

06-May-2025

Primoris Services Corp. (PRIM)

Q1 2025 Earnings Call

CORPORATE PARTICIPANTS

Blake Holcomb

Vice President-Investor Relations, Primoris Services Corp.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

Kenneth M. Dodgen

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

OTHER PARTICIPANTS

Peter Lukas

Analyst, CJS Securities, Inc.

Brian Russo

Analyst, Jefferies LLC

Brent Thielman

Analyst, D.A. Davidson & Co.

Kevin Wade Gainey

Analyst, Thompson Davis & Co., Inc.

Adam Bubes

Analyst, Goldman Sachs & Co. LLC

Drew Chamberlain

Analyst, JPMorgan Securities LLC

Avinatan Jaroslawicz

Analyst, UBS Securities LLC

William Joseph Dezelle

Analyst, Tieton Capital Management LLC

MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Kate, and I will be your conference operator today. At this time, I would like to welcome everyone to the Primoris Services Corporation First Quarter 2025 Earnings Conference Call and Webcast. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

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

Blake Holcomb

Vice President-Investor Relations, Primoris Services Corp.

Morning, and welcome to the Primoris' first quarter 2025 earnings conference call. Joining me today with prepared comments are David King, Chairman and Interim President and Chief Executive Officer; and Ken Dodgen, Chief Financial Officer.

Before we begin, I would like to make everyone aware of certain language contained in our Safe Harbor statement. The company cautions that certain statements made during this call are forward-looking and are subject to various risks and uncertainties. Actual results may differ materially from our projections and expectations. These risks and uncertainties are discussed in our reports filed with the SEC. Forward-looking statements represent our outlook as of today, May 6, 2025. We disclaim any obligation to update these statements except as may be required by law.

In addition, during this conference call, we will make reference to certain non-GAAP financial measures. A reconciliation of these non-GAAP financial measures are available on the Investors section of our website and our first quarter 2025 earnings press release, which was issued yesterday.

I would now like to turn the call over to David King.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

Thank you, Blake. Good morning and thank you for joining us today to discuss our first quarter 2025 financial and operational results.

Primoris had a great start to the year, delivering higher revenue, margins and cash flow compared to the prior year. I want to congratulate our employees on a well-executed first quarter. Their commitment to operating safely while focusing on our strategic initiatives to drive improved profitability, margin improvement, and cash flow continues to yield positive results.

While uncertainty persist regarding global trade, tariff and regulatory policy, the underlying fundamentals of our end markets remain intact with strong demand. As we have often commented, the outlook for ongoing investment in North American power, industrial and energy infrastructure is very favorable, and we believe Primoris is well positioned to capitalize on what we expect will be a multiyear endeavor. Many of the services we provide and projects we construct are essential to maintaining the existing infrastructure that supports our communities and is critical to future economic growth.

Although we are still awaiting clarity on ultimate outcome of the evolving policy landscape, we can provide insight into what we are currently seeing and hearing from our customers and suppliers. In relation to tariffs, we do not expect to see a material impact on our operations during 2025. Most of the materials and components associated with our work are supplied by the customer, many of which have the ability to source necessary components and materials domestically or have sufficient inventory of imported goods to move forward with their existing plans.

For our equipment and materials we supply to our projects, we are confident in our ability to source from a diverse group of mostly domestic suppliers. In cases where we may need to procure from outside the US, we believe the incremental cost in the current tariff regime for these smaller components would not significantly increase the overall cost of the project.

Additionally, the vast majority of our contract include terms and conditions that allow us to pass along these incremental costs to the customer. Prolonged economic and regulatory uncertainty could, in future quarters, lead customers rethinking the economics and timing of their projects in 2026 and beyond. But as of now, we are optimistic that we will continue to book new work throughout the year in order to maintain or potentially grow our backlog given the elevated demand for critical infrastructure services.

I'll now provide some comments on performance for the quarter by segment. Beginning with the Utilities segment, we had a very solid operational performance and activity during a quarter where we typically see a seasonal low in revenue and margins. In Q1, each of our Utilities businesses exceeded our expectations and exceeded the prior year revenue and gross profit. In gas operations, we had increased activity on the West Coast and favorable project closeouts that helped support margin improvement. While we did see our typical slow start in the Midwest due to colder weather, we were able to ramp up on a strong backlog of work in the region.

In communications, we continue to see expansion in fiber-to-the-home builds and increased system maintenance work in several new and existing geographic areas. We also had an almost 20 million increase in fiber loop network build revenue compared to prior year. We are seeing a growing list of opportunities to support customers with these network buildouts in major metropolitan areas in the Central and Western United States.

However, the biggest driver of improved performance compared to last year was in the power delivery business. We had several plants released work sooner than anticipated to begin the year, which drove revenues and productivity higher. We are also seeing increased engagement from clients regarding grid resiliency plans, and several public utility commissions are approving transmission line buildouts that we believe will lead to several opportunities in key service locations. We are pleased with the progress we have made in driving higher margins and cash flow in power delivery.

Our teams have successfully taken on the challenge of upholding the priority to safety while operating with improved efficiency and productivity. This, combined with an increasing mix of project work we see on the horizon, as well as further optimization of our service areas and contracts, has us optimistic about the prospect of future margin expansion in the years ahead.

Moving on to the Energy segment, we achieved significant top line and operating income growth driven by record revenue in renewables. We started or made substantial progress on several utility-scale solar projects during the quarter and also had increased revenue contribution from each of the Premier PV, battery storage and O&M compared to the first quarter of last year.

We recognize that the uncertainty around the solar market has been heightened in recent months given the changing regulatory tax and tariff environment. We continue to monitor and evaluate how changes to the Inflation Reduction Act, anti-dumping and other tariffs could impact our customers and their plans. Based on our assessment of the market conditions currently, we do not anticipate material changes to our revenue or new contract signings in 2025.

Many of our customers have solar panels and materials needed to continue executing on the projects under contract, and many potential projects that are being evaluated have domestic supply. One area of our renewables business we believe could be the most impacted by future bookings would be the battery storage materials sourced from outside the United States, particularly China. The market conditions in solar in the US economy remain dynamic. However, we believe that the growing need for generation capacity will continue to create opportunities for solar and other forms of power generation in the future.

Looking at the other areas of the Energy segment, the growth in renewables helped to offset lower industrial and pipeline revenue from the prior year. Although industrial revenue declined due to completion of certain projects and the wind-down or divesting of noncore businesses in 2024, we did see improvement in margin performance. The market demand for natural gas generation resources continues to be favorable, and we have a number of opportunities to build new projects in 2025. We have the benefit of being selective on the projects, customers and contract terms, and we'll remain diligent in bidding and winning projects that we view as the most attractive and that align with our expertise.

In summary, we are encouraged by our performance in the first quarter and the positive trends we see across the business despite the challenges from the macroeconomic uncertainty. We are focused on controlling what we can control and staying in close communication with our customers to ensure we have the crews and equipment to execute on their projects. Although it is early in the year and circumstances can change rapidly, we are optimistic that we have the opportunity to achieve or even exceed 2025 financial and operational goals.

Now, I'll turn it over to Ken to discuss our financial results.

Kenneth M. Dodgen

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

Thanks, David, and good morning, everyone.

Revenue for the first quarter was \$1.6 billion, an increase of \$235 million or 16.7% from the prior year, driven by growth in both our Energy and Utilities segments. The Energy segment was up \$161 million or 17% from the prior year, driven by strong growth in solar from the start-up of new projects awarded in the second half of last year. The Utilities segment was up over \$75 million or 15.5% as our power delivery, gas operations and communications businesses all grew revenue compared to the prior year.

Gross profit for the first quarter was approximately \$171 million, an increase of \$37 million or 28% from the prior year. This was due to higher revenue and improved profitability, particularly in our power delivery business. Gross margins were 10.4% for the quarter compared to 9.4% in the prior year.

Looking further at our segments. In the Utilities segment, gross profit was \$51.6 million, up \$22.1 million compared to the prior year. This was driven by higher revenue in the gas operations business and the continuation of work orders assigned in the latter part of Q4, additional communication work on fiber loops, and significant improvement in power delivery profitability during the quarter.

We are pleased with the progress we are seeing in executing on our plans to drive higher margins in the power delivery business. We have negotiated higher rates on contract renewals, driven better performance in certain businesses, and we are seeing more opportunities for transmission and substation work.

Gross margins in Utilities increased to 9.2% from 6% in the prior year, largely due to the improved execution in power delivery and growth in higher margin gas operations and communications activity. We expect to see margins increase sequentially in Q2 and Q3 driven by normal seasonality in order to reach our goal of low- to mid-10% margins for the full year.

In the Energy segment, gross profit was just over \$119 million for the quarter, a \$15.2 million increase from the prior year due to higher revenue in our renewables business. Gross margins were 10.7%, down slightly from the prior year of 11%. The slightly lower gross margins were a result of fewer project closeouts and the ramping up of new projects in renewables. We anticipate margins will tick up during the year with good execution and project closeouts.

Turning to SG&A. Expenses in the first quarter were \$99.5 million, an increase of \$10.9 million compared to the prior year. The increase was driven by increased personnel costs to support our growth and \$3.2 million in severance costs. As a percent of revenue, SG&A was 6% compared to 6.3% in the first quarter of last year. We continue to expect SG&A for the full year to be approximately 6% of revenue.

Net interest expense in the first quarter was \$7.8 million, down around \$10.2 million from the prior year. The decrease was a result of lower average debt balances and lower interest rates. Our effective tax rate was 29% for the quarter, and we believe this rate will be consistent for the full year.

Moving on to cash flow for Q1, we saw cash from operations of \$66.2 million, an increase of nearly \$95 million from the prior year and a first quarter record for Primoris. The primary working capital drivers were the improved collection of receivables and higher operating income.

Looking at the balance sheet, we maintained strong liquidity of \$652 million, which includes approximately \$350 million of cash and \$300 million in available borrowing capacity on our revolver. As we mentioned on the fourth quarter call, we also paid down \$100 million on our term loan in the first quarter.

Given our cash balance and favorable outlook across our businesses, the Board of Directors authorized a new share purchase program on April 30. The new plan allows for the purchase of up to 150 million in Primoris shares through April 30, 2028. We believe this flexibility allows us to opportunistically invest in Primoris while also preserving the ability to continue investing in organic growth and pursue M&A that aligns with our strategic and financial targets.

With respect to backlog, we ended the quarter with \$11.4 billion in total backlog compared to \$11.9 billion at the end of 2024. The Energy segment backlog decreased \$567 million primarily due to the timing of new solar awards, which we expected to be softer in Q1 and Q2 after a strong second half of bookings last year. We continue to see a broad range of opportunities across our end markets, particularly in renewables, natural gas generation, and power delivery.

Based on our conversations with customers, we expect bookings to accelerate in the back half of the year, similar to last year, although we could continue to see variability quarter-to-quarter depending on the timing of contract signings. Utilities backlog increased \$88 million from year-end, driven by MSA and fixed backlog.

Wrapping up with our guidance, we are maintaining our full-year EPS guidance of \$3.70 to \$3.90 per share, adjusted EPS guidance for \$4.20 to \$4.40 per share, and adjusted EBITDA guidance of \$440 million to \$460 million for the full-year 2025. We are encouraged by their first quarter results, and we are now more confident that the higher end of our ranges are achievable. We will continue to evaluate market conditions and further assess our guidance as we progress through the year. Clearly, we are on track for another strong year in 2025.

And with that, I'll turn it back over to David.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

Thanks, Ken.

Before we open up the call to your questions, I want to highlight a few key takeaways from the quarter. First, I am proud of our employees for their efforts in performing their jobs with the highest levels of safety and embracing our strategy to drive higher margins and improved cash flow. We have a lot of teams in the field and in our offices working to deliver further success in these areas, and we are seeing the results of their hard work. We had a very good start to the year, and believe we have the ability to achieve our goals for the year.

Second, we are closely monitoring the risk and uncertainties that we and our customers face in the current environment. We have faced challenges in the past and believe we have demonstrated the ability to quickly adapt to the changes, both positive and negative, to our end markets. While we do not know what lies ahead, we remain committed to serving our customers and providing them with safe, reliable and quality performance.

Finally, we see a tremendous number of opportunities ahead for all of our infrastructure services. We have a strong balance sheet and continue to drive strong free cash flow that provides us with the flexibility to continue to invest in Primoris, take advantage of market opportunities, and navigate through potential near-term disruptions to meet the long-term needs of our customers and communities.

We will now open up the call for your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] We request that you limit yourself to one question and one follow-up. We will pause for just a moment to compile the Q&A roster. Our first question comes from the line of Lee Jagoda with CJS Securities. Your line is open.

Peter Lukas

Analyst, CJS Securities, Inc.

Q

Hi. Good morning. It's Pete Lukas for Lee. Talking about your customers, you had mentioned that they're concerned about prolonged economic uncertainty. But I think you said you did expect bookings to kind of accelerate in the second half. Can you maybe give us a little more color about the conversations you're having with customers as it relates to the pause that we're seeing in some of the new projects signings? And what are the main things that have to happen in your minds for that to unfreeze a bit?

Kenneth M. Dodgen

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

A

Yeah. Pete, look, I don't think anything is frozen by any means, so let's just clarify that. We had already anticipated a little bit of a slowdown in Q1 and maybe a little bit in Q2 simply because of everything that we pulled forward. In terms of the conversations we're having with our customers, we're just continuing to regularly talk to them, like we always do, about what their queue of projects looks like, what they're engineering right now, and in particular right now, whether or not they're feeling any impact from the tariffs and all the discussion and the uncertainty that's going on right now.

Clearly, everybody is talking about it. We haven't seen any customers make any major pauses at all right now. Again, the backlog build and the new contract signings is just a normal cadence of uncertainty from quarter to quarter that we usually see.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

Yeah. And this is David. I might add, Ken. Our plan for the bookings in first quarter, we exceeded those by approximately \$300 million in the first quarter. So, our plan for the bookings is actually better than we expected in the first quarter.

Peter Lukas

Analyst, CJS Securities, Inc.

Q

Very helpful. Thanks. And then just one more for me. In terms of interest expense, it looks like the guide implies a significant uptick in expense versus Q1 for the balance of the year. Can you provide a little more color around this?

Kenneth M. Dodgen

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

A

Yeah. I don't know that we should expect to see any uptick in interest expense. We're monitoring that right now, too. It definitely came in below our expectations in Q1. Part of that was lower interest expense and part of it was better interest income than we had anticipated. So, we're going to monitor that in Q2. If we see this trend continuing for the full year, we will factor that into any change in guidance.

Peter Lukas

Analyst, CJS Securities, Inc.

Q

Great. Thanks. I'll jump back in the queue.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

Thanks, Pete.

Operator: Your next question comes from the line of Julien Dumoulin-Smith with Jefferies. Your line is open.

Brian Russo

Analyst, Jefferies LLC

Q

Yeah. Hi. Good morning. It's Brian Russo on for Julien.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

Good morning.

Brian Russo

Analyst, Jefferies LLC

Q

Hey, I was wondering if you could just talk about the 2024 to 2026 financial targets from the Analyst Day. Actually, the slide you had in the fourth quarter presentation was not included this quarter. Just wanted to get your confidence level in those targets given the macro environment. And then also the very strong first quarter results, are you on track or ahead or what are the pros and cons there?

Kenneth M. Dodgen

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

A

Yeah, Brian. Good question. No, we are absolutely on track. We had a great year last year, of course. We're starting to see the margin improvement in the Utilities side of the business that we were expecting to see. I actually was expecting that later this year and into next year. And so, that's actually accelerated and ahead of where I had originally expected.

And then, obviously, building on last year's strength in free cash flow, we are feeling very good about that as well. So, in general, I would say we are either on track or ahead of schedule in all of the metrics that we laid out.

Brian Russo

Analyst, Jefferies LLC

Q

Okay. Great. And can you maybe talk a little bit more detail on the renewable revenue targets for full-year 2025? I think it was previously \$200 million to \$250 million portfolio into 2024. I mean, that is a \$300 million to \$400 million annual run rate post-2025. Given your comments and maybe some conservatism or macro concerns with customers, just wondering post-2025 how you're viewing that run rate for renewables.

Kenneth M. Dodgen

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

A

Yeah. Post-2025, we are still expecting to be right back on track for our normal \$300 million to \$400 million growth cadence. We've already got about 40% to 50% of 2026 booked and in backlog, and right now we're working with customers on projects that we should be booking over the next three quarters. So, by the time we get to the end of the year, we'll have all of 2026 booked and part of 2027 booked. So, feeling very good about that.

Brian Russo

Analyst, Jefferies LLC

Q

Okay. And then also any update on the permanent CEO search? Is there a timeline or any specific criteria you're looking for or things that we should anticipate as we move through the year?

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

Sure. The board is prioritizing finding the right candidate for the role rather than just really setting a timeline. The process is underway and it's probably likely to span a few quarters. I plan to continue to execute on our strategy, to invest in our high growth markets, including renewables, power delivery, natural gas generation while continuing strong results in our other businesses through consistent execution. This strategy was developed by our executive team with the support of the board, and we believe it's the right strategy. A couple of attributes that I would say we sought after in the candidates would be public company executive experience and experience with acquiring and integrating businesses.

Operator: Again, before going to the next question, please limit yourself to one question and one follow-up. Your next question comes from the line of Brent Thielman with D.A. Davidson. Your line is open.

Brent Thielman

Analyst, D.A. Davidson & Co.

Q

Hey. Thanks. Good morning. Just had a question on the Utilities segment. I mean, really strong margin performance to start the year. Again, I just wanted to get a sense from you what are the variables you need to see through the rest of the year that might push you above those for Utilities margin target range.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

Sure. We're expecting modest growth in the Utilities primarily due to strong storm year we had in 2024 and an expected slower year for gas operations. But that being said, gas operations did have a better than expected Q1. We certainly see growth pickup if the supply chain continues to show improvement, although most of our customers have adjusted to the longer lead times. Project work still remains a focus and we do plan to book more projects this year, but it's not really required to see those continued progress in our margins.

Brent Thielman

Analyst, D.A. Davidson & Co.

Q

Okay. And then on Energy, could you talk – you did mention you're in pursuit of some nat gas generation opportunities. Any way to size that potential for Primoris that could be reflected in bookings as we progress through the year?

David L. King*Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.*

A

Yeah. I think you know we have extensive experience in our company and built in various types of facilities, and we're preparing to be ready to help the customers in a lot of these buildouts. We're currently looking at or vetting close to about \$1 billion in natural gas projects tied to data centers throughout the US in the coming years, and there are certainly other opportunities outside data center development, too. So, the funnel of opportunities is very attractive to us.

I believe as you see the power grid begin to be built out, you'll need to supply power to that power grid. So, that also gives opportunities for our power generation segment.

Operator: Your next question comes from the line of Kevin Gainey with Thompson Davis. Your line is open.

Kevin Wade Gainey*Analyst, Thompson Davis & Co., Inc.*

Q

Hey, guys. Great quarter.

David L. King*Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.*

A

Thank you.

Kevin Wade Gainey*Analyst, Thompson Davis & Co., Inc.*

Q

Maybe what you can do is kind of dissect a little bit more in the Utilities segment. Maybe you guys could talk to the conversations that you're having with your communication customers and the power delivery customers as they kind of deal with, not only like the changing dynamics with tariffs, but just demand.

David L. King*Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.*

A

Well, let me start with the smaller one first. On the communication side, you've seen that we've continued to gain ground and increase our revenue there each quarter. We're still being asked by customers to increase growth in certain areas for them. So, you'll continue to see that.

Relative to the power side of the business, the major capital programs that you've seen recently announced by the Utilities helped to drive growth for us, as I briefly mentioned earlier, not only in our T&D businesses, but also these new grids will be to be repowered and then supply of those power needs will drive growth for us in the power generation businesses.

Our plants, specifically two of them, have been talking with us. They've been proposing this for several quarters, and Primoris has acted pretty proactively and looking at our training centers, developing additional resources, required equipment and things to serve those needs. So, we really see that as a pretty bright future for the next several years of buildout.

Kevin Wade Gainey

Analyst, Thompson Davis & Co., Inc.

Q

Appreciate the color there. And then maybe we can talk about kind of balance sheet cash flow. There was an uptick in payables. Ken, maybe what's driving that? And then it just seems relatively high. And then maybe how the outlook for cash flow is in the back half.

Kenneth M. Dodgen

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

A

Yeah. Look, AP was purely just timing of quarter end. I expect that to kind of normalize over the course of the next couple of quarters. So, nothing unusual there. And then with respect to cash flow for the balance of the year, we had forecasted and talked about two months ago the fact that operating cash flow would be kind of in that \$200 million to \$225 million range. I still feel very confident about that this year. And actually, with the strength of Q1, I think it may actually have an opportunity to be as much as \$250 million or more.

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

Adam Bubes

Analyst, Goldman Sachs & Co. LLC

Q

Hi. Good morning. This is Adam Bubes on for Jerry today. The Utilities growth has been pretty robust in the last couple of quarters, up double digits. I think in the Investor Day, you folks outlined a 2% to 4% Utilities revenue growth outlook. So, can you just update us on how you're thinking about puts and takes around the growth outlook in Utilities in the balance of the year? And from here on one end, there's rising power demand. On the other, these folks are continuing to emphasize quality of contracts. So, just the puts and takes around growth from here.

Kenneth M. Dodgen

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

A

Yeah. Look, on the Utilities side, we were focused, as you pointed out, on more margin improvement rather than revenue growth. We are absolutely executing on the margin improvement that we talked about. The nice thing about it is without really focusing on revenue growth, that's happening anyway because of the growth in demand. And so far, that's mostly been distribution with some transmission and substation.

And what's nice, Adam, is that right now, we're seeing more opportunities – and David alluded a little bit of this, we're seeing more opportunities for transmission substation projects than we'd originally anticipated for 2026. And a lot of that is just because after we did our Analyst Day a little over a year ago, the load growth and demand growth projections ticked up, as well as the increased need for generation. So, a few things that are working to our advantage there that should help us to exceed our goals.

Adam Bubes

Analyst, Goldman Sachs & Co. LLC

Q

Great. And then it sounds...

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

And I'll also add...

Adam Bubes

Analyst, Goldman Sachs & Co. LLC

Go ahead. Please go ahead.

Q

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

I was going to say I'll also add with Ken. As we see that demand increasing, we are still very selective on the projects we contract for, making sure that we've got good visibility into the customer's ability to procure the materials so that we don't have any scheduled slippages and continuing to be very diligent in the way that we accept contract terms, making sure the risk profile meets our risk profile.

A

Adam Bubes

Analyst, Goldman Sachs & Co. LLC

Terrific. And then it sounds like you folks aren't seeing any pauses in projects and activity remains strong, but we are in a choppy economic environment. Can you talk about to what extent you can move resources around between end markets, if we see an uneven demand environment for parts of your business?

Q

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

Oh, sure. Absolutely. We've got the ability to grow the resources, as I mentioned, and we've got the ability to move those resources around the different end markets. I think you saw, as we had slowdowns in our pipeline and field services areas, we were able to move those resources over to our renewables area as well as into some of our data center construction projects and things. So, the ability to move our resources around, and for that matter of fact, anything to do with our fleet, is one of the really advantages I think Primoris has when we talk with customers and deliver in their projects.

A

We've not seen any slowdowns on any of the projects that we booked for and even the ones that appear to be going to be booked toward the end of this year. We're not seeing any slowdown from our customers, and we're not hearing anything at all that would concern us at this time.

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

Q

Hey. Good morning. This is actually [ph] Alex (00:31:19) on for Sangita. So, first question. As we think about the 10% to 12% Energy segment margin outlook for this year, how do we think about upside and downside drivers here through the year, whether it's tariffs, execution or something else? And I think in that segment, it sounded like you expect solar closeouts this year. Is there any sense on how big these could be and when they could come in the year?

Kenneth M. Dodgen

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

Yeah. On the solar closeouts, it's still a little early. A lot of projects were just started, as a matter of fact, in Q1. So, it will be later in the year before we got really a good sense for that. But then with respect to upside and downside,

A

look, margin closeouts across the entire spectrum of projects, in particular solar and in our industrial business and our natural gas power plant work, is really we're going to see most of the margin upside in addition to just potential revenue growth or additional opportunities we see maybe in and around pipeline this year and the back half of the year.

Look, on the downside, there's not a whole lot that we're really worried about right now other than we always worry about weather every single quarter. Surprises on weather, heavy rains, extended rains can obviously slow down projects and drive a little bit of increased cost. So, we'll continue to monitor that from quarter to quarter as well.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

Yeah. And I would add. When Ken talks about some of these solar project closeouts, we are still seeing a very large demand for our services. I think we're tracking currently somewhere close to \$8 billion to \$10 billion of opportunities over the next several years that we're looking to evaluate. So, we really don't see that as a slowdown for us. It's more toward the back half of the year, but we certainly don't see that as a slowdown in bookings.

Q

Got it. Very helpful. And then can you talk about your recent M&A discussions, if anything's changed there recently, if anything's progressing there where we could potentially see a deal this year? I think the strategy is primarily to target power delivery tuck-ins. Correct me if I'm wrong. Are there certain geographies or capabilities you're looking to fill there? Just any update there. Thank you.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

Well, I would probably tell you all of the above would be the way I would answer that question with you. Let me comment that I'm not going to speak specifically about any particular type of acquisition, but I would just say that our appetite for acquisitions has not decreased at all. And as you've seen us continue to pay down debt and position ourselves, I think we can take advantage of a potential acquisition. And so, our eyes are wide open. I don't know if you want to add anything to that, Ken, or not.

Kenneth M. Dodgen

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

A

No, other than we continue to be very disciplined about acquisitions and we're not going to do one just for the sake of adding revenue. We're going to be disciplined. We're going to look for ones that meet our strategic hurdles as well as all of our financial hurdles. And so far, we haven't found that yet.

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

Drew Chamberlain

Analyst, JPMorgan Securities LLC

Q

Yeah. Good morning, guys, and thanks for taking the questions. First one, just on the 2025 guide. Appreciate that you guys don't procure panels or battery cells, but can you just talk about the risk of imports getting tariffed and

how much of the projects planned for this year already have panels or cells already into the US and what that could mean for rest to this year?

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

Sure. I'll start out. Relative to our solar, and as I think we mentioned, we're really not seeing tariffs impact our business really at all. In the battery energy storage side, sure, there's some battery that could be impacted. It's kind of interesting. I will tell you all of our materials are currently on-site for our projects. And the ones in the battery area that are not, in a recent conversation we had with our customer, it's not a matter of whether they're going to purchase some or not. They're trying to look and purchase them at the right time. So, they've actually asked us in our execution plans to look at build arounds so that those batteries can be put in at a later date, and I think that's what you'll see a lot of the customers do.

Kenneth M. Dodgen

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

A

And that it's a really small part of the project in the overall grand scheme of things, Drew. So, I think that's the bigger issue. Even if the batteries get delayed or the battery storage gets scaled down a little bit because of the impact of tariffs relative to our total renewables business, it's still very, very small and should not have much of an impact.

Drew Chamberlain

Analyst, JPMorgan Securities LLC

Q

Right, right. Okay. Thank you. And then just moving on to the bookings here. I have a multipart question. But first, I think you mentioned, David, at the start of the Q&A that there was – you exceeded your bookings expectations by \$300 million or so in the quarter. Can you talk a little bit about where those wins came from, what segment of the business?

And then can you mentioned that you expect a similar type profile of bookings for the year? But do you think of it as like the same magnitude where you saw in Energy [indiscernible] (00:36:50) 1.5 book-to-bill roughly in the second half of last year? Do you think that's possible again? And maybe are customer conversations changing for 2026 projects or maybe into 2027 projects as uncertainty in the market is looming?

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

Let me start out and answer your question first, and then I'll ask Ken to talk to you about the book-to-bill towards the back half and things. We saw a great uptick on the industrial side in the bookings around data centers, things of that nature. We also saw increases in just about every one of our product lines. But the major majority of it was in the industrial sector.

Kenneth M. Dodgen

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

A

Yeah. And look, Drew, with respect to the cadence for last year, yeah, I think we're definitely looking at a Q3 and Q4 this comfortably above 1. What it's actually going to be, it's a little too early to tell because again, as you know, the signing of projects can vary from quarter to quarter. But we feel really strong about how the year is going to come out. And despite – and again, despite the fact that we were below 1 for the quarter, we beat our expectations, as David pointed out, by \$300 million. So, that just shows a little bit of the uncertainty from quarter to quarter.

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

Q

Good morning. This is [ph] Justin (00:38:21) on for Julio. Can you talk about your level of comfort of bidding for new projects, accepting new work, and just executing in the broader operating environment given trade policy and tariff uncertainty?

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

Yes. The number of opportunities that we're continuing to see hasn't really changed in that environment. Might we see some in 2026 and beyond maybe get pushed out a little bit? Possibly. But right now, what we're seeing is, as I mentioned earlier, really no pushing out of those projects at all.

Now, relative to execution side of those projects, I think you've seen Primoris be very diligent that we make sure we don't take on work that we cannot perform. And so, as you know, we've built various teams on our solar groups to support work. We're building various teams in our industrial side to handle the data center growth and things of that nature. So, I don't really see an issue relative to the execution. And as I mentioned, we're very diligent on the types of contracts we take on relative to risk. So, not seeing any concerns there.

Q

Great. Thanks for the color there. And then on solar, can you speak to the potential timing and impact of the reconciliation bill, what that would mean for any existing IRA tax benefits and what you're hearing from your customers?

Kenneth M. Dodgen

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

A

Yeah. I mean, we can't even begin to guess when that's going to get done. All I can tell you is we're talking with our customers daily, weekly and monthly about what's going on, and we're mapping out all the scenarios. And basically, we feel and our customers feel like we're prepared for whichever outcome occurs.

Operator: Your next question comes from the line of Avi Jaroslawicz with UBS Financial. Your line is open.

Avinatan Jaroslawicz

Analyst, UBS Securities LLC

Q

Hey. Good morning. So, you noted that within power delivery, you saw some customers release work faster than you expected this year. Just wondering why you think that is. Are they trying to get ahead of some inflationary pressures they're expecting in the back half or should we think of this more as just an acceleration?

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

I think what you're seeing is – as you probably notice on any power generation equipment, you've got to get in the delivery cycle on those turbines. And so, what you're seeing is people that are saying, look, I've already been in

the delivery cycle. So, they're saying, let's move forward with this project. So, I wouldn't call it an acceleration of the project. I would more term it that they're just taking advantage of the supply chain that they've been able to get into and start moving quicker with their project.

And also, some of them, the timing for their projects, especially around the data centers, have got key dates for them toward the end of the project. And so, it's beneficial to move forward now.

Kenneth M. Dodgen

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

A

And I'll just add briefly to what David said. We were fortunate that some of our customers had some positive results on rate cases last year, and what that turned into is they immediately started engineering work. That enabled us to get started a little bit earlier this year, too.

Avinatan Jaroslawicz

Analyst, UBS Securities LLC

Q

Okay. Got it. That makes sense. And then just in terms of your guidance, I appreciate not wanting to be too aggressive there, but just kind of curious what you would need to see happen to raise the guidance.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

I'll start out and I'll let Ken add from a financial perspective. But we tend to want to make sure that any of this rhetoric that we're hearing relative to tariffs and other policy issues settle down a little bit. We've certainly got good visibility into the year. I think you heard us say that we were going to be on the high side, if not better. But at the same point in time, we just need a little bit more visibility around these tariffs and everything else before we're comfortable in making that decision.

Avinatan Jaroslawicz

Analyst, UBS Securities LLC

Q

Okay. Thanks.

Operator: [Operator Instructions] Your next question comes from the line of Bill Dezelle with Tieton Capital. Your line is open.

William Joseph Dezelle

Analyst, Tieton Capital Management LLC

Q

Thank you. First of all, you partially answered the question relative to the battery situation. And ultimately, what is the solution that the customers are looking at, is it buying higher priced or higher tariffed batteries? Is it simply waiting for batteries? Or are you seeing some utilities basically saying that they will augment with natural gas power generation? How are those dynamics working there, please?

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

On some of the projects, the [ph] BESS (00:43:28) section of it is not the major portion of the project. So, a lot of them are just waiting to make sure that the timing of when they want to actually purchase those. The decision to build has already been made. It's just a matter of what their overall economics look with the increased cost of the battery side of that project.

I'm trying to remember the last half of your question, I'm sorry. Could you repeat the last half of your question?

William Joseph Dezelle

Analyst, Tieton Capital Management LLC

Q

Right, David, just if they were incorporating in natural gas power plants instead to supplement – instead of doing the batteries.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

A

No, not really. They are still staying with their original concepts. If their concept has some natural gas generation along with battery, then they do that, but they're really not changing their overall scheme because of the battery supply.

Operator: I will turn the call back over to David King for closing remarks.

David L. King

Chairman, President & Interim Chief Executive Officer, Primoris Services Corp.

Thanks again to our employees for a great first quarter and our investment community for trust in our company. We look forward to updating you next quarter. Have a good day.

Operator: Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.