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MYRG - Q3 2017 MYR Group Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the MYR Group Third Quarter 2017 Conference Call. (Operator Instructions) As a reminder, this call is being recorded.

I would now like to introduce your host for today's conference, Ms. Kristine Walczak. Ma'am, you may begin.

Kristine Walczak - *Dresner Corporate Services, Inc. - SVP of IR*

Thank you, and good morning, everyone. I'd like to welcome you to the MYR Group conference call to discuss the company's third quarter results for 2017, which were reported yesterday.

Joining us on today's call are Rick Swartz, President and Chief Executive Officer; Betty Johnson, Senior Vice President, Chief Financial Officer and Treasurer; Tod Cooper, Senior Vice President and Chief Operating Officer of MYR Group's Transmission and Distribution segment; and Jeff Waneka, Senior Vice President and Chief Operating Officer of MYR Group's Commercial and Industrial segment.

If you did not receive yesterday's press release, please contact Dresner at (312) 726-3600 and we will send you a copy or go to MYR Group's website, where a copy is available under the Investor Relations tab. Also, a replay of today's call will be available until Thursday, November 9 at 11:59 p.m. Eastern Time by dialing (855) 859-2056 or (404) 537-3406 and entering conference ID 2388139.

Before we begin, I want to remind you this discussion may contain forward-looking statements. Any such statements are based upon information available to MYR management as of this date, and MYR assumes no obligation to update any such forward-looking statement. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements.

Accordingly, these statements are no guarantee of future performance. These risks and uncertainties are discussed in the company's annual report on Form 10-K for the year ended December 31, 2016, the company's quarterly report on Form 10-Q for the third quarter of 2017 and in yesterday's press release.

Certain non-GAAP financial information will be discussed on the call today. A reconciliation of this non-GAAP information to the most comparable GAAP measure is set forth in yesterday's press release.

With that said, let me turn the call over to Rick Swartz.

Richard S. Swartz - *MYR Group Inc. - President & CEO*

Thanks, Kristine. Good morning, everyone. Welcome to our Third Quarter 2017 Conference Call to discuss financial and operational results.

I will begin by providing a brief summary of the third quarter results and then turn the call over to Betty Johnson, our Chief Financial Officer, for a more detailed financial review. Following Betty's discussion, Tod Cooper and Jeff Waneka, Chief Operating Officers for our T&D and C&I segments, will provide an industry outlook and discuss some of MYR Group's opportunities going forward. I will then conclude with some closing remarks and open the call up for your comments and questions.

Third quarter 2017 revenues came in strong at $373.5 million, highlighted by our C&I segment that more than doubled as compared to the third quarter of last year. Gross margins in the third quarter improved over the second quarter of this year and backlog remained strong at $701.7 million, an 11% increase over backlog reported last quarter.

Overall, we are pleased with our third quarter results, which reflect improved performance of many of our organic growth initiatives as well as the substantial completion of the 2 projects in the Midwest that negatively impacted our first half results.

Our gross margins improved this quarter as compared to the second quarter of 2017 and we continue to focus on further improvement. Through continuous tension towards operational efficiency gains and anticipating and responding to our customers' needs, we are producing what we believe to be sustainable returns to our business. With our backlog at historic levels, we remain optimistic about the T&D and C&I markets as we head towards 2018.

As Tod and Jeff will talk more about shortly, the industry is very healthy. And with significant bidding activity, especially related to EPC and larger projects, we expect to see more opportunities turning into project awards going forward.

Our strategy remains the same and we are confident that the steps we are taking will help us to achieve our goals of ensuring we are the contractor of choice for our customers, the employer of choice for our workforce and the partner of choice for our suppliers and industry associates.

Now Betty will provide details on our financial results for the third quarter of 2017.

Betty R. Johnson - *MYR Group Inc. - Senior VP, CFO & Treasurer*

Thank you, Rick, and good morning, everyone. On today's call, I will be providing our quarter-over-quarter results for our third quarter 2017 compared to the third quarter of 2016.

Third quarter 2017 revenues were $373.5 million, another record high quarter. This represents an increase of 31.9% quarter-over-quarter. The increase was primarily due to increased spending from existing C&I customers, our acquisition of WPE in late 2016 and an increase in distribution projects.

T&D revenues were $216 million, an increase of 4.6% quarter-over-quarter. The breakdown of T&D revenues was $143.8 million for transmission and $72.2 million for distribution. C&I revenues were a record high for the fourth consecutive quarter at $157.5 million, an increase of $80.7 million or 105% quarter-over-quarter.

Our gross margin was 9.3% in the third quarter of 2017 compared to 12% in the same period last year. The decrease in gross margin was primarily due to lower margins on certain T&D projects due to weather and lower productivity as well as project delays and schedule extensions related to a T&D project in Canada. Changes in our estimates of gross profit on certain projects resulted in a gross margin decrease of 90 basis points in the third quarter of 2017 compared to an increase of 70 basis points for the third quarter of 2016.

SG&A expenses were $23.8 million, a $600,000 increase quarter-over-quarter. This was primarily due to $1.4 million cost associated with our expansion into new geographic markets and higher payroll cost to support operations, largely offset by lower bonus and profit-sharing costs. SG&A as a percentage of revenue decreased to 6.4% for the third quarter of 2017 from 8.2% for the third quarter of 2016.

Other expense was $1.4 million in the third quarter of 2017, primarily attributed to a $1.5 million change to contingent consideration related to margin guarantees recognized on certain contracts associated with our acquisition of WPE, $800,000 of which related to adjustments to amounts recognized in prior periods. We had an income tax provision of $4.2 million in the third quarter of both 2017 and 2016. The effective tax rate in the third quarter of 2017 represented 44.8% of pretax income compared to 40.4% in the third quarter of 2016. The increase in the effective tax rate was primarily caused by our inability to utilize losses experienced in certain Canadian operation.

Net income was $5.1 million or $0.31 per diluted share compared to $6.1 million or $0.38 per diluted share in the third quarter of 2016. Total backlog at September 30, 2017 was $701.7 million consisting of $313.6 million in the T&D segment and $388.1 million in the C&I segment. This represents an increase of $69.2 million or 10.9% from last quarter.

Our backlog is at its highest level in 6 years with C&I backlog at a record high. The previously announced Denver Central 70 project was not included in the third quarter backlog. We expect this project to be added to backlog during 2018 once the contract is finalized.

Turning to the September 30, 2017 balance sheet. We had approximately $1.7 million in cash and cash equivalents, $79.5 million of funded debt, $149.6 million in availability under our credit facility and working capital of $179.8 million. Last quarter, we announced a new $20 million share repurchase program, which expires on August 15, 2018, or when the authorized funds are exhausted. During the third quarter, we purchased 35,338 shares of common stock under our share repurchase program for a total of approximately $800,000.

In summary, we continued our trend in quarter-over-quarter revenue growth, particularly in our C&I segment, which is benefiting from organic and acquisition strategic initiatives. We believe that the fundamental business in markets we participate in are strong and should support improved profitability going forward. We also feel our strong balance sheet and borrowing capacity are sufficient to support our working capital needs, bonding requirements, equipment investment and future growth. This financial strength allows us to continue to execute on our three-pronged strategy of organic growth, strategic acquisitions that further expand our capabilities and prudent capital returns.

I'll now turn the call over to Tod and Jeff, who will provide an overall industry outlook and a view of MYR Group's opportunities.

Tod M. Cooper - *MYR Group Inc. - Senior VP and COO of Transmission & Distribution*

Thanks Betty, and thanks to everyone for joining us this morning.

The increased T&D bidding momentum that we experienced throughout the second quarter continued into the third quarter. And from what we see at this point seems to show little sign of slowing down. Opportunities are present in projects of all types and sizes. This includes transmission, distribution and substation construction as well as numerous EPC projects.

As I mentioned last quarter, large transmission projects are continuing to come to market and several others are working their way through the regulatory process. We believe we are well positioned to pursue these projects due to our success and experience on past jobs, solid relationships with clients and industry partners and our seasoned manpower resources throughout the country. We know what it takes and have what is needed to successfully deliver these types of projects.

We believe the main drivers for the healthy levels of activity in the end markets we serve remain intact. Our clients continue to make record capital investments relative to the integration of new generation resources, the replacement and hardening of aging infrastructure and the implementation of new technology. In particular, many wind-related projects are projected to break ground in 2018, which we believe is being driven in part due to the fact that certain production tax credits are scheduled to expire by the end of 2020.

During the recent Barclays CEP Energy-Power Conference (sic) [CEO Energy-Power Conference], NextEra Energy indicated that their renewable development opportunities have never been stronger. And with continued technology improvements in cost declines, they expect wind and solar to be competitive into the next decade. Many of these wind and solar projects are located in remote regions without the required electrical infrastructure to deliver their generation. Our extensive national footprint, depth of experience and strong established relationships throughout the country will provide opportunity for our operating groups to participate in many of these projects as they come to market.

As previously mentioned, the large transmission market is strengthening. We submitted proposals for a number of large project opportunities in the third quarter and continue to evaluate a number of other opportunities. Industry headlines in the third quarter report momentum for several larger transmission projects, such as PacificCorp's recently announced plans to build 140 miles of new 500kV transmission in Wyoming and Idaho.

This line, along with new 345kV and 230kV infrastructure is part of the overall Gateway West transmission development, which will be built out over the next several years. We have maintained a long history of working with PacificCorp on large projects throughout the West and Pacific Northwest, which we believe provides us a competitive advantage as the various Gateway West project segments come to market.

In addition, one of our long-standing clients, Ameren Illinois, announced they have finalized their proposed route for the Mark Twain Project, which will consist of 100 miles of 345kV transmission line in a new substation in Northeast Missouri. This is an ideal opportunity for MYR due to our history of performing work for Ameren as well as our strong operational presence within the project region.

The SunZia transmission project, a large merchant opportunity in the Western U.S., was granted approval from the Federal Energy Regulatory Commission to allow Pattern Energy to act as the anchor tenant for the proposed 515-mile 500kV transmission line. This represents a critical development towards construction of the project and presents an exciting opportunity for MYR.

Turning now to other utility clients. Several of which continue to make record investments in their electrical infrastructure. Florida Power & Light announced spending $40 billion to $44 billion across all of its sectors in the next 5 years, with $8 billion to $10 billion allocated for transmission and distribution investments. This bodes well for MYR's Florida operations and plans for future growth in the region.

PJM, a regional transmission coordinator, announced that Public Service Electric and Gas, one of PJM's regulated utility companies, plans a $12.3 billion baseline investment through 2021 related to capital expenditures in transmission and distribution, solar and energy efficiency. In July, PJM's Board of Directors authorized more than $417 million in electric transmission projects, which includes improvements and upgrades in areas served by several MYR clients such as American Electric Power, Dominion and FirstEnergy.

We are also very excited about the trends we see in the distribution market. Our crews are busy working on long-term clients or contracts with multiple utilities across the country, and we continue to offer proposals for additional projects. The overall distribution market continues to rebound, driven by ongoing improvement in the housing market, the need to integrate new technology and the ongoing need to strengthen grid reliability.

In closing, we are encouraged by the market conditions present today and all indications which point to a healthy business climate going forward. We also know that as we constantly evaluate, improve and grow our business, we must listen to our clients and respond and deliver according to their needs and expectations.

We remain disciplined in our approach to capitalize on the right opportunities to grow our business by continuing to recruit top people, developing and implementing sound processes and investing in our resources. These attributes will continue to serve as our greatest strength as we prepare for further growth and challenges in the years ahead.

Thanks again for your time today. I will now turn the call over to Jeff Waneka, who will provide an overview and outlook for our commercial and industrial segments.

Jeffrey J. Waneka - *MYR Group Inc. - Senior VP and COO of Commercial & Industrial*

Thank you, Tod, and good morning, everyone. During our last 2 calls, I shared how MYR is positioning our C&I segment to be the trusted go-to source for helping our clients align their budgets with their designs and create the optimal schedule all during the procurement phase of high-tech complex projects. This form of design assist partnering has been gaining ground up for several years. And while few specialty contractors are ready to fully embrace this collaborative approach, this value-added service is what we believe differentiates us from our competition.

At MYR, we're making it our primary objective to expand capabilities in this arena and the results are quite evident, 6 consecutive quarters of record backlog, an expanding client base and solid financial performance. We will continue to leverage our strength as a collaborative contractor, knowing this will continue to bring high-quality opportunities in all our target markets. Let me give you a few examples.

We recently announced that Kiewit Meridiam Partners selected our company to join them as their electrical subcontractor in an exclusive agreement on the Colorado Department of Transportation's $1.2 billion Central 70 project in Denver. KMP involved us nearly a year ago, stating clearly their desire to have an electrical partner who could bring value at the procurement phase. We are proud of this -- to be a part of this exciting and sizable award.

Our C&I segment backlog, which has increased for the last 7 quarters, does not include Central 70 project. C&I segment backlog increased with the award of similar, but smaller design assist projects throughout our company. As I've talked about on prior calls, we continue to see a steady stream of projects in the development stage for transit-related projects in California, Washington and other C&I districts.

Now let's move from ground travel to air travel. Expansion plans have been announced at Denver International Airport. And due to our extensive history at the site and our trusted preconstruction capability, MYR has been engaged to assist our clients in the pursuit of these multimillion dollar projects, planned to break ground in 2018. We see similar opportunities at major airports across Western U.S. and Canada.

Moving to data centers, which are one of our strongest markets. Nearly every C&I district has a data center work in progress, and we are also tracking many new desirable projects. For instance, we're working for our largest data center client in multiple states, and we're heavily engaged in assisting them on projects in the planning stage. What's important to remember is that every data center built leads to years of ongoing maintenance and upgrades. These are mission-critical facilities. Therefore, their loyalty to their expert builders is very strong.

To sum up, MYR's efforts to expand design assist capabilities is creating opportunity on desirable projects across all C&I districts. In addition to the transit projects described earlier, recent awards include casino projects in Washington and Nevada, health care projects in Maine, Colorado and British Columbia and office buildings in Arizona and Colorado. When our teams are able to engage with clients early in the process, trust and common goals get established early and customarily carry throughout the project.

Thanks for your interest in our company. And now I'll turn it back to Rick for a closing statement.

Richard S. Swartz - *MYR Group Inc. - President & CEO*

Thank you for those updates, Betty, Tod and Jeff. In closing, our ongoing prospects for growth are exciting and we believe that the strong market outlook will continue to present us with a solid pipeline of opportunities, which we are prepared to translate into successful projects in the midst of a constantly changing environment.

We continue to raise the bar through ongoing examination and refinement of our strategic and tactical focus. I am confident in our abilities to achieve our goals because we have the right people and teams in place. We understand the importance of attracting, retaining and developing the very best talent to lead the company forward. And I'm proud to be surrounded by such a talented group of people, day in and day out at MYR.

On behalf of Betty, Tod, Jeff and myself, I sincerely thank you for joining us on the call today and for your ongoing confidence in MYR. And I look forward to updating you on our progress next quarter.

Operator, we are now ready to open the call up for comments and questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Tahira Afzal with KeyBanc Capital Markets.

Tahira Afzal - *KeyBanc Capital Markets Inc., Research Division - MD, Associate Director of Equity Research, and Equity Research Analyst*

So I guess, I know dramatically it seems in all the utilities really back up really the strength is coming back in the electric transmission business. You can never tell with all the permitting and all, but any thoughts around when you can see some of these big ones hit your backlog if you had to guess?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

I would say, Tahira -- I'll let Tod add on in a minute. But I would say what we're seeing right now is projects starting to come to the bid phase. So anything that we would receive would probably be in the first quarter of next year with construction starting towards the second half. It usually takes about 6 months for those large projects to really take off once they're awarded.

Tahira Afzal - *KeyBanc Capital Markets Inc., Research Division - MD, Associate Director of Equity Research, and Equity Research Analyst*

So that's actually pretty soon. It's not too far away for you guys.

Richard S. Swartz - *MYR Group Inc. - President & CEO*

No, I think we'll see them started at that point. We're starting to see some come to market. And then, from there on, it's how they rollout and how smooth that rollout is.

Tahira Afzal - *KeyBanc Capital Markets Inc., Research Division - MD, Associate Director of Equity Research, and Equity Research Analyst*

Got it. And obviously, this year on the T&D side, you have seen your margins getting impacted somewhat by all these delays, et cetera. As you look into 2018, obviously we are hoping these nuances will go away. So you should see a gap up in margins. But will these projects, the large ones, head in time do really help firm up margins even more into 2018?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

If they all roll out, hopefully it does. Again, we don't have any control how our competitors bid that or what margins they'll be looking at. But on the positive side, without the large projects, we're starting to see -- or we continue to see a lot of small, midsized projects plus some of these EPC contracts continue to rollout, which should really fill in any gap that would be there as far as what we see right now if the large projects didn't come to market in that time frame.

Tahira Afzal - *KeyBanc Capital Markets Inc., Research Division - MD, Associate Director of Equity Research, and Equity Research Analyst*

Got it. And last question from me. If you really look at what you're seeing shaping up, is it the same scope? Could it have the same potential as the fixed cycle we saw a few years back? Or would that be too optimistic?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

I think it's probably very optimistic to look at anything or maybe too optimistic to look at it like -- with the CREZ -- if you go back in time when the CREZ projects were going, I think you got to kind of level it off from there and not take -- I don't think you're going to see another CREZ happen. During that time, it was just an abundance of work in one area that drew a lot of resources down. What we're seeing is a lot of steady work in many areas. So we're seeing that consistency at work, not just a blip. So I don't see that, that same type, probably margin pressure to go up that we saw during that time, probably more just hopefully steady returns.

Operator

Our next question comes from Bobby Burleson with Canaccord.

Robert Joseph Burleson - *Canaccord Genuity Limited, Research Division - MD and Analyst*

Curious ex the weather impacts what the gross margin might have been in the quarter?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

That's a tough one to get to, and I'll let Betty or Tod add to it. That's a tough because we had some projects that were impacted negatively by the weather, so we had some that the progress you had to stop because the weather down in Texas hit us. So some of those were delayed. We had equipment stranded in those and then we had the upside of the storm revenue that came in during the quarter. Net-net, it's a positive but not really -- when we look at it overall, it's not enough to move the needle a whole lot when you look at it net-net.

Robert Joseph Burleson - *Canaccord Genuity Limited, Research Division - MD and Analyst*

Okay. So most of that margin impacts would still leave lingering effects on certain large projects?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

On certain projects. I wouldn't say it was just large. It happens to be wherever the projects are because you've got to stop and start plus stranded equipment on those. And then, you have the upside on the other side of the storm revenue and more utilization on the equipment is there as far as billable hours in that side. But net-net, like I said, it's a positive, but not a big one.

Robert Joseph Burleson - *Canaccord Genuity Limited, Research Division - MD and Analyst*

Okay. And then in terms of the project mix that you guys talked about in terms of size and duration kind of impacting equipment utilization and mobilization, demobilization. Do you expect that trend to become maybe official at some point with the tailwinds rather than a headwind?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

We certainly hope so. As far as equipment utilization, what I've always said is our equipment utilization was down this year. It's trending in the right direction, but it will be into next year before we really see that back to what I'd call normalized levels. But with the work for capturing our backlog when we take that all into consideration on a weekly basis and we look at our equipment utilization, it's definitely trending in the right direction and we see it being positive into next year.

Robert Joseph Burleson - *Canaccord Genuity Limited, Research Division - MD and Analyst*

And then in the project mix in terms of duration of project size, those factors are more of a tailwind going forward versus where they've been?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

We hope so. I mean, you're always trying to capture new backlog. So the good thing is our company is growing. Along with that, we've always got to capture backlog and try to levelize out those gaps. Large projects always help that in the overall mix. But even without that, the mix of projects we have right now, we see that as something we can hopefully lineup the end of one project to the beginning of the other and continue that trend we saw on this last quarter.

Robert Joseph Burleson - *Canaccord Genuity Limited, Research Division - MD and Analyst*

Okay. And then just one more quick one. Renewables seem to be picking up a lot in what you're talking about just what we're hearing utilities and others talk about. And just curious kind of how big of an opportunity that might be for MYR Group? How significant if there's any way your that you can kind of quantify what you see over the next few years there?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

Well, we see a lot of activity as far as budgeting, as far as potential projects out there. Again, now it's which projects come to market. And our solidified is real projects over the next year, I think that's going to tell a lot. But we see a lot of opportunities, we're meeting with a lot of our customers daily, talking about these projects, providing budgets and moving forward. So it looks like they're in that kind of definite possibility for projects. Some of them are probably going a little higher on that list towards being real projects. But again, which ones get permitted and accepted and then how we play a role in that, we continue to explore.

Tod M. Cooper - *MYR Group Inc. - Senior VP and COO of Transmission & Distribution*

Yes. And as I mentioned, the 2020 date that applies to the tax credits for the renewables is certainly driving. That date is more visible now to many of the merchant builders and people trying to move this renewable generation. So that's where we're seeing an uptick. And as Rick mentioned, we'll see which ones go forward and which ones do not.

Robert Joseph Burleson - *Canaccord Genuity Limited, Research Division - MD and Analyst*

How quickly would they have to green light those projects in order to kind of make that 2020 deadline?

Tod M. Cooper - *MYR Group Inc. - Senior VP and COO of Transmission & Distribution*

It really depends on the size of the project, how many miles of transmission needs to be built. Is it distributed generation where just talking about solar in the location where it can be utilized? So it's all dependent upon the size of the project, but anywhere from starting in 2018 to starting relatively a few months before the 2020 completion date.

Operator

Our next question comes from Andy Wittmann with Baird.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

I had a few questions here. On the projects that took adjustments -- negative adjustments on the quarter, were these the same projects as we'd seen earlier in this year? Or are we on newer projects here?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

Not newer projects, it was primarily the same project. I mean, the Midwest ones were finished up. So Canada, definitely we took about a $700,000 approximately hit on that project for the quarter. The Midwest, there was a really no impacts as far as that goes. Every quarter, though, we do kind of net-net on our overall business talk, give you the results of whether it was a positive or a negative add. So we did have some negative weather impacts in certain areas. And then, we had some positives on the other side.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Yes, the Canada one wasn't new either. That was one you had some issues with...

Richard S. Swartz - *MYR Group Inc. - President & CEO*

Yes, that was existing from before.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Yes, okay. And then, I guess, just on the award outlook. Thank you for going through some of the larger projects that are out there. Your line cut out for all those listening for a little bit. Maybe you talked about the Great Northern project, but maybe you didn't. I just was wondering your update on that one, your level of confidence and your positioning on that one. And maybe I think that one's still waiting for a permit from Minnesota if I'm not mistaken. But if you could just talk about that one as well since I don't you did in the prepared remarks?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

The Great Northern project is -- the bids have been submitted and that's where it stands right now in the transmission segments of that line. We could hear late -- by late November, early December on a word on that, but that's where it stands.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Would you guys need a -- would you need -- is there any other permits that need to be issued before you'd feel comfortable putting that one in your backlog?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

No.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And then just on the storm, maybe Betty. I know you said kind of net-net, Rick, that the storm was just modestly positive for EBIT. But can you quantify the amount of revenue that did come from storm in the quarter?

Betty R. Johnson - *MYR Group Inc. - Senior VP, CFO & Treasurer*

I don't know that we have -- it really is modest. And with the net margins being pretty normal for us, once you net maybe higher margins for storm and offset by some of the negative impacts. But again, that's very difficult to adjust for everything. It's really not -- it hasn't moved the needle that much for us when it comes to this overall storm increase -- the revenue increase.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay, maybe then on cash flow. It looks like you had a pretty large working capital drain on both billed and unbilled receivables. I'm just curious maybe subsequent to the quarter-end, have you seen some of the cash come in? Is there a billed there in claims or change orders that we should be aware of? Maybe you can quantify that for us to understand a little bit about the cash trend that you had from those issues or from that line item in the balance sheet?

Betty R. Johnson - *MYR Group Inc. - Senior VP, CFO & Treasurer*

Yes, part of the cash flow and the debt levels partly is related to the increased volume, right, the working capital needs for our higher level record revenues. And then, terms with respect to billing and receivable payment terms, nothing of unusual. Like that storm work did come in at the end, but it isn't anything that is that significant to impact the overall receivables. But clearly, the storm work was right at the end of the quarter and either just billed or we would start to see in those collections very soon. But nothing -- and you asked about the change orders. Change orders are fairly similar to the -- to our prior quarter levels. One of the biggest ones we talked about was at S&C or the large project in Canada. And from that perspective, that hasn't changed much.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And it looks like receivable days by our calculations is about 67 days. Last year, there were about 60 days. They were about 57 at the end of the quarter. So was -- is there -- is that just normal seasonality then that you're pointing to because even if you normalize for the revenue spike, it feels like it's up a little higher.

Richard S. Swartz - *MYR Group Inc. - President & CEO*

I think one of the things Betty mentioned were the terms with some of our contracts. We do have a few new contracts that have terms that are dependent upon the type of work you get and how long it takes to complete those projects and they're billable at the end of each work order. So we have a couple of very large ones right now that have not finished up.

Betty R. Johnson - *MYR Group Inc. - Senior VP, CFO & Treasurer*

Just in line with the contract terms just change in terms of mix.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

All right. So that speaks to a little bit of the competitive environment then as well. That's a term change. What are you seeing in terms on the T&D side specifically, I guess, I'd be curious about kind of the pricing environment. In the last couple of years, '15, '16, I think we saw a little bit of softness and there wasn't as much demand. With demand picking back up, has the pricing terms -- have they improved slightly in your latest round of bid for T&D?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

I don't know. For a broad statement like that, I probably wouldn't take it across the country. I'd say if you look at some geographic areas, there is definitely some areas that there is more, I guess, movement on margins than we've seen in the past and then there's some that remain very competitive even though there's an abundance of work in that area, those areas people are still striving to get their backlog filled up. So there's not too many areas I've heard anyone say they don't want any more work, but I have seen a few areas with increased margins.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

All right. I'm going to do one more just on the buyback. It wasn't a lot of stock in the quarter, but it was at a different price point than you guys had previously been in the mid-20s. I guess I wanted to get your commentary and your thoughts around stock repurchase that was executed in the quarter. And if this is after not using it in the last few quarters if your return to the market here is signaling anything or not signaling anything, but what was your thought process about buying the stock in the quarter at that level versus skipping the prior couple of quarters at a little bit lower level?

Betty R. Johnson - *MYR Group Inc. - Senior VP, CFO & Treasurer*

Well, our stock buyback program as we mentioned last quarter with the new program that came out, our grid was not that significantly changed. But as you know, the stock price had gone down. So it -- we bought back this quarter, the 35,000 shares at an average price of the $23.86 as we show on our 10-Q. Besides for that, we have the typical LTIP kind of stock purchases. But the stock repurchase program itself was in line with our historical board authorized grid and it really related to the price in the market.

Operator

Our next question comes from Noelle Dilts with Stifel.

Noelle C. Dilts - *Stifel, Nicolaus & Company, Incorporated, Research Division - VP and Analyst*

So I was a little bit late to the call, so I apologize if you guys have addressed any of this. And feel free to tell me just to read the transcript. But -- so C&I performance has been impressive particularly given what I would say we're hearing some concerns that the non-res market could be slowing. So I was hoping you could give us some more thoughts on how much of the growth you're seeing is coming from just the core kind of legacy Arizona and Colorado markets versus some of your more recent greenfield expansions. And then on top of that, are there any particular verticals where you're seeing strength? I know you talked about DIA and airports, but anything else sort of notable there?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

Noelle, we're seeing a lot of growth in those legacy markets, that's true. And the legacy markets have been somewhat impacted in prior quarters from the organic startups. Now we're seeing backlog in those organic areas, and so we're really offsetting that drain on some of those margins with good work in the new areas as well. So it's a pretty robust market across the board. We're -- among others, I didn't list that we're seeing wastewater grow dramatically in manufacturing seeing opportunity there as well, so quite a diverse market growth where we're at right now.

Betty R. Johnson - *MYR Group Inc. - Senior VP, CFO & Treasurer*

And then I'd just add, in addition to that, we have the acquisition. We talked about the organic growth. This is the quarter that we have WPE. It wasn't in there last year.

Richard S. Swartz - *MYR Group Inc. - President & CEO*

And from an organic growth standpoint, I would say, we're seeing some positive results out of a few of the areas that we've done. Some are still a draw. They're still a draw on us a little bit, but we see opportunities there. So we're continuing to move forward. Previous quarters I've said we wanted to make sure that the revenue they were receiving would cover their overhead by year-end. We're on track for that. It's still trending that way. But a few of the areas are above where we thought they would be and a few are behind a little bit. But net-net, we hope to have that revenue covering their cost by the end of the year.

Noelle C. Dilts - *Stifel, Nicolaus & Company, Incorporated, Research Division - VP and Analyst*

Great. And then, we've been hearing generally about just tightness in labor that's serving the non-res market kind of across the board. What are you guys seeing on that front? Are there any issues finding the right folks with the right skills to do the job? And then are you seeing in C&I any real improvement in pricing?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

Well, I'll answer the labor market issue first and it's regional. It depends on where you are. There are some locations where it's tough to get the crews that you need, and so we have to be very careful about what we go after in those areas. And other areas, there's plenty of folks to do the work. So we're just watching it area by area. Margin improvements, because there is an abundance of work, there are better opportunities. We could be a little more selective in some of the work that we pursue. So we're starting to see some improvements in the type of work that we chase and our ability to improve those margins.

Noelle C. Dilts - *Stifel, Nicolaus & Company, Incorporated, Research Division - VP and Analyst*

Great, that's helpful. One last question, just shifting over to the T&D side. Last quarter, I think you talked about maybe pursuing some recovery on that Canadian project where there have been issues. How are you thinking about that now just in terms of the potential for recovery of some of these costs?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

It hasn't changed a lot from last quarter. I mean, we're pretty well on track, as I said, finished the job under the new schedule. We're substantially complete right now, down to just a few people doing what I'd call punch list and a few final items on the project. And then, we continue our discussions with the client. And we have those discussions every week. We have formal meetings with them a couple times a month, and we'll see where it -- what it develops into and whether we end up pursuing a claim or we come to a settlement before we have to go to that stage, but we are pursuing all avenues.

Operator

Our next question comes from Jon Braatz with Kansas City Capital.

Jonathan Paul Braatz - *Kansas City Capital Associates - Partner & Research Analyst*

Rick, is there a metric you can provide us in terms of equipment utilization? What it sort of stands like this year versus last year? And if the trends continue, what it might be able to move towards in next year?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

No, we do not provide that. We tell people it's trending in the right way. It is trending in the right way. It is something -- with the mix of our work, I personally like the mix we have right now and where it's headed. But again, we've always got to replace that backlog and keep going, but we don't disclose utilization to the market.

Jonathan Paul Braatz - *Kansas City Capital Associates - Partner & Research Analyst*

Okay. And Betty, obviously, you weren't -- your tax rate was up in the quarter and you weren't able to utilize the losses in Canada. What is the outlook going forward in terms of Canada and the profitability in taking advantage of the losses?

Betty R. Johnson - *MYR Group Inc. - Senior VP, CFO & Treasurer*

Right now, when it comes to the Canadian operation, Rick just mentioned that, that job is coming to a close. And it all depends on the final negotiations. Clearly, we go through that process of estimating our -- what we think is the most probable -- at least what we can recognize as most probable so our anticipation is not to continue with any significant losses, otherwise we would have had to have recognized them already. And so that shouldn't be a draw when it comes to the rest of the Canadian project. I don't know of anything else to add when it comes to those Canadian operations. We shouldn't see as much of a tax -- effective tax rate impact as we did in the first half and this last quarter.

Richard S. Swartz - *MYR Group Inc. - President & CEO*

Yes, and we continue to pursue work in Canada. We do have other project going up there on the T&D side, so it is something we continue to pursue. But again, that market is still pretty tight as far as how people are going after work and how they're attacking at the locals up there I would say and the local companies. So we continue to evaluate that. And again, as with all our projects, we really try to understand our cost upfront as we bid these and then put a fair markup on it. It's been very competitive in Canada over last year.

Betty R. Johnson - *MYR Group Inc. - Senior VP, CFO & Treasurer*

Yes, just to kind of close that to the extent that there was just -- as you're asking about the future use of it to the extent that there were pretax gains, we'd be able to utilize those previous losses so that would be beneficial to our tax rate.

Operator

(Operator Instructions) And we have a follow-up question from Tahira Afzal with KeyBanc Capital Markets.

Tahira Afzal - *KeyBanc Capital Markets Inc., Research Division - MD, Associate Director of Equity Research, and Equity Research Analyst*

So just to follow-up on -- in T&D margins again. If I was to mix out a lot of the nuances we have identified over the last 3 quarters, it seems like they contributed over 100 basis points plus maybe in terms of an impact. So I guess, as I look out to 2018, if I lay those on and to the extent you get the projects maybe in the early half of 2018, can you see your margins sort of picking back up for that segment back in the 7% range?

Richard S. Swartz - *MYR Group Inc. - President & CEO*

That's certainly our goal to get those margins back up. It comes down to the consistency of work and what we capture in backlog. And again, we focus on our cost, we really try to understand our cost of doing these projects and then put what we consider a fair markup on it and move forward. On some of them we see -- in some areas, we see a little more competition than we would like. And in other ones, I think we got a little more freedom. So yes, Tahira, that's our -- definitely our goal to get our margins back up. We're not happy with the levels they've been in any way, shape or form. We're not happy with those. So we are driving to get those margins up.

Operator

And I'm not showing any further questions at this time. I would like to turn the call back over to the speakers for closing remarks.

Richard S. Swartz - *MYR Group Inc. - President & CEO*

Thanks to everyone for participating on today's call and for your continued support of our company. I don't have anything further. We look forward to working with you going forward and speaking to you again on our next conference call.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.