UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from to

Commission File Number: 001-38579

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

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 ☒

As of July 31, 2019, the registrant had 104,842,195 shares of common stock, $0.01 par value per share, outstanding.

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	BV	New York Stock Exchange

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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 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 strategies, future events, business conditions, results of operations, financial position, business outlook, business trends and other information, may be forward-looking statements.

Words such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," 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 "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018, and in this Form 10-Q, as such risk factors may be updated from time to time in our periodic filings with the SEC, and are accessible on the SEC's website at www.sec.gov, and also include the following:

- general economic and financial conditions;
- 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;
- acquisition and integration risks;
- the seasonal nature of our landscape maintenance services;
- our dependence on weather conditions;
- increases in prices for raw materials and fuel;
- product shortages and the loss of key suppliers;
- the conditions and periodic fluctuations of real estate markets, including residential and commercial construction;
- our ability to retain our executive management and other key personnel;
- our ability to attract and retain 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 and safety and transportation;
- environmental, health and safety laws and regulations;
- the distraction and impact caused by litigation, of adverse litigation judgments and settlements resulting from legal proceedings;
- increase in on-job accidents involving employees;
- any failure, inadequacy, interruption, security failure or breach of our information technology systems;
- any failure to protect the security of personal information about our customers, employees and third parties;
- our ability to adequately protect our intellectual property;
- occurrence of natural disasters, terrorist attacks or other external events;
- 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;
- restrictions imposed by our debt agreements that limit our flexibility in operating our business;

- increases in interest rates increasing the cost of servicing our substantial indebtedness; and
- increases in costs and requirements imposed as a result of becoming 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. All forward-looking statements in this Form 10-Q apply only as of the date made and are expressly qualified in their entirety by the cautionary statements included in this Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances.

Website Disclosure

We use our website www.brightview.com as a channel of distribution of Company information. Financial and other important information regarding the Company is routinely accessible through and posted on our website. Accordingly, investors should monitor our website, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about BrightView Holdings, Inc. when you enroll your e-mail address by visiting the “Email Alerts” page of the Investor Resources section of our website at https://investor.brightview.com. The contents of our website are not, however, a part of this Form 10-Q.

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PART I—FINANCI AL INFORMATION

Item 1. Financial Statements.

BrightView Holdings, Inc.
Consolidated Balance Sheets
(Unaudited)
(In thousands, except par value)

	June 30, 2019	September 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 10,942	$ 35,224
Accounts receivable, net	346,833	317,056
Unbilled revenue	102,348	99,876
Inventories	25,239	23,830
Other current assets	38,177	55,179
Total current assets	523,539	531,165
Property and equipment, net	278,252	256,806
Intangible assets, net	263,495	290,455
Goodwill	1,806,542	1,766,761
Other assets	44,058	46,711
Total assets	$ 2,915,886	$ 2,891,898
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 97,542	$ 93,603
Current portion of long-term debt	10,370	12,963
Deferred revenue	62,675	72,476
Current portion of self-insurance reserves	40,283	34,537
Accrued expenses and other current liabilities	133,988	117,891
Total current liabilities	344,858	331,470
Long-term debt, net	1,145,833	1,141,279
Deferred tax liabilities	56,415	67,219
Self-insurance reserves	85,895	93,400
Other liabilities	28,056	31,203
Total liabilities	1,661,057	1,664,571
Stockholders' equity:		
Preferred stock, $0.01 par value; 50,000 shares authorized; no shares issued or outstanding as of June 30, 2019 and September 30, 2018	—	—
Common stock, $0.01 par value; 500,000 shares authorized; 104,842 and 104,470 shares issued and outstanding as of June 30, 2019 and September 30, 2018, respectively	1,049	1,045
Additional paid-in-capital	1,438,167	1,426,344
Accumulated deficit	(171,452)	(189,636)
Accumulated other comprehensive loss	(12,935)	(10,426)
Total stockholders' equity	1,254,829	1,227,327
Total liabilities and stockholders' equity	$ 2,915,886	$ 2,891,898

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net service revenues	$ 657,209	$ 630,330	$ 1,779,859	$ 1,771,800
Cost of services provided	468,589	454,753	1,313,284	1,311,441
Gross profit	188,620	175,577	466,575	460,359
Selling, general and administrative expense	113,964	119,246	343,519	356,840
Amortization expense	13,936	29,247	42,873	89,611
Income from operations	60,720	27,084	80,183	13,908
Other income	382	265	104	1,284
Interest expense	18,360	27,499	54,429	77,481
Income (loss) before income taxes	42,742	(150)	25,858	(62,289)
Income tax (expense) benefit	(11,033)	(1,247)	(6,582)	58,150
Net income (loss)	$ 31,709	$ (1,397)	$ 19,276	$ (4,139)
Income (loss) per share:				
Basic and diluted	$ 0.31	$ (0.02)	$ 0.19	$ (0.05)

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	$ 31,709	$ (1,397)	$ 19,276	$ (4,139)
Net derivative (losses) gains arising during the period, net of tax of $854, $(559), $2,293 and $(2,881), respectively	(2,273)	1,488	(6,051)	6,303
Reclassification of losses into net income (loss), net of tax of $422, $688, $1,435 and $2,330, respectively	1,122	1,827	3,542	5,008
Other comprehensive (loss) income	(1,151)	3,315	(2,509)	11,311
Comprehensive income	$ 30,558	$ 1,918	$ 16,767	$ 7,172

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, 2019 and 2018
(Unaudited)
(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2019	104,962	$ 1,050	$ 1,437,859	$ (203,161)	$ (11,784)	$ 1,223,964
Net income	—	—	—	31,709	—	31,709
Other comprehensive loss, net of tax	—	—	—	—	(1,151)	(1,151)
Capital contributions and issuance of common stock, net of forfeitures	(120)	(1)	1	—	—	—
Equity-based compensation	—	—	307	—	—	307
Balance, June 30, 2019	104,842	$ 1,049	$ 1,438,167	$ (171,452)	$ (12,935)	$ 1,254,829
Balance, September 30, 2018	104,470	$ 1,045	$ 1,426,344	$ (189,636)	$ (10,426)	$ 1,227,327
Net income	—	—	—	19,276	—	19,276
Other comprehensive loss, net of tax	—	—	—	—	(2,509)	(2,509)
Capital contributions and issuance of common stock, net of forfeitures	372	4	(3)	—	—	1
Equity-based compensation	—	—	11,826	—	—	11,826
Adoption of ASU No. 2014-09 (Refer to Note 2)	—	—	—	(1,092)	—	(1,092)
Balance, June 30, 2019	104,842	$ 1,049	$ 1,438,167	$ (171,452)	$ (12,935)	$ 1,254,829

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2018	76,985	$ 770	$ 897,187	$ (177,289)	$ (16,054)	$ 704,614
Net loss	—	—	—	(1,397)	—	(1,397)
Other comprehensive income, net of tax	—	—	—	—	3,315	3,315
Capital contributions and issuance of common stock	910	—	—	—	—	—
Equity-based compensation	—	—	14,951	—	—	14,951
Repurchase of common stock and distributions	—	(1)	(111)	—	—	(112)
Other	—	—	—	(2)	—	(2)
Balance, June 30, 2018	77,895	$ 769	$ 912,027	$ (178,688)	$ (12,739)	$ 721,369
Balance, September 30, 2017	77,083	$ 771	$ 894,089	$ (178,015)	$ (20,584)	$ 696,261
Net loss	—	—	—	(4,139)	—	(4,139)
Other comprehensive income, net of tax	—	—	—	—	11,311	11,311
Capital contributions and issuance of common stock	922	—	99	—	—	99
Equity-based compensation	—	—	20,753	—	—	20,753
Repurchase of common stock and distributions	(110)	(2)	(2,914)	—	—	(2,916)
Reclassification of effects of tax reform enactment	—	—	—	3,466	(3,466)	—
Balance, June 30, 2018	77,895	$ 769	$ 912,027	$ (178,688)	$ (12,739)	$ 721,369

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

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

	Nine Months Ended June 30, 2019	Nine Months Ended June 30, 2018
Cash flows from operating activities:		
Net income (loss)	$ 19,276	$ (4,139)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	61,851	56,642
Amortization of intangible assets	42,873	89,611
Amortization of financing costs and original issue discount	2,790	8,080
Deferred taxes	(9,960)	(57,837)
Equity-based compensation	11,826	20,753
Realized loss on hedges	4,927	7,338
Provision for doubtful accounts	1,987	1,137
Other non-cash activities, net	(2,644)	2,281
Change in operating assets and liabilities:		
Accounts receivable	(26,023)	(1,597)
Unbilled and deferred revenue	(15,573)	4,219
Inventories	(1,172)	4,290
Other operating assets	19,637	(11,073)
Accounts payable and other operating liabilities	(592)	3,945
Net cash provided by operating activities	109,203	123,650
Cash flows from investing activities:		
Purchase of property and equipment	(77,225)	(71,743)
Proceeds from sale of property and equipment	6,760	3,946
Business acquisitions, net of cash acquired	(59,453)	(104,377)
Other investing activities, net	1,347	(403)
Net cash used in investing activities	(128,571)	(172,577)
Cash flows from financing activities:		
Repayments of capital lease obligations	(4,085)	(4,786)
Repayments of debt	(125,370)	(64,820)
Proceeds from receivables financing agreement	115,000	70,000
Proceeds from revolving credit facility	10,000	55,000
Repurchase of common stock and distributions	—	(2,916)
Proceeds from issuance of common stock	—	99
Other financing activities, net	(459)	—
Net cash (used in) provided by financing activities	(4,914)	52,577
Net change in cash and cash equivalents	(24,282)	3,650
Cash and cash equivalents, beginning of period	35,224	12,779
Cash and cash equivalents, end of period	$ 10,942	$ 16,429

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

BrightView Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
(In thousands)

1. Business and Basis of Presentation

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, 2018, presented herein, has been derived from the Company's audited consolidated financial statements as of and for the fiscal year ended September 30, 2018, 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, 2018, filed with the Securities and Exchange Commission ("SEC").

Use of Estimates

The preparation of 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 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.

Initial Public Offering

On July 2, 2018, the Company completed the IPO in which the Company issued and sold 24,495 shares of common stock. The shares sold in the offering were registered under the Securities Act pursuant to the Company's Registration Statement on Form S-1 (File No. 333-225277) (the "Registration Statement"), which was declared effective by the SEC on June 27, 2018. The shares of the Company's common stock were sold at an initial offering price of $22.00 per share, which generated net proceeds of approximately $501,172 to the Company, after deducting underwriting discounts and estimated offering expenses of approximately $37,717, which included $5,497 paid to KKR Capital Markets LLC ("KCM"), an affiliate of KKR, for underwriting services in connection with the IPO. The Company used the net proceeds from the IPO to repay all $110,000 of the Company's second lien term loans, all $55,000 outstanding under the Company's Revolving Credit Facility (as defined below) and approximately $336,100 of the Company's first lien term loans and accrued and unpaid interest thereon. These repayments resulted in an extinguishment of debt in the amount of approximately $501,100, which was recognized in the fourth quarter of fiscal 2018.

BrightView was party to a Monitoring Agreement, dated as of December 18, 2013 (the "Monitoring Agreement"), with KKR and MSD Partners ("MSD" and together with KKR, the "Sponsors"), which was terminated on July 2, 2018 in accordance with its terms upon the completion of the IPO. In connection with such termination, during the fourth quarter of fiscal 2018, the Company paid termination fees of approximately $7,598 and $3,438 to KKR and MSD, respectively. Affiliates of KKR and MSD retained 55.9% and 13.0% ownership interest, respectively, in the Company immediately after the IPO.

The Company's Third Amended and Restated Certificate of Incorporation (the "Charter") became effective in connection with the completion of the IPO on July 2, 2018. The Charter, among other things, provides that the Company's autho rized capital stock consists of 500,000 shares of common stock, and 50,000 shares of preferred stock, par value $0.01 per share. The Company's bylaws were also amended and restated as of July 2, 2018.

Stock Split

In connection with preparing for the IPO, the Company's Board of Directors approved a 2.33839-for-one reverse stock split of the Company's common stock. The reverse stock split became effective June 8, 2018. The par value per share of common stock and authorized shares of common stock remain unchanged. The accompanying consolidated financial statements and notes thereto give retroactive effect to the reverse stock split for all periods presented.

2. Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* , which was further updated in March and April 2016. The updated accounting guidance clarifies the principles for recognizing revenue and provides a single, contract-based revenue recognition model in order to create greater comparability for financial statement users across industries and jurisdictions. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted the guidance in the first quarter of fiscal 2019 using the modified retrospective approach transition method.

The Company concluded that is has substantially similar performance obligations under the amended guidance as compared with deliverables previously recognized. Additionally, the Company made policy elections within the amended standards that are consistent with current accounting policies. The adoption of ASU 2014-09 has an immaterial impact on the timing of revenue recognition and did not have a significant impact on the Company's consolidated financial statements. The Company recognized the cumulative effect of adopting the new standard as an adjustment to the opening balance of retained earnings resulting in an increase in the Accumulated deficit of $1,092. The additional revenue recognition disclosures required by the amended standard are presented in Note 3 "Revenue". The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* . This guidance requires that an entity recognizes the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The Company adopted the guidance in the first quarter of fiscal 2019. The adoption of ASU No. 2016-16 did not have a material impact on the Company's consolidated financial statements.

Hedging Activities

In August 2017, the FASB issued ASU No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities* which amends and simplifies existing guidance to allow companies to more accurately present the economic effects of risk management activities in the financial statements. For cash flow and net investment hedges as of the adoption date, the guidance requires a modified retrospective approach. The amended presentation and disclosure guidance is required only prospectively. The Company adopted the guidance in the first quarter of fiscal 2019. The adoption of ASU 2017-12 did not have a material impact on the Company's consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases* . The updated accounting guidance requires lessees to recognize all leases on their balance sheet as a right-of-use asset and a lease liability with the exception of short-term leases. For income statement purposes, the criteria for recognition, measurement and presentation of expense is largely similar to previous guidance, but without the requirement to use bright-line tests in the determination of lease classification. The updated accounting guidance is effective for the Company as of October 1, 2019 and early adoption is permitted. In July 2018, the FASB issued ASU No. 2018-11, *Leases: Targeted Improvements,* which allows entities the option to adopt this standard using the modified retrospective transition method and include required disclosures for prior period.

The Company is in the process of reviewing its leasing arrangements in order to determine the impact the new guidance will have on its accounting, financial statement presentation and disclosure and to compare its accounting policies and practices to the requirements of the new standard. The Company intends to elect the package of practical expedients permitted under the transition guidance within the new standard, which among other things, will allow the Company to carry forward the historical lease classification. The Company is in the process of implementing system, control and process changes to capture lease data necessary to apply the new standard. The Company anticipates an increase in lease-related assets and liabilities on its consolidated balance sheets as a result of recogn i tion of most operating leases, and anticipates adopting the standard using the modified retrospective transition method , in accordance with ASU No. 2018-11 .

Measurement of Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments* , which was amended in May 2019 by ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* and ASU No. 2019-05, *Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief* . These ASUs require entities to account for expected credit losses on financial instruments including trade receivables. The guidance is effective for the Company in the first quarter of fiscal 2021 and early adoption is permitted. The Company is currently evaluating the impact of the updated guidance on its consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* which modifies the disclosures on fair value measurements by removing the requirement to disclose the amount and reason for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The ASU expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains and losses included in other comprehensive income. The guidance is effective for the Company in the first quarter of fiscal 2021. Early adoption is permitted for any removed or modified disclosures and adoption of the additional disclosures can be delayed until the effective date. The Company does not currently expect the adoption of ASU 2018-13 to have a material impact on its consolidated financial statements and disclosures due to the nature and materiality of the Company's financial assets and liabilities.

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 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, defined below, is generally applied to revenue related to landscape maintenance and snow removal services performed in relation to per occurrenc e 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 perfor med. 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.

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 achieves the disclosure objective to depict 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 13 "Segments", the Company's reportable segments are Maintenance Services and Development Services. Revenues shown for fiscal 2018 are in accordance with ASC 605, *Revenue Recognition* .

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Landscape Maintenance	$ 486,451	$ 465,668	$ 1,112,596	$ 1,088,785
Snow Removal	5,654	8,913	245,356	252,590
Maintenance Services	492,105	474,581	1,357,952	1,341,375
Development Services	166,319	157,379	424,692	433,620
Eliminations	(1,215)	(1,630)	(2,785)	(3,195)
Net service revenues	$ 657,209	$ 630,330	$ 1,779,859	$ 1,771,800

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, 2019, 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 $339,352. The Company expects to recognize revenue on 69% of the remaining performance obligations over the next 12 months and an additional 31% over the 12 months thereafter.

In accordance with the disclosure provisions of ASU 2014-09, the paragraph above excludes the following, i) estimated future revenues for performance obligations that are part of a contract that has an original expected duration 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 we recognize revenue at the amount to which we have the right to invoice for services performed.

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.

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 th e nine month period ended June 30, 2019 were as follows:

		Deferred Revenue
Balance, October 1, 2018	$	72,476
Recognition of revenue		(743,452)
Deferral of revenue		733,651
Balance, June 30, 2019	$	62,675

There were $113,181 of amounts billed during the period and $115,653 of additions to our unbilled revenue balance during the nine month period from October 1, 2018 to June 30, 2019.

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.

The Company utilizes the right to invoice practical expedient for services performed on a per occurrence basis for land maintenance and snow removal services. This simplifies the recognition of revenue for entities when the amount invoiced to a customer directly corresponds with the value transferred to the customer.

The Company elected to apply the revenue standard only to contracts that are not completed as of the date of initial application.

4. Accounts Receivable

Accounts receivable of $346,833 and $317,056, is net of an allowance for doubtful accounts of $5,482 and $5,629 and includes amounts of retention on incomplete projects to be completed within one year of $38,755 and $40,215 at June 30, 2019 and September 30, 2018, respectively.

5. Inventories

Inventories consist of the following:

		June 30, 2019		September 30, 2018
Finished products	$	7,004	$	6,913
Semi-finished products		10,191		8,580
Raw materials and supplies		8,044		8,337
Inventories	$	25,239	$	23,830

6. Property and Equipment, net

Property and equipment, net consists of the following:

	Useful Life	June 30, 2019	September 30, 2018
Land	—	$ 54,060	$ 51,490
Buildings and leasehold improvements	2-40 yrs.	40,663	36,275
Operating equipment	2-7 yrs.	203,135	186,499
Transportation vehicles	3-7 yrs.	230,746	208,371
Office equipment and software	3-10 yrs.	62,174	57,976
Construction in progress	—	6,803	4,202
Property and equipment		597,581	544,813
Less: Accumulated depreciation		319,329	288,007
Property and equipment, net		$ 278,252	$ 256,806

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 $20,884 and $17,839 for the three months ended June 30, 2019 and 2018, respectively. Depreciation expense related to property and equipment was $61,851 and $56,642 for the nine months ended June 30, 2019 and 2018, respectively.

7. Intangible Assets, Goodwill and Acquisitions

Identifiable intangible assets consist of acquired customer contracts and relationships, trademarks and non-compete agreements. Amortization expense related to intangible assets was $13,936 and $29,247 for the three months ended June 30, 2019 and 2018, respectively. Amortization expense related to intangible assets was $42,873 and $89,611 for the nine months ended June 30, 2019 and 2018, respectively. These assets are amortized over their estimated useful lives of which the reasonableness is continually evaluated by the Company.

Intangible assets as of June 30, 2019 and September 30, 2018 consisted of the following:

		June 30, 2019		September 30, 2018	
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	6-21 yrs.	$ 638,204	$ (380,144)	$ 622,710	$ (337,800)
Trademarks (1)	4-12 yrs.	4,800	(1,583)	230,900	(227,520)
Non-compete agreements	5 yrs.	2,740	(522)	2,320	(155)
Total intangible assets		$ 645,744	$ (382,249)	$ 855,930	$ (565,475)

(1) During the nine months ended June 30, 2019, the Company wrote off $226,100 of fully amortized trademarks

The following is a summary of the activity for the periods ended September 30, 2018 and June 30, 2019 for goodwill:

	Maintenance Services	Development Services	Total
Balance, September 30, 2017	$ 1,523,299	$ 180,474	$ 1,703,773
Acquisitions	49,064	13,924	62,988
Balance, September 30, 2018	1,572,363	194,398	1,766,761
Acquisitions	39,781	—	39,781
Balance, June 30, 2019	$ 1,612,144	$ 194,398	$ 1,806,542

8 . Long-term Debt

Long-term debt consists of the following:

	June 30, 2019	September 30, 2018
Series B term loan, net of original issue discount of $2,427 and $2,712 at June 30, 2019 and September 30, 2018, respectively (excluding the effect of the hedges)	$ 1,024,203	$ 1,034,288
Receivables financing agreement	150,000	140,000
Financing costs, net	(18,000)	(20,046)
Total debt, net	1,156,203	1,154,242
Less: Current portion of long-term debt	10,370	12,963
Long-term debt, net	$ 1,145,833	1,141,279

First Lien credit facility term loans due 2020 and Series B Term Loan due 2025

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 $1,460,000 term loans ("First Lien Term Loans") and a five-year $210,000 revolving credit facility. All amounts outstanding under the Credit Agreement were collateralized by substantially all of the assets of the Company. Debt repayments for the First Lien Term Loans totaled $347,050 for the year ended September 30, 2018 and consisted of $10,950 in contractual repayments per the Credit Agreement and $336,100 in voluntary repayments in connection with the IPO.

On August 15, 2018, the Company entered into Amendment No. 5 to the Credit Agreement (the "Amended Credit Agreement"). Under the terms of the Amended Credit Agreement, the Credit Agreement was amended to provide for: (i) a $1,037,000 seven-year term loan (the "Series B Term Loan") and (ii) a $260,000 five-year revolving credit facility. The Company used the net proceeds from the Series B Term Loan to repay all amounts outstanding under the Company's First Lien Term Loans. An original discount of $2,775 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 2.5%. Debt repayments for the Series B Term Loan consisted of contractual payments per the Credit Agreement and totaled $10,370 for the nine month period ended June 30, 2019.

Revolving credit facility

The Company has a five-year $260,000 revolving credit facility (the "Revolving Credit Facility") that matures on August 15, 2023 and bears interest at a rate per annum of LIBOR plus a margin ranging from 2.00% to 2.50%, with the margin determined based on the Company's first lien net leverage ratio. The Revolving Credit Facility replaces the previous $210,000 revolving credit facility under the Credit Agreement. The Company had no outstanding balance under the Revolving Credit Facility as of June 30, 2019 and September 30, 2018. During the nine months ended June 30, 2019, the Company borrowed and fully repaid $10,000 against the revolving credit facility.

Receivables financing agreement

On April 28, 2017, the Company, through a wholly-owned subsidiary, entered into a receivables financing agreement (the "Receivables Financing Agreement"). The Receivables Financing Agreement provided a borrowing capacity of $175,000 through April 27, 2020. On February 21, 2019, the Company entered into the First Amendment to the Receivables Financing Agreement (the "Amendment Agreement") which increased the borrowing capacity to $200,000 and extended the term through February 20, 2022. All amounts outstanding under the Receivables Financing Agreement are collateralized by substantially all of the accounts receivables and unbilled revenue of the Company. During the nine months ended June 30, 2019, the Company borrowed $115,000 against the capacity and voluntarily repaid $105,000.

The following are the scheduled matur ities of long-term debt, which do not include any estimated excess cash flow payments:

		June 30,
2020	$	10,370
2021		10,370
2022		160,370
2023		10,370
2024 and thereafter		985,150
Total long-term debt		1,176,630
Less: Current maturities		10,370
Less: Original issue discount		2,427
Less: Financing costs		18,000
Total long-term debt, net	$	1,145,833

The Company has estimated the fair value of its long-term debt to be approximately $1,174,062 and $1,182,152 as of June 30, 2019 and September 30, 2018, respectively. Fair value is based on market bid prices around period-end (Level 2 inputs).

9. Fair Value Measurements and Derivatives 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.

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, 2019 and September 30, 2018, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has 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, 2019 and September 30, 2018:

	June 30, 2019			
	Carrying Value	Level 1	Level 2	Level 3
Other assets:				
Investments held by Rabbi Trust	$ 11,388	$ 11,388	$ —	$ —
Total assets	$ 11,388	$ 11,388	$ —	$ —
Accrued expenses and other current liabilities:				
Interest rate swap contracts	$ 8,921	$ —	$ 8,921	$ —
Other liabilities:				
Interest rate swap contracts	10,551	—	10,551	—
Obligation to Rabbi Trust	11,388	11,388	—	—
Total liabilities	$ 30,860	$ 11,388	$ 19,472	$ —

	September 30, 2018			
	Carrying Value	Level 1	Level 2	Level 3
Other assets:				
Investments held by Rabbi Trust	$ 12,517	$ 12,517	$ —	$ —
Total assets	$ 12,517	$ 12,517	$ —	$ —
Accrued expenses and other current liabilities:				
Interest rate swap contracts	$ 3,441	$ —	$ 3,441	$ —
Other liabilities:				
Interest rate swap contracts	12,098	—	12,098	—
Obligation to Rabbi Trust	12,517	12,517	—	—
Total liabilities	$ 28,056	$ 12,517	$ 15,539	$ —

Hedging Activities

As of June 30, 2019 and September 30, 2018, the Company's outstanding derivatives qualify 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 effective portion of the changes in the fair value of the derivative is initially reported in Other comprehensive income and subsequently reclassified to Interest expense (interest rate contracts) and Cost of services provided (fuel hedge contracts) in the consolidated statements of operations when the hedged item affects earnings. If it is determined that a derivative is not highly effective as a hedge, or if the hedged forecasted transaction is no longer probable of occurring, then the amount recognized in Accumulated other comprehensive loss 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 Swap Contracts

The Company has exposures to variability in interest rates associated with its variable interest rate debt. As such, the Company has entered into interest rate swaps 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, 2020. The notional amount of interest rate contracts was $1,000,000 and $1,560,000, respectively, at June 30, 2019 and September 30, 2018. The net deferred losses on the interest rate swaps as of June 30, 2019 of $8,722, net of taxes, are expected to be recognized in interest expense over the next 12 months.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
(Loss) income recognized in Other comprehensive income (loss)	$ (3,745)	$ 2,045	$ (9,820)	$ 9,127
Net loss reclassified from Accumulated other comprehensive loss into Interest expense	(2,199)	(2,513)	(5,634)	(7,344)

10. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the 2017 Tax Act. The 2017 Tax Act makes broad and complex changes to the U.S. tax code that affected the Company's fiscal year ended September 30, 2018, by measures including but not limited to, i) reducing the U.S. federal corporate tax rate and ii) bonus depreciation that allows for full expensing of qualified property. The 2017 Tax Act reduced the Company's federal tax rate to 21% in the fiscal year ended September 30, 2018. Section 15 of the Internal Revenue Code stipulated that the Company's fiscal year ended September 30, 2018 had a blended corporate tax rate of 24.5%, which is based on the applicable tax rates before and after the 2017 Tax Act and the number of days in the year.

As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the 2017 Tax Act, the Company revaluated its ending net deferred tax liabilities at December 31, 2017 and recognized a $41,367 tax benefit in the Company's consolidated statement of operations for the nine months ended June 30, 2018.

The following table summarizes the Company's income tax benefit and effective income tax rate for the three and nine months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Income (loss) before income taxes	$ 42,742	$ (150)	$ 25,858	$ (62,289)
Income tax expense (benefit)	11,033	1,247	6,582	(58,150)
Effective income tax rate	25.8%	nm	25.5%	93.4%

The increase in the effective tax rate for the three months ended June 30, 2019 when compared to the three months ended June 30, 2018, is primarily related to the increase in the income before income taxes and certain non-deductible expenses related to the IPO incurred in 2018.

The lower effective tax rate for the nine months ended June 30, 2019, when compared to the nine months ended June 30, 2018, was primarily due to the one-time favorable impact of the deferred tax liability revaluation in the 2018 period as a result of the 2017 Tax Act. The effective tax rate excluding the revaluation of deferred taxes was 29.0% for the nine months ended June 30, 2018.

11. Equity-based Compensation

Restricted Stock Awards

On November 28, 2018, the Company issued 492 shares at a weighted average grant date fair value of $13.49, all of which are restricted stock subject to vesting. The majority of these shares will vest ratably over a four-year period commencing on the first anniversary of the grant date. Non-cash equity-based compensation expense associated with the grant will be approximately $6,156 over the requisite service period.

Restricted Stock Units

On June 3, 2019, the Company issued 152 restricted stock units ("RSUs") at a weighted average grant date fair value of $16.86, all of which are subject to vesting. These RSUs will vest ratably over either a three-year or a four-year period commencing on the first anniversary of the grant date. Non-cash equity-based compensation expense associated with the grant will be approximately $2,379 over the requisite service period.

Stock Option Awards

On November 28, 2018, the Company issued 1,123 stock options at a weighted average exercise price of $ 13.49 and a weighted average grant date fair value of $ 5.85 , the majority of which will vest and become exercisable ratably over a four-year period commencing on the first anniversary of the grant date. Non-cash equity-based compensation expe nse associated with the grant will be approximately $ 6,091 over the requisite service period.

On June 3, 2019, the Company issued 138 stock options at a weighted average exercise price of $16.86 and a weighted average grant date fair value of $6.84, all of which will vest and become exercisable ratably over a four-year period commencing on the first anniversary of the grant date. Non-cash equity-based compensation expense associated with the grant will be approximately $875 over the requisite service period.

Information regarding the total equity-based compensation expense, for the periods indicated is as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Total equity-based compensation expense recognized	$ 307	$ 14,951	$ 11,826	$ 20,753

At June 30, 2019 the aggregate unamortized value of outstanding stock-based compensation awards was approximately $46,961, with a weighted average remaining life of 1.6 years.

2018 Employee Stock Purchase Plan

The Company's stockholders approved in 2018 the Company's 2018 Employee Stock Purchase Plan (the "ESPP"). A total of 1,100 shares of the Company's common stock were made available for sale on October 22, 2018 and a portion thereof will be issued on November 14, 2019.

12. Commitments and Contingencies

Risk Management

The Company carries general liability, auto liability, workers' compensation, professional liability, directors' and officers' liability, and employee health care insurance policies. In addition, the Company carries 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, 2019 was $126,178, of which $40,283 was classified in current liabilities and $85,895 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, 2018 was $127,937, of which $34,537 was classified in current liabilities and $93,400 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, 2019 includes $34,192 related to claims recoverable from third party insurance carriers. Corresponding assets of $6,926 and $27,266 are recorded at June 30, 2019, as Other current assets and Other assets, respectively. Corresponding assets of $17,462 and $19,558 were recorded at September 30, 2018, 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 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. 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 accountin g guidance. This estimated liability is included in Accrued expenses and other current l iabilities in the accompanying consolidated balance s heets.

Stockholder Litigation

On April 11, 2019, a purported class action complaint, captioned Speiser v. BrightView Holdings, Inc., was filed in federal court in the Eastern District of Pennsylvania against the Company and two of the Company's officers. On April 16, 2019, a second purported class action complaint, captioned McComas v. BrightView Holdings, Inc., was filed in the Court of Common Pleas in Montgomery County, Pennsylvania against the Company, certain current and former officers and directors of the Company, the underwriters in the Company's IPO, and the Company's alleged controlling stockholders. On May 31, 2019, McComas filed an amended complaint. In early June 2019, Speiser voluntarily dismissed his complaint in federal court, but filed a new complaint in the Court of Common Pleas in Montgomery County, Pennsylvania. The Speiser state court complaint is substantively identical to the McComas amended complaint. Both complaints allege violations of Section 11 of the Securities Act of 1933 against all defendants and controlling person claims under Section 15 of the Act against certain defendants. The plaintiffs purport to represent similar classes of persons who purchased BrightView stock in its IPO in July 2018 or purchased BrightView stock in the market that was traceable to the shares issued in the IPO. The complaints allege that the IPO prospectus was misleading because it allegedly failed to disclose that a portion of BrightView's contracts were underperforming and/or represented undesirable costs to the Company and that, as a result, BrightView would implement a managed exit strategy from low margin or non-profitable contracts that would negatively impact its future revenues; and that BrightView failed to disclose an alleged labor shortage caused by the Company's inability to hire sufficient workers through the H-2B visa program would adversely affect earnings. On July 19, 2019, the Court entered an order consolidating the McComas and Speiser state court actions, under the caption, *In re BrightView Holdings, Inc. Securities Litigation* , with the amended McComas complaint as the operative pleading. The Company intends to defend itself vigorously against the actions. The Company is unable at this time to determine the amount of the possible loss or range of loss, if any, that it may incur as a result of these matters.

13. 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. Development Services also includes our tree and nursery division, which grows and sells trees as well as manages removal and installation of specimen trees as part of many development 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 C ompany'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, 2018. 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,	
	2019	2018	2019	2018
Maintenance Services	$ 492,105	$ 474,581	$ 1,357,952	$ 1,341,375
Development Services	166,319	157,379	424,692	433,620
Eliminations	(1,215)	(1,630)	(2,785)	(3,195)
Net service revenues	$ 657,209	$ 630,330	$ 1,779,859	$ 1,771,800
Maintenance Services	$ 91,138	$ 91,349	$ 204,800	$ 210,241
Development Services	26,966	21,953	55,018	55,284
Corporate	(16,196)	(15,469)	(46,687)	(49,649)
Adjusted EBITDA (1)	$ 101,908	$ 97,833	$ 213,131	$ 215,876
Maintenance Services	$ 24,434	$ 14,292	$ 54,449	$ 33,759
Development Services	3,242	2,182	9,902	3,955
Corporate	6,940	11,174	12,874	34,029
Capital expenditures	$ 34,616	$ 27,648	$ 77,225	$ 71,743

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

	Three Months Ended		Nine Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income (loss)	$ 31,709	$ (1,397)	$ 19,276	$ (4,139)
Interest expense	18,360	27,499	54,429	77,481
Income tax expense (benefit)	11,033	1,247	6,582	(58,150)
Depreciation expense	20,884	17,839	61,851	56,642
Amortization expense	13,936	29,247	42,873	89,611
Establish public company financial reporting compliance (a)	1,140	555	2,832	3,372
Business transformation and integration costs (b)	4,431	2,466	13,354	21,402
Expenses related to initial public offering (c)	108	4,678	108	6,808
Equity-based compensation (d)	307	14,951	11,826	20,753
Management fees (e)	—	748	—	2,096
Adjusted EBITDA	$ 101,908	$ 97,833	$ 213,131	$ 215,876

(a) Represents costs incurred to establish public company financial reporting compliance, including costs to comply with the requirements of Sarbanes-Oxley and the accelerated adoption of the new revenue recognition standard (ASU 2014-09 – *Revenue from Contracts with Customers*) and other miscellaneous costs.

(b) Business transformation and integration costs consist of (i) severance and related costs; (ii) rebranding of vehicle fleet; (iii) business integration costs and (iv) information technology infrastructure transformation costs and other.

(c) Represents expenses incurred for the IPO in fiscal 2018 and subsequent registration statements.

(d) Represents equity-based compensation expense recognized for equity incentive plans outstanding, including $7,328 related to the IPO during the nine months ended June 30, 2019.

(e) Represents management fees paid pursuant to a monitoring agreement terminated on July 2, 2018 in connection with the completion of the IPO .

14. Earnings (Loss) Per Share of Common Stock

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to common shares by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the period, increased to include the number of shares of common stock that would have been outstanding had potential dilutive shares of common stock been issued. Set forth below is a reconciliation of the numerator and denominator for basic and diluted earnings (loss) per share calculation for the periods indicated:

	Three Months Ended		Nine Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Numerator:				
Net income (loss) available to common stockholders	$ 31,709	$ (1,397)	$ 19,276	$ (4,139)
Denominator:				
Weighted average number of common shares outstanding – basic	102,828	77,025	102,705	77,046
Basic earnings (loss) per share	$ 0.31	$ (0.02)	$ 0.19	$ (0.05)
Weighted average number of common shares outstanding – diluted	102,999	77,025	103,300	77,046
Diluted earnings (loss) per share	$ 0.31	$ (0.02)	$ 0.19	$ (0.05)
Other Information:				
Weighted average number of anti-dilutive options and restricted stock	6,356	130	6,406	43

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, 2018 as contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 28, 2018, 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, 2018 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 more than 10 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 200 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 31 U.S. states, and, through our qualified service partner network, we are able to efficiently provide nationwide coverage in all 50 U.S. states and Puerto Rico.

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, home owners associations, 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 nursery 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, professional sports 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 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" in the Notes to 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 method, measured by the percentage of cost incurred to date of 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 when 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 revenues and are recognized in the period in which such 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, 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.

Amortization Expense

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

Interest Expense

Interest expense relates primarily to our long-term debt. See Note 8 “Long-term Debt” in the unaudited consolidated financial statements included under Part I, Item 1, “Financial Statements”.

Income Tax (Expense) Benefit

The benefit for income taxes 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.

On December 22, 2017, H.R. 1, originally known as the U.S. Tax Cuts and Jobs Act (the “Tax Act”), was enacted. Among the significant changes to the U.S. Internal Revenue Code, the Tax Act lowered the U.S. federal corporate income tax rate (“Federal Tax Rate”) from 35% to 21% effective January 1, 2018. The Company computed its income tax expense for the September 30, 2018 fiscal year using a blended Federal Tax Rate of 24.5%. The 21% Federal Tax Rate will apply to fiscal years ending September 30, 2019 and each year thereafter. The Company has already accounted for the effects of the new legislation in the prior fiscal year, and the revaluation of the Company’s deferred taxes was reflected within the tax benefit recorded during that period. The Company will continue to monitor for additional guidance released by the Internal Revenue Service in relation to the Tax Act.

Other (Expense) Income

Other (expense) income consists primarily of investment gains and losses related to deferred compensation.

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. 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 disaster recovery. 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 broadly correlated with the amount of snowfall, its geographic impact, the nature of the precipitation and the 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 increase our density and leadership positions in existing local markets, enter into attractive new geographic markets and expand our portfolio of landscape enhancement services and improve technical capabilities in specialized services. 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. We incurred $5.6 million of integration costs during the first nine months of fiscal 2019 related to acquisitions completed during fiscal 2018 and $1.2 million related to acquisitions completed during fiscal 2019.

Results of Operations

The following table summarizes key components of our results of operations for the periods indicated.

	Three Months Ended June 30,		Nine Months Ended June 30,	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Net service revenues	$ 657.2	$ 630.3	$ 1,779.9	$ 1,771.8
Cost of services provided	468.6	454.8	1,313.3	1,311.4
Gross profit	188.6	175.6	466.6	460.4
Selling, general and administrative expense	114.0	119.2	343.5	356.8
Amortization expense	13.9	29.2	42.9	89.6
Income from operations	60.7	27.1	80.2	13.9
Other income	0.4	0.3	0.1	1.3
Interest expense	18.4	27.5	54.4	77.5
Income (loss) before income taxes	42.7	(0.2)	25.9	(62.3)
Income tax (expense) benefit	(11.0)	(1.2)	(6.6)	58.2
Net income (loss)	$ 31.7	$ (1.4)	$ 19.3	$ (4.1)
Adjusted EBITDA (1)	$ 101.9	$ 97.8	$ 213.1	$ 215.9
Adjusted Net Income (1)	$ 47.0	$ 33.2	$ 73.1	$ 54.1
Cash flows from operating activities	$ 44.5	$ 44.5	$ 109.2	$ 123.7
Free Cash Flow (1)	$ 13.7	$ 19.3	$ 38.8	$ 55.9
Adjusted Free Cash Flow (1)	$ 13.7	$ 19.3	$ 38.8	$ 77.5

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

Three Months Ended June 30, 2019 compared to Three Months Ended June 30, 2018

Net Service Revenues

Net service revenues for the three months ended June 30, 2019 increased $26.9 million, or 4.3%, to $657.2 million, from $630.3 million in the 2018 period. The increase was driven by increases in Maintenance Services revenues of $17.5 million and Development Services revenues of $8.9 million as discussed further below in Segment Results.

Gross Profit

Gross profit for the three months ended June 30, 2019 increased $13.0 million, or 7.4%, to $188.6 million, from $175.6 million in the 2018 period. The increase in gross profit was driven by the increase in revenues, described above, along with lower material costs as a percentage of revenue. Gross margin increased 80 basis points from 27.9% in the 2018 period to 28.7% for the three months ended June 30, 2019.

Selling, General and Administrative Expense

Selling, general and administrative expense for the three months ended June 30, 2019 decreased $5.2 million, or 4.4%, to $114.0 million, from $119.2 million in the 2018 period. This decrease was driven by a decrease in equity-based compensation expense of $14.3 million due primarily to the equity conversion in connection with the IPO in the 2018 period . The de crease was partially offset by an increase due to timing of certain incentive based compensation expense and professional fees . As a percentage of revenue, selling, general and administrative expense decreased 160 basis points for the three months ended June 30, 2019 to 17.3% , from 18.9% in the 2018 period.

Amortization Expense

Amortization expense for the three months ended June 30, 2019 decreased $15.3 million, or 52.4%, to $13.9 million, from $29.2 million in the 2018 period. The decrease was principally due to a decrease of $16.6 million in the amortization of intangible assets recognized in connection with the KKR Acquisition and the acquisition of ValleyCrest Holding Co. ("ValleyCrest") in 2014 due to the substantial completion in the 2018 period of amortization of the related trademarks, partially offset by an increase in amortization expense for intangible assets recognized in connection with acquisitions completed subsequent to 2017 of $1.3 million.

Other Income

Other income was $0.4 million for the three months ended June 30, 2019, an increase of $0.1 million from $0.3 million in the 2018 period.

Interest Expense

Interest expense for the three months ended June 30, 2019 decreased $9.1 million, or 33.2%, to $18.4 million, from $27.5 million in the 2018 period. The decrease was driven by an overall reduction in debt due to term loan repayments made during the fourth quarter of fiscal 2018 and the impact of our interest rate swaps for the period, partially offset by a higher weighted average interest rate on our term loans in the 2019 period of 4.99% compared to 4.76% in the 2018 period.

Income Tax Expense

Income tax expense for the three months ended June 30, 2019 increased $9.8 million, to $11.0 million, from $1.2 million in the 2018 period. The increase in tax expense was primarily attributable to the increase in income before income taxes.

Net Income (loss)

For the three months ended June 30, 2019, net income was $31.7 million, compared to net loss of $1.4 million in the 2018 period. The change was due to higher income from operations and decreased interest expense, partially offset by an increase in income tax expense.

Adjusted EBITDA

Adjusted EBITDA increased $4.1 million for the three months ended June 30, 2019, to $101.9 million, from $97.8 million in the 2018 period. Adjusted EBITDA as a percentage of revenue remained flat at 15.5% for the three months ended June 30, 2019 and 2018. The increase in Adjusted EBITDA was principally driven by an increase in Development Services Segment Adjusted EBITDA of $5.0 million, or 22.8%, partially offset by a decrease in Maintenance Services Segment Adjusted EBITDA and higher corporate expense in the period.

Adjusted Net Income

Adjusted Net Income for the three months ended June 30, 2019 increased $13.8 million to $47.0 million, from $33.2 million in the 2018 period. The increase was primarily due to higher income from operations and the decrease in interest expense discussed above.

Nine Months Ended June 30, 2019 compared to Nine Months Ended June 30, 2018

Net Service Revenues

Net service revenues for the nine months ended June 30, 2019 increased $8.1 million, or 0.5%, to $1,779.9 million, from $1,771.8 million in the 2018 period. The increase was driven by increases in Maintenance Services revenues of $16.6 million, partially offset by decreases in Development Services revenues of $8.9 million as discussed further below in Segment Results.

Gross Profit

Gross profit for the nine months ended June 30, 2019 increased $6.2 million, or 1.4%, to $466.6 million, from $460.4 million in the 2018 period. The increase in gross profit was driven by the increase in revenues, described above, along with a slight increase in gross margin. Gross margin increased 20 basis points from 26.0% in the 2018 period to 26.2% for the nine months ended June 30, 2019.

Selling, General and Administrative Expense

Selling, general and administrative expense for the nine months ended June 30, 2019 decreased $13.3 million, or 3.7%, to $343.5 million, from $356.8 million in the 2018 period. This decrease was driven by a decrease in equity-based compensation expense of $9.0 million due primarily to the equity conversion in connection with the IPO in the 2018 period coupled with an $8.0 million decrease in business transformation and integration costs and a $6.7 million decrease in professional fees incurred during the 2018 period largely related to the IPO. These decreases were partially offset by an increase in selling, general and administrative expense as a result of the absorption of acquired businesses. As a percentage of revenue, selling, general and administrative expense decreased 80 basis points for the nine months ended June 30, 2019 to 19.3%, from 20.1% in the 2018 period.

Amortization Expense

Amortization expense for the nine months ended June 30, 2019 decreased $46.7 million, or 52.2%, to $42.9 million, from $89.6 million in the 2018 period. The decrease was principally due to a decrease of $50.5 million in the amortization of intangible assets recognized in connection with the KKR Acquisition and the acquisition of ValleyCrest in 2014 due to the substantial completion in the 2018 period of amortization of the related trademarks, partially offset by an increase in amortization expense for intangible assets recognized in connection with acquisitions completed subsequent to 2017 of $3.8 million.

Other Income

Other income was $0.1 million for the nine months ended June 30, 2019, a decrease of $1.2 million from income of $1.3 million in the 2018 period, which included higher net gains on investments.

Interest Expense

Interest expense for the nine months ended June 30, 2019 decreased $23.1 million, or 29.8%, to $54.4 million, from $77.5 million in the 2018 period. The decrease was driven by an overall reduction in debt due to term loan repayments made during the fourth quarter of fiscal 2018 and the impact of our interest rate swaps for the period, partially offset by a higher weighted average interest rate on our term loans in the 2019 period of 4.96% compared to 4.76% in the 2018 period.

Income Tax (Expense) Benefit

Income tax expense for the nine months ended June 30, 2019 was $6.6 million compared to a tax benefit of $58.2 million in the 2018 period. The increase in tax expense was driven by a $41.4 million discrete tax benefit recorded in the 2018 period for the revaluation of our net deferred tax liabilities as a result of the enactment of the Tax Act and the related reduction in the U.S. corporate income tax rate, as well as increased income before income taxes.

Net (Loss) Income

For the nine months ended June 30, 2019, net income was $19.3 million, compared to net loss of $4.1 million in the 2018 period. The main drivers were as described above.

Adjusted EBITDA

Adjusted EBITDA decreased $2.8 million for the nine months ended June 30, 2019, to $213.1 million, from $215.9 million in the 2018 period. Adjusted EBITDA as a percentage of revenue was 12.0% and 12.2% in the nine months ended June 30, 2019 and 2018, respectively. The decrease in Adjusted EBITDA was driven by a decrease in Maintenance Services Segment Adjusted EBITDA of $5.4 million, or 2.6%, as well as a decrease in Development Services Segment Adjusted EBITDA of $0.3 million, or 0.5%, both discussed below. These decreases at the segment level were partially offset by lower corporate expenses in the period.

Adjusted Net Income

Adjusted Net Income for the nine months ended June 30, 2019 increased $19.0 million to $73.1 million, from $54.1 million in the 2018 period. The increase was primarily due to higher income from operations and the decrease in interest expense discussed 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"), Free Cash Flow and Adjusted 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 weighted average number of common shares outstanding for the period used in the calculation of basic EPS. 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 and Adjusted Free Cash Flow are helpful supplemental measures 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. Adjusted Free Cash Flow represents Free Cash Flow as further adjusted for the acquisition of certain legacy properties associated with our acquired ValleyCrest business. We believe Free Cash Flow and Adjusted Free Cash Flow are useful to provide additional information to assess our ability to pursue business opportunities and investments and to service our debt. Free Cash Flow and Adjusted Free Cash Flow have limitations as analytical tools, including that they do not account for our future contractual commitments and exclude investments made to acquire assets under capital leases and required debt service payments.

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 and Adjusted Free Cash Flow. Adjusted EPS is defined as Adjusted Net Income (shown below) divided by the weighted average number of common shares outstanding for the period used in the calculation of basic EPS and presented in Note 14 "Earnings (Loss) Per Share of Common Stock" in the Notes to Unaudited Consolidated Financial Statements.

(In millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Nine Months Ended June 30, 2019	Nine Months Ended June 30, 2018
Adjusted EBITDA				
Net income (loss)	$ 31.7	$ (1.4)	$ 19.3	$ (4.1)
Plus:				
Interest expense, net	18.4	27.5	54.4	77.5
Income tax expense (benefit)	11.0	1.2	6.6	(58.2)
Depreciation expense	20.9	17.8	61.9	56.6
Amortization expense	13.9	29.2	42.9	89.6
Establish public company financial reporting compliance (a)	1.1	0.6	2.8	3.4
Business transformation and integration costs (b)	4.4	2.5	13.4	21.4
Expenses related to initial public offering (c)	0.1	4.7	0.1	6.8
Equity-based compensation (d)	0.3	15.0	11.8	20.8
Management fees (e)	—	0.7	—	2.1
Adjusted EBITDA	$ 101.9	$ 97.8	$ 213.1	$ 215.9
Adjusted Net Income				
Net income (loss)	$ 31.7	$ (1.4)	$ 19.3	$ (4.1)
Plus:				
Amortization expense	13.9	29.2	42.9	89.6
Establish public company financial reporting compliance (a)	1.1	0.6	2.8	3.4
Business transformation and integration costs (b)	4.4	2.5	13.4	21.4
Expenses related to initial public offering (c)	0.1	4.7	0.1	6.8
Equity-based compensation (d)	0.3	15.0	11.8	20.8
Management fees (e)	—	0.7	—	2.1
Income tax adjustment (f)	(4.5)	(18.1)	(17.2)	(85.8)
Adjusted Net Income	$ 47.0	$ 33.2	$ 73.1	$ 54.1
Free Cash Flow and Adjusted Free Cash Flow				
Cash flows from operating activities	$ 44.5	$ 44.5	$ 109.2	$ 123.7
Minus:				
Capital expenditures	34.6	27.6	77.2	71.7
Plus:				
Proceeds from sale of property and equipment	3.8	2.4	6.8	3.9
Free Cash Flow	$ 13.7	$ 19.3	$ 38.8	$ 55.9
Plus:				
ValleyCrest land and building acquisition (g)	—	—	—	21.6
Adjusted Free Cash Flow	$ 13.7	$ 19.3	$ 38.8	$ 77.5

(a) Represents costs incurred to establish public company financial reporting compliance, including costs to comply with the requirements of Sarbanes-Oxley and the accelerated adoption of the new revenue recognition standard (ASU 2014-09 – *Revenue from Contracts with Customers*), and other miscellaneous costs.

(b) Business transformation and integration costs consist of (i) severance and related costs; (ii) vehicle fleet rebranding costs; (iii) business integration costs and (iv) information technology infrastructure transformation costs and other.

(In millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Nine Months Ended June 30, 2019	Nine Months Ended June 30, 2018
Severance and related costs	$ 0.4	$ 1.1	$ 2.0	$ 3.3
Rebranding of vehicle fleet	0.1	0.4	0.4	12.4
Business integration	3.0	0.2	6.8	0.4
IT infrastructure transformation and other	0.9	0.8	4.2	5.3
Business transformation and integration costs	$ 4.4	$ 2.5	$ 13.4	$ 21.4

(c) Represents expenses incurred for the IPO in fiscal 2018 and subsequent registration statements.

(d) Represents equity-based compensation expense recognized for equity incentive plans outstanding, including $7.3 million related to the IPO in the nine months ended June 30, 2019.

(e) Represents fees paid pursuant to a monitoring agreement terminated on July 2, 2018 in connection with the completion of our IPO.

(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. 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 changes in laws or rates, changes in uncertain tax positions relating to prior years and changes in valuation allowances. The nine months ended June 30, 2018 amount includes a $41.4 million benefit recognized as a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the Tax Act.

	Three Months Ended June 30,		Nine Months Ended June 30,	
(In millions)	**2019**	**2018**	**2019**	**2018**
Tax impact of pre-tax income adjustments	$ 4.5	$ 17.7	$ 16.4	$ 43.7
Discrete tax items	-	0.4	0.8	42.1
Income tax adjustment	$ 4.5	$ 18.1	$ 17.2	$ 85.8

(g) Represents the acquisition of legacy ValleyCrest land and buildings in October 2017.

Segment Results

We classify our business into two segments: Maintenance Services and Development Services. Our corporate expenses 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, 2019 and 2018

The following tables present Net Service Revenues, Segment Adjusted EBITDA, and Segment Adjusted EBITDA Margin for each of our segments. 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)	**2019**	**2018**	**2019 vs. 2018**
Net Service Revenues	$ 492.1	$ 474.6	3.7%
Segment Adjusted EBITDA	$ 91.1	$ 91.3	(0.2)%
Segment Adjusted EBITDA Margin	18.5%	19.2%	(70) bps

Maintenance Services Net Service Revenues

Maintenance Services net service revenues for the three months ended June 30, 2019 increased by $17.5 million, or 3.7%, from the 2018 period. Revenues from landscape services were $486.4 million, an increase of $20.7 million over the 2018 period and revenues from snow removal services were $5.7 million, a decrease of $3.3 million over the 2018 period. The increase in landscape services revenues was driven by a $24.8 million revenue contribution from acquired businesses coupled with growth in underlying commercial landscaping. This increase was partially offset by an $8.7 million decrease in revenue as a result of our managed exit strategy related to underperforming contracts. The decrease in snow removal services was primarily attributable to the timing of snowfall during the period, a decreased frequency of snowfall events, and the lower relative snowfall in the three months ended June 30, 2019 as compared to the greater than average snow season in the 2018 period.

Maintenance Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the three months ended June 30, 2019 remained relatively flat at $91.1 million, compared to $91.3 million in the 2018 period. Segment Adjusted EBITDA was impacted by unfavorable weather conditions resulting in lower margins on ancillary services and decreased efficiencies in core commercial landscaping services coupled with an increase in selling, general and administrative expense as a result of the absorption of acquired businesses. These changes were mostly offset by the increase in revenues described above. Segment Adjusted EBITDA Margin decreased 70 basis points, to 18.5%, in the three months ended June 30, 2019, from 19.2% in the 2018 period.

Development Services Segment Results

	Three Months Ended June 30,		Percent Change
(In millions)	**2019**	**2018**	**2019 vs. 2018**
Net Service Revenues	$ 166.3	$ 157.4	5.7%
Segment Adjusted EBITDA	$ 27.0	$ 22.0	22.8%
Segment Adjusted EBITDA Margin	16.2%	14.0%	220bps

Development Services Net Service Revenues

Development Services net service revenues for the three months ended June 30, 2019 increased $8.9 million, or 5.7%, compared to the 2018 period. The increase in development services revenues was driven by the commencement of work on new projects, coupled with incremental revenue related to development projects from the Maintenance Services acquisitions, partially offset by the completion of certain large projects in the prior fiscal year.

Development Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the three months ended June 30, 2019 increased $5.0 million, to $27.0 million, compared to the 2018 period. The increase in Segment Adjusted EBITDA was due to the increase in net revenue described above as well as a decrease in cost of services provided as the result of lower materials costs as a percentage of revenue. Segment Adjusted EBITDA Margin increased 220 basis points, to 16.2%, in the three months ended June 30, 2019, from 14.0% in the 2018 period.

Segment Results for the Nine Months Ended June 30, 2019 and 2018

The following tables present Net Service Revenues, Segment Adjusted EBITDA, and Segment Adjusted EBITDA Margin for each of our segments. 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)	**2019**	**2018**	**2019 vs. 2018**
Net Service Revenues	$ 1,358.0	$ 1,341.4	1.2%
Segment Adjusted EBITDA	$ 204.8	$ 210.2	(2.6%)
Segment Adjusted EBITDA Margin	15.1%	15.7%	(60)bps

Maintenance Services Net Service Revenues

Maintenance Services net service revenues for the nine months ended June 30, 2019 increased by $16.6 million, or 1.2%, from the 2018 period. Revenues from landscape services were $1,112.6 million, an increase of $23.8 million over the 2018 period and revenues from snow removal services were $245.4 million, a decrease of $7.2 million versus the 2018 period. The increase in landscape services revenues was driven by a $69.9 million revenue contribution from acquired businesses. This increase was offset by the absence of hurricane clean-up services revenue, compared with $17.5 million of revenue from hurricanes Irma and Maria in the 2018 period, and a $29.0 million decrease in revenue as a result of our managed exit strategy related to underperforming contracts. The decrease in snow removal services was primarily attributable to a decreased frequency of snowfall events, the volume of snowfall per event and the lower relative snowfall in the nine months ended June 30, 2019 (snowfall for the nine months ended June 30, 2019 and 2018 wa s 86 . 3 % and 8 7 .1 %, resp ectively, of the historical 10-year average for that nine -month period). This was partially offset by a $ 1.9 million snow removal services revenue contribution from acquired businesses.

Maintenance Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the nine months ended June 30, 2019 decreased $5.4 million, to $204.8 million, compared to $210.2 million in the 2018 period. The decrease in Segment Adjusted EBITDA was due to the decline in hurricane clean-up services which typically contribute a higher gross margin compared with other landscape maintenance services, coupled with unfavorable weather conditions resulting in lower margins on ancillary services and decreased efficiencies in core commercial landscaping services as well as an increase in selling, general and administrative expense as a result of the absorption of acquired businesses. These changes were partially offset by the increase in revenues described above. Segment Adjusted EBITDA Margin decreased 60 basis points, to 15.1%, in the nine months ended June 30, 2019, from 15.7% in the 2018 period.

Development Services Segment Results

	Nine Months Ended June 30,		Percent Change
(In millions)	**2019**	**2018**	**2019 vs. 2018**
Net Service Revenues	$ 424.7	$ 433.6	(2.1%)
Segment Adjusted EBITDA	$ 55.0	$ 55.3	(0.5)%
Segment Adjusted EBITDA Margin	13.0%	12.8%	20bps

Development Services Net Service Revenues

Development Services net service revenues for the nine months ended June 30, 2019 decreased $8.9 million, or 2.1%, compared to the 2018 period. The decrease in development services revenues was driven by the completion of certain large projects in the prior fiscal year period, partially offset by new projects and incremental revenue of $6.1 million related to development projects from the Maintenance Services acquisitions.

Development Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the nine months ended June 30, 2019 remained relatively flat at $55.0 million, compared to $55.3 million in the 2018 period. The decrease in Segment Adjusted EBITDA was impacted by the decrease in net revenue described above as well as an increase in selling, general and administrative expense, substantially offset by a decrease in cost of services provided as the result of lower material costs and decreased use of subcontractors. Segment Adjusted EBITDA Margin increased 20 basis points, to 13.0%, in the nine months ended June 30, 2019, from 12.8% in the 2018 period.

Liquidity and Capital Resources

Liquidity

Since the consummation of the KKR Acquisition and related financing transactions, our principal sources of liquidity have been 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 following the consummation of the KKR Acquisition and related financing transactions have been to provide working capital, meet debt service requirements, fund capital expenditures and finance strategic plans, including acquisitions. We may also seek to finance capital expenditures under capital 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.

As discussed in Note 1 “Business and Basis of Presentation” in the Notes to Unaudited Consolidated Financial Statements, we completed an IPO in July 2018 and in conjunction with and following such IPO we repaid approximately $501.1 million of outstanding indebtedness with proceeds from the IPO.

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 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.

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, 2019	September 30, 2018
Cash and cash equivalents	$ 10.9	$ 35.2
Short-term borrowings and current maturities of long-term debt	10.4	12.9
Long-term debt	1,145.8	1,141.3
Total debt, net	$ 1,156.2	$ 1,154.2

The Company is party to a credit agreement dated December 18, 2013 (as amended, the "Credit Agreement"), a five-year revolving credit facility that matures on August 15, 2023 (the "Revolving Credit Facility") and, through a wholly-owned subsidiary, a receivables financing agreement dated April 28, 2017 (as amended, the "Receivables Financing Agreement").

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 8 "Long-term Debt" to our unaudited consolidated financial statements included under Part I, Item 1, "Financial Statements".

In the event that LIBOR is phased out as is currently expected, the Credit Agreement and the Receivables Financing Agreement each provide that the Company and the applicable administrative agent may amend such Credit Agreement or Receivables Financing Agreement, as applicable, to replace the LIBOR definition with a successor rate based on prevailing market convention, subject to notifying the lending syndicate of such change and not receiving within 5 business days of such notification written objections to such replacement rate from (i) with respect to the Receivables Financing Agreement, lenders holding at least a majority of the aggregate principal amount of commitments then outstanding thereunder or (ii) with respect to any class of loans under the Credit Agreement, lenders holding at least a majority of the aggregate principal amount of loans and commitments then outstanding in such class. The consequences of these developments cannot be entirely predicted, but could include an increase in the interest cost of our variable rate indebtedness.

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, 2019	Nine Months Ended June 30, 2018
Operating activities	$ 109.2	$ 123.7
Investing activities	$ (128.6)	$ (172.6)
Financing activities	$ (4.9)	$ 52.6
Free Cash Flow (1)	$ 38.8	$ 55.9
Adjusted Free Cash Flow (1)	$ 38.8	$ 77.5

(1) See the "Non-GAAP Financial Measures" section included in this Quarterly Report 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, 2019 decreased $14.5 million, to $109.2 million, from $123.7 million in the 2018 period. This decrease was primarily due to an increase in accounts receivable due to the timing of collections coupled with a decrease in deferred revenue, partially offset by a decrease in prepaid income taxes.

Cash Flows used in Investing Activities

Net cash used in investing activities decreased $44.0 million to $128.6 million for the nine months ended June 30, 2019 from $172.6 million in the 2018 period. Cash used in investing activities included cash paid for acquisitions for the nine months ended June 30, 2019 of $59.5 million, compared to $104.4 million in the 2018 period. Capital expenditures increased 7.6%, or $5.5 million, year over year primarily due to increases in the purchase of vehicles and equipment of $6.4 million and $19.2 million, respectively, during the nine months ended June 30, 2019 compared to the 2018 period, partially offset by the acquisition of legacy ValleyCrest land and buildings for $21.6 million during the 2018 period.

Cash Flows (used in) provided by Financing Activities

Net cash flows used in financing activities of $4.9 million for the nine months ended June 30, 2019 consisted of scheduled and voluntary principal payments on long-term borrowings of $125.4 million and repayments of capital lease obligations of $4.1 million, offset by net proceeds from our Revolving Credit Facility of $10.0 million. Cash provided by financing activities was $52.6 million for the nine months ended June 30, 2018 and consisted of proceeds from our Receivables Financing Agreement of $70.0 million and proceeds from our Revolving Credit Facility of $55.0 million, offset by scheduled and voluntary principal payments on long-term borrowings of $64.8 million, repayments of capital lease obligations of $4.8 million and repurchases of common stock of $2.9 million.

Free Cash Flow and Adjusted Free Cash Flow

Free Cash Flow decreased $17.1 million to $38.8 million for the nine months ended June 30, 2019 from $55.9 million in the 2018 period. The decrease in Free Cash Flow was due to a decrease in cash flows from operating activities of $14.5 million as well as an increase in capital expenditures of $5.5 million, each as described above, partially offset by an increase in proceeds from the sale of property and equipment of $2.9 million. Adjusted Free Cash Flow decreased $38.7 million to $38.8 million for the nine months ended June 30, 2019 from $77.5 million in the 2018 period. The decrease in Adjusted Free Cash Flow was due to a decrease in cash flows from operating activities of $14.5 million and an increase in capital expenditures of $27.1 million (exclusive of $21.6 million related to the acquisition of legacy ValleyCrest land and buildings in the 2018 period).

Working Capital

(In millions)	June 30, 2019	September 30, 2018
Net Working Capital:		
Current assets	$ 523.5	$ 531.2
Less: Current liabilities	344.9	331.5
Net working capital	$ 178.6	$ 199.7

Net working capital is defined as current assets less current liabilities. Net working capital decreased $21.1 million, to $178.6 million, at June 30, 2019, from $199.7 million at September 30, 2018, primarily driven by a decrease in cash and cash equivalents of $24.3 million, a decrease in prepaid income taxes of $20.4 million, and an increase in accrued expenses, offset by an increase in accounts receivable of $29.8 million due to the timing of collections and a decrease in deferred revenue of $9.8 million.

Description of Indebtedness

As of June 30, 2019, we were in compliance with all of our debt covenants and no event of default has occurred or was ongoing. See Note 8 "Long-term Debt" to our unaudited consolidated financial statements included under Part I, Item 1, "Financial Statements".

Contractual Obligations and Commercial Commitments

During the nine months ended June 30, 2019, 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, 2018 in our Annual Report on Form 10-K.

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are materially likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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, 2018, other than those related to revenue as a result of the adoption of ASU 2014-09.

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 D isclosures 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, 2018.

Item 4. Con trols 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, 2019. Based on this evaluation, our CEO and our CFO concluded that our disclosure controls and procedures were effective as of June 30, 2019 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 12 “Commitments and Contingencies” to our unaudited consolidated financial statements under Part I, Item 1, “Financial Statements,” is incorporated herein by reference.

Item 1A. Risk Factors.

As of June 30, 2019, 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, 2018, as filed with the SEC on November 28, 2018.

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. Oth er Information.

None.

Item 6. E xhibits.

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

Exhibit Number	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	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)
31.1	Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
31.2	Certification of Periodic Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
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 (furnished herewith)
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 (furnished herewith)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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: August 7, 2019

By: /s/ Louay H. Khatib

Louay H. Khatib
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew V. Masterman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2019 of BrightView Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting

Date: August 7, 2019

/s/ Andrew V. Masterman
Andrew V. Masterman
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John A. Feenan, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2019 of BrightView Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: August 7, 2019

/s/ John A. Feenan
John A. Feenan
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of BrightView Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew V. Masterman, Chief Executive Officer and Director of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 7, 2019

/s/ Andrew V. Masterman
Andrew V. Masterman
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of BrightView Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John A. Feenan, Executive Vice President, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 7, 2019

/s/ John A. Feenan
John A. Feenan
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)