.0 million decrease in pre-tax income (excluding noncontrolling interests).

Segment results

Power Segment

Revenue and gross profit for the Power segment for the three months ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31,			
	2020		2019	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Power Segment				
Revenue	$ 196,193		$ 145,383	
Gross profit	18,682	9.5%	20,198	13.9%

Revenue increased by $50.8 million, or 34.9%, for the three months ended March 31, 2020, compared to the same period in 2019. The increase is primarily due to a carbon monoxide and hydrogen plant project that began in the second quarter of 2019 ($33.1 million) and progress on a West Texas solar facility project that began late in the first quarter of 2019 ($16.8 million).

Gross profit for the three months ended March 31, 2020, decreased by $1.5 million, or 7.5%, compared to the same period in 2019 due to lower margins, partially offset by higher revenue. Gross profit as a percentage of revenue decreased to 9.5% during the three months ended March 31, 2020, compared to 13.9% in the same period in 2019 primarily due to higher costs associated with an engineering project and a Canadian tank farm project in 2020, as well as the favorable impact from the closeout of multiple refinery projects and our Carlsbad joint venture project in 2019. These amounts are partially offset by an improved gross margin on a West Texas solar facility project in 2020 and increase in expected claim recovery on a project completed in 2014.

Pipeline Segment

Revenue and gross profit for the Pipeline segment for the three months ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31,			
	2020		2019	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Pipeline Segment				
Revenue	$ 191,523		$ 134,814	
Gross profit	16,492	8.6%	15,016	11.1%

Revenue increased by $56.7 million, or 42.1%, for the three months ended March 31, 2020, compared to the same period in 2019. The increase is primarily due to pipeline projects in Texas and Virginia that began in the first quarter of 2020 ($118.2 million combined), partially offset by the substantial completion of a major pipeline project in West Texas in the second quarter of 2019 and reduced activity on a major pipeline project in the Mid-Atlantic ($51.3 million combined).

Gross profit for the three months ended March 31, 2020 increased by $1.5 million, or 9.8%, compared to the same period in 2019 due to higher revenue, partially offset by lower margins. Gross profit as a percentage of revenue decreased to 8.6% during the three months ended March 31, 2020, compared to 11.1% in the same period in 2019 primarily due to startup costs on pipeline projects in Texas in 2020 and the favorable impact from the closeout of multiple pipeline projects in 2019.

Utilities Segment

Revenue and gross profit for the Utilities segment for the three months ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31,			
	2020		2019	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Utilities Segment				
Revenue	$ 147,170		$ 146,206	
Gross profit	4,602	3.1%	8,241	5.6%

Revenue increased by $1.0 million, or 0.7%, for the three months ended March 31, 2020, compared to the same period in 2019 primarily due to increased activity with utility customers in the Midwest, Southeast, and Texas ($10.5 million combined), partially offset by decreased activity with a utility customer in California.

Gross profit for the three months ended March 31, 2020 decreased by $3.6 million, or 44.2%, compared to the same period in 2019 primarily due to lower margins. Gross profit as a percent of revenue decreased to 3.1% during the three months ended March 31, 2020, compared to 5.6%, in the same period in 2019 primarily due to the favorable impact from the closeout of multiple jobs with a utility customer in California in 2019.

Transmission Segment

Revenue and gross profit for the Transmission segment for the three months ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31,			
	2020		2019	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Transmission Segment				
Revenue	$ 102,784		$ 118,443	
Gross profit	1,712	1.7%	6,628	5.6%

Revenue decreased by $15.7 million, or 13.2%, for the three months ended March 31, 2020, compared to the same period in 2019 primarily due to decreased activity with a utility customer in Texas.

Gross profit for the three months ended March 31, 2020, decreased by $4.9 million, or 74.2%, compared to the same period in 2019, due primarily to lower revenue and margins. Gross profit as a percentage of revenue decreased to 1.7% during the three months ended March 31, 2020, compared to 5.6% in the same period in 2019 primarily due to slower than anticipated release of work by certain customers resulting in higher relative carrying costs for equipment and personnel, and the unfavorable impact of mix of projects in 2020.

Civil Segment

Revenue and gross profit for the Civil segment for the three months ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31,			
	2020		2019	
	(Thousands)	% of Segment Revenue	(Thousands)	% of Segment Revenue
Civil Segment				
Revenue	$ 105,573		$ 116,712	
Gross profit	6,322	6.0%	2,377	2.0%

Revenue decreased by $11.1 million, or 9.5%, for the three months ended March 31, 2020, compared to the same period in 2019. The decrease is primarily due to the substantial completion of an ethylene plant project in the second quarter of 2019 and lower Texas Department of Transportation volumes ($16.3 million combined). These amounts were partially offset by progress on a methanol plant project that began in 2019 and higher Louisiana Department of Transportation and Development (“DOTD”) volumes.

Gross profit for the three months ended March 31, 2020 increased by $3.9 million compared to the same period in 2019 due to higher margins, partially offset by lower revenue. Gross profit as a percentage of revenue increased to 6.0% during the three months ended March 31, 2020, compared to 2.0% in the same period in 2019 due primarily to increased profit on Louisiana DOTD projects and the unfavorable impact from the Belton area projects in 2019. As of December 31, 2019, all of the Belton area projects were substantially complete.

At March 31, 2020, we had approximately $28.2 million of unapproved contract modifications included in the aggregate transaction prices associated with the Belton area projects, all of which had been recognized as revenue on a cumulative catch-up basis through March 31, 2020.

Geographic area financial information

The majority of our revenue is derived from customers in the United States with approximately 4.2% generated from sources outside of the United States during the three months ended March 31, 2020, 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, 2019 and March 31, 2020 and the changes in Fixed Backlog for the three months ended March 31, 2020 are as follows (in millions):

Reportable Segment	Beginning Fixed Backlog at December 31, 2019	Contract Additions to Fixed Backlog	Revenue Recognized from Fixed Backlog	Ending Fixed Backlog at March 31, 2020	Revenue Recognized from Non-Fixed Backlog Projects	Total Revenue for Three Months ended March 31, 2020
Power	$ 401.3	$ 112.7	$ 155.5	$ 358.5	$ 40.7	$ 196.2
Pipeline	743.4	318.0	144.8	916.6	46.7	191.5
Utilities	36.6	42.5	42.6	36.5	104.5	147.1
Transmission	23.0	11.7	21.0	13.7	81.8	102.8
Civil	555.1	157.0	102.7	609.4	2.9	105.6
Total	$ 1,759.4	$ 641.9	$ 466.6	$ 1,934.7	$ 276.6	$ 743.2

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.

At March 31, 2020, our total Fixed Backlog was $1.93 billion, representing an increase of $175.3 million, or 10.0%, compared to $1.76 billion at December 31, 2019.

MSA Backlog

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

	Quarterly MSA Revenue	
	2019	2020
First Quarter	$ 292.9	$ 270.4
Second Quarter	348.3	
Third Quarter	366.9	
Fourth Quarter	348.5	

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 March 31, 2020 by reportable segment (in millions):

Reportable Segment:	MSA Backlog at March 31, 2020
Power	$ 95.3
Pipeline	85.3
Utilities	677.9
Transmission	407.2
Civil	3.7
Total	$ 1,269.4

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:	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Power	$ 557.8	$ 498.8	$ 512.0	$ 515.4	$ 453.8
Pipeline	659.5	866.3	854.2	862.3	1,001.9
Utilities	802.3	782.4	764.3	774.0	714.4
Transmission	468.9	473.0	469.8	467.0	420.9
Civil	451.5	576.0	610.3	558.8	613.1
Total	$ 2,940.0	$ 3,196.5	$ 3,210.6	$ 3,177.5	$ 3,204.1

We expect that during the next four quarters, we will recognize as revenue approximately 73% of the total backlog at March 31, 2020, comprised of backlog of approximately: 87% of the Power segment; 45% of the Pipeline segment; 100% of the Utilities segment; 100% of the Transmission segment; and 57% 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 contracts, 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

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 March 31, 2020, there were no outstanding borrowings under the Revolving Credit Facility, commercial letters of credit outstanding were $39.5 million, and available borrowing capacity was $160.5 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 $93.5 million at March 31, 2020, compared to $120.3 million at December 31, 2019. We anticipate that our cash and investments on hand, existing borrowing capacity under credit facilities 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, we do not consider cash and cash equivalents held by our consolidated VIEs.

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 three months ended March 31, 2020, we spent approximately $9.3 million for capital expenditures, which included $4.9 million for construction equipment. The total of our depreciation, amortization and equipment sales was approximately $19.8 million. Capital expenditures for the remaining nine months of 2020 are expected to total between $30.0 million and $40.0 million.

Cash Flows

Cash flows during the three months ended March 31, 2020 and 2019 are summarized as follows (in thousands):

	Three months ended March 31,	
	2020	2019
Change in cash:		
Net cash used in operating activities	$ (5,467)	$ (72,096)
Net cash used in investing activities	(2,409)	(9,979)
Net cash (used in) provided by financing activities	(19,195)	4,670
Effect of exchange rate changes	259	327
Net change in cash and cash equivalents	$ (26,812)	$ (77,078)

Operating Activities

The source of our cash flows from operating activities for the three months ended March 31, 2020 and 2019 were as follows (in thousands):

	Three months ended March 31,		
	2020	2019	Change
Operating Activities:			
Net (loss) income	$ (3,734)	$ 2,936	$ (6,670)
Depreciation and amortization	19,797	21,700	(1,903)
Changes in assets and liabilities	(26,509)	(96,529)	70,020
Other	4,979	(203)	5,182
Net cash used in operating activities	$ (5,467)	$ (72,096)	$ 66,629

Net cash used in operating activities for the three months ended March 31, 2020 was $5.5 million compared to $72.1 million for the three months ended March 31, 2019. The change year-over-year was primarily due to a favorable impact from the changes in assets and liabilities.

The significant components of the $26.5 million change in assets and liabilities for the three months ended March 31, 2020 are summarized as follows:

- Contract liabilities decreased by $15.4 million, primarily due to lower deferred revenue;
- Accounts receivable increased by $13.9 million, due primarily to the timing of collecting from our customers;
- Contract assets increased by $15.7 million, primarily due to the timing of billing our customers; and
- Accounts payable and accrued liabilities increased by $23.8 million, due to the timing of payments to our vendors and suppliers.

Investing activities

For the three months ended March 31, 2020, we used $2.4 million in cash for investing activities compared to $10.0 million for the three months ended March 31, 2019.

During the three months ended March 31, 2020, we purchased property and equipment for $9.3 million compared to $14.4 million during the same period in the prior year. In addition, we received proceeds from the sale of property and equipment of $6.9 million during the three months ended March 31, 2020, compared to $4.4 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.

Financing activities

Financing activities used cash of $19.2 million for the three months ended March 31, 2020, which was primarily due to the following:

- Repayment of long-term debt of $15.0 million;
- Repurchase of common stock of $7.4 million;
- Dividend payments to our stockholders of $2.9 million; and
- Proceeds from the issuance of debt secured by our real estate of $6.8 million

Financing activities provided cash of $4.7 million for the three months ended March 31, 2019, which was primarily due to the following:

- Proceeds from the issuances of debt secured by our equipment of $23.1 million
- Proceeds of $1.8 million from the issuance of 114,106 shares of common stock purchased by the participants in the Primoris Long-term Retention Plan
- Repayment of long-term debt of $17.2 million;
- Dividend payments to our stockholders of $3.0 million;

Credit Agreements

For a description of our credit agreements, see Note 8 — "*Credit Arrangements*" in Item 1, Financial Statements of this First Quarter 2020 Report.

Common stock

For a discussion of items affecting our common stock, please see Note 14 — "*Stockholders' Equity*" in Item 1, Financial Statements of this First Quarter 2020 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 March 31, 2020, we had letters of credit outstanding of $40.0 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 First Quarter 2020 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 March 31, 2020, we had $829.0 million in outstanding bonds. As of the date of this First Quarter 2020 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 March 31, 2020, $150.6 million of our variable rate debt outstanding was economically hedged. Based on our variable rate debt outstanding as of March 31, 2020, a 1.0% increase or decrease in interest rates would change annual interest expense by approximately $0.5 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 March 31, 2020, 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 March 31, 2020, 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 three months ended March 31, 2020.

Part II. Other Information

Item 1. Legal Proceedings

The information required for this item is provided in Note 16 — “*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 other information set forth in this Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A entitled “Risk Factors” in our most recently filed Annual Report on Form 10-K for the year ended December 31, 2019, which could materially affect our business, financial condition or future results. The COVID-19 pandemic has heightened, and in some cases manifested, certain of the risks we normally face in operating our business, including those disclosed in our most recently filed Annual Report on Form 10-K, and the risk factor disclosure in the Form 10-K is qualified by the information relating to COVID-19 that is described in this Report, including the updated risk factor set forth below. Except as set forth below or otherwise discussed in this Report, there have been no material changes from the risk factors previously disclosed in our most recently filed Annual Report on Form 10-K.

Our results could be adversely affected by natural disasters, public health crises, political crises, or other catastrophic events.

Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, and other adverse weather and climate conditions; unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, labor unrest, and other political instability; or other catastrophic events could disrupt our operations, or the operations of one or more of our vendors or customers, and could adversely affect our financial results. In particular, these types of events could impact our product supply chain from or to the impacted region and could cause our customers to delay or cancel projects, which could impact our ability to operate. In addition, these types of events could lead to general inefficiencies from having to start and stop work, re-sequencing work, requiring on-site health screenings before entering a job site, and following proper social distancing practices.

For example, in December 2019, a novel strain of coronavirus (“COVID-19”) emerged and has since extensively impacted global health and the economic environment. In an effort to contain COVID-19 or slow its spread, governments around the world have also enacted various measures, including orders to close all businesses not deemed “essential”, isolate residents to their homes or places of residence, and practice social distancing when engaging in essential activities. While our services have generally been deemed to be essential services, we have experienced project interruptions and restrictions that have delayed project timelines from those originally planned. In some cases, we have experienced temporary work stoppages, which has led to general inefficiencies from having to start and stop work, re-sequence work, require on-site health screenings before entering a job site, and follow proper social distancing practices. We have also been restricted from completing work or have been prevented from starting work on certain projects. We will continue to actively monitor the situation and may take further actions to alter our business operations that we determine are in the best interests of our employees, customers, suppliers, and stakeholders, or as required by federal, state, or local authorities. We will also continue to monitor our customers and their industries to assess the effect that changes in economic, market and regulatory conditions may have on them. Due to uncertainties regarding the duration and impact of the current COVID-19 pandemic, we are unable to predict the extent to which the COVID-19 pandemic may have a material adverse effect on our business, financial condition or results of operations.

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

Share repurchase activity during the three months ended March 31, 2020 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
January 1, 2020 to January 31, 2020	—	$ —	—	$ —
February 1, 2020 to February 29, 2020	—	—	—	25,000,000
March 1, 2020 to March 31, 2020	461,831	$ 16.01	461,831	17,606,086
Total	461,831			$ 17,606,086

(1) In February 2020, our Board of Directors authorized a share repurchase program for the repurchase of up to $25.0 million of our outstanding common stock. Under the share repurchase program, we can, depending on market conditions, share price and other factors, acquire shares of our common stock on the open market or in privately negotiated transactions. In March 2020, we purchased an aggregate of 461,831 shares of our Common Stock for an aggregate purchase price of $7.4 million or $16.04 per share. As of March 31, 2020, we have $17.6 million remaining of common stock authorized to be purchased under the share repurchase program. The share repurchase plan expires on December 31, 2020.

Item 6. Exhibits.

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

Exhibit Number	Description
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	Inline 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	Inline XBRL Taxonomy Extension Schema Document (*)
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (*)
101 LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (*)
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (*)
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (*)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(*) Filed herewith.
(**) Furnished herewith.

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: May 4, 2020

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

Exhibit 31.1

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

I, Thomas E. McCormick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2020, 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: May 4, 2020

/s/ Thomas E. McCormick
Thomas E. McCormick
President, Chief Executive Officer and Director
(Principal Executive Officer)

**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 March 31, 2020, 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: May 4, 2020

/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 March 31, 2020, 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: May 4, 2020

/s/ Thomas E. McCormick
Thomas E. McCormick
President, Chief Executive Officer and Director
(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 March 31, 2020, 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: May 4, 2020

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