

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

FORM 10-Q

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

For the quarterly period ended October 1, 2022

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 001-35849

NV5 Global, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

**200 South Park Road, Suite 350
Hollywood, Florida**

(Address of principal executive offices)

45-3458017

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

33021

(Zip Code)

(954) 495-2112

(Registrant's telephone number, including area code)

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, \$0.01 par value	NVEE	The NASDAQ Stock Market

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

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

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

Large accelerated filer Accelerated Filer Non-accelerated filer Smaller reporting company

Emerging growth company

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

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

As of October 28, 2022, there were 15,559,982 shares outstanding of the registrant's common stock, \$0.01 par value.

**NV5 GLOBAL, INC.
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

NV5 Global, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share data)

Assets	October 1, 2022	January 1, 2022
Current assets:		
Cash and cash equivalents	\$ 54,171	\$ 47,980
Billed receivables, net	141,308	153,814
Unbilled receivables, net	98,081	89,734
Prepaid expenses and other current assets	20,896	12,442
Total current assets	314,456	303,970
Property and equipment, net	41,042	32,729
Right-of-use lease assets, net	38,008	44,260
Intangible assets, net	167,592	188,224
Goodwill	398,614	389,916
Other assets	2,427	2,844
Total assets	\$ 962,139	\$ 961,943
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 48,722	\$ 55,954
Accrued liabilities	58,481	50,461
Billings in excess of costs and estimated earnings on uncompleted contracts	27,886	29,444
Other current liabilities	1,421	1,551
Current portion of contingent consideration	9,224	5,807
Current portion of notes payable and other obligations	18,140	20,734
Total current liabilities	163,874	163,951
Contingent consideration, less current portion	2,813	2,521
Other long-term liabilities	28,760	34,304
Notes payable and other obligations, less current portion	63,238	111,062
Deferred income tax liabilities, net	21,097	25,385
Total liabilities	279,782	337,223
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 45,000,000 shares authorized, 15,559,921 and 15,414,005 shares issued and outstanding as of October 1, 2022 and January 1, 2022, respectively	156	154
Additional paid-in capital	467,416	451,754
Retained earnings	214,785	172,812
Total stockholders' equity	682,357	624,720
Total liabilities and stockholders' equity	\$ 962,139	\$ 961,943

See accompanying notes to consolidated financial statements (unaudited).

NV5 Global, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)
(in thousands, except share data)

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Gross revenues	\$ 204,075	\$ 185,553	\$ 596,960	\$ 518,151
Direct costs:				
Salaries and wages	48,295	45,145	141,976	131,630
Sub-consultant services	41,253	35,779	116,557	89,003
Other direct costs	14,592	12,802	45,426	35,714
Total direct costs	<u>104,140</u>	<u>93,726</u>	<u>303,959</u>	<u>256,347</u>
Gross profit	<u>99,935</u>	<u>91,827</u>	<u>293,001</u>	<u>261,804</u>
Operating expenses:				
Salaries and wages, payroll taxes and benefits	49,670	44,597	146,719	131,761
General and administrative	16,730	12,978	47,611	37,891
Facilities and facilities related	5,441	5,194	15,822	15,330
Depreciation and amortization	9,771	10,108	29,373	29,764
Total operating expenses	<u>81,612</u>	<u>72,877</u>	<u>239,525</u>	<u>214,746</u>
Income from operations	<u>18,323</u>	<u>18,950</u>	<u>53,476</u>	<u>47,058</u>
Interest expense	(1,003)	(1,475)	(2,804)	(5,362)
Income before income tax expense	17,320	17,475	50,672	41,696
Income tax expense	(1,257)	(4,902)	(8,699)	(10,005)
Net income and comprehensive income	<u>\$ 16,063</u>	<u>\$ 12,573</u>	<u>\$ 41,973</u>	<u>\$ 31,691</u>
Earnings per share:				
Basic	\$ 1.09	\$ 0.86	\$ 2.85	\$ 2.27
Diluted	\$ 1.05	\$ 0.83	\$ 2.75	\$ 2.19
Weighted average common shares outstanding:				
Basic	14,768,689	14,593,623	14,732,726	13,963,372
Diluted	15,301,545	15,069,660	15,242,453	14,486,683

See accompanying notes to consolidated financial statements (unaudited).

NV5 Global, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share data)

	Three Months Ended				
	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
Balance, July 3, 2021	15,365,382	\$ 154	\$ 441,049	\$ 144,783	\$ 585,986
Stock-based compensation	—	—	4,297	—	4,297
Restricted stock issuance, net	20,551	—	—	—	—
Stock issuance for acquisitions	15,118	—	1,266	—	1,266
Net income	—	—	—	12,573	12,573
Balance, October 2, 2021	15,401,051	\$ 154	\$ 446,612	\$ 157,356	\$ 604,122
Balance, July 2, 2022	15,537,134	\$ 155	\$ 462,066	\$ 198,722	\$ 660,943
Stock-based compensation	—	—	5,351	—	5,351
Restricted stock issuance, net	22,787	1	(1)	—	—
Net income	—	—	—	16,063	16,063
Balance, October 1, 2022	15,559,921	\$ 156	\$ 467,416	\$ 214,785	\$ 682,357

	Nine Months Ended				
	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
Balance, January 2, 2021	13,270,131	\$ 133	\$ 268,271	\$ 125,665	\$ 394,069
Stock-based compensation	—	—	12,087	—	12,087
Restricted stock issuance, net	223,607	2	(2)	—	—
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to stock-based compensation	(580)	—	(52)	—	(52)
Stock issuance for acquisitions	50,855	—	4,326	—	4,326
Proceeds from secondary offering, net of costs	1,854,838	19	161,773	—	161,792
Payment of contingent consideration with common stock	2,200	—	209	—	209
Net income	—	—	—	31,691	31,691
Balance, October 2, 2021	15,401,051	\$ 154	\$ 446,612	\$ 157,356	\$ 604,122
Balance, January 1, 2022	15,414,005	\$ 154	\$ 451,754	\$ 172,812	\$ 624,720
Stock-based compensation	—	—	14,312	—	14,312
Restricted stock issuance, net	133,397	2	(2)	—	—
Stock issuance for acquisitions	12,519	—	1,352	—	1,352
Net income	—	—	—	41,973	41,973
Balance, October 1, 2022	15,559,921	\$ 156	\$ 467,416	\$ 214,785	\$ 682,357

See accompanying notes to consolidated financial statements (unaudited).

NV5 Global, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Nine Months Ended	
	October 1, 2022	October 2, 2021
Cash flows from operating activities:		
Net income	\$ 41,973	\$ 31,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,091	33,397
Non-cash lease expense	9,409	7,941
Provision for doubtful accounts	1,252	1,077
Stock-based compensation	15,249	12,087
Change in fair value of contingent consideration	(543)	(67)
Gain on disposals of property and equipment	(100)	(1,059)
Deferred income taxes	(4,288)	(4,318)
Amortization of debt issuance costs	556	1,024
Changes in operating assets and liabilities, net of impact of acquisitions:		
Billed receivables	13,281	16,728
Unbilled receivables	(8,633)	(10,024)
Prepaid expenses and other assets	(8,105)	(4,160)
Accounts payable	(7,937)	1,366
Accrued liabilities	(1,608)	403
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,902)	(8,233)
Other current liabilities	(304)	218
Net cash provided by operating activities	<u>80,391</u>	<u>78,071</u>
Cash flows from investing activities:		
Cash paid for acquisitions (net of cash received from acquisitions)	(5,020)	(23,569)
Proceeds from sale of assets	87	843
Purchase of property and equipment	(14,874)	(6,714)
Net cash used in investing activities	<u>(19,807)</u>	<u>(29,440)</u>
Cash flows from financing activities:		
Proceeds from common stock offering	—	172,500
Borrowings from Senior Credit Facility	—	138,750
Payments on notes payable	(7,796)	(7,299)
Payments of contingent consideration	(1,597)	(663)
Payments of borrowings from Senior Credit Facility	(45,000)	(283,832)
Payments of common stock offering costs	—	(10,657)
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to stock-based compensation	—	(52)
Payments of debt issuance costs	—	(890)
Net cash (used in) provided by financing activities	<u>(54,393)</u>	<u>7,857</u>
Net increase in cash and cash equivalents	<u>6,191</u>	<u>56,488</u>
Cash and cash equivalents – beginning of period	<u>47,980</u>	<u>64,909</u>
Cash and cash equivalents – end of period	<u>\$ 54,171</u>	<u>\$ 121,397</u>

See accompanying notes to consolidated financial statements (unaudited).

NV5 Global, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Nine Months Ended	
	October 1, 2022	October 2, 2021
Non-cash investing and financing activities:		
Contingent consideration (earn-out)	\$ 5,849	\$ 3,476
Notes payable and other obligations issued for acquisitions	\$ 2,933	\$ 11,544
Stock issuance for acquisitions	\$ 1,352	\$ 4,326
Accrued common stock offering costs	\$ —	\$ 51
Finance leases	\$ 644	\$ 269
Payment of contingent consideration with common stock	\$ —	\$ 209

See accompanying notes to consolidated financial statements (unaudited).

NV5 Global, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(in thousands, except share data)

Note 1 – Organization and Nature of Business Operations

Business

NV5 Global, Inc. and its subsidiaries (collectively, the “Company,” or “NV5 Global”) is a provider of technology, conformity assessment, and consulting solutions to public and private sector clients in the infrastructure, utility services, construction, real estate, and environmental markets, operating nationwide and abroad. The Company’s clients include the U.S. Federal, state and local governments, and the private sector. NV5 Global provides a wide range of services, including, but not limited to:

- Utility services
- LNG services
- Engineering
- Civil program management
- Surveying
- Testing, inspection & consulting (TIC)
- Code compliance consulting
- Forensic services
- Litigation support
- Ecological studies
- MEP & technology design
- Commissioning
- Building program management
- Environmental health & safety
- Real estate transaction services
- Energy efficiency & clean energy services
- 3D geospatial data modeling
- Environmental & natural resources
- Robotic survey solutions
- Geospatial data applications & software

Fiscal Year

The Company operates on a "52/53 week" fiscal year ending on the Saturday closest to the calendar quarter end.

Impact of COVID-19 on Our Business

The COVID-19 pandemic has significantly impacted global stock markets and economies. The Company is closely monitoring the impact of the outbreak of COVID-19 on all aspects of its business. The extent to which the Company's operations may be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted. The Company intends to continue to monitor the impact of the COVID-19 pandemic on its business closely.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of the Company are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for reporting of interim financial information. Pursuant to such rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited interim consolidated financial statements of the Company contain all adjustments necessary to present fairly the financial position and results of operations of the Company as of the dates and for the periods presented. Accordingly, these statements should be read in conjunction with the consolidated financial statements and notes contained in the Company’s Annual Report on Form 10-K for the year ended January 1, 2022 (the “2021 Form 10-K”). The results of operations and cash flows for the interim periods presented are not necessarily indicative of the results to be expected for any future interim period or for the full 2022 fiscal year.

NV5 Global, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(in thousands, except share data)

Performance Obligations

To determine the proper revenue recognition method, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. The majority of the Company's contracts have a single performance obligation as the promise to transfer the individual goods or services that is not separately identifiable from other promises in the contracts and therefore, is not distinct.

The Company's performance obligations are satisfied as work progresses or at a point in time. Revenue on the Company's cost-reimbursable contracts is recognized over time using direct costs incurred or direct costs incurred to date as compared to the estimated total direct costs for performance obligations because it depicts the transfer of control to the customer. Contract costs include labor, sub-consultant services, and other direct costs.

Gross revenue from services transferred to customers at a point in time is recognized when the customer obtains control of the asset, which is generally upon delivery and acceptance by the customer of the reports and/or analysis performed.

As of October 1, 2022, the Company had \$841,149 of remaining performance obligations, of which \$668,884 is expected to be recognized over the next 12 months and the majority of the balance over the next 24 months. Contracts for which work authorizations have been received are included in performance obligations. Performance obligations include only those amounts that have been funded and authorized and does not reflect the full amounts the Company may receive over the term of such contracts. In the case of non-government contracts and project awards, performance obligations include future revenue at contract or customary rates, excluding contract renewals or extensions that are at the discretion of the client. For contracts with a not-to-exceed maximum amount, the Company includes revenue from such contracts in performance obligations to the extent of the remaining estimated amount.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed receivables, unbilled receivables (contract assets), and billings in excess of costs and estimated earnings on uncompleted contracts (contract liabilities) on the Consolidated Balance Sheet. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenues recognized on these contracts as of the reporting date. This liability is generally classified as current. During the three and nine months ended October 1, 2022 the Company performed services and recognized \$2,421 and \$24,499, respectively, of revenue related to its contract liabilities that existed as of January 1, 2022.

Goodwill and Intangible Assets

Goodwill is the excess of consideration paid for an acquired entity over the amounts assigned to assets acquired, including other identifiable intangible assets and liabilities assumed in a business combination. To determine the amount of goodwill resulting from a business combination, the Company performs an assessment to determine the acquisition date fair value of the acquired company's tangible and identifiable intangible assets and liabilities.

Goodwill is required to be evaluated for impairment on an annual basis or whenever events or changes in circumstances indicate the asset may be impaired. An entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. These qualitative factors include: macroeconomic and industry conditions, cost factors, overall financial performance and other relevant entity-specific events. If the entity determines that this threshold is met, then the Company may apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company determines fair value through multiple valuation techniques, and weights the results accordingly. NV5 Global is required to make certain subjective and complex judgments in assessing whether an event of impairment of goodwill has occurred, including assumptions and estimates used to determine the fair value of its reporting units. The Company has elected to perform its annual goodwill impairment review as of August 1 of each year. The Company conducts its annual impairment tests on the goodwill using the quantitative method of evaluating goodwill.

NV5 Global, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(in thousands, except share data)

As of August 1, 2022, the Company conducted its annual impairment tests using the quantitative method of evaluating goodwill. Based on the quantitative analyses the Company determined the fair value of each of the reporting units exceeded its carrying value. Therefore, the goodwill was not impaired and the Company did not recognize an impairment charge relating to goodwill as of August 1, 2022. Furthermore, there were no indicators, events or changes in circumstances that would indicate goodwill was impaired during the period from August 2, 2022 through October 1, 2022.

Identifiable intangible assets primarily include customer backlog, customer relationships, trade names, non-compete agreements, and developed technology. Amortizable intangible assets are amortized on a straight-line basis over their estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the assets may be impaired. If an indicator of impairment exists, the Company compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then impairment, if any, is measured as the difference between fair value and carrying value, with fair value typically based on a discounted cash flow model. There were no indicators, events or changes in circumstances that would indicate intangible assets were impaired during the nine months ended October 1, 2022. See Note 8, *Goodwill and Intangible Assets*, for further information on goodwill and identified intangibles.

There have been no material changes in the Company's significant accounting policies described in the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended January 1, 2022.

Note 3 – Recent Accounting Pronouncements

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805) - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). This ASU improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and resulting inconsistencies. This ASU requires an entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers*. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of ASU 2021-08 is permitted, including adoption in an interim period. The standard should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company is currently evaluating the impact of ASU 2021-08 and does not expect it will have a material impact to its financial statements.

Note 4 – Earnings per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period, excluding unvested restricted shares. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The effect of potentially dilutive securities is not considered during periods of loss or if the effect is anti-dilutive.

The weighted average number of shares outstanding in calculating basic earnings per share for the nine months ended October 1, 2022 and October 2, 2021 exclude 760,050 and 767,622 non-vested restricted shares, respectively. During the three and nine months ended October 1, 2022, there were 36,794 and 25,282 weighted average securities, respectively, which are not included in the calculation of diluted weighted average shares outstanding because their impact is anti-dilutive or their performance conditions have not been met. During the three and nine months ended October 2, 2021, there were 11,081 and 6,612 weighted average securities, respectively, which are not included in the calculation of diluted weighted average shares outstanding because their impact is anti-dilutive or their performance conditions have not been met.

NV5 Global, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(in thousands, except share data)

The following table represents a reconciliation of the net income and weighted average shares outstanding for the calculation of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Numerator:				
Net income – basic and diluted	\$ 16,063	\$ 12,573	\$ 41,973	\$ 31,691
Denominator:				
Basic weighted average shares outstanding	14,768,689	14,593,623	14,732,726	13,963,372
Effect of dilutive non-vested restricted shares and units	517,238	451,892	494,047	497,287
Effect of issuable shares related to acquisitions	15,618	24,145	15,680	26,024
Diluted weighted average shares outstanding	15,301,545	15,069,660	15,242,453	14,486,683

Secondary Offering

On March 10, 2021, the Company priced an underwritten public offering of 1,612,903 shares of its common stock (the "Firm Shares") at a price of \$93.00 per share. The shares were sold pursuant to an effective registration statement on Form S-3 (Registration No. 333-237167). In addition, the Company also granted the underwriters a 30-day option to purchase 241,935 additional shares (the "Option Shares") of its common stock at the public offering price. On March 15, 2021, the Company closed on the Firm Shares, for which it received net proceeds of approximately \$140,693 after deducting the underwriting discount and estimated offering expenses payable by the Company. On April 13, 2021, the underwriters exercised the Option Shares and the Company received net proceeds of \$21,150 after deducting the underwriting discount and estimated offering expenses payable by the Company.

Note 5 – Business Acquisitions

2022 Acquisitions

The Company has completed four acquisitions during 2022. The aggregate purchase price for all four acquisitions was \$13,776, including \$4,994 in cash, a \$2,500 promissory note, \$433 of the Company's common stock, and potential earn-outs of up to \$15,850 payable in cash and common stock, which has been recorded at an estimated fair value of \$5,849. An option-based model was used to determine the fair value of the earn-outs, which is a generally accepted valuation technique that embodies all significant assumption types. In order to determine the fair values of tangible and intangible assets acquired and liabilities assumed, the Company engaged an independent third-party valuation specialist to assist in the determination of fair values. The final determination of the fair value of assets and liabilities will be completed within the one-year measurement period as required by ASC 805. The 2022 acquisitions will necessitate the use of this measurement period to adequately analyze and assess the factors used in establishing the asset and liability fair values as of the relevant acquisition date, including intangible assets, accounts receivable, certain fixed assets, and the fair value of the earn-outs.

2021 Acquisitions

The Company completed eight acquisitions during 2021. The aggregate purchase price of all eight acquisitions was \$100,449, including \$69,501 of cash, \$19,028 of promissory notes, \$6,787 of the Company's common stock, and potential earn-outs of up to \$25,700 payable in cash and stock, which was recorded at an estimated fair value of \$5,133. An option-based model was used to determine the fair value of the earn-outs, which is a generally accepted valuation technique that embodies all significant assumption types. In order to determine the fair values of tangible and intangible assets acquired and liabilities assumed, the Company engaged an independent third-party valuation specialist to assist in the determination of fair values. The final determination of the fair value of assets and liabilities will be completed within the one-year measurement period as required by ASC 805. The 2021 acquisitions will necessitate the use of this measurement period to adequately analyze and assess the

NV5 Global, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(in thousands, except share data)

factors used in establishing the asset and liability fair values as of the acquisition date, including intangible assets, accounts receivable, and certain fixed assets.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date for the acquisitions closed during the nine months ended October 1, 2022 and the fiscal year ended January 1, 2022:

	Nine Months Ended	Fiscal Year Ended
	October 1, 2022	January 1, 2022
Cash	\$ —	\$ 1,480
Billed and unbilled receivables, net	1,745	17,728
Right-of-use assets	632	2,932
Property and equipment	1,510	3,741
Prepaid expenses	—	519
Other assets	—	13
Intangible assets:		
Customer relationships	3,123	36,338
Trade name	228	2,098
Customer backlog	217	3,847
Non-compete	241	4,456
Total Assets	\$ 7,696	\$ 73,152
Liabilities	(2,850)	(13,984)
Deferred tax liabilities	—	(4,521)
Net assets acquired	\$ 4,846	\$ 54,647
Consideration paid (Cash, Notes and/or stock)	\$ 7,927	\$ 95,316
Contingent earn-out liability (Cash and stock)	5,849	5,133
Total Consideration	\$ 13,776	\$ 100,449
Excess consideration over the amounts assigned to the net assets acquired (Goodwill)	\$ 8,930	\$ 45,802

Goodwill was recorded based on the amount by which the purchase price exceeded the fair value of the net assets acquired and the amount is attributable to the reputation of the business acquired, the workforce in place and the synergies to be achieved from these acquisitions. See Note 8, *Goodwill and Intangible Assets*, for further information on fair value adjustments to goodwill and identified intangibles.

The consolidated financial statements of the Company include the results of operations from any business acquired from their respective dates of acquisition. The following table presents the results of operations of businesses acquired from their respective dates of acquisition for the three and nine months ended October 2, 2021. The revenue and earnings of the fiscal 2022 acquisitions included in the Company's results since the acquisition dates are not material to the Company's consolidated financial statements and have not been presented.

	Three Months Ended	Nine Months Ended
	October 2, 2021	October 2, 2021
Gross revenues	\$ 9,026	\$ 19,007
Income before income taxes	\$ 871	\$ 4,158

General and administrative expenses for the three and nine months ended October 1, 2022 and October 2, 2021 include acquisition-related costs pertaining to the Company's acquisition activities. Acquisition-related costs were not material to the Company's consolidated financial statements.

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The following table presents the unaudited, pro forma consolidated results of operations (in thousands, except per share amounts) for the three and nine months ended October 1, 2022 and October 2, 2021 as if the fiscal 2022 and 2021 acquisitions had occurred at the beginning of fiscal year 2021. The pro forma information provided below is compiled from pre-acquisition financial information and includes pro forma adjustments for amortization expense, adjustments to certain expenses, and the income tax impact of these adjustments. The pro forma results are not necessarily indicative of (i) the results of operations that would have occurred had the operations of these acquisitions actually been acquired at the beginning of fiscal year 2021 or (ii) future results of operations:

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Gross revenues	\$ 204,195	\$ 198,017	\$ 601,383	\$ 564,098
Net income	\$ 16,097	\$ 13,353	\$ 42,399	\$ 33,921
Basic earnings per share	\$ 1.09	\$ 0.91	\$ 2.88	\$ 2.42
Diluted earnings per share	\$ 1.05	\$ 0.88	\$ 2.78	\$ 2.33

Adjustments were made to the pro forma results to adjust amortization of intangible assets to reflect fair value of identified assets acquired, to record the effects of promissory notes issued, and to record the income tax effect of these adjustments.

Note 6 – Billed and Unbilled Receivables

Billed and Unbilled Receivables consists of the following:

	October 1, 2022	January 1, 2022
Billed receivables	\$ 146,208	\$ 159,942
Less: allowance for doubtful accounts	(4,900)	(6,128)
Billed receivables, net	<u>\$ 141,308</u>	<u>\$ 153,814</u>
Unbilled receivables	\$ 100,374	\$ 91,558
Less: allowance for doubtful accounts	(2,293)	(1,824)
Unbilled receivables, net	<u>\$ 98,081</u>	<u>\$ 89,734</u>

Note 7 – Property and Equipment, net

Property and equipment, net, consists of the following:

	October 1, 2022	January 1, 2022
Office furniture and equipment	\$ 3,414	\$ 3,314
Computer equipment	24,187	20,063
Survey and field equipment	47,832	35,436
Leasehold improvements	6,526	6,395
Total	<u>81,959</u>	<u>65,208</u>
Less: accumulated depreciation	(40,917)	(32,479)
Property and equipment, net	<u>\$ 41,042</u>	<u>\$ 32,729</u>

Depreciation expense was \$2,988 and \$8,727 for the three and nine months ended October 1, 2022, respectively, of which \$1,262 and \$3,718 was included in other direct costs. Depreciation expense was \$2,974 and \$8,413 for the three and nine months ended October 2, 2021, respectively, of which \$1,353 and \$3,633 was included in other direct costs.

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Note 8 – Goodwill and Intangible Assets
Goodwill

The changes in the carrying value by reportable segment for the nine months ended October 1, 2022 were as follows:

	Nine Months Ended			
	January 1, 2022	2022 Acquisitions	Adjustments	October 1, 2022
INF	\$ 90,725	\$ 120	\$ 87	\$ 90,932
BTS	111,005	338	(319)	111,024
GEO	188,186	8,472	—	196,658
Total	<u>\$ 389,916</u>	<u>\$ 8,930</u>	<u>\$ (232)</u>	<u>\$ 398,614</u>

Goodwill of \$8,930 from acquisitions during the nine months ended October 1, 2022 is expected to be deductible for income tax purposes.

Intangible Assets

Intangible assets, net, as of October 1, 2022 and January 1, 2022 consist of the following:

	October 1, 2022			January 1, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Finite-lived intangible assets:						
Customer relationships ⁽¹⁾	\$ 222,509	\$ (81,488)	\$ 141,021	\$ 219,455	\$ (65,017)	\$ 154,438
Trade name ⁽²⁾	16,842	(15,636)	1,206	16,615	(14,815)	1,800
Customer backlog ⁽³⁾	29,175	(26,830)	2,345	28,971	(25,162)	3,809
Non-compete ⁽⁴⁾	14,070	(10,872)	3,198	13,829	(9,024)	4,805
Developed technology ⁽⁵⁾	32,944	(13,122)	19,822	32,944	(9,572)	23,372
Total finite-lived intangible assets	<u>\$ 315,540</u>	<u>\$ (147,948)</u>	<u>\$ 167,592</u>	<u>\$ 311,814</u>	<u>\$ (123,590)</u>	<u>\$ 188,224</u>

⁽¹⁾ Amortized on a straight-line basis over estimated lives (1 to 12 years)

⁽²⁾ Amortized on a straight-line basis over their estimated lives (1 to 3 years)

⁽³⁾ Amortized on a straight-line basis over their estimated lives (1 to 10 years)

⁽⁴⁾ Amortized on a straight-line basis over their contractual lives (1 to 5 years)

⁽⁵⁾ Amortized on a straight-line basis over their estimated lives (5 to 7 years)

The identifiable intangible assets acquired during the nine months ended October 1, 2022 consist of customer relationships, trade name, customer backlog, and non-compete with weighted average lives of 7.9 years, 1.9 years, 1.7 years, and 3.7 years, respectively. Amortization expense was \$8,045 and \$24,364 during the three and nine months ended October 1, 2022, respectively, and \$8,487 and \$24,984 during the three and nine months ended October 2, 2021, respectively.

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Note 9 – Accrued Liabilities

Accrued liabilities consist of the following:

	October 1, 2022	January 1, 2022
Current portion of lease liability	\$ 13,011	\$ 12,897
Accrued vacation	13,867	12,819
Payroll and related taxes	18,251	10,931
Benefits	5,053	6,767
Accrued operating expenses	6,162	4,329
Other	2,137	2,718
Total	\$ 58,481	\$ 50,461

Note 10 – Notes Payable and Other Obligations

Notes payable and other obligations consists of the following:

	October 1, 2022	January 1, 2022
Senior credit facility	\$ 53,750	\$ 98,750
Uncollateralized promissory notes	26,709	31,493
Finance leases	1,945	2,215
Other obligations	1,814	2,733
Debt issuance costs, net of amortization	(2,840)	(3,395)
Total notes payable and other obligations	81,378	131,796
Current portion of notes payable and other obligations	18,140	20,734
Notes payable and other obligations, less current portion	\$ 63,238	\$ 111,062

As of October 1, 2022 and January 1, 2022, the carrying amount of debt obligations approximates their fair values based on Level 2 inputs as the terms are comparable to terms currently offered by local lending institutions for arrangements with similar terms to industry peers with comparable credit characteristics.

Senior Credit Facility

On August 13, 2021 (the "Closing Date"), the Company amended and restated its Credit Agreement (the "Second A&R Credit Agreement"), originally dated December 7, 2016 and as amended to the Closing Date, with Bank of America, N.A. ("Bank of America"), as administrative agent, swingline lender and letter of credit issuer, the other lenders party thereto, and certain of the Company's subsidiaries as guarantors. Pursuant to the Second A&R Credit Agreement, the previously drawn term commitments of \$150,000 and revolving commitments totaling \$215,000 in the aggregate were converted into revolving commitments totaling \$400,000 in the aggregate. These revolving commitments are available through August 13, 2026 (the "Maturity Date") and an aggregate amount of approximately \$138,750 was drawn under the Second A&R Credit Amendment on the Closing Date to repay previously existing borrowings under the term and revolving facilities prior to such amendment and restatement. Borrowings under the Second A&R Credit Agreement are secured by a first priority lien on substantially all of the assets of the Company. The Second A&R Credit Agreement also includes an accordion feature permitting the Company to request an increase in the revolving facility under the Second A&R Credit Agreement by an additional amount of up to \$200,000 in the aggregate. As of October 1, 2022 and January 1, 2022, the outstanding balance on the Second A&R Credit Agreement was \$53,750 and \$98,750, respectively.

Borrowings under the Second A&R Credit Agreement bear interest at variable rates which are, at the Company's option, tied to a Eurocurrency rate equal to LIBOR (London Interbank Offered Rate) plus an applicable margin or a base rate denominated in U.S. dollars. Interest rates remain subject to change based on the Company's consolidated leverage ratio. As of October 1, 2022 the Company's interest rate was 3.8%.

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The Second A&R Credit Agreement contains financial covenants that require NV5 Global to maintain a consolidated net leverage ratio (the ratio of the Company's pro forma consolidated net funded indebtedness to the Company's pro forma consolidated EBITDA for the most recently completed measurement period) of no greater than 4.00 to 1.00.

These financial covenants also require the Company to maintain a consolidated fixed charge coverage ratio of no less than 1.10 to 1.00 as of the end of any measurement period. As of October 1, 2022, the Company was in compliance with the financial covenants.

The Second A&R Credit Agreement contains covenants that may have the effect of limiting the Company's ability to, among other things, merge with or acquire other entities, enter into a transaction resulting in a Change in Control, create certain new liens, incur certain additional indebtedness, engage in certain transactions with affiliates, or engage in new lines of business or sell a substantial part of their assets. The Second A&R Credit Agreement also contains customary events of default, including (but not limited to) a default in the payment of principal or, following an applicable grace period, interest, breaches of the Company's covenants or warranties under the Second A&R Credit Agreement, payment default or acceleration of certain indebtedness, certain events of bankruptcy, insolvency or liquidation, certain judgments or uninsured losses, changes in control and certain liabilities related to ERISA based plans.

The Second A&R Credit Agreement limits the payment of cash dividends (together with certain other payments that would constitute a "Restricted Payment" within the meaning of the Second A&R Credit Agreement and generally including dividends, stock repurchases and certain other payments in respect to warrants, options, and other rights to acquire equity securities), unless the Consolidated Leverage Ratio would be less than 3.25 to 1.00 and available liquidity (defined as unrestricted, domestically held cash plus revolver availability) would be at least \$30,000, in each case after giving effect to such payment.

Total debt issuance costs incurred and capitalized in connection with the issuance of the Second A&R Credit Agreement were \$3,702. Total amortization of debt issuance costs was \$185 and \$556 during the three and nine months ended October 1, 2022, respectively, and \$571 and \$1,024 during the three and nine months ended October 2, 2021, respectively.

Other Obligations

The Company has aggregate obligations related to acquisitions of \$28,523 and \$34,226 as of October 1, 2022 and January 1, 2022, respectively. As of October 1, 2022, the Company's weighted average interest rate on other outstanding obligations was 2.3%.

Note 11 – Contingent Consideration

The following table summarizes the changes in the carrying value of estimated contingent consideration:

	October 1, 2022	January 1, 2022
Contingent consideration, beginning of the year	\$ 8,328	\$ 2,400
Additions for acquisitions	5,849	5,133
Reduction of liability for payments made	(1,597)	(1,538)
(Decrease) increase of liability related to re-measurement of fair value	(543)	2,333
Total contingent consideration, end of the period	12,037	8,328
Current portion of contingent consideration	9,224	5,807
Contingent consideration, less current portion	\$ 2,813	\$ 2,521

Note 12 – Commitments and Contingencies

Litigation, Claims and Assessments

The Company is subject to certain claims and lawsuits typically filed against the engineering, consulting and construction profession, alleging primarily professional errors or omissions. The Company carries professional liability insurance, subject to certain deductibles and policy limits, against such claims. However, in some actions, parties are seeking damages that

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exceed our insurance coverage or for which we are not insured. While management does not believe that the resolution of these claims will have a material adverse effect, individually or in aggregate, on its financial position, results of operations or cash flows, management acknowledges the uncertainty surrounding the ultimate resolution of these matters.

In August 2021, a Consolidated Amended Class Action Complaint was filed in a case titled In Re: Champlain Towers South Collapse Litigation, 2021-015089-CA-01, Circuit Court of the Eleventh Judicial District, Miami-Dade County regarding the collapse of the Champlain Tower South condominium building in Surfside, Florida. The case initially claimed negligence by the Champlain Towers South Condominium Association, Inc. (the “Association”) led to the building’s partial collapse (the “CTS Collapse”). In November 2021, a Consolidated Second Amended Class Action Complaint (the “Second Complaint”) was filed against firms involved in the construction of a neighboring building known as “Eighty-Seven Park” alleging that work at Eighty-Seven Park may have been a contributing factor in the collapse. The defendants in the Second Complaint included the developers of Eighty-Seven Park, the general contractor and four other firms, including the Company (collectively, the “Eight-Seven Park Defendants”). The Company provided limited services to the developers of Eight-Seven Park in 2016, which is more than 5 years prior to the collapse of the Champlain Tower South Condominium Building. On June 16, 2022, a settlement agreement was reached to settle these cases with (a) proposed class of unit owners, (b) invitees, (c) residents, (d) persons who died or sustained any personal injury (including, without limitation, emotional distress) as a result of the CTS Collapse, (e) persons or entities who suffered a loss of, or damage to, real property or personal property, or suffered other economic loss, as a result of the CTS Collapse, (f) representative claimants, and (g) derivative claimants. The Company’s insurers have paid the settlement amount on behalf of the Company pursuant to the settlement agreement. The Court granted preliminary approval of the settlement on May 28, 2022, and the plaintiffs provided notice to the proposed settlement class. The Court held a fairness hearing on June 23, 2022, and it issued an order granting final approval of the settlement on June 24, 2022.

Note 13 – Stock-Based Compensation

In October 2011, the Company's stockholders approved the 2011 Equity Incentive Plan, which was subsequently amended and restated in March 2013 (as amended, the “2011 Equity Plan”). The 2011 Equity Plan provides directors, executive officers, and other employees of the Company with additional incentives by allowing them to acquire ownership interest in the business and, as a result, encouraging them to contribute to the Company’s success. The Company may provide these incentives through the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units, and other cash-based or stock-based awards. As of October 1, 2022, 1,958,653 shares of common stock are authorized and reserved for issuance under the 2011 Equity Plan. This reserve automatically increases on each January 1 from 2014 through 2023, by an amount equal to the smaller of (i) 3.5% of the number of shares issued and outstanding on the immediately preceding December 31, or (ii) an amount determined by the Company's Board of Directors. The restricted shares of common stock granted generally provide for service-based vesting after two to four years following the grant date.

The following summarizes the activity of restricted stock awards during the nine months ended October 1, 2022:

	Number of Unvested Restricted Shares of Common Stock and Restricted Stock Units	Weighted Average Grant Date Fair Value
January 1, 2022	744,490	\$ 66.34
Granted	188,378	\$ 116.26
Vested	(115,429)	\$ 64.96
Forfeited	(57,981)	\$ 66.91
October 1, 2022	759,458	\$ 78.65

Stock-based compensation expense relating to restricted stock awards during the three and nine months ended October 1, 2022 was \$5,634 and \$15,249, respectively, and \$4,297 and \$12,087 during the three and nine months ended October 2, 2021, respectively. In connection with the Company's 401(k) Profit Sharing match, stock-based compensation expense during the three and nine months ended October 1, 2022 includes \$283 and \$937 of expense related to the Company's liability-classified awards. The total estimated amount of the liability-classified awards for fiscal 2022 is approximately \$5,533. Approximately \$33,942 of deferred compensation, which is expected to be recognized over the remaining weighted average vesting period of 1.4 years, is unrecognized at October 1, 2022. The total fair value of restricted shares vested during the nine months ended October 1, 2022 and October 2, 2021 was \$14,624 and \$20,376, respectively.

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Note 14 – Income Taxes

As of October 1, 2022 and January 1, 2022, the Company had net deferred income tax liabilities of \$21,097 and \$25,385, respectively. Deferred income tax liabilities primarily relate to intangible assets and accounting basis adjustments where we have a future obligation for tax purposes.

The Company's effective income tax rate was 7.3% and 17.2% during the three and nine months ended October 1, 2022, respectively, and 28.1% and 24.0% during the three and nine months ended October 2, 2021, respectively. The difference between the effective income tax rate and the combined statutory federal and state income tax rate in 2022 was primarily due to an increase in federal credits recorded in the third quarter, including additional prior year credits, and the recognition of excess tax benefits from stock-based payments in the second and third quarter. The difference between the effective income tax rate and the combined statutory federal and state income tax rate in 2021 was primarily due to the recognition of tax expense resulting from the reduction of federal tax credits recorded in the third quarter and the recognition of excess tax benefits from stock-based payments in the second quarter.

The Company evaluates tax positions for recognition using a more-likely-than-not recognition threshold, and those tax positions eligible for recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon the effective settlement with a taxing authority that has full knowledge of all relevant information. Fiscal years 2018 through 2021 are considered open tax years in the U.S. federal jurisdiction, state and foreign jurisdictions. Fiscal years 2012 - 2014 are considered open in the State of California. It is not expected that there will be a significant change in the unrecognized tax benefits within the next 12 months.

Note 15 – Reportable Segments

The Company reports segment information in accordance with ASC Topic No. 280 “*Segment Reporting*” (“Topic No. 280”). The Company's Chief Executive Officer, who is the chief operating decision maker (“CODM”), organized the Company into three operating and reportable segments: Infrastructure (“INF”), which includes the Company's engineering, civil program management, utility services, and construction quality assurance, testing and inspection practices; Building, Technology & Sciences (“BTS”), which includes the Company's environmental health sciences, buildings and program management, and

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MEP & technology design practices; and Geospatial Solutions ("GEO"), which includes the Company's geospatial solution practices.

The Company evaluates the performance of these reportable segments based on their respective operating income before the effect of amortization expense related to acquisitions and other unallocated corporate expenses. The following tables set forth summarized financial information concerning our reportable segments:

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Gross revenues				
INF	\$ 98,754	\$ 99,365	\$ 301,354	\$ 284,653
BTS	58,579	51,381	180,364	133,804
GEO	46,742	34,807	115,242	99,694
Total gross revenues	<u>\$ 204,075</u>	<u>\$ 185,553</u>	<u>\$ 596,960</u>	<u>\$ 518,151</u>
Segment income before taxes				
INF	\$ 17,692	\$ 17,628	\$ 53,149	\$ 53,589
BTS	10,171	10,299	35,606	24,065
GEO	12,588	9,476	28,727	23,502
Total Segment income before taxes	40,451	37,403	117,482	101,156
Corporate ⁽¹⁾	(23,131)	(19,928)	(66,810)	(59,460)
Total income before taxes	<u>\$ 17,320</u>	<u>\$ 17,475</u>	<u>\$ 50,672</u>	<u>\$ 41,696</u>

⁽¹⁾ Includes amortization of intangibles of \$8,045 and \$24,364 for the three and nine months ended October 1, 2022, respectively, and \$8,487 and \$24,984 for the three and nine months ended October 2, 2021, respectively.

The Company disaggregates its gross revenues from contracts with customers by geographic location, customer-type and contract-type for each of our reportable segments. Disaggregated revenues include the elimination of inter-segment revenues which has been allocated to each segment. The Company believes this best depicts how the nature, amount, timing and uncertainty of its revenues and cash flows are affected by economic factors. Gross revenue, classified by the major geographic areas in which the Company's customers were located, were as follows:

	Three Months Ended October 1, 2022				Nine Months Ended October 1, 2022			
	INF	BTS	GEO	Total	INF	BTS	GEO	Total
United States	\$ 98,754	\$ 50,039	\$ 45,205	\$ 193,998	\$ 301,354	\$ 157,560	\$ 112,667	\$ 571,581
Foreign	—	8,540	1,537	10,077	—	22,804	2,575	25,379
Total gross revenues	<u>\$ 98,754</u>	<u>\$ 58,579</u>	<u>\$ 46,742</u>	<u>\$ 204,075</u>	<u>\$ 301,354</u>	<u>\$ 180,364</u>	<u>\$ 115,242</u>	<u>\$ 596,960</u>
	Three Months Ended October 2, 2021				Nine Months Ended October 2, 2021			
	INF	BTS	GEO	Total	INF	BTS	GEO	Total
United States	\$ 99,365	\$ 45,797	\$ 33,862	\$ 179,024	\$ 284,653	\$ 120,813	\$ 97,726	\$ 503,192
Foreign	—	5,584	945	6,529	—	12,991	1,968	14,959
Total gross revenues	<u>\$ 99,365</u>	<u>\$ 51,381</u>	<u>\$ 34,807</u>	<u>\$ 185,553</u>	<u>\$ 284,653</u>	<u>\$ 133,804</u>	<u>\$ 99,694</u>	<u>\$ 518,151</u>

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Gross revenue by customer were as follows:

	Three Months Ended October 1, 2022				Nine Months Ended October 1, 2022			
	INF	BTS	GEO	Total	INF	BTS	GEO	Total
Public and quasi-public sector	\$ 78,643	\$ 15,812	\$ 37,942	\$ 132,397	\$ 237,901	\$ 46,708	\$ 92,576	\$ 377,185
Private sector	20,111	42,767	8,800	71,678	63,453	133,656	22,666	219,775
Total gross revenues	\$ 98,754	\$ 58,579	\$ 46,742	\$ 204,075	\$ 301,354	\$ 180,364	\$ 115,242	\$ 596,960

	Three Months Ended October 2, 2021				Nine Months Ended October 2, 2021			
	INF	BTS	GEO	Total	INF	BTS	GEO	Total
Public and quasi-public sector	\$ 77,635	\$ 16,065	\$ 21,940	\$ 115,640	\$ 223,096	\$ 52,950	\$ 64,760	\$ 340,806
Private sector	21,730	35,316	12,867	69,913	61,557	80,854	34,934	177,345
Total gross revenues	\$ 99,365	\$ 51,381	\$ 34,807	\$ 185,553	\$ 284,653	\$ 133,804	\$ 99,694	\$ 518,151

Gross revenues by contract type were as follows:

	Three Months Ended October 1, 2022				Nine Months Ended October 1, 2022			
	INF	BTS	GEO	Total	INF	BTS	GEO	Total
Cost-reimbursable contracts	\$ 94,199	\$ 48,702	\$ 46,671	\$ 189,572	\$ 288,525	\$ 127,194	\$ 114,954	\$ 530,673
Fixed-unit price contracts	4,555	9,877	71	14,503	12,829	53,170	288	66,287
Total gross revenues	\$ 98,754	\$ 58,579	\$ 46,742	\$ 204,075	\$ 301,354	\$ 180,364	\$ 115,242	\$ 596,960

	Three Months Ended October 2, 2021				Nine Months Ended October 2, 2021			
	INF	BTS	GEO	Total	INF	BTS	GEO	Total
Cost-reimbursable contracts	\$ 95,154	\$ 35,873	\$ 34,787	\$ 165,814	\$ 271,935	\$ 96,035	\$ 99,497	\$ 467,467
Fixed-unit price contracts	4,211	15,508	20	19,739	12,718	37,769	197	50,684
Total gross revenues	\$ 99,365	\$ 51,381	\$ 34,807	\$ 185,553	\$ 284,653	\$ 133,804	\$ 99,694	\$ 518,151

Note 16 – Leases

The Company primarily leases property under operating leases and has seven equipment operating leases for aircrafts used by the operations of QSI. The Company's property operating leases consist of various office facilities. The Company uses a portfolio approach to account for such leases due to the similarities in characteristics and apply an incremental borrowing rate based on estimates of rates the Company would pay for senior collateralized loans over a similar term. The Company's office leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company accounts for lease components (e.g. fixed payments including rent, real estate taxes and common area maintenance costs) as a single lease component. Some of the Company's leases include one or more options to renew the lease term at its sole discretion; however, these are not included in the calculation of its lease liability or right-of-use ("ROU") lease asset because they are not reasonably certain of exercise.

The Company also leases vehicles through a fleet leasing program. The payments for the vehicles are based on the terms selected. The Company has determined that it is reasonably certain that the leased vehicles will be held beyond the period in which the entire capitalized value of the vehicle has been paid to the lessor. As such, the capitalized value is the delivered price of the vehicle. The Company's vehicle leases are classified as financing leases.

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Supplemental balance sheet information related to the Company's operating and finance leases is as follows:

Leases	Classification	October 1, 2022	January 1, 2022
Assets			
Operating lease assets	Right-of-use lease asset, net ⁽¹⁾	\$ 38,008	\$ 44,260
Finance lease assets	Property and equipment, net ⁽¹⁾	1,926	2,197
Total leased assets		<u>\$ 39,934</u>	<u>\$ 46,457</u>
Liabilities			
Current			
Operating	Accrued liabilities	\$ (13,011)	\$ (12,897)
Finance	Current portion of notes payable and other obligations	(1,017)	(1,225)
Noncurrent			
Operating	Other long-term liabilities	(27,074)	(33,169)
Finance	Notes payable and other obligations, less current portion	(928)	(990)
Total lease liabilities		<u>\$ (42,030)</u>	<u>\$ (48,281)</u>

⁽¹⁾ At October 1, 2022, operating right-of-use lease assets and finance lease assets are recorded net of accumulated amortization of \$34,734 and \$4,538, respectively. At January 1, 2022, operating right-of-use lease assets and finance lease assets are recorded net of accumulated amortization of \$29,257 and \$3,643, respectively.

Supplemental balance sheet information related to the Company's operating and finance leases is as follows:

Weighted - Average Remaining Lease Term (Years)	October 1, 2022	January 1, 2022
Operating leases	4.1	4.5
Finance leases	1.1	1.6
Weighted - Average Discount Rate		
Operating leases	3.8%	4.0%
Finance leases	7.0%	7.0%

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Supplemental cash flow information related to the Company's operating and finance lease liabilities is as follows:

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Operating cash flows from operating leases	\$ 3,455	\$ 3,467	\$ 10,335	\$ 10,514
Financing cash flows from finance leases	\$ 291	\$ 327	\$ 915	\$ 921
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	\$ 2,260	\$ 4,398	\$ 3,186	\$ 6,780

The following tables summarize the components of lease cost recognized in the consolidated statements of net income and comprehensive income:

Lease Cost	Classification	Three Months Ended		Nine Months Ended	
		October 1, 2022		October 1, 2022	
Operating lease cost	Facilities and facilities related	\$ 4,027	\$ 11,719		
Variable operating lease cost	Facilities and facilities related	1,011	2,750		
Finance lease cost					
Amortization of financing lease assets	Depreciation and amortization	287	912		
Interest on lease liabilities	Interest expense	24	89		
Total lease cost		\$ 5,349	\$ 15,470		

Lease Cost	Classification	Three Months Ended		Nine Months Ended	
		October 2, 2021		October 2, 2021	
Operating lease cost	Facilities and facilities related	\$ 3,872	\$ 11,525		
Variable operating lease cost	Facilities and facilities related	510	1,441		
Finance lease cost					
Amortization of financing lease assets	Depreciation and amortization	339	931		
Interest on lease liabilities	Interest expense	39	117		
Total lease cost		\$ 4,760	\$ 14,014		

As of October 1, 2022, maturities of the Company's lease liabilities under its long-term operating leases and finance leases for the next five fiscal years and thereafter are as follows:

Fiscal Year	Operating Leases	Finance Leases
Remainder of 2022	\$ 3,842	\$ 976
2023	13,346	521
2024	10,065	258
2025	7,105	218
2026	4,637	34
Thereafter	4,193	9
Total lease payments	43,188	2,016
Less: Interest	(3,103)	(71)
Present value of lease liabilities	\$ 40,085	\$ 1,945

NV5 Global, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(in thousands, except share data)

Note 17 – Employee Benefit Plan

The Company sponsors 401(k) plans for which employees meeting certain age and length of service requirements may contribute up to the defined statutory limit. In 2022 the Company is offering a 401(k) Profit Sharing match for participating employees equal to 50% of contributions into the plan up to the first 6% of eligible compensation. The match will be allocated 25% in cash to the retirement plan and 75% in restricted stock awards (“RSA’s”) under the NV5 Incentive Plan with a three-year vesting. This annual match will be made after the completion of the plan year and employees must be employed on December 31st of the plan year to receive the match. The RSA’s to be issued are deemed to be liability-classified awards that will be recognized over the applicable service period. The awards will be remeasured to fair value each reporting period until the unvested RSAs are granted.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of the financial condition and results of operations of NV5 Global, Inc. and its subsidiaries (collectively, the "Company," "we," "our," "us," or "NV5 Global") should be read in conjunction with the financial statements included elsewhere in this Quarterly Report and the audited financial statements for the year ended January 1, 2022, included in our Annual Report on Form 10-K. This Quarterly Report contains, in addition to unaudited historical information, forward-looking statements, which involve risk and uncertainties. The words "believe," "expect," "estimate," "may," "will," "could," "plan," or "continue," and similar expressions are intended to identify forward-looking statements. Our actual results could differ materially from the results those anticipated in such forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, those discussed under the headings "Risk Factors" in our Annual Report on Form 10-K for the year ended January 1, 2022 and this Quarterly Report on Form 10-Q, if any. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to (and we expressly disclaim any obligation to) revise or update any forward-looking statement, whether as a result of new information, subsequent events, or otherwise (except as may be required by law), in order to reflect any event or circumstance which may arise after the date of this Quarterly Report on Form 10-Q. Amounts presented are in thousands, except per share data.

Overview

We are a provider of technology, conformity assessment, and consulting solutions to public and private sector clients. We focus on the infrastructure, utility services, construction, real estate, and environmental markets. Our primary clients include U.S. Federal, state, municipal, and local government agencies, and military and defense clients. We also serve quasi-public and private sector clients from the education, healthcare, utility services, and public utilities, including schools, universities, hospitals, health care providers, and insurance providers.

Fiscal Year

We operate on a "52/53 week" fiscal year ending on the Saturday closest to the calendar quarter end.

Recent Acquisitions

We completed four acquisitions during 2022. The aggregate purchase price of all four acquisitions was \$13,776, including \$4,994 in cash, a \$2,500 promissory note, \$433 of our common stock, and potential earn-outs of up to \$15,850 payable in cash and common stock, which were recorded at an estimated fair value of \$5,849. An option-based model was used to determine the fair value of the earn-outs, which is a generally accepted valuation technique that embodies all significant assumption types. In order to determine the fair values of tangible and intangible assets acquired and liabilities assumed, we engaged an independent third-party valuation specialist to assist in the determination of fair values. The final determination of the fair value of assets and liabilities will be completed within the one-year measurement period as required by ASC 805. The 2022 acquisitions will necessitate the use of this measurement period to adequately analyze and assess the factors used in establishing the asset and liability fair values as of the relevant acquisition date, including intangible assets, accounts receivable, certain fixed assets, and the fair value of the earn-outs.

Secondary Offering

On March 10, 2021, we priced an underwritten public offering of 1,612,903 shares of our common stock (the "Firm Shares") at a price of \$93.00 per share. The shares were sold pursuant to an effective registration statement on Form S-3 (Registration No. 333-237167). In addition, we also granted the underwriters a 30-day option to purchase 241,935 additional shares (the "Option Shares") of our common stock at the public offering price. On March 15, 2021, we closed on the Firm Shares, for which it received net proceeds of approximately \$140,693 after deducting the underwriting discount and estimated offering expenses payable by us. On April 13, 2021, the underwriters exercised the Option Shares and we received net proceeds of \$21,150 after deducting the underwriting discount and estimated offering expenses payable by us.

Segments

Our operations are organized into three operating and reportable segments:

- *Infrastructure ("INF")* – includes our engineering, civil program management, utility services, and construction quality assurance, testing and inspection practices;

- *Building, Technology & Sciences ("BTS")* – includes our environmental health sciences, buildings and program management, and MEP & technology design practices; and
- *Geospatial Solutions ("GEO")* – includes our geospatial solution practices.

For additional information regarding our reportable segments, see Note 15, *Reportable Segments*, of the Notes to Consolidated Financial Statements included elsewhere herein.

Impact of COVID-19 on Our Business

The COVID-19 pandemic has significantly impacted global stock markets and economies. We are closely monitoring the impact of the outbreak of COVID-19 on all aspects of our business. The extent to which our operations may be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted. We intend to continue to monitor the impact of the COVID-19 pandemic on our business closely.

Critical Accounting Policies and Estimates

For a discussion of our critical accounting estimates, see Management's Discussion and Analysis of Financial Condition and Results of Operations that is included in the 2021 Form 10-K.

Results of Operations

Consolidated Results of Operations

The following table represents our condensed results of operations for the periods indicated (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Gross revenues	\$ 204,075	\$ 185,553	\$ 596,960	\$ 518,151
Direct costs	104,140	93,726	303,959	256,347
Gross profit	99,935	91,827	293,001	261,804
Operating expenses	81,612	72,877	239,525	214,746
Income from operations	18,323	18,950	53,476	47,058
Interest expense	(1,003)	(1,475)	(2,804)	(5,362)
Income tax expense	(1,257)	(4,902)	(8,699)	(10,005)
Net income	\$ 16,063	\$ 12,573	\$ 41,973	\$ 31,691

Three Months Ended October 1, 2022 Compared to the Three Months Ended October 2, 2021

Gross Revenues

Our consolidated gross revenues increased by \$18,522, or 10.0%, for the three months ended October 1, 2022 compared to the three months ended October 2, 2021. The increase in gross revenues was primarily due to incremental revenues of \$11,853 from acquisitions completed since the third quarter of 2021 and increases in our geospatial solution services of \$10,282 and our LNG business of \$2,180. These increases were partially offset by decreases in our real estate transactional services of \$4,988.

Gross Profit

As a percentage of gross revenues, our gross profit margin was 49.0% and 49.5% for the three months ended October 1, 2022 and October 2, 2021, respectively. The decrease in gross profit margin was primarily due to a change in the mix of work performed. As a percentage of gross revenues, sub-consultant services and other direct costs increased 0.9% and 0.3%, respectively. These increases were partially offset by decreases in direct salaries and wages as a percentage of gross revenues of 0.7%. The increase in sub-consultant expenses as a percentage of gross revenues was primarily driven by the mix of business in our geospatial solution services.

Operating expenses

Our operating expenses increased \$8,735, or 12.0%, for the three months ended October 1, 2022 compared to the three months ended October 2, 2021. The increase in operating expenses primarily resulted from increased payroll costs of \$5,073 and general and administrative expenses of \$3,752. The increase in payroll costs was primarily driven by an increase in employees as compared to the prior year period primarily driven by our 2021 acquisitions and an increase in stock-based compensation. The increase in general and administrative expenses was primarily driven by acquisitions. The increases in general and administrative expenses were primarily in the areas of information technology costs, travel expenses, and professional fees.

Interest Expense

Our interest expense decreased \$472 for the three months ended October 1, 2022 compared to the three months ended October 2, 2021. The decrease in interest expense primarily resulted from the reduction in our Senior Credit Facility indebtedness, partially offset by a higher weighted average interest rate.

Income taxes

Our effective income tax rate was 7.3% and 28.1% for the three months ended October 1, 2022 and October 2, 2021, respectively. The decrease in the effective tax rate was primarily the result of additional tax benefit resulting from an increase in net federal tax credits of \$1,960 and an increase in excess tax benefits from stock-based payments of \$752. The increase in excess tax benefits from stock-based payments resulted from the increase in our stock price.

Net income

Our net income increased \$3,490, or 27.8%, for three months ended October 1, 2022 compared to three months ended October 2, 2021. The increase was primarily a result of an increase in gross profit of \$8,108 and a lower effective income tax rate, partially offset by increases in payroll costs of \$5,073 and general and administrative expenses of \$3,752.

Nine Months Ended October 1, 2022 Compared to the Nine Months Ended October 2, 2021

Gross Revenues

Our consolidated gross revenues increased by \$78,809, or 15.2%, for the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021. The increase in gross revenues was primarily due to incremental revenues of \$44,541 from acquisitions completed since the beginning of fiscal 2021 and increases in our geospatial solution services of \$11,845, power delivery and utility services of \$10,342, international engineering and consulting services of \$5,810, testing, inspection and consulting of \$3,061, and other services of \$3,210.

Gross Profit

As a percentage of gross revenues, our gross profit margin was 49.1% and 50.5% for the nine months ended October 1, 2022 and October 2, 2021, respectively. The decrease in gross profit margin was primarily due to a change in the mix of work performed. As a percentage of gross revenues, sub-consultant services and other direct costs increased 2.3% and 0.7%, respectively. These increases were partially offset by decreases in direct salaries and wages as a percentage of gross revenues of 1.6%. The increase in sub-consultant expenses as a percentage of gross revenues was primarily driven by a higher mix of business related to our real estate transactional business, driven by an acquisition, and our geospatial solution services. The increase in other direct costs as a percentage of gross revenue was primarily due to cyclical trends in our LNG business.

Operating expenses

Our operating expenses increased \$24,779, or 11.5%, for the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021. The increase in operating expenses primarily resulted from increased payroll costs of \$14,958 and general and administrative expenses of \$9,720. The increase in payroll costs was primarily driven by an increase in employees as compared to the prior year period primarily driven by our 2021 acquisitions and an increase in stock-based compensation. The increase in general and administrative expenses was primarily driven by acquisitions. The increases in general and administrative expenses were primarily in the areas of information technology costs, travel expenses, and professional fees.

Interest Expense

Our interest expense decreased \$2,558 for the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021. The decrease in interest expense primarily resulted from the reduction in our Senior Credit Facility indebtedness.

Income taxes

Our effective income tax rate was 17.2% and 24.0% for the nine months ended October 1, 2022 and October 2, 2021, respectively. The decrease in the effective tax rate was primarily the result of additional tax benefit resulting from an increase in net federal tax credits of \$1,960 and an increase in excess tax benefits from stock-based payments of \$899. The increase in excess tax benefits from stock-based payments resulted from the increase in our stock price.

Net income

Our net income increased \$10,282, or 32.4%, for nine months ended October 1, 2022 compared to nine months ended October 2, 2021. The increase was primarily a result of an increase in gross profit of \$31,197, a decrease in interest expense of \$2,558, and a lower effective income tax rate, partially offset by increases in payroll costs of \$14,958 and general and administrative expenses of \$9,720.

Segment Results of Operations

The following tables set forth summarized financial information concerning our reportable segments (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
<u>Gross revenues</u>				
INF	\$ 98,754	\$ 99,365	\$ 301,354	\$ 284,653
BTS	58,579	51,381	180,364	133,804
GEO	46,742	34,807	115,242	99,694
Total gross revenues	<u>\$ 204,075</u>	<u>\$ 185,553</u>	<u>\$ 596,960</u>	<u>\$ 518,151</u>
<u>Segment income before taxes</u>				
INF	\$ 17,692	\$ 17,628	\$ 53,149	\$ 53,589
BTS	10,171	10,299	35,606	24,065
GEO	12,588	9,476	28,727	23,502

For additional information regarding our reportable segments, see Note 15, *Reportable Segments*, of the notes to the unaudited consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Three Months Ended October 1, 2022 Compared to Three Months Ended October 2, 2021

INF Segment

Our gross revenues from INF decreased \$611, or 0.6%, during the three months ended October 1, 2022 compared to the three months ended October 2, 2021.

Segment Income before Taxes from INF increased \$64, or 0.4%, during the three months ended October 1, 2022 compared to the three months ended October 2, 2021. The increase was primarily due to increased gross margins in our LNG business, partially offset by decreased gross revenues.

BTS Segment

Our gross revenues from BTS increased \$7,198, or 14.0%, during the three months ended October 1, 2022 compared to the three months ended October 2, 2021. The increase in gross revenues was due to incremental gross revenues of \$10,151 from acquisitions completed since the third quarter of 2021 and increases in our international engineering and consulting services of \$1,507, partially offset by decreases in our real estate transactional services of \$4,988.

Segment Income before Taxes from BTS decreased \$128, or 1.2% during the three months ended October 1, 2022 compared to the three months ended October 2, 2021. The decrease was primarily due to lower margins due to the mix of business related to our real estate transactional services, partially offset by increased gross revenues.

GEO Segment

Our gross revenues from GEO increased \$11,935, or 34.3%, during the three months ended October 1, 2022 compared to the three months ended October 2, 2021. The increase was primarily related to increases in geospatial business activity.

Segment Income before Taxes from GEO increased \$3,112, or 32.8%, during the three months ended October 1, 2022 compared to the three months ended October 2, 2021. The increase was primarily due to increased gross revenues.

Nine Months Ended October 1, 2022 Compared to Nine Months Ended October 2, 2021

INF Segment

Our gross revenues from INF increased \$16,701, or 5.9%, during the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021. The increase in gross revenues was due to increases in our power delivery and utility services of \$10,342, testing, inspection, and consulting of \$3,061, and other services of \$3,298.

Segment Income before Taxes from INF decreased \$440, or 0.8%, during the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021. The decrease was primarily due to lower gross margins in our LNG business.

BTS Segment

Our gross revenues from BTS increased \$46,560, or 34.8%, during the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021. The increase in gross revenues was due to incremental gross revenues of \$40,110 from acquisitions completed since the beginning of fiscal 2021 and increases in our international engineering and consulting services of \$5,810.

Segment Income before Taxes from BTS increased \$11,541, or 48.0% during the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021. The increase was primarily due to increased gross revenues.

GEO Segment

Our gross revenues from GEO increased \$15,548, or 15.6%, during the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021. The increase was due to incremental gross revenues of \$3,703 from acquisitions completed since the beginning of fiscal 2021 and \$11,845 related to increases in geospatial business activity.

Segment Income before Taxes from GEO increased \$5,225, or 22.2%, during the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021. The increase was primarily due to increased gross revenues.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents balances, cash flows from operations, borrowing capacity under our Senior Credit Facility, and access to financial markets. Our principal uses of cash are operating expenses, working capital requirements, capital expenditures, repayment of debt, and acquisition expenditures. We believe our sources of liquidity, including cash flows from operations, existing cash and cash equivalents and borrowing capacity under our Senior Credit Facility will be sufficient to meet our projected cash requirements for at least the next twelve months. We will monitor our capital requirements thereafter to ensure our needs are in line with available capital resources and believe that there are no significant cash requirements currently known to us and affecting our business that cannot be met from our reasonably expected future operating cash flows, including upon the maturity of the Senior Credit Facility in 2026.

Operating activities

Net cash provided by operating activities was \$80,391 for the nine months ended October 1, 2022, compared to \$78,071 during the nine months ended October 2, 2021. The increase was a result of the growth in our net income primarily driven by higher gross revenues, partially offset by changes in our working capital. The changes in our working capital that decreased cash flows were primarily a result of decreases in accounts payable of \$9,303 and increases in prepaid expenses and other assets of \$3,945. The increases in prepaid expenses and other assets resulted from a \$2,489 increase in prepaid income taxes and a \$1,341 increase in prepaid insurance. These decreases were partially offset by increases in advanced billings of \$5,331 primarily related to timing of liquefied natural gas project billing cycles.

Investing activities

During the nine months ended October 1, 2022 and October 2, 2021, net cash used in investing activities totaled \$19,807 and \$29,440, respectively. The decrease in cash used in investing activities was primarily a result of decreased cash paid for acquisitions of \$18,549, partially offset by increases in property and equipment purchases of \$8,160 primarily as a result of investments in our geospatial business.

Financing activities

Net cash flows used by financing activities totaled \$54,393 during the nine months ended October 1, 2022 compared to net cash flows provided by financing activities of \$7,857 during the nine months ended October 2, 2021. The increase in cash used in financing activities was primarily a result of payments on our Senior Credit Facility of \$45,000 during fiscal 2022 and an increase in contingent consideration payments of \$934. During the nine months ended October 2, 2021 we received \$172,500 from our common stock public offering and used the proceeds to make principal payments on our Senior Credit Facility of \$283,832 and made common stock public offering cost payments to our underwriters of \$10,657.

Financing

Senior Credit Facility

On August 13, 2021 (the "Closing Date"), we amended and restated our Credit Agreement (the "Second A&R Credit Agreement"), originally dated December 7, 2016 and as amended to the Closing Date, with Bank of America, N.A. ("Bank of America"), as administrative agent, swingline lender and letter of credit issuer, the other lenders party thereto, and certain of our subsidiaries as guarantors. Pursuant to the Second A&R Credit Agreement, the previously drawn term commitments of \$150,000 and revolving commitments totaling \$215,000 in the aggregate were converted into revolving commitments totaling \$400,000 in the aggregate. These revolving commitments are available through August 13, 2026 (the "Maturity Date") and an aggregate amount of approximately \$138,750 was drawn under the Second A&R Credit Amendment on the Closing Date to repay previously existing borrowings under the term and revolving facilities prior to such amendment and restatement. Borrowings under the Second A&R Credit Agreement are secured by a first priority lien on substantially all of our assets. The Second A&R Credit Agreement also includes an accordion feature permitting us to request an increase in the revolving facility under the Second A&R Credit Agreement by an additional amount of up to \$200,000 in the aggregate. As of October 1, 2022 and January 1, 2022, the outstanding balance on the Second A&R Credit Agreement was \$53,750 and \$98,750, respectively.

Borrowings under the Second A&R Credit Agreement bear interest at variable rates which are, at our option, tied to a Eurocurrency rate equal to LIBOR (London Interbank Offered Rate) plus an applicable margin or a base rate denominated in U.S. dollars. Interest rates remain subject to change based on our consolidated leverage ratio. As of October 1, 2022 our interest rate was 3.8%.

The Second A&R Credit Agreement contains financial covenants that require us to maintain a consolidated net leverage ratio (the ratio of our pro forma consolidated net funded indebtedness to our pro forma consolidated EBITDA for the most recently completed measurement period) of no greater than 4.00 to 1.00.

These financial covenants also require us to maintain a consolidated fixed charge coverage ratio of no less than 1.10 to 1.00 as of the end of any measurement period. As of October 1, 2022, we were in compliance with the financial covenants.

The Second A&R Credit Agreement contains covenants that may have the effect of limiting our ability to, among other things, merge with or acquire other entities, enter into a transaction resulting in a Change in Control, create certain new liens, incur certain additional indebtedness, engage in certain transactions with affiliates, or engage in new lines of business or sell a substantial part of their assets. The Second A&R Credit Agreement also contains customary events of default, including (but not

limited to) a default in the payment of principal or, following an applicable grace period, interest, breaches of our covenants or warranties under the Second A&R Credit Agreement, payment default or acceleration of certain indebtedness, certain events of bankruptcy, insolvency or liquidation, certain judgments or uninsured losses, changes in control and certain liabilities related to ERISA based plans.

The Second A&R Credit Agreement limits the payment of cash dividends (together with certain other payments that would constitute a "Restricted Payment" within the meaning of the Second A&R Credit Agreement and generally including dividends, stock repurchases and certain other payments in respect to warrants, options, and other rights to acquire equity securities), unless the Consolidated Leverage Ratio would be less than 3.25 to 1.00 and available liquidity (defined as unrestricted, domestically held cash plus revolver availability) would be at least \$30,000, in each case after giving effect to such payment.

Total debt issuance costs incurred and capitalized in connection with the issuance of the Second A&R Credit Agreement were \$3,702. Total amortization of debt issuance costs was \$185 and \$556 during the three and nine months ended October 1, 2022, respectively, and \$571 and \$1,024 during the three and nine months ended October 2, 2021, respectively.

Other Obligations

We have aggregate obligations related to acquisitions of \$8,309, \$13,193, \$4,275, \$1,373, and \$1,373, due in the remainder of fiscal 2022, 2023, 2024, 2025, and 2026, respectively. As of October 1, 2022, our weighted average interest rate on other outstanding obligations was 2.3%.

Recently Issued Accounting Pronouncements

For information on recently issued accounting pronouncements, see Note 2, *Summary of Significant Accounting Policies*, of the notes to the unaudited consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Cautionary Statement about Forward-Looking Statements

Our disclosure and analysis in this Quarterly Report on Form 10-Q, contain "forward-looking" statements within the meaning of Section 27A of the Securities Act Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding our "expectations," "hopes," "beliefs," "intentions," or "strategies" regarding the future. In addition, any statements that refer to projections, forecasts, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "believe," "expect," "intend," "estimate," "predict," "project," "may," "might," "should," "would," "will," "likely," "will likely result," "continue," "could," "future," "plan," "possible," "potential," "target," "forecast," "goal," "observe," "seek," "strategy" and other words and terms of similar meaning, but the absence of these words does not mean that a statement is not forward looking. The forward-looking statements in this Quarterly Report on Form 10-Q reflect the Company's current views with respect to future events and financial performance.

Forward-looking statements are not historical factors and should not be read as a guarantee or assurance of future performance or results, and will not necessarily be accurate indications of the times at, or by, or if such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith beliefs, expectations and assumptions as of that time with respect to future events. Because forward-looking statements relate to the future, they are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals,
- changes in demand from the local and state government and private clients that we serve,
- any material outbreak or material escalation of international hostilities, including developments in the conflict involving Russia and the Ukraine and the economic consequences of related events such as the imposition of economic sanctions and resulting market volatility,

- changes in general domestic and international economic conditions such as inflation rates, interest rates, tax rates, higher labor and healthcare costs, recessions, and changing government policies, laws and regulations,
- the U.S. government and other governmental and quasi-governmental budgetary and funding approval process,
- the ongoing effects of the global COVID-19 pandemic,
- our ability to successfully execute our mergers and acquisitions strategy, including the integration of new companies into our business,
- the possibility that our contracts may be terminated by our clients,
- our ability to win new contracts and renew existing contracts,
- competitive pressures and trends in our industry and our ability to successfully compete with our competitors,
- our dependence on a limited number of clients,
- our ability to complete projects timely, in accordance with our customers' expectations, or profitability,
- our ability to successfully manage our growth strategy,
- our ability to raise capital in the future,
- the credit and collection risks associated with our clients,
- our ability to comply with procurement laws and regulations,
- changes in laws, regulations, or policies,
- weather conditions and seasonal revenue fluctuations may adversely impact our financial results,
- the enactment of legislation that could limit the ability of local, state and federal agencies to contract for our privatized services,
- our ability to complete our backlog of uncompleted projects as currently projected,
- the risk of employee misconduct or our failure to comply with laws and regulations,
- our ability to control, and operational issues pertaining to, business activities that we conduct with business partners and other third parties,
- our need to comply with a number of restrictive covenants and similar provisions in our senior credit facility that generally limit our ability to (among other things) incur additional indebtedness, create liens, make acquisitions, pay dividends and undergo certain changes in control, which could affect our ability to finance future operations, acquisitions or capital needs,
- significant influence by our principal stockholder and the existence of certain anti-takeover measures in our governing documents, and
- other factors identified throughout this Quarterly Report on Form 10-Q, including those discussed under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business."

The forward-looking statements contained in this report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties, or assumptions, many of which are beyond our control, which may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, those factors described in Item 1A. *Risk Factors* in our Annual Report on Form 10-K for the year ended January 1, 2022. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws. You are advised, however, to consult any further disclosures we make on related subjects in our

Form 10-Q, 8-K and 10-K reports filed with the SEC. Our Annual Report on Form 10-K filing for the fiscal year ended January 1, 2022 listed various important factors that could cause actual results to differ materially from expected and historic results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995, as amended. Readers can find them in “Item 1A. Risk Factors” of that filing and under the same heading of this filing. You may obtain a copy of our Annual Report on Form 10-K through our website, www.nv5.com. Information contained on our website is not incorporated into this report. In addition to visiting our website, you may read and copy any document we file with the SEC at www.sec.gov.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to certain market risks from transactions that are entered into during the normal course of business. We have not entered into derivative financial instruments for trading purposes. We have no significant market risk exposure to interest rate changes related to the promissory notes related to acquisitions since these contain fixed interest rates. Our only debt subject to interest rate risk is the Senior Credit Facility which rates are variable, at our option, tied to a Eurocurrency rate equal to LIBOR (London Interbank Offered Rate) plus an applicable rate or a base rate denominated in U.S. dollars. Interest rates are subject to change based on our Consolidated Senior Leverage Ratio (as defined in the Credit Agreement). As of October 1, 2022, there was \$53,750 outstanding on the Senior Credit Facility. A one percentage point change in the assumed interest rate of the Senior Credit Facility would change our annual interest expense by approximately \$538 annually.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of its management, including the Company's Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes to the Company's internal control over financial reporting as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) that occurred during the quarter ended October 1, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

For a description of our material legal proceedings, please see Note 12, Commitments and Contingencies, in the notes to the unaudited Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS.

There have been no material changes to any of the principal risks that we believe are material to our business, results of operations and financial condition, from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended January 1, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Recent Sales of Unregistered Securities

In September 2022, we agreed to issue \$100 of shares of our common stock as partial consideration in an acquisition and up to \$100 of additional shares of our common stock as contingent consideration based on the then-current market price on the first and second earn-out target dates. These shares were sold in reliance upon Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction by an issuer not involving a public offering.

Issuer Purchase of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

<u>Number</u>	<u>Description</u>
<u>31.1*</u>	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2*</u>	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1**</u>	<u>Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.

** Furnished herewith. This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filings of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

NV5 GLOBAL, INC.

/s/ Edward Codispoti

Edward Codispoti
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 4, 2022

CERTIFICATION

I, Dickerson Wright, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended October 1, 2022 of NV5 Global, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ Dickerson Wright

Dickerson Wright
Chairman & Chief Executive Officer,
(Principal Executive Officer)

CERTIFICATION

I, Edward Codispoti, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended October 1, 2022 of NV5 Global, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ Edward Codispoti

Edward Codispoti
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of NV5 Global, Inc. (the "Company") on Form 10-Q for the quarter ended October 1, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dickerson Wright, Chief Executive Officer of the Company, and Edward Codispoti, Chief Financial Officer of the Company, each certify, to the best of his knowledge, pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2022

/s/ Dickerson Wright

Dickerson Wright
Chairman & Chief Executive Officer

Date: November 4, 2022

/s/ Edward Codispoti

Edward Codispoti
Chief Financial Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent the Company specifically incorporates it by reference.

A signed original of this written statement required by Rule 13a-14(b) or 15d-14(b) of the Exchange Act and Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.