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

FORM 8-K

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 19, 2021



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.

Item 2.02 Results of Operations and Financial Condition

On November 19, 2021, The Davey Tree Expert Company issued its Quarterly Shareholder Report, including abbreviated financial and operating results for the quarter ended October 2, 2021. 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> |
|-----------------------|--|
| 99.1 | Quarterly Shareholder Report |
| 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 24, 2021



2021 Third Quarter | CEO Quarterly Letter

As we are entering the final months of 2021, I hope you and your families are safe and healthy. The Company continues to perform exceedingly well as we report another record setting quarter in Q3 2021. We appreciate the hard work and dedication shown by our employees, as they continue to provide great service and commitment to our clients. This shows up in our financial results and our share price performance.

The third quarter of 2021 produced revenues of \$370,244,000, which was \$32,791,000, or 9.7%, above the third quarter of 2020. Both segments provided strong increases as third quarter revenue growth was up in Utility by 10.5% and in Residential/Commercial (R/C) by 8.8%, compared to the third quarter of 2020. Income from operations was \$36,933,000 compared to \$35,372,000 for the third quarter 2020, an increase of \$1,561,000 or 4.4%. Net income for the quarter was \$24,927,000, up 1.6% from the third quarter of 2020.

The first nine months have produced record revenues of \$1,024,541,000, which was \$79,561,000, or 8.4%, above the first nine months of 2020. I am proud to say that achieving one billion in revenue in just nine months is an incredible accomplishment. The R/C segment was up \$69,231,000 or 17.5% to last year. The Utility segment was up \$9,365,000 or 1.7% compared to the first nine months of last year. R/C has done a great job continuing their record performance in 2021, while managing through headcount and COVID related challenges. The Utility segment has done a nice job maintaining year-over-year growth, despite the anticipated slowdown in 2021 from declined revenues from some of our larger customers, mainly in the Surgery service line. Year-to-date income from operations was \$87,931,000, compared to \$83,483,000 last year, an increase of \$4,448,000 or 5.3%. Net income was \$57,897,000, up 6.4% from last year. The Company has done a great job providing growth in revenue and profitability for the first nine months of 2021, coming off a record year in 2020.

Along with our strong revenue and profitability, we continue to have a solid balance sheet which allows us to invest in people, equipment, and other resources to facilitate the Company's growth and profitability. We are dedicated to managing our cash flow, and liquidity remains a priority for the Company. In the third quarter we renewed our bank credit facility through 2026, which supports company opportunities through investments in hard assets, acquisitions, and other areas, necessary to operate and grow the business.

At the end of the third quarter, we completed a 2 for 1 stock split. All shareholders of the Company as of the October 1, 2021, record date will receive one additional common share of the Company for every common share as of October 15, 2021. The prior share price was divided in two and the split adjusted fair market value changed from \$32.80 to \$16.40 per share. The overall share value remains consistent since the number of shares doubled. This is consistent with how previous stock splits have been managed.

Recently, Crain's ranked Davey No. 1 on the Crain's list of employee-owned companies in Northeast Ohio. Also, Davey was ranked No. 8 nationally by the National Center for Employee Ownership, where Davey has consistently been in the top 10 for many years. These results are attributed to the efforts, enthusiasm, and hard work by our Davey employees to drive the success of the Company and being dedicated to our core values of Safety, Integrity, Expertise, Leadership, Stewardship and Perseverance. Congratulations to all our employees and shareholders for this recognition.

As we close-out the year, please remain focused on safety, and stay engaged on our key initiatives that help drive the Company forward. Thanks again for your hard work and dedication and let's finish strong in the fourth quarter of 2021.

For additional information and news on the Company, please go to: <https://www.davey.com/shareholders>

Thank you all for your continued support.

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 | |
|---------------------------------------|--------------------|----------------|-------------------|----------------|
| | Oct. 2, 2021 | Sept. 26, 2020 | Oct. 2, 2021 | Sept. 26, 2021 |
| Operating Statement Data: | | | | |
| Revenues | \$ 370,244 | \$ 337,453 | \$ 1,024,541 | \$ 944,980 |
| Costs and expenses: | | | | |
| Operating | 232,599 | 208,638 | 650,909 | 598,225 |
| Selling | 67,353 | 60,203 | 178,876 | 162,287 |
| General and administrative | 20,739 | 19,891 | 69,712 | 60,477 |
| Depreciation and amortization | 14,127 | 13,825 | 41,287 | 42,553 |
| Gain on sale of assets, net | (1,507) | (476) | (4,174) | (2,045) |
| Income from operations | 36,933 | 35,372 | 87,931 | 83,483 |
| Interest expense | (1,449) | (1,579) | (4,093) | (5,477) |
| Interest income | 39 | 1,688 | 161 | 1,885 |
| Other, net | 2,298 | (1,499) | (5,548) | (4,550) |
| Income before income taxes | 33,225 | 33,982 | 78,451 | 75,341 |
| Income taxes | 8,298 | 9,447 | 20,554 | 20,945 |
| Net income | \$ 24,927 | \$ 24,535 | \$ 57,897 | \$ 54,396 |
| Net income per share:* | | | | |
| Basic | \$.56 | \$.54 | \$ 1.28 | \$ 1.18 |
| Diluted | \$.52 | \$.51 | \$ 1.21 | \$ 1.13 |
| Weighted-average shares outstanding:* | | | | |
| Basic | 44,885 | 45,748 | 45,257 | 45,912 |
| Diluted | 47,951 | 47,708 | 47,785 | 48,005 |
| Dividends per share* | \$.015 | \$.130 | \$.043 | \$.038 |

| | Oct. 2, 2021 | Sept. 26, 2021 |
|--------------------------------|--------------|----------------|
| Balance Sheet Data: | | |
| Cash and accounts receivable | \$ 316,759 | \$ 269,122 |
| Current: | | |
| Assets | 376,572 | 305,062 |
| Liabilities | 230,837 | 219,872 |
| Net working capital | \$ 145,735 | \$ 85,190 |
| Long-term debt | \$ 119,663 | \$ 83,547 |
| Other long-term liabilities | 153,756 | 118,874 |
| Total equity | 271,457 | 233,061 |
| Total assets | \$ 775,713 | \$ 655,354 |
| Common shares, net outstanding | 44,739 | 45,640 |

*Prior periods have been adjusted for the two-for-one stock split

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, 2020, 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.

