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# EDITED TRANSCRIPT

PRIM.N - Q4 2025 Primoris Services Corp Earnings Call

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## PRESENTATION

### Operator

My name is [Prilla] and I will be your conference operator today. Welcome to the Primoris Services Corporation fourth-quarter and full-year 2025 earnings conference call and webcast. (Operator Instructions)

Thank you. I would now like to turn the conference over to Blake Holcomb, Vice President of Investor relations. You may begin.

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### **Blake Holcomb** - *Primoris Services Corp - Vice President - Investor Relations*

Good morning and welcome to the Primoris fourth-quarter and full-year 2025 earnings conference call.

Joining me today with prepared comments are Koti Vadlamudi, President and Chief Executive Officer, and Ken Dodgen, Chief Financial Officer.

Before we begin, I'd like to make everyone aware of certain language contained in our Safe Harbor statement. The company cautions that certain statements made during this call are forward-looking and are subject to various risks and uncertainties. Actual results may differ materially from our projections and expectations. These risks and uncertainties are discussed in our reports filed with the SEC.

Our forward-looking statements represent our outlook only as of today, February 24, 2026. 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 Investor section of our website in our fourth-quarter and full-year 2025 earnings press release, which was issued yesterday.

I would now like to turn the call over to Koti Vadlamudi.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Thank you, Blake. Good morning and thank you for joining us today to discuss our fourth-quarter and full-year 2025 results and our initial outlook for 2026. Prior to reviewing our 2025 performance, I want to begin by providing a few thoughts and impressions from my first several months as CEO.

To start, Primoris is a great company because it has great people that embody a great culture. I have spent much of my time learning from and engaging with our employees whose efforts are essential to our past and future success.

There is a culture of safety and caring that promotes the health and well-being of our fellow employees. This has consistently placed Primoris well below the industry average in terms of recordable incidents, even while working more than 40 million hours in 2025. There was always more work to be done to achieve zero incidences, but those who fit in best at Primoris place a priority on visualizing and assessing risks to prevent injuring themselves or others.

There is also the recently launched Primoris Promise, a nonprofit charity to support our people, communities, and the causes that matter, which is funded by voluntary employee contributions, company donations, and public support. These aspects of our culture help build morale, attract and retain talent, execute consistently, and uphold trust with our customers.

I have also witnessed a culture of innovation and an entrepreneurial spirit that keeps us nimble to adapt to our dynamic end markets, promote growth, drive productivity, and provide solutions to customers as a valued partner.

This manifests itself in providing an existing service to a non-traditional customer, such as building a major substation for a chip manufacturer or developing a new service for existing customers in need of a solution in the case of Premier PV.

This culture is also exhibited in the utilization of digital tools and technologies. Our teams are using and developing tools that can assist our teams in managing project risk and contracts, improving cost estimates and scheduling, and are increasing our productivity and predictability in the benefit of Primoris and our clients.

Engaging with our customers has been another focus for me, and I am impressed with the collaboration and client partnerships that have been nurtured to achieve ambitious plans in the coming years. The scope and scale of projects, specifically in solar, natural gas generation, and power delivery, continue to increase, and the need for trusted, experienced, and quality contractors is only becoming more critical.

Primoris is in a prime position to be a provider of solutions to these customers and to form partnerships with new customers we may not have historically served.

In summary, I'm excited and privileged to be in a position to lead Primoris in this next chapter of growth and value creation. I want to thank the Primoris Board of Directors for entrusting me with this responsibility and thank our Chairman, David King, for stepping in during that transitional period last year.

With that, I'll move on to the highlights of our 2025 performance and the state of our end markets. Primoris delivered another strong year of operational and financial performance in 2025, achieving record revenue, earnings, and backlog.

We also generated strong cash flow that improved our liquidity and bolstered our balance sheet. This positions us to continue deploying capital to organically grow and expand our capabilities through acquisitions. We finished the year with over \$11.9 billion in total backlog, including booking nearly \$3 billion of new work in the final quarter of the year.

This is a testament to the tireless efforts of our employees, our valued client partnerships, and the strength of our end markets. For most of the previous two decades, power demand had remained relatively flat. We are now seeing projections that suggest power demand could grow by 50% over the next decade and potentially double over the next 15 years.

There are several reasons driving these higher estimates, including data centers, increased electrification, and onshoring of critical parts of the supply chain. While the rate of growth could ebb and flow based on energy efficiency gains or other factors, there is certainly evidence that our utility customers and hyperscalers are making investments in energy infrastructure to support a significant increase in low demand.

The average increase in CapEx by our largest utility customers suggests around a 50% increase in spending over the next five years compared to the previous five years. Replacing infrastructure that is past its intended lifespan, hardening the grid to be more resilient to weather events, and building or upgrading power infrastructure to support growing demand are all high priorities for these customers.

The hyperscalers project plans for cloud computing and artificial intelligence are expected to result in trillions of dollars of investment and a substantial amount of power. We believe that the power generation needed to support the expected demand growth will require an all of the above energy source solution, including solar, natural gas, nuclear, and others. Primoris is well positioned to assist our clients in generating power to satiate the growing demand and also provide the transmission and distribution solutions needed to deliver energy where it is needed.

Given the trends we are seeing, Primoris has been and will continue to be focused on attracting, retaining, training, and developing our people to help meet the ambitious goals of our clients and community shareholders.

Our employees are essential to our success and our most valuable asset. To help support our growth, we increased our labor force by more than 2,800 people in 2025 and remain committed to attracting and retaining the brightest and best in the industry. While some industry labor markets are tighter than others, such as certified journeymen and linemen, we have been successful in attracting qualified craft and field labor to meet our clients' needs.

We have also focused on bringing in experienced project managers and developing new project leadership in anticipation of increased demand for projects not yet in our backlog. There is growing interest in the labor market to join organizations like Primoris that have strong secular tailwinds and are doing important work that improves the lives of our communities and supports economic growth in North America.

We believe our ability to self-perform the vast majority of our work will continue to be an advantage for Primoris, and we are confident that we'll have a fungible labor force to continue to grow and service our customers safely, timely, and with the highest quality.

Now let's look at the operating segment performance in more detail. In the Utility segment, revenue and backlog both increased double-digits for the year. The revenue growth was driven by better than anticipated activity in gas operations and continued strength in power delivery and communications. Power delivery contract renewals and rising demand led to MSA backlog growth as we continue to see market activity accelerate to upgrade, expand, and maintain the electric grid.

Margins in the Utility segment also rose for the second consecutive year despite a decrease in storm response work in 2025, which is particularly accretive to power delivery margins. We continue to focus on our growing mix of project work and increasing productivity, specifically in power delivery to improve our margins.

In 2025, we made progress in both, with non-MSA revenues increasing almost 30% in the segment, and with increased efficiency and utilization in several key geographies. We still have work to do in getting our margins in power delivery where we aspire to be in certain areas, but I want to credit our leadership and employees who have taken ownership in achieving this goal. We have made and continue to

make investments in people and equipment to prepare for what we are expecting to be a significant increase in transmission and substation opportunities in the coming years.

In gas operations, we exceeded our growth expectations, reaching \$1 billion in revenue for the first time. Market share gains and capital program expansions, particularly in the Midwest and Southeast drove our record revenues, as did more favorable weather conditions for much of the year. Although we are not expecting a similar growth rate in 2026 due to several large projects not expected to recur, the business is in a solid position and operating at a high level.

Communications had a year of double-digit growth through market share gains and further success in winning and executing large-scale network, long-haul builds tied to data center development. We are seeing this trend continue in Q4 and year-to-date receiving \$100 million in new awards that we referenced in our third quarter call.

The favorable trend in this market appears to be accelerating as we are seeing more opportunities to bid over the last few months than we had seen in previous years. Our ability to sustain success in this market and perform to our standard will help support revenue and margins in this segment.

Moving over to the Energy segment. Revenue grew almost 25%, primarily driven by renewables, partially offset by another challenging year in Pipeline Services. We are optimistic that 2025 will represent a trough in the cycle for pipeline as our funnel of opportunities has increased dramatically over the past year to over \$3 billion.

In recent years, we have seen our funnel trend around one-third of this value. However, with the rising need for natural gas to fuel power generation, increasing LNG production, and a more favorable regulatory environment, we believe that our pipeline activity is poised to accelerate. This is specifically true for large diameter pipeline construction where we typically excel from execution and margin standpoint.

Contrary to many other projects in the Energy segment, pipeline projects tend to mobilize to the construction phase more quickly upon contract signing and can often be complete within the calendar year depending on the scope. This leads us to be optimistic that pipeline could see meaningful improvement in 2026 and heading into 2027.

Industrial Construction had a solid year of performance, highlighted by natural gas generation which contributed \$480 million in revenue. This helped to keep revenues mostly flat at just over \$1 billion despite lower activity in Canada and the divestiture of a noncore business in Q4 2024 that created a \$75 million revenue headwind in 2025.

As I alluded to earlier and in previous comments, Primoris is excited about our potential growth in natural gas generation in the coming years. We are actively engaged in discussions. We're bidding on \$1.5 billion to \$2 billion of awards in the first half of this year, and our conversations with clients suggest the list of opportunities will continue to grow.

We are prepared with the project managers and skilled labor necessary to take on more work, and we are confident that our expertise and relationships will result in a strong booking year for natural gas generation in 2026. We remain disciplined in the types of projects we are pursuing and the terms we are willing to accept to balance risk more equitably between contractor and client, and ensure the jobs are completed successfully and on schedule.

Heavy Civil continued its high performance in 2025, contributing solid margins and cash flow. While not a primary driver of top-line growth, the team has delivered consistent execution and is directing their efforts on projects that align with their expertise and delivering margins above their historical average.

Finishing the Energy segment with renewables, it was another year of record revenue and operating income despite having to navigate an uncertain trade and regulatory environment for much of the year.

These conditions led to several delays, project specification changes and redesigns. But in the end, our teams were able to respond to our customers' needs and closed out the year by booking over \$1.6 billion in new projects during the fourth quarter, a huge accomplishment by our sales and support teams to get these contracts signed and over the finish line to help our clients move these projects forward.

We also helped our clients accelerate project timelines and break ground on projects ahead of schedule during the year to meet their needs, a testament to the valued partnerships we have with our clients and vendors, and our team's willingness to deliver our best when called upon.

Of course, we did face some operational challenges during the year as well that led to higher-than-expected costs on certain projects that contributed to lower margins during the fourth quarter. One project required additional equipment and materials to overcome challenging underground conditions that were drastically different from the conditions on an adjacent project we had previously constructed.

These situations can happen when you work on as many projects as we do. We believe we have worked past most of the excess costs on these projects and would expect to see margins improve in 2026, and return to the norms we expect. We have also continued to add quality people and management oversight to assist with upfront engineering, design, and estimating work that will help mitigate excursions in the future.

Ultimately, the demand for our solar solutions remains high, and our customers have an extensive volume of projects, safe harbored in accordance with the treasury guidance. We are seeing our average project size increase and new customers continue to engage with us to build their projects.

We saw tremendous growth in our battery storage business in 2025 to over \$250 million, and believe the market is poised to continue being a growth driver in renewables. Solar, and specifically solar with battery storage, remains one of the lowest cost and fastest to market sources of power generation, which, in our view, makes it a crucial part of helping to meet the energy demands of the future.

We also recently commissioned our remote operations control center that adds asset management capacity for our O&M business. It also opens the door for deeper engagement with our clients, should remediation be needed on facilities, damaged by weather events or replacement of updated components.

Our eBOS business, Premier PV built on its success in 2025, supplying components to the projects we construct and to the market. We plan to invest in a new facility for this business line in 2026 that will increase our capacity to service the market and add additional products to our portfolio to align with customer demand and preferences.

Overall, Primoris had an exceptional 2025 and is set up for a successful year in 2026. The demand backdrop for our services is as good as we've seen as a company, and we are focused on the people, equipment, and expertise to help our customers succeed.

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

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**Kenneth Dodgen** - *Primoris Services Corp - Chief Financial Officer, Executive Vice President*

Thanks, Koti, and good morning, everyone. Our fourth-quarter revenue was almost \$1.9 billion, an increase of \$116.4 million, or almost 7% compared to the prior year. The increase was driven by growth in both the Energy and Utilities segments. Gross profit for the fourth quarter declined by \$9.6 million, or approximately 5% to \$175 million due to lower gross margins in both segments. Overall, gross margins in the fourth quarter were 9.4%, compared to 10.6% in the prior year.

Looking at our results by segment. The Utility segment revenue was up nearly \$34 million compared to the prior year. The growth was across all business lines, led by increased gas operations in the Midwest and power delivery and communications activity in Texas and the Southeast. Gross profit decreased approximately \$7 million, or about 8% compared to the prior year due to lower gross margins. Gross margins were 10.5%, down from 12.1% in the prior year.

Lower gross margins were due to a decrease in storm work in the power delivery business, partially offset by higher margins in communications. Excluding storm work, Utility margins were comparable to Q4 in the prior year.

Energy segment revenue increased \$88 million compared to the prior year, primarily due to growth in our renewables business, partially offset by lower industrial and pipeline revenue. Gross profit decreased \$2.8 million compared to the prior year as lower gross margins offset the higher revenue. Gross margins fell to 8.5% compared to 9.5% in the prior year.

The lower gross margins were primarily related to certain renewables projects that experienced cost overruns due to unanticipated rock and soil conditions, which required additional labor and equipment. We believe that we've accounted for all of these increased costs and expect renewables margins to improve as we progress into 2026.

Partially offsetting these declines was strong performance in our natural gas generation, Industrial, and Heavy Civil businesses. For the full year 2025, revenue was up \$1.2 billion to almost \$7.6 billion, primarily driven by double-digit growth in both segments. Gross profit increased by \$110 million, or approximately 16%, primarily driven by higher revenue in both segments and improved margins in our Utility segment.

Turning to performance by segment for the year. Utilities revenue was up \$253 million, or a little over 10% from the prior year, driven by growth across all business lines. Gross profit increased \$51 million, or almost 20%, due to the improved gross margins, particularly in power delivery.

The improvement in power delivery margins came even though gross profit from storm work declined by \$18 million in 2025, compared to the prior year. Revenue growth and improved margins in our gas operations and communications businesses also benefited overall segment margins.

Energy revenue grew by almost \$1 billion, or around 25% this year, primarily driven by growth in our renewables and natural gas generation businesses, partially offset by a decline in pipeline revenue and the wind down, or divestiture of noncore industrial businesses. Renewables grew over 50% in 2025 as we had over \$500 million of revenue pulled forward into 2025 from 2026, due to project resequencing at the request of the customer and accelerating project execution.

Gross profit increased by \$59 million, or 13% compared to the prior year, primarily due to higher revenue partially offset by a decline in gross margins to 10.1% versus 11% in the prior year. The gross margin decline was mainly due to lower margins on certain renewables projects partially offset by strong performance in our natural gas generation, Industrial, and Heavy Civil businesses.

SG&A expense in the fourth quarter was just over \$97 million, essentially flat compared to the prior year. For the full year, SG&A was 5.3% of revenue, down from 6% in prior year. We have prioritized leveraging our SG&A cost base to improve operating margins, and we are pleased with the progress we made in 2025. We plan to invest with discipline in our information technology and personnel to support growth while continuing to drive efficiencies across the organization. For 2026, we expect that our SG&A will be in the mid- to high 5% range.

Net interest expense in the fourth quarter was \$6.4 million, compared to \$12 million in the prior year, and full year net interest expense was down almost \$37 million from the prior year to just under \$29 million. These decreases were due to lower debt balances and lower interest rates along with higher interest income. Given our current debt level, we expect interest expense for 2026 to be between \$23 million and \$26 million.

Our effective tax rate in 2025 was 28.4%, and we expect it to be 29% for 2026, but it may vary depending on the mix of tax jurisdictions in which we operate.

Operating cash flows in the fourth quarter were approximately \$143 million, and over \$470 million for the full year, demonstrating another solid year of working capital management and cash conversion, along with a little over \$100 million of cash collections pulled forward from Q1 '26 into Q4.

We have exceeded our operating cash flow margin goal of 4% to 5% in the past two years through a combination of improved billing and collections, and upfront payments on new awards. Although we expect some continued progress in these areas, we anticipate cash flow from operations as a percentage of revenue is likely to trend more toward our target range of 4% to 5% in 2026.

Continuing with CapEx, we invested \$21.8 million in the fourth quarter and about \$130 million for the full year. Consistent with 2025, we expect 2026 CapEx to be between \$120 million to \$140 million with equipment accounting for \$90 million to \$110 million and the balance spent on facilities and IT upgrades.

Moving over to the balance sheet and liquidity. We ended the year with cash of \$536 million, up from \$456 million at the end of 2024. Total long-term debt was \$470 million at year-end, giving us a net cash positive position to begin 2026. Our strong balance sheet has us well positioned to meet our working capital needs, deploy capital to our higher growth, higher margin businesses, and pursue acquisitions that align with our strategic and financial goals.

These include targets that augment our power delivery capabilities and enhance our service offering on industrial, power generation, and data center projects.

Transitioning to backlog. We closed the year with a very strong fourth quarter of bookings like we expected that brought total backlog to over \$11.9 billion. Total MSA backlog was up over 20% compared to the prior year, driven by contract renewals and anticipated spend by customers in the Utility segment, specifically in power delivery. We see exciting potential for further backlog growth in the coming quarters across natural gas generation, renewables, and pipeline construction that will drive growth in 2026, and set us up for further growth in 2027.

I will conclude with our earnings guidance for 2026. We expect earnings per fully diluted share to be between \$5.35 and \$5.55, and our adjusted EPS to be between \$5.80 and \$6 per share. Our adjusted EBITDA guidance is \$560 million to \$580 million for '26.

I want to point out that this guidance does not include potential benefits from storm work which contributed around \$12 million of adjusted EBITDA in 2025. Additionally, our first quarter is typically our lowest quarter of the year for both revenue and net income due to seasonality, which primarily impacts our Utility segment. As a result, we expect our Utility segment margins to be in the 10% to 12% range for the full year with Q1 in the 7% to 9% 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 Koti.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Before we open up the call to your questions, I'd like to reiterate some of our key takeaways from prepared comments today. First, I am proud to be part of Primoris and help support our leadership team build on our successful foundation.

I look forward to fostering our culture and expanding our horizons of who we can be, and who we can serve as an organization. I believe we are doing work that matters to grow the economies of North America and better the lives of the communities we serve. I also look forward to engaging with our analysts and investors, and sharing with our vision for the future of Primoris in the years to come.

Second, we are energized to tackle the tremendous opportunities ahead of us across our end markets. The Energy infrastructure needed to not only support innovative technologies, but to sustain, upgrade, or replace aging and updated infrastructure is enormous. We believe Primoris will have an integral and vitally important role to play in supporting this demand.

Finally, in pursuit of these objectives, we remain committed to improving margins, generating cash flow, and being the best allocators of capital in our industry. We are exceeding the goals we laid out in 2024 and are looking forward to establishing new targets and strategic initiatives as we approach the latter part of the decade.

It is our view that the success in these areas and remaining nimble and adaptable to changes in our markets are the best ways to create long-term value for our employees, our customers, and our shareholders.

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

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Philip Shen, Roth Capital.

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### Philip Shen - Roth Capital Partners LLC - Equity Analyst

Hey, guys. Thanks for taking my questions. First one is on the gas gen business. You talked about then the activity being in the \$1.5 billion to \$2 billion. I was wondering how much of that might be converted to revenues in '26 and '27? Thanks.

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### Koti Vadlamudi - Primoris Services Corp - President, Chief Executive Officer, Director

Yeah. Thanks for the question, Philip. I can take that. And yeah, as I said in prepared remarks, the funnel of opportunities in gas generation power are really solid. The \$1.5 billion to \$2 billion is notionally first half of the year and would have a meaningful burn in '26.

In the overall funnel, it's probably a little bit more weighted to the back half of the year with line of sight to nearly \$6 billion. So really, really strong end market with strong capital CapEx.

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### Philip Shen - Roth Capital Partners LLC - Equity Analyst

Great. Thanks, Koti, and welcome to the Primoris as well. And second question here on renewables. You guys gave us some color on the margin performance in Q4. Just was wondering if you could share a little bit more on like when you guys learned about the challenges?

And what gives you confidence that this won't happen again? And ultimately, what ranges have you guys made to avoid this from happening again? Thanks, guys.

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### Koti Vadlamudi - Primoris Services Corp - President, Chief Executive Officer, Director

Yeah. I'll take that one, Philip, and then, Ken can add some more color. But these were projects -- a project in an environment where we underappreciate the geotech and soil conditions from an estimate standpoint. And the mitigation measures we took didn't prove efficacious and then that cascaded with equipment and labor escalation.

Despite that, this particular program is at the midpoint of construction. So we feel like we have a really, really good understanding of what's left to complete.

In terms of additional measures as we looked at in detail auditing the project and what was left to go, we put more investment in project leadership. This was a program in a hot market where we did have some turnover in the project staff. So with that additional focus, we feel pretty confident the remedial measures we've taken that it will come in as we forecasted.

**Philip Shen** - *Roth Capital Partners LLC - Equity Analyst*

Great. Thanks, again, and Koti, looking forward to working with you.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Thank you.

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**Operator**

Steven Fisher, UBS Financial.

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**Steven Fisher** - *UBS AG - Equity Analyst*

Hi. Thanks. Good morning and congrats, Koti, on taking the role. I just wanted to follow up on that last question. I mean, just more broadly about execution as you move through 2026. Just curious how much of a focus or a priority for you is that in your list? One other thing -- what are some of the things you're doing more broadly just beyond that solar project?

Just curious, it sounds like you have quite a bit of great prospects. I think we're just looking for more confidence in the execution as we've had a little bit of pickup in the last couple of quarters.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. Thanks for the question, Steve. And so we highlighted the performance execution, scrutiny in the renewable segment. There are some other areas that I would say would fall in the basket of efficiency gain in -- through project execution. And that gets down to better estimating, better project controls, better change management.

These are particular levers that will help drive better gross -- project gross margin and ultimately better predictable execution. So it will be a focus area across the enterprise. But I would have a lot of confidence based on the length of some of these client relationships. Customers that are -- have confidence and giving us continuing ongoing work as well as the deep confidence we have and the services we provide.

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**Steven Fisher** - *UBS AG - Equity Analyst*

Okay. Thanks. And then just as a follow-up. As it relates to your guidance, just curious for your perspective on the coverage that you have on that in your backlog. Curious what you still think you need to book in order to hit the guidance? And then, just any areas within the guidance you felt like you maybe needed to leave a little room for any particular uncertainties that you see over the course of the year?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

I'll let Ken take that one.

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**Kenneth Dodgen** - *Primoris Services Corp - Chief Financial Officer, Executive Vice President*

Yeah, Steve, it's a good question. Look, I mean, we feel as comfortable with our guidance this year as we probably have any other year, strong backlog helps with that. But just like any year, we still have to book a little bit in order to make that. And just like in every other year, we always feel like we've got some upside to our guidance as well.

So I wouldn't view our guidance this year as any different than any other year from a pluses and minuses standpoint. But the one area where we probably still need to focus on some bookings to the second part of your question, is in pipeline. As you know, those tend to be pretty quick book and burn type projects. We have all that in backlog yet. We would like to get a little bit more in backlog.

But in general, between the MSA and the project work, we feel like we're right where we need to be for this year.

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**Steven Fisher** - *UBS AG - Equity Analyst*

Thanks very much.

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**Operator**

Julien Dumoulin-Smith, Jefferies.

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**Julien Dumoulin-Smith** - *Jefferies LLC - Equity Analyst*

Hey, guys. Good morning. Thank you again for the time, Koti. Looking forward to working with you as well. Can you talk a little bit about, both what's forthcoming here on the Utility side? Obviously, you've got some neighbors here in your hometown that could be announcing some big things here in the short order.

Can you talk a little bit about what you expect on the back of developments in Texas? I know your prepared remarks some commentary there. How do you expect that to shape especially as you think about like backlog, what is more importantly what is not reflected?

And then separately, you also had some comments in the prepared remarks around communications activity. Can you comment a little bit about what you're seeing materialize there? Also, again, in the vein of trying to understand what is not in the backlog this far, and specifically around needs there.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Sure. Thanks for the question. And I'll first start out by saying Texas is a really fertile location for the Energy markets, and we certainly see a lot of opportunity for power generation and by derivative attracting data center clients and hyperscalers.

So with that, we have a high conviction on the relationships we've established here locally, specifically the distribution space and substation build, we see meaningful capital where we can be a partner in the delivery of those programs on EPC basis. So feel really strong about the backlog and the opportunity funnel.

I think we highlighted in the presentation deck, the portion of our backlog of the \$11.9 billion that's MSA related. I think that's about \$7 billion. The majority, I think 90% of that is in the Utility segment. So highlights the strength of our relationships as well as the market funnel.

With respect to communications, we're seeing some really good indications at the start of this year with some new wins, a couple of hundred million in bookings and line of sight to additional opportunities in the year. So feel pretty good about the fiber business and the communications market in general.

**Julien Dumoulin-Smith** - *Jefferies LLC - Equity Analyst*

Got it. Excellent. And then just going back to the gas gen side of the equation, obviously, fairly lumpy opportunity set here. Can you comment a little bit about what you're seeing on that front? Just set expectations accordingly in what you're seeing perhaps in the near term for bookings?

Obviously, there's a lot of projects that could come into your fold here. But I just want to make sure I'm hearing right how you would set those expectations specifically in the coming couple of quarters on those lumpier awards? And when those might translate into revenue given the protracted timing on that front, too?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Sure. And I think you are correct, characterized it as lumpy because these opportunities are pretty big. The investments are from a scale standpoint, measured in gigawatts. So they're multibillion-dollar investments.

On the one hand, you have this push to define scope and get the estimate right. And so we're working with the clients sitting at the table with them, trying to nail down scope definition and the appropriate commensurate cost. That takes time.

And then you have a driver in the other way, which is the ultimate customer is usually a power-hungry data center that has milestones for server op readiness. And so you have that push in the other way. But a way of saying that there is some lumpiness to this.

What gives me confidence is that we've got line of sight to that \$1.5 billion, \$2 billion near term. Of course, the book-to-bill is quite influenced in the quarter by -- if it crosses over the milestone at the end of the quarter, that book-to-bill could be quite skewed. So we like to look at it more like a trailing 12-month which eliminates that waviness.

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**Julien Dumoulin-Smith** - *Jefferies LLC - Equity Analyst*

All right. Fair enough, guys. I'll leave it there. Thank you all very much. Good luck. See you soon.

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**Operator**

Lee Jagoda, CJS Securities.

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**Lee Jagoda** - *CJS Securities Inc - Analyst*

Hey. Good morning and welcome, Koti. Just, I guess, starting with the Energy segment and the building blocks there in 2026. It sounds like implicit in the guidance is pretty nice growth in natural gas power, pretty nice growth in pipeline. How should we think about the growth in renewables in 2026?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yes. The first thing I'd say is we -- of course, last year saw a steep incline as projects accelerated and reflected in the burn. So we enjoyed a quick ramp. And those are projects that are on the books. They just hit the field earlier and we bought equipment and ramped up labor pretty quick.

Still a really strong end market for us. As I indicated in the prepared remarks, in Q4, \$1.6 billion of the \$3 billion in new bookings was renewables. So I think it's -- it underpins our conviction that this is a market that will continue to grow.

I said also in the prepared remarks that it's now often a combined scope of the best -- the battery storage with the solar modules. So our expertise -- the strength of our share in this market underpins our conviction and confidence that we'll continue to grow more than our fair share in this growing space.

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**Lee Jagoda** - *CJS Securities Inc - Analyst*

Got it. And then I think you mentioned you're about -- you're midway through the project that had some of those issues in Q4. And you gave us the look at what margin should be in the Utility segment for Q1. Can you give us any guidance on what the Q1 energy margins might look like, again, getting to that 10% to 12% for the year?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. I'll let Ken --

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**Kenneth Dodgen** - *Primoris Services Corp - Chief Financial Officer, Executive Vice President*

Yeah. Yeah. Lee, look, we think we've got most of that behind us. What we are going to see in Q1, though, is the projects running at those lower margins and burning off and getting wrapped up. Most of it should be wrapped up by the end of Q1.

So I think in Q1 for the Energy segment, we will still be in that 10% to 12% range, but we'll definitely be in the bottom end of that range, as we get that worked off. And then starting in Q2 for the rest of the year sequentially, getting back up in that 10% to 11.5% range with the opportunity to get above that where we have good project closeouts.

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**Lee Jagoda** - *CJS Securities Inc - Analyst*

And if I could just sneak one more in on margins. Just the -- given that in the Energy segment, some of the mix, it sounds like it could be shifting a little bit more towards natural gas power, more towards pipeline. Can you just refresh us on a normalized basis, what do gross margins look like in the various businesses? And if the mix does shift towards a little more natural gas power, a little more pipeline, I assume that should give us more confidence in that guidance range.

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**Kenneth Dodgen** - *Primoris Services Corp - Chief Financial Officer, Executive Vice President*

Yeah, it should, Lee. But as you know, I mean, our bid margins are generally running in that 10% to 12% range for the segment that we talk about. Where we always have the upside opportunity is in project closeouts. And so gas generation pipeline and in renewables always have that upside opportunity. It really just depends on which quarter we wrap up the job in, or reach certain milestones in, and where we are on actual costs relative to bid costs.

But across all three of them, we always have the opportunity to exceed -- or at least come to the upper end of the range, or exceed the 10% to 12%.

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**Lee Jagoda** - *CJS Securities Inc - Analyst*

Got it. Thanks very much.

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**Operator**

Sangita Jain, KeyBanc Capital Markets.

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**Sangita Jain** - *KeyBanc Capital Markets Inc - Equity Analyst*

Great. Thank you. Hi, Koti. If I can ask a follow-up on the gas generation question that came up earlier, can you help us understand if you're looking still at simple cycle or maybe CCGT? And what the average product size may be in that \$1.5 billion to \$2 billion number that you gave us, Koti?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. Sure. Good to hear your voice again, Sangita. Yeah. On the gas generation side, it's -- we're not just looking at single cycle. It's probably notionally -- probably a majority in that type of scope.

But just anecdotally, just a few weeks ago, we were looking at an estimate for a 1.6 gigawatt combined cycle plant, and it's early, early phases. But we have a resume for both, but notionally, I'd say the vast majority of the ones we're looking at are single cycle.

And then the second part of your question, I forgot. Say again, please?

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**Sangita Jain** - *KeyBanc Capital Markets Inc - Equity Analyst*

The average project size that you -- maybe -- yeah.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Average size. I don't have -- we don't keep a metric on average size, but just from a capacity standpoint, they're measured in gigawatts. In terms of services revenue that we might burn, that's probably a few hundred million.

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**Sangita Jain** - *KeyBanc Capital Markets Inc - Equity Analyst*

Got it. And then on capital allocation, Koti, there was a quote from you in the press release that talked about using the balance sheet to create value. So hoping to get a color from you on where you think the capital is best going to be used and what criteria you're thinking about as you make these decisions for M&A?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Sure. First, I'll say I'm really pleased to come into a position where the balance sheet is strong, and that really is a testament to the management team's execution on priorities. So really, really strong cash flow generation, good position from a leverage standpoint. It does give us a lot of levers.

We talked about, in an earlier question, execution efficiency. So there are opportunities to invest in ourselves to the extent that people and systems and tools as we've grown can be improved to deliver more predictable execution and improve gross margins.

That said, there are areas that will be catalysts for growth either in markets where we're subscale, and we think we can accelerate our growth through acquisition and position the balance sheet to the best of our advantage.

That said, we will bias our lens -- our lens and filter will be on looking for opportunities that are driven by high sustainable growth trajectory, as well as cultural fit to Primoris and the way we execute work in our markets.

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**Sangita Jain** - *KeyBanc Capital Markets Inc - Equity Analyst*

Great. Thank you so much.

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**Operator**

Adam Thalhimer, Thompson Davis.

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**Adam Thalhimer** - *Thompson Davis & Co Inc - Analyst*

Hey. Good morning, guys. Congrats on the Q4 beat, and Koti, welcome to the call.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Thank you.

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**Adam Thalhimer** - *Thompson Davis & Co Inc - Analyst*

Koti, I was hoping you could just, from a high level, give us a sense for what are some of your goals for Primoris over the next few years?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. Great question. And first, I'll double down on my earlier comments. I'm really excited to come to an organization that foundationally has a great culture. And I spoke to -- from the work we do in partnering with our clients from a safety standpoint, and attention to detail and quality. I've really been encouraged that this is a foundational aspect.

The company also has this spirit of entrepreneurship from segment presidents to job superintendents. They're looking to do the right thing for our clients and help us grow. I think we talked about the balance sheet. It's really exciting to me to come in with a company with such a strong foundational culture that we can now nurture with the health of the balance sheet to drive further growth.

I'm really excited about the end markets and where we play. I like the geographies. I think North America, it's our backyard to continue to drive growth in these exciting growing end markets. So really, really excited about the prospect to take us on the journey to the next step of growth.

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**Adam Thalhimer** - *Thompson Davis & Co Inc - Analyst*

Okay. And then I wanted to ask about backlog growth potential this year from the standpoint of -- if you go back to 2023 and 2024, you guys grew backlog linearly throughout the year, whereas in '25 Q1, Q2, Q3 backlog flat, but then you had a surge in Q4. Just curious how you see 2026 playing out from that standpoint.

**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. I think on the last -- of course, I wasn't on the last quarter call. There's a lot of focus on the backlog, and then we had indicated in narrative that Q4 would be a pretty strong bookings quarter and notionally show that quarter-over-quarter growth. That did prove out. I will go back to my earlier comment, because the size of the projects are quite large.

Sometimes the investment decisions and the selection take a little bit longer. And if they cross over the quarter, they do make for a little bit of lumpiness. So you need to smooth that out, and look at it more on a trailing 12 with respect to book-to-bill. Overall backlog, we feel pretty strong on the end markets, as we covered earlier, and we think should drive solid revenue growth as we implied from our EBITDA margin growth ambitions.

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**Adam Thalhimer** - *Thompson Davis & Co Inc - Analyst*

Thanks, Koti.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Thank you.

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**Operator**

Brent Thielman, D.A. Davidson.

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**Brent Thielman** - *DA Davidson & Co - Analyst*

Hey. Thanks. Welcome, Koti, as well. Hey, I just wanted to ask on -- I mean, you've done really well in terms of driving margins higher in the Utility segment over the last few years. So it still seems like it could be a lever for you. As you go forward, can you talk through some of the key things that need to happen in order for you to continue to drive those margins higher over time?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. I think it's a good question. And Ken, you can add some color based on history. But the team has looked -- the management team specifically looked in areas where we can make improvements. Power delivery is an area where the team has been working over the past year at how we execute in the field from upfront planning to site logistics and execution, productivity.

All of those are enhancements that we think are going to drive margin improvement in power delivery. This past year, we enjoyed on the gas operations on the Utility side, some strong growth where we've been presence in that for a long time with our customers and drove some really, really healthy margin, which improved the quality of margin in the segment. So overall, I think margin efficiency, in addition to growing the top line, will be a focus for us going forward.

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**Kenneth Dodgen** - *Primoris Services Corp - Chief Financial Officer, Executive Vice President*

Yeah. The only thing I would add is same thing, Brent, that we talked about in the past, it's also a mix issue, especially within power delivery, where we're still predominantly distribution, which is a great business. There's a ton of money being spent there. But it doesn't have the same margins as the project work on the substation and transmission side. So we've started adding leadership who has the ability to win and execute that work. And as we continue to grow that over the course of the next few years, I think that's going to also contribute to margin enhancement.

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**Brent Thielman** - *DA Davidson & Co - Analyst*

Okay. Maybe one more just on the battery side, recognize the scheme of your total revenue, it's not the big, but it's growing a lot. I mean, any thought on where that can go in 2026, '27?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. I think I called in the comments, nearly \$250 million or more this past year. We do think that's a solid market for us often. It's now been combined with the solar module solution in installation. So do see a lot of opportunities.

Most of the on-premise solutions that the hyperscale is looking at include some form of battery storage. It wouldn't -- I think over the next couple of years, seeing that the business double in size, I think, is within line of sight.

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**Brent Thielman** - *DA Davidson & Co - Analyst*

Okay. Thank you.

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**Operator**

Adam Bubes, Goldman Sachs.

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**Adam Bubes** - *Goldman Sachs Group Inc - Analyst*

Hi. Good morning and look forward to working together, Koti. One follow-up on the Utilities margins. I think you're targeting normalized 10% to 12% in 2026 versus 11.5% in gross margins in 2025. How are you just thinking about the different puts and takes for Utilities margins in '26 versus '25 and potential to get back up to the high end of that range? What could be the tailwind from more project work? Conversely, could you see any mix headwind given the strong growth in gas in 2025?

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**Kenneth Dodgen** - *Primoris Services Corp - Chief Financial Officer, Executive Vice President*

Yeah. Good question, Adam. Look, I think it's purely going to be a mix issue in power deliveries. We continue to work on that. But from a margin perspective, our gas business and our communications business were as strong, if not stronger, than our power delivery margins. And that's fairly consistent with our past. So as gas and communications grow they tend to be just as accretive to margin and if not more so, sometimes than power delivery, given our mix right now.

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**Adam Bubes** - *Goldman Sachs Group Inc - Analyst*

Got it. And then, based on the 10-K, it looks like your hourly workforce increased 22% in 2025. We hear a lot about labor constraints. What's allowed you folks to be so flexible growing headcount? And what type of employee growth are you budgeting for in 2026?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. I'll take -- in general, it is a constrained market for labor. This -- in my short tenure, have been involved in estimate reviews and go-no-gos on project decisions. And one thing I'm very pleased with is the team has really good discipline in looking at the labor posture and understanding what we need to do to mobilize workforce when it's required.

Look at our past history and I asked the team about this, we have not been on projects we've bid, won, and executed, gated by the ability to attract the workforce. And I think that's a testament to the credibility we have in the market. So going forward, we think while that's a challenge in a constrained market, we have the wherewithal to address that challenge.

Furthermore, we are making investments in creating some bench specifically in gas generation and power delivery to enable in advance of the pipeline coming to fruition. We've got the project teams that we can mobilize to support and execute.

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**Adam Bubes** - *Goldman Sachs Group Inc - Analyst*

Great. Thanks so much.

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**Operator**

Jerry Revich, Wells Fargo Securities.

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**Jerry Revich** - *Wells Fargo Securities LLC - Equity Analyst*

Yes. Hi. Good morning, everybody, and, Koti, congratulations and welcome. I wanted to ask in terms of the seat that you folks have at the table on the power side is really interesting, just given the breadth of capabilities that you folks have from behind meter turbines signal cycle.

Can you just talk about the mix of work that you're looking at the \$6 billion number that you mentioned and what proportion of that is behind the meter? And as you folks think about the projects that you're bidding on, how do you see Bridge Power versus Island Power developing for data centers? What's your take on what's going to be permanent within that infrastructure setup?

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. Jerry, thanks for the question. I haven't analyzed the exact split between behind the meter and the rest. So we could follow up on that. But -- there is -- on the data center piece of it, there is a meaningful demand as you would expect as people read and talk about. From a data center perspective, last year, I think we narrated what was it, \$850 million in work related to -- mainly around enabling infrastructure for data center.

I'll just give more of an anecdotal just in the short start of this year, we're at \$350 million against \$850 million, which was a full year. So just give a little bit of color the attitude of our clients to make these investments and partner with Primoris to get that piece of the equation in place for data center development. And we can follow up on the split on the on-premise. It's probably notionally around 25% to 30%-ish.

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**Jerry Revich** - *Wells Fargo Securities LLC - Equity Analyst*

Very interesting. And then, can we shift gears a little bit here to talk about on the renewable side? You folks have gained significant share and have generally had positive project closeouts. The problem project that we're talking about this quarter? Is it still in a -- is it still in a profit position?

Can you just give us an update on that, Ken? And just put it in perspective for us, I feel like this is the first time you called out negative variance on the project. What the scoreboard look like in terms of positive closeouts versus negative closeouts for that line of business just to put today's news into perspective?

**Kenneth Dodgen** - *Primoris Services Corp - Chief Financial Officer, Executive Vice President*

Yeah. Look, the vast majority of our renewables projects are very good performers have and either meet as bid margins or above as-bid margins. So we -- and in those cases, as you know, we have good project closeouts to the upside.

As Koti pointed out earlier, this was an unusual situation. A couple of projects, a couple of sister projects being built right next to each other where we literally ran into more -- the subservice conditions is basically a lot of rock underneath, and we ran into more rock than we've ever seen on any project we've ever executed.

So it's very unusual situation. The sister projects, one is actually in a slight loss position. The other one is still a positive margin. But, again, these are two sister projects out of 25 or 30 projects that we have ongoing at any point in time that are all, for the most part, executing very well. It just happens that these had some larger dollars on the cost side than anything we've ever experienced in this type of situation.

But, in general, the renewables business is still a very solid business, and we expect really good execution in '26.

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**Jerry Revich** - *Wells Fargo Securities LLC - Equity Analyst*

Thank you.

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**Operator**

Manish Somaiya, Cantor.

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**Manish Somaiya** - *Cantor Fitzgerald LP - Analyst*

Good morning, everyone. Just a couple of things from me. First, Ken, on the working capital front, where you benefited this quarter and pull forward some working capital from Q1 '26. Is that going to be a headwind for us in '26 when we think about cash flows?

And then secondly, for Koti, of course, let me add my welcome as well. Just wanted to get your thoughts around M&A versus organic growth. Obviously, you've a lot of opportunities. You talked about the opportunities that you have in front of you. How do you intend to close them, especially where you feel that the company is subscale? So maybe just give us some context around the size of acquisitions that might be on the table and how that would relate to the debt target of 1.5 times that you've put out? Thank you.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. Well, let me just address the that strategic question around capital allocation, specifically M&A. And then Ken can take the second half, the other part of the question on cash flow. But -- the first, I'd say, is the way we look at M&A is that it has to comport with our strategy. We're not doing M&A just to grow top line.

As I mentioned before, we're really excited about the portfolio. And over the past few years, we've intentionally biased to end markets that we think show demonstrative sustainable growth. There are some areas where we are trying to grow organically and are subscale.

That said, we are prepared to put our capital to play organically where it makes sense and drive growth, albeit maybe at a slower cadence. There is opportunity, again, with the health of the balance sheet to look at M&A.

There is no shortage of deal flow. I think it is a fertile market for opportunities for us. I think from a size and color standpoint, we have a lot of latitude given the growth we've seen organically over the past year. So our appetite is pretty wide and varied. I think it will be biased to end markets that were either subscale, or we think with the proper investment will catalyze or accelerate growth.

Again, this has to be done with a view that there's proper cultural fit, as well as really extreme good diligence in filtering out opportunities.

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**Kenneth Dodgen** - *Primoris Services Corp - Chief Financial Officer, Executive Vice President*

Yeah. And then on the cash side. Look, we had two great years. We honestly expect to have another good, solid year in '26. I don't expect it to be down or below our target range just because we had a good strong '25.

If anything, as I said in my prepared comments, I expect it to be just another good solid year. Operating cash flow came in at 4% to 5% of revenue range. And in general, from a free cash flow perspective, our goal is to be at least 50% of adjusted EBITDA, if not higher, based on the working capital trajectory that we have.

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**Manish Somaiya** - *Cantor Fitzgerald LP - Analyst*

All righty. Thank you so much. Good luck.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Thanks, Manish.

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**Operator**

Maheep Mandloi, Mizuho.

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**Maheep Mandloi** - *Mizuho Securities USA LLC - Equity Analyst*

Hey. Thanks for squeezing me in. I'll just keep it quick. On the Premier PV or the eBOS business, can you talk about the growth there? What do you see in 2026? And then any thoughts on -- of the OEMs trying to get into that business and how do you see that competition over there? Thanks.

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**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Yeah. I'll take the first part of it. I think we are investing in that business with increasing manufacturing capacity. So it's underpins our confidence that that's a sector where we can deploy then manufacture that product, for our own use as well as for our clients, and it's a profitable segment. I'll let Ken maybe give a little bit of color on --

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**Kenneth Dodgen** - *Primoris Services Corp - Chief Financial Officer, Executive Vice President*

Yeah. On the growth, honestly, we ran pretty close to capacity during '25. We expect to be at capacity during '26. That's the reason we previously talked about the investments that we're making in '26 in order to expand capacity. So from '25 to '26 sequentially, we're going to be relatively flat. It's not going to be until '27 that we're going to see the next phase of growth in our eBOS solution as that expansion comes online, most likely in Q4 of '26.

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**Maheep Mandloi** - *Mizuho Securities USA LLC - Equity Analyst*

Appreciate that. Thank you.

**Operator**

Thank you. And that concludes our question-and-answer session. I would like to turn it back to Koti Vadlamudi for closing remarks.

**Koti Vadlamudi** - *Primoris Services Corp - President, Chief Executive Officer, Director*

Thank you, operator. I want to, again, congratulate our employees who contributed to an outstanding year in 2025. It's the more than 20,000 men and women of Primoris that enable us to do what we do. Their focus on safety, operational, and financial performance are the reasons for our success, and I look forward to their continuing contributions in 2026 and beyond.

Thank you to those who joined us today. We appreciate your time and interest in Primoris and we look forward to updating you on the business next quarter. Thank you.

**Operator**

Thank you. And ladies and gentlemen, this concludes today's conference call. Thank you all for joining. You may now disconnect.

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