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

FORM 10-Q

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

For the quarterly period ended September 30, 2019

OR

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

For the transition period from to

Commission file number: 001-33225

Great Lakes Dredge & Dock Corporation
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**20-5336063** **(I.R.S. Employer Identification No.)**
2122 York Road, Oak Brook, IL **(Address of principal executive offices)**	**60523** **(Zip Code)**

(630) 574-3000
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (Par Value $0.0001)	GLDD	Nasdaq Stock Market, LLC

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of October 31, 2019, 63,919,970 shares of the Registrant's Common Stock, par value $.0001 per share, were outstanding.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period ended September 30, 2019

INDEX

		Page
	Part I Financial Information (Unaudited)	3
Item 1	Financial Statements	3
	Condensed Consolidated Balance Sheets at September 30, 2019 and December 31, 2018	3
	Condensed Consolidated Statements of Operations for the Three and Nine Months ended September 30, 2019 and 2018	4
	Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months ended September 30, 2019 and 2018	5
	Condensed Consolidated Statements of Equity for the Three and Nine Months Ended September 30, 2019 and 2018	6
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2019 and 2018	7
	Notes to Condensed Consolidated Financial Statements	9
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3	Quantitative and Qualitative Disclosures About Market Risk	28
Item 4	Controls and Procedures	28
	Part II Other Information	29
Item 1	Legal Proceedings	29
Item 1A	Risk Factors	29
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3	Defaults Upon Senior Securities	29
Item 4	Mine Safety Disclosures	29
Item 5	Other Information	29
Item 6	Exhibits	30
	Signature	31

PART I — Financial Information

Item 1. Financial Statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except per share amounts)

	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 180,855	$ 34,458
Accounts receivable—net	31,043	64,779
Contract revenues in excess of billings	25,383	17,953
Inventories	27,547	28,112
Prepaid expenses and other current assets	31,626	36,617
Assets held for sale	—	24,779
Total current assets	296,454	206,698
PROPERTY AND EQUIPMENT—Net	374,798	369,863
OPERATING LEASE ASSETS	72,039	—
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	76,576	76,576
INVENTORIES—Noncurrent	63,007	61,264
OTHER	9,894	15,870
TOTAL	$ 892,768	$ 730,271
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 77,074	$ 71,537
Accrued expenses	49,891	48,351
Operating lease liabilities	20,847	—
Billings in excess of contract revenues	69,387	17,793
Revolving credit facility	—	11,500
Liabilities held for sale	—	13,940
Total current liabilities	217,199	163,121
LONG-TERM DEBT	322,619	321,950
OPERATING LEASE LIABILITIES—Noncurrent	50,969	—
DEFERRED INCOME TAXES	36,526	22,846
OTHER	3,631	7,426
Total liabilities	630,944	515,343
COMMITMENTS AND CONTINGENCIES (Note 10)		
EQUITY:		
Common stock—$.0001 par value; 90,000 authorized, 63,916 and 62,830 shares issued; 63,916 and 62,552 shares outstanding at September 30, 2019 and December 31, 2018, respectively.	6	6
Treasury stock, at cost	—	(1,433)
Additional paid-in capital	301,874	295,135
Accumulated deficit	(39,064)	(74,971)
Accumulated other comprehensive loss	(992)	(3,809)
Total equity	261,824	214,928
TOTAL	$ 892,768	$ 730,271

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Contract revenues	$ 169,775	$ 178,671	$ 547,223	$ 447,56
Costs of contract revenues	137,942	139,087	428,027	371,71
Gross profit	31,833	39,584	119,196	75,84
General and administrative expenses	13,488	14,343	42,926	39,66
(Gain) loss on sale of assets—net	(27)	1,521	333	26
Operating income	18,372	23,720	75,937	35,91
Interest expense—net	(6,335)	(8,058)	(21,074)	(25,70
Other income (expense)	(22)	71	273	(1,96
Income from continuing operations before income taxes	12,015	15,733	55,136	8,25
Income tax provision	(3,204)	(3,853)	(14,280)	(2,19
Income from continuing operations	8,811	11,880	40,856	6,05
Loss from discontinued operations, net of income taxes	(859)	(178)	(7,490)	(4,64
Net income	$ 7,952	$ 11,702	$ 33,366	$ 1,40
Basic earnings per share attributable to continuing operations	$ 0.14	$ 0.19	$ 0.64	$ 0.1
Basic loss per share attributable to discontinued operations, net of tax	(0.02)	—	(0.12)	(0.0
Basic earnings per share	$ 0.12	$ 0.19	$ 0.52	$ 0.0
Basic weighted average shares	63,861	62,358	63,449	62,14
Diluted earnings per share attributable to continuing operations	$ 0.14	$ 0.19	$ 0.63	$ 0.1
Diluted loss per share attributable to discontinued operations, net of tax	(0.02)	—	(0.12)	(0.0
Diluted earnings per share	$ 0.12	$ 0.19	$ 0.51	$ 0.0
Diluted weighted average shares	65,071	63,260	64,860	63,34

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	$ 7,952	$ 11,702	$ 33,366	$ 1,407
Currency translation adjustment—net of tax (1)	—	(14)	—	1,290
Net change in cash flow derivative hedges—net of tax (2)	(160)	(201)	2,817	(1,062)
Other comprehensive income (loss)—net of tax	(160)	(215)	2,817	228
Comprehensive income	$ 7,792	$ 11,487	$ 36,183	$ 1,635

(1) Net of income tax benefit (provision) of $21 and $(551) for the three and nine months ended September 30, 2018, respectively.

(2) Net of income tax provision of $57 and $242 for the three months ended September 30, 2019 and 2018, respectively. Net of income tax benefit (provision) of $998 and $(1,191) for the nine months ended September 30, 2019 and 2018 respectively.

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Equity
(Unaudited)
(in thousands)

	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE—January 1, 2019	62,830	$ 6	(278)	$ (1,433)	$ 295,135	$ (74,971)	$ (3,809)	$ 214,928
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	2,802	—	2,802
Share-based compensation	60	—	—	—	6,720	—	—	6,720
Vesting of restricted stock units, including impact of shares withheld for taxes	605	—	—	—	(3,164)	—	—	(3,164)
Exercise of options and purchases from employee stock plans	699	—	—	—	4,355	—	—	4,355
Cancellation of treasury stock	(278)	—	278	1,433	(1,172)	(261)	—	—
Net income	—	—	—	—	—	33,366	—	33,366
Other comprehensive income—net of tax	—	—	—	—	—	—	2,817	2,817
BALANCE—September 30, 2019	63,916	$ 6	—	$ —	$ 301,874	$ (39,064)	$ (992)	$ 261,824
BALANCE—January 1, 2018	61,897	$ 6	(278)	$ (1,433)	$ 289,821	$ (67,101)	$ 3	$ 221,296
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	(1,577)	—	(1,577)
Share-based compensation	105	—	—	—	3,294	—	—	3,294
Vesting of restricted stock units, including impact of shares withheld for taxes	492	—	—	—	(1,075)	—	—	(1,075)
Exercise of options and purchases from employee stock plans	236	—	—	—	862	—	—	862
Net income	—	—	—	—	—	1,407	—	1,407
Other comprehensive income—net of tax	—	—	—	—	—	—	228	228
BALANCE—September 30, 2018	62,730	$ 6	(278)	$ (1,433)	$ 292,902	$ (67,271)	$ 231	$ 224,435

	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE—July 1, 2019	63,769	$ 6	—	$ —	$ 299,320	$ (47,016)	$ (832)	$ 251,478
Share-based compensation	15	—	—	—	2,190	—	—	2,190
Vesting of restricted stock units, including impact of shares withheld for taxes	51	—	—	—	(235)	—	—	(235)
Exercise of options and purchases from employee stock plans	81	—	—	—	599	—	—	599
Net income	—	—	—	—	—	7,952	—	7,952
Other comprehensive income—net of tax	—	—	—	—	—	—	(160)	(160)
BALANCE—September 30, 2019	63,916	$ 6	—	$ —	$ 301,874	$ (39,064)	$ (992)	$ 261,824
BALANCE—July 1, 2018	62,583	$ 6	(278)	$ (1,433)	$ 291,468	$ (78,973)	$ 446	$ 211,514
Share-based compensation	33	—	—	—	1,030	—	—	1,030
Vesting of restricted stock units, including impact of shares withheld for taxes	6	—	—	—	(15)	—	—	(15)
Exercise of options and purchases from employee stock plans	108	—	—	—	419	—	—	419
Net income	—	—	—	—	—	11,702	—	11,702
Other comprehensive income—net of tax	—	—	—	—	—	—	(215)	(215)
BALANCE—September 30, 2018	62,730	$ 6	(278)	$ (1,433)	$ 292,902	$ (67,271)	$ 231	$ 224,435

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2019	2018
OPERATING ACTIVITIES:		
Net income	$ 33,366	$ 1,407
Loss from discontinued operations, net of income taxes	(7,490)	(4,647)
Income from continuing operations	$ 40,856	$ 6,054
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	26,772	38,100
Deferred income taxes	14,382	(716)
Loss on sale of assets	333	265
Other non-cash restructuring items	—	2,015
Amortization of deferred financing fees	2,344	2,637
Unrealized foreign currency gain	—	(215)
Share-based compensation expense	5,234	2,829
Changes in assets and liabilities:		
Accounts receivable	33,736	(16,495)
Contract revenues in excess of billings	(7,430)	45,875
Inventories	(1,178)	(202)
Prepaid expenses and other current assets	454	12,514
Accounts payable and accrued expenses	13,384	4,507
Billings in excess of contract revenues	51,594	(607)
Other noncurrent assets and liabilities	1,556	(4,148)
Net cash flows provided by operating activities from continuing operations	182,037	92,413
Net cash flows used in operating activities of discontinued operations	(8,757)	(3,479)
Cash provided by operating activities	173,280	88,934
INVESTING ACTIVITIES:		
Purchases of property and equipment	(37,608)	(29,636)
Proceeds from dispositions of property and equipment	5,557	12,059
Net cash flows used in investing activities of continuing operations	(32,051)	(17,577)
Net cash flows provided by investing activities of discontinued operations	18,056	151
Cash used in investing activities	(13,995)	(17,426)

	Nine Months Ended September 30,	
	2019	2018
FINANCING ACTIVITIES:		
Deferred financing fees	(2,388)	—
Repayments of debt	—	(297)
Taxes paid on settlement of vested share awards	(3,164)	(1,075)
Exercise of options and purchases from employee stock plans	4,355	862
Borrowings under revolving loans	—	18,000
Repayments of revolving loans	(11,500)	(82,118)
Net cash flows used in financing activities of continuing operations	(12,697)	(64,628)
Net cash flows used in financing activities of discontinued operations	(191)	(1,131)
Cash used in financing activities	(12,888)	(65,759)
Effect of foreign currency exchange rates on cash and cash equivalents	—	26
Net increase in cash, cash equivalents and restricted cash	146,397	5,775
Cash, cash equivalents and restricted cash at beginning of period	34,458	17,352
Cash, cash equivalents and restricted cash at end of period	$ 180,855	$ 23,127
Supplemental Cash Flow Information		
Cash paid for interest	$ 12,396	$ 17,402
Cash paid for income taxes	$ 344	$ 255
Non-cash Investing and Financing Activities		
Property and equipment purchased but not yet paid	$ 4,455	$ 3,920
Repayments of debt with proceeds from sale-leaseback transactions	$ —	$ 13,034

See notes to unaudited condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)

1. Basis of presentation

The unaudited condensed consolidated financial statements and notes herein should be read in conjunction with the audited consolidated financial statements of Great Lakes Dredge & Dock Corporation and Subsidiaries (the "Company" or "Great Lakes") and the notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to the SEC's rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management, all adjustments, which are of a normal and recurring nature (except as otherwise noted), that are necessary to present fairly the Company's financial position as of September 30, 2019, and its results of operations for the three and nine months ended September 30, 2019 and 2018 and cash flows for the nine months ended September 30, 2019 and 2018 have been included.

The Company adopted Accounting Standard Update No. 2016-02, *Leases (Topic 842)* and subsequently issued other Accounting Standard Updates related to the Accounting Standards Codification Topic 842 (collectively, "ASC 842") on January 1, 2019. The Financial Accounting Standards Board ("FASB") issued ASC 842 to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company adopted ASC 842 using the package of practical expedients that allowed entities to retain the classification of lease contracts existing as of the date of adoption. Additionally, the Company has elected to combine lease and non-lease components, such as common area maintenance costs, in calculating the operating lease assets and operating lease liabilities for all asset groups except for the Company's dredges. Further, the Company adopted ASC 842 using the transition method under which entities initially applied ASC 842 at the adoption date and recognized a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Under this method, the comparative periods presented in the financial statements prior to the adoption date were not adjusted to apply ASC 842. Upon the adoption of ASC 842, the Company recorded a cumulative net adjustment of $2,802 to the beginning retained earnings balance.

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance and long-term rentals), subcontracts, fuel, supplies, short-term rentals and project overhead. Hourly labor is generally hired on a project-by-project basis. Costs of contract revenues vary significantly depending on the type and location of work performed and assets utilized.

The Company has one operating segment which is also the Company's reportable segment and reporting unit of which the Company tests goodwill for impairment. During the second quarter of 2019, the Company entered into an agreement and completed the sale of the historical environmental & infrastructure business. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations and is no longer reflected in continuing operations. The Company performed its most recent annual test of impairment as of July 1, 2019 with no indication of impairment as of the test date. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2020.

The condensed consolidated results of operations and comprehensive income for the interim periods presented herein are not necessarily indicative of the results to be expected for the full year.

Recent accounting pronouncements

In January 2017, the FASB issued Accounting Standard Update No. 2017-04 ("ASU 2017-04"), *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendment removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. The guidance is effective for fiscal years beginning after December 15, 2019. The Company does not anticipate that the adoption of ASU 2017-04 will have a material effect on the Company's consolidated financial statements.

2. Earnings per share

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock.

The computations for basic and diluted earnings (loss) per share are as follows:

(shares in thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Income from continuing operations	$ 8,811	$ 11,880	$ 40,856	$ 6,054
Loss from discontinued operations, net of income taxes	(859)	(178)	(7,490)	(4,647)
Net income	7,952	11,702	33,366	1,407
Weighted-average common shares outstanding — basic	63,861	62,358	63,449	62,147
Effect of stock options and restricted stock units	1,210	902	1,411	1,193
Weighted-average common shares outstanding — diluted	65,071	63,260	64,860	63,340
Earnings per share from continuing operations — basic	$ 0.14	$ 0.19	$ 0.64	$ 0.10
Earnings per share from continuing operations — diluted	$ 0.14	$ 0.19	$ 0.63	$ 0.10

For the three and nine months ended September 30, 2018 the following amounts of stock options (“NQSOs”) and restricted stock units (“RSUs”) were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method, as such NQSOs and RSUs were determined to be anti-dilutive:

(shares in thousands)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Effect of stock options and restricted stock units	1,224	1,489

3. Leases

The Company leases certain operating equipment and office facilities. Leases with an initial term greater than twelve months are recorded on the Company’s balance sheet as an operating lease asset and operating lease liability and are measured at the present value of lease payments over the lease term. Substantially all of the Company’s leases are classified as operating leases. Leases with an initial term of twelve months or less with purchase options or extension options that are not reasonably certain to be exercised are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The exercise of lease renewal options is at the Company’s sole discretion and is considered in the measurement of operating lease assets and operating lease liabilities when it is reasonably certain the Company will exercise the option. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Lease cost

The Company’s lease costs are recorded in cost of contract revenues and general and administrative expenses. For the three and nine months ended September 30, 2019, lease costs are as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	$ 5,669	$ 18,244
Short-term lease cost	19,822	52,108
Total lease cost	$ 25,491	$ 70,352

Lease terms and commitments

The Company's maturity analysis of its operating lease liabilities, recorded on the balance sheet, as of September 30, 2019 is as follows:

2019	$	6,370
2020		23,586
2021		19,447
2022		13,827
2023		9,125
Thereafter		9,370
Minimum lease payments		81,725
Imputed interest		9,909
Present value of minimum operating lease payments	$	71,816

Future minimum operating lease payments at December 31, 2018, were as follows:

2019	$	26,554
2020		22,349
2021		18,430
2022		13,552
2023		9,041
Thereafter		8,697
Total minimum operating lease payments	$	98,623

As most of the Company's leases do not provide an implicit rate, the Company used our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. At the date of adoption, the Company used the incremental borrowing rate as of December 31, 2018, for operating leases that commenced prior to that date.
Additional information related to the Company's leases as of September 30, 2019 is as follows:

	September 30, 2019
Weighted average remaining lease term	4.2 years
Weighted average discount rate	6.8%

Supplemental information related to leases during the three and nine months ended September 30, 2019 is as follows:

	Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
Operating cash flows from operating leases	$	(6,762)	$	(20,300)
Operating lease liabilities arising from obtaining new operating lease assets	$	2,840	$	6,088

4. Accrued expenses

Accrued expenses at September 30, 2019 and December 31, 2018 were as follows:

	September 30, 2019	December 31, 2018
Insurance	$ 14,022	$ 13,724
Payroll and employee benefits	12,532	15,298
Interest	9,782	3,448
Contract reserves	4,868	1,709
Income and other taxes	1,403	1,175
Fuel hedge contracts	894	4,710
Other	6,390	8,287
Total accrued expenses	$ 49,891	$ 48,351

5. Long-term debt

Credit agreement

On May 3, 2019, the Company, Great Lakes Dredge & Dock Company, LLC, NASDI Holdings, LLC, Great Lakes Dredge & Dock Environmental, Inc., Great Lakes Environmental & Infrastructure Solutions, LLC, Great Lakes U.S. Fleet Management, LLC, and Drews Services LLC (collectively, the "Credit Parties") entered into an amended and restated revolving credit and security agreement (as amended, supplemented or otherwise modified from time to time, the "Amended Credit Agreement") with certain financial institutions from time to time party thereto as lenders, PNC Bank, National Association, as Agent (the "Agent"), PNC Capital Markets, CIBC Bank USA, Suntrust Robinson Humphrey, Inc. and Bank of America, N.A., as Joint Lead Arrangers and Joint Bookrunners, and HSBC USA, N.A., as Documentation Agent. The Amended Credit Agreement amends and restates the prior Revolving Credit and Security Agreement dated as of December 30, 2016 (as amended, the "Prior Credit Agreement") by and among the financial institutions from time to time party thereto as lenders, the Agent and the Credit Parties party thereto, such that the terms and conditions of the Prior Credit Agreement have been subsumed and replaced in their entirety by the terms and conditions of the Amended Credit Agreement, including the amount available under the revolving credit facility. The terms of the Amended Credit Agreement are summarized below.

The Amended Credit Agreement provides for a senior secured revolving credit facility in an aggregate principal amount of up to $200,000 of which the full amount is available for the issuance of standby letters of credit. The maximum borrowing capacity under the Amended Credit Agreement is determined by a formula and may fluctuate depending on the value of the collateral included in such formula at the time of determination. The Amended Credit Agreement also includes an increase option that will allow the Company to increase the senior secured revolving credit facility by an aggregate principal amount of up to $100,000. This increase is subject to lenders providing incremental commitments for such increase, the Credit Parties having adequate borrowing capacity and provided that no default or event of default exists both before and after giving effect to such incremental commitment increase.

The Amended Credit Agreement contains customary representations and affirmative and negative covenants, including a springing financial covenant that requires the Credit Parties to maintain a fixed charge coverage ratio (ratio of earnings before income taxes, depreciation and amortization, net interest expenses, non-cash charges and losses and certain other non-recurring charges, minus capital expenditures, income and franchise taxes, to net cash interest expense plus scheduled cash principal payments with respect to debt plus restricted payments paid in cash) of not less than 1.10 to 1.00. The Amended Credit Agreement also contains customary events of default (including non-payment of principal or interest on any material debt and breaches of covenants) as well as events of default relating to certain actions by the Company's surety bonding providers. The obligations of the Credit Parties under the Amended Credit Agreement will be unconditionally guaranteed, on a joint and several basis, by each existing and subsequently acquired or formed material direct and indirect domestic subsidiary of the Company. Borrowings under the Amended Credit Agreement will be used to pay fees and expenses related to the Amended Credit Agreement, finance acquisitions permitted under the Amended Credit Agreement, finance ongoing working capital and for other general corporate purposes. The Amended Credit Agreement matures on May 3, 2024; provided that the maturity date shall be accelerated to the date that is ninety-one days prior to the scheduled maturity date of the Company's unsecured senior notes if the Company fails to refinance its unsecured senior notes prior to their scheduled maturity date. The refinanced notes must have a maturity on or after the date that is 180 days after the maturity date of the Amended Credit Agreement.

The obligations under the Amended Credit Agreement are secured by substantially all of the assets of the Credit Parties. The outstanding obligations thereunder shall be secured by a valid first priority perfected lien on substantially all of the U.S. flagged and located vessels of the Credit Parties and a valid perfected lien on all domestic accounts receivable and substantially all other assets of the Credit Parties, subject to the permitted liens and interests of other parties (including the Company's surety bonding providers).

Interest on the senior secured revolving credit facility of the Amended Credit Agreement is equal to either a Domestic Rate option or LIBOR option, at the Company's election. As of the Closing Date, (a) the Domestic Rate option is the highest of (1) the base commercial lending rate of PNC Bank, National Association, as publicly announced, (2) the sum of the federal funds open rate plus 0.5% and (3) the sum of the daily LIBOR rate plus 1.0%, so long as a daily LIBOR rate is offered, ascertainable and not unlawful plus an interest margin of 0.5%; and (b) the LIBOR Rate option is the rate that applies for the applicable interest period on the Bloomberg page BBAMI (or such other substitute page or alternate source as agreed) plus an interest margin of 1.5%. After the date on which a borrowing base certificate is required to be delivered under Section 9.2 of the Amended Credit Agreement (commencing with the fiscal quarter ending September 30, 2019, the "Adjustment Date"), the Domestic Rate option will be the Domestic Rate plus an interest margin ranging between 0.5% and 1.0% and the LIBOR Rate option will be the LIBOR Rate plus an interest margin ranging between 1.5% and 2.0%, in each case, depending on the quarterly average undrawn availability on the Amended Credit Agreement.

As of September 30, 2019, the Company had no borrowings on the revolver, $36,730 of letters of credit outstanding and $162,778 of availability under the Amended Credit Agreement. The availability under the Amended Credit Agreement is suppressed by $492 as of September 30, 2019 as a result of certain limitations set forth in the Amended Credit Agreement.

Senior Notes and subsidiary guarantors

In May 2017, the Company issued $325,000 of 8.000% senior notes ("8% Senior Notes") due May 15, 2022. The interest is paid semi-annually.

The Company's obligations under these Senior Notes are guaranteed by certain of the Company's 100% owned domestic subsidiaries. Such guarantees are full, unconditional and joint and several. The parent company issuer has no independent assets or operations and all non-guarantor subsidiaries have been determined to be minor.

6. Fair value measurements

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 the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established by GAAP that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The accounting guidance describes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—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.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. At times, the Company holds certain derivative contracts that it uses to manage foreign currency risk or commodity price risk. The Company does not hold or issue derivatives for speculative or trading purposes. The fair values of these financial instruments are summarized as follows:

		Fair Value Measurements at Reporting Date Using		
Description	**At September 30, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fuel hedge contracts	$ 894	$ —	$ 894	$ —

Description	At December 31, 2018	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	$ 4,710	$ —	$ 4,710	$ —

Fuel hedge contracts

The Company is exposed to certain market risks, primarily commodity price risk as it relates to diesel fuel purchase requirements, which occur in the normal course of business. The Company enters into heating oil commodity swap contracts to hedge the risk that fluctuations in diesel fuel prices could have an adverse impact on cash flows associated with its domestic dredging contracts. The Company's goal is to hedge approximately 80% of the fuel requirements for work in domestic backlog.

As of September 30, 2019, the Company was party to various swap arrangements to hedge the price of a portion of its diesel fuel purchase requirements for work in its backlog to be performed through September 2020. As of September 30, 2019, there were 9.1 million gallons remaining on these contracts which represent approximately 80% of the Company's forecasted domestic fuel purchases through September 2020. Under these swap agreements, the Company will pay fixed prices ranging from $1.79 to $2.34 per gallon.

At September 30, 2019 and December 31, 2018, the fair value liabilities of the fuel hedge contracts were estimated to be $894 and $4,710, respectively, and are recorded in accrued expenses. For fuel hedge contracts considered to be highly effective, the losses reclassified to earnings from changes in fair value of derivatives, net of cash settlements and taxes, for the nine months ended September 30, 2019 were $1,513. The remaining gains and losses included in accumulated other comprehensive loss at September 30, 2019 will be reclassified into earnings over the next twelve months, corresponding to the period during which the hedged fuel is expected to be utilized. Changes in the fair value of fuel hedge contracts not considered highly effective are recorded as cost of contract revenues in the Statement of Operations. The fair values of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines fair value of these fuel hedges using Level 2 inputs.

The Company is exposed to counterparty credit risk associated with non-performance of its various derivative instruments. The Company's risk would be limited to any unrealized gains on current positions. To help mitigate this risk, the Company transacts only with counterparties that are rated as investment grade or higher. In addition, all counterparties are monitored on a continuous basis.

The fair value of the fuel hedge contracts outstanding as of September 30, 2019 and December 31, 2018 is as follows:

	Balance Sheet Location	Fair Value at September 30, 2019	Fair Value at December 31, 2018
Liability derivatives:			
Derivatives designated as hedging instruments			
Fuel hedge contracts	Accrued expenses	$ 894	$ 4,710

Accumulated other comprehensive income (loss)

Changes in the components of the accumulated balances of other comprehensive income (loss) are as follows:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cumulative translation adjustments—net of tax	$ —	$ (14)	$ —	$ 1,290
Derivatives:				
Reclassification of derivative (gains) losses to earnings—net of tax	327	(442)	1,513	(2,211)
Change in fair value of derivatives—net of tax	(487)	241	1,304	1,149
Net change in cash flow derivative hedges—net of tax	(160)	(201)	2,817	(1,062)
Total other comprehensive income (loss)	$ (160)	$ (215)	$ 2,817	$ 228

Adjustments reclassified from accumulated balances of other comprehensive income (loss) to earnings are as follows:

	Statement of Operations Location	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Derivatives:					
Fuel hedge contracts	Costs of contract revenues	$ 443	$ (599)	$ 2,049	$ (2,995)
	Income tax (provision) benefit	116	(157)	536	(784)
		$ 327	$ (442)	$ 1,513	$ (2,211)

During the first quarter of 2018, the Company substantially completed the closeout of its Brazil operations. This liquidation resulted in the reversal of the Company's cumulative translation adjustment. Adjustments reclassified from accumulated balances of other comprehensive income (loss) to earnings are as follows:

	Statement of Operations Location	Nine Months Ended September 30, 2018
Cumulative translation adjustment:	Other expense	$ (2,015)
	Income tax benefit	527
		$ (1,488)

Other financial instruments

The carrying value of financial instruments included in current assets and current liabilities approximates fair value due to the short-term maturities of these instruments. Based on timing of the cash flows and comparison to current market interest rates, the carrying value of our revolving credit agreement approximates fair value. In May 2017, the Company issued a total of $325,000 of 8% senior notes due May 15, 2022, which were outstanding at September 30, 2019 (see Note 5, Long-term debt). The 8% Senior Notes are senior unsecured obligations of the Company and its subsidiaries that guarantee the 8% Senior Notes. The fair value of the senior notes was $346,385 at September 30, 2019, which is a Level 1 fair value measurement as the senior notes' value was obtained using quoted prices in active markets. It is impracticable to determine the fair value of outstanding letters of credit or performance, bid and payment bonds due to uncertainties as to the amount and timing of future obligations, if any.

7. Share-based compensation

On May 11, 2017, the Company's stockholders approved the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan (the "Incentive Plan"), which previously had been approved by the Company's board of directors subject to stockholder approval. The Incentive Plan permits the granting of stock options, stock appreciation rights, restricted stock and restricted stock units to the Company's employees and directors for up to 3.3 million shares of common stock, plus an additional 1.7 million shares underlying equity awards issued under the 2007 Long-Term Incentive Plan.

During the nine months ended September 30, 2019, the Company granted 542 thousand restricted stock units to certain employees. In addition, all non-employee directors on the Company's board of directors are paid a portion of their board-related compensation in stock grants or restricted stock units. Compensation cost charged to expense related to share-based compensation arrangements was $1,615 and $843 for the three months ended September 30, 2019 and 2018, respectively, and $5,234 and $2,829 for the nine months ended September 30, 2019 and 2018 respectively.

8. Revenue

At September 30, 2019, the Company had $653,733 of remaining performance obligations, which the Company refers to as total backlog. Approximately 29% of the Company's backlog will be completed in 2019 with the remaining balance expected to be completed by 2021.

Revenue by category

The following series of tables presents our revenue disaggregated by several categories.

Domestically, our work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. Foreign projects typically involve capital work.

The Company's contract revenues by type of work, for the periods indicated, were as follows:

Revenues	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Dredging:				
Capital—U.S.	$ 62,518	$ 105,934	$ 214,668	$ 252,537
Capital—foreign	12,554	5,045	39,523	13,847
Coastal protection	41,959	42,691	133,897	122,673
Maintenance	30,074	11,581	89,911	38,461
Rivers & lakes	22,670	13,420	69,224	20,046
Total revenues	$ 169,775	$ 178,671	$ 547,223	$ 447,564

The Company's contract revenues by type of customer, for the periods indicated, were as follows:

Revenues	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Dredging:				
Federal government	$ 134,763	$ 144,050	$ 431,722	$ 313,657
State and local government	18,505	7,107	69,077	77,078
Private	3,953	22,469	6,901	42,982
Foreign	12,554	5,045	39,523	13,847
Total revenues	$ 169,775	$ 178,671	$ 547,223	$ 447,564

Contract balances

Accounts receivable at September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019	December 31, 2018
Completed contracts	$ 9,736	$ 8,592
Contracts in progress	15,688	48,418
Retainage	5,819	7,969
	31,243	64,979
Allowance for doubtful accounts	(200)	(200)
Total accounts receivable—net	$ 31,043	$ 64,779

The components of contracts in progress at September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019	December 31, 2018
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	$ 188,042	$ 433,093
Amounts billed	(167,718)	(416,956)
Costs and earnings in excess of billings for contracts in progress	20,324	16,137
Costs and earnings in excess of billings for completed contracts	7,171	3,928
Total contract revenues in excess of billings	$ 27,495	$ 20,065
Current portion of contract revenues in excess of billings	$ 25,383	$ 17,953
Long-term contract revenues in excess of billings	2,112	2,112
Total contract revenues in excess of billings	$ 27,495	$ 20,065
Billings in excess of costs and earnings:		
Amounts billed	$ (475,765)	$ (260,691)
Costs and earnings for contracts in progress	406,378	242,898
Total billings in excess of contract revenues	$ (69,387)	$ (17,793)

For amounts included in billings in excess of contract revenues balance at the beginning of the year, the Company recognized nearly all of the related revenue during the nine months ended September 30, 2019.

At September 30, 2019 and December 31, 2018, costs to fulfill a contract with a customer recognized as an asset were $9,420 and $13,129, respectively, and are recorded in other current assets and other noncurrent assets. These costs relate to pre-contract and pre-construction activities. During the three and nine months ended September 30, 2019 and 2018, the Company amortized $3,097 and $8,846 and $5,667 and $12,132, respectively, of pre-construction costs.

9. Restructuring charges

In 2017, a strategic review was begun to improve the Company's financial results in both domestic and international operations enabling debt reduction, improvements in return on capital and the continued renewal of our extensive fleet with new and efficient dredges to best serve our domestic and international clients. Management executed a plan to reduce general and administrative and overhead expenses, retire certain underperforming and underutilized assets, write-off pre-contract costs on a project that was never formally awarded and that the Company no longer intends to pursue and closeout the Company's Brazil operations. The cumulative amounts incurred to date for restructuring charges, including amounts presented in discontinued operations, include severance of $3,549, asset retirements of $32,309, pre-contract costs of $6,441 and closeout costs of $4,194. Restructuring activities were substantially completed in 2018.

Restructuring charges recognized for the above actions for the three and nine months ended September 30, 2018 are summarized as follows:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Costs of contract revenues—depreciation	$ 1,341	$ 6,009
Costs of contract revenues—other	765	1,758
General and administrative expenses	153	132
Loss on sale of assets—net	1,737	890
Other expense	—	2,015
Total	$ 3,996	$ 10,804

The Company had accrued severance expense of $662 at December 31, 2018, which has been settled in 2019. Accrued severance is included in accrued expenses.

10. Commitments and contingencies

Commercial commitments

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some environmental & infrastructure projects. The Company has bonding agreements with Argonaut Insurance Company, Berkley Insurance Company, Chubb Surety and Liberty Mutual Insurance Company, under which the Company can obtain performance, bid and payment bonds. The Company also has outstanding bonds with Travelers Casualty, Surety Company of America and Zurich American Insurance Company ("Zurich"). Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from $1,000 to $10,000. At September 30, 2019, the Company had outstanding performance bonds with a notional amount of approximately $1,245,557 of which $41,085 relates to projects from the Company's historical environmental & infrastructure businesses. The revenue value remaining in backlog related to these projects totaled approximately $607,595.

In connection with the sale of our historical demolition business, the Company was obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project and issued Zurich a letter of credit related to this exposure. In February 2017, the Company was notified by Zurich of an alleged default triggered on a historical demolition surety performance bond in the aggregate of approximately $20,000 for failure of the contractor to perform in accordance with the terms of a project. In May 2017, Zurich drew upon the letter of credit in the amount of $20,881. In order to fund the draw on the letter of credit in May 2017, the Company had to increase the borrowings on its revolving credit facility. As the outstanding letters of credit previously reduced our availability under the revolving credit facility, this draw down on our letter of credit did not impact our liquidity or capital availability.

Pursuant to the terms of sale of our historical demolition business, the Company received an indemnification from the buyer for losses resulting from the bonding arrangement. The Company intends to aggressively pursue enforcement of the indemnification provisions if the buyer of the historical demolition business is found to be in default of its obligations. The Company cannot estimate the amount or range of recoveries related to the indemnification or resolution of the Company's responsibilities under the surety bond. The surety bond claim impact has been included in discontinued operations.

Certain foreign projects performed by the Company have warranty periods, typically spanning no more than one to three years beyond project completion, whereby the Company retains responsibility to maintain the project site to certain specifications during the warranty period. Generally, any potential liability of the Company is mitigated by insurance, shared responsibilities with consortium partners, and/or recourse to owner-provided specifications.

Legal proceedings and other contingencies

As is customary with negotiated contracts and modifications or claims to competitively bid contracts with the federal government, the government has the right to audit the books and records of the Company to ensure compliance with such contracts, modifications, or claims, and the applicable federal laws. The government has the ability to seek a price adjustment based on the results of such audit. Any such audits have not had, and are not expected to have, a material impact on the financial position, operations, or cash flows of the Company.

Various legal actions, claims, assessments and other contingencies arising in the ordinary course of business are pending against the Company and certain of its subsidiaries. The Company will defend itself vigorously on all matters. These matters are subject to many uncertainties, and it is possible that some of these matters could ultimately be decided, resolved, or settled adversely to the Company. Although the Company is subject to various claims and legal actions that arise in the ordinary course of business, except as described below, the Company is not currently a party to any material legal proceedings or environmental claims. The Company records an accrual when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe any of these proceedings, individually or in the aggregate, would be expected to have a material effect on results of operations, cash flows or financial condition.

Except as noted below, the Company has not accrued any amounts with respect to the below matters, as the Company does not believe, based on information currently known to it, that a loss relating to these matters is probable, and an estimate of a range of potential losses relating to these matters cannot reasonably be made.

On April 23, 2014, the Company completed the sale of NASDI, LLC ("NASDI") and Yankee Environmental Services, LLC ("Yankee"), which together comprised the Company's historical demolition business, to a privately owned demolition company. Legal actions brought by the Company to enforce the buyer's obligations under the sale agreement are described below.

On January 14, 2015, the Company and our subsidiary, NASDI Holdings, LLC, brought an action in the Delaware Court of Chancery to enforce the terms of the Company's agreement to sell NASDI and Yankee. Under the terms of the agreement, the Company received cash of $5,309 and retained the right to receive additional proceeds based upon future collections of outstanding accounts receivable and work in process existing at the date of close. The Company seeks specific performance of the buyer's obligation to collect and to remit the additional proceeds, and other related relief. Defendants have filed counterclaims alleging that the Company misrepresented the quality of its contracts and receivables prior to the sale. The Company denies defendants' allegations.

The Company is in the process of negotiating a Consent Order with the Florida Department of Environmental Protection regarding alleged impacts to a seagrass habitat in connection with a project in Charlotte County, Florida. The Company estimates the range of potential loss related to this matter as between $200 and $250.

In June 2019, the U.S. Attorney's Office for the Eastern District of Louisiana informed the Company that it intends to file criminal charges against the Company in connection with a September 2016 oil spill. The oil spill occurred during the Company's Cheniere Ronquille project, allegedly resulting in the discharge of around 125 barrels of crude oil in Bay Long, Louisiana. The Company has cooperated with the U.S. Attorney's Office in its investigation of the oil spill and believes that criminal charges are not warranted.

On September 27, 2019, the EPA Region 4 filed an administrative complaint against the Company relating to a project the Company performed at PortMiami from 2013-2015. The EPA is alleging violations of Section 103 of the Marine Protection, Research, and Sanctuaries Act ("MPRSA") and failure to report violations of the MPRSA. The EPA seeks the statutory maximum penalty of $75 per violation of the MPRSA. The Company disagrees with the EPA on whether violations occurred and, if any violation did occur, the appropriate penalty calculation.

11. Business dispositions

Discontinued operations

During the second quarter of 2019, the Company entered into an agreement and completed the sale of the historical environmental & infrastructure business. Under the terms of the agreement, the Company received cash of $17,500 in the second quarter of 2019 and received an additional $857 in the third quarter of 2019.

The results of the historical environmental & infrastructure businesses have been reported in discontinued operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	$ —	$ 25,651	$ 25,040	$ 53,941
Loss before income taxes from discontinued operations	(1,184)	(241)	(7,421)	(6,294)
Loss on disposal of assets held for sale	(2)	—	(2,632)	—
Income tax benefit	327	63	2,563	1,647
Loss from discontinued operations, net of income taxes	$ (859)	$ (178)	$ (7,490)	$ (4,647)

The major classes of assets and liabilities of businesses reported as discontinued operations are shown below:

		December 31, 2018
Assets:		
Accounts receivable—net	$	13,943
Contract revenues in excess of billings		9,971
Other current assets		865
Assets held for sale	$	24,779
Property and equipment—net		6,612
Operating lease assets		—
Goodwill		7,000
Other intangible assets—net		372
Other assets		1,699
Reserve for loss on disposal		(14,110)
Assets held for sale—noncurrent	$	1,573
Liabilities:		
Accounts payable	$	8,343
Accrued expenses		4,380
Operating lease liabilities		—
Other current liabilities		1,217
Liabilities held for sale	$	13,940
Other liabilities		146
Operating lease liabilities—noncurrent		—
Liabilities held for sale—noncurrent	$	146

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

Cautionary note regarding forward-looking statements

Certain statements in this Quarterly Report on Form 10-Q may constitute "forward-looking" statements as defined in Section 27A of the Securities Act of 1933 (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), the Private Securities Litigation Reform Act of 1995 (the "PSLRA") or in releases made by the Securities and Exchange Commission ("SEC"), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Great Lakes Dredge & Dock Corporation and its subsidiaries ("Great Lakes" or the "Company"), or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words "plan," "believe," "expect," "anticipate," "intend," "estimate," "project," "may," "would," "could," "should," "seeks," or "scheduled to," or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions.

These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the "safe harbor" provisions of such laws. Great Lakes cautions investors that any forward-looking statements made by Great Lakes are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to Great Lakes, include, but are not limited to, risks and uncertainties that are described in Item 1A. "Risk Factors" of Great Lakes' Annual Report on Form 10-K for the year ended December 31, 2018, and in other securities filings by Great Lakes with the SEC.

Although Great Lakes believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any forward-looking statements. Great Lakes' future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date hereof and Great Lakes does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

General

The Company is the largest provider of dredging services in the United States. In addition, the Company is the only U.S. dredging service provider with significant international operations. The mobility of the Company's fleet enables the Company to move equipment in response to changes in demand for dredging services.

Dredging generally involves the enhancement or preservation of navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. Domestically, our work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. The Company's bid market is defined as the aggregate dollar value of domestic dredging projects on which the Company bid or could have bid if not for capacity constraints ("bid market"). The Company experienced an average combined bid market share in the U.S. of 42% over the prior three years, including 62%, 50%, 18% and 33% of the domestic capital, coastal protection, maintenance and rivers & lakes sectors, respectively.

The Company's largest domestic dredging customer is the U.S. Army Corps of Engineers (the "Corps"), which has responsibility for federally funded projects related to navigation and flood control of U.S. waterways. In the first nine months of 2019, the Company's dredging revenues earned from contracts with federal government agencies, including the Corps as well as other federal entities such as the U.S. Coast Guard and the U.S. Navy were approximately 79% of dredging revenues, above the Company's prior three year average of 68%.

During the second quarter of 2019, the Company entered into an agreement and completed the sale of its historical environmental & infrastructure business. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations. Refer to Note 11, Business dispositions, to our condensed consolidated financial statements.

The Company has one operating segment which is also the Company's one reportable segment and reporting unit.

The Company's vessels are subject to periodic dry dock inspections to verify that the vessels have been maintained in accordance with the rules of the U.S Coast Guard and the American Bureau of Shipping ("ABS") and that recommended repairs have been satisfactorily completed. Dry dock frequency is a statutory requirement mandated by the U.S Coast Guard and the ABS. The

Company's vessels dry-dock every two to three years or every five years, depending on the vessel type and also on an as-needed basis for occasional unscheduled repairs. The planned dry docking of certain vessels began during the second quarter of 2019 and continued to have an impact on the Company's results in the third quarter of 2019.

Results of operations

The following tables set forth the components of net income and Adjusted EBITDA from continuing operations, as defined below, as a percentage of contract revenues for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Contract revenues	100.0%	100.0%	100.0%	100.0%
Costs of contract revenues	(81.2)	(77.8)	(78.2)	(83.1)
Gross profit	18.8	22.2	21.8	16.9
General and administrative expenses	7.9	8.0	7.8	8.9
(Gain) loss on sale of assets—net	—	0.9	0.1	0.1
Operating income	10.9	13.3	13.9	7.9
Interest expense—net	(3.7)	(4.5)	(3.9)	(5.7)
Other income (expense)	—	—	—	(0.4)
Income from continuing operations before income taxes	7.2	8.8	10.0	1.8
Income tax provision	(1.9)	(2.2)	(2.6)	(0.5)
Income from continuing operations	5.3	6.6	7.4	1.3
Loss from discontinued operations, net of income taxes	(0.5)	(0.1)	(1.4)	(1.0)
Net income	4.8	6.5	6.0	0.3
Adjusted EBITDA from continuing operations	16.0%	19.6%	18.8%	16.1%

Adjusted EBITDA from continuing operations, as provided herein, represents net income (loss), adjusted for net interest expense, income taxes, depreciation and amortization expense, debt extinguishment, accelerated maintenance expense for new international deployments, goodwill or asset impairments and gains on bargain purchase acquisitions. Adjusted EBITDA from continuing operations is not a measure derived in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company presents Adjusted EBITDA from continuing operations as an additional measure by which to evaluate the Company's operating trends. The Company believes that Adjusted EBITDA from continuing operations is a measure frequently used to evaluate performance of companies with substantial leverage and that the Company's primary stakeholders (i.e., its stockholders, bondholders and banks) use Adjusted EBITDA from continuing operations to evaluate the Company's period to period performance. Additionally, management believes that Adjusted EBITDA from continuing operations provides a transparent measure of the Company's recurring operating performance and allows management and investors to readily view operating trends, perform analytical comparisons and identify strategies to improve operating performance. For this reason, the Company uses a measure based upon Adjusted EBITDA from continuing operations to assess performance for purposes of determining compensation under the Company's incentive plan. Adjusted EBITDA from continuing operations should not be considered an alternative to, or more meaningful than, amounts determined in accordance with GAAP including: (a) operating income as an indicator of operating performance; or (b) cash flows from operations as a measure of liquidity. As such, the Company's use of Adjusted EBITDA from continuing operations, instead of a GAAP measure, has limitations as an analytical tool, including the inability to determine profitability or liquidity due to the exclusion of accelerated maintenance expense for new international deployments, goodwill or asset impairments, gains on bargain purchase acquisitions, interest and income tax expense and the associated significant cash requirements and the exclusion of depreciation and amortization, which represent significant and unavoidable operating costs given the level of indebtedness and capital expenditures needed to maintain the Company's business. For these reasons, the Company uses operating income to measure the Company's operating performance and uses Adjusted EBITDA from continuing operations only as a supplement. The following is a reconciliation of Adjusted EBITDA from continuing operations to net income (loss):

(in thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net income	$ 7,952	$ 11,702	$ 33,366	$ 1,407
Loss from discontinued operations, net of income taxes	(859)	(178)	(7,490)	(4,647)
Income from continuing operations	8,811	11,880	40,856	6,054
Adjusted for:				
Interest expense—net	6,335	8,058	21,074	25,702
Income tax provision	3,204	3,853	14,280	2,196
Depreciation and amortization	8,771	11,262	26,772	38,100
Adjusted EBITDA from continuing operations	$ 27,121	$ 35,053	$ 102,982	$ 72,052

The Company's contract revenues by type of work, for the periods indicated, were as follows:

Revenues (in thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Change	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Change
Dredging:						
Capital—U.S.	$ 62,518	$ 105,934	(41.0)%	$ 214,668	$ 252,537	(15.0)%
Capital—foreign	12,554	5,045	148.8%	39,523	13,847	185.4%
Coastal protection	41,959	42,691	(1.7)%	133,897	122,673	9.1%
Maintenance	30,074	11,581	159.7%	89,911	38,461	133.8%
Rivers & lakes	22,670	13,420	68.9%	69,224	20,046	245.3%
Total revenues	$ 169,775	$ 178,671	(5.0)%	$ 547,223	$ 447,564	22.3%

Total revenue was $169.8 million for the three months ended September 30, 2019, down $8.9 million, or 5%, from $178.7 million for the same period in the prior year. For the three months ended September 30, 2019, the Company experienced a decrease in domestic capital and coastal protection revenues. Additionally, increased dry dock days contributed to the revenue decrease in the current quarter. This decrease was partially offset by an increase in maintenance, rivers & lakes and foreign revenues as compared to the same period in the prior year. For the nine months ended September 30, 2019, total revenue was $547.2 million, up from revenue of $447.6 million for the same period in the prior year, representing an increase of $99.6 million or 22%. For the nine months ended September 30, 2019, the Company experienced increases in revenue from all types of work except domestic capital revenue when compared to the same period in the prior year.

Capital dredging consists primarily of port expansion projects, which involve the deepening of channels and berthing basins to allow access by larger, deeper draft ships and the provision of land fill used to expand port facilities. In addition to port work, capital projects also include coastal restoration and land reclamations, trench digging for pipelines, tunnels and cables, and other dredging related to the construction of breakwaters, jetties, canals and other marine structures. For the quarter ended September 30, 2019, domestic capital dredging revenue was $62.5 million, down $43.4 million, or 41%, compared to $105.9 million for the same quarter in 2018. For the three months ended September 30, 2019, the change in domestic capital dredging revenue was primarily driven by a greater amount of revenue earned during the same period in the prior year on coastal restoration projects, the deepening projects in Charleston and a deepening project on the Delaware River. This decrease was partially offset by a greater amount of revenue earned on deepening projects in Corpus Christi and Jacksonville during the current year period. For the nine months ended September 30, 2019, domestic capital dredging revenue was $214.7 million compared to $252.5 million for the same period in 2018, representing a decrease of $37.8 million, or 15%. For the nine months ended September 30, 2019, the lower domestic capital dredging revenue was primarily driven by a greater amount of revenue earned during the same period in the prior year on coastal restoration projects, deepening projects in Charleston and other capital dredging projects in Georgia and Pennsylvania. This decrease was offset by a greater amount of revenue earned from deepening projects in Corpus Christi, Tampa and Jacksonville as well as a greater amount of revenue earned on a deepening project on the Delaware River during the current year as compared to the same period in the prior year.

Foreign capital projects typically involve land reclamations, channel deepening and port infrastructure development. In the third quarter of 2019, foreign capital revenue was $12.6 million, up $7.6 million, as compared to $5.0 million in the same quarter in the prior year. Foreign capital revenue for the nine months ended September 30, 2019 ended was $39.5 million which is $25.7 million, or 186%, higher than revenue of $13.8 million for the same period of the prior year. The increase in revenue for the three and nine months ended September 30, 2019 was driven by revenue earned on a project in Bahrain that commenced during the first quarter of 2019. During the first quarter of 2018, the Company substantially completed the closeout of its Brazil operations.

Coastal protection projects involve moving sand from the ocean floor to shoreline locations where erosion threatens shoreline assets. Coastal protection revenue for the quarter ended September 30, 2019 was $42.0 million, a decrease of $0.7 million, or 2%, compared to $42.7 million in the prior year period. The decrease in coastal protection revenue for the three months ended September 30, 2019 was primarily driven by a greater amount of revenue earned during the same period in the prior year on projects in South Carolina, Delaware and New York. This decrease was mostly offset by an increase in revenue on projects in North Carolina and Virginia in the current period. Coastal protection revenue for the nine months ended September 30, 2019 was $133.9 million representing an increase of $11.2 million or 9%, from $122.7 million for the nine months ended September 30, 2019. The increase in coastal protection revenue for the nine months ended September 30, 2019 was mostly attributable to a greater amount of revenue earned on projects in South Carolina, New York and Virginia in the current year as compared to the same periods in the prior year. This increase was partially offset by revenue earned on a project in Delaware during the same periods in the prior year that did not repeat during the current year periods. Additionally, revenue for the nine months ended September 30, 2018 included a project in Florida that did not repeat during the current year period as well as a greater amount of revenue earned on a project in South Carolina.

Maintenance dredging consists of the re-dredging of previously deepened waterways and harbors to remove silt, sand and other accumulated sediments. Due to natural sedimentation, most channels generally require maintenance dredging every one to three years, thus creating a recurring source of dredging work that is typically non-deferrable if optimal navigability is to be maintained. In addition, severe weather such as hurricanes, flooding and droughts can also cause the accumulation of sediments and drive the need for maintenance dredging. Maintenance revenue for the third quarter of 2019 was $30.1 million, up $18.5 million, or 159%, from $11.6 million in the third quarter of 2018. The increase in maintenance dredging revenue for the three months ended September 30, 2019 was mostly attributable to revenue earned on projects in South Carolina, Texas and North Carolina. This increase was partially offset by revenue earned on projects in Texas and Virginia during three months ended September 30, 2018 that did not repeat during the current year. Maintenance revenue for the nine months of 2019 was $89.9 million, an increase of $51.4 million, or 134%, compared to $38.5 million for the comparable period in the prior year. The increase in maintenance dredging revenue for the nine months ended September 30, 2019 was mostly attributable to revenue earned on projects in Georgia, Florida and North Carolina. This increase was partially offset by revenue earned on a project in Virginia that did not repeat during the current year.

Rivers & lakes dredging and related operations typically consist of lake and river dredging, inland levee and construction dredging, environmental restoration and habitat improvement and other marine construction projects. During the third quarter of 2019 rivers & lakes revenue was $22.7 million, an increase of $9.3 million, or 69% from $13.4 million during the same period of 2018. The increase in rivers & lakes revenue for the three months ended September 30, 2019 was mostly attributable to revenue earned on a large flood mitigation project in Texas as a result of Hurricane Harvey, as well as revenue earned on a project in Iowa during the current year periods. This increase was slightly offset by a greater amount of revenue earned on a lake project in Illinois in the same period of the prior year. Rivers & lakes revenue for the nine months ended September 30, 2019 was $69.2 million, up $49.2 million, from $20.0 million for the same period in the prior year. The increase in rivers & lakes revenue for the nine months ended September 30, 2019 was mostly attributable to revenue earned on a large flood mitigation project in Texas as a result of Hurricane Harvey, as well as revenue earned on projects in Louisiana and Iowa during the current year period. This increase was slightly offset by a greater amount of revenue earned on a lake project in Illinois and a project in New Jersey in the same period of the prior year.

Consolidated gross profit for the quarter ended September 30, 2019 was $31.8 million, down $7.8 million, or 20% compared to $39.6 million in the same quarter of 2018. Gross profit margin for the three months ended September 30, 2019 was 18.8% compared to 22.2% in the third quarter of 2018. When compared to the prior year period, the lower gross profit experienced for the three months ended September 30, 2019 was driven by an increase in vessel dry dockings, which increases plant expenses and reduces revenue due to lower equipment utilization. Consolidated gross profit for the nine months ended September 30, 2019 was $119.2 million, up $43.4 million, or 57%, compared to $75.8 million in the same period of the prior year. Gross profit margin for the nine months ended September 30, 2019 was up to 21.8% from 16.9% in the nine months ended September 30, 2018. The higher gross profit experienced for the nine months ended September 30, 2019 was driven by strong performance on the Company's domestic capital, maintenance, coastal protection and rivers & lakes projects when compared to the prior year period. The three and nine months ended September 30, 2018 included $2.1 million and $7.8 million, respectively, of restructuring charges related to asset retirements and the closeout of the Company's Brazil operations.

During the three months ended September 30, 2019, general and administrative expenses were $13.5 million, down $0.9 million, compared to $14.3 million in the same quarter of 2018. The decrease in general and administrative expenses for the three months ended September 30, 2019 was driven by a reduction of rent and office expense of $0.9 million and bad debt expense of $0.2 million from the prior year that did not repeat in the current period. This decrease was mostly offset by an increase in payroll and benefits expense of $0.2 million. During the nine months ended September 30, 2019, general and administrative expenses were $42.9 million, up $3.2 million, compared to $39.7 million for the same period in the prior year. The increase in general and administrative expenses for the nine months ended September 30, 3019 was driven by a $4.6 million increase in payroll and benefits expense mostly related to incentive compensation as a result of improved profitability.

Operating income for the third quarter of 2019 was $18.4 million, down $5.3 million compared to operating income of $23.7 million for the same quarter in 2018. The decrease in operating income for the third quarter of 2019 was a result of the increase in vessel dry dockings compared to the same period in the prior year, as described above. This decrease in operating income was offset by a $0.9 million decrease in general and administrative expenses, as noted above, and a $1.5 million decrease in gain on sale of assets. Operating income for the nine months ended September 30, 2019 was $75.9 million, up $40.0 million from operating income of $35.9 million in the same prior year period. The change in operating income for the nine months ended September 30, 2019 was a result of higher gross profit partially offset by higher general and administrative expense compared to the same period in the prior year, as described above.

For the three months ended September 30, 2019, net interest expense was $6.3 million, down $1.8 million, or 20%, from $8.1 million for the same period in the prior year. Net interest expense for the nine months ended September 30, 2019 was $21.1 million, down $4.6 million, or 18%, from interest expense of $25.7 million for the same period in the prior year. The change in interest expense for the three and nine months ended September 30, 2019 was attributable to a decrease of $0.6 million and $3.3 million, respectively, in interest expense associated with the Company's senior secured revolving credit facility in addition to higher interest income during the current year periods when compared to the same periods in the prior year.

Income tax provision for the three months ended September 30, 2019 was $3.2 million compared to an income tax provision of $3.9 million for the same period in the prior year. For the nine months ended September 30, 2019 and 2018, the Company had an income tax provision of $14.3 million and an income tax benefit of $2.2 million, respectively. The effective tax rate for the nine months ended September 30, 2019 was 25.9%, mostly in line with the effective tax rate of 26.6% for the same period of 2018.

Net income from continuing operations for the quarter ended September 30, 2019 was $8.8 million, down $3.1 million from $11.9 million in the same quarter in the prior year. Diluted earnings per share attributable to continuing operations was $0.14 for the three months ended September 30, 2019, compared to $0.19 for the three months ended September 30, 2018. Net income from continuing operations for the nine months ended September 30, 2019 was $40.9 million, up $34.8 million from $6.1 million for the same period in the prior year. Diluted earnings per share attributable to continuing operations were $0.63 and $0.10 for the nine months ended September 30, 2019 and 2018, respectively. The increase in net income from continuing operations for the nine months ended September 30, 2019 was driven by the increase in operating income and decrease in interest expense during the current year, as described above. Further, the prior year was negatively impacted by a $2.0 million charge to other income (expense) for the reversal of a cumulative translation adjustment related to the closeout of the Company's Brazil operations during the nine months ended September 30, 2018. These items were partially offset by an increase in the income tax provision during the current year period, as noted above.

Adjusted EBITDA from continuing operations (as defined on page 22) for the quarter ended September 30, 2019 was $27.1 million, down $8.0 million, or 23%, from $35.1 million in the same quarter in the prior year. The change in Adjusted EBITDA from continuing operations during the third quarter of 2019 was driven by an increase in vessel dry dockings slightly offset by lower general and administrative expenses in the current period, as described above. For the nine months ended September 30, 2019, Adjusted EBITDA from continuing operations was $103.0 million, up $30.9 million, or 43%, from Adjusted EBITDA from continuing operations of $72.1 million for the same prior year period. The change in Adjusted EBITDA from continuing operations during the nine months ended September 30, 2019 was attributable to higher gross profit, excluding depreciation, and a positive change related to the $2.0 million charge to other income (expense), as described above, when compared to the prior year. These positive factors were partially offset by higher general & administrative expenses incurred during the nine months ended September 30, 2019, as described above.

Bidding activity and backlog

The following table sets forth, by type of work, the Company's backlog as of the dates indicated:

Backlog (in thousands)	**September 30, 2019**	**December 31, 2018**	**September 30, 2018**
Dredging:			
Capital - U.S.	$ 410,671	$ 447,139	$ 415,291
Capital - foreign	37,900	73,112	—
Coastal protection	126,478	81,068	121,672
Maintenance	62,531	56,189	41,313
Rivers & lakes	16,153	49,583	75,886
Total Backlog	$ 653,733	$ 707,091	$ 654,162

The Company's contract backlog represents its estimate of the revenues that will be realized under the portion of the contracts remaining to be performed. These estimates are based primarily upon the time and costs required to mobilize the necessary assets to and from the project site, the amount and type of material to be dredged and the expected production capabilities of the equipment performing the work. However, these estimates are necessarily subject to variances based upon actual circumstances. Because of these factors, as well as factors affecting the time required to complete each job, backlog is not always indicative of future revenues or profitability. Also, 88% of the Company's September 30, 2019 dredging backlog relates to federal government contracts, which can be canceled at any time without penalty to the government, subject to the Company's contractual right to recover the Company's actual committed costs and profit on work performed up to the date of cancellation. The Company's backlog may fluctuate significantly from quarter to quarter based upon the type and size of the projects the Company is awarded from the bid market. A quarterly increase or decrease of the Company's backlog does not necessarily result in an improvement or a deterioration of the Company's business. The Company's backlog includes only those projects for which the Company has obtained a signed contract with the customer.

The domestic dredging bid market for the quarter ended September 30, 2019 was $1,018.0 million, a $128.6 million increase compared to the same period in the prior year. The domestic dredging bid market for the nine months ended September 30, 2019 was $1,471.9 million, a decrease of $109.6 million compared to the nine months ended September 30, 2018. Total domestic dredging bid market for the current year period included awards for a coastal protection project in New York, two coastal protection projects in Virginia, a maintenance project in Texas, and maintenance projects on the Mississippi River. The bid market for the nine months ended September 30, 2019 decreased compared to the prior year due to a greater number of larger capital projects let to bid in the prior year, which included the Boston Harbor deepening project, and rivers & lakes projects. This was partially offset by higher maintenance projects awarded in the nine months ended September 30, 2019. For the contracts awarded in the current year, the Company won 47%, or $244.9 million, of the coastal protection projects, 16%, or $126.5 million, of the maintenance projects, 48%, or 11.5 million, of rivers & lakes projects and no domestic capital projects through September 30, 2019. The Company won 26% of the overall domestic bid market for the nine months ended September 30, 2019, which is below the Company's prior three year average of 42%. Variability in contract wins from quarter to quarter is not unusual and one quarter's win rate is generally not indicative of the win rate the Company is likely to achieve for a full year.

The Company's contracted dredging backlog was $653.7 million at September 30, 2019 compared to $707.1 million of backlog at December 31, 2018. These amounts do not reflect approximately $165.4 million of domestic low bids pending formal award and additional phases ("options") pending on projects currently in backlog at September 30, 2019. At December 31, 2018 the amount of domestic low bids and options pending award was $115.6 million.

Domestic capital dredging backlog at September 30, 2019 was $36.5 million lower than at December 31, 2018. For the nine months ended September 30, 2019, the Company continued to earn revenue on a coastal restoration project in Mississippi and deepening projects in Charleston, Tampa, and Jacksonville as well as on a deepening project on the Delaware River which were in backlog at December 31, 2018. The Company expects additional phases of multiple large deepening and other capital projects to bid in the fourth quarter of 2019. The projects coming into the pipeline include additional phases of work in Corpus Christi, new projects in the Ports of Norfolk, Virginia and Freeport, Texas and large coastal restoration projects in Mississippi and Louisiana. Further, several liquefied natural gas petro chemical and crude oil projects are creating the need for port development in support of energy exports. The Company expects several of these private client projects to be bid in 2019 and 2020.

Foreign capital dredging backlog at September 30, 2019 was $35.2 million lower than at December 31, 2018. During the nine months ended September 30, 2019, the Company continued to earn revenue on a project in the Middle East which was in backlog at December 31, 2018. During 2018, the Company relocated two of its dredges to our domestic fleet from their previous positions in the international market to meet increased demand in the U.S. market.

Coastal protection dredging backlog at September 30, 2019 was $45.4 million higher than at December 31, 2018. In the nine months ended September 30, 2019, the Company was awarded a $20 million coastal protection project in North Carolina and two coastal protection projects, $23 and $20 million each respectively, in Virginia. During the nine months ended September 30, 2019, the Company continued to earn revenue on coastal protection projects in New York, North Carolina and South Carolina which were in backlog at December 31, 2018. Coastal protection and storm impacts continue to provide the major impetus for coastal project investment at federal and state levels. With continued funding available for projects in the Northeast from the Superstorm Sandy supplemental appropriations, the Company expects to continue to see an increase in projects let for bid in the coastal protection market. As a result of the extreme storm systems in prior years involving Hurricanes Harvey, Irma, and Maria, the U.S. Senate Committee on Appropriations passed supplemental appropriations for disaster relief and recovery which includes $17.4 billion for the Corps to fund projects that will reduce the risk of future damage from flood and storm events. The Corps is beginning to provide visibility on its plans for this money, and it is expected that approximately $1.8 billion will be allocated to dredging-related work. Most of this work is anticipated to be coastal protection related, but some funding may be provided for channel maintenance. During the fourth quarter of 2018, Congress passed an additional $1.7 billion of supplemental appropriations for disaster relief funding as a result of Hurricane Florence and Hurricane Michael.

Maintenance dredging backlog increased $6.3 million from December 31, 2018. Awarded in the nine months ended September 30, 2019 were maintenance projects in Texas, South Carolina and on the Mississippi River. During the nine months ended September 30, 2019, the Company continued to earn revenue on projects in the Georgia, North Carolina and Florida which were in backlog at December 31, 2018. In March 2018, Congress approved and the President signed an omnibus spending bill through fiscal year 2018. The spending bill continues the increases in the budget for the Corps and exceeds the increase in Harbor Maintenance Trust Fund (“HMTF”) spending for maintenance dredging as required by the Water Resources Reform and Development Act of 2014. During the fourth quarter of 2018, the President signed America’s Water Infrastructure Act of 2018/Water Resources Development Act (“WRDA 2018”) into law. Similar to past versions of the bill, WRDA 2018 language calls for full use of the HMTF for its intended purpose of maintaining future access to the waterways and ports that support our nation’s economy. Further, WRDA 2018 ensures that Harbor Maintenance Tax (“HMT”) funding targets will increase by three percent over the prior year, even if the HMT revenue estimates decrease, to continue annual progress towards full use of the HMT by 2025. Through the increased appropriation of HMTF monies, the Company anticipates an increase in harbor projects to be let for bid throughout 2019 and beyond. Congress has improved spending from the HMTF by providing the Corps with record annual budgets including 94% utilization of the HMTF in FY 2018 and 91% proposed in the FY 2019 budget which was above its commitment.

Rivers & lakes backlog at September 30, 2019 was down by $33.4 million from backlog at December 31, 2018. During the nine months ended September 30, 2019, the Company was awarded new work in Texas and Nebraska. For the nine months ended September 30, 2019, the Company continued to earn revenue on a large project in Texas and a project in Louisiana which were in backlog at December 31, 2018.

Liquidity and capital resources

The Company’s principal sources of liquidity are net cash flows provided by operating activities and proceeds from previous issuances of long-term debt. The Company’s principal uses of cash are to meet debt service requirements, finance capital expenditures, provide working capital and other general corporate purposes.

The Company’s cash provided by operating activities of continuing operations for the nine months ended September 30, 2019 and 2018 totaled $182.0 million and $92.4 million, respectively. Normal increases or decreases in the level of working capital relative to the level of operational activity impact cash flow from operating activities. The increase in cash provided by operating activities of continuing operations during the nine months ended September 30, 2019 compared to the same period in the prior year was driven by billings and collections on large projects during the current period as well as a greater investment in working capital during the prior year period. Further, this increase was also driven by an increase of $34.8 million in net income from continuing operations in the current period compared to the same period in the prior year.

The Company’s cash flows used in investing activities for the nine months ended September 30, 2019 and 2018 totaled $32.1 million and $17.6 million, respectively. Investing activities primarily relate to normal course upgrades and capital maintenance of the Company’s dredging fleet. Capital expenditures for the nine months ended September 30, 2019 included the final payment of $10.0 million for the new clamshell dredge. During the nine months ended September 30, 2018, the Company received $4.5 million in cash proceeds from a sale-leaseback of a dredge.

The Company’s cash flows used in financing activities for the nine months ended September 30, 2019 and 2018 totaled $12.7 million and $64.6 million, respectively. The decrease in cash used in financing activities primarily relates to changes in the net repayments on Company’s revolving credit facility in the current period of $11.5 million compared to $64.1 million in the same period in the prior year.

Senior notes

In May 2017, the Company issued $325 million in aggregate principal amount of its 8% Senior Notes due May 15, 2022. Interest on the 8% Senior Notes is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2017. The 8% Senior Notes are senior unsecured obligations of the Company and are guaranteed on a senior unsecured basis by the guarantors and any other subsidiary guarantors that from time to time become parties to the indenture. The terms of the indenture, among other things, limit the ability of the Company and its restricted subsidiaries to (i) pay dividends, or make certain other restricted payments or investments; (ii) incur additional indebtedness and issue disqualified stock; (iii) create liens on their assets; (iv) transfer and sell assets; (v) enter into certain business combinations with third parties or enter into certain other transactions with affiliates; (vi) create restrictions on dividends or other payments by the Company's restricted subsidiaries; and (vii) create guarantees of indebtedness by restricted subsidiaries. These covenants are subject to a number of important limitations and exceptions that are described in the indenture.

Commitments, contingencies and liquidity matters

Refer to Note 5, Long-term debt, in the Notes to Condensed Consolidated Financial Statements for discussion of the Company's Amended Credit Agreement. Additionally, refer to Note 10, Commitments and contingencies, in the Notes to Condensed Consolidated Financial Statements for discussion of the Company's surety agreements.

The Company believes its cash and cash equivalents, its anticipated cash flows from operations and availability under its revolving credit facility will be sufficient to fund the Company's operations, capital expenditures and the scheduled debt service requirements for the next twelve months. Beyond the next twelve months, the Company's ability to fund its working capital needs, planned capital expenditures, scheduled debt payments and dividends, if any, and to comply with all the financial covenants under the Credit Agreement and bonding agreements, depends on its future operating performance and cash flows, which in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond the Company's control.

Critical accounting policies and estimates

In preparing its consolidated financial statements, the Company follows GAAP, which is described in Note 1, Basis of presentation, to the Company's December 31, 2018 Consolidated Financial Statements included on Form 10-K. The application of these principles requires significant judgments or an estimation process that can affect the results of operations, financial position and cash flows of the Company, as well as the related footnote disclosures. The Company continually reviews its accounting policies and financial information disclosures. Except as noted in Note 1, Basis of presentation, of the Company's financial statements, there have been no material changes in the Company's critical accounting policies or estimates since December 31, 2018.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The market risk of the Company's financial instruments as of September 30, 2019 has not materially changed since December 31, 2018. The market risk profile of the Company on December 31, 2018 is disclosed in Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. Controls and Procedures.

a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as required by Rule 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act") as of September 30, 2019. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act a) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure and b) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2019 in providing such a reasonable assurance.

b) Changes in internal control over financial reporting.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — Other Information

Item 1. Legal Proceedings.

See Note 10, Commitments and contingencies, in the Notes to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors.

There have been no material changes during the nine months ended September 30, 2019 to the risk factors previously disclosed in Item 1A. “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Number	Document Description
31.1	Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
101.INS	XBRL Instance Document. *
101.SCH	XBRL Taxonomy Extension Schema. *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase. *
101.DEF	XBRL Taxonomy Extension Definition Linkbase. *
101.LAB	XBRL Taxonomy Extension Label Linkbase. *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase. *

* Filed herewith
** Furnished herewith

SIGNATURE

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.

Great Lakes Dredge & Dock Corporation
(registrant)

By: /s/ MARK W. MARINKO

Mark W. Marinko
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer and Duly Authorized Officer)

Date: November 5, 2019

Exhibit 31.1

CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Lasse J. Petterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great Lakes Dredge & Dock Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

/s/ LASSE J. PETTERSON
Lasse J. Petterson
Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Mark W. Marinko, certify that:

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

Date: November 5, 2019

/s/ Mark W. Marinko
Mark W. Marinko
Senior Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Great Lakes Dredge & Dock Corporation (the "Company") on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lasse J. Petterson, Chief Executive Officer and Director of the Company, certify 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 Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by Great Lakes Dredge & Dock Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

/s/ LASSE J. PETTERSON

Lasse J. Petterson
Chief Executive Officer and Director
Date: November 5, 2019

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Great Lakes Dredge & Dock Corporation and will be retained by Great Lakes Dredge & Dock Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Quarterly Report of Great Lakes Dredge & Dock Corporation (the “Company”) on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark W. Marinko, Senior Vice President and Chief Financial Officer of the Company, certify 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 Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by Great Lakes Dredge & Dock Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

/s/ MARK W. MARINKO
Mark W. Marinko
Senior Vice President and Chief Financial Officer
Date: November 5, 2019

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Great Lakes Dredge & Dock Corporation and will be retained by Great Lakes Dredge & Dock Corporation and furnished to the Securities and Exchange Commission or its staff upon request.