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

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): November 29, 2023**



**THE DAVEY TREE EXPERT COMPANY**

(Exact name of registrant as specified in its charter)

**Ohio**  
(State or other jurisdiction  
of incorporation)

**000-11917**  
(Commission  
File Number)

**34-0176110**  
(Employer Identification  
Number)

**1500 North Mantua Street  
P.O. Box 5193  
Kent, OH 44240**

(Address of principal executive offices) (Zip Code)

**(330) 673-9511**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| <u>Title of Each Class</u> | <u>Trading Symbol(s)</u> | <u>Name of Each Exchange on Which Registered</u> |
|----------------------------|--------------------------|--|
| N/A                        | N/A                      | N/A  |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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## Item 2.02 Results of Operations and Financial Condition

On November 29, 2023, The Davey Tree Expert Company issued its Quarterly Shareholder Report, including abbreviated financial and operating results for the quarter ended September 30, 2023. A copy of the Quarterly Shareholder Report is attached as Exhibit 99.1.

The information contained in this Current Report on Form 8-K, including the exhibit attached hereto, is being furnished and shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section nor shall it be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, unless such subsequent filing specifically references this Form 8-K.

## Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| <u>Exhibit Number</u> | <u>Description to Exhibit</u>                |
|-----------------------|--|
| <a href="#">99.1</a>  | <a href="#">Quarterly Shareholder Report</a> |
| 104                   | Cover Page Interactive Data File             |

### 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 hereunto duly authorized.

### THE DAVEY TREE EXPERT COMPANY

By: /s/ Joseph R. Paul

Joseph R. Paul, Executive Vice President,  
Chief Financial Officer and Assistant Secretary

Date: November 29, 2023



## 2023 Third Quarter | CEO Quarterly Letter

### To Our Shareholders:

As we enter the final months of 2023, I would like to recognize our employees for the dedication and relentless commitment to success that they have shown to our clients, the company, and each other, throughout this year. As a result of their hard work, the Company has once again delivered record revenues of \$450,634,000 for the third quarter, which is \$51,689,000, or 13.0%, above the same period in 2022. The sales increase was split fairly evenly between the segments, with the Utility segment increasing by 13.9% and the Residential/Commercial (R/C) segment up 11.6% as compared to the third quarter of 2022. Income from operations was also a record, coming in at \$36,237,000 as compared to \$33,013,000 for the third quarter 2022, an increase of \$3,224,000 or 9.8%. Net income for the quarter was \$20,697,000, up 1.1% from the third quarter of 2022, despite the negative impact from the interest rate increases that have occurred in 2023.

The first nine months of the year produced revenues of \$1,267,174,000, which is a record, and an increase of \$123,626,000, or 10.8%, over the same period in 2022. The Utility segment was up \$62,478,000 or 9.8%, and the R/C segment was up \$59,878,000 or 11.9% compared to 2022. In the Utility segment, the Resource Group - Utility grew by 25% over prior year while Canadian Utility increased revenue by 43%, driven primarily by wildfire cleanup and additional work for the railways. In the R/C segment, the U.S Residential Services, Resource Group – R/C and Commercial Landscape Services had impressive year-to-date revenue growth despite a competitive labor environment and some challenging weather. The first nine months' performance exceeded the record setting first nine months in 2022 and, overall, the demand for our services remains very strong, which bodes well for the fourth quarter and looking forward into 2024.

For the first nine months of 2023, income from operations was \$97,195,000, which is up 22.3% from the prior year, and net income was \$58,736,000, which was up 19.8% from the first nine months of 2022. The increase in profitability has been driven by storm work in the first quarter, improved productivity throughout the year, pricing discipline, and a reduction in the inflationary cost pressures we experienced, particularly in fuel and labor costs, in late 2022 and the first quarter of 2023. As the Company begins the planning process for 2024, the focus of our management team remains on taking care of our Davey teammates, and on providing our clients with exceptional value, work efficacy and proven solutions to address their challenges.

Our balance sheet remains strong, even with the previously reported investments we are making in the Davey SEED (Science, Employee Education and Development) Campus training facility, corporate renovations, SAP S/4HANA® system conversion, and others. Based on these investments, we ended the third quarter of 2023 with higher debt than in 2022. Due to the increased debt, along with higher interest rates, the Company's interest expense for the first nine months of 2023 was \$13,588,000 compared to \$5,312,000 in 2022. Fuel savings of approximately \$5.8 million helped offset the increase in interest expense in the first nine months of the year. Fuel prices have fluctuated in 2023 but are still elevated and impacting the service lines but not to the level they did in 2022. As we continue to commit resources to the important investments noted above, we remain focused on the Company's working capital initiatives and liquidity.

As always, we are grateful for the dedicated efforts of our employees, and thankful to our shareholders for your continued support of our management team.

Best wishes to you and your families, for a safe and happy holiday season.

**Patrick M. Covey**

*Chairman, President and Chief Executive Officer*

# The Davey Tree Expert Company

## Abbreviated Interim Financial Data (Unaudited)

(In thousands, except per share data)

|   | Three Months Ended    |                    | Nine Months Ended     |                    |
|---|-----------------------|--------------------|-----------------------|--------------------|
|   | September 30,<br>2023 | October 1,<br>2022 | September 30,<br>2023 | October 1,<br>2022 |
| <b>Operating Statement Data:</b>            |                       |                    |                       |                    |
| Revenues                                    | \$ 450,634            | \$ 398,945         | \$ 1,267,174          | \$ 1,143,548       |
| Costs and expenses:                         |                       |                    |                       |                    |
| Operating                                   | 285,019               | 254,661            | 808,509               | 740,422            |
| Selling                                     | 84,982                | 72,364             | 229,480               | 201,315            |
| General and administrative                  | 31,155                | 27,964             | 95,041                | 87,014             |
| Depreciation and amortization               | 14,935                | 13,780             | 43,479                | 41,082             |
| Gain on sale of assets, net                 | (1,694)               | (2,837)            | (6,530)               | (5,787)            |
| <b>Income from operations</b>               | <b>36,237</b>         | <b>33,013</b>      | <b>97,195</b>         | <b>79,502</b>      |
| Interest expense                            | (4,751)               | (2,164)            | (13,588)              | (5,312)            |
| Interest income                             | 502                   | 303                | 1,329                 | 489                |
| Other, net                                  | (2,890)               | (3,371)            | (4,365)               | (8,241)            |
| <b>Income before income taxes</b>           | <b>29,098</b>         | <b>27,781</b>      | <b>80,571</b>         | <b>66,438</b>      |
| Income taxes                                | 8,401                 | 7,317              | 21,835                | 17,407             |
| <b>Net income</b>                           | <b>\$ 20,697</b>      | <b>\$ 20,464</b>   | <b>\$ 58,736</b>      | <b>\$ 49,031</b>   |
| <b>Net income per share:</b>                |                       |                    |                       |                    |
| Basic                                       | \$ .48                | \$ .46             | \$ 1.35               | \$ 1.10            |
| Diluted                                     | \$ .46                | \$ .44             | \$ 1.29               | \$ 1.05            |
| <b>Weighted-average shares outstanding:</b> |                       |                    |                       |                    |
| Basic                                       | 43,123                | 44,148             | 43,394                | 44,422             |
| Diluted                                     | 45,186                | 46,405             | 45,501                | 46,719             |
| Dividends per share                         | \$ .020               | \$ .020            | \$ .060               | \$ .058            |
| <b>Balance Sheet Data:</b>                  |                       |                    |                       |                    |
| Cash and accounts receivable                |                       |                    | \$ 380,780            | \$ 340,336         |
| Current:                                    |                       |                    |                       |                    |
| Assets                                      |                       |                    | 513,251               | 442,264            |
| Liabilities                                 |                       |                    | 273,536               | 245,370            |
| Net working capital                         |                       |                    | \$ 239,715            | \$ 196,894         |
| Long-term debt                              |                       |                    | \$ 354,553            | \$ 309,127         |
| Other long-term liabilities                 |                       |                    | 298,439               | 101,946            |
| Total equity                                |                       |                    | 340,025               | 299,778            |
| Total assets                                |                       |                    | \$ 1,266,553          | \$ 956,221         |
| Common shares, net outstanding              |                       |                    | 41,931                | 42,718             |

## Forward-looking Statements

This information and other statements by the Company may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These statements relate to future events or our future financial performance. In some cases, forward-looking statements may be identified by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to differ materially from what is expressed or implied in these forward-looking statements.

Forward-looking statements are subject to a number of risks and uncertainties, and actual performance or results could differ materially from that anticipated by any forward-looking statements. Factors that may adversely impact our actual results include the effects on us, or our customers or vendors, of the COVID-19 pandemic and any other epidemics, pandemics, severe weather events, terrorism, other external events and natural disasters, including wildfires in California and other areas, our ability to attract and retain a sufficient number of qualified employees and management, our liability risk exposure under contracts and cost and availability of adequate insurance coverage or our self-insurance accruals, seasonality and weather-dependence of our business (other than tree services to utility customers), litigation and third-party and governmental regulatory claims, competition, increases in fuel prices, general and local economic conditions, credit and financial markets, and any impact on our customers’ spending, pricing for our services, and collections of accounts receivable, cyber and other disruptions of our information technology systems, governmental regulations, including climate, environmental, social, governance, health care, immigration and data privacy, and cost of compliance or resulting liabilities and penalties, damage to our reputation, foreign currency fluctuations, no established market for our stock, and such additional factors that are discussed in “Part I - Item 1A. Risk Factors.” of our annual report on Form 10-K for the year ended December 31, 2022, and in our subsequent filings with the Securities and Exchange Commission.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements.

