

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

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

(State or other jurisdiction of
incorporation or organization)

46-4190788

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

980 Jolly Road

Blue Bell, Pennsylvania

(Address of principal executive offices)

19422

(Zip Code)

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

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

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

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

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

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

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

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

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

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

The number of shares of Registrant's Common Stock outstanding as of April 30, 2023 was 93,500,000.

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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 the safe harbor provision of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are subject to the “safe harbor” created by those sections. All statements, other than statements of historical facts included in this Form 10-Q, including statements concerning our plans, objectives, goals, beliefs, business 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,” “continues,” or “anticipates,” and variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts, or guarantees of future performance and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs and projections will result or be achieved, and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

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

- general business, economic and financial conditions, including recessionary conditions;
- higher operational and supply costs and expenses due to inflation, and our inability to pass higher costs and expenses onto our customers through price increases;
- competitive industry pressures;
- the failure to retain current customers, renew existing customer contracts and obtain new customer contracts;
- the failure to enter into profitable contracts, or maintaining customer contracts that are unprofitable;
- a determination by customers to reduce their outsourcing or use of preferred vendors;
- the dispersed nature of our operating structure;
- our ability to implement our business strategies and achieve our growth objectives;
- the possibility that the anticipated benefits from our business acquisitions will not be realized in full or at all or may take longer to realize than expected; the possibility that costs or difficulties related to the integration of acquired businesses’ operations will be greater than expected and the possibility that integration efforts will disrupt our business and strain management time and resources;
- the seasonal nature of our landscape maintenance services;
- our dependence on weather conditions and the impact of severe weather and climate change on our business;
- increases in prices for raw materials, labor and fuel caused by rising inflation, or otherwise;
- disruptions in our supply chain and changes in our ability to source adequate supplies and materials in a timely manner;
- the duration and extent of the novel coronavirus (COVID-19) pandemic and its resurgence, and the impact of federal, state and local governmental actions and customer behavior in response to the pandemic, including possible additional or reinstated restrictions as a result of a resurgence of the pandemic;
- any failure to accurately estimate the overall risk, requirements, or costs when we bid on or negotiate contracts that are ultimately awarded to us;
- the conditions and periodic fluctuations of real estate markets, including residential and commercial construction;
- our ability to retain or hire our executive management and other key personnel;

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- our ability to attract and retain field and hourly employees, trained workers, and third-party contractors and 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, including regulatory costs, claims and litigation related to the use of chemicals and pesticides by employees and related third-party claims;
- our ability to meet our environmental, social and governance (“ESG”) goals and targets and the possibility that complying with ESG standards and meeting our goals may be significantly more costly than anticipated;
- 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;
- our ability to adequately protect our intellectual property;
- restrictions imposed by our debt agreements that limit our flexibility in operating our business;
- 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;
- increases in interest rates governing our variable rate indebtedness increasing the cost of servicing our substantial indebtedness;
- any future sales, or the perception of future sales, by us or our affiliates, which could cause the market price for our common stock to decline;
- the ability of KKR BrightView Aggregator L.P., which holds approximately 54% of our shares as of March 31, 2023, to exert significant influence over us;
- occurrence of natural disasters, terrorist attacks, geopolitical events, hostilities or other external events;
- changes in generally accepted accounting principles in the United States; and
- costs and requirements imposed as a result of maintaining compliance with the requirements of being a public company.

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

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	March 31, 2023	September 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 11.0	\$ 20.1
Accounts receivable, net	413.1	397.6
Unbilled revenue	120.4	130.2
Other current assets	108.9	129.2
Total current assets	653.4	677.1
Property and equipment, net	332.1	328.3
Intangible assets, net	153.8	174.3
Goodwill	2,023.4	2,008.8
Operating lease assets	81.7	81.6
Other assets	33.9	35.4
Total assets	<u>\$ 3,278.3</u>	<u>\$ 3,305.5</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 140.8	\$ 151.2
Current portion of long-term debt	12.0	12.0
Deferred revenue	88.3	59.3
Current portion of self-insurance reserves	50.5	45.6
Accrued expenses and other current liabilities	183.3	193.5
Current portion of operating lease liabilities	27.3	26.8
Total current liabilities	502.2	488.4
Long-term debt, net	1,344.9	1,330.7
Deferred tax liabilities	52.7	68.6
Self-insurance reserves	95.4	101.1
Long-term operating lease liabilities	60.8	61.3
Other liabilities	36.4	38.6
Total liabilities	2,092.4	2,088.7
Stockholders' equity:		
Preferred stock, \$0.01 par value; 50,000,000 shares authorized; no shares issued or outstanding as of March 31, 2023 and September 30, 2022	—	—
Common stock, \$0.01 par value; 500,000,000 shares authorized; 106,400,000 and 105,700,000 shares issued and 93,500,000 and 93,000,000 shares outstanding as of March 31, 2023 and September 30, 2022, respectively	1.1	1.1
Treasury stock, at cost; 12,900,000 and 12,700,000 shares as of March 31, 2023 and September 30, 2022, respectively	(169.4)	(168.2)
Additional paid-in-capital	1,522.8	1,509.5
Accumulated deficit	(168.5)	(127.6)
Accumulated other comprehensive (loss) income	(0.1)	2.0
Total stockholders' equity	1,185.9	1,216.8
Total liabilities and stockholders' equity	<u>\$ 3,278.3</u>	<u>\$ 3,305.5</u>

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Net service revenues	\$ 650.4	\$ 711.9	\$ 1,306.3	\$ 1,303.8
Cost of services provided	503.3	554.8	1,011.6	1,006.8
Gross profit	147.1	157.1	294.7	297.0
Selling, general and administrative expense	138.7	133.4	276.4	268.2
Amortization expense	11.0	12.0	22.9	25.5
(Loss) income from operations	(2.6)	11.7	(4.6)	3.3
Other (income) expense	(0.6)	1.0	(1.4)	0.4
Interest expense	27.7	10.1	50.9	19.7
(Loss) income before income taxes	(29.7)	0.6	(54.1)	(16.8)
Income tax (benefit)	(7.7)	(0.1)	(13.2)	(4.7)
Net (loss) income	\$ (22.0)	\$ 0.7	\$ (40.9)	\$ (12.1)
(Loss) income per share:				
Basic and diluted (loss) earnings per share	\$ (0.23)	\$ 0.01	\$ (0.44)	\$ (0.12)

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Net (loss) income	\$ (22.0)	\$ 0.7	\$ (40.9)	\$ (12.1)
Net derivative gains and other costs arising during the period, net of tax expense of \$0.4; \$0.7; \$0.4; and \$1.1, respectively ⁽¹⁾	1.2	1.9	1.2	2.8
Reclassification of (gains) losses into net (loss) income, net of tax (expense) benefit of \$(0.4); \$0.2; \$(1.0); and \$0.0, respectively	(0.9)	0.5	(3.3)	0.1
Other comprehensive income (loss)	0.3	2.4	(2.1)	2.9
Comprehensive (loss) income	<u>\$ (21.7)</u>	<u>\$ 3.1</u>	<u>\$ (43.0)</u>	<u>\$ (9.2)</u>

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

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

BrightView Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Three and Six Months Ended March 31, 2023 and 2022
(Unaudited)
(In millions)

	Common Stock		Additional	Accumulated	Accumulated	Treasury	Total
	Shares	Amount	Paid-In	Deficit	Other	Stock	Stockholders'
			Capital		Comprehensive		Equity
					Income (Loss)		
Balance, December 31, 2022	106.4	\$ 1.1	\$ 1,516.5	\$ (146.5)	\$ (0.4)	\$ (169.4)	\$ 1,201.3
Net (loss)	—	—	—	(22.0)	—	—	(22.0)
Other comprehensive income, net of tax	—	—	—	—	0.3	—	0.3
Equity-based compensation	—	—	6.3	—	—	—	6.3
Balance, March 31, 2023	<u>106.4</u>	<u>\$ 1.1</u>	<u>\$ 1,522.8</u>	<u>\$ (168.5)</u>	<u>\$ (0.1)</u>	<u>\$ (169.4)</u>	<u>\$ 1,185.9</u>
Balance, September 30, 2022	105.7	\$ 1.1	\$ 1,509.5	\$ (127.6)	\$ 2.0	\$ (168.2)	\$ 1,216.8
Net (loss)	—	—	—	(40.9)	—	—	(40.9)
Other comprehensive (loss), net of tax	—	—	—	—	(2.1)	—	(2.1)
Capital contributions and issuance of common stock	0.7	—	1.4	—	—	—	1.4
Equity-based compensation	—	—	11.9	—	—	—	11.9
Repurchase of common stock and distributions	—	—	—	—	—	(1.2)	(1.2)
Balance, March 31, 2023	<u>106.4</u>	<u>\$ 1.1</u>	<u>\$ 1,522.8</u>	<u>\$ (168.5)</u>	<u>\$ (0.1)</u>	<u>\$ (169.4)</u>	<u>\$ 1,185.9</u>
Balance, December 31, 2021	105.7	\$ 1.1	\$ 1,495.3	\$ (154.4)	\$ (1.0)	\$ (6.5)	\$ 1,334.5
Net income	—	—	—	0.7	—	—	0.7
Other comprehensive income, net of tax	—	—	—	—	2.4	—	2.4
Equity-based compensation	—	—	4.6	—	—	—	4.6
Repurchase of common stock and distributions	—	—	—	—	—	(88.7)	(88.7)
Balance, March 31, 2022	<u>105.7</u>	<u>\$ 1.1</u>	<u>\$ 1,499.9</u>	<u>\$ (153.7)</u>	<u>\$ 1.4</u>	<u>\$ (95.2)</u>	<u>\$ 1,253.5</u>
Balance, September 30, 2021	105.2	\$ 1.1	\$ 1,489.1	\$ (141.6)	\$ (1.5)	\$ (4.4)	\$ 1,342.7
Net (loss)	—	—	—	(12.1)	—	—	(12.1)
Other comprehensive income, net of tax	—	—	—	—	2.9	—	2.9
Capital contributions and issuance of common stock	0.5	—	1.5	—	—	—	1.5
Equity-based compensation	—	—	9.3	—	—	—	9.3
Repurchase of common stock and distributions	—	—	—	—	—	(90.8)	(90.8)
Balance, March 31, 2022	<u>105.7</u>	<u>\$ 1.1</u>	<u>\$ 1,499.9</u>	<u>\$ (153.7)</u>	<u>\$ 1.4</u>	<u>\$ (95.2)</u>	<u>\$ 1,253.5</u>

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

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

	Six Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net (loss)	\$ (40.9)	\$ (12.1)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation	54.5	45.8
Amortization of intangible assets	22.9	25.5
Amortization of financing costs and original issue discount	1.8	1.9
Deferred taxes	(17.2)	(10.5)
Equity-based compensation	11.9	9.3
Realized (gain) loss on hedges	(4.3)	0.1
Other non-cash activities, net	0.9	(0.1)
Change in operating assets and liabilities:		
Accounts receivable	(17.2)	(19.1)
Unbilled and deferred revenue	37.5	47.9
Other operating assets	23.3	(10.9)
Accounts payable and other operating liabilities	(18.2)	(35.5)
Net cash provided by operating activities	55.0	42.3
Cash flows from investing activities:		
Purchase of property and equipment	(42.7)	(64.2)
Proceeds from sale of property and equipment	3.6	2.6
Business acquisitions, net of cash acquired	(13.8)	(84.4)
Other investing activities, net	1.1	0.3
Net cash (used) by investing activities	(51.8)	(145.7)
Cash flows from financing activities:		
Repayments of finance lease obligations	(14.7)	(11.7)
Repayments of term loan	(6.0)	(5.2)
Repayments of receivables financing agreement	(279.5)	(95.0)
Repayments of revolving credit facility	(33.5)	—
Proceeds from receivables financing agreement, net of issuance costs	298.0	147.0
Proceeds from revolving credit facility	33.5	80.0
Proceeds from issuance of common stock, net of share issuance costs	0.7	0.9
Repurchase of common stock and distributions	(1.2)	(90.8)
Contingent business acquisition payments	(9.6)	—
Net cash (used) provided by financing activities	(12.3)	25.2
Net change in cash and cash equivalents	(9.1)	(78.2)
Cash and cash equivalents, beginning of period	20.1	123.7
Cash and cash equivalents, end of period	\$ 11.0	\$ 45.5
Supplemental Cash Flow Information:		
Cash (received) paid for income taxes, net	\$ (21.8)	\$ 8.8
Cash paid for interest	\$ 37.2	\$ 17.7

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

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

1. Business 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, 2022, presented herein, has been derived from the Company’s audited consolidated financial statements as of and for the fiscal year ended September 30, 2022, 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, 2022, filed with the Securities and Exchange Commission (“SEC”).

Use of Estimates

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

2. Recent Accounting Pronouncements

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* which provides optional expedients and exceptions for the accounting for contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. In January 2021, the FASB issued ASU 2021-01 to clarify the scope of certain optional expedients for derivatives that are affected by the discounting transition. In December 2022, the FASB issued ASU 2022-06 to defer the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. As of March 31, 2023, the Company was not party to any contracts, hedging relationships, or other transactions affected by reference rate reform.

Business Combinations

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* which requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 as if it had originated the contracts. The Company

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adopted the guidance in the first quarter of fiscal 2023. The adoption of ASU No. 2021-08 did not have a material impact on the Company's consolidated financial statements and disclosures.

3. Revenue

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

Maintenance Services

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

Development Services

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

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in job performance, job conditions, and estimated profitability, including final contract settlements, may result in revisions to costs and revenue and are recognized in the period in which the revisions are determined.

Disaggregation of revenue

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Landscape Maintenance	\$ 359.0	\$ 345.2	\$ 780.5	\$ 747.4
Snow Removal	138.8	208.2	200.6	244.2
Maintenance Services	497.8	553.4	981.1	991.6
Development Services	155.6	159.7	329.9	314.4
Eliminations	(3.0)	(1.2)	(4.7)	(2.2)
Net service revenues	<u>\$ 650.4</u>	<u>\$ 711.9</u>	<u>\$ 1,306.3</u>	<u>\$ 1,303.8</u>

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 March 31, 2023, 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 \$534.8. The Company expects to recognize revenue on 48% of the remaining performance obligations over the next 12 months and an additional 52% over the 12 months thereafter.

Contract Assets and Liabilities

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

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

Changes in Deferred revenue for the six month period ended March 31, 2023 were as follows:

	Deferred Revenue
Balance, September 30, 2022	\$ 59.3
Recognition of revenue	(513.4)
Deferral of revenue	542.4
Balance, March 31, 2023	<u>\$ 88.3</u>

There were \$103.6 of billings and \$93.8 of additions to our Unbilled revenue balance during the six month period ended March 31, 2023.

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Practical Expedients and Exemptions

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

As permitted under the practical expedient available under ASU No. 2014-09, the Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts with variable consideration that is allocated entirely to unsatisfied performance obligations or to a wholly unsatisfied promise accounted for under the series guidance and (iii) contracts for which the Company recognizes revenue at the amount which we have the right to invoice for services performed.

4. Accounts Receivable, net

Accounts receivable of \$413.1 and \$397.6, is net of an allowance for doubtful accounts of \$6.1 and \$4.0 and includes amounts of retention on incomplete projects to be completed within one year of \$51.1 and \$48.8 at March 31, 2023 and September 30, 2022, respectively.

5. Property and Equipment, net

Property and equipment, net consists of the following:

	Useful Life	March 31, 2023	September 30, 2022
Land	—	\$ 43.3	\$ 43.3
Buildings and leasehold improvements	2-40 yrs.	47.9	46.3
Operating equipment	2-7 yrs.	332.2	302.4
Transportation vehicles	3-7 yrs.	348.2	339.8
Office equipment and software	3-10 yrs.	76.8	75.1
Construction in progress	—	5.8	5.7
Property and equipment		854.2	812.6
Less: Accumulated depreciation		522.1	484.3
Property and equipment, net		<u>\$ 332.1</u>	<u>\$ 328.3</u>

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 \$27.4 and \$24.4 for the three months ended March 31, 2023 and 2022, respectively. Depreciation expense related to property and equipment was \$54.5 and \$45.8 for the six months ended March 31, 2023 and 2022, respectively.

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6. Intangible Assets, Goodwill and Acquisitions

Intangible Assets

Identifiable intangible assets consist of acquired customer contracts and relationships, trademarks and non-compete agreements. Amortization expense related to intangible assets was \$11.0 and \$12.0 for the three months ended March 31, 2023 and 2022, respectively. Amortization expense related to intangible assets was \$22.9 and \$25.5 for the six months ended March 31, 2023 and 2022, respectively. These assets are amortized over their estimated useful lives of which the reasonableness is continually evaluated by the Company. The weighted average amortization periods of intangible assets acquired during the six months ended March 31, 2023 and 2022 were seven years.

Intangible assets as of March 31, 2023 and September 30, 2022 consisted of the following:

	Estimated Useful Life	March 31, 2023		September 30, 2022	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	6-21 yrs.	\$ 725.5	\$ (572.9)	\$ 723.1	\$ (550.5)
Trademarks	12 yrs.	3.8	(2.8)	3.8	(2.6)
Non-compete agreements	5 yrs.	2.7	(2.5)	2.7	(2.2)
Total intangible assets		<u>\$ 732.0</u>	<u>\$ (578.2)</u>	<u>\$ 729.6</u>	<u>\$ (555.3)</u>

Goodwill

The following is a summary of the goodwill activity for the periods ended September 30, 2022 and March 31, 2023:

	Maintenance Services	Development Services	Total
Balance, September 30, 2021	\$ 1,758.0	\$ 192.8	\$ 1,950.8
Acquisitions ⁽¹⁾	34.7	23.3	58.0
Balance, September 30, 2022	<u>\$ 1,792.7</u>	<u>\$ 216.1</u>	<u>\$ 2,008.8</u>
Acquisitions ⁽¹⁾	12.0	2.6	14.6
Balance, March 31, 2023	<u>\$ 1,804.7</u>	<u>\$ 218.7</u>	<u>\$ 2,023.4</u>

⁽¹⁾ The acquisitions adjustment includes the immaterial impact of foreign currency adjustments during the period.

Acquisitions

During the six months ended March 31, 2023, the Company acquired, through a series of separate transactions, 100% of the operations of three unrelated companies, all of which were allocated to Maintenance Services. The Company paid approximately \$13.8 in aggregate consideration for the acquisitions, net of cash acquired. The Company accounted for the business combinations under the acquisition method and, accordingly, recorded the assets acquired and liabilities assumed at their estimated fair market values based on management's preliminary estimates, with the excess allocated to goodwill. The fair values were primarily estimated using Level 3 assumptions within the fair value hierarchy, including estimated future cash flows, discount rates and other factors. The valuation process to determine fair values is not yet complete. The Company continues to refine the valuation data and estimates primarily related to unbilled revenue, property and equipment, intangible assets, net, accounts payable, accrued expenses and other current liabilities and deferred revenue and will finalize the amounts recognized as it obtains the information necessary to complete the analysis, but no later than one year from the acquisition date. The identifiable assets acquired were primarily customer relationship intangible assets of \$4.0. The amount allocated to goodwill is reflective of the benefits the Company expects to realize from anticipated synergies and the acquired assembled workforce. The Company expects a portion of the goodwill resulting from these acquisitions will be deductible for tax purposes.

From each acquisition date through March 31, 2023, the amount of revenue of the companies acquired during the period included in our Consolidated Statement of Operations for the six months ended March 31, 2023, was \$6.3.

During the six months ended March 31, 2022, the Company acquired, through a series of separate transactions, 100% of the operations of six unrelated companies, one of which was allocated between Maintenance Services and Development Services. The Company paid approximately \$84.4 in aggregate consideration for the acquisitions, net of cash acquired. The Company accounted for the business combinations under the acquisition method and, accordingly, recorded the assets acquired and liabilities assumed at their estimated fair market values based on management's preliminary estimates, with the excess allocated to goodwill. The purchase

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accounting related to these acquisitions was finalized within one year from each acquisition date. As a result of the final purchase accounting, certain of the fair value amounts previously estimated were adjusted during the measurement period. These measurement period adjustments resulted from updated valuation reports and appraisals received from our external valuation specialists, as well as revisions to internal estimates. The measurement period adjustments were not material to the Consolidated Balance Sheets as of March 31, 2023 and September 30, 2022. The fair values were primarily estimated using Level 3 assumptions within the fair value hierarchy, including estimated future cash flows, discount rates and other factors. The identifiable assets acquired were primarily customer relationship intangible assets of \$21.2. The amount allocated to goodwill is reflective of the benefits the Company expects to realize from anticipated synergies and the acquired assembled workforce. A portion of the goodwill resulting from these acquisitions is deductible for tax purposes.

7. Long-term Debt

Long-term debt consists of the following:

	March 31, 2023	September 30, 2022
Series B term loan	\$ 1,180.1	\$ 1,185.3
Receivables financing agreement	186.5	168.0
Revolving Credit Agreement	—	—
Financing costs, net	(9.7)	(10.6)
Total debt, net	1,356.9	1,342.7
Less: Current portion of long-term debt	12.0	12.0
Long-term debt, net	\$ 1,344.9	\$ 1,330.7

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

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

On April 22, 2022, the Company, entered into Amendment No. 6 to the Credit Agreement (the “Amendment Agreement”). Under the terms of the Amendment Agreement, the existing Credit Agreement was amended to provide for: (i) a \$1,200.0 seven-year term loan (the “Series B Term Loan”) and (ii) a \$300.0 five-year revolving credit facility (the “Revolving Credit Facility”). The Series B Term Loan matures on April 22, 2029 and bears interest at a rate per annum of a secured overnight financing rate (“Term SOFR”), plus a margin of either 3.25% or 3.00% or a base rate (“ABR”) plus a margin of either 2.25% or 2.00%, subject to SOFR and ABR floors of 0.50% and 1.50%, respectively, with the margin on the Series B Term Loan determined based on the Company’s first lien net leverage ratio. The Company used the net proceeds from the Series B Term Loan to repay all amounts outstanding under the Credit Agreement as in effect prior to the Amendment Agreement. An original issue discount of \$12.0 was incurred when the Series B Term Loan was issued and is being amortized using the effective interest method over the life of the debt, resulting in an effective yield of 3.42%. Debt repayments for the Series B Term Loan totaled \$6.0 and \$5.2 for the six months ended March 31, 2023 and 2022, respectively.

Revolving credit facility

The Company has a five-year \$300.0 revolving credit facility (the “Revolving Credit Facility”) that matures on April 22, 2027 and bears interest at a rate per annum of Term SOFR plus a margin ranging from 2.00% to 2.50% or ABR plus a margin ranging from 1.00 to 1.50%, subject to SOFR and ABR floors of 0.00% and 1.00%, respectively, with the margin on the Revolving Credit Facility determined based on the Company’s first lien net leverage ratio. The Revolving Credit Facility replaced the previous \$260.0 revolving credit facility under the Credit Agreement as in effect prior to the Amendment Agreement. During the six months ended March 31, 2023 the Company borrowed and repaid \$33.5 against the capacity. During the six months ended March 31, 2022 the Company borrowed \$80.0 against the capacity. There were no repayments under the facility for the six months ended March 31, 2022.

Receivables financing agreement

On April 28, 2017, the Company, through a wholly-owned subsidiary, entered into a receivables financing agreement (the “Receivables Financing Agreement”). On June 22, 2022, the Company entered into the Third Amendment to the Receivables Financing Agreement (the “Third Amendment”) which extended the term through June 22, 2025 and increased the borrowing capacity to \$275.0. All amounts outstanding under the Receivables Financing Agreement are collateralized by substantially all of the accounts receivable

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and unbilled revenue of the Company. During the six months ended March 31, 2023 the Company borrowed \$298.0 against the capacity and voluntarily repaid \$279.5. During the six months ended March 31, 2022 the Company borrowed \$147.0 against the capacity and voluntarily repaid \$95.0.

The following are the scheduled maturities of long-term debt for the remainder of fiscal 2023 and the following four fiscal years and thereafter, which do not include any estimated excess cash flow payments:

2023	\$	6.0
2024		12.0
2025		198.5
2026		12.0
2027 and thereafter		1,149.0
Total long-term debt		1,377.5
Less: Current maturities		12.0
Less: Original issue discount		10.9
Less: Financing costs		9.7
Total long-term debt, net	\$	1,344.9

The Company has estimated the fair value of its long-term debt to be approximately \$1,350.7 and \$1,317.1 as of March 31, 2023 and September 30, 2022, respectively. Fair value is based on market bid prices around period-end (Level 2 inputs).

8. Fair Value Measurements and Derivative Instruments

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

Fair Value Hierarchy

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

- Level 1 Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement dates.
- Level 2 Significant observable inputs that are used by market participants in pricing the asset or liability based on market data obtained from independent sources.
- Level 3 Significant unobservable inputs the Company believes market participants would use in pricing the asset or liability based on the best information available.

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

Investments held in Rabbi Trust

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

Derivatives

The Company's objective in entering into derivative transactions is to manage its exposure to interest rate movements associated with its variable rate debt and changes in fuel prices. The Company recognizes derivatives as either assets or liabilities on the balance sheet and measures those instruments at fair value. The fair values of the derivative financial instruments are determined using

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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 March 31, 2023 and September 30, 2022, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following tables summarize the financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2023 and September 30, 2022:

	March 31, 2023			
	Carrying Value	Level 1	Level 2	Level 3
Other assets:				
Investments held by Rabbi Trust	\$ 11.5	\$ 11.5	\$ —	\$ —
Interest rate derivative contracts	0.2	—	0.2	—
Total assets	<u>\$ 11.7</u>	<u>\$ 11.5</u>	<u>\$ 0.2</u>	<u>\$ —</u>
Other liabilities:				
Obligation to Rabbi Trust	\$ 11.5	\$ 11.5	\$ —	\$ —
Total liabilities	<u>\$ 11.5</u>	<u>\$ 11.5</u>	<u>\$ —</u>	<u>\$ —</u>

	September 30, 2022			
	Carrying Value	Level 1	Level 2	Level 3
Other assets:				
Investments held by Rabbi Trust	\$ 10.6	\$ 10.6	\$ —	\$ —
Interest rate swap contracts	3.0	—	3.0	—
Total Assets	<u>\$ 13.6</u>	<u>\$ 10.6</u>	<u>\$ 3.0</u>	<u>\$ —</u>
Other liabilities:				
Obligation to Rabbi Trust	\$ 10.6	\$ 10.6	\$ —	\$ —
Total Liabilities	<u>\$ 10.6</u>	<u>\$ 10.6</u>	<u>\$ —</u>	<u>\$ —</u>

Hedging Activities

As of March 31, 2023 and September 30, 2022, the Company's outstanding derivatives qualified as cash flow hedges. The Company assesses whether derivatives used in hedging transactions are "highly effective" in offsetting changes in the cash flow of the hedged forecasted transactions. Regression analysis is used for the hedge relationships and high effectiveness is achieved when a statistically valid relationship reflects a high degree of offset and correlation between the fair values of the derivative and the hedged forecasted transaction. The entire change in the fair value for highly effective derivatives is reported in Other comprehensive income (loss) and subsequently reclassified into Interest expense (in the case of interest rate contracts) and Cost of services provided (in the case of fuel hedge contracts) in the Consolidated Statements of Operations when the hedged item affects earnings. If the hedged forecasted transaction is no longer probable of occurring, then the amount recognized in Accumulated other comprehensive (loss) income is released to earnings. Cash flows from the derivatives are classified in the same category as the cash flows from the underlying hedged transaction.

Interest Rate Contracts

The Company has exposures to variability in interest rates associated with its variable interest rate debt, which includes the Series B Term Loan. As such, the Company has entered into interest rate contracts to help manage interest rate exposure by economically converting a portion of its variable-rate debt to fixed-rate debt. Effective for the periods March 18, 2016 through December 31, 2022, the Company held interest rate swaps with a notional amount of \$500.0. In January 2023, the Company entered into an interest rate swap agreement with a notional amount of \$500.0 and an interest rate collar agreement with a notional amount of \$500.0, each effective for the period January 31, 2023 through January 31, 2028. The notional amount of interest rate contracts was \$1,000.0 and \$500.0 at March 31, 2023 and September 30, 2022, respectively. The net deferred gain on the interest rate swaps as of March 31, 2023 of \$5.1, net of taxes, is expected to be recognized in Interest expense over the next 12 months.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Income recognized in Other comprehensive income (loss)	\$ 1.5	\$ 2.6	\$ 1.5	\$ 3.7
Net income (loss) reclassified from Accumulated other comprehensive (loss) income into Interest expense	1.3	(0.7)	4.3	(1.6)

Fuel Contracts

The Company has exposures to variability in fuel pricing associated with its purchase and usage of fuel during the ordinary course of business operating a large fleet of vehicles and equipment. As such, the Company had entered into gasoline hedge contracts to help reduce its exposure to volatility in the fuel markets. As of March 31, 2023, no fuel hedge contracts were outstanding.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Income recognized in Other comprehensive income (loss)	\$ —	\$ —	\$ —	\$ 0.2
Net gain reclassified from Accumulated other comprehensive (loss) income into Cost of services provided	—	—	—	1.5

9. Income Taxes

The following table summarizes the Company's income tax (benefit) and effective income tax rate for the three and six months ended March 31, 2023 and 2022.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
(Loss) income before income taxes	\$ (29.7)	\$ 0.6	\$ (54.1)	\$ (16.8)
Income tax (benefit)	(7.7)	(0.1)	(13.2)	(4.7)
Effective income tax rate	25.9%	-16.7%	24.4%	28.0%

The increase in the effective tax rate for the three months ended March 31, 2023 when compared to the three months ended March 31, 2022, is primarily attributable to the increase in pre-tax book loss period over period.

The decrease in the effective tax rate for the six months ended March 31, 2023 when compared to the six months ended March 31, 2022, is primarily attributable to the distribution of pre-tax earnings across legal entities as well as the expense related to the vesting of restricted stock units that was recorded discretely in the current period.

10. Equity-Based Compensation

Amended and Restated 2018 Omnibus Incentive Plan

On June 28, 2018 (and as amended and restated on March 10, 2020), in connection with the IPO, the Company's Board of Directors adopted, and its stockholders approved, the BrightView Holdings, Inc. 2018 Omnibus Incentive Plan (the "2018 Omnibus Incentive Plan"). The 2018 Omnibus Incentive Plan provides that the total number of shares of common stock that may be issued under the plan is 18,650,000. Under the plan, the Company may grant stock options, stock appreciation rights, restricted stock, other equity-based awards and other cash-based awards to employees, directors, officers, consultants and advisors.

Restricted Stock Awards

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A summary of the Company's restricted stock award activity for the six month period ended March 31, 2023 is presented in the following table:

	Shares	Weighted-Avg Distribution Price per Share
Outstanding at September 30, 2022	541,000	\$ 14.40
Less: Redeemed	131,000	\$ 13.60
Less: Forfeited	23,000	\$ 14.66
Outstanding at March 31, 2023	387,000	\$ 14.66

Restricted Stock Units

A summary of the Company's restricted stock unit activity for the six month period ended March 31, 2023 is presented in the following table:

	Shares	Weighted-Avg Distribution Price per Share
Outstanding at September 30, 2022	2,285,000	\$ 12.73
Granted	1,901,000	\$ 7.48
Less: Vested	482,000	\$ 14.72
Less: Forfeited	97,000	\$ 12.75
Outstanding at March 31, 2023	3,607,000	\$ 9.70

During the six month period ended March 31, 2023, the Company issued 1,901,000 restricted stock units ("RSUs") at a weighted average grant date fair value of \$7.48 per share, all of which are subject to vesting. The majority of these units vest ratably over a four-year period commencing on the grant date. Non-cash equity-based compensation expense associated with the new grants will total approximately \$12.1 over the requisite service period. During the six month period ended March 31, 2023, 482,000 RSUs vested and 97,000 RSUs were forfeited.

Stock Option Awards

A summary of the Company's stock option activity for the six month period ended March 31, 2023 is presented in the following table:

	Shares	Weighted-Avg Exercise Price per Share
Outstanding at September 30, 2022	7,489,000	\$ 19.07
Less: Forfeited	252,000	\$ 19.63
Outstanding at March 31, 2023	7,237,000	\$ 19.05
Vested and exercisable at March 31, 2023	4,954,000	\$ 19.24
Expected to vest after March 31, 2023	2,283,000	\$ 18.63

Performance Stock Unit Awards

A summary of the Company's performance stock unit activity for the six month period ended March 31, 2023 is presented in the following table:

	Shares	Weighted-Avg Distribution Price per Share
Outstanding at September 30, 2022	403,000	\$ 12.41
Granted	838,000	\$ 7.48
Less: Forfeited	8,000	\$ 7.48
Outstanding at March 31, 2023	1,233,000	\$ 9.09

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During the six month period ended March 31, 2023, the Company issued 838,000 performance stock units (“PSUs”) at a weighted average distribution price of \$7.48 per share and a weighted average grant date fair value of \$7.48 per share, which cliff vest at the end of the three-year performance period. The number of the PSUs that vest upon completion of the performance period can range from 0% to 200% of the original grant, subject to certain limitations, contingent upon performance conditions. The performance condition metrics are the Company’s three-year average Adjusted EBITDA margin and compound annual growth rate of the Company’s land organic revenue. The fair value of these awards is determined based on the trading price of the company’s common shares on the date of grant. Non-cash equity-based compensation expense associated with the grant will be approximately \$5.7 over the requisite service period. During the six month period ended March 31, 2023, no PSUs vested and 8,000 PSUs were forfeited.

Equity-Based Compensation Expense

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

The Company recognized \$6.3 and \$4.6 in equity-based compensation expense for the three months ended March 31, 2023 and 2022, respectively, included in Selling, general and administrative expense in the accompanying Consolidated Statements of Operations. The Company recognized \$11.9 and \$9.3 in equity-based compensation expense for the six month periods ended March 31, 2023 and 2022, respectively, included in Selling, general and administrative expense in the accompanying Consolidated Statements of Operations. The resulting charges increased Additional paid in capital by the same amount for each applicable period. Total unrecognized compensation cost was \$43.5 and \$36.2 as of March 31, 2023 and September 30, 2022, respectively, which is expected to be recognized over a weighted average period of 1.2 and 1.3 years as of March 31, 2023 and September 30, 2022, respectively.

2018 Employee Stock Purchase Plan

The Company’s Stockholders have approved the Company’s 2018 Employee Stock Purchase Plan, (the “ESPP”). A total of 1,100,000 shares of the Company’s common stock were made available for sale under the Company’s 2018 Employee Stock Purchase Plan on October 22, 2018, of which 177,000 were issued on November 14, 2022 and 112,000 were issued on November 15, 2021. An additional portion thereof is expected to be issued in November 2023.

11. Commitments and Contingencies

Risk Management

The Company carries general liability, auto liability, workers’ compensation, and employee health care insurance policies. In addition, the Company carries other reasonable and customary insurance policies for a Company of our size and scope, as well as umbrella liability insurance policies to cover claims over the liability limits contained in the primary policies. The Company’s insurance programs, for workers’ compensation, general liability, auto liability and employee health care for certain employees contain self-insured retention amounts, deductibles and other coverage limits (“self-insured liability”). Claims that are not self-insured as well as claims in excess of the self-insured liability amounts are insured. The Company uses estimates in the determination of the required reserves. These estimates are based upon calculations performed by third-party actuaries, as well as examination of historical trends and industry claims experience. The Company’s reserve for unpaid and incurred but not reported claims under these programs at March 31, 2023 was \$145.9, of which \$50.5 was classified in current liabilities and \$95.4 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, 2022 was \$146.7, of which \$45.6 was classified in current liabilities and \$101.1 was classified in non-current liabilities in the accompanying Consolidated Balance Sheet. While the ultimate amount of these claims is dependent on future developments, in management’s opinion, recorded reserves are adequate to cover these claims. The Company’s reserve for unpaid and incurred but not reported claims at March 31, 2023 includes \$11.6 related to claims recoverable from third-party insurance carriers. Corresponding assets of \$3.4 and \$8.2 are recorded at March 31, 2023, as Other current assets and Other assets, respectively. The Company’s reserve for unpaid and incurred but not reported claims at September 30, 2022 includes \$17.9 related to claims recoverable from third-party insurance carriers. Corresponding assets of \$5.1 and \$12.8 were recorded at September 30, 2022, 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 accounting guidance. This estimated liability is included in Accrued expenses and other current liabilities in the accompanying Consolidated Balance Sheets.

12. Segments

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

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

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

The operating segments identified above are determined based on the services provided, and they reflect the manner in which operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources and assess performance. The CODM is the Company's Chief Executive Officer. The CODM evaluates the performance of the Company's operating segments based upon Net Service Revenues, Adjusted EBITDA and Capital Expenditures. Management uses Adjusted EBITDA to evaluate performance and profitability of each operating segment.

The accounting policies of the segments are the same as those described in Note 2 "Summary of Significant Accounting Policies" in the notes to our consolidated financial statements in the Annual Report on Form 10-K for the fiscal year ended September 30, 2022. 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 March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Maintenance Services	\$ 497.8	\$ 553.4	\$ 981.1	\$ 991.6
Development Services	155.6	159.7	329.9	314.4
Eliminations	(3.0)	(1.2)	(4.7)	(2.2)
Net Service Revenues	<u>\$ 650.4</u>	<u>\$ 711.9</u>	<u>\$ 1,306.3</u>	<u>\$ 1,303.8</u>
Maintenance Services	\$ 51.7	\$ 62.9	\$ 102.2	\$ 108.2
Development Services	13.1	12.8	29.6	27.3
Corporate	(18.0)	(16.0)	(36.5)	(33.2)
Adjusted EBITDA ⁽¹⁾	<u>\$ 46.8</u>	<u>\$ 59.7</u>	<u>\$ 95.3</u>	<u>\$ 102.3</u>
Maintenance Services	\$ 12.7	\$ 27.1	\$ 36.7	\$ 48.9
Development Services	2.7	6.9	4.7	8.1
Corporate	0.1	1.7	1.3	7.2
Capital Expenditures	<u>\$ 15.5</u>	<u>\$ 35.7</u>	<u>\$ 42.7</u>	<u>\$ 64.2</u>

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Net (loss) income	\$ (22.0)	\$ 0.7	\$ (40.9)	\$ (12.1)
Interest expense	27.7	10.1	50.9	19.7
Income tax (benefit)	(7.7)	(0.1)	(13.2)	(4.7)
Depreciation expense	27.4	24.4	54.5	45.8
Amortization expense	11.0	12.0	22.9	25.5
Business transformation and integration costs (a)	4.1	2.4	8.7	8.3
Equity-based compensation (b)	6.3	4.6	12.0	9.4
COVID-19 related expenses (c)	—	5.6	0.4	10.4
Adjusted EBITDA	<u>\$ 46.8</u>	<u>\$ 59.7</u>	<u>\$ 95.3</u>	<u>\$ 102.3</u>

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

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Severance and related costs	\$ 1.8	\$ —	\$ 1.9	\$ 0.3
Business integration (d)	—	0.5	2.5	4.5
IT infrastructure, transformation, and other (e)	2.3	1.9	4.3	3.5
Business transformation and integration costs	<u>\$ 4.1</u>	<u>\$ 2.4</u>	<u>\$ 8.7</u>	<u>\$ 8.3</u>

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

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

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

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

13. (Loss) Earnings Per Share of Common Stock

Basic (loss) earnings per share is computed by dividing net (loss) income attributable to common shares by the weighted average number of common shares outstanding for the period. Diluted (loss) earnings per share is computed by dividing net (loss) income 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 (loss) earnings per share calculation for the periods indicated:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Numerator:				
Net (loss) income available to common stockholders	\$ (22.0)	\$ 0.7	\$ (40.9)	\$ (12.1)
Denominator:				
Weighted average number of common shares outstanding – basic	93,475,000	100,282,000	93,362,000	102,705,000
Basic (loss) earnings per share	<u>\$ (0.23)</u>	<u>\$ 0.01</u>	<u>\$ (0.44)</u>	<u>\$ (0.12)</u>
Weighted average number of common shares outstanding – diluted	93,475,000	100,608,000	93,362,000	102,705,000
Diluted (loss) earnings per share	<u>\$ (0.23)</u>	<u>\$ 0.01</u>	<u>\$ (0.44)</u>	<u>\$ (0.12)</u>
Other Information:				
Weighted average number of anti-dilutive options and restricted stock ^(a)	5,320,000	4,005,787	5,321,000	5,363,000

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

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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, 2022 as contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 17, 2022, 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, 2022, as updated by subsequent filings with the Securities and Exchange Commission, for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. You should carefully read "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q.

Overview

Our Company

We are the largest provider of commercial landscaping services in the United States, with revenues approximately 6 times those of our next largest commercial landscaping competitor. We provide commercial landscaping services ranging from landscape maintenance and enhancements to tree care and landscape development. We operate through a differentiated and integrated national service model which systematically delivers services at the local level by combining our network of over 290 branches with a qualified service partner network. Our branch delivery model underpins our position as a single-source end-to-end landscaping solution provider to our diverse customer base at the national, regional and local levels, which we believe represents a significant competitive advantage. We believe our commercial customer base understands the financial and reputational risk associated with inadequate landscape maintenance and considers our services to be essential and non-discretionary.

Our Segments

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

Maintenance Services

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

Development Services

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

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

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Components of Our Revenues and Expenses

Net Service Revenues

Maintenance Services

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

Development Services

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

Expenses

Cost of Services Provided

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

Selling, General and Administrative Expense

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

Amortization Expense

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

Interest Expense

Interest expense relates primarily to our long-term debt. See Note 7 "Long-term Debt" in the unaudited consolidated financial statements included under Part I, Item 1, "Financial Statements".

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Income Tax (Benefit)

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

Other (Income) Expense

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

Trends and Other Factors Affecting Our Business

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

Seasonality

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

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

Weather Conditions

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

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

Acquisitions

In addition to our organic growth, we have grown, and expect to continue to grow, our business through acquisitions in an effort to better service our existing customers and to attract new customers. These acquisitions have allowed us to execute our “strong-on-strong” acquisition strategy in which we focus on increasing our density and leadership positions in existing local markets, entering into attractive new geographic markets and expanding our portfolio of landscape enhancement services and improving technical capabilities in specialized services. As we continue to selectively pursue acquisitions that complement our “strong-on-strong” acquisition strategy, we believe we are the acquirer of choice in the highly fragmented commercial landscaping industry because we offer the ability to leverage our significant size and scale, as well as provide stable and potentially expanding career opportunities for employees of acquired businesses. In accordance with GAAP, the results of the acquisitions we have completed are reflected in our consolidated financial statements from the date of acquisition. We incur transaction costs in connection with identifying and completing acquisitions and ongoing integration costs as we integrate acquired companies and seek to achieve synergies. During the six months ended March 31, 2023, the Company acquired three businesses and paid approximately \$13.8 million in aggregate consideration, net of cash acquired. We incurred \$2.5 million of integration costs during the first six months of fiscal 2023, of which \$1.9 million related to acquisitions completed prior to fiscal 2023 and \$0.6 million related to acquisitions completed during fiscal 2023. While integration costs vary based on factors specific to each acquisition, such costs are primarily comprised of one-time employee retention costs, employee onboarding

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and training costs, and fleet and uniform rebranding costs. We typically anticipate integration costs to represent approximately 7%-9% of the acquisition price, and to be incurred within 12 months of acquisition completion.

Goodwill

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

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

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

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

During the second quarter of fiscal 2023, the Company identified a triggering event from increases in interest rates and the recent decline in the market price of its common stock. As a result, the Company performed an interim quantitative impairment test for the Maintenance reporting unit as of March 31, 2023. Based on the analysis, the fair value of the reporting unit exceeded the carrying value; however, the fair value of the Maintenance reporting unit exceeded the carrying value by 1.8%. Since the Maintenance reporting unit fair value did not substantially exceed the carrying value, we may be at risk for an impairment loss in the future if interest rates and market conditions continue to trend unfavorably or if our forecasts assumed in the fair value calculation are not realized. As of March 31, 2023, there was \$1,798.9 million of goodwill recorded related to the Maintenance reporting unit.

Industry and Economic Conditions

We believe the non-discretionary nature of our landscape maintenance services provides us with a fairly predictable recurring revenue model. The perennial nature of the landscape maintenance service sector, as well as its wide range of end users, minimizes the impact of a broad or sector-specific downturn. However, in connection with our enhancement services and development services, when demand for commercial construction declines, demand for landscape enhancement services and development projects may decline. When commercial construction activity rises, demand for landscape enhancement services to maintain green space may also increase. This is especially true for new developments in which green space tends to play an increasingly important role. Economic conditions, including rising inflation and fuel prices, as well as rising interest rates, have impacted and may further impact our costs and expenses, and fluctuations in labor markets, may impact our ability to identify, hire and retain employees. Increased labor costs, including recruiting, retention, and overtime expenditures, have and could adversely affect our profitability.

COVID-19 Update

While most of the impact of the COVID-19 pandemic has largely subsided, the effects of any resurgence of the virus or lingering macroeconomic effects such as labor and supply constraints and inflation continue to be highly uncertain and outside the Company's control. Although our Maintenance and Development operations are considered essential services, future governmental orders or other restrictions may limit, restrict or prohibit operations in the future. Further limitations could have a material adverse impact on our business, financial condition and results of operations.

The scope, duration and magnitude of the direct and indirect effects of the COVID-19 pandemic are difficult or impossible to anticipate. Due to the uncertainty related to the extent of the ongoing impact of the pandemic, the Company's results in the second

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quarter of 2023 and 2022 may not be indicative of the Company's future results. For additional information on the risks posed by COVID-19, see "Item 1A – Risk Factors" in our Annual Report on Form 10-K for the year ended September 30, 2022.

Results of Operations

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

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Net service revenues	\$ 650.4	\$ 711.9	\$ 1,306.3	\$ 1,303.8
Cost of services provided	503.3	554.8	1,011.6	1,006.8
Gross profit	147.1	157.1	294.7	297.0
Selling, general and administrative expense	138.7	133.4	276.4	268.2
Amortization expense	11.0	12.0	22.9	25.5
(Loss) income from operations	(2.6)	11.7	(4.6)	3.3
Other (income) expense	(0.6)	1.0	(1.4)	0.4
Interest expense	27.7	10.1	50.9	19.7
(Loss) income before income taxes	(29.7)	0.6	(54.1)	(16.8)
Income tax (benefit)	(7.7)	(0.1)	(13.2)	(4.7)
Net (loss) income	<u>\$ (22.0)</u>	<u>\$ 0.7</u>	<u>\$ (40.9)</u>	<u>\$ (12.1)</u>
Adjusted EBITDA ⁽¹⁾	\$ 46.8	\$ 59.7	\$ 95.3	\$ 102.3
Adjusted Net (Loss) Income ⁽¹⁾	\$ (6.7)	\$ 18.3	\$ (8.0)	\$ 26.5
(Loss) Earnings per Share	\$ (0.23)	\$ 0.01	\$ (0.44)	\$ (0.12)
Adjusted (Loss) Earnings per Share ⁽¹⁾	\$ (0.07)	\$ 0.18	\$ (0.09)	\$ 0.26
Cash flows from operating activities	\$ 84.6	\$ 64.7	\$ 55.0	\$ 42.3
Free Cash Flow ⁽¹⁾	\$ 71.4	\$ 30.5	\$ 15.9	\$ (19.3)

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

Three Months Ended March 31, 2023 compared to Three Months Ended March 31, 2022

Net Service Revenues

Net service revenues for the three months ended March 31, 2023 decreased \$61.5 million, or 8.6%, to \$650.4 million, from \$711.9 million in the 2022 period. The decrease was driven by decreases in Maintenance Services revenues of \$55.6 million and Development Services revenues of \$4.1 million as discussed further below in Segment Results.

Gross Profit

Gross profit for the three months ended March 31, 2023 decreased \$10.0 million, or 6.4%, to \$147.1 million, from \$157.1 million in the 2022 period. Gross margin increased 50 basis points, to 22.6%, in the three months ended March 31, 2023, from 22.1% in the 2022 period. The decrease in gross profit was driven by the decreases in Maintenance Services and Development Services revenues partially offset by a decrease in subcontractor costs associated with the lower snowfall in the period. The increase in gross margin was principally driven by the change in labor mix associated with the lower snowfall in the period, specifically a decrease in subcontractor costs which were partially offset by an increase in labor costs as a percentage of revenue.

Selling, General and Administrative Expense

Selling, general and administrative expense for the three months ended March 31, 2023 increased \$5.3 million, or 4.0%, to \$138.7 million, from \$133.4 million in the 2022 period. As a percentage of revenue, Selling, general and administrative expense increased 260 basis points for the three months ended March 31, 2023 to 21.3%, from 18.7% in the 2022 period. The increase was driven principally by increases in compensation-related costs and the impact of acquisitions, partially offset by decreases in COVID-19 related expenses during the period.

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Amortization Expense

Amortization expense for the three months ended March 31, 2023 decreased \$1.0 million, or 8.3%, to \$11.0 million, from \$12.0 million in the 2022 period. The decrease was principally due to a \$1.2 million decrease in the amortization of historical intangible assets recognized in connection with the KKR Acquisition and the ValleyCrest Acquisition, based on the pattern consistent with expected future cash flows calculated at that time, partially offset by a \$0.2 million increase in amortization expense for intangible assets recognized in connection with our acquired businesses subsequent to the ValleyCrest Acquisition.

Other (Income) Expense

Other income was \$0.6 million for the three months ended March 31, 2023 compared to expense of \$1.0 million in the 2022 period. The increase of \$1.6 million was driven principally by the change in value of investments held in the Rabbi Trust.

Interest Expense

Interest expense for the three months ended March 31, 2023 increased \$17.6 million, or 174.3%, to \$27.7 million, from \$10.1 million in the 2022 period. The increase was driven principally by increased interest rates coupled with the increase in the borrowings under the Series B Term Loan associated with the execution of Amendment No. 6 to the credit agreement dated December 18, 2013 (as so amended, the “Credit Agreement”), partially offset by the impact of the interest rate derivative contracts.

Income Tax Benefit

For the three months ended March 31, 2023, Income tax benefit was \$7.7 million, compared to \$0.1 million in the 2022 period. The increase was primarily attributable to the increase in the Company’s pretax loss of \$29.7 million in the current period compared to pretax income of \$0.6 million in the prior period.

Net (Loss) Income

For the three months ended March 31, 2023, Net loss was \$22.0 million, compared to Net income of \$0.7 million in the 2022 period due to the changes noted above. Net loss as a percentage of revenue was 3.4% for the three months ended March 31, 2023. Net income as a percentage of revenue was 0.1% for the three months ended March 31, 2022.

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Adjusted EBITDA

Adjusted EBITDA decreased \$12.9 million for the three months ended March 31, 2023, to \$46.8 million, from \$59.7 million in the 2022 period. Adjusted EBITDA as a percentage of revenue was 7.2% and 8.4% for the three months ended March 31, 2023 and 2022, respectively. The decrease in Adjusted EBITDA was primarily driven by a decrease of \$11.2 million, or 17.8% in Maintenance Services Segment Adjusted EBITDA, partially offset by an increase of \$0.3 million, or 2.3% in Development Services Segment Adjusted EBITDA, as discussed further below in Segment Results.

Adjusted Net (Loss) Income

Adjusted Net (Loss) Income for the three months ended March 31, 2023 decreased \$25.0 million to \$(6.7) million, from \$18.3 million in the 2022 period due to the changes noted above.

Six Months Ended March 31, 2023 compared to Six Months Ended March 31, 2022

Net Service Revenues

Net service revenues for the six months ended March 31, 2023 increased \$2.5 million, or 0.2%, to \$1,306.3 million, from \$1,303.8 million in the 2022 period. The increase was driven by an increase in Development Services revenues of \$15.5 million which was partially offset by a decrease in Maintenance Services revenues of \$10.5 million as discussed further below in Segment Results.

Gross Profit

Gross profit for the six months ended March 31, 2023 decreased \$2.3 million, or 0.8%, to \$294.7 million, from \$297.0 million in the 2022 period. Gross margin decreased 20 basis points, to 22.6%, in the six months ended March 31, 2023, from 22.8% in the 2022 period. The decreases in gross profit and gross margin were driven by an increase in labor costs and to a lesser extent increases in materials costs and depreciation. These increases were partially offset by a decrease in subcontractor costs during the period.

Selling, General and Administrative Expense

Selling, general and administrative expense for the six months ended March 31, 2023 increased \$8.2 million, or 3.1%, to \$276.4 million, from \$268.2 million in the 2022 period. As a percentage of revenue, Selling, general and administrative expense increased 60 basis points for the six months ended March 31, 2023 to 21.2%, from 20.6% in the 2022 period. The increase was driven principally by increases in compensation-related costs and the impact of acquisitions, partially offset by decreases in COVID-19 related expenses during the period.

Amortization Expense

Amortization expense for the six months ended March 31, 2023 decreased \$2.6 million, or 10.2%, to \$22.9 million, from \$25.5 million in the 2022 period. The decrease was due to a \$2.6 million decrease in the amortization of historical intangible assets recognized in connection with the KKR Acquisition and the ValleyCrest Acquisition, based on the pattern consistent with expected future cash flows calculated at that time.

Other (Income) Expense

Other income was \$1.4 million for the six months ended March 31, 2023 compared to expense of \$0.4 million in the 2022 period. The increase of \$1.8 million was driven principally by changes in the value of investments held in the Rabbi Trust.

Interest Expense

Interest expense for the six months ended March 31, 2023 increased \$31.2 million, or 158.4%, to \$50.9 million, from \$19.7 million in the 2022 period. The increase was driven principally by increased interest rates coupled with the increase in the borrowings under the Series B Term Loan associated with the execution of Amendment No. 6 to the credit agreement dated December 18, 2013 (as so amended, the "Credit Agreement"), partially offset by the impact of the interest rate derivative contracts.

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Income Tax Benefit

Income tax benefit for the six months ended March 31, 2023, was \$13.2 million, compared to \$4.7 million in the 2022 period. The change was primarily attributable to the change in the Company's pretax loss of \$54.1 million in the current period compared to \$16.8 million in the prior period, coupled with the distribution of pre-tax earnings across legal entities and the expense related to the vesting of restricted stock units that was recorded discretely in the current period.

Net Loss

For the six months ended March 31, 2023, Net loss was \$40.9 million, compared to \$12.1 million in the 2022 period due to the changes noted above. Net loss as a percentage of revenue was 3.1% for the six months ended March 31, 2023 compared to 0.9% in the 2022 period.

Adjusted EBITDA

Adjusted EBITDA decreased \$7.0 million for the six months ended March 31, 2023, to \$95.3 million, from \$102.3 million in the 2022 period. Adjusted EBITDA as a percentage of revenue was 7.3% and 7.8% for the six months ended March 31, 2023 and 2022, respectively. The decrease in Adjusted EBITDA was primarily driven by a decrease of \$6.0 million, or 5.5% in Maintenance Services Segment Adjusted EBITDA, partially offset by an increase of \$2.3 million, or 8.4% in Development Services Segment Adjusted EBITDA, as discussed further below in Segment Results.

Adjusted Net (Loss) Income

Adjusted Net (Loss) Income for the six months ended March 31, 2023 decreased \$34.5 million to \$(8.0) million, from \$26.5 million in the 2022 period due to the changes noted above.

Non-GAAP Financial Measures

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

We believe that Adjusted EBITDA, Adjusted Net (Loss) 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 (loss) income before interest, taxes, depreciation, amortization and certain non-cash, non-recurring and other adjustment items. Adjusted Net (Loss) Income is defined as net (loss) income 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 (Loss) 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 (Loss) Income and Adjusted EPS are appropriate to provide additional information to investors about certain material non-cash items and about non-recurring items that we do not expect to continue at the same level in the future.

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

Set forth below are the reconciliations of net (loss) income to Adjusted EBITDA and Adjusted Net (Loss) Income, and cash flows from operating activities to Free Cash Flow. Adjusted EPS is defined as Adjusted Net (Loss) 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 13 "(Loss) Earnings Per Share of Common Stock" in the Notes to our unaudited consolidated financial statements.

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(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Adjusted EBITDA				
Net (loss) income	\$ (22.0)	\$ 0.7	\$ (40.9)	\$ (12.1)
Plus:				
Interest expense, net	27.7	10.1	50.9	19.7
Income tax (benefit)	(7.7)	(0.1)	(13.2)	(4.7)
Depreciation expense	27.4	24.4	54.5	45.8
Amortization expense	11.0	12.0	22.9	25.5
Business transformation and integration costs (a)	4.1	2.4	8.7	8.3
Equity-based compensation (b)	6.3	4.6	12.0	9.4
COVID-19 related expenses (c)	—	5.6	0.4	10.4
Adjusted EBITDA	\$ 46.8	\$ 59.7	\$ 95.3	\$ 102.3
Adjusted Net (Loss) Income				
Net (loss) income	\$ (22.0)	\$ 0.7	\$ (40.9)	\$ (12.1)
Plus:				
Amortization expense	11.0	12.0	22.9	25.5
Business transformation and integration costs (a)	4.1	2.4	8.7	8.3
Equity-based compensation (b)	6.3	4.6	12.0	9.4
COVID-19 related expenses (c)	—	5.6	0.4	10.4
Income tax adjustment (d)	(6.1)	(7.0)	(11.1)	(15.0)
Adjusted Net (Loss) Income	\$ (6.7)	\$ 18.3	\$ (8.0)	\$ 26.5
Free Cash Flow				
Cash flows provided by operating activities	\$ 84.6	\$ 64.7	\$ 55.0	\$ 42.3
Minus:				
Capital expenditures	15.5	35.7	42.7	64.2
Plus:				
Proceeds from sale of property and equipment	2.3	1.5	3.6	2.6
Free Cash Flow	\$ 71.4	\$ 30.5	\$ 15.9	\$ (19.3)

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

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Severance and related costs	\$ 1.8	\$ —	\$ 1.9	\$ 0.3
Business integration (e)	—	0.5	2.5	4.5
IT infrastructure, transformation, and other (f)	2.3	1.9	4.3	3.5
Business transformation and integration costs	<u>\$ 4.1</u>	<u>\$ 2.4</u>	<u>\$ 8.7</u>	<u>\$ 8.3</u>

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

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

(d) Represents the tax effect of pre-tax items excluded from Adjusted Net (Loss) Income and the removal of the applicable discrete tax items, which collectively result in a reduction of income tax (benefit). The tax effect of pre-tax items excluded from Adjusted Net (Loss) 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.

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Tax impact of pre-tax income adjustments	\$ 6.8	\$ 7.0	\$ 12.8	\$ 15.0
Discrete tax items	(0.7)	—	(1.7)	—
Income tax adjustment	<u>\$ 6.1</u>	<u>\$ 7.0</u>	<u>\$ 11.1</u>	<u>\$ 15.0</u>

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- (e) Represents isolated expenses specifically related to the integration of acquired companies such as one-time employee retention costs, employee onboarding and training costs, and fleet and uniform rebranding costs. The Company excludes Business integration costs from the measures disclosed above since such expenses vary in amount due to the number of acquisitions and size of acquired companies as well as factors specific to each acquisition, and as a result lack predictability as to occurrence and/or timing, and create a lack of comparability between periods.
- (f) Represents expenses related to distinct initiatives, typically significant enterprise-wide changes. Such expenses are excluded from the measures disclosed above since such expenses vary in amount based on occurrence as well as factors specific to each of the activities, are outside of the normal operations of the business, and create a lack of comparability between periods.

Segment Results

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

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

Segment Results for the Three Months Ended March 31, 2023 and 2022

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

(in millions)	Three Months Ended March 31,		Percent Change 2023 vs. 2022
	2023	2022	
Net Service Revenues	\$ 497.8	\$ 553.4	(10.0)%
Segment Adjusted EBITDA	\$ 51.7	\$ 62.9	(17.8)%
Segment Adjusted EBITDA Margin	10.4%	11.4%	(100) bps

Maintenance Services Net Service Revenues

Maintenance Services net service revenues for the three months ended March 31, 2023 decreased by \$55.6 million, or 10.0%, from the 2022 period. The decrease was driven by a decrease of \$69.4 million in snow removal services due to lower snowfall, net of \$8.0 million from acquired businesses. Partially offsetting this was a \$13.8 million increase in landscape services revenue consisting of an \$8.3 million contribution from acquired businesses and an increase of \$5.5 million, or 1.6%, in underlying commercial landscape services underpinned by contract services growth.

Maintenance Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the three months ended March 31, 2023 decreased by \$11.2 million to \$51.7 million from \$62.9 million in the 2022 period. Segment Adjusted EBITDA Margin decreased 100 basis points, to 10.4%, in the three months ended March 31, 2023, from 11.4% in the 2022 period. The decreases in Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin were driven by the decrease in snow removal services revenues described above, partially offset by an increased contribution from both contract and ancillary services.

Development Services Segment Results

(in millions)	Three Months Ended March 31,		Percent Change 2023 vs. 2022
	2023	2022	
Net Service Revenues	\$ 155.6	\$ 159.7	(2.6)%
Segment Adjusted EBITDA	\$ 13.1	\$ 12.8	2.3%
Segment Adjusted EBITDA Margin	8.4%	8.0%	40 bps

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Development Services Net Service Revenues

Development Services net service revenues for the three months ended March 31, 2023 decreased \$4.1 million, or 2.6%, compared to the 2022 period. The decrease was principally driven by Development Services project volumes of \$4.9 million, partially offset by \$0.8 million of revenue contributions from acquired businesses.

Development Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the three months ended March 31, 2023 increased \$0.3 million, to \$13.1 million, compared to the 2022 period. Segment Adjusted EBITDA Margin increased 40 basis points, to 8.4% for the quarter from 8.0% in the 2022 period. The increases in Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin were primarily driven by the mix of projects relative to the prior year coupled with disciplined management of materials costs.

Segment Results for the Six Months Ended March 31, 2023 and 2022

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

(in millions)	Six Months Ended March 31,		Percent Change 2023 vs. 2022
	2023	2022	
Net Service Revenues	\$ 981.1	\$ 991.6	(1.1)%
Segment Adjusted EBITDA	\$ 102.2	\$ 108.2	(5.5)%
Segment Adjusted EBITDA Margin	10.4%	10.9%	(50) bps

Maintenance Services Net Service Revenues

Maintenance Services net service revenues for the six months ended March 31, 2023 decreased by \$10.5 million, or 1.1%, from the 2022 period. The decrease was driven by a decrease of \$43.6 million in snow removal services due to lower snowfall, net of \$15.6 million from acquired businesses. Partially offsetting this was a \$33.1 million increase in landscape services revenue consisting of a \$21.4 million contribution from acquired businesses and an increase of \$11.7 million, or 1.6%, in underlying commercial landscape services underpinned by contract services growth.

Maintenance Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the six months ended March 31, 2023 decreased by \$6.0 million to \$102.2 million from \$108.2 million in the 2022 period. Segment Adjusted EBITDA Margin decreased 50 basis points, to 10.4%, in the six months ended March 31, 2023, from 10.9% in the 2022 period. The decreases in Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin were driven by the decrease in snow removal services revenues described above, partially offset by an increased contribution from both contract and ancillary services.

Development Services Segment Results

(in millions)	Six Months Ended March 31,		Percent Change 2023 vs. 2022
	2023	2022	
Net Service Revenues	\$ 329.9	\$ 314.4	4.9%
Segment Adjusted EBITDA	\$ 29.6	\$ 27.3	8.4%
Segment Adjusted EBITDA Margin	9.0%	8.7%	30 bps

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Development Services Net Service Revenues

Development Services net service revenues for the six months ended March 31, 2023 increased \$15.5 million, or 4.9%, compared to the 2022 period. The increase was principally driven by an \$11.4 million revenue contribution from acquired businesses combined with an increase of \$4.1 million due to additional project volumes.

Development Services Segment Adjusted EBITDA

Segment Adjusted EBITDA for the six months ended March 31, 2023 increased \$2.3 million, to \$29.6 million, compared to the 2022 period. Segment Adjusted EBITDA Margin increased 30 basis points, to 9.0% for the period from 8.7% in the 2022 period. Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin increased principally due to the increase in revenues described above.

Liquidity and Capital Resources

Liquidity

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

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

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)	March 31, 2023	September 30, 2022
Cash and cash equivalents	\$ 11.0	\$ 20.1
Short-term borrowings and current maturities of long-term debt	\$ 12.0	\$ 12.0
Long-term debt	1,344.9	1,330.7
Total debt	<u>\$ 1,356.9</u>	<u>\$ 1,342.7</u>

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

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

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

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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)	Six Months Ended March 31,	
	2023	2022
Operating activities	\$ 55.0	\$ 42.3
Investing activities	\$ (51.8)	\$ (145.7)
Financing activities	\$ (12.3)	\$ 25.2
Free Cash Flow ⁽¹⁾	\$ 15.9	\$ (19.3)

⁽¹⁾ See “Non-GAAP Financial Measures” above for a reconciliation to the most directly comparable GAAP measure.

Cash Flows provided by Operating Activities

Net cash provided by operating activities for the six months ended March 31, 2023 increased \$12.7 million, to \$55.0 million, from \$42.3 million in the 2022 period. This increase was due to an increase in cash provided by other operating assets and decreases in cash used by accounts payable and other operating liabilities and cash used by accounts receivable. This was partially offset by a decrease in the cash provided by unbilled and deferred revenue.

Cash Flows used in Investing Activities

Net cash used in investing activities decreased \$93.9 million to \$51.8 million for the six months ended March 31, 2023 from \$145.7 million in the 2022 period. The decrease was driven by a decrease of \$70.6 million in cash used for acquisitions coupled with a decrease of \$21.5 million in capital expenditures in comparison to the prior period.

Cash Flows (used) provided by Financing Activities

Net cash flows used in financing activities of \$12.3 million for the six months ended March 31, 2023 included repayments of our Receivables Financing Agreement of \$279.5 million, repayments of our Revolving Credit Facility of \$33.5 million, repayments of finance lease obligations of \$14.7 million and contingent business acquisition payments of \$9.6 million. These repayments were partially offset by proceeds from our Receivables Financing Agreement, net of issuance costs of \$298.0 million and proceeds from our Revolving Credit Facility of \$33.5 million.

Free Cash Flow

Free Cash Flow increased \$35.2 million to an inflow of \$15.9 million for the six months ended March 31, 2023 from an outflow of \$19.3 million in the 2022 period. The increase in Free Cash Flow was due to an increase in net cash provided by operating activities coupled with a decrease in cash used for capital expenditures, each as described above.

Working Capital

(in millions)	March 31, 2023	September 30, 2022
Net Working Capital:		
Current assets	\$ 653.4	\$ 677.1
Less: Current liabilities	502.2	488.4
Net working capital	<u>\$ 151.2</u>	<u>\$ 188.7</u>

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Net working capital is defined as current assets less current liabilities. Net working capital decreased \$37.5 million to \$151.2 million at March 31, 2023, from \$188.7 million at September 30, 2022, primarily driven by an increase in deferred revenue of \$29.0 million coupled with a decrease in other current assets of \$20.3 million, a decrease in unbilled revenue of \$9.8 million and a decrease in cash and cash equivalents of \$9.1 million. This was partially offset by an increase in accounts receivable, net of \$15.5 million coupled with a decrease in accounts payable of \$10.4 million and a decrease in accrued expenses and other current liabilities of \$10.2 million.

Description of Indebtedness

As of March 31, 2023, we were in compliance with all of our debt covenants and no event of default has occurred or was ongoing. See Note 7 “Long-term Debt” to our unaudited consolidated financial statements included under Part I, Item 1, “Financial Statements”.

Contractual Obligations and Commercial Commitments

As of March 31, 2023, 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, 2022 in our Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

Management has evaluated the accounting policies used in the preparation of the Company’s consolidated financial statements and related notes and believe those policies to be reasonable and appropriate. Certain of these accounting policies require the application of significant judgment by management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on historical experience, trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The most significant areas involving management judgments and estimates may be found in the Annual Report on Form 10-K, in the “Critical Accounting Policies and Estimates” section of “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” There have been no material changes to our critical accounting policies as compared to the critical accounting policies described in the Annual Report on Form 10-K for the year ended September 30, 2022.

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.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For quantitative and qualitative disclosures about market risk, see “Item 7A. Quantitative and Qualitative Disclosure of Market Risk” in the Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

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

In accordance with Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision of our CEO and our CFO, the effectiveness of disclosure controls and procedures as of March 31, 2023. Based on this evaluation, our CEO and our CFO concluded that our disclosure controls and procedures were effective as of March 31, 2023 at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022, as filed with the SEC on November 17, 2022.

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

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

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

Exhibit No.	Description
3.1	<u>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)</u>
3.2	<u>Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 7, 2023)</u>
3.3	<u>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)</u>
10.1	<u>Joinder to the Receivables Financing Agreement, dated as of May 2, 2023, by and among BrightView Funding LLC, as borrower, BrightView Landscapes LLC, as initial servicer and PNC Bank, National Association, as lender, letter of credit bank, letter of credit participant and administrative agent</u>
31.1*	<u>Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</u>
31.2*	<u>Certification of Periodic Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1**	<u>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</u>
32.2**	<u>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</u>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, has been formatted in Inline XBRL.

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

BrightView Holdings, Inc.

Date: May 4, 2023

By: /s/ Louay H. Khatib

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

Exhibit 10.1

JOINDER AGREEMENT AND WAIVER

THIS JOINDER AGREEMENT AND WAIVER, dated as of May 2, 2023 (this “Agreement”) is entered into by and between Baytree, Inc., a corporation organized under the laws of Delaware (the “Additional Originator”), with its principal place of business located at 980 Jolly Road, Blue Bell, PA 19422 and PNC Bank, National Association (the “Administrative Agent”).

BACKGROUND:

A. BrightView Funding LLC, a Delaware limited liability company (the “Buyer”) and the various entities from time to time party thereto, as Originators (collectively, the “Originators”), have entered into that certain Purchase and Sale Agreement, dated as of April 28, 2017 (as amended, restated, supplemented or otherwise modified through the date hereof, and as it may be further amended, restated, supplemented or otherwise modified from time to time, the “Purchase and Sale Agreement”).

B. The Additional Originator desires to become an Originator pursuant to Section 4.3 of the Purchase and Sale Agreement.

C. Western Landscape Construction, an Originator under the Purchase and Sale Agreement, has notified the Administrative Agent that on January 19, 2023, Western Landscape Construction’s name was changed to GTI 1, Inc., and (i) the Administrative Agent was not notified within the time periods required pursuant to the Transaction Documents (the “Name Change Event”).

D. In connection with amendments to the Credit Agreement, UCC-1 financing statements naming each Originator, as debtor, and the J.P. Morgan Chase Bank, N.A., as secured party, were filed and such financing statements included a description of the related collateral as “all assets” of such debtor (the “Filing Events” and together with the Name Change Events, the “Subject Breaches”).

E. The Subject Breaches constitute Events of Default or Unmatured Events of Default (such Events of Default or Unmatured Events of Default or any failure to give notice thereof and any breach of a representation, warranty, certification or statement regarding the absence of any Event of Default or Unmatured Event of Default, in each case, solely to the extent arising from the Subject Breaches, the “Subject Events”).

F. The Administrative Agent and the Majority Lenders wish to waive the occurrence of the Subject Events, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Additional Originator and the Administrative Agent hereby agree as follows:

SECTION 1. Definitions. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned thereto in the Purchase and Sale Agreement or in the Receivables Financing Agreement (as defined in the Purchase and Sale Agreement).

SECTION 2. Transaction Documents. The Additional Originator hereby agrees that it shall be bound by all of the terms, conditions and provisions of, and shall be deemed to be a party to (as if it were an original signatory to), the Purchase and Sale Agreement and each of the other relevant Transaction Documents. From and after the later of the date hereof and the date that the Additional Originator has complied with all of the requirements of Section 4.3 of the Purchase and Sale Agreement, the Additional Originator shall be an Originator for all purposes of the Purchase and Sale Agreement and all other Transaction Documents. The Additional Originator hereby acknowledges that it has received copies of the Purchase and Sale Agreement and the other Transaction Documents.

SECTION 3. Waiver; Limitations; Certain Agreements.

(b) Subject to the terms and conditions set forth herein, the Administrative Agent and the Majority Lenders hereby waive the occurrence of the Subject Events; provided that the Servicer shall provide the Administrative Agent with evidence reasonably satisfactory to the Administrative Agent of the filing of UCC-3 financing statements amendments to the UCC financing statements relating to the Filing Events releasing the Receivables and Related Rights from the applicable collateral descriptions within 30 days (or such longer period as the Administrative Agent may approve in writing in its sole discretion) of the date hereof and any failure to deliver such evidence shall constitute an Event of Default.

(c) Notwithstanding anything to the contrary herein or in any Transaction Document, by executing this Agreement, the Administrative Agent and any Lender are not now waiving, nor has the Administrative Agent or any Lender agreed to waive in the future, the breach of (or any rights and remedies related to the breach of) any provisions of the Purchase and Sale Agreement or any other Transaction Document other than the Subject Events as strictly described herein. Each of the Administrative Agent and each Lender hereby specifically reserves any and all rights, remedies and claims it has with respect to any other breach of the provisions of the Purchase and Sale Agreement or any other Transaction Document (other than the Subject Events as strictly described herein) that may occur at any time. Each of the Administrative Agent and each Lender expressly reserves any and all rights, claims and remedies that it has or may have against the Buyer, the Servicer, the Originator or any other Person under the Purchase and Sale Agreement, any other Transaction Document or any applicable law or otherwise.

(d) Without limiting the generality of the foregoing and for the avoidance of doubt, neither the Administrative Agent nor any Lender is hereby waiving or releasing, nor has it agreed to waive or release in the future, any right or claim to indemnification or reimbursement by, or damages from, the Buyer, the Servicer, the Originator or any other Person under any Transaction Document, including without limitation, for any liability, obligation, loss, damage, penalty, judgment, settlement, cost, expense or disbursement resulting or arising directly or indirectly from Subject Events or otherwise.

SECTION 1. Name Change. The parties hereby acknowledge that all references to Western Landscape Construction in the Transaction Documents shall be understood to refer to its new name, GTI 1, Inc.

SECTION 2. Representations and Warranties. The Additional Originator hereby makes all of the representations and warranties set forth in Article V (to the extent applicable) of the Purchase and Sale Agreement as of the date hereof (unless such representations or warranties relate to an earlier date, in which case as of such earlier date), as if such representations and warranties were fully set forth herein. The Additional Originator hereby represents and warrants that its "location" (as defined in the applicable UCC) is Delaware, and the offices where the Additional Originator keeps all of its books and records concerning the Receivables and Related Security is as follows:

980
Blue Bell, Pennsylvania 19422

Jolly

Road

SECTION 3. Miscellaneous.

(a) Severability. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(b) Transaction Document. This Agreement shall be a Transaction Document for purposes of the Receivables Financing Agreement.

(c) Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or e-mail transmission shall be effective as delivery of a manually executed counterpart hereof. The words "execution", "executed", "signed", "signature", and words of like import in this Amendment shall be deemed to include electronic signatures or electronic records, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(d) GOVERNING LAW AND JURISDICTION.

i. THIS AGREEMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT WITHOUT REGARD TO ANY OTHER CONFLICTS OF LAW PROVISIONS THEREOF).

ii. EACH PARTY HERETO HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE OR FEDERAL COURT SITTING IN NEW YORK CITY, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, AND EACH PARTY HERETO HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT THEY MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING. THE PARTIES HERETO AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(e) This Agreement is executed by the Additional Originator for the benefit of the Buyer, and its assigns, and each of the foregoing parties may rely hereon. This Agreement shall be binding upon, and shall inure to the benefit of, the Additional Originator and its successors and permitted assigns.

[Signature Pages Follow]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed by its duly authorized officer as of the date and year first above written.

BAYTREE, INC.

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Assistant Treasurer

Consented to:

BRIGHTVIEW FUNDING LLC

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Assistant Treasurer

PNC BANK, NATIONAL ASSOCIATION
as Administrative Agent

By: /s/ Chris Blaney
Name: Chris Blaney
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION
as LC Bank and as Lender

By: /s/ Chris Blaney
Name: Chris Blaney
Title: Senior Vice President

MUFG BANK, LTD.
as LC Participant and as Lender

By: /s/ Eric Williams
Name: Eric Williams
Title: Managing Director

BRIGHTVIEW LANDSCAPES, LLC

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Assistant Treasurer

BRIGHTVIEW CHARGERS, INC.

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Assistant Treasurer

BRIGHTVIEW ENTERPRISE
SOLUTIONS, LLC

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Assistant Treasurer

BRIGHTVIEW LANDSCAPE SERVICES,
INC., an Arizona corporation

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Treasurer

BRIGHTVIEW LANDSCAPE SERVICES,
INC., a California corporation

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Treasurer

BRIGHTVIEW LANDSCAPE SERVICES,
INC., a Colorado corporation

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Treasurer

BRIGHTVIEW LANDSCAPE SERVICES,
INC., a Florida corporation

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Treasurer

BRIGHTVIEW LANDSCAPE SERVICES,
INC., a Georgia corporation

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Treasurer

BRIGHTVIEW LANDSCAPE SERVICES,
INC., a Nevada corporation

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Treasurer

BRIGHTVIEW LANDSCAPE SERVICES,
INC., a Texas corporation

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Treasurer

BRIGHTVIEW LANDSCAPE
DEVELOPMENT, INC.

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Assistant Treasurer

BRIGHTVIEW GOLF MAINTENANCE,
INC.

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Chief Financial Officer and Assistant Treasurer

BRIGHTVIEW TREE CARE SERVICES,
INC.

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Chief Financial Officer and Assistant Treasurer

GTI 1, INC.

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Assistant Treasurer

U. S. LAWNS, INC.

By: /s/ Robert Tyler
Name: Robert Tyler
Title: Assistant Treasurer

**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 March 31, 2023 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the

audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

/s/ Andrew V. Masterman

Andrew V. Masterman

Chief Executive Officer and Director
(Principal Executive Officer)

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

I, Brett Urban, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the

audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

/s/ Brett Urban

Brett Urban

Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of BrightView Holdings, Inc. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2023 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: May 4, 2023

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

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

In connection with the Quarterly Report of BrightView Holdings, Inc. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2023 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brett Urban, 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: May 4, 2023

/s/ Brett Urban
Brett Urban
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)