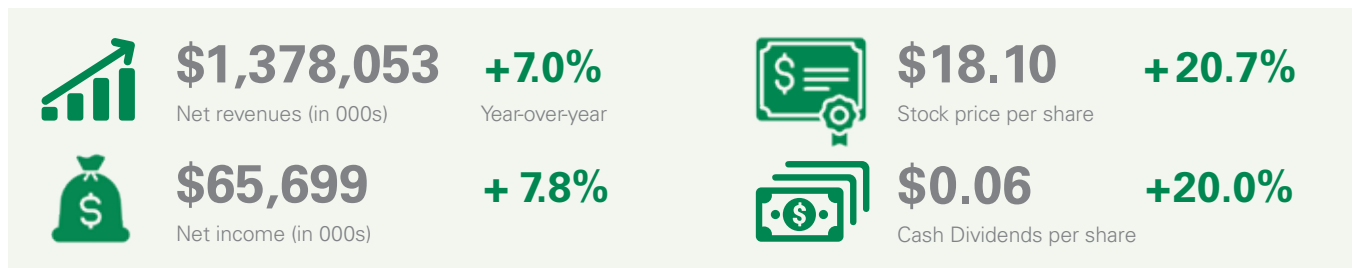


## OVERVIEW

I am pleased to report that the Davey Company had another exceptional year in 2021. Our record financial results and share price performance are the direct result of the engagement, enthusiasm and exceptional efforts exhibited by the Davey employees. As shareholders, we should be very proud of not only the financial results our Company was able to generate, but also with how we achieved those results. In 2021, Davey was recognized time and time again by our clients, industry peers and community leaders as being an elite company and partner. This commitment by our employees to be leaders in the areas of safety, technical capabilities, client service and community involvement are critical to our success. I want to personally thank each one of you for making 2021 an incredibly successful and rewarding year, not only for achieving our goals and getting us to our year-end destination, but also for leading us through the 2021 journey with Integrity, Safety, Perseverance, Expertise and Stewardship.



Pat Covey, Chairman, President and CEO

For the year, the Company delivered \$1,378,053,000 in net revenue, representing growth of 7.0% or \$90,501,000 from 2020 net revenues of \$1,287,552,000. Consistent with the prior year, both Residential/Commercial (R/C) and Utility business segments delivered record revenues and profits. 2021 net income of \$65,699,000 increased from the prior year's net income of \$60,937,000 or by 7.8%. Our unmatched talent and array of resources continues to be valuable to our clients through cross-service line collaborations, and we continue to expand our efforts to effectively communicate and leverage these capabilities. As a result of our operational performance, we ended the year with positive momentum heading into 2022, a very strong balance sheet and a well-deserved stock appreciation of over 20% for the year.

As has historically been the case, when our stock price reaches the mid-\$30 range, we initiate a stock split, and in 2021, there was a 2-for-1 stock split executed at the end of the third quarter. All shareholders of the Company as of the October 1, 2021, record date received one additional common share of the Company for every common share held. The June 30, 2021, share price was divided in two and the split-adjusted fair market value changed from \$32.80 to \$16.40 per share. The stock split will allow

our shareholders to purchase more shares through the Employee Stock Purchase Plan (ESPP), 401KSOP and the upcoming stock subscription.

Our independent stock valuation firm, Management Planning, Inc., has provided us with decades of stability in the valuation of our stock price. Utilizing factors including the Company’s 2021 financial performance, our peer group and equity market performance, they returned a valuation of our stock price of \$18.10 per share, effective December 31, 2021. This price reflects an increase of \$1.70 per share, or 10.4% from the mid-year split-adjusted price of \$16.40, and a 20.7% increase over the year-end December 31, 2020, price of \$15.00. With the reinvestment of dividends, we posted a 21.1% return to our shareholders for the year. Diluted earnings per share, post stock split, increased from \$1.32 in 2020 to \$1.38 in 2021. Combined shareholders’ equity increased to a record level of \$273,771,000 compared to \$233,061,000 at the end of 2020.

## EMPLOYEES

The success of our Company is a direct result of the efforts of our incredible employees. In 2021, we met challenges head on, and worked to overcome the obstacles as they were presented. As a management team, we emphasized

the importance of leading with integrity, empathy and stewardship. Our employees’ efforts and dedication to the Company and our clients is recognized and appreciated by the Board and management team and will continue to be critical to our success in the coming years.

During 2021, we continued to prioritize initiatives to enhance and promote our employee brand, benefits, training, advancement opportunities, and unique Davey culture, in ways that serve both to enrich the lives of current employees, but also to attract future employees. With all companies experiencing labor challenges, we are focused on, and investing in, our initiatives to hire, train, engage and retain exceptional talent throughout the Company.

It is important that, as we grow into a large company, we maintain the family culture, empathy and support systems that have made Davey a special place to work over the decades. This includes pursuing ways to offer financial assistance programs to our employees and their families through the Davey Foundation. New and enhanced programs have been put in place over the past two years to assist our team members going through personal hardships, support their contributions of time and resources to meaningful causes in our communities, and to continue education funding for both employees and their children. The ability





to provide a helping hand to employees and community members in times of need is core to our culture, and we will continue to seek out opportunities to support and enrich the lives of our Davey families through our Company benefit programs and the Davey Foundation.

Throughout our history, we have taken pride in our education and training, and we continue to accelerate our investments in these initiatives. In the past two years, when travel options were restricted, we fast tracked our effort to provide substantial virtual training opportunities for our employees. While virtual training is great for many things, the need for in-person training remains strong, and face-to-face interaction is very important and will be a large part of our training as our ability to travel continues to open back up in 2022. A significant sign that things are returning to normal occurred when we were able to complete our Davey Institute of Tree Sciences (DITS) training in-person during February 2022, which was not possible in 2020 and 2021 due to health and travel restrictions. The over 100-year tradition of DITS is critical to our legacy, culture, and future, and we look forward to expanding the number of employees that it can accommodate over the coming years with the opening of our new training and learning center.

Our Company continues to encourage our employees to be leaders in their communities through volunteerism, community engagement and social and environmental responsibility. Displays of empathy and compassion are

behaviors that enrich Davey employees' personal lives and strengthen the Company. These behaviors align directly with our Davey values and are a continuation of our employee-ownership culture. The decisions to operate with integrity, treat others with respect and build trust with our clients are significant components of our Davey brand and values.

## USES OF CAPITAL

Liquidity remains a priority for the Company. Our Treasury team is dedicated to managing our cash flow by evaluating and prioritizing our uses of cash, which consist primarily of the redemptions of stock, investments in technology and capital expenditures such as equipment and land and buildings necessary to operate and grow the business. In the third quarter of 2021, we renewed and expanded our bank credit facility for five years, to 2026, which will aid in our ability to fund the Company's investing and financing needs.

In 2021, we redeemed \$50,946,000 in Company stock, an increase of 30.4% from 2020. The significant increase year-over-year was a result of the Company intentionally purchasing back shares from terminated employee shareholders. The Company paid dividends to shareholders totaling \$2,898,000 for 2021, which is 4.4% of net income for the year.

Throughout 2021, we continued building for the future by investing in our people, equipment, and other resources to facilitate Company growth, safety, and profitability. Key among these investments was our commitment to upgrading and enhancing the computer technology solutions that we utilize, such as SuccessFactors for employee self-service and Human Resources administration, kicking off an SAP upgrade project and expanding the use of an application called Truce, which reduces distracted driving by blocking Davey drivers' texts and phone calls while operating a moving vehicle, to more of our vehicles.

By the end of 2021, we were well into the construction of the addition of the 3rd wing of the corporate headquarters as well as some of the infrastructure work needed for the build out of the Davey East Campus, which will eventually be a state-of-the-art research, education and training complex. During the year, we continued to increase our efforts to purchase key real estate for our branch offices in markets where leasing has become a challenge due to zoning changes and elevated rental expense. These investments in urban real estate will secure our presence in markets where it is critical to maintain proximity to our clients and pay dividends for decades to come.

Our investments in fleet and equipment continue to include more leased vehicles and vehicles with greater fuel efficiency and safety components. We predict that the next few years will bring dramatic improvements in the availability, effectiveness, and viability of commercial electric vehicles (EV), and we have started ordering and testing the EV options for our fleet. The cost and environmental impact advantages that a majority leased, EV commercial fleet could provide to us within the next 5 years is exciting, and we look forward to the opportunities to dramatically upgrade and improve the efficiency and safety of this critical part of our business.

## ACQUISITIONS

Acquisitions are an important part of the Company's growth strategy, and in 2021 we welcomed seven new companies into the Davey family. We are thrilled to have the dedicated and high-quality teams from these organizations as a part of our Company. Successful acquisitions provide a means for the Company to expand into new geographic locations, enhance our current locations and broaden our service lines. Davey is a desirable option and preferred by many company owners in our industry looking to merge their businesses with ours. During the acquisition process, we strive to

align with businesses that have strong safety programs, similar cultures, and shared values to meet our growth objectives. While acquisitions will always be an important contributor to our success, organic growth remains the key component of our revenue growth and we are focused on strategies in both areas to assist with our objectives.

## BOARD OF DIRECTORS

Our Board of Directors in 2021 consisted of Patrick M. Covey, Donald C. Brown, Alejandra Evans, William J. Ginn, Douglas K. Hall, Thomas A. Haught, Catherine M. Kilbane, Charles D. Stapleton and Karl J. Warnke. At the Annual Shareholder Meeting on May 18, 2021, 67.32% of the total shares eligible to vote were represented either in person or by proxy. The following directors were re-elected for the term expiring on the date of the Company's 2024 Annual Meeting of Shareholders: Donald C. Brown, Catherine M. Kilbane and Karl J. Warnke.

Sandra W. Harbrecht retired from the Board in May 2021, and we would like to thank Sandy for her commitment to Davey Tree and for her valuable contribution to the Board of Directors. We appreciate Sandy's efforts and dedication to Davey's growth, and her experience will be missed.

Thomas A. Haught was elected to the Board in May 2021. He brings a strong financial background as the President and Founder of Sequoia Financial Group, which was rated one of the top 50 investment firms in the United States. He has been recognized many times as one of the top financial advisors by Barron's. We look forward to Tom's contributions to the Board.

## OPERATIONS

Both R/C and Utility segments experienced revenue growth in 2021 compared to 2020. Most of the service lines exceeded the record-breaking performances we saw in 2020. Most of the sales increase occurred in the R/C segment, which was up \$65,309,000 or 12.0% compared to 2020. All the service lines within the R/C segment experienced improvement from their prior year's revenue numbers. The Utility segment had a sales increase of \$25,954,000 or 3.5% over 2020, which was a significant effort in the second half of the year, given the reduced revenue that we had through the first six months of 2021.

Safety is one of our six key values and is at the forefront of our minds every day. Countless hours and millions of dollars are invested in our safety programs every year,

in the relentless pursuit to ensure that every employee makes it home safely at the end of each day. Over the past 27 years, Joe Tommasi was an integral part of the successes that we had in keeping our people safe. Joe retired in 2021, and I would like to extend my gratitude to Joe for his many years of service with Davey and the positive contributions that he made to our safety program. True to Joe's legacy, our safety department is more committed than ever to remain on the Road to Zero incidents, by providing the training and tools necessary to perform our work safely.

More than at any time in our history, the safety team is looking at technological advancements in the areas of ascension devices, communication tools like Bluetooth headset helmets, and human performance training to ensure that our crews have the best training and tools available. We will continue with our unwavering commitment to offer the safest possible work environment, and industry-leading training and education as we strive to reduce risk and injury in our workplace.

## RESIDENTIAL / COMMERCIAL

The R/C tree care service line grew by \$46.6 million or 13.9% from 2020. Their record-setting performance was the result of improved productivity, targeted marketing

efforts, sales training, expansion of liquid services and an ongoing commitment to providing our clients with the "Davey Difference." The Resource Group R/C revenue increased by \$11.8 million or 15.7% from the prior year. This group continues to grow both organically and through targeted acquisitions in the areas of wetland planning, permitting and consulting services, invasive species management, and urban and community forestry services.

The R/C segment profitability saw a double-digit increase in 2021 from 2020, as we were able to find operational efficiencies, take advantage of unprecedented demand for our services, and leverage our vast array of resources to secure the large projects and perform work that very few of our competitors were able to pursue.

Another key retirement that took place in 2021 was Richard Foote, VP of Client Services. Richard worked in various positions and service lines throughout his 45 years at the Company. We would like to thank Richard for his 45 years of dedicated service to Davey Tree and we wish him all the best in retirement.

As we enter 2022, we continue to see solid demand for our services in the R/C segment and are managing a large pipeline of exciting acquisition candidates that make us





optimistic about turning in another terrific year. Thank you to the R/C field employees and the management teams for their perseverance, dedication, and hard work in 2021, as they produced another record-setting year in revenue and profitability.

## UTILITY

Utility revenue grew by \$25,954,000 or 3.5% from the prior year. This increase was led by the Utility Resource Group, which was up \$31.9 million or 17.5% year-over-year. Their revenue growth was driven by expansion of services with existing clients as well as growth in various long-term strategic initiatives. Eastern Utility revenue increased \$8.5 million or 3.8% compared to 2020, primarily due to several new clients and growth on existing clients. As forecasted, the Surgery Company saw a reduction in revenue in 2021 in the first half of the year due to contract turnover. The team remained patient early in the year and took advantage of opportunities as they materialized in the second half of 2021. The Utility management team did an excellent job navigating 2021, and delivered solid growth for the year despite challenging market conditions and insignificant storm revenues.

The Utility segment profitability was up slightly in 2021, coming off a strong year in 2020. The Surgery team was the biggest contributor to our Utility profitability in 2021, consistent with 2020. The Utility Resource Group continues their trend with a strong, double-digit profit year on top of their significant revenue growth experienced in 2021. Eastern Utility also had a solid 2021 that was achieved without the extensive storm work experienced in prior years.

Overall, we continue to be well-positioned to assist our utility clients with solutions for their vegetation management, asset management and environmental planning needs. Thank you to all our Utility teams for their hard work and dedication in 2021. Your resilience, discipline and operational creativity continue to pay dividends, and we have a very bright 2022 to look forward to.

## CANADA

Our Canadian operations in both Residential and Utility segments had double-digit revenue growth in 2021. Entering 2021, Davey Canada focused on clear priorities to keep employees safe and remain understanding of personal circumstances and challenges. Also, Canada was presented with unique situations in 2021 due to several unprecedented weather events across the country. Despite these challenges in 2021, the breadth of strong operational results was impressive. The successes this year were attributed to the changes and adjustments management put into place, and new customer opportunities they developed.

It was a terrific effort by our Canadian teams in 2021, and we have great momentum entering 2022.

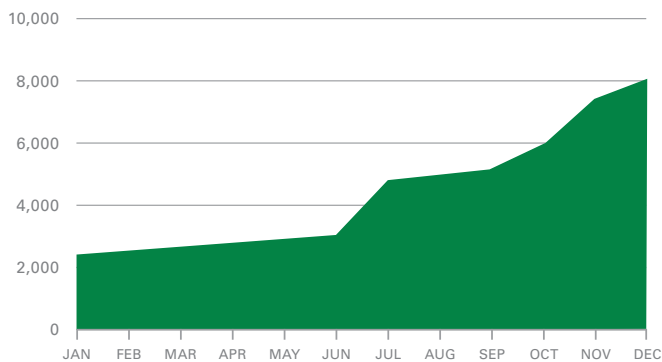
## STRATEGIC PLAN

Our Davey Strategic Plan, Vision 2030, is centered around employees, clients, and shareholders. This plan guides our business strategy and keeps us focused on our business priorities. Our objective is simple: to make Davey a great place to work while delivering client and shareholder value. The Strategic Leadership Team meets bimonthly to ensure

we are focused on the right items, and that they are accomplished. We measure success through our quarterly scorecard, which focuses on key metrics to ensure we are on track to meet our goals – and shows us where we need to make corrections when needed.

In 2021, we achieved several of our strategic goals. We improved our online brand reputation to better respond to clients' comments across social platforms and developed a more robust shareholder relations program to cultivate our employee-ownership culture through improved, consistent communication and education. In addition, we implemented SuccessFactors to improve the recruitment-to-retirement employee experience and TRUCE to keep employees safe by reducing distracted driving. We have reset our plan for 2022 and look forward to providing updates on progress throughout the year via the monthly Townhall meetings with the employees, the Davey Bulletin and DaveyConnect, as well as additional communication to field employees.

### DaveyConnect User Growth



We have successfully rolled out a new communications channel called DaveyConnect, available for all active employees – in English and Spanish. It consists of news feeds, educational links, and a means to connect to several Davey platforms such as payroll and expense reporting. DaveyConnect is an app that can be downloaded to a mobile device or used as a desktop link, and it allows the Company to communicate to all our employees. At the end of 2021, about 8,000 employees engaged with DaveyConnect.

### LOOKING AHEAD TO 2022

In 2022, we will be making some significant investments in the most valuable component of our Company – our employees. These investments include a \$15/hour minimum wage, paid parental leave, adoption and fertilization benefits, expanded distribution of long-term stock incentives and a continued increase to our discretionary bonus program. We are more committed than ever to improve and enhance the

benefits and compensation programs that are important to our Davey employees and their families.

Since the original purchase of the Company by the employees in 1979, we have had three Stock Subscription Offerings. We plan to offer our fourth Stock Subscription Offering in August 2022. This will allow eligible active employees an opportunity to purchase shares of Davey stock at the current stock price, \$18.10, over a seven-year period, with financing options available at a low interest rate. The Board of Directors approved two million shares for this Offering in addition to stock rights. Davey has typically done a Stock Subscription Offering every ten years, and the last one was done in 2012.

In 2022 we will continue building for our future with the completed expansion of our corporate office and the continued development of the East Campus training, education, and research facility. We will be restructuring our national sales efforts to best leverage our expertise and North American footprint. Our efforts around recruiting, training, and retaining our employees will be enhanced with the company wide adoption of a consistent on-boarding program and supported by our investment in additional trainers and recruiters in key parts of the country.

There will be changes and improvements in 2022, but the primary competitive advantage in our markets will remain our culture of employee-ownership, teamwork, technical excellence and commitment to each other and our clients. We are financially strong and have long-standing relationships with our trusted financial partners. This, combined with our focus on our employees, clients, and shareholders, will lead to continued success for The Davey Company, our employees, and our shareholders.

As a shareholder, I want to thank you for your continued support and the trust that you place in our management team and employees. Many of you have either contributed to our success with your past contributions, or are actively contributing as a current employee of the Company. We have all played a part in the amazing Company that we own, and we should take great pride in our collective successes.

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

  
**Patrick M. Covey**  
Chairman, President and Chief Executive Officer