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 March 31, 2023

OR

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

For the transition period from to

Commission file number: 001-33225

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

Delaware	**20-5336063**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
9811 Katy Freeway, Suite 1200, Houston, TX	**77024**
(Address of principal executive offices)	**(Zip Code)**

(346) 359-1010
(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 April 28, 2023, 66,416,399 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 March 31, 2023

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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)

	March 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 32,519	$ 6,546
Accounts receivable—net	32,652	44,890
Contract revenues in excess of billings	81,302	65,922
Inventories	28,682	29,229
Prepaid expenses and other current assets	33,435	36,254
Total current assets	208,590	182,841
PROPERTY AND EQUIPMENT—Net	561,757	543,910
OPERATING LEASE ASSETS	85,527	89,733
GOODWILL	76,576	76,576
INVENTORIES—Noncurrent	84,321	80,044
OTHER	8,224	8,676
TOTAL	$ 1,024,995	$ 981,780
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 88,115	$ 94,077
Accrued expenses	36,548	29,469
Operating lease liabilities	26,047	26,873
Billings in excess of contract revenues	12,444	9,914
Total current liabilities	163,154	160,333
LONG-TERM DEBT	321,658	321,521
REVOLVING CREDIT FACILITY	50,000	—
OPERATING LEASE LIABILITIES—Noncurrent	60,813	65,010
DEFERRED INCOME TAXES	57,847	59,115
OTHER	7,501	7,581
Total liabilities	660,973	613,560
COMMITMENTS AND CONTINGENCIES (Note 8)		
EQUITY:		
Common stock—$.0001 par value; 90,000 authorized, 66,416 and 66,188 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively.	6	6
Additional paid-in capital	312,533	312,091
Retained earnings	53,083	56,314
Accumulated other comprehensive loss	(1,600)	(191)
Total equity	364,022	368,220
TOTAL	$ 1,024,995	$ 981,780

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 March 31, 2023	Three Months Ended March 31, 2022
Contract revenues	$ 158,044	$ 194,349
Costs of contract revenues	145,909	161,294
Gross profit	12,135	33,055
General and administrative expenses	13,017	14,604
Gain on sale of assets—net	(18)	(321)
Operating income (loss)	(864)	18,772
Interest expense—net	(3,385)	(4,025)
Other income (expense)	227	(405)
Income (loss) before income taxes	(4,022)	14,342
Income tax benefit (provision)	791	(3,285)
Net income (loss)	$ (3,231)	$ 11,057
Basic earnings (loss) per share	$ (0.05)	$ 0.17
Basic weighted average shares	66,264	65,847
Diluted earnings (loss) per share	$ (0.05)	$ 0.17
Diluted weighted average shares	66,264	66,436

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Three Months Ended March 31,	
	2023	2022
Net income (loss)	$ (3,231)	$ 11,057
Net change in cash flow derivative hedges—net of tax (1)	(1,409)	6,235
Comprehensive income (loss)	$ (4,640)	$ 17,292

(1) Net of income tax (provision) benefit of $476 and $(2,106) for the three months ended March 31, 2023 and 2022, 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	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE—January 1, 2023	66,188	$ 6	$ 312,091	$ 56,314	$ (191)	$ 368,220
Share-based compensation	20	—	215	—	—	215
Vesting of restricted stock units and impact of shares withheld for taxes	93	—	(335)	—	—	(335)
Exercise of options and purchases from employee stock plans	115	—	562	—	—	562
Net loss	—	—	—	(3,231)	—	(3,231)
Other comprehensive loss—net of tax	—	—	—	—	(1,409)	(1,409)
BALANCE—March 31, 2023	66,416	$ 6	$ 312,533	$ 53,083	$ (1,600)	$ 364,022

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE—January 1, 2022	65,746	$ 6	$ 308,482	$ 90,369	$ 140	$ 398,997
Share-based compensation	9	—	552	—	—	552
Vesting of restricted stock units and impact of shares withheld for taxes	212	—	(1,827)	—	—	(1,827)
Exercise of options and purchases from employee stock plans	79	—	390	—	—	390
Net income	—	—	—	11,057	—	11,057
Other comprehensive income—net of tax	—	—	—	—	6,235	6,235
BALANCE—March 31, 2022	66,046	$ 6	$ 307,597	$ 101,426	$ 6,375	$ 415,404

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
OPERATING ACTIVITIES:		
Net income (loss)	$ (3,231)	$ 11,057
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation and amortization	10,850	11,316
Deferred income taxes	(791)	3,285
Gain on sale of assets	(18)	(321)
Amortization of deferred financing fees	241	317
Share-based compensation expense	237	552
Changes in assets and liabilities:		
Accounts receivable	13,344	45,791
Contract revenues in excess of billings	(15,379)	(34,691)
Inventories	(3,766)	(5,703)
Prepaid expenses and other current assets	2,981	(6,612)
Accounts payable and accrued expenses	4,000	12,247
Billings in excess of contract revenues	2,530	(11,126)
Other noncurrent assets and liabilities	(1,678)	205
Cash provided by operating activities	9,320	26,317
INVESTING ACTIVITIES:		
Purchases of property and equipment	(33,629)	(28,866)
Proceeds from dispositions of property and equipment	55	1,110
Cash used in investing activities	(33,574)	(27,756)
FINANCING ACTIVITIES:		
Taxes paid on settlement of vested share awards	(335)	(1,827)
Exercise of options and purchases from employee stock plans	562	390
Borrowing under revolving loans	75,000	—
Repayments of revolving loans	(25,000)	—
Cash provided by (used in) financing activities	50,227	(1,437)
Net increase (decrease) in cash, cash equivalents and restricted cash	25,973	(2,876)
Cash, cash equivalents and restricted cash at beginning of period	6,546	147,459
Cash, cash equivalents and restricted cash at end of period	$ 32,519	$ 144,583
Cash and cash equivalents	$ 32,519	$ 142,583
Restricted cash included in other long-term assets	—	2,000
Cash, cash equivalents and restricted cash at end of period	$ 32,519	$ 144,583
Supplemental Cash Flow Information		
Cash paid for interest	$ 536	$ 100
Cash paid (received) for income taxes	$ (45)	$ 58
Non-cash Investing and Financing Activities		
Property and equipment purchased but not yet paid	$ 3,755	$ 10,319

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, 2022. 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 March 31, 2023 and December 31, 2022, and its results of operations for the three months ended March 31, 2023 and 2022 and cash flows for the three months ended March 31, 2023 and 2022 have been included.

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. The Company performed its most recent test of impairment as of October 1, 2022 with no indication of impairment as of the test date. As of the test date, the fair value of the reporting unit was in excess of its carrying value by at least 10%. When performing the quantitative test, the Company assessed the fair values of its reporting unit using both a market-based approach and an income-based approach. The assessment used estimates based on assumptions that the Company believes to be reasonable, but such assumptions are subject to unpredictability and uncertainty. Likewise, changes in terminal value and discount rate assumptions, unfavorable economic environment or market conditions and other factors in the future may cause a different assessment. Changes in these estimates and assumptions could materially affect the determination of fair value, and may result in the impairment of goodwill in the event that actual results differ from those estimates. The Company will continue to monitor for changes in facts or circumstances that may impact our estimates. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2023 should no triggering events occur which would require a test prior to the next annual test.

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

2. Earnings per share

Basic earnings per share is computed by dividing net income (loss) 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 per share are as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net income (loss)	$ (3,231)	$ 11,057
Weighted-average common shares outstanding — basic	66,264	65,847
Effect of stock options and restricted stock units	—	589
Weighted-average common shares outstanding — diluted	66,264	66,436
Earnings (loss) per share — basic	$ (0.05)	$ 0.17
Earnings (loss) per share — diluted	$ (0.05)	$ 0.17

For the three months ended March 31, 2023, the dilutive effect of 246 restricted stock units were excluded from the diluted weighted-average common shares outstanding as the Company incurred a loss during the period.

3. Accrued expenses

Accrued expenses at March 31, 2023 and December 31, 2022 were as follows:

	March 31, 2023	December 31, 2022
Insurance	$ 13,920	$ 17,808
Interest	6,131	1,469
Payroll and employee benefits	5,003	2,062
Other	4,262	5,107
Fuel hedge contracts	2,693	638
Income and other taxes	1,889	1,419
Contract reserves	2,650	966
Total accrued expenses	$ 36,548	$ 29,469

4. Long-term debt

Credit agreement

On July 29, 2022, the Company, Great Lakes Dredge & Dock Company, LLC, NASDI Holdings, LLC, Great Lakes Environmental & Infrastructure Solutions, LLC, Great Lakes U.S. Fleet Management, LLC, and Drews Services LLC (collectively, the "Credit Parties") entered into a second 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, Bank of America, N.A. and Truist Securities, Inc., as Joint Lead Arrangers and Joint Bookrunners, CIBC Bank USA and Truist Bank as Co-Syndication Agents, Bank of America, N.A., as Documentation Agent and PNC Bank National Association, as Green Loan Coordinator. The Amended Credit Agreement amends and restates the prior Amended Credit Agreement dated as of May 3, 2019 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 $300,000 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 a green loan option where the Company can borrow at the lower interest rates described below so long as such funds are used to fund capital investments related to renewable energy and clean transportation projects and are consistent with green loan principles. The green loan option is subject to a $35,000 sublimit.

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 springing financial covenant is triggered when the undrawn availability of the Amended Credit Agreement is less than 12.5% of the maximum loan amount for five consecutive days. 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, for other general corporate purposes, and with respect to any green loan, fund capital investments related to renewable energy and clean transportation projects. The Amended Credit Agreement matures on the earlier of July 29, 2027 or the date that is ninety-one (91) days prior to the scheduled maturity date of the Company's unsecured senior notes, which is currently June 1, 2029, if the Company fails to refinance its unsecured senior notes prior to their scheduled maturity date but only if such scheduled maturity date is prior to 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 Secured Overnight Financing Rate ("SOFR") option, at the Company's election. As of July 29, 2022, (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 overnight bank funding rate plus 0.5% and (3) the sum of the daily simple SOFR plus 1.0%, so long as a daily Simple SOFR is offered, ascertainable and not unlawful and (b) the SOFR option is the rate that applies for the applicable interest period determined by the Agent and based on the rate published by the CME Group Benchmark Administration Limited (or a successor administrator). 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, 2022), the Domestic Rate option will be the Domestic Rate plus an interest margin ranging between 0.25% and 0.75% and the SOFR option will be the SOFR plus an interest margin ranging between 1.25% and 1.75%, in each case, depending on the quarterly average undrawn availability on the Amended Credit Agreement. Additionally, the Company will have an option to borrow at Green Loan Advance Rates, each of which will be 0.05% lower than the corresponding applicable rate if the Company certifies that it will use such proceeds to invest in renewable energy and clean transportation projects and it complies with green loan principles.

The Company had $50,000 and no borrowings on the revolver as of March 31, 2023 and December 31, 2022, respectively. There were $16,391 of letters of credit outstanding as of both March 31, 2023 and December 31, 2022. There were $195,712 and $245,713 of availability under the Amended Credit Agreement as of March 31, 2023 and December 31, 2022, respectively. As a result of certain limitations set forth in the Amended Credit Agreement, the availability under the Amended Credit Agreement is suppressed by $37,897 as of both March 31, 2023 and December 31, 2022.

Senior Notes and subsidiary guarantors

In May 2021, the Company sold $325,000 of unsecured 5.25% Senior Notes (the "2029 Notes") pursuant to a private offering. The 2029 Notes were priced to investors at par and will mature on June 1, 2029. The Company used the net proceeds from the offering, together with cash on hand, to redeem all $325,000 aggregate principal amount of its outstanding 8.000% Senior Notes due 2022.

The Company's obligations under these 2029 Notes are guaranteed by each of the Company's existing and future 100% owned domestic subsidiaries that are co-borrowers or guarantors under the Amended Credit Agreement. 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.

5. 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 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 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 commodity price risk or foreign currency 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 at			
	Fair Value Hierarchy Levels	**March 31, 2023**		**December 31, 2022**	
		Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives designated as cash flow hedging instruments:					
Fuel hedge contracts	**2**	$ —	$ 2,693	$ —	$ 638
Foreign currency exchange hedge contracts	**2**	995	—	831	6
Total derivatives		$ 995	$ 2,693	$ 831	$ 644

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 eligible fuel requirements for work in domestic backlog.

As of March 31, 2023, 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 October 2023. As of March 31, 2023, there were 5.4 million gallons remaining on these contracts representing forecasted domestic fuel purchases through October 2023. Under these swap agreements, the Company will pay fixed prices ranging from $2.71 to $3.95 per gallon.

At March 31, 2023 and December 31, 2022, the fair value liability of the fuel hedge contracts were estimated to be $2,693 and $638, 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 three months ended March 31, 2023 were $370. The remaining gains and losses included in accumulated other comprehensive loss at March 31, 2023 will be reclassified into earnings over the next seven 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.

Foreign currency exchange hedge contracts

The Company is exposed to certain market risks, including foreign currency exchange rate risks related to the purchase of new vessel build materials in Europe. The Company enters into foreign currency exchange forward contracts to hedge the risk that fluctuations in the Euro in relation to the U.S. Dollar could have an adverse impact on cash flows associated with its equipment builds.

As of March 31, 2023, the Company was party to various foreign exchange forward contract arrangements to hedge the purchase of materials through November 2024. As of March 31, 2023, there were 26.0 million Euro of payments remaining on these hedge contracts. Under these hedge contracts, the Company will pay fixed prices ranging from $1.00 to $1.13 per Euro.

As of March 31, 2023 and December 31, 2022, the fair value asset of foreign currency exchange hedge contracts were estimated to be $995 and $831, respectively, and are recorded in other current assets. At December 31, 2022, the fair value liability of foreign currency exchange hedge contracts was estimated to be $6 and is recorded in accrued expenses. For foreign currency exchange hedge contracts considered to be highly effective, the gains reclassified to earnings from changes in fair value of derivatives, net of cash settlements and taxes, for the three months ended March 31, 2023 were $42. The remaining gains and losses included in accumulated other comprehensive loss at March 31, 2023 will be reclassified into earnings over the next twenty months, corresponding to the period during which the hedged currency is expected to be utilized. Changes in the fair value of foreign currency exchange hedge contracts not considered highly effective are recorded as other expenses in the Statement of Operations. The fair values of foreign currency exchange hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines the fair value of these foreign currency exchange hedges using Level 2 inputs.

Accumulated other comprehensive income (loss)

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

	Three Months Ended March 31,	
	2023	2022
Derivatives:		
Fuel Hedge Contracts		
Reclassification of derivative losses (gains) to earnings—net of tax	$ 370	$ (2,481)
Change in fair value of derivatives—net of tax	(1,906)	8,716
Net change in cash flow derivative fuel hedges—net of tax	$ (1,536)	$ 6,235
Foreign Currency Exchange Hedge Contracts		
Reclassification of derivative losses (gains) to earnings—net of tax	$ (42)	$ —
Change in fair value of derivatives—net of tax	169	—
Net change in cash flow derivative foreign currency hedges—net of tax	$ 127	$ —
Total net change in cash flow derivative hedges - net of tax	$ (1,409)	$ 6,235

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

		Three Months Ended March 31,	
	Statement of Operations Location	2023	2022
Derivatives:			
Fuel hedge contracts	Costs of contract revenues	$ 495	$ (3,319)
Foreign currency exchange hedge contracts	Other expense (income)	(52)	—
	Income tax benefit (provision)	112	(838)
		$ 331	$ (2,481)

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 the revolving credit agreement approximates fair value. In May 2021, the Company sold $325,000 of the 2029 Notes, which were outstanding at March 31, 2023 (see Note 4, Long-term debt). The fair value of the 2029 Notes was $245,622 at March 31, 2023, 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.

6. Share-based compensation

On May 5, 2021, the Company's stockholders approved the Great Lakes Dredge & Dock Corporation 2021 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 replaces the 2017 Long-Term Incentive Plan (the "Prior Plan") and is largely based on the Prior Plan, but with updates to the available shares and other administrative changes. 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 1.5 million shares of common stock, plus the number of shares that remained available for future grant under the Prior Plan as of the effectiveness of the Incentive Plan.

The Prior Plan permitted 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. The Company may also issue share-based compensation as inducement awards to new employees upon approval of the Board of Directors and/or the applicable committee or committees thereof, as may be required.

During the three months ended March 31, 2023, the Company granted 945 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 $237 and $552 for the three months ended March 31, 2023 and 2022, respectively.

7. Revenue

At March 31, 2023, the Company had $327,147 of remaining performance obligations, which the Company refers to as total dredging backlog. Total backlog does not include approximately $50,000 of performance obligations related to offshore wind contracts. Approximately 77% of the Company's dredging backlog is expected to be completed in 2023 with the remaining balance expected to be completed in 2024.

Revenue by category

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

Domestically, the Company's 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:

	Three Months Ended March 31,	
Revenues	**2023**	**2022**
Dredging:		
Capital—U.S.	$ 32,475	$ 101,010
Coastal protection	51,305	71,917
Maintenance	71,928	19,812
Rivers & lakes	2,336	1,610
Total revenues	$ 158,044	$ 194,349

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

	Three Months Ended March 31,	
Revenues	**2023**	**2022**
Dredging:		
Federal government	$ 142,162	$ 167,574
State and local government	15,882	24,601
Private	-	2,174
Total revenues	$ 158,044	$ 194,349

Accounts receivable at March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023	December 31, 2022
Completed contracts	$ 4,983	$ 4,682
Contracts in progress	18,146	32,546
Retainage	10,087	8,226
	33,216	45,454
Allowance for credit losses	(564)	(564)
Total accounts receivable—net	$ 32,652	$ 44,890

The components of contracts in progress at March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023	December 31, 2022
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	$ 343,316	$ 262,125
Amounts billed	(276,822)	(210,068)
Costs and earnings in excess of billings for contracts in progress	66,494	52,057
Costs and earnings in excess of billings for completed contracts	14,808	14,972
Total contract revenues in excess of billings	$ 81,302	$ 67,029
Current portion of contract revenues in excess of billings	$ 81,302	$ 65,922
Long-term contract revenues in excess of billings	-	1,107
Total contract revenues in excess of billings	$ 81,302	$ 67,029
Billings in excess of costs and earnings:		
Amounts billed	$ (112,333)	$ (95,013)
Costs and earnings for contracts in progress	99,889	85,099
Total billings in excess of contract revenues	$ (12,444)	$ (9,914)

In the first quarter of 2022, a revision to the estimated gross profit percentage of a project was recognized due to a positive settlement of a claim from the recently completed project resulting in a cumulative net impact on the project margin, which increased gross profit by $11,724.

At March 31, 2023 and December 31, 2022, costs to fulfill a contract with a customer recognized as an asset were $3,971 and $4,472, 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 months ended March 31, 2023 and 2022, the Company amortized $3,666 and $2,402, respectively, of pre-construction costs.

8. Commitments and contingencies

Commercial commitments

Performance and bid bonds are customarily required for dredging and marine construction 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. Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from $1,000 to $10,000. At March 31, 2023, the Company had outstanding performance bonds with a notional amount of approximately $686,345. The revenue value remaining in dredging backlog totaled approximately $253,936.

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.

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. The Company has been involved in litigation relating to this sale, and on April 11, 2022 the Supreme Court of Delaware affirmed an earlier decision by Delaware Court of Chancery granting the Company a $21,934 judgment relating to the buyer's default of its obligations to indemnify the Company for losses resulting from failure to perform in accordance with terms of a surety performance bond. Following this judgment, the Company continued to aggressively pursue collection from the buyer on outstanding amounts owed under the sale and the indemnification. On April 24, 2023, the Company settled the remaining litigation related to the sale and subsequent buyer's default of its obligations to indemnify the Company for losses resulting from failure to perform in accordance with terms of a surety performance bond. The settlement calls for a one-time payment to the Company from entities affiliated with the buyer in the amount of $1,250, a disbursement to the Company from a litigation escrow account in the amount of $680 and a release of funds retained by New York City to the Company in connection with a pre-purchase construction project which is expected to be $800 after the payment of related expenses. The Company expects to record the proceeds and release any balance sheet exposure as the monies are received in 2023.

Lease obligations

The Company leases certain operating equipment and office facilities under long-term operating leases expiring at various dates through 2030. The equipment leases contain renewal or purchase options that specify prices at the then fair value upon the expiration of the lease terms. The leases also contain default provisions that are triggered by an acceleration of debt maturity under the terms of the Company’s Amended Credit Agreement, or, in certain instances, cross default to other equipment leases and certain lease arrangements require that the Company maintain certain financial ratios comparable to those required by its Amended Credit Agreement. Additionally, the leases typically contain provisions whereby the Company indemnifies the lessors for the tax treatment attributable to such leases based on the tax rules in place at lease inception. The tax indemnifications do not have a contractual dollar limit. To date, no lessors have asserted any claims against the Company under these tax indemnification provisions.

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, 2022 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

Great Lakes is the largest provider of dredging services in the United States which is complemented with a long history of performing significant international projects. The Company is also fully engaged in expanding its core business into the rapidly developing offshore wind energy industry. The Company operates in one operating segment, which is also the Company's one reportable segment and reporting unit.

Dredging generally involves the enhancement or preservation of the 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 we bid or could have bid if not for capacity constraints or other considerations ("bid market"). We experienced an average combined bid market share in the U.S. of 35% over the prior three years, including 39%, 59%, 21% and 30% of the domestic capital, coastal protection, maintenance and rivers & lakes sectors, respectively.

The Company's largest domestic 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 three months ended March 31, 2023, our revenues earned from contracts with federal government agencies were approximately 90% of total revenue, up from our prior three-year average of 75%.

The Company's vessels are subject to periodic regulatory 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. Regulatory dry dock frequency is a statutory requirement mandated by the U.S. Coast Guard and the ABS. The Company's vessels undergo regulatory dry-docks every two to three years or every five years, depending on the vessel type and may also go into dry dock on an as-needed basis for upgrades, maintenance and repairs. The Company experienced regulatory dry dock inspections on one dredge in the first quarter of 2023. The dry dock vessel returned to work in March 2023.

The Company has taken action on cost reductions and fleet adjustments. In 2022, the Company retired the 42-year-old hopper dredge, the *Terrapin Island*. Beginning in 2023, the Company chose to cold stack some of our equipment with minimal crews and cost to adjust to the current difficult market conditions. The equipment can be easily reactivated when the Company sees improvements in the bid market. The Company currently has cold stacked two major dredges and support equipment.

The Company plans to participate in the offshore wind market, and in November 2021, the Company entered into a $197 million contract with Philly Shipyard to build the first U.S. flagged Jones Act compliant, inclined fall-pipe vessel for subsea rock installation for wind turbine foundations, the *Acadia*, which is expected to be delivered and operational in the first half of 2025. This vessel represents a significant critical advancement in building the U.S. logistics infrastructure to support the future of the new U.S. offshore wind industry. The Company has begun bidding on select projects in the offshore wind market and on July 14, 2022, the Company, in consortium with Van Oord, entered into its first contract with Empire Offshore Wind, a joint venture between Equinor and BP, to perform subsea rock installation work for the Empire I and Empire II offshore wind farms in New York in 2025 and 2026. These wind farms are expected to provide over 2 Gigawatts ("GW") of renewable energy to the state of New York, which is enough renewable energy to power more than one million households in New York.

In 2021, the current presidential administration announced the ambitious goal of 30 GW of offshore wind by 2030 and provided $3.0 billion in federal loan guarantees for offshore wind projects. Great Lakes continues to tender bids on multiple offshore wind projects for our subsea rock installation vessel and additional contract awards are anticipated in 2023.

During the recent COVID-19 pandemic, the health and safety of our employees was and remains our primary goal. Our commitment to health and safety reaches far beyond our employees and embraces their families, our customers, and our community. The unique nature of our business requires many of our employees to live and work in close proximity to one another. We instituted and strictly adhere to rigorous measures designed to provide our employees with a safe working environment and allow them to safely execute tasks.

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

Results of operations

The following tables set forth the components of net income (loss) and Adjusted EBITDA, as defined below, as a percentage of contract revenues for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Contract revenues	100.0 %	100.0 %
Costs of contract revenues	(92.3)	(83.0)
Gross profit	7.7	17.0
General and administrative expenses	8.2	7.5
Gain on sale of assets—net	—	(0.2)
Operating income (loss)	(0.5)	9.7
Interest expense—net	(2.1)	(2.1)
Other income (expense)	0.1	(0.2)
Income (loss) before income taxes	(2.5)	7.4
Income tax benefit (provision)	0.5	(1.7)
Net income (loss)	(2.0)%	5.7 %
Adjusted EBITDA	6.5 %	15.3 %

Adjusted EBITDA, as provided herein, represents net income (loss) from continuing operations, 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 is not a measure derived in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company presents Adjusted EBITDA as an additional measure by which to evaluate the Company’s operating trends. The Company believes that Adjusted EBITDA 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 to evaluate the Company’s period to period performance. Additionally, management believes that Adjusted EBITDA 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 to assess performance for purposes of determining compensation under the Company’s incentive plan. Adjusted EBITDA 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, 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 only as a supplement. The following is a reconciliation of Adjusted EBITDA to net income (loss):

	Three Months Ended March 31,	
(in thousands)	2023	2022
Net income (loss)	$ (3,231)	$ 11,057
Adjusted for:		
Interest expense—net	3,385	4,025
Income tax provision (benefit)	(791)	3,285
Depreciation and amortization	10,850	11,316
Adjusted EBITDA	$ 10,213	$ 29,683

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

	Three Months Ended March 31,		
Revenues (in thousands)	**2023**	**2022**	**Change**
Dredging:			
Capital—U.S.	$ 32,475	$ 101,010	(67.8)%
Coastal protection	51,305	71,917	(28.7)%
Maintenance	71,928	19,812	263.0%
Rivers & lakes	2,336	1,610	45.1%
Total revenues	$ 158,044	$ 194,349	(18.7)%

Total revenue was $158.0 million for the three months ended March 31, 2023, down $36.3 million, or 19%, from $194.3 million for the same period in the prior year. For the three months ended March 31, 2023, the Company experienced a decrease in domestic capital and coastal protection revenue as compared to the same period in the prior year. This decrease was partially offset by an increase in maintenance, and rivers & lakes revenue during the first quarter of 2023 as 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 three months ended March 31, 2023, domestic capital dredging revenue was $32.5 million, down $68.5 million, or 68%, compared to $101.0 million for the same period in 2022. The decrease in capital dredging revenues for the three months ended March 31, 2023 was mostly due to a decrease in revenue earned on projects in Massachusetts, Florida, South Carolina, Louisiana, New Hampshire, and Alabama in the first quarter of 2023 when compared to the same period in the prior year. This decrease was slightly offset by revenue earned on projects in Virginia in the current year.

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 March 31, 2023 was $51.3 million, a decrease of $20.6 million, or 29%, compared to $71.9 million in the prior year period. The decrease in coastal protection revenues for the three months ended March 31, 2023 was mostly attributable to a decrease in revenue earned on projects in North Carolina and Florida in the current year period when compared to the prior year. This decrease was slightly offset by revenue earned on projects in New York, New Jersey and Virginia in the current year.

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 first quarter of 2023 was $71.9 million, up $52.1 million, or 263%, from $19.8 million in the same period of 2022. The increase in maintenance revenues for the three months ended March 31, 2023 was mostly attributable to a greater amount of revenue earned on projects in New York, New Jersey, Florida, Georgia, North and South Carolina, Alabama, Texas and Mississippi from the current year. This increase was slightly offset by a decrease in revenue earned on a project in Louisiana in 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 first quarter of 2023, rivers & lakes revenue was $2.3 million, an increase of $0.7 million, or 45%, from $1.6 million during the same period of 2022. The increase in rivers & lakes revenue for the three-months ended March 31, 2023 was mostly attributable to a greater amount of revenue earned on projects in Arkansas from the current year. This increase was partially offset by a decrease in revenue earned on a project in Mississippi in the current year.

Consolidated gross profit for the quarters ended March 31, 2023 decreased by $21.0 million, or 63%, to $12.1 from $33.1 for the quarter ended March 31, 2022. Gross profit margin for the three months ended March 31, 2023 was 7.7% compared to 17.0% in the same period of 2022. Gross profit and gross profit margin declined during the three months ended March 31, 2023 compared to the prior year quarter due to significant decrease in higher margin capital work, weather delays in the Northeast and production impacts caused primarily by weather and differing site conditions among other factors.

During the three months ended March 31, 2023, general and administrative expenses were $13.0 million, a decrease of $1.6 million compared to the same period in the prior year, which totaled $14.6 million. The decrease in general and administrative expenses for the quarter was primarily due to lower consulting, relocation, and recruiting expense in the current year and our continued cost reduction efforts.

Operating loss for the first quarter of 2023 was $0.9 million, down $19.7 million compared to operating income of $18.8 million for the same quarter in 2022. The decrease in operating income for the first quarter of 2023 was as a result of lower gross profit in the current year when compared to the same period in the prior year.

For the three months ended March 31, 2023, net interest expense was $3.4 million, $0.6 million lower compared to $4.0 million for the same period in the prior year. The decrease in net interest expense was primarily due to an increase in capitalized interest related to the extensive new build program, offset partially by current quarter revolver interest expense.

Income tax benefit for the three months ended March 31, 2023 was $0.8 million compared to an income tax provision of $3.3 million for the same period in the prior year. The effective tax rate for the three months ended March 31, 2023 was 19.7%, down 3.2% from the effective tax rate of 22.9% for the same period of 2022. The decrease in tax rate was due to lower nondeductible officer compensation and a larger impact from research and development credits.

Net loss for the quarter ended March 31, 2023 was $3.2 million, down $14.3 million, or 129%, from $11.1 million of net income in the same quarter in the prior year. Diluted loss per share was $0.05 for the three months ended March 31, 2023, compared to $0.17 of diluted earnings per share for the three months ended March 31, 2022. The decrease in net income for the three months ended March 31, 2023 was primarily due to the decrease in operating income in the current year quarter, slightly offset by the greater other income, lower net interest expense and income tax expense in the current quarter compared to the same quarter in the prior year.

Adjusted EBITDA (as defined on page 18) for the quarter ended March 31, 2023 was $10.2 million, down $19.5 million, or 66%, from $29.7 million in the same quarter in the prior year. The decrease in Adjusted EBITDA during the first quarter of 2023 was driven by the decrease in gross profit, excluding depreciation, offset slightly by lower general and administrative expense and higher other income.

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)	March 31, 2023	December 31, 2022	March 31, 2022
Dredging:			
Capital - U.S.	$ 118,895	$ 148,429	$ 320,352
Coastal protection	62,051	97,819	120,457
Maintenance	143,131	125,671	31,451
Rivers & lakes	3,070	5,221	1,211
Total backlog	$ 327,147	$ 377,140	$ 473,471

Total dredging backlog does not include approximately $50 million of performance obligations related to offshore wind contracts. The Company expects to perform on its offshore wind contracts using the inclined fall-pipe vessel for subsea rock installation which is expected to be delivered and operational in 2025.

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, 46% of the Company’s March 31, 2023 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. The Company’s backlog includes only those projects for which the Company has obtained a signed contract with the customer. 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.

On December 29, 2022, the Omnibus Appropriations Bill for fiscal year 2023 was signed into law which included another record budget of $8.66 billion for the U.S. Army Corps of Engineers (the "Corps") civil works program of which $2.32 billion is provided for the Harbor Maintenance Trust Fund to maintain and modernize our nation’s waterways. In addition, the Disaster Relief Supplemental Appropriations Act for fiscal year 2023 was approved which included $1.48 billion for the Corps to make necessary repairs to infrastructure impacted by hurricanes and other natural disasters and to initiate beach renourishment projects that will increase coastal resiliency. This increased budget and additional funding support our expectation for a stronger bid market in 2023.

The Company expects these budgeted appropriations to support the funding of several delayed capital port improvement projects including Sabine, Mobile, Houston, Corpus Christi, San Juan and additional phases of Norfolk. Although the Corps was delayed in bidding capital port deepening projects in 2022, the first four months of 2023 have already seen bids for the port improvement projects for Norfolk and Freeport.

In March 2023, President Biden released the President’s Fiscal Year 2024 executive budget. This is the starting point for negotiations in Congress over what will eventually become the actual Federal spending figures. The proposed amount for the Corps targets $7.4 billion, which is a record amount for a President's budget and we are hopeful that based on recent history, Congress will further increase the Corps' budget for fiscal year 2024 when it is passed.

At the end of 2022, the Water Resources Development Act of 2022, or WRDA 2022, was approved by Congress and signed into law by the President. WRDA 2022 is on a two-year renewal cycle and includes legislation that authorizes the financing of Corps’ projects for flood and hurricane protection, dredging, ecosystem restoration and other construction projects. WRDA 2022 featured among many other things authorization for New York and New Jersey shipping channels to be deepened to 55 feet, estimated at $6 billion, as well as the Coastal Texas Protection and Restoration Program, estimated at $34.4 billion which includes dune and marsh restoration to safeguard the Texas Gulf Coast from hurricane surges. In addition, this legislation includes policy changes that will allow future port, waterways, and coastal projects to be more readily approved and funded.

The domestic dredging bid market for the quarter ended March 31, 2023 was $323.0 million, a $124.8 million increase compared to the same period in the prior year. Total domestic dredging bid market for the current year period included awards for a capital project in Norfolk, maintenance projects in Mobile, Jacksonville, Galveston, New Orleans and Puerto Rico, coastal protection project in Florida, and rivers and lakes projects in US inland. For the contracts awarded in the current year, the Company won, 100.0%, or $9.1 million, of the coastal protection projects and 64.4%, or $93.1 million, of the maintenance projects through March 31, 2023. The Company won 31.7% of the overall domestic bid market for the three months ended March 31, 2023, which is slightly lower than the Company's prior three-year average of 34.9%. 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 $327.1 million at March 31, 2023 compared to $377.1 million of backlog at December 31, 2022. These amounts do not reflect approximately $516.9 million of domestic low bids pending formal award and additional phases ("options") pending on projects currently in backlog at March 31, 2023. At December 31, 2022 the amount of domestic low bids and options pending award was $584.7 million.

Domestic capital dredging backlog at March 31, 2023 was $29.5 million lower than at December 31, 2022. During the three months ended March 31, 2023, the Company continued to earn revenue on deepening projects in Virginia and Texas, and multiple coastal restoration projects in Louisiana. Government funded projects coming into the pipeline include the Norfolk Harbor deepening, as well as additional phase of Corpus Christi. These deepenings continue the trend of ensuring all East Coast and Gulf of Mexico ports will be able to accommodate the deeper draft vessels currently used on several trade routes. In addition, multiple project phases for port deepenings in Norfolk and the Houston ship channel are expected to continue for the next several years. The nation's governors continue to show commitment to their respective ports through engagement and funding. Finally, Congress has also shown a commitment to ports and waterways, providing record annual budgets for the Corps for port deepening and channel maintenance. In addition to this port work, a greater amount of coastal restoration and rehabilitation projects are being funded in the Gulf Coast region as the states utilize available monies for ecosystem priorities, a portion of which is allocated to dredging.

Coastal protection dredging backlog decreased $35.8 million from December 31, 2022. In the three months ended March 31, 2023, the Company was awarded one coastal protection project in Florida. During the three months ended March 31, 2023, the Company continued to earn revenue on coastal protection projects in New Jersey, New York, Virginia, and North Carolina which were in backlog at December 31, 2022. Coastal protection and storm impacts continue to provide the major impetus for coastal project investment at federal and state levels. Strong hurricane and storm seasons have resulted in an increase in beach erosion and other damage which adds to the recurring nature of our business and the need for more frequent coastal protection and port maintenance projects. As a result of the extreme storm systems in prior years involving Hurricanes Harvey, Irma, and Maria, the U.S. Congress 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 2019, an additional $3.3 billion of supplemental appropriations was approved for disaster relief funding as a result of Hurricane Florence and Hurricane Michael.

Maintenance dredging backlog increased $17.5 million from December 31, 2022. During the three months ended March 31, 2023, the Company was awarded one maintenance project of $93.1 million in Puerto Rico. the Company continued to earn revenue on projects in Louisiana, Georgia, South and North Carolina, Florida, and Texas that were in backlog at December 31, 2022. Past WRDA bills called 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. On March 27, 2020, the U.S. government enacted the CARES Act which includes a provision that lifts caps on the HMTF, thereby allowing full access to future annual revenues. Through the increased appropriation of HMTF monies, the Company anticipates increased funding for harbor maintenance projects to be let for bid.

Rivers & lakes backlog at March 31, 2023 was down $2.2 million compared to backlog at December 31, 2022. For the three months ended March 31, 2023, the Company continued to earn revenue on projects in Tennessee and Arkansas which was in backlog at December 31, 2022.

Liquidity and capital resources

The Company's principal sources of liquidity are net cash flows provided by operating activities, proceeds from previous issuances of long-term debt, and draws on our revolver. 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 for the three months ended March 31, 2023 and 2022 was $9.3 million and $26.3 million in cash, 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 decrease in cash provided by operating activities during the three months ended March 31, 2023 compared to the same period in the prior year was due to a decrease in net income as well as an increase in working capital due to an increase in accounts receivable during the current year when compared to the same period in the prior year.

The Company's cash flows used in investing activities for the three months ended March 31, 2023 and 2022 totaled $33.6 million and $27.8 million, respectively. Investing activities primarily relate to vessel construction and normal course upgrades and capital maintenance of the Company's dredging fleet. The Company is currently building a 6,500 cubic yard trailing suction hopper dredge, the *Galveston Island*, which is expected to be operational in mid-year 2023, additionally, in June 2022 the Company exercised the contract option with the same builder to build a second 6,500 cubic yard trailing suction hopper dredge, the *Amelia Island*, with expected delivery in 2025. The delivery of the new *Galveston Island* and *Amelia Island* hopper dredges will provide the Company with added capacity and the opportunity to potentially retire older dredges. In November 2021, the Company entered into a $197 million contract with Philly Shipyard to build the first U.S. flagged Jones Act compliant, inclined fall-pipe vessel for subsea rock installation for wind turbine foundations to support the new U.S. offshore wind industry, the *Acadia*, which is expected to be delivered and operational in the first half of 2025. In July 2021, the Company announced a contract to build two multifunctional all-purpose vessels ("multicats"). During the three months ended March 31, 2023, the Company invested $9.6 million in the *Galveston Island*, $10.4 million in the *Amelia Island*, $4.3 million in the *Acadia*, and $2.8 million in the multicats.

The Company's cash flows provided by financing activities for the three months ended March 31, 2023 totaled $50.2 million compared to cash flows used by financing activities of $1.4 million for the three months ended March 31, 2022. The increase in net cash flows provided by financing activities is primarily due to net borrowings on the Company's revolver during the first three months of 2023 of $50 million, compared to zero net borrowings for the same period in the prior year.

The Company expects to spend approximately $175 million on capital expenditures in 2023 which is comprised of vessels in our new build program and maintenance capital expenditures. As of March 31, 2023, the Company has drawn $50 million on the Amended Credit Agreement to support payments related to the new build program. In January 2023, the Company applied with the Maritime Administration or MARAD, which is a unit of the U.S. Department of Transportation, for Title XI financing. If approved, we could borrow a portion of the acquisition cost of the subsea rock installation vessel with repayment terms of up to 25 years at rates tied to U.S. Treasury rates. MARAD announced in 2022 that they want to facilitate more offshore wind construction and have designated vessels like our subsea rock installation ship, "Vessels of National Interest" which will prioritize our application for review and funding through Title XI. The review and approval process is expected to be completed later in 2023. The Company anticipates that remaining new build program payments will be made with cash on hand, future cash flows generated from operations, revolver availability and potential new sources of financing.

Commitments, contingencies and liquidity matters

Refer to Note 4, Long-term debt, in the Notes to Condensed Consolidated Financial Statements for discussion of the Company's Amended Credit Agreement and 2029 Notes. Additionally, refer to Note 8, Commitments and contingencies, in the Notes to Condensed Consolidated Financial Statements for discussion of the Company's surety agreements.

In March 2023, the Company's corporate credit ratings were downgraded by S&P Global Ratings and Moody's Investors Service to CCC+ and B2, respectively. In addition, both firms placed the Company's credit rating on a negative outlook. These credit ratings continue to be below investment grade and could adversely affect its ability to renew the existing credit facility, obtain access to new credit facilities or otherwise issue debt in the future and could increase the cost of such debt.

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 Amended 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, 2022 Consolidated Financial Statements included in the Company's Annual Report 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, 2022.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The market risk of the Company's financial instruments as of March 31, 2023 has not materially changed since December 31, 2022. The market risk profile of the Company on December 31, 2022 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, 2022.

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 March 31, 2023. 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 March 31, 2023 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 March 31, 2023 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 8, Commitments and contingencies, in the Notes to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors.

There have been no material changes during the three months ended March 31, 2023 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, 2022.

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
3.1	Second Amended and Restated Bylaws of Great Lakes Dredge & Dock Corporation, dated as of January 12, 2023. (Incorporated by reference to Great Lakes Dredge & Dock Corporation’s Current Report on Form 8-K filed with the Commission on January 19, 2023).
10.1	Consulting Agreement between Great Lakes Dredge & Dock Company, LLC and David E. Simonelli, dated as of December 1, 2022. *†
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	Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language ("Inline XBRL") *
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101) *

* Filed herewith
** Furnished herewith
† Compensatory plan or arrangement

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/ Scott Kornblau

Scott Kornblau
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer and Duly Authorized Officer)

Date: May 2, 2023

CONSULTING AGREEMENT

This CONSULTING AGREEMENT ("Agreement") is made and entered into as of the 1st day of December, 2022 (the "Effective Date"), by and between Great Lakes Dredge & Dock Company, LLC, the ("Company"), and David E. Simonelli, an individual ("Consultant").

SECTION 1. Engagement. During the Consulting Term (as defined below), the Company engages Consultant, and Consultant agrees to provide to the Company the Services described in Section 2.

SECTION 2. Consulting Services.

(a) Consultant shall provide Consulting Services to the Company as may be designated by the Company in writing from time to time such as but not limited to services of a general nature including providing guidance and advisory services to Operations, Project Services & Fleet Engineering focusing on safety and operational challenges, performing consulting projects to be approved by the CEO, and conducting a check-in with CEO or CHRAO one time per month ("the Services"). The term of Consultant's engagement under this Consulting Agreement shall commence on the Effective Date and shall continue for a period of (12) months ("Initial Term"). This Consulting Agreement may be renewed for successive six (6) month terms upon written notice from the Company at least ten (10) days prior to the end of the Initial Term or any subsequent renewal term (each a "Subsequent Term"). If not renewed, this Consulting Agreement shall automatically terminate upon the conclusion of the then applicable Initial Term or Subsequent Term. The Initial Term and any Subsequent Term shall be collectively referred to as the "Consulting Term."

Consultant shall devote such time, effort, and attention to providing the Services as may be required to fully, timely and professionally perform the Services.

(b) Consultant shall provide the Services at such times and at such locations as may be reasonably requested by the Company.

(c) Consultant shall not engage in any activity that would interfere with the timely and faithful performance of the Services. However, Consultant is not prevented from accepting other consulting engagements or engaging in additional activities in connection with personal or business investments and community affairs, so long as such engagements and activities are not inconsistent with and do not interfere with the performance of the Services.

(d) Consultant shall devote such time and diligent effort to the Services as required to fully discharge his responsibilities and shall perform the Services in a competent and professional manner, consistent with generally accepted standards of decorum, conduct and sound business practices.

SECTION 3. Payment.

(a) In full payment and satisfaction for Consultant's provision of Consulting Services pursuant to this Consulting Agreement, the Company shall pay Consultant the following rates:

1. Twelve Thousand Eight Hundred Sixty-Four Dollars and Zero Cents ($12,864.00) per month of consulting Services. Any approved hours over 48 hours per month will be paid at a rate of Two Hundred Sixty-Eight Dollars and Zero Cents ($268.00).

2. Actual/Reasonable expenses and in accordance with Client Travel Policy for each day of domestic travel in connection with the Consulting Services

3. Your consulting services are compensation on retainer at $12,864.00 per month.

4. You shall be reimbursed a one-time lump sum amount for actual and reasonable general consulting start-up costs. Start-up costs not to exceed $8,500. Receipts required for reimbursement.

5. Consultant shall invoice the Company on a monthly basis including a summary of Consultant Services performed and the time engaged on each matter.

(b) Expenses. Consultant shall be solely responsible for all costs and expenses incurred in connection with the provision of the Services; provided, however, the Company will reimburse for pre-approved reasonable and necessary travel and business expenses of Consultant pursuant to the Company's policy on reimbursement that is applicable to employees of the Company, and so long as receipts for the amount of such expenses are submitted and approved by the Company.

(c) Benefits. Consultant will not be entitled to any remuneration for the Services except as specifically set forth in Sections 3(a) and 3(b). Consultant will not be entitled to receive any insurance of any kind from or through the Company and will not be entitled to participate in any pension, retirement, deferred compensation or other benefit plans, or any other employee benefits generally provided by the Company to their respective employees.

(d) Acknowledgment. The parties acknowledge that the compensation provided in this Agreement was negotiated at arm's-length and represents the fair market value for the Services provided by Consultant hereunder.

<u>SECTION 4. Independent Contractor Relationship.</u> In performance of the Services, Consultant at all times will act and perform solely as an independent contractor and not an employee of the Company. Notwithstanding any other provision of this Agreement, this Agreement shall not be deemed to represent or evidence the hiring of Consultant by any party as an employee, nor does it constitute a contract of employment. No acts or assistance given to Consultant by the Company shall be construed to alter their independent contractor relationship, and nothing contained in this Agreement shall be construed to place the parties in a relationship of partners, joint venturers, principal and agent or franchisor and franchisee. Consultant will make no representations to third parties inconsistent with the relationship established by this Agreement. All amounts payable hereunder to Consultant shall be paid without any reduction by the Company for any taxes, including but not limited to foreign or federal, state or local income, employment, self-employment or withholding taxes, it being the intention of the parties that Consultant shall be solely responsible

for the payment of all taxes, fines, penalties or assessments imposed on or related to Consultant's activities pursuant to this Agreement.

SECTION 5. Termination.

(a) Termination for Cause. Either Company or Consultant may terminate this Agreement immediately in the event of a material breach of the Agreement which is not cured within seven (7) days of written notice to the other of such breach.

(b) Termination for Convenience. Either Company or Consultant may terminate this Agreement for convenience with thirty (30) days prior written notice.

(c) Termination by Mutual Agreement; Death. The engagement of Consultant pursuant to Section 1 may be terminated at any time by mutual agreement of the parties. The engagement of Consultant pursuant to Section 1 will automatically terminate if Consultant dies during the Consulting Term.

(d) Rights and Obligations upon Termination. Upon any termination of the engagement of Consultant, the obligations of Consultant to provide the Services, and the obligations of the Company to continue to pay Consultant pursuant to Section 3, shall terminate immediately upon any such event, and neither party will have any further rights against or owe any further obligations to the other party, except for (i) rights or obligations arising out of a breach of the terms hereof, (ii) rights to the compensation due and payable under Section 3 through the date of termination of the engagement of Consultant, and (iii) the rights and obligations of the parties under Section 6 and Section 7 of this Agreement.

SECTION 6. Non-Competition, Non-Solicitation and Confidentiality. The obligations of Consultant pursuant to Sections 6 and 7 shall survive termination of this Agreement.

(a) Non-Competition. From the Effective Date through the term of this Agreement (the "Restricted Period"), Consultant hereby covenants and agrees with the Company that Consultant shall not, directly or indirectly, for himself or on behalf of or in conjunction with any individual, company, partnership, limited liability company, corporation, joint venture, strategic alliance or business or other entity of whatever nature (each, a "Person"), engage in the business of, or own, manage, operate, join, control, lend money or other assistance to, or participate in or otherwise be connected with (as an individual, officer, director, manager, employee, partner, trustee, proprietor, joint venturer, consultant, member, agent or otherwise), any Person that is, directly or indirectly, involved in the business of dredging within the United States or any other country in which the Company has worked in the past three years; *provided, however*, that this restriction shall not prohibit Consultant from passive beneficial ownership of less than three percent of any class of securities of a publicly-held corporation whose stock is traded on a U.S. national securities exchange or traded in the over-the-counter market.

(b) Non-Solicitation. During the Restricted Period, Consultant hereby covenants and agrees with the Company that Consultant shall not, directly or indirectly (as an individual, officer, director, member, manager, partner, shareholder, employee, trustee, proprietor, joint venturer, consultant, agent or in any other capacity whatsoever), (i) interfere with the contractual relationship of the

Company with any of the Customers (as defined below) of the Company, (ii) hire, employ or attempt to hire or employ any person who is an employee of the Company or any of its Affiliates at any time prior to or during the Restricted Period, or otherwise interfere with the relationship between any such person and the Company. “Customer” of the Company shall mean any Person which, within the twelve (12) month period immediately preceding the date in question, used or purchased, or contracted to use or purchase, any services of the Company.

(c) Confidentiality. Consultant acknowledges that during his affiliation with the Company, both during his time as an employee of Company and as a consultant, he has been given access to or become acquainted with certain confidential information relating to the organization, business, properties, operation and condition of the Company, including, but not limited to, financial, managerial, operational, legal and other corporate and business information and records of the Company (collectively, “Confidential Information”). Confidential Information also includes any information, documents, formulas, patterns, devices, secret inventions, processes, compilations of information, records, specifications, files, documents, drawings, equipment, financial data, customer lists special agreements, marketing information, marketing and/or promotional techniques and methods, pricing information and procedures, purchasing information and procedures sales policies and procedures, employee lists, store and office policies and procedure manuals, books and publications, business records, computer records, computer printouts, Company “know how”, plans and programs and sources of supplies and inventory, and knowledge with respect to prior or pending litigation and other legal matters, to the extent they relate to the Company, and,

Consultant agrees that he will hold the Confidential Information in strict confidence and will not disclose, publish, sell or license any Confidential Information to any third party, nor use the Confidential Information in any manner. Consultant also agrees not to disclose to third parties any of Consultant’s work product related to or that becomes part of the Confidential Information, or the fact that any similarity exists between the Confidential Information and information independently developed by another person or entity. The prohibition against Consultant’s use of the Confidential Information includes, but is not limited to, the exploitation of any products or services that embody or are derived from the Confidential Information and the exercise of judgment or the performance of analysis based upon knowledge of the Confidential Information, if otherwise permitted, would be to the benefit of any third party. The prohibition against Consultant’s use of Confidential Information also includes the disclosure of any information relating to prior or pending litigation and matters pertaining to the Company.

Furthermore, Consultant acknowledges the return of all documents containing and Confidential Information, and is not in possession of any files, papers, materials, notes, computer records, or documents, written or electronic, of any kind containing any Confidential Information except those that are necessary for the Consulting Services. Consultant agrees that if, in the event of any breach of this provision, the Company will suffer immediate and irreparable harm which cannot adequately be measured or calculated in terms of monetary damages, and that immediate temporary and permanent injunctive relief shall be appropriate, in addition to any other legal or equitable remedies available under applicable law, and also reasonable expenses, including attorneys' fees incurred in the enforcement of this provision.

Confidential Information does not include information that, at the time of disclosure is in the public domain or thereafter becomes part of the public domain without any act or omission of the Consultant; or, as proven by Consultant, has been acquired from a third party who has not breached a fiduciary obligation to Company.

(d) Non-Disclosure of Terms. The Parties shall not at any time communicate or divulge any information regarding the circumstances surrounding this Agreement, or the terms and conditions or amounts payable under this Agreement, to any other Person; provided, however, that nothing in this Section 6(d) shall prevent Consultant from sharing with his legal, accounting and financial advisors on a confidential basis any legal or financial information regarding this Agreement or from disclosing to those with whom Consultant is working at the Company that he is a consultant. However, if the Company determines that this Agreement is deemed to be material and, therefore, subject to disclosure by the Company pursuant to various legal requirements, this clause will be deemed void in its entirety and will not be considered a breach of this Agreement upon the Company filing this Agreement or otherwise making this agreement public.

SECTION 7. Non-Disparagement. The Parties agree that they will not make any disparaging or derogatory remarks or statements about each other. The obligations of Consultant pursuant to this Section shall survive termination of the engagement and indefinitely thereafter.

SECTION 8. Reasonableness of Terms. Consultant agrees that the restrictions contained in Section 6 and in Section 7 are reasonable and necessary to protect the goodwill, trade secrets, proprietary interests and other legitimate business interests of the Company. Each of the covenants set forth in those Sections are severable and separate. In the event that any court of competent jurisdiction later determines that any of the restrictions in those Sections are not reasonable and/or are too broad to be enforceable, the parties agree that the court may reasonably restrict the scope of those Sections, so long as such restriction is no broader than that contained in the applicable covenant.

SECTION 9. Injunctive Relief. Consultant agrees that the disclosure of any Confidential Information would cause irreparable harm to Company's competitiveness and further agrees that Company shall be entitled to an injunction, without the posting of bond, against the disclosure or use of Confidential Information prohibited by this Agreement. In addition, either Party shall be entitled to its reasonable attorneys' fees in the enforcing this Agreement and all damages and other remedies provided by law or in equity, which shall be cumulative.

SECTION 10. Taxes and Compliance with Laws. Consultant shall be solely responsible for compliance with all state, local and federal laws, orders, codes and ordinances applicable to the performance of Consultant's obligations under this Agreement or the compensation paid to Consultant pursuant to this Agreement. Consultant shall indemnify, defend and hold harmless the Company, and each of their respective officers, directors, representatives, agents and employees, from and against any and all liabilities which the Company may incur as a result of any failure by Consultant to pay any local, state or federal income, employment, self-employment or withholding tax, including without limitation any failure to timely pay any estimated tax.

SECTION 11. Insurance; Indemnification; Limitation on Liability.

a. Consultant shall defend, indemnify and hold Company harmless from any and all causes of action, claims, damages, injuries (whether to personal property or to persons), penalties, judgments or any liability of any kind arising from or related to Consultant's intentional acts or gross negligence; provided, however, that Consultant's obligations (beyond amounts covered by insurance) shall be capped at the amounts paid to Consultant under the terms hereunder.

b. Consultant agrees to maintain the following insurance while performing the Consulting Services:

1. Employer's Liability insurance with limits of not less than $1,000,000 per occurrence or accident, including Maritime Employer's Liability & Jones Act and U.S. Longshore & Harbor Workers Act coverage, if applicable. All such policies shall contain an Alternate Employer and/or Borrowed Servant endorsement naming GLDD as alternate employer, and a copy of such endorsement shall be attached to all certificates of insurance.
2. If Consultant retains employees during the Term of the Agreement, Worker's Compensation insurance covering all liabilities owed for compensation and other benefits by the workers' compensation laws of any state or federal government, including, but not limited to, the Longshore and Harbor Workers' Compensation Act, the Outer Continental Shelf Lands Act, the workers' compensation law of any state, and employer's liability insurance as prescribed by applicable law;
3. Commercial General Liability insurance based on Insurance Services Office form CG 00 01 or equivalent, with limits of not less than $1,000,000 per occurrence and $2,000,000 annual aggregate and include coverage for bodily injury, property damage, contractual liability coverage, including coverage for insured contracts and tort liability of another assumed by CONSULTANT;
4. If CONSULTANT uses any vehicle in performing the Services, Commercial Automobile Liability insurance providing coverage bodily injury or property damage for any auto (owned, hired, non-owned) with limits of not less than $1,000,000 per accident;
5. Umbrella/Excess Liability insurance following form of underlying Commercial General Liability, Commercial Automobile Liability and Employer's Liability policies on an excess basis with limits of not less than $1,000,000;

6. All deductibles or self-insured retentions under any of CONSULTANT's policies of insurance shall be the sole responsibility of CONSULTANT and shall be stated on all certificates of insurance. The Commercial General Liability, Commercial Automobile Liability and Umbrella/Excess Liability insurance shall include GLDD, its affiliates, subsidiaries, officers, directors, employees and agents as additional insured on a primary and noncontributory basis. CONSULTANT may use any combination of primary and excess insurance to satisfy the required limits. Prior to the start of any Services with respect to this Agreement CONSULTANT will provide GLDD with a certificate of insurance evidencing the required insurance along with copies of the additional insured, primary and noncontributory, waiver of subrogation and notice of cancellation endorsements or policy wording,

which shall be updated upon renewal of the policies but no less than annually. CONSULTANT or its insurer shall provide GLDD with at least thirty days' prior written notice of cancellation, nonrenewal, any change in coverages and/or limits which no longer satisfy the minimum requirements herein. To the extent allowed by law, CONSULTANT shall waive, and shall require its insurers to endorse or include policy wording in the policies, to waive any right of recovery, under subrogation or otherwise, in favor of GLDD, its affiliates, subsidiaries, officers, directors, employees and agents.

c. Consultant agrees, when requested by Company, to furnish certificates acceptable to Company evidencing applicable insurance coverage as required herein.

d. Company shall defend, indemnify and hold Consultant harmless from any claims arising out of or relating to the services provided by Consultant hereunder other than claims for which Consultant is responsible pursuant to subsection (a) and claims covered by Consultant's insurance.

<u>SECTION 12. Nonassignability, Binding Agreement.</u>

(a) By Consultant. Consultant shall not assign or delegate this Agreement or any right or interest under this Agreement without the Company's prior written consent.

(b) By the Company. The Company may assign, delegate, or transfer this Agreement and all of the Company's rights and obligations under this Agreement to any of its affiliates or to any business entity that by merger, consolidation or otherwise acquires all or substantially all of the assets of the Company or to which the Company transfers all or substantially all of its assets. Upon assignment, delegation, or transfer to any business entity, such entity shall be deemed to be substituted for the Company for all purposes of this Agreement.

<u>SECTION 13. Severability.</u> If a court of competent jurisdiction makes a final determination that any term or provision of this Agreement is invalid or unenforceable, the remaining terms and provisions shall be unimpaired and the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that most closely approximates the intention of the parties with respect to the invalid or unenforceable term or provision, as evidenced by the remaining valid and enforceable terms and conditions of this Agreement.

<u>SECTION 14. Amendment.</u> This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by both parties to this Agreement.

<u>SECTION 15. Waiver.</u> The waiver by either party of compliance by the other party with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement (whether or not similar), or a continuing waiver or a waiver of any subsequent breach by a party of a provision of this Agreement. Performance by either of the parties of any act not required of it under the terms and conditions of this Agreement shall not constitute a waiver of the limitations on its obligations under this Agreement, and no performance shall estop that party from asserting those limitations as to any further or future performance of its obligations.

SECTION 16. Governing Law and Jurisdiction. This Consulting Agreement shall be governed by and construed in accordance with the internal laws of the State of Texas, without regard to its conflict of law principles. For the purposes of any suit, action, or other proceeding arising out of this Consulting Agreement or with respect to Consultant's services hereunder, the parties: (i) agree to submit to the exclusive jurisdiction of the federal courts located in the Southern District of Texas or state courts located in Harris County, Texas; (ii) waive any objection to personal jurisdiction or venue in such jurisdiction, and agree not to plead or claim *forum non conveniens;* and (iii) waive their respective rights to a jury trial of any claims and causes of action, and agree to have any matter heard and decided solely by the court.

SECTION 17. Notices. Any notice or other communication required shall be in writing and sent by U.S. Certified Mail addressed, return receipt requested, or to such other addresses as each party shall specify in writing.

If to Consultant, to the address listed on the signature page or the last address on file in the records of the Company.

If to the Company:

Great Lakes Dredge & Dock Corporation
9811 Katy Fwy
Suite 1200
Houston, TX 77024
Attn: Chief HR & Administrative Officer
telephone: (346) 359-1010

SECTION 18. Prior Agreements. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior oral or written agreements.

SECTION 19. Headings. The headings of the Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction of this Agreement.

SECTION 20. Remedies. All remedies specified in this Agreement shall be cumulative and not exclusive of any other rights or remedies, and either party may pursue all rights and remedies available at law or in equity for a breach of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

Great Lakes Dredge & Dock Company, LLC

By: /s/ JAMES TASTARD

Name: James Tastard

Title: SVP, CHRAO

David E. Simonelli

/s/ DAVID E. SIMONELLI

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: May 2, 2023

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

Exhibit 31.2

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

CERTIFICATION

I, Scott Kornblau, 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: May 2, 2023

/s/ SCOTT KORNBLAU
Scott Kornblau
Senior Vice President, Chief Financial Officer and Treasurer

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 March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Lasse J. Petterson, President and Chief Executive 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/ LASSE J. PETTERSON

Lasse J. Petterson
President and Chief Executive Officer
Date: May 2, 2023

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 March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott Kornblau, Senior Vice President, Chief Financial Officer and Treasurer 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/ SCOTT KORNBLAU

Scott Kornblau
Senior Vice President, Chief Financial Officer and Treasurer

Date: May 2, 2023

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.