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Primoris Services Corp. (PRIM)

Q2 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

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

OTHER PARTICIPANTS

Brian Russo

Analyst, Jefferies LLC

Brent Thielman

Analyst, D.A. Davidson & Co.

Joseph Osha

Analyst, Guggenheim Securities LLC

Avinatan Jaroslawicz

Analyst, UBS Securities LLC

Adam Robert Thalheimer

Analyst, Thompson Davis & Co., Inc.

Drew Chamberlain

Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Cathleen and I will be your conference operator today. At this time, I would like to welcome everyone to the Primoris Services Corporation Second 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 of Investor Relations. Please go ahead.

Blake Holcomb

Vice President-Investor Relations, Primoris Services Corp.

Good morning and welcome to the Primoris second 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 therefore subject to various risks and uncertainties. Actual results may differ materially from our projections and expectations. These risks and uncertainties are discussed in our reports filed with the SEC. Our forward-looking statements represent our outlook as of today only, August 5, 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 in our second 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 second quarter 2025 financial and operational results. Primoris had a record second quarter achieving new highs in the revenue, operating income and earnings. Our results exhibit the effectiveness of our financial and operational strategy to grow profitably through disciplined capital allocation. Even amid an unpredictable tariff and regulatory environment, our portfolio of essential infrastructure solutions continues to thrive.

This is a testament to our hardworking teams across the United States and Canada. Their commitment to safe, productive and quality execution as well as a customer-centric approach serve as the foundation of our success. We see the opportunity to build on this success in the years ahead as Primoris plays a key role in providing solutions to the infrastructure needs in North America. We have highlighted in the past the growing need for power generation and the means to deliver that power to the end user. We have the capability to do both and execute very well.

In addition to increased industrial and residential power demand, emerging technologies and data center development are driving the growth in power generation and consumption. While less than 10% of our revenue today is directly tied to data centers, we see significant opportunities on the horizon to increase our exposure. We are currently evaluating nearly \$1.7 billion of work related to data centers estimated to be contracted by year end and we are optimistic that we will win our fair share of this work.

Primoris offers a variety of services to these projects, including early stage site preparation, power generation, utility infrastructure and fiber network construction. Essentially, we are a premier partner for comprehensive solution outside the walls of the data center in a market experiencing very tight supply for these services. Beyond work directly tied to data centers, power generation and electric utility needs are even more substantial. We are trusted providers to our nation's utilities with extensive plans to build transmission lines and substations in the coming years.

We believe this will be a multiyear opportunity that could last for a decade or longer. There is an enormous amount of upcoming work that fits very well with our capabilities without having to expose ourselves to unnecessary risk on large lump sum projects with potentially less attractive margins.

On the power generation side, we are preparing and submitting bids for more than \$2.5 billion in natural gas generation projects planned in the coming years. There is also between \$20 billion and \$30 billion of solar projects planned through 2028 that are on our sales radar. As a top tier provider for both types of generation, we are optimistic about our future in power generation to drive organic growth and margin expansion.

I'll now turn to our performance for the quarter by segment. In the Utility segment, revenues were up double digits from the prior year. The gas operations business, which experienced slower activity last year due to pending rate case discussions, saw significant improvement in revenue and improved margins. Several new projects on the West Coast and increased MSA work in the Midwest have led to better than expected productivity and activity during the quarter and year to date. There are rate cases still being determined in certain markets, and some dual

utility plants are allocating more resources to higher priority power delivery services. However, the outlook for gas operations is trending more favorably than anticipated.

We are seeing more utilities opting to use third party service providers and scheduling extensive buildouts in the Midwest and Southeast that will support revenue and margin growth. Communications revenue and margins were also up double digits from the prior year on continued growth in fiber-to-the-home programs and network builds supporting data centers. We are seeing substantial investment in fiber and our outstanding execution has resulted in customers requesting us to enter new geographies. There is also a growing opportunity for high margin EPC, long-haul and middle-mile network projects driven by data centers.

In the multiyear guidance we laid out in April of 2024, we projected low single digit growth for gas operations and the communications markets. However, these growth projections are likely understated as the current backdrop in these markets appear to be trending more positively than expected. In power delivery, top line revenue increased from the prior year, but the real story of the quarter was margin improvement. We are seeing the results of our multi-pronged strategy to drive higher margins in power delivery.

Better rates on renewed MSA contracts and increase in transmission and substation work and improved crew productivity have all contributed to growing our margins closer to where we want them to be in the business. There is still progress to be made, but we are certainly headed in the right direction. Our power delivery clients are highly engaged with our leadership teams on resiliency plans to support the necessary power grid expansion in several key geographies. We remain focused on attracting and retaining the talent needed to meet these needs, and we'll continue to invest in the recruitment and training of these personnel to grow the business.

Turning to the Energy segment, the renewables business was the main driver of the revenue growth as we continue to exceed our plans in utility scale EPC and battery storage. Renewables is now on track to generate close to \$2.5 billion compared to our outlook at the beginning of the year of \$2.2 billion to \$2.3 billion. Despite a variable tariff and regulatory environment, the solar market continues to benefit from high demand for power and its cost competitiveness with other sources of generation, in many cases, without federal subsidies.

The recent legislation passed by Congress and signed into law has offered some clarity on the sun-setting of tax incentives that will better allow our customers to plan for the future. While our customers still need clarity from the Treasury Department on certain language in the bill, our customers have continued with business as usual, and we have not seen any project push out. We still expect a solid renewables bookings environment in the second half of the year and into 2026. And we are off to a good start with several projects awarded or contracted during the first month of Q3.

As we discussed last quarter, we could see a deceleration of the growth in the battery storage business despite [indiscernible] (00:23:19) tax credits extending limitations on the domestic supply of materials add near-term uncertainty in the growth prospects of this market; however, this currently represents only a small percentage of our renewables revenue. Industrial services were also up from the prior year driven primarily by the increase in natural gas generation activity.

As I stated earlier in my comments, there is a high demand for these services and we are working to build teams to take on more work. We have added talent this year which will allow us to increase the number of projects in the coming quarters and we will continue adding and training personnel for additional project teams. Disciplined growth with high-quality experienced leaders is crucial to the success in this market. Our pipeline business was down from the prior year, but the near-term outlook is improving, particularly for large diameter pipelines for natural gas and gas liquids.

Larger diameter lines are best suited for our expertise, and we are seeing more of these types of projects receive final investment decisions from customers. We are optimistic about the opportunity to add new projects to backlog late this year or in early 2026. Overall, Primoris had an outstanding second quarter and a first half of the year. We are excited about our growth prospects going forward and the tailwinds we are experiencing in many of the markets we service.

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

Kenneth M. Dodgen

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

Thanks, David, and good morning, everyone. Our Q2 revenue was just under \$1.9 billion, an increase of \$327 million or 20.9% from the prior year, driven by double digit growth in both the Energy and Utility segments. The Energy segment was up \$263.3 million or 27% from the prior year, driven by increased renewables activity as we had over \$100 million of revenue pulled forward from the second half of 2025 and almost \$50 million pulled forward from 2026. This was partly offset by lower pipeline activity.

The Utility segment was up \$72.2 million or 11.6% from the prior year, driven by higher activity across all service lines, gas, communications and power delivery. Gross profit for the second quarter was \$231.7 million, an increase of \$45 million or 24.1% compared to the prior year. This is primarily due to increased revenue in both segments and improved margins in the Utility segment. As a result, gross margins were 12.3% for the quarter compared to 11.9% in the prior year.

Turning to our segment results. Utility segment gross profit was \$97.5 million, up \$33.5 million or 52.3% compared to the prior year. This was driven by improved profitability across all service lines, but particularly in power delivery where gross profit more than doubled from Q2 of the prior year. As a result, gross margins improved to 14.1% compared to 10.3% in the prior year. We are seeing the positive results of our strategic efforts to improve margins in the Utility segment. Increased customer activity, a favorable mix of project work and improved productivity are all contributing to higher revenue and margins in the segment. While we are always mindful of our normal seasonal decline in Q4, our year-to-date results and current outlook give us confidence that Utility's margins will be in the 10% to 12% range for 2025.

In the Energy segment, gross profit was \$134.2 million for the quarter, an increase of \$11.5 million or 9.4% from the prior year due to higher revenue. Gross margins in the segment were 10.8%, down from 12.6% in the prior year. The decrease in margin was driven by fewer project closeouts compared to the prior year and increased cost on certain renewables projects due to unfavorable weather conditions during the quarter. However, we anticipate that margins in the energy segment will tick up in the back half of the year.

Looking at SG&A, expenses in the second quarter were \$104.5 million, an increase of only \$4.4 million compared to the prior year. As a percent of revenue, SG&A declined from the prior year to 5.5% as we control SG&A growth to produce improved operating leverage. We do not expect to see material increases in SG&A in the second half of the year and expect SG&A to be just below 6% of revenue for the full year 2025.

Net interest expense in the quarter was \$7.6 million, down \$9.6 million from the prior year due to lower average debt balances and interest rates. Based on current trends and expectations, we are updating our guidance for interest expense to be between \$33 million to \$37 million for the full year of 2025, down from the \$44 million to \$48 million we anticipated at the beginning of the year. Our effective tax rate was 29% for the quarter and we expect that this rate will be consistent for the full year. Net income increased to \$84.3 million or \$1.54 per fully

diluted share, both up around 70% from the prior year. Adjusted EPS increased over 60% to \$1.68 per fully diluted share and adjusted EBITDA was up over 30% to \$154.8 million compared to the prior year.

Transitioning to cash flow. Q2 cash from operations was a little over \$78 million, a record for our second quarter, bringing our year to date operating cash flow to nearly \$145 million. This represents a \$157 million improvement in operating cash flow from the first half of last year. The increase was driven by higher net income and favorable working capital leverage. We are on pace for another solid year of operating cash flow that we currently expect to range between \$250 million to \$300 million.

Moving over to the balance sheet, we maintain strong liquidity of \$690 million, which includes approximately \$390 million of cash and a little over \$300 million in available borrowing capacity on our revolver. Our trailing 12-month net debt to EBITDA ratio dropped to 0.5 times EBITDA at the end of Q2. This puts us in a great position to continue to deploy capital to invest organically in the high growth, higher margin areas of the business, pay down debt and be opportunistic around M&A that meets our strategic and financial criteria. Total backlog at the end of Q2 was just under \$11.5 billion, an increase of approximately \$100 million sequentially from Q1. Fixed backlog was lower by \$500 million from Q1, primarily due to the timing of Energy segment bookings.

As David mentioned, we have had a good start to the third quarter in renewables and energy awards and believe that we will see bookings accelerate through remainder of the year into 2026. MSA backlog is up a little over \$600 million from Q1, driven primarily by increased activity across our utility businesses, particularly power delivery. We are encouraged by the growing funnel of opportunities across the entire company and believe we are on track for a strong back half of the year. While the timing of contract signings and our progress on existing work can vary, we expect to be in a solid backlog position to start 2026.

Before turning it back over to David, I'll close with our updated guidance. We are increasing EPS guidance to \$4.40 to \$4.60 per fully diluted share, adjusted EPS guidance to \$4.90 to \$5.10 per fully diluted share and adjusted EBITDA guidance to \$490 million to \$510 million for the full year 2025. Additionally, we are increasing the range of our gross capital expenditures by \$10 million at the midpoint to \$100 million to \$120 million, primarily for equipment to support growth. We are extremely pleased with our performance in the first half of the year and excited about the potential for continued earnings and margin expansion in the quarters ahead.

I'll now turn it back over to David.

David L. King

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

Thanks, Ken. Before we open the call for questions, I'd like to recap a few of the key points of the quarter. First, the demand backdrop for Primoris is the best we've experienced as a company. Our portfolio of services and strong customer relationships will allow Primoris to meet the critical infrastructure needs of North America for years to come. Everything we do in some way help our communities have the energy they need and support economic growth.

Second, the prospects for providing services in the data center market are vast and we are still in the initial stages of demonstrating our capabilities in this area. We believe companies like Primoris that can offer a range of services to these projects will benefit as the customers look to build these facilities quickly and efficiently. Lastly, our strategy to improve Utility's margins is showing results and the end markets are looking more favorable than a year ago across the three business lines in this segment.

Our customers have big plans and value the safe, dependable and quality services we can provide. We look forward to partnering with them and providing them with the solutions they need to make these plans a reality. We are excited about our potential to grow and we will do so in a safe and efficient manner. Our focus on disciplined bidding and project execution while managing risk will enable us to expand margins and increase cash flow. We are confident that our success in these areas will allow us to generate long-term value for our employees, customers and shareholders.

We will now open up the call for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question and answer session. [Operator Instructions] And your first question comes from the line of Lee Jagoda of CJS Securities. Your line is now open.

Q

Hi, good morning. It's [ph] Pete Lucas (00:33:36) for Lee. Just starting on the energy side of the business. When the year started, you guys were telegraphing a back end loaded order book in terms of new awards. As we sit today, is that expectation shifted at all or should we still expect to see a robust end to the year from an order perspective? And maybe if you could talk, how much of this would come from renewables versus natural gas, power or other? Just a little color there.

David L. King

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

A

Sure. Good morning, [ph] Pete (00:34:03). Yeah, we're still predicting currently that we're going to be more back half loaded. We started off and I'll let Ken give you some breakouts between the renewables, maybe on the gas, at least as best we can. But we started off good and we're still seeing Q3 shaping up the way we thought and maybe even heavier bookings in Q4. We're still seeing we've had some bookings already in the first month of Q3 and a lot of LNTs beginning to sign. It kind of moves through the process to set them up for the latter half of Q3 and into Q4. So, still feel pretty good about those bookings in that space.

Kenneth M. Dodgen

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

A

Yeah. And [ph] Pete (00:34:47) with respect to renewables versus the rest of energy, I think the predominance of it will be renewables the way it's looking right now. We do expect to sign some more gas generation projects in the back half, but I don't have any solid numbers on that right now, so I'll have to get back to you on that.

Q

Great. And just one more. You guys did touch on it, but on the Utility segment, performed well so far this year, performing well. How much of this overall demand stems from MSA customers versus the timing of spend? And as we look out the next 12 months to 24 months, how do you see demand levels trending for your customers?

David L. King

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

A

Well, a lot of it on the MSA side, obviously, on the gas utilities and the electric utilities, it's pretty much all driven by MSA work for us. I think we said we had some initiatives underway to improve margin. We did have some favorable closeout on a couple of projects, but we still see the improvement in margins holding for us. We've got some more work to do there in. Our crew productivities have improved and so still feel pretty good about where we're sitting in that space.

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

Brian Russo

Analyst, Jefferies LLC

Q

Hey, just to follow up on the Utility segment, you upped the gross margin target for 2025 to 10% to 12%. I think that was versus the prior 9% to 11%. And I'm wondering, is that a structural shift due to all the initiatives you previously mentioned and that we're kind of seeing a step-up in the sustainability at least 100 basis points at the midpoint for that segment mostly power delivery?

Kenneth M. Dodgen

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

A

Yes, it's exactly what we've been talking about. So, we expected to start seeing that benefit back half of this year and into next year. And based on the strength of this quarter and a lot of initiatives driving that, it looks like we've accelerated that a little bit. And that's given us the confidence to not only be 10% to 12% this year, but sustaining going forward.

Brian Russo

Analyst, Jefferies LLC

Q

Okay, great. And just – obviously, very strong solar revenue and bookings, right, you've increased, it looks like, the full year to \$2.5 billion. How much of that was realized in the first half?

Kenneth M. Dodgen

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

A

How much of renewables was realized in the first half?

Brian Russo

Analyst, Jefferies LLC

Q

Yeah. Out of the \$2.5 billion.

Kenneth M. Dodgen

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

Oh, how much of the \$2.5 billion?

A

David L. King

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

On the top line.

A

Kenneth M. Dodgen

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

About a \$1.4 billion.

A

Brian Russo

Analyst, Jefferies LLC

Okay. And so how does that tie into the \$200 million to \$250 million revenue target I think you had previously for FY 2025 and then the \$300 million to \$400 million longer term annual run rate? And are you seeing any pull forward from the recent OBBB?

Q

Kenneth M. Dodgen

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

Yeah. So, we're upping our expectation for growth this year to about \$300 million to \$400 million from the original \$200 million to \$250 million and there's a chance we may exceed that. On a go forward basis, long term basis, I think we're still targeting that \$300 million to \$400 million range. This year it's a pull forward from – now, there's about \$100 million pull forward from the back half of the year, about \$50 million pull forward from next year to the first half of the year. And really none of it is due to OB3 or to tariffs. It's purely just been to good performance and timing of execution on the jobs.

A

Operator: Your next question comes from the line of Sangita Jain of KeyBanc Capital Markets. Your line is now open. Hello, Sangita Jain or Sangita Jain...

Q

Hi, this is [indiscernible] (00:39:10) on for Sangita.

Kenneth M. Dodgen

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

And you have a question?

A

Q

Hi. Yeah. You've mentioned closeout payments in the Utility segment 2Q. Can you maybe quantify that for us and their impact they may have had on margins in the quarter? Thank you.

Kenneth M. Dodgen

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

Yeah, the main closeouts were with respect to some gas utility projects and they contributed about \$6 million of incremental gross profit during the quarter.

Operator: And your next question comes from the line of Brent Thielman of D.A. Davidson. Please go ahead.

Brent Thielman

Analyst, D.A. Davidson & Co.

Hey, thanks. Good morning, guys. Great quarter. I actually wanted to dive in a little bit more into – obviously margins are great in utilities, but bookings were really fantastic. And wanted to tease that apart a little bit more, what were the big levers in the quarter for that segment?

Kenneth M. Dodgen

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

Hey, Brent. Look, I don't know very specifically really big levers. It was really, it was all MSA driven and it was spread across predominantly power delivery and multiple customers there, but also a little bit in gas and comms. I think what's surprising us is – the main surprise there is not the growth in power delivery bookings as much as it is, if you go back to our Analyst Day last year, we expected low single digit growth in gas and communications. We're now looking at closer to mid single digit growth in gas and communications for both this year and probably next year as well. So, encouraged by the upside that we've seen in both of those areas.

David L. King

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

Yeah, Brent, I'll add a little bit. Obviously, the big spend in the T&D that everybody's talking about, but we're seeing some of our dual service utility companies actually put in some very attractive spending programs on the gas side of their business also. And I think we weren't expecting that to be quite as much of a dramatic spend program. So, that's boosting us also.

Brent Thielman

Analyst, D.A. Davidson & Co.

Okay. And so, this is really absent maybe some of the fixed project, fixed price power delivery projects. I know you guys are pursuing on the smaller side, that really hasn't kicked in here yet. Is that fair?

David L. King

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

That is correct.

Brent Thielman

Analyst, D.A. Davidson & Co.

Okay. And I imagine that pipeline is still relatively interesting. Is there any comments you can make on that and kind of how you could see that – we could see that play out over the next kind of 12 months, 18 months?

David L. King

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

No, the only thing I would say is it's still very robust out there and we're still pretty confident in some of our bookings coming either late Q3 or into Q4 on some of the power gen side. And there'll be nice bookings. And then obviously the funnel for us in 2026 even looks pretty nice also. So, I think we'll [indiscernible] (00:42:30) 2025 with some good bookings in that power side also, on the gas side.

Brent Thielman

Analyst, D.A. Davidson & Co.

Yeah. Okay. And then just on pipeline, I mean, it sounds like we're nearing an inflection here in the business just based on what you guys seem to be seeing going forward. And then I guess part one is maybe there was a thought to manage this around \$500 million in revenue. Does that go away and you're comfortable letting this be a larger business, and two, maybe the size and scale of some of the things that you're seeing in that pipeline, no pun intended, coming down the way here?

Kenneth M. Dodgen

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

Yeah, Brent, look, the short answer is we're going to be opportunistic around pipeline. We're going to scale up. We're not going to let it get out of control. And we are going to always be disciplined in what we bid. And so, yeah, could I see it getting up to \$500 million next year or maybe \$600 million? Yeah. But it's obviously depending on the opportunities and whether we get the ones that we want. [ph] And David can add (00:43:30).

David L. King

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

Yeah. And then Brian, I'll add, we've already picked up a really small one, but it's so small, it's not worth really talking too much about. But it kind of shows you that the gates are beginning to open on some of those and the funnel relative to some of the larger ones that we see are shaping up nicely. Again, I think even last call, we told you and I don't think we have anything really different here that we're seeing. I think it's going to be more of a 2026 play than anything and then into 2027.

Operator: And your next question comes from the line of Joseph Osha of Guggenheim Partners. Please go ahead.

Joseph Osha

Analyst, Guggenheim Securities LLC

Hello. Hello. Good morning. I have two questions. First, it does sound to me on the power delivery side like you're still saying you're going to try and stick with 380-kVA-and-below market. Am I kind of reading your comments correctly or might we see you get after some 765 kVA? And I have one other question.

David L. King

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

Sure. I think you're reading it correctly. We have got some customers that are asking us to do small portions of a 765 kVA for the purposes of maintenance and other storm-related work in the future. But again, we've got plenty of opportunities in those lower voltage ranges. So, I think you're reading that exactly correct.

Joseph Osha

Analyst, Guggenheim Securities LLC

Yeah. And that – obviously I think the concern there had been about getting into a really a bigger high risk project and I'm hearing that's not going to happen. So, that's good and then on the...

David L. King

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

[indiscernible] (00:45:08).

A

Q

Yeah, just wondering, can I think of renewables, obviously it's growing, but is that subsegment maybe perhaps a little bit margin dilutive on that side of the business? Just looking at how the margin trended there in the revenue? Thank you.

Kenneth M. Dodgen

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

Yeah, Joe, I think it was a little bit dilutive for the quarter just because of the weather impacts that I mentioned in my prepared comments, but in general...

A

Joseph Osha

Analyst, Guggenheim Securities LLC

Yeah.

Q

Kenneth M. Dodgen

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

...no, not dilutive at all.

A

Joseph Osha

Analyst, Guggenheim Securities LLC

And is there any just as a follow-up there, I mean, do you guys see any kind of potential for organic improvement in renewables gross margin going forward?

Q

Kenneth M. Dodgen

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

Yeah, we always see opportunity there. And as you know, from in the past, it's usually in conjunction with project closeouts. So, we will always see better margins or almost always see better margins in renewables in quarters where we have more project closeouts, which is not unlike what we saw [ph] a year ago (00:46:11) this time.

A

Joseph Osha

Analyst, Guggenheim Securities LLC

But that's kind of a one-off. I mean, but just more generally, I mean, is there potential for those margins to get better more generically or they kind of are what they are?

Q

Kenneth M. Dodgen

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

A

Oh, I see what you're saying. Yeah, no, they are what they are. We've always had strong margins in renewables. We expect to continue having strong margins, but I don't know that going forward there's going to be opportunity to actually get better than what we've been experiencing.

Joseph Osha

Analyst, Guggenheim Securities LLC

Got it. Thank you very much.

Operator: Your next question comes from the line of Avi Jaroslawicz of UBS. Please go ahead.

Avinatan Jaroslawicz

Analyst, UBS Securities LLC

Hey, good morning.

David L. King

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

Good morning.

Avinatan Jaroslawicz

Analyst, UBS Securities LLC

So, I know we've already discussed the margins in utilities a little bit, but just in terms of your guidance, the midpoint there seems to indicate margins down a decent bit year over year in the second half this year, even excluding some of the benefit from storm work last year. So, I was just wondering if you could share how you approach the guidance for the second half for the Utility segment?

Kenneth M. Dodgen

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

Yeah, look, we had outsized margins in Q2. So, while we still expect to have strong margins in Q3 in utilities, I think sequentially they're going to be down from Q2 as a result of how good Q2 was and some of the one-time items that happened in there. And then of course, sequentially, we're going to be – we're expecting to be down in Q4. Q4, as you know, is always kind of a swing quarter for us. We generally expect it to be down because of seasonality and weather. That it could be just that way this year or could be better than that like we saw in Q4 last year based on weather and the timing of projects.

Avinatan Jaroslawicz

Analyst, UBS Securities LLC

Okay. And then I think you also noted opportunities in fiber for data centers. Just wondering would we see those awards come into the fixed backlog in utilities or would it be in the MSA work?

Kenneth M. Dodgen

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

It'll be in both. It'll be in both. Our communications business is a combination of MSA and project work, on the margin more MSA work than project work. And so you'll see it in both areas.

Avinatan Jaroslawicz

Analyst, UBS Securities LLC

Okay. Appreciate it. Thank you.

Q

Operator: [Operator Instructions] And your next question comes from the line of Adam Thalhimer of Thompson Davis & Company. Please go ahead.

Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

Hey, good morning. Congrats on a strong quarter and it's good to see the stock above \$100 for the first time.

Q

David L. King

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

We would agree with those comments. Thank you.

A

Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

I was hoping to touch on your data center comments. You said you were tracking \$1.7 billion worth of work. What would be the average size or your content within those jobs? Just curious, maybe you can comment on how many projects you see in that space?

Q

David L. King

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

Oh, gosh. Okay. Typically, we're seeing values of the sections that we handle \$100 million and under it. Now, having said that, we may see multiple projects within that one data center. So, we may have more than \$100 million involved in that one data center. But I think we mentioned, we do a lot of different things in those data centers, not – everything outside the box, the power generation, the fiber, the interconnects, everything. So and as far as the numbers of projects, oh, gosh, they're almost – they're not unlimited, obviously, but there's just hundreds if not thousands of those data center things out there for us that we're looking at. So, I don't know if I answered your question or not.

A

Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

Perfect. Yeah. And then...

Q

David L. King

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

Okay.

A

Adam Robert Thalhimer

Analyst, Thompson Davis & Co., Inc.

I was actually going to go to the very next thing you said after that, David, which was the \$2.5 billion of natural gas generation.

Q

David L. King

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

All right.

A

Adam Robert Thalheimer

Analyst, Thompson Davis & Co., Inc.

Can you give a historical perspective around that? I mean, what that was a year ago and six months ago and how that backlog has or how the pipeline has filled there?

Q

David L. King

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

Yeah, let me let Ken on the backlog part. We have been increasing, obviously, because most of the – on the power gen side, not all of them have been data center related. I want to make sure you realize that. I think we talked last quarter that we're working on something like five of them and I think one of them was only data center related at that time. And we are seeing more of the data center, but historically, Ken, I don't know if you have any comments therein?

A

Kenneth M. Dodgen

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

Yeah, sorry, Adam. I don't know what that backlog was a year ago. So it's hard to give you specifics. I can tell you it has definitely grown over the course of the past 12 months. And as David said, we're seeing opportunities around both in and outside of data centers.

A

Adam Robert Thalheimer

Analyst, Thompson Davis & Co., Inc.

Great. I'll turn it over. Thank you.

Q

David L. King

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

Thank you.

A

Operator: Your next question comes from the line of Drew Chamberlain of JPMorgan. Please go ahead.

Drew Chamberlain

Analyst, JPMorgan Securities LLC

Yeah, good morning, guys. Thanks for taking the questions. First one, just kind of want to follow up on the data center trend here. Can you guys try to put into perspective a little bit of like that \$1.7 billion or – so, I guess on that \$1.7 billion, what you think is achievable for you to book this year? And then how should we think about that revenue volume, is that all incremental to like your base plan here or is that work that maybe two years ago you would have thought would have been used for a different application is now transitioning to data center or is that just all on top?

Q

David L. King

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

A

Well, let me start out talking about the \$1.7 billion. Obviously, we're not going to get all of the \$1.7 billion. We have submitted bids and been shortlisted and selected on a good portion of that. I would tell you of that portion that we've been shortlisted on, it's somewhere in the \$400 million to \$500 million. It doesn't mean that we're not going after the rest of it. It's kind of in a staged approach. So, feel good about that work. That work is expected to be contracted by yearend. So, we would expect the funnel to continue to grow in the quarters ahead. I think that should give you enough, Drew, but if not, ask another question there again and I'll see if I can answer it.

Drew Chamberlain*Analyst, JPMorgan Securities LLC*

[indiscernible] (00:52:53) other part being, is that incremental to what your kind of base plan assumed or is this kind of repurposing teams for data center work?

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

No, most of it's incremental to what we'd originally put in our plan last year at our Analyst Day. So, it's great to see that materialize. And as we've talked about before, it touches a number of different parts of our business. Those opportunities around data centers are both in transmission and substation and in fiber and in generation.

Drew Chamberlain*Analyst, JPMorgan Securities LLC*

Okay.

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

And Drew, your comment on repurposing, I'll make this comment. I think we've said before the type of works that we're doing in those data center areas, especially on the power side, our workforce in our industrial segment is very fungible therein. So, it's the same types of work. So, we're certainly not seeing any shortage of the ability to handle those projects.

Drew Chamberlain*Analyst, JPMorgan Securities LLC*

Right. Right. I'm glad I asked. All right, just one more for me. Cash coming in, keeps outpacing cash going out. So I'm just wondering if there's any thoughts on latest capital allocation priorities and maybe just your thoughts on what's changed in the last three months in your mind on how you wanted to deploy cash?

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

Yeah, Drew, really no change at all. We're continuing to focus on working capital improvement. We're continuing to build cash and pay down debt. And then obviously, M&A, positioning the balance sheet for M&A is the next priority and then of course, return of capital. So, we continue to look for M&A opportunities. We continue to focus on paying down debt and growing the business.

Drew Chamberlain*Analyst, JPMorgan Securities LLC*

Great. Thanks, guys.

Operator: And that concludes our Q&A session. I will now turn the conference back over to David King for closing remarks.

David L. King

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

Thank you for your questions and interest in Primoris. We are pleased with our first half results and look forward to carrying this momentum the remainder of the year and into 2026. Thank you. And we look forward to updating you next quarter.

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

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