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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

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: 001-38579

BrightView Holdings, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	**46-4190788**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
980 Jolly Road Blue Bell, Pennsylvania	**19422**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (484) 567-7204

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

Title of Each Class	**Trading Symbol**	**Name of exchange on which registered**
Common Stock, Par Value $0.01 Per Share	BV	New York Stock Exchange

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

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

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

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

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

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

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

The number of shares of Registrant's Common Stock outstanding as of July 31, 2024 was 94,600,000.

Table of Contents

		Page
PART I.	FINANCIAL INFORMATION	6
Item 1.	Financial Statements (Unaudited)	6
	Consolidated Balance Sheets	6
	Consolidated Statements of Operations	7
	Consolidated Statements of Comprehensive Income (Loss)	8
	Consolidated Statements of Stockholders' Equity	9
	Consolidated Statements of Cash Flows	10
	Notes to Unaudited Consolidated Financial Statements	11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 4.	Controls and Procedures	41
PART II.	OTHER INFORMATION	42
Item 1.	Legal Proceedings	42
Item 1A.	Risk Factors	42
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	42
Item 3.	Defaults Upon Senior Securities	42
Item 4.	Mine Safety Disclosures	42
Item 5.	Other Information	42
Item 6.	Exhibits	43
Signatures		

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains "forward-looking statements" within the meaning of the safe harbor provision of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to the "safe harbor" created by those sections. All statements, other than statements of historical facts included in this Form 10‑Q, including statements concerning our plans, objectives, goals, beliefs, business outlook, business trends, expectations regarding our industry, strategy, future events, future operations, future liquidity and financial position, future revenues, projected costs, prospects, plans and objectives of management and other information, may be forward-looking statements.

Words such as "outlook," "guidance," "projects," "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," "continues," or "anticipates," and variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts, or guarantees of future performance and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs and projections will result or be achieved, and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-Q. Such risks, uncertainties and other important factors that could cause actual results to differ include, among others, the risks, uncertainties and factors set forth under the heading "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Form 10-Q. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Some of the key factors that could cause actual results to differ from our expectations include risks related to:

- general business, economic, and financial market conditions;
- increases in raw material costs, fuel prices, wages and other operating costs, and changes in our ability to source adequate supplies and materials in a timely manner;
- competitive industry pressures;
- the failure to retain current customers, renew existing customer contracts and obtain new customer contracts;
- the failure to enter into profitable contracts, or maintaining customer contracts that are unprofitable;
- a determination by customers to reduce their outsourcing or use of preferred vendors;
- the dispersed nature of our operating structure;
- our ability to implement our business strategies and achieve our growth objectives;
- the possibility that the anticipated benefits from our business acquisitions will not be realized in full or at all or may take longer to realize than expected;
- the possibility that costs or difficulties related to the integration of acquired businesses' operations will be greater than expected and the possibility that integration efforts will disrupt our business and strain management time and resources;
- the potential impacts on revenues and our financial condition caused by any disposition of assets or discontinuation of lines of business;
- the seasonal nature of our landscape maintenance services;
- our dependence on weather conditions and the impact of severe weather and climate change on our business;
- disruptions in our supply chain and changes in our ability to source adequate supplies and materials in a timely manner;
- any failure to accurately estimate the overall risk, requirements, or costs when we bid on or negotiate contracts that are ultimately awarded to us;
- the conditions and periodic fluctuations of real estate markets, including residential and commercial construction;
- the level, timing and location of snowfall;

- our ability to retain or hire our executive management and other key personnel, and particularly reflecting competition for talent in light of non-compete rulemaking and legislation;
- our ability to attract and retain field and hourly employees, trained workers, and third-party contractors and re-employ seasonal workers;
- any failure to properly verify employment eligibility of our employees;
- subcontractors taking actions that harm our business;
- our recognition of future impairment charges;
- laws and governmental regulations, including those relating to employees, wage and hour, immigration, human health, safety, transportation and the associated financial impact of such regulations;
- environmental, health and safety laws and regulations, including regulatory costs, claims and litigation related to the use of chemicals and pesticides by employees and related third-party claims;
- the distraction and impact caused by litigation, of adverse litigation judgments and settlements resulting from legal proceedings;
- tax increases and changes in tax rules;
- increase in on-job accidents involving employees;
- any failure, inadequacy, interruption, security failure or breach of our information technology systems;
- compliance with data privacy requirements;
- our ability to adequately protect our intellectual property;
- restrictions imposed by our debt agreements that limit our flexibility in operating our business;
- increases in interest rates governing our variable rate indebtedness increasing the cost of servicing our substantial indebtedness;
- our ability to generate sufficient cash flow to satisfy our significant debt service obligations;
- our ability to obtain additional financing to fund future working capital, capital expenditures, investments or acquisitions, or other general corporate requirements;
- risks related to counterparty credit worthiness or non-performance of the derivative financial instruments we utilize;
- any future sales, or the perception of future sales, by us or our affiliates, which could cause the market price for our common stock to decline;
- the ability of KKR BrightView Aggregator L.P., Birch-OR Equity Holdings, LLC and Birch Equity Holdings, LP, which collectively hold approximately 58.7% of our shares as of June 30, 2024, to exert significant influence over us;
- the fact that the holders of our Series A Preferred Stock may have different interests from and vote their shares in a manner deemed adverse to, holders of our common stock;
- the dividend, liquidation, and redemption rights of the holders of our Series A Preferred Stock;
- occurrence of natural disasters, terrorist attacks, or other external events;
- occurrence of a pandemic, epidemic or other public health emergency;
- heightened inflation, geopolitical conflicts, recession, financial market disruptions and other economic conditions;
- our ability to pursue and achieve our environmental, social and corporate governance goals and targets and the possibility that complying with such standards and meeting our goals may be significantly more costly than anticipated; and
- costs and requirements imposed as a result of maintaining compliance with the requirements of being a public company.

We caution you that the risks, uncertainties, and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits, or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances, any change in assumptions, beliefs or expectations or any change in circumstances upon which any such forward-looking statements are based, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

BrightView Holdings, Inc.
Consolidated Balance Sheets
(Unaudited)
(In millions, except par value and share data)

	June 30, 2024	September 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 115.9	$ 67.0
Accounts receivable, net	446.4	442.3
Unbilled revenue	123.5	143.5
Other current assets	74.3	89.3
Total current assets	760.1	742.1
Property and equipment, net	355.6	315.2
Intangible assets, net	104.1	132.3
Goodwill	2,015.7	2,021.4
Operating lease assets	83.0	86.1
Other assets	44.7	55.1
Total assets	$ 3,363.2	$ 3,352.2
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 140.5	$ 136.2
Deferred revenue	94.6	68.2
Current portion of self-insurance reserves	54.2	54.8
Accrued expenses and other current liabilities	210.0	180.2
Current portion of operating lease liabilities	25.3	27.3
Total current liabilities	524.6	466.7
Long-term debt, net	807.0	888.1
Deferred tax liabilities	40.5	51.1
Self-insurance reserves	111.1	105.1
Long-term operating lease liabilities	64.0	65.1
Other liabilities	45.1	34.6
Total liabilities	1,592.3	1,610.7
Mezzanine equity:		
Series A convertible preferred shares, $0.01 par value, 7% cumulative dividends; 500,000 shares issued and outstanding as of June 30, 2024 and September 30, 2023, aggregate liquidation preference of $512.0 and $503.2 as of June 30, 2024 and September 30, 2023, respectively	507.1	498.2
Stockholders' equity:		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; no shares issued or outstanding as of June 30, 2024 and September 30, 2023	—	—
Common stock, $0.01 par value; 500,000,000 shares authorized; 108,000,000 and 106,600,000 shares issued and 94,600,000 and 93,600,000 shares outstanding as of June 30, 2024 and September 30, 2023, respectively	1.1	1.1
Treasury stock, at cost; 13,400,000 and 13,000,000 shares as of June 30, 2024 and September 30, 2023, respectively	(173.5)	(170.4)
Additional paid-in capital	1,520.0	1,530.8
Accumulated deficit	(94.5)	(135.3)
Accumulated other comprehensive income	10.7	17.1
Total stockholders' equity	1,263.8	1,243.3
Total liabilities, mezzanine equity and stockholders' equity	$ 3,363.2	$ 3,352.2

The accompanying notes are an integral part of these unaudited consolidated financial statements.

BrightView Holdings, Inc.
Consolidated Statements of Operations
(Unaudited)
(In millions, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Net service revenues	$ 738.8	$ 766.0	$ 2,038.4	$ 2,072.3
Cost of services provided	561.2	567.4	1,575.0	1,579.0
Gross profit	177.6	198.6	463.4	493.3
Selling, general and administrative expense	120.1	136.6	375.0	413.0
Gain on divestiture	(0.1)	—	(44.0)	—
Amortization expense	8.6	10.8	27.4	33.7
Income from operations	49.0	51.2	105.0	46.6
Other expense (income)	0.5	(0.6)	(1.5)	(2.1)
Interest expense, net	15.1	27.4	48.2	78.3
Income (loss) before income taxes	33.4	24.4	58.3	(29.6)
Income tax expense (benefit)	9.9	7.6	17.5	(5.5)
Net income (loss)	$ 23.5	$ 16.8	$ 40.8	$ (24.1)
Less: dividends on Series A convertible preferred shares	8.9	—	26.7	—
Net income (loss) attributable to common stockholders	$ 14.6	$ 16.8	$ 14.1	$ (24.1)
Earnings (loss) per share:				
Basic and diluted earnings (loss) per share	$ 0.10	$ 0.18	$ 0.09	$ (0.26)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

BrightView Holdings, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(In millions)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	$ 23.5	$ 16.8	$ 40.8	$ (24.1)
Net derivative gains (losses) and other costs arising during the period, net of tax expense of $0.8; $5.8; $0.0; and $6.2, respectively [1]	2.5	16.0	(0.2)	17.2
Reclassification of (gains) into net income (loss), net of tax (expense) of $(0.8); $(0.5); $(2.3); and $(1.5), respectively	(2.1)	(2.1)	(6.2)	(5.4)
Other comprehensive income (loss)	0.4	13.9	(6.4)	11.8
Comprehensive income (loss)	$ 23.9	$ 30.7	$ 34.4	$ (12.3)

[1] Other costs include the effects of foreign currency translation adjustments which were immaterial during the periods presented.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

BrightView Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Three and Nine Months Ended June 30, 2024 and 2023
(Unaudited)
(In millions)

	Stockholders' Equity							Mezzanine Equity	
	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Treasury	Total Stockholders'	Preferred	
	Shares	Amount	Capital	Deficit	Income (Loss)	Stock	Equity	Shares	Amount
Balance, March 31, 2024	107.9	$ 1.1	$ 1,523.4	$ (118.0)	$ 10.3	$ (172.9)	$ 1,243.9	0.5	$ 507.1
Net income	—	—	—	23.5	—	—	23.5	—	—
Other comprehensive income, net of tax	—	—	—	—	0.4	—	0.4	—	—
Capital contributions and issuance of common stock	0.1	—	0.4	—	—	—	0.4	—	—
Equity-based compensation	—	—	5.1	—	—	—	5.1	—	—
Repurchase of common stock and distributions	—	—	—	—	—	(0.6)	(0.6)	—	—
Series A Preferred Stock dividends	—	—	(8.9)	—	—	—	(8.9)	—	—
Balance, June 30, 2024	108.0	$ 1.1	$ 1,520.0	$ (94.5)	$ 10.7	$ (173.5)	$ 1,263.8	0.5	$ 507.1
Balance, September 30, 2023	106.6	$ 1.1	$ 1,530.8	$ (135.3)	$ 17.1	$ (170.4)	$ 1,243.3	0.5	$ 498.2
Net income	—	—	—	40.8	—	—	40.8	—	—
Other comprehensive (loss), net of tax	—	—	—	—	(6.4)	—	(6.4)	—	—
Capital contributions and issuance of common stock	1.4	—	0.8	—	—	—	0.8	—	—
Equity-based compensation	—	—	15.1	—	—	—	15.1	—	—
Repurchase of common stock and distributions	—	—	—	—	—	(3.1)	(3.1)	—	—
Series A Preferred Stock dividends	—	—	(26.7)	—	—	—	(26.7)	—	8.9
Balance, June 30, 2024	108.0	$ 1.1	$ 1,520.0	$ (94.5)	$ 10.7	$ (173.5)	$ 1,263.8	0.5	$ 507.1

	Stockholders' Equity							Mezzanine Equity	
	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Treasury	Total Stockholders'	Preferred	
	Shares	Amount	Capital	Deficit	Income (Loss)	Stock	Equity	Shares	Amount
Balance, March 31, 2023	106.4	$ 1.1	$ 1,522.8	$ (168.5)	$ (0.1)	$ (169.4)	$ 1,185.9	—	$ —
Net income	—	—	—	16.8	—	—	16.8	—	—
Other comprehensive income, net of tax	—	—	—	—	13.9	—	13.9	—	—
Capital contributions and issuance of common stock	(0.1)	—	—	—	—	—	—	—	—
Equity-based compensation	—	—	3.9	—	—	—	3.9	—	—
Repurchase of common stock and distributions	—	—	—	—	—	(0.1)	(0.1)	—	—
Balance, June 30, 2023	106.3	$ 1.1	$ 1,526.7	$ (151.7)	$ 13.8	$ (169.5)	$ 1,220.4	—	$ —
Balance, September 30, 2022	105.7	$ 1.1	$ 1,509.5	$ (127.6)	$ 2.0	$ (168.2)	$ 1,216.8	—	$ —
Net (loss)	—	—	—	(24.1)	—	—	(24.1)	—	—
Other comprehensive income, net of tax	—	—	—	—	11.8	—	11.8	—	—
Capital contributions and issuance of common stock	0.6	—	1.5	—	—	—	1.5	—	—
Equity-based compensation	—	—	15.7	—	—	—	15.7	—	—
Repurchase of common stock and distributions	—	—	—	—	—	(1.3)	(1.3)	—	—
Balance, June 30, 2023	106.3	$ 1.1	$ 1,526.7	$ (151.7)	$ 13.8	$ (169.5)	$ 1,220.4	—	$ —

The accompanying notes are an integral part of these unaudited consolidated financial statements.

BrightView Holdings, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(In millions)

	Nine Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income (loss)	$ 40.8	$ (24.1)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	79.8	80.9
Amortization of intangible assets	27.4	33.7
Amortization of financing costs and original issue discount	2.0	2.7
Loss on debt extinguishment	0.6	—
Deferred taxes	(10.1)	(23.0)
Equity-based compensation	15.1	15.7
Realized gain on hedges	(8.5)	(6.9)
Gain on divestiture	(44.0)	—
Other non-cash activities	(6.0)	0.1
Change in operating assets and liabilities:		
Accounts receivable	(9.9)	(53.3)
Unbilled and deferred revenue	47.1	11.0
Other operating assets	21.4	17.3
Accounts payable and other operating liabilities	(3.6)	35.2
Net cash provided by operating activities	152.1	89.3
Cash flows from investing activities:		
Purchase of property and equipment	(46.0)	(57.9)
Proceeds from sale of property and equipment	14.1	6.8
Business acquisitions, net of cash acquired	—	(13.8)
Proceeds from divestiture	51.6	—
Other investing activities	3.2	1.9
Net cash provided (used) by investing activities	22.9	(63.0)
Cash flows from financing activities:		
Repayments of finance lease obligations	(26.4)	(20.9)
Repayments of term loan	—	(9.0)
Repayments of receivables financing agreement	(82.2)	(448.0)
Repayments of revolving credit facility	—	(33.5)
Proceeds from receivables financing agreement, net of issuance costs	0.5	460.0
Proceeds from revolving credit facility	—	33.5
Debt issuance and prepayment costs	(2.4)	—
Series A preferred stock dividend	(8.9)	—
Proceeds from issuance of common stock, net of share issuance costs	1.3	1.0
Repurchase of common stock and distributions	(3.1)	(1.3)
Contingent business acquisition payments	(4.7)	(18.5)
Other financing activities	(0.2)	(0.1)
Net cash (used) by financing activities	(126.1)	(36.8)
Net change in cash and cash equivalents	48.9	(10.5)
Cash and cash equivalents, beginning of period	67.0	20.1
Cash and cash equivalents, end of period	$ 115.9	$ 9.6
Supplemental Cash Flow Information:		
Cash paid (received) for income taxes, net	$ 14.8	$ (18.4)
Cash paid for interest	$ 61.9	$ 62.9
Non-cash Series A Preferred Stock dividends	$ 8.9	$ —
Accrual for property and equipment	$ 21.3	$ —

The accompanying notes are an integral part of these unaudited consolidated financial statements.

BrightView Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
(In millions, except per share and share data)

1. Business

BrightView Holdings, Inc. (the "Company" and, collectively with its consolidated subsidiaries, "BrightView") provides landscape maintenance and enhancements, landscape development, snow removal and other landscape related services for commercial customers throughout the United States. BrightView is aligned into two reportable segments: Maintenance Services and Development Services. Prior to its initial public offering completed in July 2018 (the "IPO"), the Company was a wholly-owned subsidiary of BrightView Parent L.P. ("Parent"), an affiliate of KKR & Co. Inc. ("KKR"). The Parent and Company were formed through a series of transactions entered into by KKR to acquire the Company on December 18, 2013 (the "KKR Acquisition"). The Parent was dissolved in August 2018 following the IPO.

Basis of Presentation

These consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim reporting and are unaudited.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, including normal, recurring accruals that are necessary for a fair presentation of the Company's operations for the periods presented in conformity with GAAP. All intercompany activity and balances have been eliminated from the consolidated financial statements. The consolidated results of operations for the interim periods presented are not necessarily indicative of results for the full year.

The Consolidated Balance Sheet as of September 30, 2023, presented herein, has been derived from the Company's audited consolidated financial statements as of and for the fiscal year ended September 30, 2023, but does not include all disclosures required by GAAP, for annual financial statements. For a more complete discussion of the Company's accounting policies and certain other information, refer to the audited consolidated financial statements and the notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2023, filed with the Securities and Exchange Commission ("SEC").

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. On an ongoing basis, management reviews its estimates, including those related to allowances for doubtful accounts, revenue recognition, self-insurance reserves, estimates related to the Company's assessment of goodwill for impairment, useful lives for depreciation and amortization, realizability of deferred tax assets, and litigation based on currently available information. Changes in facts and circumstances may result in revised estimates and actual results may differ from estimates.

2. Recent Accounting Pronouncements

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* which provides optional expedients and exceptions for the accounting for contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. In January 2021, the FASB issued ASU 2021-01 to clarify the scope of certain optional expedients for derivatives that are affected by the discounting transition. In December 2022, the FASB issued ASU 2022-06 to defer the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. As of June 30, 2024, the Company was not party to any contracts, hedging relationships, or other transactions affected by reference rate reform.

Segment Reporting

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount

and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. The purpose of the guidance is to enable investors to better understand an entity's overall performance and assess potential future cash flows. The amendment is effective for fiscal years beginning after December 15, 2023 and interim periods in fiscal years beginning after December 15, 2024. The Company is in the process of evaluating the impact of ASU No. 2023-07 on its consolidated financial statements.

Income Taxes

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The ASU expands public entities tax disclosures including improving disclosures surrounding the company's rate reconciliation, cash taxes paid, and disaggregation of income tax expense (or benefit) from continuing operations. The amendment is effective for annual periods beginning after December 15, 2024. The Company is in the process of evaluating the impact of ASU No. 2023-09 on its consolidated financial statements.

3. Revenue

The Company's revenue is generated from Maintenance Services and Development Services. The Company generally recognizes revenue from the sale of services as the services are performed, typically ratably over the term of the contract(s), which the Company believes to be the best measure of progress. The Company recognizes revenues as it transfers control of products and services to its customers. The Company recognizes revenue in an amount reflecting the total consideration it expects to receive from the customer. Revenue is recognized according to the following five step model: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. The Company determined that for contracts containing multiple performance obligations, stand-alone selling price is readily determinable for each performance obligation and therefore allocation of the transaction price to multiple performance obligations is not necessary. The transaction price will include estimates of variable consideration, such as returns and provisions for doubtful accounts and sales incentives, to the extent it is probable that a significant reversal of revenue recognized will not occur. In all cases, when a sale is recorded by the Company, no significant uncertainty exists surrounding the purchaser's obligation to pay.

Maintenance Services

The Company's Maintenance Services revenues are generated primarily through landscape maintenance services and snow removal services. Landscape maintenance services that are primarily viewed as non-discretionary, such as lawn care, mowing, gardening, mulching, leaf removal, irrigation and tree care, are provided under recurring annual contracts, which typically range from one to three years in duration and are generally cancellable by the customer with 30-90 days' notice. Snow removal services are provided on either fixed fee based contracts or per occurrence contracts. Both landscape maintenance services and snow removal services can also include enhancement services that represent supplemental maintenance or improvement services generally provided under contracts of short duration related to specific services. Revenue for landscape maintenance and snow removal services under fixed fee models is recognized over time using an output based method. Additionally, a portion of the Company's recurring fixed fee landscape maintenance and snow removal services are recorded under the series guidance. The right to invoice practical expedient is generally applied to revenue related to landscape maintenance and snow removal services performed in relation to per occurrence contracts as well as enhancement services. When use of the practical expedient is not appropriate for these contracts, revenue is recognized using a cost-to-cost input method. Fees for contracted landscape maintenance services are typically billed on an equal monthly basis. Fees for fixed fee snow removal services are typically billed on an equal monthly basis during snow season, while fees for time and material or other activity-based snow removal services are typically billed as the services are performed. Fees for enhancement services are typically billed as the services are performed.

Development Services

Development Services revenues are generated primarily through landscape architecture and development services. These revenues are primarily recognized over time using the cost-to-cost input method, measured by the percentage of cost incurred to date to the estimated total cost for each contract, which we believe to be the best measure of progress. The full amount of anticipated losses on contracts is recorded as soon as such losses can be estimated. These losses are immaterial to current and historical operations. Changes in job performance, job conditions, and estimated profitability, including final contract settlements, may result in revisions to costs and revenue and are recognized in the period in which the revisions are determined.

Disaggregation of revenue

The following table presents the Company's reportable segment revenues, disaggregated by revenue type. The Company disaggregates revenue from contracts with customers into major services lines. The Company has determined that disaggregating revenue into these categories depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. As noted in the business segment reporting information in Note 12 "Segments", the Company's reportable segments are Maintenance Services and Development Services.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Landscape Maintenance	$ 516.2	$ 555.3	$ 1,256.3	$ 1,335.8
Snow Removal	8.5	9.3	221.2	209.9
Maintenance Services	524.7	564.6	1,477.5	1,545.7
Development Services	215.0	203.4	564.8	533.3
Eliminations	(0.9)	(2.0)	(3.9)	(6.7)
Net service revenues	$ 738.8	$ 766.0	$ 2,038.4	$ 2,072.3

Remaining Performance Obligations

Remaining performance obligations represent the estimated revenue expected to be recognized in the future related to performance obligations which are fully or partially unsatisfied at the end of the period.

As of June 30, 2024, the estimated future revenues for remaining performance obligations that are part of a contract that has an original expected duration of greater than one year was approximately $556.4. The Company expects to recognize revenue on 58% of the remaining performance obligations over the next 12 months and an additional 42% over the 12 months thereafter.

Contract Assets and Liabilities

When a contract results in revenue being recognized in excess of the amount the Company has invoiced or has the right to invoice to the customer, a contract asset is recognized. Contract assets are transferred to Accounts receivable, net when the rights to the consideration become unconditional. Contract assets are presented as Unbilled revenue on the Consolidated Balance Sheets.

There were $139.7 of amounts billed and $119.7 of additions to our unbilled revenue balance during the nine month period ended June 30, 2024.

Contract liabilities consist of payments received from customers, or such consideration that is contractually due, in advance of providing the product or performing services such that control has not passed to the customer. Contract liabilities are presented as Deferred revenue on the Consolidated Balance Sheets.

Changes in Deferred revenue for the nine month period ended June 30, 2024 were as follows:

	Deferred Revenue
Balance, September 30, 2023	$ 68.2
Recognition of revenue	(850.1)
Deferral of revenue	877.4
Divestiture (Note 6)	(0.9)
Balance, June 30, 2024	$ 94.6

Practical Expedients and Exemptions

The Company offers certain interest-free contracts to customers where payments are received over a period not exceeding one year. Additionally, certain Maintenance Services and Development Services customers may pay in advance for services. The Company does not adjust the promised amount of consideration for the effects of these financing components. At contract inception, the period of time between the performance of services and the customer payment is one year or less.

As permitted under the practical expedient available under ASU No. 2014-09, the Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts with variable consideration that is allocated entirely to unsatisfied performance obligations or to a wholly unsatisfied promise accounted for under the

series guidance and (iii) contracts for which the Company recognizes revenue at the amount which we have the right to invoice for services performed.

4. Accounts Receivable, net

Accounts receivable of $446.4 and $442.3, is net of an allowance for doubtful accounts of $10.0 and $5.1 and includes amounts of retention on incomplete projects to be completed within one year of $61.7 and $58.7 as of June 30, 2024 and September 30, 2023, respectively.

5. Property and Equipment, net

Property and equipment, net consists of the following:

	Useful Life	June 30, 2024	September 30, 2023
Land	—	$ 42.9	$ 44.7
Buildings and leasehold improvements	2-40 yrs.	45.9	45.6
Operating equipment	2-7 yrs.	384.1	338.8
Transportation vehicles	3-7 yrs.	377.3	351.9
Office equipment and software	3-10 yrs.	74.0	68.7
Construction in progress	—	4.4	7.7
Property and equipment		928.6	857.4
Less: Accumulated depreciation		573.0	542.2
Property and equipment, net		$ 355.6	$ 315.2

Construction in progress includes costs incurred for software and other assets that have not yet been placed in service. Depreciation expense related to property and equipment was $28.1 and $26.4 for the three months ended June 30, 2024 and 2023, respectively. Depreciation expense related to property and equipment was $79.8 and $80.9 for the nine months ended June 30, 2024 and 2023, respectively.

6. Intangible Assets, Goodwill, Acquisitions, and Divestitures

Intangible Assets

Identifiable intangible assets consist of acquired customer contracts and relationships, trademarks, and non-compete agreements. Amortization expense related to intangible assets was $8.6 and $10.8 for the three months ended June 30, 2024 and 2023, respectively. Amortization expense related to intangible assets was $27.4 and $33.7 for the nine months ended June 30, 2024 and 2023, respectively. These assets are amortized over their estimated useful lives of which the reasonableness is continually evaluated by the Company. The weighted average amortization periods of intangible assets acquired during the nine months ended June 30, 2023 was seven years.

Intangible assets, net, as of June 30, 2024 and September 30, 2023 consisted of the following:

		June 30, 2024		September 30, 2023	
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	6-21 yrs.	$ 715.9	$ (611.8)	$ 725.5	$ (594.1)
Trademarks	12 yrs.	—	—	3.8	(2.9)
Non-compete agreements	5 yrs.	—	—	2.7	(2.7)
Total intangible assets		$ 715.9	$ (611.8)	$ 732.0	$ (599.7)

Goodwill

The following is a summary of the goodwill activity for the periods ended September 30, 2023 and June 30, 2024:

	Maintenance Services	Development Services	Total
Balance, September 30, 2022	$ 1,792.7	$ 216.1	$ 2,008.8
Acquisitions [1]	10.7	1.9	12.6
Balance, September 30, 2023	$ 1,803.4	$ 218.0	$ 2,021.4
Acquisitions [1]	0.1	—	0.1
Divestiture	(5.8)	—	(5.8)
Balance, June 30, 2024	$ 1,797.7	$ 218.0	$ 2,015.7

[1]The acquisitions adjustment includes the immaterial impact of foreign currency adjustments during the period.

Acquisitions

During the nine months ended June 30, 2023, the Company acquired, through a series of separate transactions, 100% of the operations of three unrelated companies, all of which were allocated to Maintenance Services. The Company paid approximately $13.8 in aggregate consideration for the acquisitions, net of cash acquired. The Company accounted for the business combinations under the acquisition method and, accordingly, recorded the assets acquired and liabilities assumed at their estimated fair market values based on management's preliminary estimates, with the excess allocated to goodwill. The purchase accounting related to these acquisitions was finalized within one year from each acquisition date. As a result of the final purchase accounting, certain of the fair value amounts previously estimated were adjusted during the measurement period. The fair values were primarily estimated using Level 3 assumptions within the fair value hierarchy, including estimated future cash flows, discount rates and other factors. The measurement period adjustments were not material to the Consolidated Balance Sheets as of June 30, 2024 and September 30, 2023. The identifiable assets acquired were primarily customer relationship intangible assets of $4.0. The amount allocated to goodwill is reflective of the benefits the Company expects to realize from anticipated synergies and the acquired assembled workforce. A portion of the goodwill resulting from these acquisitions is deductible for tax purposes.

Divestitures

On January 12, 2024, the Company completed the sale of one of its fully owned subsidiaries, U.S. Lawns, for total cash consideration of $51.6. The gain on the transaction of $44.0 is included in Gain on divestiture in the Consolidated Statement of Operations for the nine months ended June 30, 2024. The Maintenance Services operating segment includes the operations of the divested entity, and its results of operations are included in the Consolidated Statement of Operations through January 12, 2024.

7. Long-term Debt

Long-term debt consists of the following:

	June 30, 2024	September 30, 2023
Series B term loan	$ 732.5	$ 731.7
Receivables financing agreement	81.3	163.0
Financing costs, net	(6.8)	(6.6)
Long-term debt, net	$ 807.0	$ 888.1

First Lien credit facility term loans and Series B Term Loan due 2029

In connection with the KKR Acquisition, the Company and a group of financial institutions entered into a credit agreement (the "Credit Agreement") dated December 18, 2013. The Credit Agreement consisted of seven-year $1,460.0 term loans ("First Lien Term Loans") and a five-year $210.0 revolving credit facility. All amounts outstanding under the Credit Agreement were collateralized by substantially all of the assets of the Company.

On April 22, 2022, the Company, entered into Amendment No. 6 to the Credit Agreement (the "Amendment Agreement"). Under the terms of the Amendment Agreement, the existing Credit Agreement was amended to provide for: (i) a $1,200.0 seven-year term loan (the "Series B Term Loan") and (ii) a $300.0 five-year revolving credit facility (the "Revolving Credit Facility"). The Series B Term Loan matures on April 22, 2029. An original issue discount of $12.0 was incurred when the Series B Term Loan was issued and is being amortized using the effective interest method over the life of the debt, resulting in an effective yield of 3.42%. Debt repayments for the Series B Term Loan totaled $9.0 for the nine months ended June 30, 2023.

On August 28, 2023, the Company voluntarily repaid $450.0 of the amount outstanding under the Company's Amendment Agreement.

On August 31, 2023, the Company entered into Amendment No. 7 to the Credit Agreement (the "Seventh Credit Agreement Amendment"). The Seventh Credit Agreement Amendment (i) amends the definition of "Permitted Holders" to include Birch Equity Holdings, LP, a Delaware limited partnership, Birch-OR Equity Holdings, LLC, a Delaware limited liability company and One Rock Capital Partners, LLC and (ii) provides for a 1.00% prepayment premium for voluntary prepayments made in connection with repricing transactions or amendments made where the primary purpose of which is to decrease the effective yield, and which shall be applicable until six months after entering into the Seventh Credit Agreement Amendment.

On May 28, 2024, the Company entered into Amendment No. 8 to the Credit Agreement (the "Eighth Credit Agreement Amendment"). Under the Eighth Credit Agreement Amendment, the existing Series B Term Loans were amended to bear interest at a rate per annum based on a secured overnight funding rate ("Term SOFR"), plus a margin of 2.50% or a base rate ("ABR") plus a margin of 1.50%, subject to SOFR and ABR floors of 0.50% and 1.50%, respectively.

Revolving credit facility

The Company has a five-year $300.0 revolving credit facility (the "Revolving Credit Facility") that matures on April 22, 2027. Under the Eighth Credit Agreement Amendment, the Revolving Credit Facility currently bears interest at a rate per annum equal to Term SOFR plus a margin ranging from 2.00% to 2.50% or ABR plus a margin ranging from 1.0% to 1.50%, subject to SOFR and ABR floors of 0.00% and 1.00%, respectively, with the margin on the Revolving Credit Facility determined based on the Company's first lien net leverage ratio. The Revolving Credit Facility replaced the previous $260.0 revolving credit facility under the Credit Agreement as in effect prior to the Amendment Agreement. During the nine months ended June 30, 2023 the Company borrowed and repaid $33.5 against the capacity. The Company had $42.6 of letters of credit issued and outstanding as of June 30, 2024 and September 30, 2023.

Receivables financing agreement

On April 28, 2017, the Company, through a wholly-owned subsidiary, entered into a receivables financing agreement (the "Receivables Financing Agreement").

On June 27, 2024, the Company, through a wholly-owned subsidiary, entered into the Fifth Amendment to the Receivables Financing Agreement (the "Fifth Amendment"). The Fifth Amendment (i) increased the borrowing capacity to $325.0, and (ii) extended the term through June 27, 2027.

All amounts outstanding under the Receivables Financing Agreement are collateralized by substantially all of the accounts receivable and unbilled revenue of the Company. During the nine months ended June 30, 2024 the Company borrowed $0.5 against the capacity and voluntarily repaid $82.2. During the nine months ended June 30, 2023 the Company borrowed $460.0 against the capacity and voluntarily repaid $448.0. The Company had $81.2 of letters of credit issued and outstanding as of June 30, 2024 and $30.4 of letters of credit issued and outstanding as of September 30, 2023.

The following are the scheduled maturities of long-term debt for the remainder of fiscal 2024 and the following four fiscal years and thereafter, which do not include any estimated excess cash flow payments:

2024	$	—
2025		—
2026		—
2027		81.3
2028		—
2029 and thereafter		738.0
Total long-term debt		819.3
Less: Current maturities		—
Less: Original issue discount		5.5
Less: Financing costs		6.8
Total long-term debt, net	$	807.0

The Company has estimated the fair value of its long-term debt to be approximately $822.1 and $900.1 as of June 30, 2024 and September 30, 2023, respectively. Fair value is based on market bid prices around period-end (Level 2 inputs).

8. Fair Value Measurements and Derivative Instruments

Fair value is defined as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair Value Hierarchy

The following hierarchy for inputs used in measuring fair value should maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the most observable inputs be used when available:

Level 1 Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement dates.

Level 2 Significant observable inputs that are used by market participants in pricing the asset or liability based on market data obtained from independent sources.

Level 3 Significant unobservable inputs the Company believes market participants would use in pricing the asset or liability based on the best information available.

The carrying amounts shown for the Company's cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value due to the short-term maturity of those instruments. The valuation is based on settlements of similar financial instruments all of which are short-term in nature and are generally settled at or near cost.

Investments held in Rabbi Trust

A non-qualified deferred compensation plan is available to certain executives. Under this plan, participants may elect to defer up to 70% of their compensation. The Company invests the deferrals in participant-selected diversified investments that are held in a Rabbi Trust and which are classified within Other assets on the Consolidated Balance Sheets. The fair value of the investments held in the Rabbi Trust is based on the quoted market prices of the underlying mutual fund investments. These investments are based on the participants' selected investments, which represent the underlying liabilities to the participants in the non-qualified deferred compensation plan. Gains and losses on these investments are included in Other expense (income) on the Consolidated Statements of Operations.

Derivatives

The Company's objective in entering into derivative transactions is to manage its exposure to interest rate movements associated with its variable rate debt and changes in fuel prices. The Company recognizes derivatives as either assets or liabilities on the balance sheet and measures those instruments at fair value. The fair values of the derivative financial instruments are determined using widely accepted valuation techniques including discounted cash flow analysis based on the expected cash flows of each derivative.

Although the Company has determined that the significant inputs, such as interest yield curve and discount rate, used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Company's counterparties and its own credit risk utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2024 and September 30, 2023, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following tables summarize the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 and September 30, 2023:

	June 30, 2024			
	Carrying Value	Level 1	Level 2	Level 3
Other assets:				
Investments held by Rabbi Trust	$ 9.8	$ 9.8	$ —	$ —
Interest rate derivative contracts	13.3	—	13.3	—
Total assets	$ 23.1	$ 9.8	$ 13.3	$ —
Accrued expenses and other current liabilities:				
Fuel derivative contracts	$ 0.2	$ —	$ 0.2	$ —
Other liabilities:				
Obligation to Rabbi Trust	9.8	9.8	—	—
Total liabilities	$ 10.0	$ 9.8	$ 0.2	$ —

	September 30, 2023			
	Carrying Value	Level 1	Level 2	Level 3
Other assets:				
Investments held by Rabbi Trust	$ 10.9	$ 10.9	$ —	$ —
Interest rate derivative contracts	21.3	—	21.3	—
Total Assets	$ 32.2	$ 10.9	$ 21.3	$ —
Other liabilities:				
Obligation to Rabbi Trust	$ 10.9	$ 10.9	$ —	$ —
Total Liabilities	$ 10.9	$ 10.9	$ —	$ —

Hedging Activities

As of June 30, 2024 and September 30, 2023, the Company's outstanding derivatives qualified as cash flow hedges. The Company assesses whether derivatives used in hedging transactions are "highly effective" in offsetting changes in the cash flow of the hedged forecasted transactions. Regression analysis is used for the hedge relationships and high effectiveness is achieved when a statistically valid relationship reflects a high degree of offset and correlation between the fair values of the derivative and the hedged forecasted transaction. The entire change in the fair value for highly effective derivatives is reported in Other comprehensive income (loss) and subsequently reclassified into Interest expense, net (in the case of interest rate contracts) and Cost of services provided (in the case of fuel hedge contracts) in the Consolidated Statements of Operations when the hedged item affects earnings. If the hedged forecasted transaction is no longer probable of occurring, then the amount recognized in Accumulated other comprehensive income is released to earnings. Cash flows from the derivatives are classified in the same category as the cash flows from the underlying hedged transaction.

Interest Rate Contracts

The Company has exposures to variability in interest rates associated with its variable interest rate debt, which includes the Series B Term Loan. As such, the Company has entered into interest rate contracts to help manage interest rate exposure by economically converting a portion of its variable-rate debt to fixed-rate debt. Effective for the periods March 18, 2016 through December 31, 2022, the Company held interest rate swaps with a notional amount of $500.0. In January 2023, the Company entered into an interest rate swap agreement with a notional amount of $500.0 and an interest rate collar agreement with a notional amount of $500.0, each effective for the period January 31, 2023 through January 31, 2028.

On August 28, 2023, the Company terminated $400.0 of the notional amount of its outstanding interest rate collar agreement.

The notional amount of interest rate contracts was $600.0 and $600.0 at June 30, 2024 and September 30, 2023, respectively. As of June 30, 2024, net deferred gain on the interest rate swaps of $6.1, net of taxes, is expected to be recognized in Interest expense over the next 12 months.

The effects on the consolidated financial statements of the interest rate contracts which were designated as cash flow hedges were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Income recognized in Other comprehensive income (loss)	$ 3.6	$ 21.9	$ —	$ 23.4
Net income reclassified from Accumulated other comprehensive income into Interest expense	2.8	2.6	8.4	6.9

Fuel Contracts

The Company has exposures to variability in fuel pricing associated with its purchase and usage of fuel during the ordinary course of business operating a large fleet of vehicles and equipment. As such, the Company has entered into gasoline hedge contracts to help reduce its exposure to volatility in the fuel markets. In March 2024, the Company entered into a fuel swap agreement with a notional volume of 4.0 million gallons covering the period March 4, 2024 through February 24, 2025. The net deferred loss on the fuel swap as of June 30, 2024 was immaterial and is expected to be recognized in Cost of services provided over the next 9 months.

The effects on the consolidated financial statements of the fuel swap contracts which were designated as cash flow hedges were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
(Loss) recognized in Other comprehensive income (loss)	$ (0.2)	$ —	$ (0.1)	$ —
Net gain reclassified from Accumulated other comprehensive income into Cost of services provided	0.1	—	0.1	—

9. Income Taxes

The following table summarizes the Company's income tax expense (benefit) and effective income tax rate for the three and nine months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Income (loss) before income taxes	$ 33.4	$ 24.4	$ 58.3	$ (29.6)
Income tax expense (benefit)	9.9	7.6	17.5	(5.5)
Effective income tax rate	29.6%	31.1%	30.0%	18.6%

The decrease in the effective tax rate for the three months ended June 30, 2024, when compared to the three months ended June 30, 2023, is primarily attributable to the distribution of pre-tax earnings across legal entities.

The increase in the effective tax rate for the nine months ended June 30, 2024, when compared to the nine months ended June 30, 2023, is primarily attributable to the increase in pre-tax book income from the gain on sale of the U.S. Lawns subsidiary as well as the distribution of pre-tax earnings across legal entities.

10. Equity-Based Compensation

Amended and Restated 2018 Omnibus Incentive Plan

On June 28, 2018 (and as amended and restated on March 10, 2020 and March 5, 2024), in connection with the IPO, the Company's Board of Directors adopted, and its stockholders approved, the BrightView Holdings, Inc. 2018 Omnibus Incentive Plan (the "2018 Omnibus Incentive Plan"). The total number of shares of common stock that may be issued under the 2018 Omnibus Incentive Plan is 24,650,000 Under the 2018 Omnibus Incentive Plan, the Company may grant stock options, stock appreciation rights, restricted stock, other equity-based awards and other cash-based awards to employees, directors, officers, consultants and advisors.

2023 Employment Inducement Incentive Award Plan

On September 11, 2023, the Company adopted the BrightView Holdings, Inc. 2023 Employment Inducement Incentive Award Plan (the "Inducement Plan"). Pursuant to the Inducement Plan, the Company may grant equity incentive compensation as a material inducement for certain individuals to commence employment with the Company. A total of 1,750,000 shares of common stock are reserved for grant under the Inducement Plan. Awards granted under the Inducement Plan may be in the form of non-qualified stock options, stock appreciation rights, restricted stock awards, restricted stock units, unrestricted stock awards, dividend equivalent rights and other equity-based awards, or any combination of those awards.

Restricted Stock Awards

A summary of the Company's restricted stock award activity for the nine month period ended June 30, 2024 is presented in the following table:

	Shares		Weighted-Avg Distribution Price per Share
Outstanding at September 30, 2023	213,000	$	14.66
Less: Forfeited	88,000	$	14.66
Outstanding at June 30, 2024	125,000	$	14.66

Restricted Stock Units

A summary of the Company's restricted stock unit activity for the nine month period ended June 30, 2024 is presented in the following table:

	Shares		Weighted-Avg Distribution Price per Share
Outstanding at September 30, 2023	3,021,000	$	9.32
Granted	2,584,000	$	8.00
Less: Vested	1,285,000	$	9.67
Less: Forfeited	617,000	$	8.81
Outstanding at June 30, 2024	3,703,000	$	8.37

During the nine month period ended June 30, 2024, the Company issued 2,584,000 restricted stock units ("RSUs") at a weighted average grant date fair value of $8.00 per share, all of which are subject to vesting. The majority of these units vest ratably over a four-year period commencing on the grant date. Non-cash equity-based compensation expense associated with the new grants will total approximately $18.0 over the requisite service period. During the nine month period ended June 30, 2024, 1,285,000 RSUs vested and 617,000 RSUs were forfeited.

Stock Option Awards

A summary of the Company's stock option activity for the nine month period ended June 30, 2024 is presented in the following table:

	Shares	Weighted-Avg Exercise Price per Share
Outstanding at September 30, 2023	4,449,000	$ 19.06
Less: Exercised	38,000	$ 13.66
Less: Forfeited	1,160,000	$ 19.08
Outstanding at June 30, 2024	3,251,000	$ 19.11
Vested and exercisable at June 30, 2024	2,731,000	$ 19.05
Expected to vest after June 30, 2024	520,000	$ 19.43

Performance Stock Unit Awards

A summary of the Company's performance stock unit activity for the nine month period ended June 30, 2024 is presented in the following table:

	Shares	Weighted-Avg Distribution Price per Share
Outstanding at September 30, 2023	512,000	$ 7.48
Granted	918,000	$ 7.35
Less: Forfeited	303,000	$ 7.39
Outstanding at June 30, 2024	1,127,000	$ 7.40

During the nine month period ended June 30, 2024, the Company issued 918,000 performance stock units ("PSUs") at a weighted average distribution price of $7.35 per share and a weighted average grant date fair value of $7.35 per share, which cliff vest at the end of the three-year performance period. The number of the PSUs that vest upon completion of the performance period can range from 0% to 200% of the original grant, subject to certain limitations, contingent upon performance conditions. The performance condition metrics are the Company's three-year average Adjusted EBITDA margin and compound annual growth rate of the Company's land organic revenue. The fair value of these awards is determined based on the trading price of the company's common shares on the date of grant. Non-cash equity-based compensation expense associated with the grant will be approximately $6.3 over the requisite service period. During the nine month period ended June 30, 2024, no PSUs vested and 303,000 PSUs were forfeited.

Equity-Based Compensation Expense

The Company recognizes equity-based compensation expense using the estimated fair value as of the grant date over the requisite service or performance period applicable to the grant. Estimates of future forfeitures are made at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company recognized $5.1 and $3.9 in equity-based compensation expense for the three months ended June 30, 2024 and 2023, respectively, included in Selling, general and administrative expense in the accompanying Consolidated Statements of Operations. The Company recognized $15.1 and $15.7 in equity-based compensation expense for the nine month periods ended June 30, 2024 and 2023, respectively, included in Selling, general and administrative expense in the accompanying Consolidated Statements of Operations. The resulting charges increased Additional paid in capital by the same amount for each applicable period. Total unrecognized compensation cost was $34.4 and $23.7 as of June 30, 2024 and September 30, 2023, respectively, which is expected to be recognized over a weighted average period of 1.2 and 1.1 years as of June 30, 2024 and September 30, 2023, respectively.

2018 Employee Stock Purchase Plan

The Company's Stockholders have approved the Company's 2018 Employee Stock Purchase Plan, (the "ESPP"). A total of 2,100,000 shares of the Company's common stock were made available for sale under the Company's 2018 Employee Stock Purchase Plan, of which 188,000 were issued on November 17, 2023, and 177,000 were issued on November 14, 2022. An additional portion thereof is expected to be issued in November 2024.

11. Commitments and Contingencies

Risk Management

The Company carries general liability, auto liability, workers' compensation, and employee health care insurance policies. In addition, the Company carries other reasonable and customary insurance policies for a Company of our size and scope, as well as umbrella liability insurance policies to cover claims over the liability limits contained in the primary policies. The Company's insurance programs, for workers' compensation, general liability, auto liability and employee health care for certain employees contain self-insured retention amounts, deductibles and other coverage limits ("self-insured liability"). Claims that are not self-insured as well as claims in excess of the self-insured liability amounts are insured. The Company uses estimates in the determination of the required reserves. These estimates are based upon calculations performed by third-party actuaries, as well as examination of historical trends and industry claims experience. The Company's reserve for unpaid and incurred but not reported claims under these programs at June 30, 2024 was $165.3, of which $54.2 was classified in current liabilities and $111.1 was classified in non-current liabilities in the accompanying unaudited Consolidated Balance Sheet. The Company's reserve for unpaid and incurred but not reported claims under these programs at September 30, 2023 was $159.9, of which $54.8 was classified in current liabilities and $105.1 was classified in non-current liabilities in the accompanying Consolidated Balance Sheet. While the ultimate amount of these claims is dependent on future developments, in management's opinion, recorded reserves are adequate to cover these claims. The Company's reserve for unpaid and incurred but not reported claims at June 30, 2024 includes $16.1 related to claims recoverable from third-party insurance carriers. Corresponding assets of $4.8 and $11.3 are recorded at June 30, 2024, as Other current assets and Other assets, respectively. The Company's reserve for unpaid and incurred but not reported claims at September 30, 2023 includes $18.1 related to claims recoverable from third-party insurance carriers. Corresponding assets of $5.3 and $12.8 were recorded at September 30, 2023, as Other current assets and Other assets, respectively.

Litigation Contingency

From time to time, the Company is subject to legal proceedings and claims in the ordinary course of its business, principally claims made alleging injuries (including vehicle and general liability matters as well as workers' compensation and property casualty claims). Such claims, even if lacking merit, can result in expenditures of significant financial and managerial resources. In the ordinary course of its business, the Company is also subject to investigations or claims involving current and/or former employees and disputes involving commercial and regulatory matters. Regulatory matters include, among other things, audits and reviews of local and federal tax compliance, safety and employment practices, and environmental matters. Although the process of resolving regulatory matters and claims through litigation and other means is inherently uncertain, the Company is not aware of any such matter, legal proceeding or claim that it believes will have, individually or in the aggregate, a material effect on the Company, its financial condition, and results of operations or cash flows. For all legal matters, an estimated liability is established in accordance with the loss contingencies accounting guidance. This estimated liability is included in Accrued expenses and other current liabilities in the accompanying Consolidated Balance Sheets.

12. Segments

The operations of the Company are conducted through two operating segments: Maintenance Services and Development Services, which are also its reportable segments.

Maintenance Services primarily consists of recurring landscape maintenance services and snow removal services as well as supplemental landscape enhancement services.

Development Services primarily consists of landscape architecture and development services for new construction and large scale redesign projects.

The operating segments identified above are determined based on the services provided, and they reflect the manner in which operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources and assess performance. The CODM is the Company's Chief Executive Officer. The CODM evaluates the performance of the Company's operating

segments based upon Net Service Revenues, Adjusted EBITDA and Capital Expenditures. Management uses Adjusted EBITDA to evaluate performance and profitability of each operating segment.

The accounting policies of the segments are the same as those described in Note 2 "Summary of Significant Accounting Policies" in the notes to our consolidated financial statements in the Annual Report on Form 10-K for the fiscal year ended September 30, 2023. Corporate includes corporate executive compensation, finance, legal and information technology which are not allocated to the segments. Eliminations represent eliminations of intersegment revenues. The Company does not currently provide asset information by segment, as this information is not used by management when allocating resources or evaluating performance.

The following is a summary of certain financial data for each of the segments:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Maintenance Services	$ 524.7	$ 564.6	$ 1,477.5	$ 1,545.7
Development Services	215.0	203.4	564.8	533.3
Eliminations	(0.9)	(2.0)	(3.9)	(6.7)
Net Service Revenues	$ 738.8	$ 766.0	$ 2,038.4	$ 2,072.3
Maintenance Services	$ 89.3	$ 94.0	$ 197.8	$ 196.2
Development Services	31.1	24.1	65.1	53.6
Corporate	(12.5)	(16.3)	(43.4)	(52.7)
Adjusted EBITDA[(1)]	$ 107.9	$ 101.8	$ 219.5	$ 197.1
Maintenance Services	$ 15.4	$ 9.3	$ 31.9	$ 46.0
Development Services	5.8	2.5	10.2	7.2
Corporate	2.0	3.4	3.9	4.7
Capital Expenditures	$ 23.2	$ 15.2	$ 46.0	$ 57.9

(1)Presented below is a reconciliation of Net income (loss) to Adjusted EBITDA:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	$ 23.5	$ 16.8	$ 40.8	$ (24.1)
Interest expense, net	15.1	27.4	48.2	78.3
Income tax expense (benefit)	9.9	7.6	17.5	(5.5)
Depreciation expense	28.1	26.4	79.8	80.9
Amortization expense	8.6	10.8	27.4	33.7
Business transformation and integration costs (a)	17.1	8.9	33.9	17.5
Gain on divestiture (b)	(0.1)	—	(44.0)	—
Equity-based compensation (c)	5.1	3.9	15.3	15.9
COVID-19 related expenses (d)	—	—	—	0.4
Debt extinguishment (e)	0.6	—	0.6	—
Adjusted EBITDA	$ 107.9	$ 101.8	$ 219.5	$ 197.1

(a)Business transformation and integration costs consist of (i) severance and related costs; (ii) business integration costs and (iii) information technology infrastructure, transformation, and other costs.

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions)	2024	2023	2024	2023
Severance and related costs	$ 4.3	$ 4.1	$ 10.5	$ 6.0
Business integration (f)	0.4	2.8	(0.5)	5.3
IT infrastructure, transformation, and other (g)	12.4	2.0	23.9	6.2
Business transformation and integration costs	$ 17.1	$ 8.9	$ 33.9	$ 17.5

(b)Represents the realized gain on sale and transaction related expenses from the divestiture of U.S. Lawns on January 12, 2024.

(c)Represents equity-based compensation expense and related taxes recognized for equity incentive plans outstanding.

(d)Represents expenses related to the Company's response to the COVID-19 pandemic, principally temporary and incremental salary and related expenses, personal protective equipment, cleaning and supply purchases, and other.

(e)Represents losses on the extinguishment of debt related to Amendment No. 8 to the Credit Agreement and includes the write-off of deferred finance fees and original issue discount.

(f)Represents isolated expenses specifically related to the integration of acquired companies such as one-time employee retention costs, employee onboarding and training costs, fleet and uniform rebranding costs, and adjustments to performance based contingent consideration. The Company excludes Business integration costs from the measures disclosed above since such expenses vary in amount due to the number of acquisitions and size of acquired companies as well as factors specific to each acquisition, and as a result lack predictability as to occurrence and/or timing, and create a lack of comparability between periods.

(g)Represents expenses related to distinct initiatives, typically significant enterprise-wide changes. Such expenses are excluded from the measures disclosed above since such expenses vary in amount based on occurrence as well as factors specific to each of the activities, are outside of the normal operations of the business, and create a lack of comparability between periods.

13. Mezzanine Equity

Series A Convertible Preferred Stock

On August 28, 2023 (the "Original Issuance Date"), BrightView Holdings, Inc. entered into an Investment Agreement with each of Birch Equity Holdings, LP, a Delaware limited partnership, and Birch-OR Equity Holdings, LLC, a Delaware limited liability company (collectively, the "Investors"), pursuant to which the Company issued and sold, in a private placement, an aggregate of 500,000 shares of the Company's Series A Convertible Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock"), for an aggregate purchase price of $500.0 (the "Issuance"), excluding issuance costs. On December 31, 2023, the Company paid in-kind dividends of $8.9 in the aggregate on the Series A Preferred Stock which increased the aggregate liquidation preference of the Series A Preferred Stock by the same amount.

On March 14, 2024 the company declared a cash dividend of $8.9 in aggregate on the Series A Preferred Stock, which was paid to the Investors on April 1, 2024.

On June 21, 2024 the company declared a cash dividend of $8.9 in aggregate on the Series A Preferred Stock, which was paid to the Investors on July 1, 2024. The accrued dividend is presented within Accrued expense and other current liabilities on the Consolidated Balance Sheet as of June 30, 2024.

14. Earnings (Loss) Per Share of Common Stock

The Company calculates basic and diluted (loss) earnings per common share using the two-class method. The two-class method is an allocation formula that determines net (loss) income per common share for each share of common stock and Series A Convertible Preferred Stock, a participating security, according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and Series A Convertible Preferred Stock based on their respective rights to receive dividends. The holders of the Series A Convertible Preferred Stock do not participate in losses. The holders of Series A Convertible Preferred Stock participate in cash dividends that the Company pays on its common stock in an as-converted basis. Diluted net (loss) income per common share is computed based on the weighted average number of shares of common stock outstanding during each period, plus potential common shares considered outstanding during the period, as long as the inclusion of such awards is not antidilutive. Potential common shares consist of unvested and unexercised stock compensation awards and the Series A Convertible Preferred Stock, using the more dilutive of either the two-class method or if-converted stock method.

Set forth below is a reconciliation of the numerator and denominator for basic and diluted (loss) earnings per share calculation for the periods indicated:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Basic Earnings (Loss) per common share				
Numerator:				
Net income (loss)	$ 23.5	$ 16.8	$ 40.8	$ (24.1)
Less: dividends on Series A convertible preferred shares	(8.9)	—	(26.7)	—
Less: Earnings allocated to Convertible Preferred Shares	(5.3)	—	(5.1)	—
Net income (loss) available to common shareholders	$ 9.3	$ 16.8	$ 9.0	$ (24.1)
Denominator:				
Weighted average number of common shares outstanding – basic	94,549,000	93,504,000	94,668,000	93,409,000
Basic earnings (loss) per share	$ 0.10	$ 0.18	$ 0.09	$ (0.26)
Diluted earnings (loss) per common share				
Numerator:				
Net income (loss) available to common shareholders – diluted	$ 9.3	$ 16.8	$ 9.0	$ (24.1)
Denominator:				
Weighted average number of common shares outstanding – basic	94,549,000	93,504,000	94,668,000	93,409,000
Dilutive effect of:				
Stock compensation awards	2,123,000	497,000	1,133,000	—
Series A convertible preferred stock	—	—	—	—
Weighted average number of common shares outstanding – diluted	96,672,000	94,001,000	95,801,000	93,409,000
Diluted earnings (loss) per share	$ 0.10	$ 0.18	$ 0.09	$ (0.26)
Other Information:				
Weighted average number of anti-dilutive Series A convertible preferred shares, options and restricted stock[(a)]	55,369,000	4,663,000	57,011,000	4,712,000

(a)Weighted average number of anti-dilutive options is based upon the average closing price of the Company's common stock on the NYSE for the period.

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

The following discussion and analysis supplements our management's discussion and analysis for the year ended September 30, 2023 as contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 16, 2023, and presumes that readers have read or have access to such discussion and analysis. The following discussion and analysis should also be read together with the unaudited consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that reflect our plans and strategy for our business, and involve risks and uncertainties. You should review the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, as updated by subsequent filings with the Securities and Exchange Commission, for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. You should carefully read "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q.

Overview

Our Company

We are the largest provider of commercial landscaping services in the United States, with revenues approximately 5 times those of our next largest commercial landscaping competitor. We provide commercial landscaping services ranging from landscape maintenance and enhancements to tree care and landscape development. We operate through a differentiated and integrated national service model which systematically delivers services at the local level by combining our network of over 290 branches with a qualified service partner network. Our branch delivery model underpins our position as a single-source end-to-end landscaping solution provider to our diverse customer base at the national, regional and local levels, which we believe represents a significant competitive advantage. We believe our commercial customer base understands the financial and reputational risk associated with inadequate landscape maintenance and considers our services to be essential and non-discretionary.

Our Segments

We report our results of operations through two reportable segments: Maintenance Services and Development Services. We serve a geographically diverse set of customers through our strategically located network of branches in 35 U.S. states, and, through our qualified service partner network, we are able to efficiently provide nationwide coverage in all 50 U.S. states.

Maintenance Services

Our Maintenance Services segment delivers a full suite of recurring commercial landscaping services in both evergreen and seasonal markets, ranging from mowing, gardening, mulching and snow removal, to more horticulturally advanced services, such as water management, irrigation maintenance, tree care, golf course maintenance and specialty turf maintenance. In addition to contracted maintenance services, we also have a strong track record of providing value-added landscape enhancements. We primarily self-perform our maintenance services through our national branch network, which are route-based in nature. Our maintenance services customers include Fortune 500 corporate campuses and commercial properties, HOAs, public parks, leading international hotels and resorts, airport authorities, municipalities, hospitals and other healthcare facilities, educational institutions, restaurants and retail, and golf courses, among others.

Development Services

Through our Development Services segment, we provide landscape architecture and development services for new facilities and significant redesign projects. Specific services include project design and management services, landscape architecture, landscape installation, irrigation installation, tree moving and installation, pool and water features and sports field services, among others. Our development services are comprised of sophisticated design, coordination and installation of landscapes at some of the most recognizable corporate, athletic and university complexes and showcase highly visible work that is paramount to our customers' perception of our brand as a market leader.

In our Development Services business, we are typically hired by general contractors, with whom we maintain strong relationships as a result of our superior technical and project management capabilities. We believe the quality of our work is also well-regarded by our end-customers, some of whom directly request that their general contractors utilize our services when outsourcing their landscape development projects.

Components of Our Revenues and Expenses

Net Service Revenues

Maintenance Services

Our Maintenance Services revenues are generated primarily through landscape maintenance services and snow removal services. Landscape maintenance services that are primarily viewed as non-discretionary, such as lawn care, mowing, gardening, mulching, leaf removal, irrigation and tree care, are provided under recurring annual contracts, which typically range from one to three years in duration and are generally cancellable by the customer with 30-90 days' notice. Snow removal services are provided on either fixed fee based contracts or per occurrence contracts. Both landscape maintenance services and snow removal services can also include enhancement services that represent supplemental maintenance or improvement services generally provided under contracts of short duration related to specific services. Revenue for landscape maintenance and snow removal services under fixed fee models is recognized over time using an output based method. Additionally, a portion of our recurring fixed fee landscape maintenance and snow removal services are recorded under the series guidance. The right to invoice practical expedient, defined within Note 3 "Revenue" to our unaudited consolidated financial statements, is generally applied to revenue related to landscape maintenance and snow removal services performed in relation to per occurrence contracts as well as enhancement services. When use of the practical expedient is not appropriate for these contracts, revenue is recognized using a cost-to-cost input method. Fees for contracted landscape maintenance services are typically billed on an equal monthly basis. Fees for fixed fee snow removal services are typically billed on an equal monthly basis during snow season, while fees for time and material or other activity-based snow removal services are typically billed as the services are performed. Fees for enhancement services are typically billed as the services are performed.

Development Services

For Development Services, revenue is primarily recognized over time using the cost-to-cost input method, measured by the percentage of cost incurred to date to the estimated total cost for each contract, which we believe to be the best measure of progress. The full amount of anticipated losses on contracts is recorded as soon as such losses can be estimated. These losses have been immaterial in prior periods. Changes in job performance, job conditions and estimated profitability, including final contract settlements, may result in revisions to costs and revenue and are recognized in the period in which the revisions are determined.

Expenses

Cost of Services Provided

Cost of services provided is comprised of direct costs we incur associated with our operations during a period and includes employee costs, subcontractor costs, purchased materials, and operating equipment and vehicle costs. Employee costs consist of wages and other labor-related expenses, including benefits, workers compensation and healthcare costs, for those employees involved in delivering our services. Subcontractor costs consist of costs relating to our qualified service partner network in our Maintenance Services segment and subcontractors we engage from time to time in our Development Services segment. When our use of subcontractors increases, we may experience incrementally higher costs of services provided. Operating equipment and vehicle costs primarily consist of depreciation related to branch operating equipment and vehicles and related fuel expenses. A large component of our costs are variable, such as labor, subcontractor expense and materials.

Selling, General and Administrative Expense

Selling, general and administrative expense consists of costs incurred related to compensation and benefits for management, sales and administrative personnel, equity-based compensation, branch and office rent and facility operating costs, depreciation expense related to branch and office locations, as well as professional fees, software costs and other miscellaneous expenses. Corporate expenses, including corporate executive compensation, finance, legal and information technology, are included in consolidated Selling, general and administrative expense and not allocated to the business segments.

Gain on divestiture

Gain on divestiture consists of the realized gain on sale and transaction related expenses from the divestiture of U.S. Lawns on January 12, 2024.

Amortization Expense

Amortization expense consists of the periodic amortization of intangible assets, including customer relationships, non-compete agreements and trademarks, recognized when KKR acquired the Company on December 18, 2013 and in connection with businesses acquired since December 18, 2013.

Other Expense (Income)

Other expense (income) consists primarily of investment gains related to investments held in Rabbi Trust.

Interest Expense, Net

Interest expense, net consists primarily of interest expense related to our long-term debt as well as interest income related to our cash and cash equivalents. See Note 7 "Long-term Debt" in the unaudited consolidated financial statements included under Part I, Item 1, "Financial Statements".

Income Tax Expense (Benefit)

Income tax expense (benefit) includes U.S. federal, state and local income taxes. Our effective tax rate differs from the statutory U.S. income tax rate due to the effect of state and local income taxes, tax credits and certain nondeductible expenses. Our effective tax rate may vary from quarter to quarter based on recurring and nonrecurring factors including, but not limited to, the geographical distribution of our pre-tax earnings, changes in the tax rates of different jurisdictions, the availability of tax credits and nondeductible items. Changes in judgment due to the evaluation of new information resulting in the recognition, derecognition or remeasurement of a tax position taken in a prior annual period are recognized separately in the period of the change.

Trends and Other Factors Affecting Our Business

Various trends and other factors affect or have affected our operating results, including:

Seasonality

Our services, particularly in our Maintenance Services segment, have seasonal variability such as increased mulching, flower planting and intensive mowing in the spring, leaf removal and cleanup work in the fall, snow removal services in the winter and potentially minimal mowing during drier summer months. This can drive fluctuations in revenue, costs and cash flows for interim periods.

We have a significant presence in geographies that have a year-round growing season, which we refer to as our evergreen markets. Such markets require landscape maintenance services twelve months per year. In markets that do not have a year-round growing season, which we refer to as our seasonal markets, the demand for our landscape maintenance services decreases during the winter months. Typically, our revenues and net income have been higher in the spring and summer seasons, which correspond with our third and fourth fiscal quarters of our fiscal year ending September 30. The lower level of activity in seasonal markets during our first and second fiscal quarters is partially offset by revenue from our snow removal services. Such seasonality causes our results of operations to vary from quarter to quarter.

Weather Conditions

Weather may impact the timing of performance of landscape maintenance and enhancement services and progress on development projects from quarter to quarter. For example, snow events in the winter, hurricane-related cleanup in the summer and fall, and the effects of abnormally high rainfall or drought in a given market may impact our services. These less predictable weather patterns can impact both our revenues and our costs, especially from quarter to quarter, but also from year to year in some cases. Extreme weather events such as hurricanes and tropical storms can result in a positive impact to our business in the form of increased enhancement services revenues related to cleanup and other services. However, such weather events may also negatively impact our ability to deliver our contracted services or impact the timing of performance.

In our seasonal markets, the performance of our snow removal services is correlated with the amount of snowfall and number of snowfall events in a given season. We benchmark our performance against ten- and thirty-year cumulative annual snowfall averages.

Acquisitions

In addition to our organic growth, we have grown, and expect to continue to grow, our business through acquisitions in an effort to better service our existing customers and to attract new customers. These acquisitions have allowed us to execute our "strong-on-strong" acquisition strategy in which we focus on increasing our density and leadership positions in existing local markets, entering into attractive new geographic markets and expanding our portfolio of landscape enhancement services and improving technical capabilities in specialized services. As we continue to selectively pursue acquisitions that complement our "strong-on-strong" acquisition strategy, we believe we are the acquirer of choice in the highly fragmented commercial landscaping industry because we offer the ability to leverage our significant size and scale, as well as provide stable and potentially expanding career opportunities for employees of acquired businesses. In accordance with GAAP, the results of the acquisitions we have completed are reflected in our consolidated financial statements from the date of acquisition. We incur transaction costs in connection with identifying and completing acquisitions and ongoing integration costs as we integrate acquired companies and seek to achieve synergies. During the nine months ended June 30, 2024, the Company incurred $(0.5) million of integration costs related to acquisitions completed prior to fiscal 2024. While integration costs vary based on factors specific to each acquisition, such costs are primarily comprised of one-time employee retention costs, employee onboarding and training costs, fleet and uniform rebranding costs and adjustments to performance-based contingent consideration. We typically anticipate integration costs to represent approximately 7%-9% of the acquisition price, and to be incurred within 12 months of acquisition completion.

Goodwill

Goodwill represents the excess of the purchase price over the fair values of the underlying net assets acquired in an acquisition. Goodwill is not amortized, but rather is tested annually for impairment in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Goodwill is allocated to, and evaluated for impairment at our three identified reporting units. Goodwill is tested for impairment by either performing a qualitative evaluation or a quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying amount. We may elect not to perform the qualitative assessment for some or all reporting units and perform the quantitative impairment test. The quantitative goodwill impairment test requires us to compare the carrying value of the reporting unit's net assets to the fair value of the reporting unit. The Company determined fair values of each of the reporting units using a combination of the income and market multiple approaches. The estimates used in each approach include significant management assumptions, including long-term future growth rates, operating margins, discount rates and future economic and market conditions.

If the fair value exceeds the carrying value, no further evaluation is required, and no impairment loss is recognized. If the carrying amount of a reporting unit, including goodwill, exceeds the estimated fair value, the excess of the carrying value over the fair value is recorded as an impairment loss, the amount of which would not exceed the total amount of goodwill allocated to the reporting unit.

Our methodology for estimating the fair value of our reporting units utilizes a combination of the market and income approaches. The market approach is based on the guideline public company method, which measures the value of the reporting unit through applying valuation multiples of selected guideline public companies to the reporting unit's key operating metrics. The income approach is based on the Discounted Cash Flow ("DCF") method, which is based on the present value of future cash flows. The principal assumptions utilized in the DCF methodology include long-term future growth rates, operating margins, and discount rates. There can be no assurance that our estimates and assumptions regarding forecasted cash flow, long-term future growth rates and operating margins made for purposes of the annual goodwill impairment test will prove to be accurate predictions of the future. We believe the current assumptions and estimates utilized under each approach are both reasonable and appropriate.

Based on our most recent annual analysis as of July 1, 2023, the fair values for all identified reporting units exceeded the carrying values, and therefore no indicators of impairment existed for the reporting units; however, the fair value of the Maintenance reporting unit exceeded the carrying value by 4.7%. Since the Maintenance reporting unit fair value did not substantially exceed the carrying value, we may be at risk for an impairment loss in the future if interest rates and market conditions continue to trend unfavorably or if our forecasts assumed in the fair value calculation are not realized. As of June 30, 2024, there was $1,797.7 million of goodwill recorded related to the Maintenance reporting unit.

Industry and Economic Conditions

We believe the non-discretionary nature of our landscape maintenance services provides us with a fairly predictable recurring revenue model. The perennial nature of the landscape maintenance service sector, as well as its wide range of end users, minimizes the impact of a broad or sector-specific downturn. However, in connection with our enhancement services and development services, when demand for commercial construction declines, demand for landscape enhancement services and development projects may decline. When commercial construction activity rises, demand for landscape enhancement services to maintain green space may also increase.

This is especially true for new developments in which green space tends to play an increasingly important role. Economic conditions, including rising inflation and fuel prices, as well as rising interest rates, have impacted and may further impact our costs and expenses, and fluctuations in labor markets, may impact our ability to identify, hire and retain employees. Increased labor costs, including recruiting, retention, and overtime expenditures, have and could adversely affect our profitability.

Results of Operations

The following tables summarize key components of our results of operations for the periods indicated.

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Net service revenues	$ 738.8	$ 766.0	$ 2,038.4	$ 2,072.3
Cost of services provided	561.2	567.4	1,575.0	1,579.0
Gross profit	177.6	198.6	463.4	493.3
Selling, general and administrative expense	120.1	136.6	375.0	413.0
Gain on divestiture	(0.1)	—	(44.0)	—
Amortization expense	8.6	10.8	27.4	33.7
Income from operations	49.0	51.2	105.0	46.6
Other expense (income)	0.5	(0.6)	(1.5)	(2.1)
Interest expense, net	15.1	27.4	48.2	78.3
Income (loss) before income taxes	33.4	24.4	58.3	(29.6)
Income tax expense (benefit)	9.9	7.6	17.5	(5.5)
Net income (loss)	$ 23.5	$ 16.8	$ 40.8	$ (24.1)
Earnings (Loss) per Share	$ 0.10	$ 0.18	$ 0.09	$ (0.26)
Adjusted EBITDA[(1)]	$ 107.9	$ 101.8	$ 219.5	$ 197.1
Adjusted Net Income[(1)]	$ 48.3	$ 41.4	$ 68.1	$ 33.5
Cash flows from operating activities	$ 42.7	$ 34.3	$ 152.1	$ 89.3
Free Cash Flow[(1)]	$ 31.0	$ 22.3	$ 120.2	$ 38.2

(1) See the "Non-GAAP Financial Measures" section included below for a reconciliation to the most directly comparable GAAP measure.

Three Months Ended June 30, 2024 compared to Three Months Ended June 30, 2023

Net Service Revenues

Net service revenues for the three months ended June 30, 2024 decreased $27.2 million, or 3.6%, to $738.8 million, from $766.0 million in the 2023 period. The decrease was driven by a decrease in Maintenance Services revenues of $39.9 million, partially offset by an increase in Development Services revenues of $11.6 million as discussed further below in Segment Results.

Gross Profit

Gross profit for the three months ended June 30, 2024 decreased $21.0 million, or 10.6%, to $177.6 million, from $198.6 million in the 2023 period. Gross margin decreased 190 basis points, to 24.0%, in the three months ended June 30, 2024, from 25.9% in the comparable 2023 period. The decreases in gross profit and gross margin were primarily driven by the decrease in Net Services revenues coupled with increased labor costs. Partially offsetting this was lower subcontractor costs resulting from our strategic reduction in non-core businesses.

Selling, General and Administrative Expense

Selling, general and administrative expense for the three months ended June 30, 2024 decreased $16.5 million, or 12.1%, to $120.1 million, from $136.6 million in the 2023 period. As a percentage of revenue, Selling, general and administrative expense decreased 150 basis points for the three months ended June 30, 2024 to 16.3%, from 17.8% in the 2023 period. The decrease was driven by lower labor related costs as a result of the company's cost management initiatives.

Amortization Expense

Amortization expense for the three months ended June 30, 2024 decreased $2.2 million, or 20.4%, to $8.6 million, from $10.8 million in the 2023 period. The decrease was principally due to a $1.0 million decrease in the amortization of historical intangible assets recognized in connection with the KKR Acquisition and the ValleyCrest Acquisition, based on the pattern consistent with expected future cash flows calculated at that time, combined with a $1.2 million decrease in amortization expense for intangible assets recognized in connection with our acquired businesses subsequent to the ValleyCrest Acquisition.

Other Expense (Income)

Other expense was $0.5 million for the three months ended June 30, 2024 compared to income of $0.6 million in the 2023 period. The increase of $1.1 million was driven principally by the loss on debt extinguishment combined with the change in value of investments held in the Rabbi Trust.

Interest Expense, Net

Interest expense, net for the three months ended June 30, 2024 decreased $12.3 million, or 44.9%, to $15.1 million, from $27.4 million in the 2023 period. The decrease was driven by lower interest expense as a result of the decrease in the long-term debt balance combined with an increase in interest income associated with the increase in cash and cash equivalents balance.

Income Tax Expense (Benefit)

For the three months ended June 30, 2024, Income tax expense was $9.9 million compared to $7.6 million in the 2023 period. The increase was primarily attributable to the distribution of pre-tax earnings across legal entities.

Net Income

For the three months ended June 30, 2024, Net income was $23.5 million compared to $16.8 million in the 2023 period due to the changes noted above. Net income as a percentage of revenue was 3.2% for the three months ended June 30, 2024, compared to 2.2% for the three months ended June 30, 2023.

Adjusted EBITDA

Adjusted EBITDA increased $6.1 million for the three months ended June 30, 2024, to $107.9 million, from $101.8 million in the 2023 period. Adjusted EBITDA as a percentage of revenue was 14.6% and 13.3% for the three months ended June 30, 2024 and 2023, respectively. The increase in Adjusted EBITDA was primarily driven by an increase of $7.0 million, or 29.0%, in Development Services Segment Adjusted EBITDA, combined with an decrease of $4.7 million, or 5.0%, in Maintenance Services Segment Adjusted EBITDA, as discussed further below in Segment Results.

Adjusted Net Income

Adjusted Net Income for the three months ended June 30, 2024 increased $6.9 million to $48.3 million, from $41.4 million in the 2023 period due to the changes noted above.

Nine Months Ended June 30, 2024 compared to Nine Months Ended June 30, 2023

Net Service Revenues

Net service revenues for the nine months ended June 30, 2024 decreased $33.9 million, or 1.6%, to $2,038.4 million, from $2,072.3 million in the 2023 period. The decrease was driven by a decrease in Maintenance Services revenues of $68.2 million which was partially offset by an increase in Development Services revenues of $31.5 million.

Gross Profit

Gross profit for the nine months ended June 30, 2024 decreased $29.9 million, or 6.1%, to $463.4 million, from $493.3 million in the 2023 period. Gross margin decreased 110 basis points, to 22.7%, in the nine months ended June 30, 2024, from 23.8% in the 2023 period. The decreases in gross profit and gross margin were primarily driven by the decrease in net services revenues coupled with increased labor costs. Partially offsetting this was lower subcontractor costs as a result of our strategic reduction in non-core businesses.

Selling, General and Administrative Expense

Selling, general and administrative expense for the nine months ended June 30, 2024 decreased $38.0 million, or 9.2%, to $375.0 million, from $413.0 million in the 2023 period. As a percentage of revenue, Selling, general and administrative expense decreased 150 basis points for the nine months ended June 30, 2024 to 18.4%, from 19.9% in the 2023 period. The decrease was driven primarily by decreases in compensation-related costs as a result of cost cutting measures.

Gain on divestiture

Gain on divestiture for the nine months ended June 30, 2024 was $44.0 million which consisted of the realized gain on sale and transaction related expenses from the divestiture of U.S. Lawns on January 12, 2024.

Amortization Expense

Amortization expense for the nine months ended June 30, 2024 decreased $6.3 million, or 18.7%, to $27.4 million, from $33.7 million in the 2023 period. The decrease was due to a $3.0 million decrease in the amortization of historical intangible assets recognized in connection with the KKR Acquisition and the ValleyCrest Acquisition, based on the pattern consistent with expected future cash flows calculated at that time, combined with a $3.3 million decrease in amortization expense for intangible assets recognized in connection with our acquired businesses subsequent to the ValleyCrest Acquisition.

Other Income

Other income was $1.5 million for the nine months ended June 30, 2024 compared to $2.1 million in the 2023 period. The decrease of $0.6 million was driven principally the loss on debt extinguishment.

Interest Expense, net

Interest expense for the nine months ended June 30, 2024 decreased $30.1 million, or 38.4%, to $48.2 million, from $78.3 million in the 2023 period. The decrease was driven principally by lower interest expense as a result of the decrease in the long-term debt balance combined with an increase in interest income associated with the increase in the cash and cash equivalents balance.

Income Tax Expense (Benefit)

Income tax expense for the nine months ended June 30, 2024, was $17.5 million compared to income tax benefit of $5.5 million in the 2023 period. The increase was primarily attributable to the increase in pre-tax book income from the gain on sale of the U.S. Lawns subsidiary as well as the distribution of pre-tax earnings across legal entities.

Net Income (Loss)

For the nine months ended June 30, 2024, Net income was $40.8 million compared to net loss of $24.1 million in the 2023 period due to the changes noted above. Net income as a percentage of revenue was 2.0% for the nine months ended June 30, 2024 compared to net loss as a percentage of revenue of 1.2% in the 2023 period.

Adjusted EBITDA

Adjusted EBITDA increased $22.4 million for the nine months ended June 30, 2024, to $219.5 million, from $197.1 million in the 2023 period. Adjusted EBITDA as a percentage of revenue was 10.8% and 9.5% for the nine months ended June 30, 2024 and 2023, respectively. The increase in Adjusted EBITDA was primarily driven by an increase of $11.5 million, or 21.5% in Development Services Segment Adjusted EBITDA, combined with an increase of $1.6 million, or 0.8%, in Maintenance Services Segment Adjusted EBITDA, as discussed further below in Segment Results.

Adjusted Net Income

Adjusted Net Income for the nine months ended June 30, 2024 increased $34.6 million to $68.1 million, from $33.5 million in the 2023 period due to the changes noted above.

Non-GAAP Financial Measures

In addition to our GAAP financial measures, we review various non-GAAP financial measures including Adjusted EBITDA, Adjusted Net Income, Adjusted Earnings per Share ("Adjusted EPS") and Free Cash Flow.

We believe that Adjusted EBITDA, Adjusted Net Income and Adjusted EPS are helpful supplemental measures to assist us and investors in evaluating our operating results as they exclude certain items whose fluctuations from period to period do not necessarily correspond to changes in the operations of our business. Adjusted EBITDA represents net income (loss) before interest, taxes, depreciation, amortization and certain non-cash, non-recurring and other adjustment items. Adjusted Net Income is defined as net income (loss) including interest and depreciation and excluding other items used to calculate Adjusted EBITDA and further adjusted for the tax effect of these exclusions and the removal of the discrete tax items. Adjusted EPS is defined as Adjusted Net Income divided by the Adjusted Weighted Average Number of Common Shares Outstanding. We define Adjusted Weighted Average Number of Common Shares Outstanding as the weighted average number of common shares outstanding used in the calculation of basic earnings per share plus shares of common stock related to the Series A Preferred Stock on an as-converted basis, assumed to be converted for the entire period. We believe that the adjustments applied in presenting Adjusted EBITDA, Adjusted Net Income and Adjusted EPS are appropriate to provide additional information to investors about certain material non-cash items and about non-recurring items that we do not expect to continue at the same level in the future.

We believe Free Cash Flow is a helpful supplemental measure to assist us and investors in evaluating our liquidity. Free Cash Flow represents cash flows from operating activities less capital expenditures, net of proceeds from the sale of property and equipment. We believe Free Cash Flow is useful to provide additional information to assess our ability to pursue business opportunities and investments and to service our debt. Free Cash Flow has limitations as an analytical tool, including that it does not account for our future contractual commitments and excludes investments made to acquire assets under finance leases and required debt service payments.

Adjusted EBITDA, Adjusted Net Income, Adjusted EPS and Free Cash Flow are not recognized terms under GAAP and should not be considered as an alternative to net income (loss) as a measure of financial performance or cash flows provided by operating activities as a measure of liquidity, or any other performance measure derived in accordance with GAAP. The presentations of these measures have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Because not all companies use identical calculations, the presentations of these measures may not be comparable to the same or other similarly titled measures of other companies and can differ significantly from company to company.

Set forth below are the reconciliations of net income (loss) to Adjusted EBITDA and Adjusted Net Income, and cash flows from operating activities to Free Cash Flow. Adjusted EPS is defined as Adjusted Net Income (shown below) divided by the Adjusted Weighted Average Number of Common Shares Outstanding for the period used in the calculation of basic EPS which is presented in Note 14 "Earnings (Loss) Per Share of Common Stock" in the Notes to our unaudited consolidated financial statements.

(in millions)	Three Months Ended June 30, 2024	2023	Nine Months Ended June 30, 2024	2023
Adjusted EBITDA				
Net income (loss)	$ 23.5	$ 16.8	$ 40.8	$ (24.1)
Plus:				
Interest expense, net	15.1	27.4	48.2	78.3
Income tax expense (benefit)	9.9	7.6	17.5	(5.5)
Depreciation expense	28.1	26.4	79.8	80.9
Amortization expense	8.6	10.8	27.4	33.7
Business transformation and integration costs (a)	17.1	8.9	33.9	17.5
Gain on divestiture (b)	(0.1)	—	(44.0)	—
Equity-based compensation (c)	5.1	3.9	15.3	15.9
COVID-19 related expenses (d)	—	—	—	0.4
Debt extinguishment (e)	0.6	—	0.6	—
Adjusted EBITDA	**$ 107.9**	**$ 101.8**	**$ 219.5**	**$ 197.1**
Adjusted Net Income				
Net income (loss)	$ 23.5	$ 16.8	$ 40.8	$ (24.1)
Plus:				
Amortization expense	8.6	10.8	27.4	33.7
Business transformation and integration costs (a)	17.1	8.9	33.9	17.5
Gain on divestiture (b)	(0.1)	—	(44.0)	—
Equity-based compensation (c)	5.1	3.9	15.3	15.9
COVID-19 related expenses (d)	—	—	—	0.4
Debt extinguishment (e)	0.6	—	0.6	—
Income tax adjustment (f)	(6.5)	1.0	(5.9)	(9.9)
Adjusted Net Income	**$ 48.3**	**$ 41.4**	**$ 68.1**	**$ 33.5**
Free Cash Flow				
Cash flows provided by operating activities	$ 42.7	$ 34.3	$ 152.1	$ 89.3
Minus:				
Capital expenditures	23.2	15.2	46.0	57.9
Plus:				
Proceeds from sale of property and equipment	11.5	3.2	14.1	6.8
Free Cash Flow	**$ 31.0**	**$ 22.3**	**$ 120.2**	**$ 38.2**

(a)Business transformation and integration costs consist of (i) severance and related costs; (ii) business integration costs and (iii) information technology infrastructure, transformation costs, and other.

(in millions)	Three Months Ended June 30, 2024	2023	Nine Months Ended June 30, 2024	2023
Severance and related costs	$ 4.3	$ 4.1	$ 10.5	$ 6.0
Business integration (g)	0.4	2.8	(0.5)	5.3
IT infrastructure, transformation, and other (h)	12.4	2.0	23.9	6.2
Business transformation and integration costs	$ 17.1	$ 8.9	$ 33.9	$ 17.5

(b)Represents the realized gain on sale and transaction related expenses from the divestiture of U.S. Lawns on January 12, 2024.

(c)Represents equity-based compensation expense and related taxes recognized for equity incentive plans outstanding.

(d)Represents expenses related to the Company's response to the COVID-19 pandemic, principally temporary and incremental salary and related expenses, personal protective equipment, cleaning and supply purchases, and other.

(e)Represents losses on the extinguishment of debt related to Amendment No. 8 to the Credit Agreement and includes the write-off of deferred finance fees and original issue discount.

(f)Represents the tax effect of pre-tax items excluded from Adjusted Net Income and the removal of the applicable discrete tax items, which collectively result in a reduction of income tax expense (benefit). The tax effect of pre-tax items excluded from Adjusted Net Income is computed using the statutory rate related to the jurisdiction that was impacted by the adjustment after taking into account the impact of permanent differences and valuation allowances. Discrete tax items include tax impact of the gain on divestiture of U.S. Lawns, changes in laws or rates, changes in uncertain tax positions relating to prior years and changes in valuation allowances.

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Tax impact of pre-tax income adjustments	6.9	$ (2.0)	$ 19.3	$ 10.8
Discrete tax items	(0.4)	1.0	(13.4)	(0.9)
Income tax adjustment	$ 6.5	$ (1.0)	$ 5.9	$ 9.9

(g)Represents isolated expenses specifically related to the integration of acquired companies such as one-time employee retention costs, employee onboarding and training costs, fleet and uniform rebranding costs, and adjustments to performance based contingent consideration. The Company excludes Business integration costs from the measures disclosed above since such expenses vary in amount due to the number of acquisitions and size of acquired companies as well as factors specific to each acquisition, and as a result lack predictability as to occurrence and/or timing, and create a lack of comparability between periods.

(h)Represents expenses related to distinct initiatives, typically significant enterprise-wide changes. Such expenses are excluded from the measures disclosed above since such expenses vary in amount based on occurrence as well as factors specific to each of the activities, are outside of the normal operations of the business, and create a lack of comparability between periods.

Segment Results

We classify our business into two segments: Maintenance Services and Development Services. Our corporate operations are not allocated to the segments and are not discussed separately as any results that had a significant impact on operating results are included in the consolidated results discussion above.

We evaluate the performance of our segments on Net service revenues, Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin (Segment Adjusted EBITDA as a percentage of Net service revenues). Segment Adjusted EBITDA is indicative of operational performance and ongoing profitability. Our management closely monitors Segment Adjusted EBITDA to evaluate past performance and identify actions required to improve profitability.

Segment Results for the Three Months Ended June 30, 2024 and 2023

The following tables present Net service revenues, Segment Adjusted EBITDA, and Segment Adjusted EBITDA Margin for each of our segments for the three months ended June 30, 2024 and 2023. Changes in Segment Adjusted EBITDA Margin are shown in basis points, or bps.

Maintenance Services Segment Results

	Three Months Ended June 30,		Percent Change
(in millions)	**2024**	**2023**	**2024 vs. 2023**
Net Service Revenues	$ 524.7	$ 564.6	(7.1)%
Segment Adjusted EBITDA	$ 89.3	$ 94.0	(5.0)%
Segment Adjusted EBITDA Margin	17.0%	16.6%	40 bps

Maintenance Services Net Service Revenues

Maintenance Services net service revenues for the three months ended June 30, 2024 decreased by $39.9 million, or 7.1%, from the 2023 period. The decrease was principally driven by a reduction in underlying commercial landscape services, underpinned by strategic reductions of non-core businesses and reduced ancillary services.

Maintenance Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the three months ended June 30, 2024 decreased by $4.7 million to $89.3 million from $94.0 million in the 2023 period. Segment Adjusted EBITDA Margin increased 40 basis points, to 17.0%, in the three months ended June 30, 2024, from 16.6% in the 2023 period. The decrease in Segment Adjusted EBITDA was principally driven by the decrease in revenues described above. The increase in Segment Adjusted EBITDA Margin was driven by lower overhead as a result of the Company's cost management initiatives partially offset by the decrease in revenues described above and increased landscape services labor costs.

Development Services Segment Results

	Three Months Ended June 30,		Percent Change
(in millions)	**2024**	**2023**	**2024 vs. 2023**
Net Service Revenues	$ 215.0	$ 203.4	5.7%
Segment Adjusted EBITDA	$ 31.1	$ 24.1	29.0%
Segment Adjusted EBITDA Margin	14.5%	11.8%	270 bps

Development Services Net Service Revenues

Development Services net service revenues for the three months ended June 30, 2024 increased $11.6 million, or 5.7%, compared to the 2023 period. The increase was driven by an increase in Development Services project volumes.

Development Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the three months ended June 30, 2024 increased $7.0 million, to $31.1 million, compared to the 2023 period. Segment Adjusted EBITDA Margin increased 270 basis points, to 14.5% for the three months ended June 30, 2024, from 11.8% in the 2023 period. The increases in Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin were primarily driven by the increase in revenues described above combined with decreased labor costs associated with the mix of projects.

Segment Results for the Nine Months Ended June 30, 2024 and 2023

The following tables present Net service revenues, Segment Adjusted EBITDA, and Segment Adjusted EBITDA Margin for each of our segments for the nine months ended June 30, 2024 and 2023. Changes in Segment Adjusted EBITDA Margin are shown in basis points, or bps.

Maintenance Services Segment Results

	Nine Months Ended June 30,		Percent Change
(in millions)	**2024**	**2023**	**2024 vs. 2023**
Net Service Revenues	$ 1,477.5	$ 1,545.7	(4.4)%
Segment Adjusted EBITDA	$ 197.8	$ 196.2	0.8%
Segment Adjusted EBITDA Margin	13.4%	12.7%	70 bp

Maintenance Services Net Service Revenues

Maintenance Services net service revenues for the nine months ended June 30, 2024 decreased by $68.2 million, or 4.4%, from the 2023 period. The decrease was driven by a $79.5 million, or 5.9%, decrease in underlying commercial landscape services, largely underpinned by strategic reductions in our non-core businesses, as well as decline in our Ancillary services business. This was partially offset by a $11.3 million increase in snow removal services revenue, primarily due to higher snowfall than in the prior period.[1].

Maintenance Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the nine months ended June 30, 2024 increased by $1.6 million to $197.8 million from $196.2 million in the 2023 period. Segment Adjusted EBITDA Margin increased 70 basis points, to 13.4%, in the nine months ended June 30, 2024, from 12.7% in the 2023 period. The increases in Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin were principally driven by lower labor costs as a result of the Company's cost management initiatives, partially offset by the decrease in maintenance services revenue described above and increased landscape services labor costs.

Development Services Segment Results

	Nine Months Ended June 30,		Percent Change
(in millions)	**2024**	**2023**	**2024 vs. 2023**
Net Service Revenues	$ 564.8	$ 533.3	5.9%
Segment Adjusted EBITDA	$ 65.1	$ 53.6	21.5%
Segment Adjusted EBITDA Margin	11.5%	10.1%	140 bp

Development Services Net Service Revenues

Development Services net service revenues for the nine months ended June 30, 2024 increased $31.5 million, or 5.9%, compared to the 2023 period. The increase was principally driven by an increase in Development Services project volumes.

[1] As defined by the National Oceanic Atmospheric Administration, U.S. Department of Commerce (“NOAA”) for the Company's footprint during the respective nine-month periods

Development Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the nine months ended June 30, 2024 increased $11.5 million, to $65.1 million, compared to the 2023 period. Segment Adjusted EBITDA Margin increased 140 basis points, to 11.5% for the period from 10.1% in the 2023 period. The increases in Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin were primarily driven by the increase in revenues described above coupled with savings primarily from the Company's cost management initiatives.

Liquidity and Capital Resources

Liquidity

Our principal sources of liquidity are existing cash and cash equivalents, cash generated from operations and borrowings under the Credit Agreement and the Receivables Financing Agreement. Our principal uses of cash are to provide working capital, meet debt service requirements, fund capital expenditures and finance strategic plans, including acquisitions and share repurchases under the share repurchase program announced in December 2021. We may also seek to finance capital expenditures under finance leases or other debt arrangements that provide liquidity or favorable borrowing terms. We continue to consider acquisition opportunities, but the size and timing of any future acquisitions and the related potential capital requirements cannot be predicted. While we have in the past financed certain acquisitions with internally generated cash, in the event that suitable businesses are available for acquisition upon acceptable terms, we may obtain all or a portion of the necessary financing through the incurrence of additional long-term borrowings.

Based on our current level of operations and available cash, we believe our cash flow from operations, together with availability under the Revolving Credit Facility under the Credit Agreement and the Receivables Financing Agreement, will provide sufficient liquidity to fund our current obligations, projected working capital requirements, debt service requirements and capital spending requirements for the next twelve months and the foreseeable future.

A substantial portion of our liquidity needs arise from debt service requirements, and from the ongoing cost of operations, working capital and capital expenditures.

(in millions)	June 30, 2024	September 30, 2023
Cash and cash equivalents	$ 115.9	$ 67.0
Long-term debt	$ 807.0	$ 888.1
Total debt	$ 807.0	$ 888.1

The Company is party to the Credit Agreement, a five-year revolving credit facility that, as amended, currently matures on April 22, 2027 (the “Revolving Credit Facility”) and, through a wholly-owned subsidiary, a receivables financing agreement dated April 28, 2017 (as amended, the “Receivables Financing Agreement”). Each of the Company's credit facilities bear interest based in-part on a secured overnight financing rate.

We can increase the borrowing availability under the Credit Agreement or increase the term loans outstanding under the Credit Agreement by up to $303.0 million, in the aggregate, in the form of additional commitments under the Revolving Credit Facility and/or incremental term loans under the Credit Agreement, or in the form of other indebtedness in lieu thereof, plus an additional amount so long as we do not exceed a specified senior secured leverage ratio and, in the case of second lien indebtedness, a specified senior secured leverage ratio. We can incur such additional secured or other unsecured indebtedness under the Credit Agreement if certain specified conditions are met. Our liquidity requirements are significant primarily due to debt service requirements. See Note 7 “Long-term Debt” to our unaudited consolidated financial statements included under Part I, Item 1, “Financial Statements”.

The Company is party to the Investment Agreement dated August 28, 2023, pursuant to which the Company issued and sold, in a private placement, an aggregate of 500,000 shares of the Company’s Series A Convertible Preferred Stock, for an aggregate purchase price of $500.0 million. The Series A Convertible Preferred Stock is entitled to dividends at a rate of 7.0% per annum, compounding quarterly, paid in kind or paid in cash, at the Company’s election.

Our business may not generate sufficient cash flows from operations or future borrowings may not be available to us under our Revolving Credit Facility or the Receivables Financing Agreement in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. Our ability to do so depends on, among other factors, prevailing economic conditions, many of which are beyond our control. In addition, upon the occurrence of certain events, such as a change in control, we could be required to repay or refinance our indebtedness. We may not be able to refinance any of our indebtedness, including the Series B Term Loan under the Credit Agreement, on commercially reasonable terms or at all. Any future acquisitions, joint ventures, or other similar transactions may require additional capital and there can be no assurance that any such capital will be available to us on acceptable terms or at all.

Cash Flows

Information about our cash flows, by category, is presented in our statements of cash flows and is summarized below:

(in millions)	Nine Months Ended June 30, 2024	2023
Operating activities	$ 152.1	$ 89.3
Investing activities	$ 22.9	$ (63.0)
Financing activities	$ (126.1)	$ (36.8)
Free Cash Flow [1]	$ 120.2	$ 38.2

[1] See "Non-GAAP Financial Measures" above for a reconciliation to the most directly comparable GAAP measure.

Cash Flows provided by Operating Activities

Net cash provided by operating activities for the nine months ended June 30, 2024 increased $62.8 million, to $152.1 million, from $89.3 million in the 2023 period. This increase was due to increases in cash provided by accounts receivable and unbilled and deferred revenue and an increase in net income. This was partially offset by a decrease in cash provided by other operating assets and an increase in cash used by accounts payable and other operating liabilities.

Cash Flows provided (used) by Investing Activities

Net cash provided by investing activities increased $85.9 million to an inflow $22.9 million for the nine months ended June 30, 2024 from an outflow of $63.0 million in the 2023 period. The increase was driven by proceeds of $51.6 million from the divestiture of U.S. Lawns, combined with a $11.9 million decrease in capital expenditures, a $13.8 million decrease in cash used for acquisitions and a $7.3 million increase in proceeds from the sale of property plant and equipment in comparison to the prior period.

Cash Flows (used) by Financing Activities

Net cash flows used in financing activities of $126.1 million for the nine months ended June 30, 2024 included repayments of the Receivable Financing Agreement of $82.2M, repayments of finance lease obligations of $26.4 million, Series A preferred stock dividends of $8.9 million, and contingent business acquisition payments of $4.7 million.

Free Cash Flow

Free Cash Flow increased $82.0 million to $120.2 million for the nine months ended June 30, 2024 from $38.2 million in the 2023 period. The increase in Free Cash Flow was due to an increase in net cash provided by operating activities coupled with a decrease in cash used for capital expenditures, each as described above.

Working Capital

(in millions)	June 30, 2024	September 30, 2023
Net Working Capital:		
Current assets	$ 760.1	$ 742.1
Less: Current liabilities	524.6	466.7
Net working capital	$ 235.5	$ 275.4

Net working capital is defined as current assets less current liabilities. Net working capital decreased $39.9 million to $235.5 million at June 30, 2024, from $275.4 million at September 30, 2023, primarily driven by an increase in accrued expenses of 29.8 million, deferred revenue of $26.4 million and accounts payable of $4.3million, combined with a decrease in unbilled revenue of $20.0 million and a decrease in other current assets of $15 million. This was partially offset by an increase in cash and cash equivalents of $48.9 million and accounts receivable of $4.1 million.

Description of Indebtedness

As of June 30, 2024, we were in compliance with all of our debt covenants and no event of default has occurred or was ongoing. See Note 7 “Long-term Debt” to our unaudited consolidated financial statements included under Part I, Item 1, “Financial Statements”.

Contractual Obligations and Commercial Commitments

As of June 30, 2024, there were no material changes outside the ordinary course of business in our contractual obligations and commercial commitments from those reported as of September 30, 2023 in our Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

Management has evaluated the accounting policies used in the preparation of the Company’s consolidated financial statements and related notes and believe those policies to be reasonable and appropriate. Certain of these accounting policies require the application of significant judgment by management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on historical experience, trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The most significant areas involving management judgments and estimates may be found in the Annual Report on Form 10-K, in the “Critical Accounting Policies and Estimates” section of “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” There have been no material changes to our critical accounting policies as compared to the critical accounting policies described in the Annual Report on Form 10-K for the year ended September 30, 2023.

Recently Issued Accounting Policies

The information set forth in Note 2 “Recent Accounting Pronouncements” to our unaudited consolidated financial statements under Part I, Item 1, “Financial Statements ” is incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For quantitative and qualitative disclosures about market risk, see "Item 7A. Quantitative and Qualitative Disclosure of Market Risk" in the Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

In accordance with Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision of our CEO and our CFO, the effectiveness of disclosure controls and procedures as of June 30, 2024. Based on this evaluation, our CEO and our CFO concluded that our disclosure controls and procedures were effective as of June 30, 2024 at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There has not been any change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The information set forth in Note 11 "Commitments and Contingencies" to our Condensed Consolidated Financial Statements under Part I, Item 1, "Financial Statements," is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, as filed with the SEC on November 16, 2023.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit No.	Description
3.1	Third Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 2, 2018)
3.2	Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 7, 2023)
3.3	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on July 2, 2018)
3.4	Certificate of Designations of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 28, 2023)
10.1	Amendment No. 8 to Credit Agreement, dated as of May 28, 2024, by and among BrightView Holdings, Inc. BrightView Landscapes, LLC, each of the other credit parties thereto, the lenders or other financial institutions or entities party thereto and JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 28, 2024)
10.2	Fifth Amendment to the Receivables Financing Agreement, including Exhibit A thereto, a marked version of the Receivables Financing Agreement, dated as of June 27, 2024, by and among BrightView Funding LLC, as borrower, BrightView Landscapes, LLC, as initial servicer, and PNC Bank, National Association, as lender, letter of credit bank, letter of credit participant and administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 28, 2024)
31.1*	Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Periodic Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 has been formatted in Inline XBRL.

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

BrightView Holdings, Inc.

Date: July 31, 2024

By: /s/ Brian Jackson

Brian Jackson
Chief Accounting Officer
(Principal Accounting Officer)