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Primoris Services Corp. (PRIM)

Q1 2024 Earnings Call

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Brent Thielman

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Analyst, Thompson Davis & Co., Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. At this time, I would like to welcome everyone to Primoris Services Corporation First Quarter 2024 Earnings Conference Call and Webcast. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would now like to turn the conference over to Blake Holcomb, Vice President of Investor Relations. Please go ahead.

Blake Holcomb

Vice President-Investor Relations, Primoris Services Corp.

Good morning, and welcome to the Primoris first quarter 2024 earnings conference call. Joining me today with prepared comments are Tom McCormick, President and Chief Executive Officer, and Ken Dodgen, Chief Financial Officer.

Before we begin, I'd like to make everyone aware of certain language contained in our Safe Harbor statement. The company cautions that certain statements made during this call are forward-looking and are subject to various risks and uncertainties. Actual results may differ materially from our projections and expectations. These risks and uncertainties are discussed in our reports filed with the SEC. Our forward-looking statements represent our outlook as of today, May 9, 2024. We disclaim any obligation to update these statements except as may be required by law.

In addition, during this conference call, we will make reference to certain non-GAAP financial measures. A reconciliation of these non-GAAP financial measures are available on the Investors section of our website and our first quarter 2024 earnings press release, which was issued yesterday.

I would now like to turn the call over to Tom McCormick.

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

Thank you, Blake. Good morning, and thank you for joining us today to discuss our first quarter 2024 financial and operational results. Primoris had a solid start to the year, delivering improved revenue and margins compared to the prior year. Our teams across the organization are engaged and focused on executing on our strategy to improve profitability and cash flow, while leading with safe and productive performance. We continued to see momentum driving increased investment in infrastructure solutions in North American in three primary areas that are having a positive impact on our business. The energy transition, growing electricity demand and grid modernization, and the increase in facility construction to support a shift in the supply chain.

The transition to lower carbon emitting sources of energy is driving increased adoption of solar power generation, as well as natural gas generation to replace retiring coal plants and help bridge the energy transition. There is also a growing demand for electricity that is being driven by new facility construction, including data centers and chip manufacturing, which are supporting emerging technologies, we're adding critical component production capacity closer to the US.

Many of these new sources of generation will need additional transmission lines and substations to connect them to a grid that is already in need of modernization in order to maintain reliability and support higher electrical demand. We believe that these things are interconnected and will require sustained investment for an extended period of time, and we are well-positioned to capitalize on these themes in the coming years.

Now let's look at our performance for the quarter by segment. Starting with the utility segment, we had a couple of factors that led to lower revenue versus the prior year. First, we experienced more seasonal delays in the first quarter of 2024, driven by less favorable weather conditions in certain markets and a slower ramp-up in communication spending.

Second, while our MSA revenue increased from the prior year, we executed less project work during the quarter. This was primarily due to a major substation project that we were constructing this time last year that was completed in 2023.

Despite these impacts, we were able to deliver comparable margins, driven by good operational performance in gas operations and communications, which helped to offset a decline in the higher margin project work.

Building on our backlog and mix of project work remains a high priority for the utility segment to reach our target gross margin goals. Our project teams are actively evaluating a growing list of projects that we believe are well suited to our capabilities and address the market need for our customers. As we discussed on the fourth quarter earnings call, much of their focus right now is on supporting the power delivery needs of the renewables business. But this will continue to evolve as our teams estimate and bid more transmission and substation projects.

Turning to the Energy segment, we achieved significant top line growth and margin expansion driven by increased renewables and industrial construction activity. We initiated work on several new projects during the

quarter that were awarded during our record setting 2023. The growth in these businesses was able to more than offset the decline in pipeline revenues that we anticipated due to a lower backlog of projects to start the year.

Heavy civil also contributed top line growth and improved margins versus the prior year. In renewables, we began ramping up on three major projects, which are progressing at a high degree of efficiency, which helped drive the quarterly outperformance. This efficiency, combined with the timing of new project awards being pulled into Q4 2023, led to our revenue outpacing the booking of new work.

We ended the quarter with a healthy backlog of \$2.1 billion, albeit slightly down from yearend. The solar portfolio of new projects remains robust and we expect to see bookings pick up in the second quarter that will resume our backlog growth. In fact, we are evaluating a couple of projects that, if awarded, would allow us to exceed our new business goals for the full year.

Additionally, we are seeing increased revenue contribution from adjacent services like battery storage and O&M that accounted for roughly 7% of renewables revenue in the first quarter. These services, along with high voltage work provided by our power delivery business, are still in the early stages. Still, we are encouraged by the progress we are making and believe that they will continue to offer a competitive advantage for us with our solar customers going forward.

Industrial construction was also a bright spot for the quarter. We had improved performance in our Canadian operations and commenced work on new projects in the western US that led to improved margins in the quarter. These drivers offset the timing of work being pushed into Q2 in our Gulf Coast operations. The funnel of opportunities in the industrial business is higher than we've seen in recent years and we believe we can continue to grow, while being selective in the projects we choose to build in the coming quarters. We expect that this will mitigate the loss of revenue from select subscale or low margin businesses that we will look to wind down or divest over the next several quarters.

Overall, we are pleased with our performance in Q1, which is historically our lowest quarter for revenue and earnings due to seasonality, particularly in the utility segment. We are in close contact with our customers to ensure that we have the appropriate level of crews and equipment to help them meet their 2024 objectives. While still early in the year, we are optimistic that our full year margin of cash flow goals are achievable and potentially beatable with successful execution and continued investment in our growth markets of renewables and power delivery.

Now, I'll turn it over to Ken for more on our financial results.

Kenneth M. Dodgen

Executive Vice President & Chief Financial Officer, Primoris Services Corp.

Thanks, Tom, and good morning, everyone. Our Q1 revenue was \$1.4 billion, an increase of \$156 million or 12.4% from the prior year, primarily driven by strong growth in our Energy segment. The Energy segment was up over \$245 million or 33.4% from the prior year, driven by strong growth in solar and industrial construction, as well as some work that was pulled forward from Q2 and Q3. The utility segment was down a little over \$48 million from the prior year due to a decrease in project work and a slightly slower start to the year in communications, partially offset by increased MSA revenue. The majority of the decline in project work was due to the completion of a large substation project during 2023. We expect to see some choppiness in project revenue on a quarterly basis, as we continue to grow toward our preferred mix project work in this segment.

I also want to point out that we made a change in how we report segment revenue. Historically, we've reported segment revenue net of the intersegment eliminations, since it was material to our total revenue. However, starting this quarter, we are showing gross revenue for each segment and then separately showing the intersegment revenue deduction. We believe this more accurately reports the gross revenue and revenue growth of each segment and better illustrates the growing benefit of cross-selling services between our segments. An example of this is our power delivery group building substations and transmission lines for our renewable customers.

Gross profit for the quarter was approximately \$133 million, an increase of \$34 million from the prior year, primarily due to higher revenue and improved revenue mix. Gross margins were 9.4% for the quarter compared to 7.9% in the prior year.

Looking further at our segments, in the utility segment, gross profit was \$29.5 million, down \$4.1 million compared to the prior year. This was driven by the lower amount of project work and the slower start in communications work compared to the prior year. Gross margins of 6% were slightly below the 6.2% in the prior year, primarily driven by the lower project work, but still in the middle of our expected range of 5% to 7%. We expect to see margins move into our 9% to 11% range for the remaining quarters of the year.

In the Energy segment, gross profit was \$103.9 million for the quarter, a \$37.7 million increase from the prior year due to both higher revenue and improved margins. Gross margins were 10.5%, up from 8.9% in the prior year. The higher gross margins were a result of an improved mix from renewables work and improved margins in our industrial businesses in Canada and in the western US.

Turning to SG&A, expenses in the first quarter were \$88.6 million, an increase of \$10.6 million compared to the prior year, but in line with our expectations. The increase in SG&A is primarily due to increased personnel costs to support our growth. As a percent of revenue, SG&A was essentially flat to the prior year and we expect SG&A for the full year to remain in the low 6% range. Net interest expense in the first quarter was \$18 million, down around \$0.5 million from the prior year. The decrease was a result of lower average debt balances, partially offset by higher average interest rates. Our effective tax rate was 29% for the quarter and we believe this rate will be consistent for the full year, depending on the states in which we work and non-deductible components of per diem expenses. Earnings for the quarter saw a significant improvement from the prior year. EPS increased by \$0.33 per share and adjusted EPS was \$0.29 per share higher. Additionally, net income increased to just under \$19 million, an increase of almost \$18 million from the prior year and adjusted EBITDA increased to \$73.8 million, up \$20.9 million or 40% from the prior year.

Taking a look at cash flow for Q1. We saw our cash used in operations of \$28.5 million. This was an improvement of around \$87 million from the prior year. The primary drivers were an increase in deferred revenue related to upfront payments for future projects and higher operating income.

Looking at the balance sheet, we maintained strong liquidity of \$451 million, which includes a \$178 million of cash and \$273 million in available borrowing capacity on our revolver. And our trailing 12-month net debt to EBITDA ratio held steady at 2 times at the end of the quarter. We could still see our ratio tick up into Q2 and Q3 based on seasonal working capital needs, but then trend back down as we near the end of the year.

Transitioning to backlog, we ended the quarter with \$10.6 billion in total backlog compared to \$10.9 billion at the end of 2023. Fixed backlog decreased \$359 million during Q1, primarily due to the timing of booking new solar and industrial projects, following a strong fourth quarter of new awards. We typically see variability in new awards

from quarter-to-quarter and we expect to resume backlog growth in the coming quarters. MSA backlog was up \$86 million from yearend, driven by a \$182 million of backlog growth in utilities.

And now turning to our guidance, we are maintaining our full year EPS guidance of \$2.50 to \$2.70 per share, adjusted EPS guidance of \$3.05 to \$3.25 per share and adjusted EBITDA guidance of \$395 million to \$415 million for the full year 2024.

The strong start to the year gives us increased confidence that the higher end of our guidance range is achievable if we continue to see positive momentum across our end markets. We will further assess our guidance as 2024 unfolds and we learn more about the specific timing and scope of new awards.

With that, I'll turn it back over to Tom.

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

Thank you, Ken. Before we open up the call for questions, I want to highlight key points of the strategy we laid out at our recent Investor Day that will drive our decision-making for the next three years. Our objective is to grow gross profit at a 9% to 12% annual rate through 2026 and improve operating cash flow to 4% to 5% of revenue. We will accomplish this by investing in our renewables and power delivery growth engines, while sustaining our foundational businesses performance through consistent execution, focused capital allocation and purposeful customer growth. This begins with prioritizing profitable growth in the right markets with the right customers. We will continue to do what we say we're going to do for our customers, employees, and shareholders with the goal of deploying resources to the highest returns in our portfolio. We may not be the largest service provider in all of our markets, but our aim is to be best allocators of capital in order to generate the best returns.

We are still in the initial stage of driving operational improvements to meet our longer-term margin and cash flow goals. We are starting to see the results of this initiatives with a strong start to 2024. We believe we have the right teams in place to continue marching toward these goals and look forward to further safe, consistent and high-quality execution by our employees to the benefit of our customers and shareholders.

We will now open up the call for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. The floor is now open for questions. [Operator Instructions] Your first question comes from the line of Lee Jagoda with CJS Securities. Your line is open.

Lee Jagoda

Analyst, CJS Securities, Inc.

Q

Hi. Good morning. So, Tom, earlier in the call and I think and certainly at the Analyst Day, you talked about that \$200 million to \$250 million in business, that would be a headwind to growth in the Energy segment. It doesn't sound like any of that occurred in Q1. I guess a couple of questions on it. One, do we expect it to occur all this year? And then any sense of the timing of that and the margin structure of that revenue would be helpful.

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

A

Yeah. Lee, we're working on about three of those businesses roughly \$90 million of that \$200 million should be completely drawn down or every close to it by the end of this year. The balance of it will probably take us into 2025.

Lee Jagoda

Analyst, CJS Securities, Inc.

Q

Okay. In terms of interest expense, Ken, it looks like your guidance is above the run rate that you had in Q1. And even though the sequential decline from Q4 to Q1 was more than we were expecting, despite the debt kind of being flat. What are the moving parts there and why should it be going back up through the balance of the year?

Kenneth M. Dodgen

Executive Vice President & Chief Financial Officer, Primoris Services Corp.

A

Yeah. The main parts, Lee, are going to be working capital over especially during Q2 and Q3 are seasonal peaks and whether or not we need to draw on the revolver in order to work through that. In our original forecast, we had planned to draw on the revolver even as early as Q1. Obviously, cash flows were better than we expected. We didn't need to. So that's the reason it came in below. So, if we're able to continue at the rate we are, our interest expense may trend below what we had originally guided to.

Lee Jagoda

Analyst, CJS Securities, Inc.

Q

And just one more for me and I'll hop back in. The CapEx guidance, is that a gross number or a net number? And to the extent that is a gross number, how should we think about the equipment sales to offset that during the year?

Kenneth M. Dodgen

Executive Vice President & Chief Financial Officer, Primoris Services Corp.

A

It's a gross number like it always is, and we're expecting sales to be much less than they have been in the past, probably somewhere in the \$30 million to \$35 million range for the year, maybe as high as \$40 million, but nowhere near the \$60 million plus that we had last year.

Lee Jagoda

Analyst, CJS Securities, Inc.



Got it. That's very helpful. Thanks very much, guys.

Operator: Next question comes from the line of Steven Fisher with UBS. Your line is open.

Steven Fisher

Analyst, UBS Securities LLC



Thanks. Good morning. So obviously a pretty robust profit quarter in the Energy segment. You mentioned kind of a mix of renewables in Canada and western US project. How kind of one-off was this or how sustainable might that be? And related to this, I know you said there's potential for the upper end of the range for the year, if you see positive momentum. Where do you think you need to see that momentum continue? I thought you were pretty well booked on solar and that maybe it's just more execution that you needed to see more comfort in for the rest of the year to raise. But is it more bookings that you need and where might you need those bookings?

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.



Yeah, Steve. I don't think we're not worried about bookings. I think when you – so I'll answer your last question first. It is, can we continue to perform? It's just consistency in performing, continuing to do what we say we're going to do, across the board and across all of our businesses. I think Canada is very sustainable with where they are right now. I think the western US is certainly big, they got a nice workload, nice backlog of work that's going to carry them through 2025. So I'm not worried about that. And renewables continues to grow as it has been. So it's going to be that 20% to 30%, maybe a little bit more, depending on what their other business lines can do. So it's then getting the other businesses to continue to improve their performance and execution and to bring our margins up to the targets that we set during that meeting.

Steven Fisher

Analyst, UBS Securities LLC



Okay. One of the things that we've heard a bunch about is the shift in electric distribution spending to transmission. What are you seeing in your customer base and regional territories that you have exposure to? And what are your customers telling you exposure to and what are your customers telling you about the second half of the year?

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.



Well, we're still in the first half right now, but what we're seeing and it depends on the client and the part of the country that you're in. We have some clients, the majority of their work is going to be distribution work. They have some new transmission going in, but they obviously have get through the permitting and everything else. We have other clients and they've just recently announced their energy demands and are having it grown beyond what they had forecasted as recent as three months ago. And so they're it's going to be quite a bit of transmission and also along with that, more and more distribution. So it just depends on what part of the country and what client. We see a lot of opportunities in that for our power delivery group in both transmission and distribution and if it's a little bit different for each client.

Steven Fisher

Analyst, UBS Securities LLC



Okay. Fair enough. Thank you.

Operator: Next question comes from the line of Jerry Revich with Goldman Sachs. Your line is open.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Q

Yes. Hi. Good morning, everyone. I'm wondering if you can just talk to us about the performance of the solar business in the quarter and can you update us on how many crews you folks are running now and the crew growth trajectory versus the last update we had? Thank you.

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

A

So I'll start with your last question too, Jerry. We have – right now, we have 16 project teams. We have 50% of the other two project teams that we will have in place. So we'll have a total of 8 teams. Our target is to get there by the end of September. And as far as the performance of the renewables group, they continue to perform extremely well. We're doing a lot of work for clients now. We've got some new awards. We'll probably announce here in the second quarter. And a lot of it's just a function of our clients confidence in our performance and execution.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Q

Yeah. And what was the top line performance for solar and renewables in the quarter?

Kenneth M. Dodgen

Executive Vice President & Chief Financial Officer, Primoris Services Corp.

A

Little over \$400 million.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Q

Okay. And then you know, really strong start to the year from a margin standpoint as we think about the margin cadence into 2Q, it's usually a quarter of nice step up across the portfolio. Anything we should keep in mind versus a pretty significant margin pickup that we normally see seasonally based on what you've seen out of 2Q so far.

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

A

No, I don't. I think you're going to see continued improvement in our utilities over the course of the year to towards the targets that we've set and carrying on into 2025. I think renewables is going to continue to perform as they have, and we should see more of that in the industrial part of our work also as they pick up more work and move to the field. We're seeing some opportunities in pipeline too that hopefully will become be realized here in the coming months. And I know, as you know, those jobs move to the field pretty quick. So we've been very careful about the type of work we bid in that business to make sure we're doing the right work, taking on the right work for the right clients. And so that's realized too and we should see some benefit there as well.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Q

I appreciate the discussion. Thank you.

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

Yes, sir.

A

Operator: Next question comes from the line of Brent Thielman with D.A. Davidson. Your line is open.

Brent Thielman

Analyst, D.A. Davidson & Co.

Hey. Great. Thanks. Good morning and great start to the year. I guess, Tom or Ken, the Energy segment revenue, I guess overall growth a lot better than we thought just to kick the year off. When you look at the sequencing of projects in the backlog today and what you're likely to kind of pick up going forward, should this still be the lowest revenue quarter of the year and we can still expect to see a build up from here. Did you pull in more work than you would have thought?

Q

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

You know, it's a little bit of both. We did pull in more work than we thought, but yeah, this should be for the Energy segment should be the lowest quarter of the year.

A

Brent Thielman

Analyst, D.A. Davidson & Co.

Okay. And then I guess back to utilities, sounds like maybe a slower start on the communication side, what's your expectations for that business as we progress through the rest of the year? Should we see that sort of inflect higher from here?

Q

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

No, I don't think so. I think that we're seeing with a hyperscaling and the B to the broadband equity access and deployment money that's coming up. And we got a lot of clients out there that are – they're really wanting to move forward with some projects. And so I think we're probably going to see an uptick in the second and third quarters. We may see them slow their spend down at the end of the year, which is typical of what we've seen in the last couple of years in communications. But I think it's going to be a good year for our communications group.

A

Brent Thielman

Analyst, D.A. Davidson & Co.

Okay. Just lastly, Tom, I couldn't help but you did mention the pipeline business and maybe a little more optimism there. Maybe you can just share what exactly you're starting to see in that side of the business?

Q

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

It's more bid activity. And, you look at your win rates, your historical win rates, and we should win our share of that work. We have some projects that we competitively bid that we're shortlisted on now where they haven't been awarded. We don't know if we're going to be awarded those projects. But just the fact that that activity going on and it's the type of work in which we have an expertise and we feel like we can be competitive. It's just positive.

A

It's – you know, it's not going to it's not going to drive me to increase their forecast for the year just because it's still going to be a down year for pipeline, as it has been in the last couple of years.

Brent Thielman

Analyst, D.A. Davidson & Co.

Okay, sounds good. Thanks, guys.

Q

Operator: Next question comes from the line of Julio Romero with Sidoti and Company. Your line is open.

Yes. Hi. Good morning, Tom, and Ken, this is [ph] Alex (00:26:22) on for Julio.

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

Hi.

Q

First question on the utility segment, one of the biggest levers to get you to the high- and low-end of that utilities gross margin range. Is it a renegotiation of PLH contracts or increased mix of power delivery? Just appreciate your help thinking about it?

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

Pretty much. We got some MSA contracts that we're in renewal right now that, we had some that recently we renewed that went into effect in April. We got some that we're renegotiating now that we hope go into effect sometime late – mid-to-late second quarter. The sooner that they go into effect, the better off it will be for that business. But it's also picking up more project work. We want to be in that 65%, 35% range MSA to project where we're 60%, 40%. And if we can get the more project work we can bid and win and execute successfully, it's just going to drive that number up.

Q

Appreciate the context. Thank you. And could you expand a bit on the higher industrial construction activity in the western US? I think you mentioned it in the press release in the earlier remarks, but just curious for a little bit more context?

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

A lot of it's just power generation work and or compressor stations that serve power generation facilities, and one of them is a repowering project we actually have been pursuing for about almost as long as I've been with the company seven or eight years. And it died and it didn't get permitted and then it came back to life this year and we were able to negotiate and win that work with the client. And so now it's moving forward. The other ones are projects out west as well, and we're putting in new turbines out there for a client. And it's just, again, that energy

Q

A

demand out there is not going away. And the energy transition from fossil fuels to renewables isn't going to happen quite as fast. So they still have a power demand out there that they got to feed.

Q

Thank you. Appreciate that. And last question from us on capital allocation. Could you just speak to the M&A pipeline lately and whether valuations are any closer to meeting your selection criteria?

Thomas E. McCormick*President, Chief Executive Officer & Director, Primoris Services Corp.*

A

Yeah, I mean, look, we can – as we've continually said, we continue to see a lot of M&A. And for us, it's really not a valuation issue as much as it is just finding the right opportunities that fit what we're looking for or that are the quality that we're looking for. So we continue to look and pursue various acquisitions wherein we're not in serious conversations with anyone right now. We're continuing to evaluate, but it's not a valuation issue. It's purely a fit and opportunity issue.

Kenneth M. Dodgen*Executive Vice President & Chief Financial Officer, Primoris Services Corp.*

A

And we're seeing more activity. It's just – it's not – it's going to have to be the right opportunity for us.

Q

Thanks for clarifying that. That's all from us today.

Operator: [Operator Instructions] Your last question comes from the line of Adam Thalhimer with Thompson Davis. Your line is open.

Adam Robert Thalhimer*Analyst, Thompson Davis & Co., Inc.*

Q

Hey, good morning, guys. Great quarter. Tom, you mentioned a couple of solar jobs that were particularly large. Why is that, that you're bidding, I think?

Thomas E. McCormick*President, Chief Executive Officer & Director, Primoris Services Corp.*

A

Well, one, because we have the capability to do it and we have the expertise to do it. And that's particularly large, what's large. You know, we're not chasing billion dollar projects. We're not say large companies are in the \$350 million to \$400 million, \$420 million range with clients that we know, that we have a good relationship with. We've been involved in the work since site selection activities took place and we are very familiar with the site, very familiar with the area, very familiar with what the craft needs are. And that just – it just fits into our wheelhouse.

Adam Robert Thalhimer*Analyst, Thompson Davis & Co., Inc.*

Q

Great. Power for data centers is a hot topic. Is that an opportunity for you guys?

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

A

It is, it is. We're doing a little work for some of them now. One of our objectives in our initiatives is to grow that business and growing that market.

Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

Q

I know you do work on gas power plants in the Southwest. Do you do anything outside of that region?

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

A

We do, yeah, west we have done some power generation in the east, it's simple cycle facilities. We have the expertise to do it and we're looking into that market. Again, we want to make sure that we stay within the confines of our expertise and our capabilities, so that we're successful. But yeah, we're looking at work out in the east as well and the southeast.

Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

Q

Okay. And then lastly, I don't know how much you want to say on the call, but you know, you mentioned dispositions again and you talked about that at the Analyst Day too. Just curious, maybe just like timing on that?

Kenneth M. Dodgen

Executive Vice President & Chief Financial Officer, Primoris Services Corp.

A

Really, we don't know the timing. The main thing we will be focusing on this year is those two or three small businesses that we're winding down. And as Tom alluded to that's about \$90 million, collectively \$90 million of revenue across all three. That shows how small they are.

Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

Q

\$90 million of revenue. Okay. Great. Thanks, guys.

Operator: There are no further questions at this time. Mr. Tom McCormick, I turn the call back over to you.

Thomas E. McCormick

President, Chief Executive Officer & Director, Primoris Services Corp.

Thank you, ma'am. Thank you for your questions and interest in Primoris. I'll just close by recapping the key takeaways for the quarter. Our strong first quarter results have given us a solid foundation toward achieving our annual targets. Strong tailwinds driving increased investment in infrastructure solutions, particularly in power generation and grid modernization, are expected to continue trending favorably based on leading market indicators and our ongoing conversations with clients. And finally, we are focused on allocating our resources to the businesses in our portfolio that will generate the best returns on capital and drive improved profitability and cash flow.

Thank you. And we look forward to updating you next quarter.

Operator: This concludes today's conference call. You may now disconnect.

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