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# Primoris Services Corp. (PRIM)

Q4 2023 Earnings Call

## CORPORATE PARTICIPANTS

**Blake Holcomb**

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**Thomas E. McCormick**

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

**Kenneth M. Dodgen**

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

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## OTHER PARTICIPANTS

**Brent Thielman**

*Analyst, D.A. Davidson & Co.*

**Adam Robert Thalhimer**

*Analyst, Thompson Davis & Co., Inc.*

**Lee Jagoda**

*Analyst, CJS Securities, Inc.*

**Julio Romero**

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**Judah Aronovitz**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning. My name is Dennis and I will be your conference operator today. At this time, I would like to welcome everyone to the Primoris Services Corporation Fourth Quarter and Full Year 2023 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]

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

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**Blake Holcomb**

*Vice President-Investor Relations, Primoris Services Corp.*

Good morning and welcome to the Primoris fourth quarter and full year 2023 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 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, February 27, 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 in our fourth quarter and full year 2023 earnings press release, which was issued yesterday.

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

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## 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 2023 results and our initial outlook for 2024. 2023 was a good year for Primoris as we delivered revenue growth for the eighth consecutive year and set a record for backlog for a third consecutive year.

Revenue increased to \$5.7 billion, up 29% from 2022. The growth was driven largely by our Energy segment, which was up 39%, primarily due to a robust utility scale solar market, growth in our industrial business and improvement in our pipeline business from 2022 lows. The Utilities segment also saw a strong revenue growth, up 18% from the previous year. This was driven by the organic expansion of our power delivery and communications businesses, as well as from acquisitions made in 2022.

Looking at backlog, we booked \$7.5 billion of work during the year for a book to bill ratio of 1.3 times. This resulted in our ending the year with \$10.9 billion of total backlog or an increase of approximately 20% from 2022. Much of this increase was new project awards in our Energy segment. Our renewables heavy civil and industrial construction businesses, all secured key awards in part driven by infrastructure legislation and the ongoing macro trends of the energy transition and reindustrialization. These trends are leading toward higher energy demand and a desire that the power generation required to meet this demand come from lower carbon emitting sources.

We also had a record year with respect to our safety performance in 2023, with a total recordable incident rate of 0.46, which surpassed the record we set in 2021 despite working approximately 10 million more work hours. This is an accomplishment we take pride in and one that requires a commitment and diligence of all our employees in the field and there are our offices across North America. Our success in these and other metrics demonstrate both the tailwinds in our end markets and our ability to capitalize on opportunities within these markets due to our safe performance, quality execution and strong customer relationships. Continued success in these areas will enable us to remain on a path of profitable growth and earnings expansion.

Now let's look at our operating segments in detail. In our Utilities segment, we achieved a number of organizational and commercial goals during the year. We modified our organizational structure by service line to better align with how our customers are organized with a goal of improving our operational performance. We hired additional talent to strengthen our operational leadership teams, particularly in power delivery, and placed an emphasis on growing our mix of project work, along with expanding the scope of our MSA contracts. We saw the benefits of these initiatives as our non-MSA revenue increased by more than 70% from the previous year, which included several transmission and substation projects.

Our teams also worked hard to continue to secure new MSA contracts and update the billing rates of our contracts to be more in line with the current market. Although negotiations on MSAs is an ongoing and often lengthy process, we began to benefit from updated rates in the back half of 2023 and should more fully realize these as we continue contract renewals in 2024. Although we have a number of accomplishments to highlight in these areas, there were also some challenges that we faced during the year that impacted our margins in the segment.

In gas operations, we had solid execution performance. However, the business was impacted by a slight decline in revenues compared to the prior year. Power delivery margins were adversely impacted from legacy PLH projects that experienced higher costs than were anticipated. We also operated for much of the year on a below market rates on several of our MSAs and with some excess equipment that weighed on margins during the year. Lastly, we had a communications project and experienced cost overruns that led to lower than anticipated margins compared to 2022. However, we believe that we've been able to remedy many of the issues that we faced in 2023 and are confident that we will be able to deliver improved margins in this segment back closer to the midpoint of our 9% to 11% range.

Turning to the Energy segment, our pipeline business delivered a strong turnaround from 2022 going from negative gross margins to the high single digits. This was accomplished through a significant project award in the Mid-Atlantic that was successfully executed by our union pipeline business and solid performance on projects acquired in the PLH acquisition.

Our industrial construction businesses also delivered a solid year of revenue and gross profit growth, while positioning the businesses to have an even better 2024 by securing several key projects in the back half of 2023 and early 2024. There continues to be a substantial number of opportunities for industrial construction and heavy civil businesses that line up well with their respective expertise.

The renewables business continued its impressive track record of revenue growth and margin expansion, while also closing the year with more than \$2.4 billion in backlog. You may recall that we entered 2023 with over \$1.3 billion of backlog for our renewables business, representing an approximately 1.8 times book to bill. We met or exceeded many of our goals despite challenges that faced the industry, including higher interest rates, supply chain challenges or uncertainty around tax incentives.

Our results are evidence of the resilience of our business model and collaborative client relationships as we were able to mitigate or work around a number of obstacles the industry faced during the year. We were optimistic about the future potential of renewables as our current portfolio of projects in various phases of our sales cycle is \$5.8 billion. A significant portion of the work we do for our existing customers is not competitively bid as they know our track record and appreciate the value we bring to their projects.

We expect our teams to be fully utilized on projects in 2024 and are now building our backlog for 2025 and beyond. Our leadership is focused on building project management teams diligently and deliberately in order to meet this growing demand, and we plan to expand from our current level of 15 project teams to 17 project teams by the end of the year. In addition to our growth in solar construction, we continue to make headway in building out other adjacencies in the solar business, including battery storage, O&M and high voltage work. We believe that these areas of growth will begin to have a more meaningful contribution to the business in 2024.

Overall, Primoris had a strong operational year in 2023 and we believe we are well positioned to have another great year in 2024. We have a healthy backlog of projects and the teams in place to execute on our [ph] growth (00:08:51) plans. Our end markets are positioned for long-term growth and our expectation is that we will continue to benefit from ongoing investments in infrastructure services. However, our focus is on taking the right projects with the right contract terms in the right markets with the right partners, which will allow us to improve margins and generate additional positive cash flow. In certain instances in businesses, we may opt to grow below market rates or even choose to exit a specific market in order to ensure that we maintain our focus and better position ourselves to grow earnings and cash flow.

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

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

Thanks, Tom, and good morning, everyone. Our fourth quarter revenue was \$1.5 billion, an increase of \$186 million or 14% compared to the prior year. The increase was primarily driven by substantial growth in our Energy segment, which was up \$196 million from the prior year, driven primarily by a 38% increase in renewables revenue. Gross profit for the fourth quarter improved slightly on the higher revenue to approximately \$157 million, an increase of \$3 million. Gross margins declined to 10.3% from the prior year due to lower margins in the Utilities segment.

Turning now to our segments. The Utilities segment revenue was essentially flat compared to the prior year. Gross profit was down to approximately \$43 million, a decrease of 39% compared to the prior year on lower gross margins. Gross margins were 7.5% for the quarter, down from 12.1% in the prior year. The decrease in gross profit and margin was driven by the mix of lower margin MSA work during the quarter, less project work during the quarter, which generally has higher margins and an earlier onset of winter in certain markets as compared to the prior year.

Energy segment revenue increased to \$196 million compared to the prior year on the continued strength of our renewable business and increased industrial activity in Canada and in the western United States. Gross profit increased over 36% to \$114 million, and gross margins increased to 12% compared to 11.1% in the prior year. Gross profit and gross margins benefited from growth in our higher margin renewables work and improved industrial margins. For the full year 2023, revenue was up \$1.3 billion to a little over \$5.7 billion, and gross profit increased by \$131 million, or approximately 29%, primarily due to continued strength in our Energy segment and contributions from the PLH and B Comm acquisitions.

Looking at segment gross profit for the year, Utilities gross profit decreased slightly due to lower gross margins, partially offset by revenue growth. Margins declined to 8.7% for the full year. The lower gross profit and margins were driven by the lower margins in Q4, along with the higher cost on some legacy PLH projects noted back in Q3. We believe that the higher costs and productivity issues have been largely addressed and should not have a significant impact on the Utilities' margins in 2024.

Energy gross profit increased over \$134 million or 55% compared to the prior year. This is primarily due to higher revenue and better performance across all areas of the segment, renewables, industrial and pipeline. Gross margins increased to 11.4% in 2023 compared to 10.3% in the prior year. This was mainly due to growth in our renewables business and improved pipeline and industrial margins.

SG&A expense in the quarter was down almost \$10 million to \$81 million compared to \$91 million in the prior year. The decrease was primarily driven by higher G&A expense in the prior year from the PLH acquisition. For the full year, SG&A was 5.8% of revenue, down from 6.4% in the prior year, driven by the increase in revenue and the synergy savings from integrating PLH. In 2024, we expect our SG&A will trend in the low 6% range as we continue to support our growth.

Net interest expense in the fourth quarter was \$22 million compared to \$19 million in the prior year. Full year net interest expense was up almost \$39 million from the prior year to just over \$78 million. These increases were due to higher average debt balances from our acquisitions in 2022 and higher interest rates. We expect interest expense for 2024 to be between \$77 million and \$82 million.

Our effective tax rate was 29% for 2023 compared to 16.5% for the prior year. The higher rate was driven by the use of capital losses to offset capital gains in the prior year and the temporary change in allowing full deductibility

of per diem expenses that expired at the end of 2022. We expect our effective tax rate will likely remain at approximately 29% in 2024, but this may vary depending on the mix of states in which we work.

Operating cash flows in the fourth quarter were approximately \$206 million, and for the full year, operating cash flows were just under \$200 million, representing an increase of \$115 million versus the prior year. The increase in operating cash flows were driven by our efforts to improve working capital, along with some early customer payments prior to the end of the year, partially offset by revenue growth. This shows we are beginning to make progress toward our working capital initiatives. These initiatives remain ongoing and working capital will likely be needed as we seasonally ramp up during the year. But we are pleased with our team's efforts to prioritize cash conversion and the early success we're seeing.

Turning to CapEx, we invested \$20.5 million in the fourth quarter and \$103 million during the full year. This was up from \$95 million in 2022. Similar to last year, we expect our gross capital expenditures to be \$80 million to \$100 million in 2024. Looking at the balance sheet and liquidity, we paid down \$120 million on our revolver in Q4 and ended the year with almost \$218 million of cash. Borrowing capacity under our revolver was roughly \$273 million, providing total available liquidity of \$491 million at year end.

Total long-term debt was \$965 million and net debt was \$747 million, lowering our trailing 12-month net debt to EBITDA ratio to just over 2 times compared to 2.7 times at the end of last year. This puts us ahead of our goal of 2 times leverage by the end of 2024. We expect to see this ratio increase up to around 2.5 times with our seasonal working capital peak during Q2 and Q3. But this should cycle back down to the low 2s by the end of the year.

Overall, we are delivering on our objectives to execute with operational consistency, grow earnings and increase cash flow. Further success in these areas will allow us to meet our capital allocation objectives to support continued organic growth of the business, pay down debt, and opportunistically pursue acquisitions that align with our growth strategy.

Moving on to backlog. We updated our backlog reporting to show our total fixed backlog and our total MSA backlog through the end of our current MSA contracts excluding renewals. This gives a more complete and accurate picture of our total backlog and how much is expected to burn over the next 12 months. Comparing year end backlog to the prior year, our next 12-month backlog increased \$768 million or 19%. This is driven primarily by an increase in energy fixed backlog of \$678 million or 35%. Total backlog was approximately \$10.9 billion, which was \$1.8 billion higher than the prior year, or roughly 20%. The primary drivers of the increase in fixed backlog were continued strength in our solar EPC bookings and heavy civil and industrial project wins.

I will wrap up with our earnings guidance for 2024. We expect our earnings per fully diluted share to be in the \$2.50 to \$2.70 range and our adjusted EPS to be in the \$3.05 to \$3.25 per share, both representing double-digit percent growth from 2023 at the midpoint. Our adjusted EBITDA guidance is \$395 million to \$415 million for 2024, representing a 7% increase over the prior year at the midpoint. This growth will be primarily driven by organic growth in our renewables, industrial and utilities businesses.

We believe these guidance ranges show solid, steady earnings growth from the prior year with the opportunity to exceed these targets through disciplined resource allocation and consistent execution. 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 in the 9% to 11% range for the full year with Q1 in the 5% to 7% 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.

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## Thomas E. McCormick

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

Thank you, Ken. In closing, I want to highlight and reiterate the progress we are making in a number of our strategic focus areas that we shared with you in previous quarters. First, we are growing our target markets of renewables, power delivery and communications. The combined top line growth for these businesses increased more than 35% year-over-year and represented more than 55% of the company's total revenue growth. We see multi-year favorable tailwinds in these markets and plan to allocate capital to their growth.

We are building critical infrastructure that addresses the ongoing need for more generation capacity, grid infrastructure upgrades, resilience and maintenance and initiatives to deliver more data over high speed broadband to remote or low speed areas of the country. Second, we continue to shift our service mix toward the higher margin business lines and toward customers that value the collaborative solutions we can provide.

We are allocating our financial resources and time toward the projects and clients or partners where we see the greatest opportunity for mutual success. These efforts are bearing fruit as we expand with key customers to new markets in communications and renewables in 2024. And as noted earlier, we are succeeding in winning more project work and market rate increases in gas and power delivery.

Although some of the markets we serve are experiencing more secular growth trends at the moment, the quality of our work and customer relationships are resulting in significant increase in cross-selling of services. We have had a number of projects completed and under construction with scopes that include the construction of access roads and site clearing combined with solar construction, battery storage, substation and high voltage transmission work. It is the success of these businesses working in collaboration with one another that is offering our clients a more complete solution for their projects and allowing us to self-perform more of the work which gives us better control of the project's outcome. In fact, our power delivery major projects team already has nearly \$90 million in substation and high voltage work planned for our renewables business at the start of the year and we believe that this will be a continuing trend.

Lastly, as Ken alluded to in his comments, we are increasing our operating cash flow and improving our leverage ratio. We put in a lot of hard work in order to position ourselves to drive cash flow. We have established teams to ensure timely and accurate billing, negotiated with customers to improve payment terms, and even opted not to take on work where the terms for payment were not acceptable. Cash conversion is a continuously improving process for our company, but I am pleased to see our employees take ownership of this initiative. We believe the strong cash flow and a healthy balance sheet will provide us with the most flexibility to invest in the business and be nimble when it comes to allocating capital towards the highest returns in our portfolio of services.

In closing, Primoris set out in 2023 to have safe, consistent execution on our projects, perform toward our financial goals, improve cash flow and pay down debt. We accomplished these objectives and believe it has put us in great position for another successful year in 2024. Our ability to continue performing well in these and other strategic areas is the best way to ensure the long-term success of Primoris to the benefit of our employees, customers and shareholders.

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

## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Your first question is from the line of Brent [Technical Difficulty] (00:21:46) with D.A. Davidson. Please go ahead.

**Brent Thielman**

*Analyst, D.A. Davidson & Co.*

Q

Hey, thanks. Good morning, Tom, Ken. Yeah, I guess first question on Utilities. You mentioned you can see the benefit from some of these contract negotiations and better rates in 2024. Can you talk about what's still left to accomplish there as you see it in the business or does this effectively kind of address what you wanted to in terms of increase in the rates on these contracts?

**Thomas E. McCormick**

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

A

Yes. We've got to close out a couple of negotiations that we're getting close on right now on some new rate adjustments in couple of our larger MSAs that we're in the midst of doing that now. So we said last quarter that we were starting to realize the benefits of some of the MSA rate changes that we'd been able to negotiate previously and expected that to go into 2024. Those are the ones that are out in front of us right now.

**Brent Thielman**

*Analyst, D.A. Davidson & Co.*

Q

Okay. And then good to see the progress on kind of more of the project based power delivery business. Could you talk about what sort of objectives or targets [ph] that you have for that (00:22:55) piece of the business in 2024 as you kind of continue to build on this?

**Thomas E. McCormick**

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

A

Yeah. I think in the past the revenue on a percentage basis for power delivery [ph] had probably (00:23:07) been 10% to 20% of their total revenue. We want to grow that to about 30%, 40%. We have about \$90 million in backlog right now, probably have another \$50 million to \$60 million that's pending our contracts that we're working in collaboration with our renewables group on. So that's just from that group. And then independently with some other clients, there's a number of opportunities, not necessarily larger projects, but in the \$15 million to \$100 million, \$120 million range, which is a niche kind of we're fitting in. So we're seeing plenty of opportunities there and we've seen some of the performance there looking really good at the moment.

**Brent Thielman**

*Analyst, D.A. Davidson & Co.*

Q

Okay, great. I'll get back in queue. Thank you.

**Operator:** Your next question is from the line of Adam Thalhimer with Thompson Davis. Please go ahead.

**Adam Robert Thalhimer**

*Analyst, Thompson Davis & Co., Inc.*

Q

Hey. Good morning, guys. Nice quarter.

**Thomas E. McCormick**

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

Thanks.

A

**Adam Robert Thalhimer**

*Analyst, Thompson Davis & Co., Inc.*

I didn't see any revenue guidance per se. Can you help us with kind of your top line outlook for both segments?

Q

**Kenneth M. Dodgen**

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

Yeah, we can help you out with that a little bit. Look, I don't know that our revenue growth is going to be [indiscernible] (00:24:20) was in 2023, first of all, because [ph] we don't have the full year effect (00:24:24) of acquisitions layering into that. But top line, we're expecting right around \$6 billion, maybe a little north of \$6 billion for the year. And that's going to be split, let's see, about – sorry, I'm just [indiscernible] (00:24:45). About \$2.3 billion is going to be Utilities and about \$3.7 billion will be Energy.

A

**Adam Robert Thalhimer**

*Analyst, Thompson Davis & Co., Inc.*

Okay.

Q

**Thomas E. McCormick**

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

And remember now that's all organic. There's no M&A in that at all.

A

**Adam Robert Thalhimer**

*Analyst, Thompson Davis & Co., Inc.*

Okay. Super helpful. And then the couple of spots that dragged down the Utilities margin in Q4, PLH, [ph] T&E (00:25:11), and communications. How do you expect those units to perform this year.

Q

**Thomas E. McCormick**

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

Communications I expect to perform well and get back to their historic numbers. That was the one specific project and it's – although it's not behind them, it's holding its own and I think we got all the cost captured in the forecast. The power delivery group, I expect to see their margins improve, not get to where we expect them to do, reach later in the year into 2025. But they should get to more high single-digit margins. So their performance should improve as the year continues.

A

**Adam Robert Thalhimer**

*Analyst, Thompson Davis & Co., Inc.*

Okay. Thanks, guys.

Q

**Operator:** Your next question [Technical Difficulty] (00:25:57) from the line of Lee Jagoda with CJS Securities. Please go ahead.

**Lee Jagoda**

*Analyst, CJS Securities, Inc.*

Q

Hey. Good morning, guys. I guess first one just, Ken, based on the topline guidance you just gave. Particularly on the utility segment in terms of the \$2.3 billion you just threw out, if you're looking to increase your percentage of work driven by projects in that segment and your MSA backlog is up year-over-year, why would revenue be flat to down in that segment in 2024?

**Kenneth M. Dodgen**

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

A

Yeah, because there's some customers that we may be firing this year as we go forward if we can't renegotiate the contracts the way we want them to. [indiscernible] (00:26:42) I think in particular with Utilities, we're being a little conservative on our revenue outlook for the year because this year is really not about revenue growth for our Utilities segment, it's really about margin improvement as we previously talked about.

**Lee Jagoda**

*Analyst, CJS Securities, Inc.*

Q

And can you quantify the amount of projects or customers that you could fire in terms of like the percentage of revenue that's at risk if they all go away?

**Kenneth M. Dodgen**

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

A

Look, I can't right now. I suspect it's going to be relatively small on a percentage basis though. We're not talking about real large customers. We're talking about smaller customers [indiscernible] (00:27:22) the margin. We're just not making as good a margins as we'd like to.

**Lee Jagoda**

*Analyst, CJS Securities, Inc.*

Q

Okay. And just to be clear, we should be focusing on the Utilities segment as flat to down versus growing in terms of the guidance, is that correct?

**Thomas E. McCormick**

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

A

From a top line, yes, that's right. Bottom line, you'll see margins improve. And that has been our goal, right? That's what we started out doing last year and it's paid dividends for us this year. And we're kind of doing the same thing right now focusing on Utilities.

**Lee Jagoda**

*Analyst, CJS Securities, Inc.*

Q

Okay. And then one more just on the cash flows. And I know for over a year now, we've had some working capital drags and issues. And I know you've been working kind of behind the scenes on trying to make progress and changes that would structurally change your working capital position. Can you give us any update on that and what we should expect in terms of working capital changes structurally forgetting the seasonality?

**Kenneth M. Dodgen**

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

A

Yeah. Look, I mean, structurally, we're continuing to focus on better billing practices and shortening our collection cycle as well. I don't have the days in front of me in terms of days there are right now. But those are going to be the main areas that we're focusing – that we're continuing to focus on. And our forecast for operating cash flows for 2024 are going to be right around \$150 million, give or take.

**Lee Jagoda**

*Analyst, CJS Securities, Inc.*

Okay. Thanks.

Q

**Operator:** Your next question is from the line of [ph] Jay Revich (sic) [Jerry Revich] (00:29:12) with Goldman Sachs. Please go ahead.

Q

Hi. This is [ph] Adam (00:29:17) for Jerry. Thanks for taking my question. For the solar business, I was just wondering if you could update us if you're seeing any impact of higher rates on customer investment decisions in terms of timing of projects and how you're thinking about the expected revenue cadence for that line of the business as we move through the year.

**Thomas E. McCormick**

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

I'll answer your first question and let Ken speak to the second one. The answer is we have not seen any slowdown. We've actually – we're booked for 2024. [indiscernible] (00:29:52) booked a number of projects for 2025. We have another portfolio of projects that we're looking at with our specific clients, our portfolio of clients to replace projects if they do have any issues. But we're not seeing any as of now going into this year. And I wouldn't expect that we would maybe in 2025, depending on who wins the election. But I don't really expect that to have any impact either.

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**Kenneth M. Dodgen**

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

Yeah. And with respect to the cadence of the revenue in 2024, unlike the past couple of years when we've had a lot of new projects kicking in in Q4, we've had a big Q4 revenue ramp-up. We shouldn't see near that effect this year. The timing of projects and the cadence over the years should be very steady. I expect revenue per quarter to range between \$400 million and \$425 million.

A

Got it. That's helpful and nice to see the leverage trends. Can you just update us on your M&A pipeline? Are you optimistic that you'll get a meaningful opportunity to augment the business over the next 12 to 18 months.

Q

**Thomas E. McCormick**

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

If the right prospect presents itself, yes, but we're being very careful about what we look at. We're seeing a number of opportunities there. Just we haven't seen anything yet that I would call a unicorn. So we're definitely

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looking, and if the right opportunity presents itself, we'll definitely go after it. But it's going to be probably more of a tuck-in smaller ones than anything large but, again, that could change depending on how that market changes.

Q

Great. Thanks so much.

**Operator:** [Operator Instructions] Your next question is from the line of Julio Romero with Sidoti. Please go ahead.

**Julio Romero**

*Analyst, Sidoti & Co. LLC*

Q

Hey. Good morning. Maybe piggybacking on Brent's question earlier on the non-MSA Utilities revenue, Tom, did I hear correctly you want to grow that to 30% to 40% of segment revenue overall? And would that be a 2024 target?

**Thomas E. McCormick**

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

A

Yeah, in power delivery, but not across the segment as much, the entire segment. That would be specifically for power delivery.

**Julio Romero**

*Analyst, Sidoti & Co. LLC*

Q

Okay. Got you.

**Thomas E. McCormick**

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

A

And we're seeing opportunities there to grow that revenue.

**Julio Romero**

*Analyst, Sidoti & Co. LLC*

Q

And it is a 2024 target for power delivery or...

**Thomas E. McCormick**

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

A

Yes.

**Julio Romero**

*Analyst, Sidoti & Co. LLC*

Q

Okay. And then, should we think about kind of the steps you're taking in Utilities this year, walking away from some business, growing the power delivery side and kind of rightsizing it overall as maybe year one of that margin initiative? And if so, kind of speak to how much runway you kind of see for margins over the longer term for the Utilities segment?

**Thomas E. McCormick**

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

A

I would expect it's going to be about a two to three-year process. I really expect us to be up to traditional margin levels in that segment by 2025, the end of 2025. So it's something we'll get – we're going to see improvement this year. And again, what we wanted to do is size the business appropriately and then grow from strength and improve the profitability. It doesn't extend across all the business lines either. Specifically, a lot of it's towards – within power delivery. But we expect to see that, we're seeing the improvements now and we'll expect to see that through the end of this year. They won't get by the end of 2024 exactly where we want them. That'll have – that'll occur more in 2025.

**Julio Romero**

*Analyst, Sidoti & Co. LLC*

Q

Great. Thanks very much.

**Operator:** Your next question is from the line of Judah Aronovitz with UBS. Please go ahead.

**Judah Aronovitz**

*Analyst, UBS Securities LLC*

Q

Hi. Thanks for taking the question. This is Judah Aronovitz calling in for Steve Fisher. You said last quarter that Utilities business should be at the upper end of the margin range. I think you said you'll do closer to the midpoint this year, but just wondering if anything has changed since last quarter that creates a new drag on the margin or is it just too early in the year to set the bar at the higher end.

**Kenneth M. Dodgen**

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

A

It's really just too early in the year. In the same vein that we were expecting a little bit stronger margins in Q4, but winter kicked in a little early and impacted our margins in 2023. We're watching that closely here in Q1 and we'll be watching it in Q4 and that could impact that up or down.

**Judah Aronovitz**

*Analyst, UBS Securities LLC*

Q

That's helpful. And I guess to that end, for now, well into the first quarter. So are there any Q1 expectations you can set maybe in terms of revenue margin, cash flow, maybe any weather impacts? Thank you.

**Kenneth M. Dodgen**

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

A

No. I'm looking at Tom. No significant weather impacts that I can think of right now. With respect to Utilities margins, I'm not going to get into revenue for Q1 right now. But with respect to Utilities margins, I think I commented in my prepared statements that we're expecting between 5% to 7%.

**Thomas E. McCormick**

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

A

And you got to keep – bear in mind that our first quarter with respect to Utilities is typically their slowest quarter. Clients coming back after the holidays, getting their business plans out, [ph] getting work released (00:35:05), it's just – and then you have the limitations that you get with weather – inclement weather, winter weather.

**Operator:** Your next question is a follow-up from the line of Lee Jagoda with CJS Securities. Please go ahead.

**Lee Jagoda**

*Analyst, CJS Securities, Inc.*

Q

Hey, just one more quick one for me. I'm not sure if I missed it or not. Just in terms of the – what was the renewables revenue for the full year in 2023?

**Kenneth M. Dodgen**

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

A

In 2023, it was a little over \$1.3 billion.

**Lee Jagoda**

*Analyst, CJS Securities, Inc.*

Q

And I think you had guided last quarter to like a soft guide for 2024 of 20% to 40% growth in renewables in 2024. Is that still something we should be thinking about or is it lower, higher?

**Kenneth M. Dodgen**

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

A

I think it's toward the bottom end of that range. I think when we were talking 20% to 40%, we were talking over the course of the next couple of years. So going into 2024, we're expecting about 20% growth, which will take us from that \$1.3 billion and change range to the almost \$1.7 billion that I mentioned.

**Lee Jagoda**

*Analyst, CJS Securities, Inc.*

Q

Okay. Great.

**Operator:** This concludes the question-and-answer portion of today's call. I will now turn the call back to the company's President and Chief Executive Officer, Tom McCormick, for closing remarks.

**Thomas E. McCormick**

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

Thank you, operator. I want to again congratulate all of our employees that made 2023 a great year for safety, as well as both operational and financial performance. I'm proud of the men and women of Primoris and their 2023 achievements, and I'm looking forward to being a part of what we will accomplish in 2024. Thank you to those who joined us today. We appreciate your time and interest in Primoris.

We hope that many of you would join us in New York at our upcoming Analyst and Investor Day on Wednesday, April 3. Look forward to introducing you to more of our leadership team and excited to update you on our strategic priorities and financial objectives that we aim to achieve over the next few years. We believe the best days for Primoris lay ahead of us. Have a good day.

**Operator:** This concludes the Primoris Services Corporation fourth quarter and full year 2023 earnings conference call and webcast. Thank you for your participation. You may now disconnect.

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