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Primoris Services Corp. (PRIM)

Q4 2024 Earnings Call

CORPORATE PARTICIPANTS

Blake Holcomb

Vice President-Investor Relations, Primoris Services Corp.

Thomas E. McCormick

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

Kenneth M. Dodgen

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

OTHER PARTICIPANTS

Steven Fisher

Analyst, UBS Securities LLC

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.

Joseph Osha

Analyst, Guggenheim Securities LLC (Research)

Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

Brent Thielman

Analyst, D.A. Davidson & Co.

Drew Chamberlain

Analyst, JPMorgan Securities LLC

Brian Russo

Analyst, Jefferies LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. My name is Abby, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Primoris Services Corporation Fourth Quarter and Full Year 2024 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.

And I would now like to turn the conference over to Blake Holcomb, Vice President, Investor Relations. You may begin.

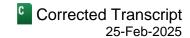
Blake Holcomb

Vice President-Investor Relations, Primoris Services Corp.

Good morning and welcome to the Primoris fourth quarter and full year 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 would 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 only as of today, February 25, 2025. We disclaim any obligation to update these statements except as may be required by law.

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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 in our fourth quarter and full year 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 fourth quarter and full year 2024 results and our initial outlook for 2025. Primoris had a strong finish to 2024 that drove our best year in the company's history for revenue, earnings backlog and cash flow from operations.

Since 2016, we've grown revenue and operating income each year by transforming Primoris into the company it is today. Over the past eight years, we've expanded into the solar, power delivery and communications markets through strategic acquisitions, which are some of the fastest growing in our service portfolio. We have also continued to execute well in our foundational businesses, which have been critical to our success and growing profitability backlog and cash flow.

We finished the year with \$11.9 billion in total backlog, which was driven by our booking more than \$7.7 billion of new work during the year. This is more than \$1.2 billion or 18% ahead of our goal for the year. This is a credit to our business development teams as well as our project teams, whose commitment to safe and high quality project execution has led to high customer satisfaction and strong, mutually beneficial relationships.

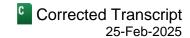
I also want to recognize the Primoris employees that enabled us to achieve record cash flow from operations in 2024. Generating more than \$500 million was a significant milestone for our company and a key part of our strategy that we have been emphasizing over the past couple of years. Improving the consistency of our cash flows, a responsibility that our employees have taken ownership of and we're seeing the results, whether it's upfront payments our from customers to procure equipment materials and mobilize on a project critical or improving our process for timely and accurate growing billings and collections. Their efforts are clearly having an impact. I want to thank them all for their commitment in this important area of emphasis for Primoris.

Our record results in 2024 demonstrate that we have positioned Primoris as a premier solutions provider with a broad geographic footprint and the technical expertise to meet the needs of our customers. Our customers are leaders in the development, expansion and modernization of infrastructure in North America.

Emerging technologies, increased electrification of industry and a growing interest in onshoring critical aspects of the supply chain are driving the demand for power generation that hasn't been seen in decades. While much of the focus has been on the power demands of data centers, and rightfully so, a significant amount of demand is expected to come from other industrial, commercial and residential power generation needs. Our view is that these trends will continue to require an extensive amount of generation from a wide range of sources and Primoris will play an important role in helping meet this demand safely, efficiently and with the highest quality possible.

Regarding our safety performance, we had another great year with a total recordable incident rate well below the average in our industry and our company target. This was accomplished despite working more than 37 million work-hours during the year. I want to congratulate and thank our employees in the field and in our offices across North America for their commitment to keep one another safe while helping our clients achieve their business

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goals. I'm convinced that our safety performance is an integral part of maintaining strong customer relationships and attracting talent to join the Primoris team.

Now, let's look at our operating segment performance in more detail. In the Utilities segment, revenues for the year were up slightly, primarily driven by growth in communications and a strong second half of the year in gas operations. Power delivery was down slightly compared to the prior year, as we anticipated, primarily due to a \$100 million substation project that we completed in 2023. We made the decision to focus our transmission and substation resources to support our renewables projects, which led to an increase in intersegment revenue. At the same time, we grew Utilities MSA revenue by 10% from the prior year. We remain committed to growing our mix of project work, specifically in power delivery, as it will lead to a more balanced mix of project and MSA revenue and improved margins.

While Utilities segment revenue was up modestly, we significantly improved margins compared to the prior year. This was driven by a more active storm season in the second half of the year, as well as by improved productivity in power delivery.

Leadership across the organization has done a great job of aligning our resources toward our customers and markets where we see the most opportunity, while de-emphasizing some areas that pose more of a challenge to efficiency and profitability. We also benefited from several rate case decisions that drove increased spend in some markets toward the end of the year that had several new MSA contracts renewed at higher rates. This included an MSA with our largest power delivery customer that went into effect on January 1 of this year and should help in our progress toward further margin improvement in 2025 and going forward.

In gas operations, we continued to execute well and maintained solid margins despite the overall slow growth in the market the past couple of years. We did see some pickup late in the year with favorable weather and the rate case decisions we mentioned last quarter, providing support to the business as we move further into 2025.

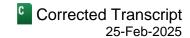
Communications grew double digits in 2024 due to an expanding revenue base from data centers and traditional investments in fiber-to-the-home. The growth in the market and our skilled labor force have provided an opportunity to be more selective with customers and projects. This dynamic will allow us to continue delivering solid margins and improve our cash conversion in the coming years, as it did in 2024.

Turning to the energy segment, we grew revenue over 20%, largely due to another strong year in the renewables business that was partially offset by lower pipeline activity. We had anticipated a lower year in pipeline activity after work we picked up during 2023 drove revenue and margins higher, but we also faced some performance challenges that weighed on margins late in the year. Bidding market for pipeline also remained slow and extremely competitive. However, we are optimistic that an increase in LNG production and natural gas power generation could lead to more projects being awarded in 2025.

We believe that if this trend plays out and we see improvement in the federal permitting process, our pipeline business could begin to see a pickup in activity by the end of this year and heading into 2026. Industrial construction also had a great year of operational performance and bookings, including the two projects we mentioned during the third quarter call. We had excellent performance on several gas generation projects during the year and are seeing more opportunities to bid and win work.

We expect to see more opportunities in the coming quarters, but we'll remain disciplined in the types of projects we pursue. We've been a consistent performer in the construction of natural gas power generation projects over the years, and we'll continue to target opportunities that fit well within our capabilities. We have brought in

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additional talent that will allow us to manage more projects while staying disciplined in the scope of projects we take on to ensure that we pursue profitability over revenue growth.

The heavy civil business had another solid year in 2024 as well, looking several new projects at higher margins and benefiting our cash flow through upfront mobilization payments. Although typically a lower margin business, the team has consistently performed very well in their execution, which has enabled them to improve margins from last year.

In 2024, we also took meaningful steps on our strategic plan to divest or unwind certain businesses or service lines that we viewed as subscale, low margin or non-core to Primoris going forward. While these actions will create roughly \$160 million revenue headwind in 2025, we should see a benefit in operating margins. This will also allow our management teams to allocate their time and resources to other areas of their businesses.

Wrapping up the segment with renewables, we had another impressive year of growth, approaching almost \$2 billion in revenue in 2024. We also booked nearly \$900 million of backlog in the fourth quarter to close out the year with approximately \$3.1 billion, exceeding our target for the year and setting another all-time high for the business.

These results included contributions from the products and services that complement our solar EPC business, including Premier PV, battery storage and O&M, which are approaching 10% of renewables revenue. The demand for our solar services remains high and we continue to look to add quality teams and new customers. Our proven track record, the strength of our client relationships and rapidly expanding ancillary solar businesses provides us the ability to have ongoing success in renewables, despite some near-term uncertainty in the margin.

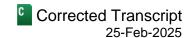
Much of the uncertainty in renewables and in other parts of Primoris' businesses centers around the rapidly changing trade and regulatory environment. The impact of tariffs on the supply chain for key electric components, metals or other materials that are more reliant on imports [ph] to present (00:18:12) a headwind depending on the scope and duration.

Based on our conversations with customers across our service lines, we do not anticipate that the currently proposed tariffs or regulatory changes will have a meaningful impact on our expectations for 2025. The majority of the inflationary impact from tariffs could be passed through to the customer and as we procure, it could be subject to tariffs or unlikely to have a material impact on the total cost of the projects.

However, we will continue to engage with our customers in order to better understand how their plans could potentially change based on changes to tariff or regulatory policy. We will be better equipped to assess the potential impacts and adjust our plans accordingly when there is more clarification on these policies. In the meantime, there could be volatility in our quarterly bookings in the first half of the year.

Overall, Primoris had an outstanding year in 2024, which has set us on a great trajectory toward achieving our 2026 goals. We have an extensive backlog of projects across our businesses and have the experienced teams necessary for us to deliver successful results for our customers. Many of our services, including power delivery, renewables and power generation, remain in high demand, particularly in Texas, where we have a strong position. The Texas market is growing rapidly and the most recent report from the Electric Reliability Council of Texas suggests a significant amount of additional generation resources will be needed to meet the demand. This could potentially lead to an expansion of the Texas Energy Fund in the upcoming legislative session to help facilitate the billions of dollars of investment in power generation and transmission that could be required.

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To summarize, it is our view that the demand for our services should continue to grow over the next several years. While there could be inflationary pressure on certain items our customers procure for the projects we construct, we feel confident that the market will be able to adapt to any changes to meet the infrastructure demands of the growing North American economy.

Now, I'll hand 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 fourth quarter revenue was \$1.7 billion, an increase of \$226 million, or 15% compared to the prior year. The increase was driven by growth in both the Utilities and Energy segments. Gross profit for the fourth quarter improved \$28 million or 18% to about \$185 million, driven by higher revenue and improved margins in the Utilities segment. Overall, gross margins improved to 10.6% compared to 10.3% in the prior year.

Turning now to our segments. Utilities segment revenue was up nearly \$88 million compared to the prior year. The growth was across all business lines and driven by favorable weather and increased customer activity, particularly in gas and communications compared to the prior year. Gross profit increased approximately \$38 million, or 88% compared to the prior year, driven by higher revenue and gross margins. Gross margins were 12.1%, up from 7.4% in the prior year. The increase was driven by favorable weather conditions, which enabled some of our gas crews to work later into the quarter and approximately \$9 million of incremental gross profit from storm restoration work in the power delivery business. Excluding the storm work, we still saw healthy improvements in both gross profit and gross margins for the quarter.

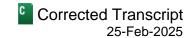
Energy segment revenue increased to \$148 million compared to the prior year, primarily due to growth in our renewables and industrial businesses, partially offset by lower pipeline revenue. Gross profit decreased \$9.5 million or 8% compared to the prior year, as lower gross margins offset the higher revenue. Gross margins fell to 9.5% compared to 12% in the prior year due to fewer project closeouts in renewables this quarter, lower pipeline revenue and profit, and some weather impacts that delayed progress on certain industrial and renewables projects.

For the full year 2024, revenue was up \$650 million to a little less than \$6.4 billion, primarily driven by growth in our Energy segment. Gross profit increased by \$116 million or approximately 20%, primarily driven by higher revenue and improved productivity and margins in our Utilities segment.

Looking at our segments for the year, Utilities revenue was up slightly this year, primarily due to communications growth, partially offset by a decline in power delivery revenue. The power delivery decline is due to a large substation project in the prior year that didn't repeat this year. Gross profit increased \$51 million or 25% due to improved gross margins and about \$30 million of gross profit from storm work. Gross margins improved to 10.6%, up from 8.6% in the prior year. Excluding the storm benefit, gross margins were still higher, driven by improved productivity across power, gas and communications. We are pleased with the progress we've made in productivity and aligning our skilled workforce with the right customers in the right markets. We're looking forward to continued margin improvement in 2025 and 2026, as we laid out in our three-year plan last year.

Energy revenue grew by \$686 million this year, primarily driven by growth in our renewables and industrial businesses, partially offset by a decline in pipeline revenue. Renewables grew over \$650 million in 2024, as it completed some jobs early and accelerated about \$250 million of revenue growth from 2025 into 2024. Gross profit increased over \$64 million or 17% compared to the prior year, primarily due to higher revenue, partially

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offset by a small decline in gross margins to 11% from 11.4% in the prior year. The gross margin decline was mainly due to higher margins on a pipeline project in the prior year that did not repeat.

SG&A expense in the fourth quarter increased by almost \$16 million to just under \$97 million, compared to \$81 million in the prior year. The increase was primarily driven by higher personnel costs and incentive compensation related to improved operational performance. For the full year, SG&A was 6% of revenue, up slightly from 5.8% in the prior year, but in line with our expectations. We expect our SG&A will be around 6% for the full year of 2025.

Net interest expense in the fourth quarter was \$12 million compared to nearly \$22 million in the prior year and full year net interest expense was down almost \$13 million from the prior year to just over \$65 million. These decreases were due to lower average debt balances and lower interest rates, along with higher interest income.

We paid down an incremental \$150 million on our term loan in Q4 and another \$100 million in January 2025. We expect interest expense for 2025 to be between \$44 million and \$48 million. Our effective tax rate remained at 29% and we expect it to be 29% for 2025, but it may vary depending on the mix of states in which we operate.

Operating cash flows in the fourth quarter were approximately \$298 million, and for the full year, operating cash flows were more than \$508 million, both records for Primoris. The full year cash from operations represents an increase of almost \$310 million versus the prior year. The increase in operating cash flows was driven by improvements in contract assets due to our ongoing working capital improvement initiatives, particularly our billing and collection efforts. Additionally, upfront procurement and mobilization payments from customers due to a strong year of bookings in renewables contributed to the rise in contract liabilities. Of note, our Energy segment had approximately \$100 million of Q1 2025 customer payments that were received in Q4. As a result, I expect cash flow from operations to normalize in 2025 to some degree and be in the \$200 million to \$225 million range.

Turning to CapEx, we invested \$23.6 million in the fourth quarter and \$126.6 million during the full year. This was up from \$103 million in 2023, primarily due to increased spend on facilities. We expect our total CapEx in 2025 will be in the \$90 million to \$110 million range, with equipment accounting for \$60 million to \$80 million of that.

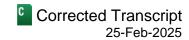
Looking at the balance sheet and liquidity, we ended the year with cash of \$456 million, up from \$218 million at the end of 2023. Total long-term debt was \$735 million and net debt was \$279 million, lowering our trailing 12-month net debt to EBITDA ratio to 0.7 times, well ahead of our 2026 goal of 1.5 times EBITDA. Overall, our balance sheet is in great position and remains strong as we continue to improve our cash flow. We believe that we are financially well equipped to allocate capital to grow the business, organically expand product and service lines, or be opportunistic with acquisitions should we identify targets that meet our strategic and financial metrics.

Moving on to backlog. We grew total backlog to \$11.9 billion, an increase of just under \$1 billion from the prior year. This was driven primarily by strong bookings in our Energy segment, particularly in renewables, heavy civil and industrial construction, including natural gas power generation projects.

Total MSA backlog was up slightly as a 7% increase in Utilities segment MSA backlog was partially offset by a decrease in pipeline MSA backlog. Similarly, our 12-month backlog increased by \$417 million or 9%, driven by the increased fixed backlog in the Energy segment.

I will wrap up with our earnings guidance for 2025. We expect earnings per fully diluted share to be between \$3.70 and \$3.90 and our adjusted EPS to be between \$4.20 and \$4.40 per share, both representing double-digit percent growth from 2024 at the midpoint. Both EPS and adjusted EPS are expected to be driven by higher operating income and a decrease in interest expense.

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Our adjusted EBITDA guidance is \$440 million to \$460 million for 2025. I want to point out that this guidance does not include any potential benefits from storm restoration work like we had in 2024. As Tom mentioned, we also wound down or divested businesses that contributed close to \$160 million in 2024 revenue that collectively lost about \$3 million of EBITDA. So, while our rate of revenue growth will be lower than 2024, we expect to see improvements in gross profit and adjusted EBITDA in 2025.

As a reminder, our first quarter is typically our lowest quarter of the year for both revenue and net income due to seasonality, which primarily impacts our Utilities segment. As a result, we expect our Utilities segment margins to be in the 9% to 11% range for the full year, with Q1 in the 6% to 8% range. And for our Energy segment, we expect gross margins to be in the 10% to 12% range for the full year.

And 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 the call up for your questions, I'd like to reiterate some of the key takeaways from our prepared comments today. First, I'm extremely proud of the Primoris team and the work that we accomplished in 2024 to achieve our record earnings, backlog and cash flow. We emphasized with our teams the need to remain focused on improving profitability and cash flow, and that is exactly what they did, while continuing to operate safely and efficiently. Their efforts have provided us the opportunity to continue to strengthen our balance sheet and position us to have the resources to keep growing the business.

Second, we are excited about the opportunities that lay ahead of us in our strategic growth markets of power delivery and renewables. We're also encouraged by the increase in opportunities we are seeing in communications and natural gas power generation. The amount of infrastructure investment required for the United States to be a leader in emerging technologies like artificial intelligence and meeting the increasing energy demand while making progress toward a more diverse mix of energy sources is significant. We believe Primoris has an important role to play in meeting the needs of our customers and communities.

Lastly, we are confident in our ability to adapt to changes in our service markets and be prepared for potential challenges. We have demonstrated success in managing tariffs and supply chain disruptions in the past and believe we will be able to manage the current environment as well. Through appropriate planning, exercising discipline in the projects we target and aligning ourselves with the right customers, we have a great opportunity to build on our success. As pleased as we are with our 2024 results, I believe the best days for Primoris lie ahead of us, as we continue to press toward our 2026 goals and beyond.

And with that, I'll now open it up for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. And we will now begin the question-and-answer session. [Operator Instructions] And your first question comes from the line of Steven Fisher with UBS. Your line is open.

Steven Fisher

Analyst, UBS Securities LLC

Well, thanks very much and congratulations on a really strong year. You touched upon a lot of the different solar angles going through. Maybe just sort of high level. Can you talk about how you see the growth rate for solar evolving over the next couple of years? How booked are you for 2025 and 2026, and the confidence in that? And sort of what's the embedded growth rate you think you can still do? Do you have that \$300 million to \$500 million of additional revenues per year? How do you see the solar trajectory from here?

Thomas E. McCormick

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

So, Steve, this year, obviously, it's going to be – we pulled some of that 2025 into late 2024. So, this year will be a little bit down on that, probably to \$300 million to \$400 million range that we had. But what we are seeing is we're also seeing – with respect to EPC solar, but we are seeing some uptick in BESS and we are seeing some uptick in Premier PV and O&M. So that'll make up for some of that. We should be able to keep that in the [ph] upper \$200 million (00:33:33), \$300 million to \$400 million range over those years. But you can see more of that become part – BESS become part of that and Premier PV, solar, in the years to come, still it's pretty solid. 2025 is pretty booked. There may be a little room for us to start some work in the fourth quarter, but more likely that's – it's pretty much booked. 2026, I'm not sure what percentage we're booked. But we've got a lot of this work is carrying into 2026 and actually some of this work is carrying into 2027.

Steven Fisher

Analyst, UBS Securities LLC

Okay. That's helpful. And then maybe just shifting to some of the other segments, can you just maybe give us a sense of the growth rate that you have embedded in industrial and heavy civil, power delivery, telecom, gas? And if you can't put sort of numbers around it, maybe just sort of rank where you think the relative faster growth ones are going to be in 2025?

Kenneth M. Dodgen

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

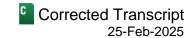
Yeah. Steve, I think it's going to be kind of a mixed bag. I don't think much has changed in our view, despite the uncertainty in the markets right now. I think we're still expecting gas to be kind of low-single-digit, power delivery to be mid-single-digit, and communications to be mid to upper-single-digit, similar to what we saw in 2024. Industrial, industrial is going to be low to mid-single-digit as well. We picked up nicely in 2024. We expect that's going to moderate a little bit in 2025, as we just focus on executing the projects that we won. Heavy civil is going to be flat. Pipeline is probably going to be flat this year as well.

Steven Fisher

Analyst, UBS Securities LLC

Perfect. Thank you very much.

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Operator: And your next question comes from the line of Lee Jagoda with CJS Securities. Your line is open.

Hi. This is [ph] Will (00:35:31) on for Lee. Can you give us some more detail around what drove the much stronger than expected margins in Utilities in Q4, as well as Energy margins in the high-single-digits, which we haven't seen since early 2023? And are any of the items likely to linger into 2025 before normalizing? Thank you.

Kenneth M. Dodgen

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

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Yeah. On Utilities, the biggest driver was the storm work we had in the quarter, almost \$9 million. But even ex the storm work, margins were still up and that was most directly just related to improved productivity. And we just had good weather that impacted our gas business, enabled us to work farther into Q4 than normal. So, our seasonality was not truncated nearly as aggressively as it has been in some prior years. And I apologize. Well, what was your other question?

Q

Also in regards to Energy margins in the high-single-digits, which we haven't seen since 2023?

Kenneth M. Dodgen

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



Oh, just for the quarter. Yeah, that was because of – higher margins last year because of a pipeline project. But then this year we just had some weather impacts. It was mostly just rain. It wasn't necessarily named storms or anything like that. It just impacted our productivity a little bit. And so we're expecting that to just normalize into the 10% to 12% range going into Q1 and throughout all of 2025.

Thomas E. McCormick

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

Yeah. Ken, one of the things to add is we had fewer project closeouts in renewables as well [ph] at the end of the year (00:37:01)...

Kenneth M. Dodgen

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

Α

Yeah. That's right.

Thomas E. McCormick

А

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

...which [ph] we've typically had (00:37:03) in past years.

Okay. That's very helpful. Thank you.

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Operator: And your next question comes from the line of Sangita Jain with KeyBanc. Your line is open.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.

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Hi. Good morning. Thank you for taking my questions. So, on the renewables question that you got previously, can you elaborate if there was a function of safe harboring maybe that led to the 4Q jump in revenues and the backlog and the discussions that you may be having with your customers with regards to the puts and takes on the IRA modifications and tariffs, maybe?

Thomas E. McCormick

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

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Yeah. Yeah. The conversations we've had with our clients is, right now our clients are still pretty – are well funded. They have not given us any indications that they're going to slow down. They have a portfolio of projects that they want to execute. We could see some of the safe harboring this year, maybe a little bit benefit from that. But right now, the way a lot of them see is they're waiting to see what this legislation is going to look like at the end, because they're still early days and a lot of it. So, they're just moving forward with the projects we have in 2025. I think if something comes with that, good or bad, we'll probably see it in 2026.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.



Okay. Appreciate that. And on the comment in your press release about the multiple natural gas power generation projects, can you help us with more details on these maybe project sizes, the states where you're seeing these, and if any of them are related to the Texas Energy Fund, yet?

Thomas E. McCormick

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



Well, we've got a couple in Texas. We got one in Oklahoma. We got some in California. They're anywhere probably from \$70 million to \$300 million. I'm looking at Ken for acknowledgement.

Kenneth M. Dodgen

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



Yeah.

Thomas E. McCormick

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



They're – all those projects are in the field and we're looking probably another four or five. It really just depends on security – surety of supply for the clients on the turbines and the equipment, because they supply it, they provide all that equipment, on the future projects and what their timing might be. But those projects are all under way right now and they're going pretty well, extremely well, actually.

Sangita Jain

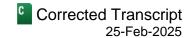
Analyst, KeyBanc Capital Markets, Inc.



Okay. Appreciate the responses. Thank you.

Operator: And your next question comes from the line of Joseph Osha with Guggenheim Partners. Your line is open.

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Joseph Osha

Analyst, Guggenheim Securities LLC (Research)

Good morning, everybody. Thanks for taking my questions. I have two. First, looking at that very strong cash flow outcome in Q4, some of that may have kind of been one-time, but I'm wondering what that tells us about how we should think about operating and free cash flow going forward? Thanks.

Kenneth M. Dodgen

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

Yeah. Joe, look, it was a really good quarter. We had about \$100 million pulled forward from Q1 of this year. So, that was helpful. And the rest was just driven by really two things. First of all, good upfront customer payments related to contracts that were signed in both Q3 and Q4. And the strongest – the contracts that have the best upfront payments for us are our renewables contracts. And second, behind that is our heavy civil contracts. But renewables was the big driver this quarter.

And then secondly, it was just good financial performance. Joe, we talked about this in the past. We put some initiatives in place starting about a year ago to work on improving our AR and our CIE. And this quarter, we started seeing some of the benefits of that. And we expect to continue to gradually see benefits from that as we move through 2025 and 2026.

So, feeling really good about the initial progress and we're going to continue to work on and that's the reason we're – but because of that \$100 million that got pulled in from 2025, that's the reason we're kind of going to kind of normalize in the \$200 million to \$225 million range in 2025.

Joseph Osha

Analyst, Guggenheim Securities LLC (Research)

Okay. Thank you. And then my other question is relates to BESS specifically. What are you hearing regarding the impact of tariffs on that business? Because obviously, the [ph] cell element (00:41:17) of those projects is very tariff sensitive. Are any of your customers talking to you about their tariff concerns in that area specifically?

Kenneth M. Dodgen

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

I think they're pretty much in a wait-and-see right now for the projects we have under contract. They brought those – that gear, so they're not really worried about that going forward. Again, I think it would probably be something that may affect projects in 2026. But a lot of what we hear, they're hearing the same thing. A lot of this is a negotiation ploy by our government. So, they've just – [indiscernible] (00:41:45). So, they're really just sitting there in a wait-and-see kind of mode.

Joseph Osha

Analyst, Guggenheim Securities LLC (Research)

That makes sense.

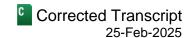
Kenneth M. Dodgen

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

It's [ph] not flowing down on bidding in our pricing and that's work (00:41:54) for our clients. I can tell you that.



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Joseph Osha

Analyst, Guggenheim Securities LLC (Research)

Okay. That's great. Thank you for the answers.

Operator: And your next question comes from the line of Adam Thalhimer with Thompson Davis. Your line is open.

Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

Hey. Good morning, guys. Congrats on the strong Q4. I guess the question I've gotten most from clients is on the EBITDA guidance for 2025. You guys for two years or three years now have exceeded the initial guidance range for the year. And I'm just curious, what are the puts and takes within the EBITDA guidance with – what could push you towards the high end or the low end?

Kenneth M. Dodgen

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

Yeah. Hey, Adam. Look, a number of different things, to be honest with you. There's always a little bit of risk in our business just because we're in construction, but with respect to the upper end of the range and maybe even exceeding that range. Storm work is obviously one of the keys. We never put storm work in our guidance. Yeah, we had essentially \$30 million of EBITDA benefit related to storm work in 2024. I think continued strong closeouts in renewables and – in renewables projects will be a potential driver to the upside. Same thing for power delivery projects and then lastly, if we can just continue to drive higher power delivery margins, as we continue to work improving and streamlining those operations.

Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

Okay. And then I wanted to ask about the communications market, that seems like it's a bright spot in terms of growth. Curious what you're seeing there in terms of data centers and fiber-to-the-home demand?

Thomas E. McCormick

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

Well, we've seen a lot of opportunity. One thing we're – we've seen such an uptick in that work with the clients that we work with that we've been – may able to do actually be fairly selective in picking our clients, that reasonable payment terms and margin expectations for their contractors. There's quite a bit of work associated with these data centers that were being given the opportunity to look at and perform. And then you get the fiber rings around cities and then fiber-to-the-home. There's just a lot of opportunity there that we're actually being able to price and bid for our various clients. So, the outlook for the year is very good.

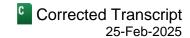
Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

Thanks, guys.

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

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Brent Thielman

Analyst, D.A. Davidson & Co.

Hey. Thanks. Good morning, guys. Tom, you talked about shifting transmission resources [ph] in support of (00:44:29) these renewables projects. I was wondering if that's more isolated to the projects you're working on? Is that becoming more of a prerequisite to compete? And if so, does that mean you need to allocate more of those resources going forward toward renewables?

Thomas E. McCormick

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

Really, Brent, we have a number of renewables projects that have substations interconnect work on them that we're self-performing more and more of that work. There was a time when our clients were giving that work to third parties and managing it under separate contracts. More and more of our clients are seeing that they can put that under our contract, and then they have a one-stop shop or EPC that can do total project for – the total project build-out for them. And it actually allows us to focus and build on the competencies in that group and [ph] be (00:45:18) expand what their capabilities are. So, we're working to improve margins on power delivery across the board. So, being able to focus with that group right there and do that work internally and demonstrate that – and build that skill set up, it's just an opportunity for us.

Brent Thielman

Analyst, D.A. Davidson & Co.

Okay. But Tom, you don't see that as handicapping your ability to kind of ramp up the power delivery – transmission work and power delivery moving forward, because you've got those resources allocated to those projects?

Thomas E. McCormick

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

Absolutely not. We don't see it as a problem at all. It's just a building block for us, and we're actually adding resources and building capabilities within that group right now to step out. So, you'll see us step out on some projects this year that are not associated with renewables work, and we'll continue to build on that.

Brent Thielman

Analyst, D.A. Davidson & Co.

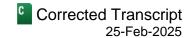
Got it. And then, Tom, on pipeline, I mean, your comments on activity potentially picking up later in the year. I just was curious what you're hearing from customers. Do we need to see more regulatory reform in order to motivate that? Or do you think the actions [ph] quarter-to-date (00:46:26) maybe along with just more confidence of your customers right now under new administration, is that enough to get projects moving again?

Thomas E. McCormick

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

Well, I think [ph] it was getting (00:46:36) projects moving is you're starting to see some – from a regulatory standpoint, maybe you see some LNG projects start being discussed and talked about or expansion of LNG facilities. If you're going to build power generation – the natural gas power generation, you're going to have to get gas to those facilities or increase the line sizes for those facilities. A lot of that's driving those discussions. And then you got to – then you start thinking about what's the timing of those facilities coming online, because, obviously, you have to have gas to the facility, the pipeline to facility before you can start commissioning and starting it up. So, a lot of that is driving that right now.

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Brent Thielman

Analyst, D.A. Davidson & Co.

Got it. Thank you.

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

Q

Hi. Good morning. This is [ph] Adam (00:47:25) on for Jerry today. Utilities margins, I think, were 10.6% in 2024. And I know you had some weather benefits supporting those results, but it sounds like you'll benefit next year from several rate case decisions in the second half of the year and another one in 1Q. So, how are you thinking about the potential to hit the high end of the 9% to 11% margin target there?

Kenneth M. Dodgen

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



Yeah. Adam, it's something we're seeing – we're – we think is more and more likely. Historically, we've kind of been in the 9% to 11% range with – but really kind of really in the high-9s. This year, we're expecting margins to trip up into the 10s, probably low to mid-10s if we can execute well and maybe even a little bit above that if we get the benefit of some good storm work during the year.

Great. And then on solar, can you just update us on your crew count and how much you expect the crew count to grow this year?

Thomas E. McCormick

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

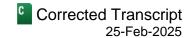


So, teams [indiscernible] (00:48:29) correct me, I think we're at 18 teams. We're building our 19th team right now and we'll continue to build teams. We really don't have – we have a target for our goal. Focus this year is going to be to continue to work on improving those margins, because we've seen a little bit of a downturn on that, primarily weather-driven. And so we're going to focus on adding, at least, probably, one or two more clients and adding another team. And if we can add more teams, but the A teams, the quality teams would then you could see us go as high as 20, 21. But our focus is on build – continuing to build and train high quality teams and then take on more work. You've got to understand how a team on a project, solar project can manage a project anywhere from \$70 million to \$400 million or \$500 million. So, the span of what they can generate and what that result calculates to with respect to revenue is quite broad.

Great. Thanks so much.

Operator: And your next question comes from the line of Drew Chamberlain with JPMorgan. Your line is open.

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Drew Chamberlain

Analyst, JPMorgan Securities LLC

Yeah. Good morning and thank you for taking the questions. Can you just start on the renewables side on the auxiliary segments and just kind of see if you can provide any color on how much of the backlog is made up of auxiliary segments and how much you expect for revenue in 2025 there?

Kenneth M. Dodgen

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

Yeah. Drew, I don't have backlog broken out here, but from a revenue standpoint, it's going to be about 10%. Again, we're expecting revenue to continue to grow in that segment to about another 10% this year and the auxiliary business units, again, are going to be about 10% of that.

Drew Chamberlain

Analyst, JPMorgan Securities LLC

Yeah. Appreciate that. And then just lastly, appreciate the slide in the back of the deck that showed the results versus the targets at the Analyst Day and obviously, some really good progress there. Can you just update us on your latest thoughts around those targets and whether they're maybe somewhat stale or if that's one-offs and really strong 2024 that just pulled some things forward, or how you're thinking about that going forward?

Thomas E. McCormick

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

Well, one, I think we're – I would tell you, we're pretty much on or a little bit ahead of plan for what we said we're going to achieve by the end of 2026. And we're actually looking at where it now, where we're going to go and we're going to take the company and what will be in 2027. So, I'm comfortable with where we are. I think we're going to get there maybe a little bit ahead of schedule. But I think that's a – it's still a good plan moving you forward, but we're refreshing that plan looking a year further out.

Drew Chamberlain

Analyst, JPMorgan Securities LLC

Okay. Thank you.

Operator: And your next question comes from the line of Julio Romero with Sidoti. Your line is open.

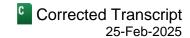
Good morning. This is [ph] Justin (00:51:32) on for Julio. Thank you for taking the questions. So, on cash flow, could you elaborate on the key drivers behind working capital results and share your thoughts on the lower cash conversion cycle in fiscal 2025?

Kenneth M. Dodgen

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

Yeah, [ph] Justin (00:51:47). I think I touched on this a little bit earlier, but essentially it was really good upfront customer payments during the year, in particular, in Q3 and Q4, it's – and it was continued improvement in our unbilled revenue and the timing to converting it to AR and then collecting on AR as well. So – and between that

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and pulling forward about \$100 million of cash payments from customers at their election, we see 2025 normalizing back to \$200 million to \$225 million.

Q

Great. Thanks for the color there. And then on guidance, within the growing need for infrastructure investments, could you rank some of the end markets in terms of strength? And has that changed up or down recently?

Kenneth M. Dodgen

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

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Yeah. I don't think we've seen any change. I think it's been fairly consistent to what we've been talking about for the past year or two, which is renewables and power delivery behind those. I think it's communications and natural gas generation now, especially over the course of the past year with the strengthening of the gas generation markets.

Thomas E. McCormick

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



Yeah. And that's one that's really you got to look at is probably going to have a five-year plus – five-plus year run on it, if not longer, just because of how long it will take to order the turbines, get them in and get those built out. So, that's kind of nice tailwinds on that market.

Q

Great. Thanks. That's all for me.

Operator: [Operator Instructions] And your next question comes from the line of Julien Dumoulin-Smith with Jefferies. Your line is open.

Brian Russo

Analyst, Jefferies LLC



Hi. Good morning. This is actually Brian Russo on for Julien. Hey. Just to follow up on the commentary on your Texas footprint, in particular, gas-fired generation. What is your competitive position and strength [ph] like that that you seem (00:53:53) very optimistic about capturing a lot of that expected growth in generation infrastructure?

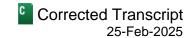
Thomas E. McCormick

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

What do we have? We have the expertise internal to the business now. So, we have the experience building simple cycle power generation facilities and other facilities for power generation and a lot – we have a lot of craft in Texas that has that same experience. So, it's – I think the market is going to have such a high demand. There's only a few contractors in this market that have that ability, that capability and that expertise. So, I guess my confidence level is based on the fact we're going to win our share. I don't want to win it all. I want to be careful about how much work I take in order to make sure we're successfully and we execute safely and with the highest quality meeting our clients' needs. But there's enough work out there for us to get our fair share of the market and to probably for it to go for three years or four years or five years or beyond.

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Brian Russo

Analyst, Jefferies LLC

Okay. Great. And what could actually – which end market can drive you at or above your 2026 targets? And specifically in the Utilities segment, which is where I think you're forecasting the most margin expansion to drive the overall profitability of the company?

Kenneth M. Dodgen

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

Yeah. I think it's going to be really one of two areas. It's either going to be communications or power delivery or both. We've seen – we continue to see strength, as Tom talked about, in communications, in particular, around fiber loops and data centers. And so if that continues and continues to strengthen during 2025, there could be some potential upside there. On the power delivery side, I think it's continued strong execution, improving our productivity there. I think it's increasing our mix of project work there. And lastly, it's the opportunity to pick up some storm work that we don't have in our guidance.

Brian Russo

Analyst, Jefferies LLC

Okay. Great. And then just lastly, when you do shift resources from power delivery to solar, I assume it's margin enhancing?

Thomas E. McCormick

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

Well, to be clear, it's to pick up specific scope that solar doesn't have the capability to do. It's building the substations, the interconnect or the transmission associated with those facilities. So, it's very specific to the skill sets of the power delivery craft and yes, and then they do make good margins in executing that work.

Brian Russo

Analyst, Jefferies LLC

Okay. Great. Thank you very much.

Operator: And this concludes our question-and-answer session. I will now turn the conference back over to Mr. Tom McCormick for closing remarks.

Thomas E. McCormick

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

Thank you, Abby. I want to again congratulate our employees who contributed to a great year in 2024. I'm proud of the men and women of Primoris for their safety, operational and financial performance, and I'm excited to see them build on this success in 2025. Thank you to those who joined us today. We appreciate your time and interest in Primoris and we look forward to updating you on our business next quarter.

Operator: And ladies and gentlemen, this concludes today's call, and we thank you for your participation. You may now disconnect.

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