
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 SEPTEMBER 30, 2020

OR

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

For the transition period from _____ to _____ .

Commission File Number 1-38494

ARCOSA

Arcosa, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

500 N. Akard Street, Suite 400

Dallas, Texas

(Address of principal executive offices)

82-5339416

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

75201

(Zip Code)

(972) 942-6500

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock (\$0.01 par value)	ACA	New York Stock Exchange

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 ☒

At October 15, 2020 the number of shares of common stock outstanding was 48,267,365.

ARCOSA, INC.
FORM 10-Q
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PART I

Item 1. *Financial Statements* Arcosa, Inc. and Subsidiaries Consolidated Statements of Operations (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Revenues	\$ 490.0	\$ 445.0	\$ 1,476.7	\$ 1,290.0
Operating costs:				
Cost of revenues	390.3	356.7	1,178.4	1,035.2
Selling, general, and administrative expenses	57.6	45.5	163.3	132.4
	447.9	402.2	1,341.7	1,167.6
Total operating profit	42.1	42.8	135.0	122.4
Interest expense	2.3	1.6	8.4	5.1
Other, net (income) expense	(0.5)	(0.7)	(0.8)	(1.0)
Income before income taxes	40.3	41.9	127.4	118.3
Provision for income taxes	9.1	9.2	31.3	26.1
Net income	\$ 31.2	\$ 32.7	\$ 96.1	\$ 92.2
Net income per common share:				
Basic	\$ 0.64	\$ 0.68	\$ 1.99	\$ 1.91
Diluted	\$ 0.64	\$ 0.67	\$ 1.97	\$ 1.89
Weighted average number of shares outstanding:				
Basic	48.1	47.9	48.0	47.8
Diluted	48.5	48.3	48.5	48.3
Dividends declared per common share	\$ 0.05	\$ 0.05	\$ 0.15	\$ 0.15

See accompanying Notes to Consolidated Financial Statements.

Arcosa, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Net income	\$ 31.2	\$ 32.7	\$ 96.1	\$ 92.2
Other comprehensive income (loss):				
Derivative financial instruments:				
Unrealized losses arising during the period, net of tax expense (benefit) of \$0.0, (\$0.1), (\$1.1), and (\$0.8)	—	(0.6)	(3.9)	(3.4)
Reclassification adjustments for losses included in net income, net of tax expense (benefit) of (\$0.1), \$0.0, (\$0.3), and \$0.0	0.5	0.1	1.1	0.2
Currency translation adjustment:				
Unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$0.1, \$0.0, (\$0.1), and \$0.0	0.2	(0.1)	(0.5)	0.3
	<u>0.7</u>	<u>(0.6)</u>	<u>(3.3)</u>	<u>(2.9)</u>
Comprehensive income	<u>\$ 31.9</u>	<u>\$ 32.1</u>	<u>\$ 92.8</u>	<u>\$ 89.3</u>

See accompanying Notes to Consolidated Financial Statements.

Arcosa, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2020	December 31, 2019
	(unaudited)	
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 189.0	\$ 240.4
Receivables, net of allowance	232.9	200.0
Inventories:		
Raw materials and supplies	131.2	134.8
Work in process	42.7	41.7
Finished goods	116.0	106.8
	289.9	283.3
Other	28.8	33.5
Total current assets	740.6	757.2
Property, plant, and equipment, net	894.8	816.2
Goodwill	776.0	621.9
Intangibles, net	163.2	51.7
Deferred income taxes	15.2	14.3
Other assets	45.2	41.2
	\$ 2,635.0	\$ 2,302.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 137.1	\$ 90.0
Accrued liabilities	116.4	119.4
Advance billings	54.5	70.9
Current portion of long-term debt	4.2	3.7
Total current liabilities	312.2	284.0
Debt	250.4	103.6
Deferred income taxes	106.8	66.4
Other liabilities	84.0	58.1
	753.4	512.1
Stockholders' equity:		
Common stock – 200.0 shares authorized	0.5	0.5
Capital in excess of par value	1,695.8	1,686.7
Retained earnings	211.7	122.9
Accumulated other comprehensive loss	(23.0)	(19.7)
Treasury stock	(3.4)	—
	1,881.6	1,790.4
	\$ 2,635.0	\$ 2,302.5

See accompanying Notes to Consolidated Financial Statements.

Arcosa, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
	(in millions)	
Operating activities:		
Net income	\$ 96.1	\$ 92.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	82.9	63.2
Stock-based compensation expense	14.0	11.1
Provision for deferred income taxes	7.1	14.9
Gains on disposition of property and other assets	(3.6)	(2.6)
(Increase) decrease in other assets	(7.2)	0.2
Increase (decrease) in other liabilities	7.5	2.4
Other	(0.9)	(1.9)
Changes in current assets and liabilities:		
(Increase) decrease in receivables	5.1	86.1
(Increase) decrease in inventories	14.9	(47.7)
(Increase) decrease in other current assets	8.8	(3.2)
Increase (decrease) in accounts payable	37.3	(3.9)
Increase (decrease) in advance billings	(22.5)	(1.2)
Increase (decrease) in accrued liabilities	(12.8)	9.4
Net cash provided by operating activities	226.7	219.0
Investing activities:		
Proceeds from disposition of property and other assets	8.9	4.7
Capital expenditures	(56.9)	(61.0)
Acquisitions, net of cash acquired	(361.7)	(31.1)
Net cash required by investing activities	(409.7)	(87.4)
Financing activities:		
Payments to retire debt	(103.8)	(81.0)
Proceeds from issuance of debt	251.4	—
Shares repurchased	(4.0)	(11.0)
Dividends paid to common shareholders	(7.3)	(7.4)
Purchase of shares to satisfy employee tax on vested stock	(3.5)	(4.1)
Other	(1.2)	—
Net cash provided by (required by) financing activities	131.6	(103.5)
Net increase (decrease) in cash and cash equivalents	(51.4)	28.1
Cash and cash equivalents at beginning of period	240.4	99.4
Cash and cash equivalents at end of period	\$ 189.0	\$ 127.5

See accompanying Notes to Consolidated Financial Statements.

Arcosa, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(unaudited)

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	\$0.01 Par Value				Shares	Amount	
(in millions, except par value)								
Balances at June 30, 2019	48.4	\$ 0.5	\$ 1,679.8	\$ 74.0	\$ (20.0)	—	\$ —	\$ 1,734.3
Net income	—	—	—	32.7	—	—	—	32.7
Other comprehensive loss	—	—	—	—	(0.6)	—	—	(0.6)
Cash dividends on common stock	—	—	—	(2.4)	—	—	—	(2.4)
Restricted shares, net	—	—	4.3	—	—	—	(0.2)	4.1
Shares repurchased	—	—	—	—	—	(0.1)	(3.0)	(3.0)
Other	—	—	0.5	—	—	—	—	0.5
Balances at September 30, 2019	48.4	\$ 0.5	\$ 1,684.6	\$ 104.3	\$ (20.6)	(0.1)	\$ (3.2)	\$ 1,765.6
Balances at June 30, 2020	48.3	\$ 0.5	\$ 1,689.4	\$ 182.9	\$ (23.7)	—	\$ —	\$ 1,849.1
Net income	—	—	—	31.2	—	—	—	31.2
Other comprehensive income	—	—	—	—	0.7	—	—	0.7
Cash dividends on common stock	—	—	—	(2.4)	—	—	—	(2.4)
Restricted shares, net	—	—	6.4	—	—	—	(1.4)	5.0
Shares repurchased	—	—	—	—	—	—	(2.0)	(2.0)
Balances at September 30, 2020	48.3	\$ 0.5	\$ 1,695.8	\$ 211.7	\$ (23.0)	—	\$ (3.4)	\$ 1,881.6
Balances at December 31, 2018	48.8	\$ 0.5	\$ 1,685.7	\$ 19.5	\$ (17.7)	(0.1)	\$ (3.5)	\$ 1,684.5
Net income	—	—	—	92.2	—	—	—	92.2
Other comprehensive loss	—	—	—	—	(2.9)	—	—	(2.9)
Cash dividends on common stock	—	—	—	(7.4)	—	—	—	(7.4)
Restricted shares, net	0.2	—	12.1	—	—	(0.2)	(5.1)	7.0
Shares repurchased	—	—	—	—	—	(0.4)	(11.0)	(11.0)
Retirement of treasury stock	(0.6)	—	(16.4)	—	—	0.6	16.4	—
Other	—	—	3.2	—	—	—	—	3.2
Balances at September 30, 2019	48.4	\$ 0.5	\$ 1,684.6	\$ 104.3	\$ (20.6)	(0.1)	\$ (3.2)	\$ 1,765.6
Balances at December 31, 2019	48.3	\$ 0.5	\$ 1,686.7	\$ 122.9	\$ (19.7)	—	\$ —	\$ 1,790.4
Net income	—	—	—	96.1	—	—	—	96.1
Other comprehensive loss	—	—	—	—	(3.3)	—	—	(3.3)
Cash dividends on common stock	—	—	—	(7.3)	—	—	—	(7.3)
Restricted shares, net	0.2	—	16.9	—	—	(0.1)	(6.4)	10.5
Shares repurchased	—	—	—	—	—	(0.1)	(4.0)	(4.0)
Retirement of treasury stock	(0.2)	—	(7.0)	—	—	0.2	7.0	—
Other	—	—	(0.8)	—	—	—	—	(0.8)
Balances at September 30, 2020	48.3	\$ 0.5	\$ 1,695.8	\$ 211.7	\$ (23.0)	—	\$ (3.4)	\$ 1,881.6

See accompanying Notes to Consolidated Financial Statements.

Arcosa, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)

Note 1. Overview and Summary of Significant Accounting Policies

Basis of Presentation

Arcosa, Inc. and its consolidated subsidiaries (“Arcosa,” the “Company,” “we,” or “our”), headquartered in Dallas, Texas, is a provider of infrastructure-related products and solutions with leading brands serving construction, energy, and transportation markets in North America. Arcosa is a Delaware corporation and was incorporated in 2018 in connection with the separation of Arcosa from Trinity Industries, Inc. (“Trinity” or “Former Parent”) on November 1, 2018 as an independent, publicly-traded company, listed on the New York Stock Exchange (the “Separation”).

The accompanying Consolidated Financial Statements are unaudited and have been prepared from the books and records of Arcosa, Inc. and its consolidated subsidiaries. All normal and recurring adjustments necessary for a fair presentation of the financial position of the Company and the results of operations, comprehensive income/loss, and cash flows have been made in conformity with accounting principles generally accepted in the U.S. (“GAAP”). All significant intercompany accounts and transactions have been eliminated. Because of seasonal and other factors, including the unknown potential duration, spread, severity, and impact of the COVID-19 pandemic, Arcosa's business, financial condition, and results of operations for the three and nine months ended September 30, 2020 may not be indicative of Arcosa's expected business, financial condition, and results of operations for the year ending December 31, 2020.

These interim financial statements and notes are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited Consolidated and Combined Financial Statements of the Company included in its Annual Report on Form 10-K for the year ended December 31, 2019.

Stockholders' Equity

In December 2018, the Company's Board of Directors (the “Board”) authorized a \$50 million share repurchase program effective December 5, 2018 through December 31, 2020. For the three and nine months ended September 30, 2020, the Company repurchased 45,446 and 102,282 shares at a cost of \$2.0 million and \$4.0 million, respectively. As of September 30, 2020, the Company had a remaining authorization of \$32.0 million under the program.

Revenue Recognition

Revenue is measured based on the allocation of the transaction price in a contract to satisfied performance obligations. The transaction price does not include any amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The following is a description of principal activities from which the Company generates its revenue, separated by reportable segments. Payments for our products and services are generally due within normal commercial terms. For a further discussion regarding the Company's reportable segments, see Note 4 Segment Information.

Construction Products Group

The Construction Products Group recognizes substantially all revenue when the customer has accepted the product and legal title of the product has passed to the customer.

Energy Equipment Group

Within the Energy Equipment Group, revenue is recognized for our wind tower, certain utility structure, and certain storage tank product lines over time as the products are manufactured using an input approach based on the costs incurred relative to the total estimated costs of production. We recognize revenue over time for these products as they are highly customized to the needs of an individual customer resulting in no alternative use to the Company if not purchased by the customer after the contract is executed, and we have the right to bill the customer for our work performed to date plus at least a reasonable profit margin for work performed. As of September 30, 2020, we had a contract asset of \$40.0 million related to these contracts, compared to \$50.8 million at December 31, 2019, which is included in receivables, net of allowance, within the Consolidated Balance Sheets. For all other products, revenue is recognized when the customer has accepted the product and legal title of the product has passed to the customer.

Transportation Products Group

The Transportation Products Group recognizes revenue when the customer has accepted the product and legal title of the product has passed to the customer.

Unsatisfied Performance Obligations

The following table includes estimated revenue expected to be recognized in future periods related to performance obligations that are unsatisfied or partially satisfied as of September 30, 2020 and the percentage of the outstanding performance obligations as of September 30, 2020 expected to be delivered during the remainder of 2020:

	Unsatisfied performance obligations at September 30, 2020	
	Total Amount (in millions)	Percent expected to be delivered in 2020
Energy Equipment Group:		
Wind towers and utility structures	\$ 429.3	32 %
Other	\$ 13.3	77 %
Transportation Products Group:		
Inland barges	\$ 177.5	45 %

Substantially all unsatisfied performance obligations beyond 2020 are expected to be delivered during 2021. Subsequent to September 30, 2020, we received additional orders of approximately \$32 million for inland barges expected to be delivered in 2021.

Income Taxes

The liability method is used to account for income taxes. Deferred income taxes represent the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances reduce deferred tax assets to an amount that will more likely than not be realized.

The Company regularly evaluates the likelihood of realization of tax benefits derived from positions it has taken in various federal and state filings after consideration of all relevant facts, circumstances, and available information. For those tax positions that are deemed more likely than not to be sustained, the Company recognizes the benefit it believes is cumulatively greater than 50% likely to be realized. To the extent the Company were to prevail in matters for which accruals have been established or be required to pay amounts in excess of recorded reserves, the effective tax rate in a given financial statement period could be materially impacted.

Financial Instruments

The Company considers all highly liquid debt instruments to be cash and cash equivalents if purchased with a maturity of three months or less. Financial instruments that potentially subject the Company to a concentration of credit risk are primarily cash investments and receivables. The Company places its cash investments in bank deposits and highly-rated money market funds, and its investment policy limits the amount of credit exposure to any one commercial issuer. We seek to limit concentrations of credit risk with respect to receivables with control procedures that monitor the credit worthiness of customers, together with the large number of customers in the Company's customer base and their dispersion across different industries and geographic areas. As receivables are generally unsecured, the Company maintains an allowance for doubtful accounts based upon the expected credit losses. Receivable balances determined to be uncollectible are charged against the allowance. To accelerate the conversion to cash, the Company may sell a portion of its trade receivables to a third party. The Company has no continuing involvement or recourse related to these receivables once they are sold, and the impact of these transactions in the Company's Consolidated Statements of Operations for the three and nine months ended September 30, 2020 was not significant. The carrying values of cash, receivables, and accounts payable are considered to be representative of their respective fair values.

Derivative Instruments

The Company may, from time to time, use derivative instruments to mitigate the impact of changes in interest rates, commodity prices, or changes in foreign currency exchange rates. For derivative instruments designated as hedges, the Company formally documents the relationship between the derivative instrument and the hedged item, as well as the risk management objective and strategy for the use of the derivative instrument. This documentation includes linking the derivative to specific assets or liabilities on the balance sheet, commitments, or forecasted transactions. At the time a derivative instrument is entered into, and at least quarterly thereafter, the Company assesses whether the derivative instrument is effective in offsetting the changes in fair value or cash flows of the hedged item. Any change in the fair value of the hedged instrument is recorded in accumulated other comprehensive loss ("AOCL") as a separate component of stockholders' equity and reclassified into earnings in the period during which the hedged transaction affects earnings. The Company monitors its derivative positions and the credit ratings of its counterparties and does not anticipate losses due to counterparties' non-performance.

Recent Accounting Pronouncements

Recently adopted accounting pronouncements

Effective as of January 1, 2019, the Company adopted Accounting Standards Update No. 2016-02, “Leases”, (“ASU 2016-02”) which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The Company elected to use the optional transition method that allows the Company to apply the provisions of the standard at the effective date without adjusting the comparative prior periods. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard which allowed us to carry forward the historical lease classification. The cumulative effect of adopting the standard on the opening balance of retained earnings was not significant.

The primary impact of adopting the standard was the recognition of a right-of-use asset and corresponding lease liability for our operating leases included in other assets and other liabilities, respectively, on the Consolidated Balance Sheet. See Note 8 Leases for further discussion.

The Company has implemented processes and a lease accounting system to ensure adequate internal controls were in place to assess our contracts and enable proper accounting and reporting of financial information upon adoption.

Effective as of January 1, 2020, the Company adopted Accounting Standards Update No. 2016-13, “Financial Instruments - Credit Losses”, (“ASU 2016-13”), which amends the existing accounting guidance for recognizing credit losses on financial assets and certain other instruments not measured at fair value through net income, including financial assets measured at amortized cost, such as trade receivables and contract assets. ASU 2016-13 replaces the existing incurred loss impairment model with an expected credit loss model that requires consideration of a broader range of information to estimate expected credit losses over the lifetime of the asset. The adoption of this guidance did not have a material effect on the Company’s Consolidated Financial Statements.

Recently issued accounting pronouncements not adopted as of September 30, 2020

In December 2019, the FASB issued Accounting Standards Updated No. 2019-12, “Simplifying the Accounting for Income Taxes”, (“ASU 2019-12”), which simplifies the accounting for income taxes by removing certain exceptions to the general principles for income taxes. ASU 2019-12 will become effective for public companies during interim and annual reporting periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of adoption on our Consolidated Financial Statements.

In March 2020, the FASB issued Accounting Standards Update No. 2020-04, “Reference Rate Reform” (“ASU 2020-04”) which provides optional guidance for contract modifications, hedging accounting, and other transactions associated with the transition from reference rates that are expected to be discontinued. ASU 2020-04 is effective for all entities upon issuance through December 31, 2022. We are still evaluating the impact of adoption, but do not expect the guidance to have a material impact on our Consolidated Financial Statements.

Reclassifications

Certain prior year balances have been reclassified in the Consolidated Financial Statements to conform with the 2020 presentation.

Note 2. Acquisitions and Divestitures

2020 Acquisitions

On January 6, 2020, we completed the stock acquisition of Cherry Industries, Inc. and affiliated entities (“Cherry”), a leading producer of natural and recycled aggregates in the Houston, Texas market which is included in our Construction Products Group. The purchase price of \$296.8 million was funded with a combination of cash on-hand, advances under a new \$150.0 million five-year term loan, and future payments to the seller for a net cash paid of \$284.1 million during the nine months ended September 30, 2020. See Note 7 Debt for additional information on our credit facility. Non-recurring transaction and integration costs incurred related to the Cherry acquisition were approximately \$0.7 million and \$2.3 million during the three and nine months ended September 30, 2020, respectively, and approximately \$0.5 million during the year ended December 31, 2019. The acquisition was recorded as a business combination based on preliminary valuations of the assets acquired and liabilities assumed at their acquisition date fair value using level three inputs, defined as unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. We expect to complete our purchase price allocation as soon as reasonably possible not to exceed one year from the acquisition date. Adjustments to the preliminary purchase price allocation could be material to the purchase price allocation, particularly with respect to our preliminary estimates of mineral reserves, intangibles, and deferred income taxes. The following table represents our preliminary purchase price allocation as of September 30, 2020:

	September 30, 2020	
	(in millions)	
Accounts receivable	\$	30.5
Inventories		11.8
Property, plant, and equipment		58.8
Mineral reserves		21.7
Goodwill		127.9
Customer relationships		60.1
Permits		25.5
Other assets		4.3
Accounts payable		(7.5)
Accrued liabilities		(5.4)
Deferred taxes		(28.5)
Other liabilities		(2.4)
Total net assets acquired	\$	296.8

The goodwill acquired, none of which is tax deductible, primarily relates to Cherry's market position and existing workforce. The customer relationship intangibles and permits were assigned weighted average useful lives of 14.9 years and 19.8 years, respectively. Revenues and operating profit included in the Consolidated Statement of Operations from the date of the acquisition were approximately \$41.7 million and \$6.9 million, respectively, during the three months ended September 30, 2020 and approximately \$130.4 million and \$20.7 million, respectively, during the nine months ended September 30, 2020.

The following table represents the unaudited pro-forma consolidated operating results of the Company as if the Cherry acquisition had been completed on January 1, 2019. The unaudited pro-forma information makes certain adjustments to depreciation, depletion, and amortization expense to reflect the fair value recognized in the purchase price allocation, removes one-time transaction related costs, and aligns the Company's debt financing with that as of the acquisition date. The unaudited pro-forma information should not be considered indicative of the results that would have occurred if the acquisition had been completed on January 1, 2019, nor is such unaudited pro-forma information necessarily indicative of future results.

	Nine Months Ended September 30, 2020		Year Ended December 31, 2019	
	(in millions)			
Revenues	\$	1,476.7	\$	1,916.9
Income before income taxes	\$	131.6	\$	163.8

In March 2020, we completed the acquisition of certain assets and liabilities of a traffic structures business in our Energy Equipment Group for a total purchase price of \$25.5 million. The acquisition was recorded as a business combination based on preliminary valuations of the assets acquired and liabilities assumed at their acquisition date fair value using level three inputs. The valuation resulted in the recognition of \$9.0 million of goodwill in our Energy Equipment Group. Such assets and liabilities were not significant in relation to assets and liabilities at the consolidated or segment level.

In June 2020, we completed the acquisition of certain assets and liabilities of a concrete poles business in our Energy Equipment Group. The purchase price of the acquisition was not significant.

In July 2020, we completed the acquisition of certain assets and liabilities of a telecommunication structures business in our Energy Equipment Group for a total purchase price of \$27.7 million. The acquisition was recorded as a business combination based on preliminary valuations of the assets acquired and liabilities assumed at their acquisition date fair value using level three inputs. The valuation resulted in the recognition of \$4.4 million of goodwill in our Energy Equipment Group. Such assets and liabilities were not significant in relation to assets and liabilities at the consolidated or segment level.

In August 2020, we completed the acquisition of certain assets and liabilities of a natural aggregates business in our Construction Products Group for a total purchase price of \$25.5 million. The acquisition was recorded as a business combination based on preliminary valuations of the assets acquired and liabilities assumed at their acquisition date fair value using level three inputs. The valuation resulted in the recognition of \$8.8 million of goodwill in our Construction Products Group. Such assets and liabilities were not significant in relation to assets and liabilities at the consolidated or segment level.

In October 2020, we completed the stock acquisition of Strata Materials, LLC, a leading provider of natural and recycled aggregates in the Dallas-Fort Worth, Texas area, which will be included in our Construction Products Group for a total purchase price of \$87.0 million. The acquisition will be recorded as a business combination and was funded with available cash on-hand.

2019 Acquisitions

In June 2019, we completed the acquisition of certain assets and liabilities of an inland barge components business within our Transportation Products Group. We also completed the acquisition of certain assets and liabilities of a natural aggregates business in our Construction Products Group. The total purchase price for the businesses acquired was \$27.6 million, a portion of which includes estimated royalties to be paid to the seller of the natural aggregates business over the next 10 years. The acquisitions were recorded as business combinations with the assets acquired and liabilities assumed recorded at their acquisition date fair value using level three inputs. The valuation resulted in the recognition of \$10.4 million of goodwill in our Transportation Products Group and \$1.6 million of goodwill in our Construction Products Group. Such assets and liabilities were not significant in relation to assets and liabilities at the consolidated or segment level.

In August 2019, we completed acquisitions of certain assets and liabilities of two natural aggregates businesses in our Construction Products Group for a total purchase price of \$9.4 million. The acquisitions were recorded as business combinations with the assets acquired and liabilities assumed recorded at their acquisition date fair value using level three inputs. The valuation resulted in the recognition of \$1.1 million of goodwill in our Construction Products Group. Such assets and liabilities were not significant in relation to assets and liabilities at the consolidated or segment level.

Divestitures

There was no divestiture activity for the three and nine months ended September 30, 2020 and 2019.

Note 3. Fair Value Accounting

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement as of September 30, 2020			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets:				
Cash equivalents	\$ 119.1	\$ —	\$ —	\$ 119.1
Total assets	\$ 119.1	\$ —	\$ —	\$ 119.1
Liabilities:				
Interest rate hedge ⁽¹⁾	\$ —	\$ 7.9	\$ —	\$ 7.9
Contingent consideration ⁽²⁾	—	—	9.8	9.8
Total liabilities	\$ —	\$ 7.9	\$ 9.8	\$ 17.7
	Fair Value Measurement as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets:				
Cash equivalents	\$ 155.3	\$ —	\$ —	\$ 155.3
Total assets	\$ 155.3	\$ —	\$ —	\$ 155.3
Liabilities:				
Interest rate hedge ⁽¹⁾	\$ —	\$ 4.3	\$ —	\$ 4.3
Contingent consideration ⁽²⁾	—	—	6.4	6.4
Total liabilities	\$ —	\$ 4.3	\$ 6.4	\$ 10.7

⁽¹⁾ Included in other liabilities on the Consolidated Balance Sheets.

⁽²⁾ Current portion included in accrued liabilities and non-current portion included in other liabilities on the Consolidated Balance Sheets.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for that asset or liability in an orderly transaction between market participants on the measurement date. An entity is required to establish a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair values are listed below:

Level 1 – This level is defined as quoted prices in active markets for identical assets or liabilities. The Company's cash equivalents are instruments of the U.S. Treasury or highly-rated money market mutual funds.

Level 2 – This level is defined as observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Interest rate hedges are valued at exit prices obtained from each counterparty. See Note 7 Debt.

Level 3 – This level is defined as unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Contingent consideration relates to estimated future payments owed to the sellers of businesses previously acquired. We estimate the fair value of the contingent consideration using a discounted cash flow model. The fair value is sensitive to changes in the forecast of sales and changes in discount rates and is reassessed quarterly based on assumptions used in our latest projections.

Note 4. Segment Information

The Company reports operating results in three principal business segments:

Construction Products. The Construction Products segment produces and sells construction aggregates, including natural and recycled aggregates and specialty materials, and manufactures and sells trench shields and shoring products and services for infrastructure-related projects.

Energy Equipment. The Energy Equipment segment manufactures and sells engineered structures primarily for infrastructure businesses, including structural wind towers for power generation, steel utility structures for electricity transmission and distribution, traffic structures, and telecommunication structures. These products share similar manufacturing competencies and steel sourcing requirements, and can be manufactured across our North American footprint. The segment also manufactures storage and distribution tanks.

Transportation Products. The Transportation Products segment manufactures and sells products for the inland waterway and rail transportation industries including barges, barge-related products, axles, and couplers.

The financial information for these segments is shown in the tables below. We operate principally in North America.

Three Months Ended September 30,				
	Revenues		Operating Profit (Loss)	
	2020	2019	2020	2019
	(in millions)			
Construction aggregates	\$ 128.8	\$ 96.9		
Other	18.1	19.0		
Construction Products Group	146.9	115.9	\$ 20.8	\$ 16.5
Wind towers and utility structures	181.5	159.8		
Other	41.1	50.4		
Energy Equipment Group	222.6	210.2	20.7	26.6
Inland barges	99.4	77.5		
Steel components	21.3	43.1		
Transportation Products Group	120.7	120.6	17.6	11.2
Segment Totals before Eliminations and Corporate	490.2	446.7	59.1	54.3
Corporate	—	—	(17.0)	(11.5)
Eliminations	(0.2)	(1.7)	—	—
Consolidated Total	\$ 490.0	\$ 445.0	\$ 42.1	\$ 42.8
Nine Months Ended September 30,				
	Revenues		Operating Profit (Loss)	
	2020	2019	2020	2019
	(in millions)			
Construction aggregates	\$ 393.0	\$ 278.5		
Other	51.5	59.0		
Construction Products Group	444.5	337.5	\$ 61.9	\$ 45.3
Wind towers and utility structures	534.8	469.4		
Other	133.8	154.2		
Energy Equipment Group	668.6	623.6	66.5	79.8
Inland barges	295.4	193.0		
Steel components	70.5	140.4		
Transportation Products Group	365.9	333.4	47.8	32.1
Segment Totals before Eliminations and Corporate	1,479.0	1,294.5	176.2	157.2
Corporate	—	—	(41.2)	(34.8)
Eliminations	(2.3)	(4.5)	—	—
Consolidated Total	\$ 1,476.7	\$ 1,290.0	\$ 135.0	\$ 122.4

Note 5. Property, Plant, and Equipment

The following table summarizes the components of property, plant, and equipment as of September 30, 2020 and December 31, 2019.

	September 30, 2020	December 31, 2019
	(in millions)	
Land ⁽¹⁾	\$ 370.6	\$ 331.4
Buildings and improvements	300.1	280.5
Machinery and other	842.5	755.7
Construction in progress	38.8	38.6
	<u>1,552.0</u>	<u>1,406.2</u>
Less accumulated depreciation and depletion	(657.2)	(590.0)
	<u>\$ 894.8</u>	<u>\$ 816.2</u>

⁽¹⁾ Includes depletable land of \$231.0 million as of September 30, 2020 and \$211.0 million as of December 31, 2019.

Note 6. Goodwill

Goodwill by segment is as follows:

	September 30, 2020	December 31, 2019
	(in millions)	
Construction Products Group	\$ 307.6	\$ 166.2
Energy Equipment Group	431.4	416.9
Transportation Products Group	37.0	38.8
	<u>\$ 776.0</u>	<u>\$ 621.9</u>

The increase in the Construction Products Group goodwill during the nine months ended September 30, 2020 is primarily due to the acquisition of Cherry. The increase in the Energy Equipment Group goodwill during the nine months ended September 30, 2020 is due to recently completed acquisitions. The decrease in Transportation Products Group goodwill during the nine months ended September 30, 2020 is due to a refinement of the purchase price allocation of a recent acquisition. See Note 2 Acquisitions and Divestitures.

Note 7. Debt

The following table summarizes the components of debt as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
	(in millions)	
Revolving credit facility	\$ 100.0	\$ 100.0
Term loan	150.0	—
Finance leases	4.9	7.3
	<u>254.9</u>	<u>107.3</u>
Less: unamortized debt issuance costs	(0.3)	—
Total debt	<u>\$ 254.6</u>	<u>\$ 107.3</u>

On November 1, 2018, the Company entered into a \$400.0 million unsecured revolving credit facility that was scheduled to mature in November 2023. On January 2, 2020, the Company entered into an Amended and Restated Credit Agreement to increase the revolving credit facility to \$500.0 million and added a term loan facility of \$150.0 million, in each case with a maturity date of January 2, 2025.

The interest rates under the revolving credit facility and term loan are variable based on LIBOR or an alternate base rate plus a margin. A commitment fee accrues on the average daily unused portion of the revolving facility. The margin for borrowing and commitment fee rate are determined based on Arcosa's leverage as measured by a consolidated total indebtedness to consolidated EBITDA ratio. The margin for borrowing ranges from 1.25% to 2.00% and was set at LIBOR plus 1.25% as of September 30, 2020. The commitment fee rate ranges from 0.20% to 0.35% and was set at 0.20% as of September 30, 2020.

In March 2020, as a precautionary measure, the Company borrowed \$100.0 million under its revolving credit facility to increase our cash position and preserve financial flexibility considering the uncertainty resulting from the COVID-19 pandemic. The Company subsequently repaid the \$100.0 million during the three months ended June 30, 2020. As of September 30, 2020, we had \$100.0 million of outstanding loans borrowed under the facility, and there were approximately \$26.1 million of letters of credit issued, leaving \$373.9 million available. Of the outstanding letters of credit as of September 30, 2020, all are expected to expire in 2021. The majority of our letters of credit obligations support the Company's various insurance programs and generally renew by their terms each year.

The entire term loan was advanced on January 2, 2020 in connection with the closing of the acquisition of Cherry. See Note 2 Acquisitions and Divestitures.

The Company's revolving credit and term loan facilities require the maintenance of certain ratios related to leverage and interest coverage. As of September 30, 2020, we were in compliance with all such financial covenants. Borrowings under the credit agreement are guaranteed by certain wholly-owned subsidiaries of the Company.

The carrying value of borrowings under our revolving credit and term loan facilities approximate fair value because the interest rate adjusts to the market interest rate (Level 3 input). See Note 3 Fair Value Accounting.

As of September 30, 2020, the Company had \$1.8 million of unamortized debt issuance costs related to the revolving credit facility, which are included in other assets on the Consolidated Balance Sheet.

The remaining principal payments under existing debt agreements as of September 30, 2020 are as follows:

	2020	2021	2022	2023	2024	Thereafter
	(in millions)					
Revolving credit facility	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100.0
Term loan	0.9	4.7	7.5	8.5	8.4	120.0

Interest rate hedges

In December 2018, the Company entered into an interest rate swap instrument, effective as of January 2, 2019 and expiring in 2023, to reduce the effect of changes in the variable interest rates associated with borrowings under the revolving credit facility. The instrument carried an initial notional amount of \$100 million, thereby hedging the first \$100 million of borrowings under the credit facility. The instrument effectively fixes the LIBOR component of the credit facility borrowings at a monthly rate of 2.71%. As of September 30, 2020, the Company has recorded a liability of \$7.9 million for the fair value of the instrument, all of which is recorded in accumulated other comprehensive loss. See Note 3 Fair Value Accounting.

Note 8. Leases

We have various leases primarily for office space and certain equipment. At inception, we determine if an arrangement contains a lease and whether that lease meets the classification criteria of a finance or operating lease. For leases that contain options to purchase, terminate, or extend, such options are included in the lease term when it is reasonably certain that the option will be exercised. Some of our lease arrangements contain lease components and non-lease components which are accounted for as a single lease component as we have elected the practical expedient to group lease and non-lease components for all leases.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on information available at commencement date in determining the present value of lease payments.

Operating Leases

The following table presents information about the Company's operating leases as of September 30, 2020.

	September 30, 2020
	(in millions)
Maturity of Lease Liabilities	
2020 (remaining)	\$ 1.7
2021	5.6
2022	3.4
2023	2.5
2024	2.2
Thereafter	7.5
Total undiscounted operating lease payments	22.9
Less imputed interest	(2.8)
Present value of operating lease liabilities	\$ 20.1

Balance Sheet Classification	September 30, 2020	December 31, 2019
	(in millions)	
Other assets	\$ 16.4	\$ 15.6
Accrued liabilities	5.4	5.5
Other liabilities	14.7	13.5
Total operating lease liabilities	<u>\$ 20.1</u>	<u>\$ 19.0</u>

Finance Leases

Finance leases are included in property, plant, and equipment, net and debt on the Consolidated Balance Sheets. The associated amortization expense and interest expense are included in depreciation and interest expense, respectively, on the Consolidated Statements of Operations. These leases are not material to the Consolidated Financial Statements as of September 30, 2020.

Note 9. Other, Net

Other, net (income) expense consists of the following items:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Interest income	\$ (0.1)	\$ (0.3)	\$ (0.4)	\$ (1.0)
Foreign currency exchange transactions	(0.3)	(0.3)	(0.1)	0.7
Other	(0.1)	(0.1)	(0.3)	(0.7)
Other, net (income) expense	<u>\$ (0.5)</u>	<u>\$ (0.7)</u>	<u>\$ (0.8)</u>	<u>\$ (1.0)</u>

Note 10. Income Taxes

For interim income tax reporting, we estimate our annual effective tax rate and apply it to our year to date ordinary income (loss). Tax jurisdictions with a projected or year to date loss for which a tax benefit cannot be realized are excluded. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are reported in the interim period in which they occur. We have open tax years from 2014 to 2019 with various significant tax jurisdictions.

For the three and nine months ended September 30, 2020, the effective tax rate of 22.6% and 24.6%, respectively, was higher than the U.S. federal statutory rate of 21.0% due primarily to state taxes, tax effects of foreign currency translation, and nondeductible compensation expenses in the U.S. and Mexico, partially offset by prior year true-ups. For the three and nine months ended September 30, 2019, the effective tax rate of 22.0% and 22.1%, respectively, was higher than the U.S. federal statutory tax rate of 21.0% due primarily to state taxes partially offset by foreign tax benefits and excess tax benefits related to equity compensation.

In response to the COVID-19 pandemic, on March 27, 2020 the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which includes certain tax relief and benefits that may impact the Company. The Company continues to evaluate the impact of the various provisions of the CARES Act on its income tax provision. Approximately \$15 million of federal and state income tax payments deferred during the first half of the year were paid during the third quarter of 2020. As of September 30, 2020, the Company has deferred \$6.2 million in payroll-related taxes in accordance with the provisions of the CARES Act.

Note 11. Employee Retirement Plans

Total employee retirement plan expense, which includes related administrative expenses, is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Defined contribution plans	\$ 3.0	\$ 2.0	\$ 8.3	\$ 6.4
Multiemployer plan	0.4	0.5	1.3	1.4
	<u>\$ 3.4</u>	<u>\$ 2.5</u>	<u>\$ 9.6</u>	<u>\$ 7.8</u>

The Company contributes to a multiemployer defined benefit plan under the terms of a collective-bargaining agreement that covers certain union-represented employees at one of the facilities of Meyer Utility Structures, LLC, a subsidiary of Arcosa. The Company contributed \$0.5 million and \$1.3 million to the multiemployer plan for the three and nine months ended September 30, 2020, respectively. The Company contributed \$0.5 million and \$1.4 million to the multiemployer plan for the three and nine months ended September 30, 2019, respectively. Total contributions to the multiemployer plan for 2020 are expected to be approximately \$1.7 million.

In connection with the acquisition of ACG Materials in December 2018, the Company assumed the assets and liabilities related to a defined benefit pension plan. Employer contributions under this plan for 2020 are not expected to be significant.

Note 12. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss for the nine months ended September 30, 2020 and 2019 are as follows:

	Currency translation adjustments	Unrealized loss on derivative financial instruments	Accumulated other comprehensive loss
	(in millions)		
Balances at December 31, 2018	\$ (16.8)	\$ (0.9)	\$ (17.7)
Other comprehensive income (loss), net of tax, before reclassifications	0.3	(3.4)	(3.1)
Amounts reclassified from accumulated other comprehensive loss, net of tax expense (benefit) of \$0.0, \$0.0, and \$0.0	—	0.2	0.2
Other comprehensive income (loss)	0.3	(3.2)	(2.9)
Balances at September 30, 2019	<u>\$ (16.5)</u>	<u>\$ (4.1)</u>	<u>\$ (20.6)</u>
Balances at December 31, 2019	\$ (16.3)	\$ (3.4)	\$ (19.7)
Other comprehensive income (loss), net of tax, before reclassifications	(0.5)	(3.9)	(4.4)
Amounts reclassified from accumulated other comprehensive loss, net of tax expense (benefit) of \$0.0, (\$0.3), and (\$0.3)	—	1.1	1.1
Other comprehensive income (loss)	(0.5)	(2.8)	(3.3)
Balances at September 30, 2020	<u>\$ (16.8)</u>	<u>\$ (6.2)</u>	<u>\$ (23.0)</u>

Note 13. Stock-Based Compensation

Stock-based compensation totaled approximately \$5.2 million and \$14.0 million for the three and nine months ended September 30, 2020, respectively. Stock-based compensation totaled approximately \$4.0 million and \$11.1 million for the three and nine months ended September 30, 2019, respectively.

Note 14. Earnings Per Common Share

Basic earnings per common share is computed by dividing net income remaining after allocation to unvested restricted shares, which includes unvested restricted shares of Arcosa stock held by employees of the Former Parent, by the weighted average number of basic common shares outstanding for the period. Except when the effect would be antidilutive, the calculation of diluted earnings per common share includes the weighted average net impact of nonparticipating unvested restricted shares. Total weighted average restricted shares were 1.6 million shares for the three and nine months ended September 30, 2020, respectively. Total weighted average restricted shares were 1.6 million shares for the three and nine months ended September 30, 2019, respectively.

The computation of basic and diluted earnings per share follows.

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Income (Loss)	Average Shares	EPS	Income (Loss)	Average Shares	EPS
(in millions, except per share amounts)						
Net income	\$ 31.2			\$ 32.7		
Unvested restricted share participation	(0.2)			(0.3)		
Net income per common share – basic	31.0	48.1	\$ 0.64	32.4	47.9	\$ 0.68
Effect of dilutive securities:						
Nonparticipating unvested restricted shares	—	0.4		—	0.4	
Net income per common share – diluted	\$ 31.0	48.5	\$ 0.64	\$ 32.4	48.3	\$ 0.67

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Income (Loss)	Average Shares	EPS	Income (Loss)	Average Shares	EPS
(in millions, except per share amounts)						
Net income	\$ 96.1			\$ 92.2		
Unvested restricted share participation	(0.7)			(1.0)		
Net income per common share – basic	95.4	48.0	\$ 1.99	91.2	47.8	\$ 1.91
Effect of dilutive securities:						
Nonparticipating unvested restricted shares	—	0.5		—	0.5	
Net income per common share – diluted	\$ 95.4	48.5	\$ 1.97	\$ 91.2	48.3	\$ 1.89

Note 15. Contingencies

The Company is involved in claims and lawsuits incidental to our business arising from various matters including commercial disputes, alleged product defect and/or warranty claims, intellectual property matters, personal injury claims, environmental issues, employment and/or workplace-related matters, and various governmental regulations. At September 30, 2020, the range of reasonably possible losses for such matters, taking into consideration our rights in indemnity and recourse to third parties is \$0.8 million to \$1.6 million.

The Company evaluates its exposure to such claims and suits periodically and establishes accruals for these contingencies when probable losses can be reasonably estimated. At September 30, 2020, total accruals of \$2.4 million, including environmental matters described below, are included in accrued liabilities in the accompanying Consolidated Balance Sheet. The Company believes any additional liability from such claims and suits would not be material to its financial position or results of operations.

Arcosa is subject to remedial orders and federal, state, local, and foreign laws and regulations relating to the environment. The Company has reserved \$1.2 million as of September 30, 2020, included in our total accruals of \$2.4 million discussed above, to cover our probable and estimable liabilities with respect to the investigations, assessments, and remedial responses to such matters, taking into account currently available information and our contractual rights to indemnification and recourse to third parties.

On July 22, 2019, the Company was served with a breach of contract lawsuit filed by Thomas & Betts Corporation (“T&B”) against the Company and its wholly-owned subsidiary, Trinity Meyer Utility Structures, LLC, now known as Meyer Utility Structures, LLC (“Meyer”), in the Supreme Court of the State of New York, New York County. T&B’s claims relate to responsibility for alleged product warranty claims pursuant to the terms of the Asset Purchase Agreement, dated June 24, 2014, entered into by and between T&B and Meyer with respect to Meyer’s purchase of certain assets of T&B’s utility structure business. The Company and Meyer subsequently removed the litigation to federal court. The case is filed under Case No. 1:19-cv-07829-PAE; Thomas & Betts Corporation, now known as, ABB Installation Products, Inc., Plaintiff, v. Trinity Meyer Utility Structures, LLC, formerly known as McKinley 2014 Acquisition, LLC, and Arcosa, Inc., Defendants; In the United States District Court for the Southern District of New York (the “Court”). The Company and Meyer filed a motion to dismiss T&B’s claims, and an Answer and Counterclaims against T&B. On July 30, 2020, the Court granted the Company’s and Meyer’s motion and dismissed T&B’s claims. In its ruling, the Court likewise dismissed Meyer’s counterclaims. On August 28, 2020, T&B filed its Notice of Appeal to the United States Court of Appeals for the Second Circuit. We intend to vigorously defend ourselves in the subsequent appeal of this matter. Based on the facts and circumstances currently known to the Company, (i) we cannot determine that a loss is probable at this time, and therefore no accrual has been included in the accompanying Consolidated Financial Statements; and (ii) a possible loss is not reasonably estimable.

Estimates of liability arising from future proceedings, assessments, or remediation are inherently imprecise. Accordingly, there can be no assurance that we will not become involved in future litigation or other proceedings, including those related to the environment or, if we are found to be responsible or liable in any such litigation or proceeding, that such costs would not be material to the Company.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Our MD&A is presented in the following sections:

- Company Overview
- Potential Impact of COVID-19 On Our Business
- Executive Overview
- Results of Operations
- Liquidity and Capital Resources
- Recent Accounting Pronouncements
- Forward-Looking Statements

Our MD&A should be read in conjunction with the Consolidated Financial Statements of Arcosa, Inc. and subsidiaries ("Arcosa," "Company," "we," and "our") and related Notes in Part I, Item 1 of this Quarterly Report on Form 10-Q and the Consolidated and Combined Financial Statements and related Notes in Item 8, Financial Statements and Supplementary Data, of our Annual Report on Form 10-K for the year ended December 31, 2019 ("2019 Annual Report on Form 10-K").

Company Overview

Arcosa, headquartered in Dallas, Texas, is a provider of infrastructure-related products and solutions with leading brands serving construction, energy, and transportation markets in North America. Arcosa is a Delaware corporation and was incorporated in 2018 in connection with the separation of Arcosa from Trinity Industries, Inc. ("Trinity" or "Former Parent") on November 1, 2018 as an independent, publicly-traded company, listed on the New York Stock Exchange (the "Separation").

Potential Impact of COVID-19 On Our Business

Our highest priority is the health and safety of our employees and communities. Our businesses support critical infrastructure sectors, pursuant to the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency standards. Our plants have continued to operate throughout the COVID-19 crisis. However, as of the date of this filing, uncertainty exists concerning the potential magnitude of the impact and duration of the COVID-19 pandemic. The following possible events related to the COVID-19 pandemic may potentially adversely impact our business, financial condition, or results of operations: customer demand for our products and services may decrease; reductions in our customers' capex spending; our supply chain may have disruption preventing us from obtaining the necessary materials and equipment to manufacture our products and provide services; our employees' ability to continue to work may be impacted because of COVID-19 related illness or local, state, or federal orders requiring them to stay at home; the effect of governmental regulations imposed in response to the COVID-19 pandemic may result in shutdowns of our operations; limitations on the ability of our customers to conduct their business and purchase our products and services; disruptions to our customers' supply chains or purchasing patterns; and limitations on the ability of our customers to pay us on a timely basis.

We believe that, based on the various standards published to date, our employees are part of the Essential Critical Infrastructure Workforce, and the work they perform is critical, essential, and life-sustaining. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our employees, customers, suppliers and shareholders.

In addition to the extensive health and safety protocols already in place across our plants, we estimate that we incurred \$3.0-4.0 million of incremental costs related to COVID-19 during the nine months ended September 30, 2020 for personal protective equipment, health screenings, deep cleaning services, and facilities re-configurations. We do not anticipate that the enhanced health and safety protocols will have a material impact on the productivity of our plants.

The preparation of the Company's Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. At this time, we have not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic. However, due to the factors discussed above, we are unable to determine or predict the overall impact the COVID-19 pandemic will have on our business, results of operations, liquidity or capital resources.

Market Outlook

- Within our Construction Products Group, we have experienced better than anticipated construction demand since the outbreak of the COVID-19 pandemic in March as construction activity in Texas has remained resilient and other states have reopened for business. However, we did experience a softening of demand for our specialty materials and shoring products businesses following the outbreak that has recently shown signs of improvement in the third quarter but remains below pre-pandemic levels. The outlook for public and private construction demand remains uncertain as the path to sustained economic recovery is unclear, and the associated impacts on states' fiscal health and budgetary constraints, unemployment, and consumer confidence are difficult to measure.
- Within our Energy Equipment Group, our backlog as of September 30, 2020 provides strong production visibility for the remainder of 2020 and new orders received during the third quarter have improved our visibility for 2021. Our customers remain committed to taking delivery of these orders. In utility structures, order and inquiry activity continues to be robust, as customers remain focused on grid hardening and reliability initiatives. During the third quarter, we received new orders for wind towers increasing our backlog for 2021, as the one-year extension of the Production Tax Credit ("PTC") enacted in May 2020 provides our customers an additional year to complete qualifying renewable energy projects that must otherwise have been placed in service in 2020 or 2021. Order and inquiry activity in the storage tank business has improved since the onset of COVID-19 after taking a pause initially, as certain customers deferred new tank installations.
- Within our Transportation Products Group, our backlog for inland barges as of September 30, 2020 provides strong production visibility for the remainder of 2020 and our customers remain committed to taking delivery of these orders. As anticipated, barge order levels during the second and third quarters have been below the level received in the several quarters preceding the pandemic, as barge utilization declined from the COVID-19 related economic slowdown. The underlying fundamentals for a dry barge replacement cycle remain in place, and we experienced an increase in order inquiry activity in the third quarter. Lower demand for refined products including gasoline and jet fuel and low oil prices have negatively impacted order inquiries for liquid barges. We are taking steps to reduce our capacity to align with lower anticipated production levels in 2021, while remaining flexible to allow time for the fundamentals of the barge business to overcome COVID-related weakness in the market. Demand for steel components continues to decline as the outlook for the North American rail transportation market, which was softening pre-COVID-19, remains uncertain.

Executive Overview

Financial Operations and Highlights

- Revenues for the three and nine months ended September 30, 2020 increased 10.1% and 14.5% to \$490.0 million and \$1,476.7 million, respectively, compared to the same periods in 2019, primarily due to the impact of the Cherry acquisition in our Construction Products Group, higher hopper barge deliveries in our Transportation Products Group, and higher unit volumes in our Energy Equipment Group.
- Operating profit for the three and nine months ended September 30, 2020 totaled \$42.1 million and \$135.0 million, respectively, representing a decrease of \$0.7 million for the three months ended September 30, 2020 and an increase of \$12.6 million for the nine months ended September 30, 2020 compared to the same periods in 2019.
- Selling, general, and administrative expenses increased by 26.6% and 23.3%, respectively, for the three and nine months ended September 30, 2020 when compared to the prior year periods largely due to additional costs from the acquired Cherry business. As a percentage of revenue, selling, general, and administrative expenses increased to 11.8% and 11.1% for the three and nine months ended September 30, 2020, respectively, compared to 10.2% and 10.3%, respectively, for the same periods in 2019.
- The effective tax rate for the three and nine months ended September 30, 2020 was 22.6% and 24.6%, respectively, compared to 22.0% and 22.1% for the same periods in 2019. The increase in the tax rate for the three and nine months ended September 30, 2020 is primarily due to increased state taxes, tax effects of foreign currency translation, and nondeductible compensation expenses in the U.S. and Mexico in the current period. See Note 10 Income Taxes of the Consolidated Financial Statements.
- Net income for the three and nine months ended September 30, 2020 was \$31.2 million and \$96.1 million, respectively, compared to \$32.7 million and \$92.2 million, respectively, for the same periods in 2019.

Our Energy Equipment and Transportation Products Groups operate in cyclical industries. Additionally, results in our Construction Products Group are affected by weather and seasonal fluctuations with the second and third quarters historically being the quarters with the highest revenues.

Unsatisfied Performance Obligations (Backlog)

As of September 30, 2020 and 2019, our unsatisfied performance obligations, or backlog, were as follows:

	September 30, 2020	September 30, 2019
	(in millions)	
Energy Equipment Group:		
Wind towers and utility structures	\$ 429.3	\$ 563.6
Other	13.3	44.3
Transportation Products Group:		
Inland barges	\$ 177.5	\$ 363.8

Approximately 32% of unsatisfied performance obligations for our wind towers and utility structures in our Energy Equipment Group are expected to be delivered during 2020, with substantially all of the remainder expected to be delivered during 2021. Approximately 77% of the unsatisfied performance obligations for our other business lines in our Energy Equipment Group are expected to be delivered during 2020, with the remainder expected to be delivered during 2021. Approximately 45% of unsatisfied performance obligations for inland barges in our Transportation Products Group are expected to be delivered during 2020, with the remainder expected to be delivered during 2021. Subsequent to September 30, 2020, we received additional orders of approximately \$32 million for inland barges expected to be delivered in 2021.

Results of Operations

Overall Summary

Revenues

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019		2020	2019	
	(in millions)		Percent Change	(in millions)		Percent Change
Construction Products Group	\$ 146.9	\$ 115.9	26.7 %	\$ 444.5	\$ 337.5	31.7 %
Energy Equipment Group	222.6	210.2	5.9	668.6	623.6	7.2
Transportation Products Group	120.7	120.6	0.1	365.9	333.4	9.7
Segment Totals before Eliminations	490.2	446.7	9.7	1,479.0	1,294.5	14.3
Eliminations	(0.2)	(1.7)		(2.3)	(4.5)	
Consolidated Total	\$ 490.0	\$ 445.0	10.1	\$ 1,476.7	\$ 1,290.0	14.5

2020 versus 2019

- Revenues for the three and nine months ended September 30, 2020 increased by 10.1% and 14.5%, respectively, from the prior year periods.
- Revenues from our Construction Products Group increased primarily due to the impact of the Cherry acquisition.
- Revenues from our Energy Equipment Group increased primarily due to higher volumes in wind towers and utility structures and sales from our acquired traffic and telecom structures businesses.
- Revenues from our Transportation Products Group increased primarily due to higher hopper barge deliveries partially offset by lower tank barge deliveries and decreased deliveries and lower contractual pricing for steel components.

Operating Costs

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent Change	2020	2019	Percent Change
	(in millions)			(in millions)		
Construction Products Group	\$ 126.1	\$ 99.4	26.9 %	\$ 382.6	\$ 292.2	30.9 %
Energy Equipment Group	201.9	183.6	10.0	602.1	543.8	10.7
Transportation Products Group	103.1	109.4	(5.8)	318.1	301.3	5.6
Segment Totals before Eliminations and Corporate Expenses	431.1	392.4	9.9	1,302.8	1,137.3	14.6
Corporate	17.0	11.5	47.8	41.2	34.8	18.4
Eliminations	(0.2)	(1.7)		(2.3)	(4.5)	
Consolidated Total	\$ 447.9	\$ 402.2	11.4	\$ 1,341.7	\$ 1,167.6	14.9

2020 versus 2019

- Operating costs for the three and nine months ended September 30, 2020 increased by 11.4% and 14.9%, respectively.
- Cost of revenues for our Construction Products Group increased primarily due to higher volumes from the acquired Cherry business.
- Cost of revenues for the Energy Equipment Group increased primarily due to higher volumes in wind towers and utility structures.
- Cost of revenues for the Transportation Products Group decreased for three months ended September 30, 2020 due to improved operating efficiencies in our barge business. Cost of revenues increased for the nine months ended September 30, 2020 primarily due to higher hopper barge deliveries partially offset by decreased volumes in steel components.
- As a percentage of revenues, selling, general, and administrative expenses, including Corporate expenses, increased to 11.8% and 11.1% for the three and nine months ended September 30, 2020, respectively, compared to 10.2% and 10.3% for the same periods in 2019. The increase is largely due to additional costs from the acquired Cherry business and a non-recurring increase in legal expenses of \$2.5 million incurred in the third quarter of 2020. In addition, for the nine months ended September 30, 2019, selling, general, and administrative expenses included a one-time \$2.9 million recovery of bad debt in our utility structures business.

Operating Profit (Loss)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent Change	2020	2019	Percent Change
	(in millions)			(in millions)		
Construction Products Group	\$ 20.8	\$ 16.5	26.1 %	\$ 61.9	\$ 45.3	36.6 %
Energy Equipment Group	20.7	26.6	(22.2)	66.5	79.8	(16.7)
Transportation Products Group	17.6	11.2	57.1	47.8	32.1	48.9
Segment Totals before Corporate Expenses	59.1	54.3	8.8	176.2	157.2	12.1
Corporate	(17.0)	(11.5)	47.8	(41.2)	(34.8)	18.4
Consolidated Total	\$ 42.1	\$ 42.8	(1.6)	\$ 135.0	\$ 122.4	10.3

2020 versus 2019

- Operating profit for the three and nine months ended September 30, 2020 decreased by 1.6% and increased by 10.3%, respectively.
- Operating profit in our Construction Products Group increased primarily due to the impact of the acquired Cherry business.
- Operating profit in our Energy Equipment Group decreased primarily due to lower efficiencies in our wind towers product line and operational challenges in our utility structures business related to COVID-19. For the nine months ended September 30, 2020, operating profit also decreased due to a one-time \$2.9 million recovery of bad debt recorded in the prior year in our utility structures business.
- Operating profit in our Transportation Products Group increased primarily due to higher hopper barge deliveries and improved operating efficiencies in our barge business.

For a further discussion of revenues, costs, and the operating results of individual segments, see *Segment Discussion* below.

Other Income and Expense

Other, net (income) expense consists of the following items:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Interest income	\$ (0.1)	\$ (0.3)	\$ (0.4)	\$ (1.0)
Foreign currency exchange transactions	(0.3)	(0.3)	(0.1)	0.7
Other	(0.1)	(0.1)	(0.3)	(0.7)
Other, net (income) expense	<u>\$ (0.5)</u>	<u>\$ (0.7)</u>	<u>\$ (0.8)</u>	<u>\$ (1.0)</u>

Income Taxes

The provision for income taxes results in effective tax rates that differ from the statutory rates. The Company's effective tax rate for the three and nine months ended September 30, 2020 was 22.6% and 24.6%, respectively, compared to 22.0% and 22.1% for the same periods in 2019. The increase in the tax rate for the three and nine months ended September 30, 2020 is primarily due to increased state taxes, tax effects of foreign currency translation, and nondeductible compensation expenses in the U.S. and Mexico.

Our effective tax rate reflects the Company's estimate for its state income tax expense, excess tax benefits related to equity compensation, and the impact of foreign tax benefits. See Note 10 of the Notes to Consolidated Financial Statements for a further discussion of income taxes.

In response to the COVID-19 pandemic, on March 27, 2020 the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which includes certain tax relief and benefits that may impact the Company. In light of the recent nature of these developments, the Company is currently evaluating the impact of the various provisions of the CARES Act on its income tax provision. Approximately \$15 million of federal and state income tax payments deferred during the first half of the year were paid during the third quarter of 2020. As of September 30, 2020, the Company has deferred \$6.2 million in payroll-related taxes in accordance with the provisions of the CARES Act.

Segment Discussion

Construction Products Group

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent	2020	2019	Percent
	(\$ in millions)		Change	(\$ in millions)		Change
Revenues:						
Construction aggregates	\$ 128.8	\$ 96.9	32.9 %	\$ 393.0	\$ 278.5	41.1 %
Other	18.1	19.0	(4.7)	51.5	59.0	(12.7)
Total revenues	146.9	115.9	26.7	444.5	337.5	31.7
Operating costs:						
Cost of revenues	109.8	88.9	23.5	331.9	257.9	28.7
Selling, general, and administrative expenses	16.3	10.5	55.2	50.7	34.3	47.8
Operating profit	\$ 20.8	\$ 16.5	26.1	\$ 61.9	\$ 45.3	36.6
Operating profit margin	14.2 %	14.2 %		13.9 %	13.4 %	
Depreciation, depletion, and amortization ⁽¹⁾	\$ 15.2	\$ 9.7	56.7	\$ 42.9	\$ 27.5	56.0

⁽¹⁾ Depreciation, depletion, and amortization are components of operating profit.

Three Months Ended September 30, 2020 versus Three Months Ended September 30, 2019

- Revenues increased by 26.7% primarily driven by the acquisition of Cherry, which increased segment revenues by approximately 35% despite numerous tropical weather events that impacted Cherry and other locations along the Gulf Coast. Additionally, natural aggregates volumes serving construction end markets were higher than the previous year. On the downside, COVID-19 related construction delays continued to impact certain specialty materials businesses, and we experienced reduced natural aggregate volumes in plants serving oil and gas markets.
- Cost of revenues increased by 23.5% due to higher volumes from the acquired Cherry business. As a percent of revenues, cost of revenues decreased to 74.7% compared to 76.7%.

- Selling, general, and administrative costs increased as a percentage of revenues due to additional costs from the acquired Cherry business. Selling, general, and administrative costs in the legacy businesses were lower than the previous period.
- Operating profit increased by 26.1%, consistent with the increase in revenues.
- Depreciation, depletion, and amortization expense increased primarily due to the acquired Cherry business.

Nine Months Ended September 30, 2020 versus Nine Months Ended September 30, 2019

- Revenues increased 31.7% primarily driven by the acquisition of Cherry, which increased segment revenues by approximately 40%. The increase was partially offset by a decrease of 12.7% in revenues in our trench shoring business as a result of lower volumes as customers reduced capital expenditures during the COVID-19 crisis. In our legacy construction aggregates businesses, reduced volumes in plants serving oil and gas markets were partially offset by increased natural aggregates volumes serving other markets. Our specialty materials businesses reported lower revenues primarily due to reduced volumes in our lightweight aggregates business attributed to COVID-19 related construction delays.
- Cost of revenues increased 28.7% primarily due to higher volumes from the acquired Cherry business. As a percent of revenues, cost of revenues decreased to 74.7% compared to 76.4%.
- Selling, general, and administrative costs increased as a percentage of revenues due to additional costs from the acquired Cherry business. Selling, general, and administrative costs in the legacy businesses were lower than the previous period.
- Operating profit increased by 36.6%, outpacing the increase in revenues.
- Depreciation, depletion, and amortization expense increased primarily due to the acquired Cherry business.

Energy Equipment Group

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent Change	2020	2019	Percent Change
	(\$ in millions)			(\$ in millions)		
Revenues:						
Wind towers and utility structures	\$ 181.5	\$ 159.8	13.6 %	\$ 534.8	\$ 469.4	13.9 %
Other	41.1	50.4	(18.5)	133.8	154.2	(13.2)
Total revenues	222.6	210.2	5.9	668.6	623.6	7.2
Operating costs:						
Cost of revenues	183.1	165.6	10.6	547.8	497.2	10.2
Selling, general, and administrative expenses	18.8	18.0	4.4	54.3	46.6	16.5
Operating profit	\$ 20.7	\$ 26.6	(22.2)	\$ 66.5	\$ 79.8	(16.7)
Operating profit margin	9.3 %	12.7 %		9.9 %	12.8 %	
Depreciation and amortization ⁽¹⁾	\$ 7.3	\$ 6.9	5.8	\$ 22.8	\$ 21.2	7.5

⁽¹⁾ Depreciation and amortization are components of operating profit.

Three Months Ended September 30, 2020 versus Three Months Ended September 30, 2019

- Revenues increased by 5.9% driven primarily by higher volumes in wind towers and utility structures and sales from our acquired traffic and telecom structures businesses. This increase was partially offset by lower steel prices in utility structures and lower volumes and pricing in our other product lines.
- Cost of revenues increased by 10.6% driven by the acquired traffic and telecom structures businesses, higher overall volumes in wind towers and utility structures, and operational challenges in our utility structures business primarily related to COVID-19. This increase was partially offset by lower volumes in other product lines.
- Selling, general, and administrative costs increased by 4.4% primarily due to additional costs from acquired businesses.
- Operating profit decreased by 22.2% primarily due to operational challenges related to COVID-19.

Nine Months Ended September 30, 2020 versus Nine Months Ended September 30, 2019

- Revenues increased by 7.2% driven by higher volumes in wind towers and utility structures and sales from our acquired traffic and telecom structures businesses. This was partially offset by lower steel prices in utility structures and lower volumes and pricing in our other product lines.
- Cost of revenues increased by 10.2% driven by the acquired traffic and telecom structures businesses, higher overall volumes in wind towers and utility structures, and operational challenges in our utility structures business related to COVID-19. This was partially offset by lower volumes in other product lines.

- Selling, general, and administrative costs increased by 16.5% primarily due to a \$2.9 million recovery of bad debt recorded in the prior year related to a single customer in our utility structures business and additional costs from acquired businesses.
- Operating profit decreased by 16.7% primarily due to lower efficiencies in our wind towers business and the recovery of bad debt recorded in the prior year.

Unsatisfied Performance Obligations (Backlog)

As of September 30, 2020, the backlog for wind towers and utility structures was \$429.3 million compared to \$563.6 million as of September 30, 2019. Approximately 32% of unsatisfied performance obligations for wind towers and utility structures are expected to be delivered during the year ending December 31, 2020 with substantially all of the remainder expected to be delivered during 2021. Future wind tower orders are subject to uncertainty as PTC eligibility for new wind farm projects is scheduled to expire at the end of 2020 and the level of credit phases out after 2024. In May 2020, to alleviate potential supply chain disruptions associated with COVID-19, the Internal Revenue Service approved a one-year extension of the PTC to complete qualifying renewable energy projects that must otherwise have been placed in service in 2020 or 2021. Pricing of orders and individual order quantities reflect a market transitioning from PTC incentives. As of September 30, 2020, the backlog for our other business lines in our Energy Equipment Group was \$13.3 million, of which 77% is expected to be delivered during the year ending December 31, 2020 with the remainder expected to be delivered in 2021.

Transportation Products Group

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent	2020	2019	Percent
	(\$ in millions)		Change	(\$ in millions)		Change
Revenues:						
Inland barges	\$ 99.4	\$ 77.5	28.3 %	\$ 295.4	\$ 193.0	53.1 %
Steel components	21.3	43.1	(50.6)	70.5	140.4	(49.8)
Total revenues	120.7	120.6	0.1	365.9	333.4	9.7
Operating costs:						
Cost of revenues	97.6	103.9	(6.1)	301.0	284.6	5.8
Selling, general, and administrative expenses	5.5	5.5	—	17.1	16.7	2.4
Operating profit	\$ 17.6	\$ 11.2	57.1	\$ 47.8	\$ 32.1	48.9
Operating profit margin	14.6 %	9.3 %		13.1 %	9.6 %	
Depreciation and amortization ⁽¹⁾	\$ 4.4	\$ 4.3	2.3	\$ 13.5	\$ 12.0	12.5

⁽¹⁾ Depreciation and amortization are components of operating profit.

Three Months Ended September 30, 2020 versus Three Months Ended September 30, 2019

- Revenues were unchanged as higher barge revenues, driven by increased hopper deliveries, were offset by lower steel components revenues due to decreased deliveries and lower contractual pricing.
- Cost of revenues decreased 6.1% driven by lower steel component volumes, partially offset by higher hopper barge volumes. As a percentage of revenues, cost of revenues decreased to 80.9% compared to 86.2% in the prior year period primarily due to improved operating efficiencies in our barge business.
- Selling, general, and administrative costs were unchanged and consistent as a percentage of revenues.
- Operating profit increased by 57.1% driven by increased operating efficiencies in our barge business.

Nine Months Ended September 30, 2020 versus Nine Months Ended September 30, 2019

- Revenues increased by 9.7% primarily from higher hopper deliveries, partially offset by decreased deliveries and lower contractual pricing for steel components.
- Cost of revenues increased 5.8% driven by higher hopper barge volumes, partially offset by lower steel component volumes and by \$3.3 million due to start-up costs incurred in 2019 toward the re-opening of a previously idled barge manufacturing plant. As a percentage of revenues, cost of revenues decreased to 82.3% compared to 85.4% in the prior year period primarily due to improved operating efficiencies in our barge business.
- Selling, general, and administrative costs increased slightly.
- Operating profit increased by 48.9%, outpacing the increase in revenues.

Unsatisfied Performance Obligations (Backlog)

As of September 30, 2020, the backlog for the Transportation Products Group was \$177.5 million compared to \$363.8 million as of September 30, 2019. Approximately 45% of unsatisfied performance obligations for inland barges are expected to be delivered during the year ending December 31, 2020 with the remainder expected to be delivered in 2021. Subsequent to September 30, 2020, we received additional orders of approximately \$32 million for inland barges expected to be delivered in 2021.

Corporate

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Percent	2020	2019	Percent
	(in millions)		Change	(in millions)		Change
Corporate overhead costs	\$ 17.0	\$ 11.5	47.8 %	\$ 41.2	\$ 34.8	18.4 %

2020 versus 2019

- Corporate overhead costs increased 47.8% and 18.4% for the three and nine months ended September 30, 2020, respectively. The increase primarily related to higher acquisition-related transaction and integration costs of \$1.4 million and \$3.0 million, for the three and nine months ended September 30, 2020, respectively, as well as a non-recurring increase in legal expenses of \$2.5 million incurred during the third quarter of 2020.
- We estimate full-year corporate costs will be approximately \$55 million in fiscal year 2020, including the non-recurring legal expenses incurred in Q3 and the acquisition-related transaction and integration costs incurred throughout the year.

Liquidity and Capital Resources

Arcosa's primary liquidity requirement consists of funding our business operations, including capital expenditures, working capital investment, and disciplined acquisitions. Our primary sources of liquidity include cash flow from operations, our existing cash balance, availability under the revolving credit facility, and, as necessary, the issuance of additional long-term debt or equity. To the extent we have available liquidity, we may also consider undertaking new capital investment projects, executing additional strategic acquisitions, returning capital to stockholders, or funding other general corporate purposes.

Cash Flows

The following table summarizes our cash flows from operating, investing, and financing activities for the nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30,	
	2020	2019
	(in millions)	
Total cash provided by (required by):		
Operating activities	\$ 226.7	\$ 219.0
Investing activities	(409.7)	(87.4)
Financing activities	131.6	(103.5)
Net increase (decrease) in cash and cash equivalents	\$ (51.4)	\$ 28.1

Operating Activities. Net cash provided by operating activities for the nine months ended September 30, 2020 was \$226.7 million compared to \$219.0 million for the nine months ended September 30, 2019.

- The changes in current assets and liabilities resulted in a net source of cash of \$30.8 million for the nine months ended September 30, 2020 compared to a net source of cash of \$39.5 million for the nine months ended September 30, 2019. The current year activity was primarily driven by decreased inventories and increased accounts payable as the Company focused on reducing working capital.

Investing Activities. Net cash required by investing activities for the nine months ended September 30, 2020 was \$409.7 million compared to \$87.4 million for the nine months ended September 30, 2019.

- Capital expenditures for the nine months ended September 30, 2020 were \$56.9 million compared to \$61.0 million for the same period last year. Full-year capital expenditures are expected to be approximately \$80 million in 2020. We expect maintenance capital expenditures of approximately \$65 million and capital expenditures related to additional growth to be \$15 million in 2020.
- Proceeds from the sale of property, plant, and equipment and other assets totaled \$8.9 million for the nine months ended September 30, 2020, compared to \$4.7 million for the same period in 2019.

- Cash paid for acquisitions, net of cash acquired, was \$361.7 million for the nine months ended September 30, 2020 compared to \$31.1 million for the same period in 2019. There was no divestiture activity for the nine months ended September 30, 2020 and 2019.

Financing Activities. Net cash provided by financing activities during the nine months ended September 30, 2020 was \$131.6 million compared to net cash required by financing activities of \$103.5 million for the same period in 2019.

- Current year to date activity was primarily related to proceeds from the issuance of the \$150 million term loan, as the \$100.0 million precautionary advance under the Company's revolving credit facility was borrowed and repaid during the period. Prior year to date activity was primarily related to repayments of advances of \$80 million under the revolving credit facility.

Other Investing and Financing Activities

Revolving Credit Facility

On January 2, 2020, the Company entered into an Amended and Restated Credit Agreement to increase the revolving credit facility to \$500.0 million and added a term loan facility of \$150.0 million, in each case with a maturity date of January 2, 2025.

The interest rates under the revolving credit facility and term loan are variable based on LIBOR or an alternate base rate plus a margin. A commitment fee accrues on the average daily unused portion of the revolving facility. The margin for borrowing and commitment fee rate are determined based on Arcosa's leverage as measured by a consolidated total indebtedness to consolidated EBITDA ratio. The margin for borrowing ranges from 1.25% to 2.00% and was set at LIBOR plus 1.25% as of September 30, 2020. The commitment fee rate ranges from 0.20% to 0.35% and was set at 0.20% as of September 30, 2020.

In March 2020, as a precautionary measure, the Company borrowed \$100.0 million under its revolving credit facility to increase our cash position and preserve financial flexibility considering the uncertainty resulting from the COVID-19 pandemic. The Company subsequently repaid the \$100.0 million during the three months ended June 30, 2020. As of September 30, 2020, we had \$100.0 million of outstanding loans borrowed and \$26.1 million of letters of credit issued under the facility, leaving \$373.9 million available.

The entire term loan was advanced on January 2, 2020 in connection with the closing of the acquisition of Cherry.

The Company's revolving credit and term loan facilities require the maintenance of certain ratios related to leverage and interest coverage. As of September 30, 2020, we were in compliance with all such financial covenants. Borrowings under the credit agreement are guaranteed by certain wholly-owned subsidiaries of the Company.

We believe, based on our current business plans, that our existing cash, available liquidity, and cash flow from operations will be sufficient to fund necessary capital expenditures and operating cash requirements for the foreseeable future. The Company further believes that its financial resources will allow it to manage the anticipated impact of COVID-19 on the Company's business operations for the foreseeable future. The macroeconomic uncertainties posed by COVID-19 are evolving rapidly. Consequently, the Company will continue to evaluate its financial position in light of future developments, particularly those relating to COVID-19.

Dividends and Repurchase Program

In September 2020, the Company declared a quarterly cash dividend of \$0.05 per share to be paid on October 30, 2020.

In December 2018, the Company's Board of Directors authorized a \$50 million share repurchase program effective December 5, 2018 through December 31, 2020. Under the program, the Company repurchased 102,282 shares at a cost of \$4.0 million during the nine months ended September 30, 2020. As of September 30, 2020, the Company had a remaining authorization of \$32.0 million under the program. See Note 1 of the Notes to the Consolidated Financial Statements.

Derivative Instruments

In December 2018, the Company entered into an interest rate swap instrument, effective as of January 2, 2019 and expiring in 2023, to reduce the effect of changes in the variable interest rates associated with borrowings under the revolving credit facility. The instrument carried an initial notional amount of \$100.0 million, thereby hedging the first \$100.0 million of borrowings under the credit facility. The instrument effectively fixes the LIBOR component of the credit facility borrowings at a monthly rate of 2.71%. As of September 30, 2020, the Company has recorded a liability of \$7.9 million for the fair value of the instrument, all of which is recorded in accumulated other comprehensive loss. See Note 3 and Note 7 of the Notes to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

As of September 30, 2020, we had letters of credit issued under our revolving credit facility in an aggregate principal amount of \$26.1 million. Of the outstanding letters of credit as of September 30, 2020, all are expected to expire in 2021. The majority of our letters of credit obligations support the Company's various insurance programs and generally renew by their terms each year. See Note 7 of the Notes to the Consolidated Financial Statements.

Recent Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements for information about recent accounting pronouncements.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not historical facts are forward-looking statements and involve risks and uncertainties. These forward-looking statements include expectations, beliefs, plans, objectives, future financial performances, estimates, projections, goals, and forecasts. Arcosa uses the words “anticipates,” “assumes,” “believes,” “estimates,” “expects,” “intends,” “forecasts,” “may,” “will,” “should,” and similar expressions to identify these forward-looking statements. Potential factors, which could cause our actual results of operations to differ materially from those in the forward-looking statements include, among others:

- the impact of the COVID-19 pandemic on our sales, operations, supply chain, employees, and financial condition;
- market conditions and customer demand for our business products and services;
- the cyclical nature of the industries in which we compete;
- variations in weather in areas where our construction products are sold, used, or installed;
- naturally-occurring events and other events and disasters causing disruption to our manufacturing, product deliveries, and production capacity, thereby giving rise to an increase in expenses, loss of revenue, and property losses;
- competition and other competitive factors;
- our ability to identify, consummate, or integrate acquisitions of new businesses or products, including the Strata Materials acquisition;
- the timing of introduction of new products;
- the timing and delivery of customer orders or a breach of customer contracts;
- the credit worthiness of customers and their access to capital;
- product price changes;
- changes in mix of products sold;
- the costs incurred to align manufacturing capacity with demand and the extent of its utilization;
- the operating leverage and efficiencies that can be achieved by our manufacturing businesses;
- availability and costs of steel, component parts, supplies, and other raw materials;
- changing technologies;
- surcharges and other fees added to fixed pricing agreements for steel, component parts, supplies and other raw materials;
- interest rates and capital costs;
- counter-party risks for financial instruments;
- long-term funding of our operations;
- taxes;
- the stability of the governments and political and business conditions in certain foreign countries, particularly Mexico;
- changes in import and export quotas and regulations;
- business conditions in emerging economies;
- costs and results of litigation;
- changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies;
- legal, regulatory, and environmental issues, including compliance of our products with mandated specifications, standards, or testing criteria and obligations to remove and replace our products following installation or to recall our products and install different products manufactured by us or our competitors;
- actions by the executive and legislative branches of the U.S. government relative to federal government budgeting, taxation policies, government expenditures, U.S. borrowing/debt ceiling limits, and trade policies, including tariffs, and border closures;
- the inability to sufficiently protect our intellectual property rights;
- if the Company does not realize some or all of the benefits expected to result from the Separation, or if such benefits are delayed;
- the Company's ongoing businesses may be adversely affected and subject to certain risks and consequences as a result of the Separation;
- if the distribution of shares of Arcosa resulting from the Separation, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, the Company's stockholders at the time of the distribution and the Company could be subject to significant tax liability; and
- if the Separation does not comply with state and federal fraudulent conveyance laws and legal dividend requirements.

Any forward-looking statement speaks only as of the date on which such statement is made. Arcosa undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made. For a discussion of risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see Item 1A, “Risk Factors” in our 2019 Annual Report on Form 10-K and this Quarterly Report on Form 10-Q.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

There has been no material change in our market risks since December 31, 2019 as set forth in our 2019 Annual Report on Form 10-K. See Note 9 of the Notes to Consolidated Financial Statements for the impact of foreign exchange rate fluctuations for the three and nine months ended September 30, 2020.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that it is able to collect and record the information it is required to disclose in the reports it files with the Securities and Exchange Commission (“SEC”), and to process, summarize, and disclose this information within the time periods specified in the rules of the SEC. The Company’s Chief Executive and Chief Financial Officers are responsible for establishing and maintaining these procedures and, as required by the rules of the SEC, evaluating their effectiveness. Based on their evaluation of the Company’s disclosure controls and procedures that took place as of the end of the period covered by this report, the Chief Executive and Chief Financial Officers believe that these procedures are effective to 1) ensure that the Company is able to collect, process, and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods and 2) accumulate and communicate this information to the Company’s management, including its Chief Executive and Chief Financial Officers, to allow timely decisions regarding this disclosure.

Changes in Internal Control over Financial Reporting

During the period covered by this report, there have been no changes in the Company’s internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.

As permitted by the SEC Staff interpretive guidance for recently acquired businesses, management's assessment and conclusion on the effectiveness of the Company's disclosure controls and procedures as of September 30, 2020 excludes an assessment of the internal control over financial reporting of the Cherry business acquired in January 2020. The Cherry business represents approximately 13% of consolidated total assets and approximately 9% of consolidated revenues as of and for the nine months ended September 30, 2020.

PART II

Item 1. Legal Proceedings

On July 22, 2019, the Company was served with a breach of contract lawsuit filed by Thomas & Betts Corporation (“T&B”) against the Company and its wholly-owned subsidiary, Trinity Meyer Utility Structures, LLC, now known as Meyer Utility Structures, LLC (“Meyer”), in the Supreme Court of the State of New York, New York County. T&B’s claims relate to responsibility for alleged product warranty claims pursuant to the terms of the Asset Purchase Agreement, dated June 24, 2014, entered into by and between T&B and Meyer with respect to Meyer’s purchase of certain assets of T&B’s utility structure business. The Company and Meyer subsequently removed the litigation to federal court. The case is filed under Case No. 1:19-cv-07829-PAE; Thomas & Betts Corporation, now known as, ABB Installation Products, Inc., Plaintiff, v. Trinity Meyer Utility Structures, LLC, formerly known as McKinley 2014 Acquisition, LLC, and Arcosa, Inc., Defendants; In the United States District Court for the Southern District of New York (the “Court”). The Company and Meyer filed a motion to dismiss T&B’s claims, and an Answer and Counterclaims against T&B. On July 30, 2020, the Court granted the Company’s and Meyer’s motion and dismissed T&B’s claims. In its ruling, the Court likewise dismissed Meyer’s counterclaims. On August 28, 2020, T&B filed its Notice of Appeal to the United States Court of Appeals for the Second Circuit. We intend to vigorously defend ourselves in the subsequent appeal of this matter.

Item 1A. Risk Factors

There have been no material changes in the Company’s risk factors from those set forth in our 2019 Annual Report on Form 10-K, except as follows:

Arcosa’s business, financial condition and results of operations may be adversely affected by the recent global COVID-19 outbreak and other similar outbreaks.

Arcosa’s business, financial condition and results of operations may be adversely affected if a pandemic or outbreak of an infectious disease occurs. For example, the current outbreak of COVID-19 has disrupted global trade, commerce, financial and credit markets, and daily life throughout the world. Our highest priority is the health and safety of our employees, and our facilities follow the highest standards to safeguard our employees’ health and safety. The United States Department of Homeland Security’s Cybersecurity and Infrastructure Security Agency currently identifies our employees as an Essential Critical Infrastructure Workforce. We have similar designations from the state governments where our manufacturing facilities are located. This essential critical classification currently allows Arcosa’s physical operations to continue. We continue to monitor our operations and the impact of government orders and recommendations. Arcosa maintains facilities throughout the United States, most of which have been or are currently subject to stay-at-home, shelter-in-place, or other restrictive orders under state and local ordinances, with some employees having to work remotely if possible. While some of our employees can work remotely, most of Arcosa’s manufacturing operations requires our employees to physically work in our manufacturing facilities. If federal, state, or local authorities determine that Arcosa’s operations are non-essential or non-critical, or if one or more of Arcosa’s facilities become subject to governmental ordered closure, voluntary temporary closure, or closure from a COVID-19 outbreak within the facility, the business, financial condition, and results of operations for the affected segment or for Arcosa as a whole could be materially affected.

In addition, certain of Arcosa’s workers and operations are located in areas where travel and curfew restrictions have been imposed, such as Mexico. Disruptions to Arcosa’s cross-border business transactions and activities caused by COVID-19 could materially affect Arcosa’s business and results of operations.

The extent to which the COVID-19 pandemic impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business, and individuals’ actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic on economic activity, including the length of any related recession, and actions taken in response; the effect on our customers and customer demand for our products and services; our ability to sell and provide our products and services, including as a result of travel restrictions and people working from home; if members of our management and other key personnel in critical functions across Arcosa are unable to perform their duties or have limited availability; the ability of our customers to pay for our products and services; any disruption in our supply chain; the ability to procure the required personal protective equipment for our employees; our ability to continue operations in compliance with COVID-19 related regulations; and any closures of our and our customers’ facilities; cybersecurity and IT infrastructure risks from the increase in our employees’ remote working; the impact of the COVID-19 pandemic on the health and safety of our employees; the impact of the COVID-19 pandemic on the demand for commodities, including oil, served by our products and services; and the pace of recovery when the COVID-19 pandemic subsides, as well as, the response to a potential reoccurrence. In addition, the negative impact on the economy could cause customers to postpone projects, cancel or delay orders, or file bankruptcy. Any of these events could cause or contribute to the risks and uncertainties enumerated in our Annual Report on Form 10-K and could materially adversely affect our business, financial condition, results of operations and/or stock price.

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

This table provides information with respect to purchases by the Company of shares of its common stock during the quarter ended September 30, 2020:

Period	Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
July 1, 2020 through July 31, 2020	853	\$ 42.43	—	\$ 34,030,774
August 1, 2020 through August 31, 2020	2,864	\$ 46.11	—	\$ 34,030,774
September 1, 2020 through September 30, 2020	45,934	\$ 44.01	45,446	\$ 32,032,353
Total	49,651	\$ 44.10	45,446	\$ 32,032,353

⁽¹⁾ These columns include the following transactions during the three months ended September 30, 2020: (i) the surrender to the Company of 4,205 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees and (ii) the purchase of 45,446 shares of common stock on the open market as part of the stock repurchase program.

⁽²⁾ In December 2018, the Company's Board of Directors authorized a \$50 million share repurchase program that expires December 31, 2020.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-Q.

Item 5. Other Information

None.

Item 6. Exhibits

NO.	DESCRIPTION
3.1	Restated Certificate of Incorporation of Arcosa, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-8 filed on October 31, 2018, File No. 333-228098).
3.2	Amended and Restated Bylaws of Arcosa, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter-ended March 31, 2020, File No. 001-38494).
31.1	Rule 13a-15(e) and 15d-15(e) Certification of the Chief Executive Officer (filed herewith).
31.2	Rule 13a-15(e) and 15d-15(e) Certification of the Chief Financial Officer (filed herewith).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
95	Mine Safety Disclosure Exhibit (filed herewith).
101.INS	Inline XBRL Instance Document (filed electronically herewith).
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed electronically herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed electronically herewith).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed electronically herewith).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed electronically herewith).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed electronically herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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.

ARCOSA, INC.
Registrant

By /s/ Scott C. Beasley

Scott C. Beasley
Chief Financial Officer
October 29, 2020

CERTIFICATION

I, Antonio Carrillo, certify that:

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

Date: October 29, 2020

/s/ Antonio Carrillo

Antonio Carrillo
President and Chief Executive Officer

CERTIFICATION

I, Scott C. Beasley, certify that:

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

Date: October 29, 2020

/s/ Scott C. Beasley

Scott C. Beasley
Chief 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 Arcosa, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Antonio Carrillo, President and Chief Executive Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Antonio Carrillo

Antonio Carrillo
President and Chief Executive Officer
October 29, 2020

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**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 Arcosa, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott C. Beasley, Chief Financial Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Scott C. Beasley

Scott C. Beasley
Chief Financial Officer
October 29, 2020

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Mine Safety Disclosures

The Company owned or operated mines during the three months ended September 30, 2020. The Financial Reform Act ("Dodd-Frank") requires us to disclose in our periodic reports filed with the SEC, specific information about each of our mines comprised of notices, violations, and orders¹ made by the Federal Mine Safety and Health Administration pursuant to the Federal Mine Safety and Health Act of 1977.

The following table is a summary of the reportable information required for our mines that operated during the three months ended September 30, 2020:

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b) (2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Asa (4104399)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Belton (4101043)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Cottonwood (4104553)	—	—	—	—	—	\$ 123	—	No	No	—	—	—
Kimball Bend (4105462)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Kopperl (4104450)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Malloy Bridge (4102946)	—	—	—	—	—	\$ 123	—	No	No	—	—	—
Paradise (4103253)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Anacoco (1600543)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Indian Village (1600348)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Rye (4102547)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Pearl River (1601334)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Eaves Loop (1601589)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Moody (4105204)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Cameron 1336 (1) (4104482)	—	—	—	—	—	\$ 246	—	No	No	—	—	—
Cameron 1336 (2) (4104551)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Cameron 1336 (3) (4105234)	—	—	—	—	—	\$ 123	—	No	No	—	—	—
ACG Materials Bouse Junction (3401828)	1	—	—	—	—	\$ 522	—	No	No	—	—	—
ACG Materials Diamond (3401660)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Materials Diamond North (3401977)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Materials Shamrock (4104758)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Adams Claim (2600668)	—	—	—	—	—	\$ 171	—	No	No	—	—	—
Harrison Gypsum #2 (3401364)	—	—	—	—	—	\$ —	—	No	No	—	—	—

¹ Significant and Substantial (S&S) citations are reported on this form. Non-S&S citations are not reported on this form but any assessments resulting from non-S&S citations are reported.

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b) (2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Harrison Gypsum #5 (3401964)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Ludwig (2602775)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Ainsworth (4105117)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Garrett (4105169)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Mentone Pit (4105458)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Ft Stockton (4104943)	—	—	—	—	—	\$ —	—	No	No	—	—	—
ACG Materials Orla LLC (4104958)	2	—	—	—	—	\$ — ²	—	No	No	—	—	—
ACG Stanton (4105067)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Dilley Pit (4104879)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Midkiff (4104913)	—	—	—	—	—	\$ —	—	No	No	—	—	—
McCamey Pit (4105507)	—	—	—	—	—	\$ —	—	No	No	—	—	—
J A Jack & Sons (4503239)	5	—	—	—	—	\$ 2,350	—	No	No	—	—	—
KRMI Quarry (4503363)	7	—	—	—	—	\$ — ²	—	No	No	—	—	—
Marianna Quarry (0801267)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Wills Point (4104113)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Wills Point Lester (4104071)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Boulder (0504415)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Brooklyn (1200254)	6	—	—	—	—	\$ — ²	—	No	No	—	—	—
Brooks (1500187)	1	—	—	—	—	\$ 324	—	No	No	—	—	—
Erwinville (1600033)	—	—	—	—	—	\$ —	—	No	No	—	—	—
Frazier Park (0400555)	—	—	—	—	—	\$ 123	—	No	No	—	—	—
Livingston (0100034)	—	—	—	—	—	\$ 246	—	No	No	—	—	—
Streetman (4101628)	—	—	—	—	—	\$ — ³	—	No	No	—	—	—

² Proposed penalty amounts are pending regarding non-S&S and S&S citation(s) issued during the reporting period.

³ Proposed penalty amounts are pending regarding non-S&S citation(s) issued during the reporting period.