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Q4 2020 MYR Group Inc Earnings Call

EVENT DATE/TIME: MARCH 04, 2021 / 3:00PM GMT

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PRESENTATION

Operator

Good morning, everyone, and welcome to the MYR Group Fourth Quarter and Full Year 2020 Earnings Results Conference Call. Today's conference is being recorded. At this time, for opening remarks and introductions, I would like to turn the conference over to David Gutierrez of Dresner Corporate Services. Please go ahead, David.

David E. Gutierrez ***Dresner Corporate Services, Inc. - Head of PR Practice and SVP***

Thank you, Michelle, and good morning, everyone. I'd like to welcome you to the MYR Group conference call to discuss the company's fourth quarter and full year results for 2020, which were reported yesterday.

Joining us on today's call are Rick Swartz, President and Chief Executive Officer; Betty Johnson, Senior Vice President and Chief Financial Officer; 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 Corporate Services at (312) 726-3600, and we will send you a copy, or go to the MYR group website, where a copy is available under the Investor Relations tab. Also, a replay of today's call will be available until Thursday, March 11, 2021, at 1:00 p.m. Eastern Time by dialing (855) 859-2056 or (404) 537-3406 and entering conference ID 9190145.

Before we begin, I want to remind you that this discussion may contain forward-looking statements. Any such statements are based upon information available to MYR Group's management as of this date, and MYR group assumes no obligation to update any such forward-looking statements. 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, 2020, and in yesterday's press release.

Certain non-GAAP financial information will be discussed on the call today. A reconciliation of these non-GAAP measures to the most comparable GAAP measures 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 & Director***

Thanks, David. Good morning, everyone. Welcome to our fourth quarter and full year 2020 conference call to discuss financial and operational results.

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

We finished 2020 with a strong financial performance in the fourth quarter and full year revenue of $2.25 billion, setting a record high for the sixth consecutive year. Our backlog of $1.65 billion at the end of 2020 reflects continued investment in energy and infrastructure projects and positions us well for success in 2021.

In 2020, our T&D and C&I segments experienced strong bidding and project activity amid unique market conditions. Throughout 2020, we emphasized our ability to adapt, while meeting client needs and keeping our team members safe in response to the COVID-19 pandemic.

As we look at market trends, some utilities have committed to transition to 100% clean energy or setting net zero carbon emission goals. This clean energy transformation should result in change within our customers' business models and will require significant infrastructure investments to meet these goals. Our strategic investments in growing our renewable energy capabilities positions us well today and in the future to support the changing needs of our customers.

Our C&I segment continues to be fueled by investments in infrastructure to support health care, data centers, warehousing and water projects. The expansion of e-commerce in response to the COVID-19 has resulted in continued investments in warehouse and distribution facilities. Our ability to conduct complex critical infrastructure facilities creates an opportunity for us to capitalize on these market trends.

Our T&D and C&I segments continue to build on our strong capabilities to meet the diverse needs of our clients in these areas and position us favorably for significant opportunities in 2021 and beyond.

MYR Group's consistent performance has built lasting customer relationships across the industry. We are focused on gaining deeper insights into our customers' business to strengthen relationships, develop innovative solutions and differentiate our services. We continually leverage the ingenuity and passion of our team members to elevate the safety, quality and cost competitiveness of our project delivery.

We believe MYR Group is well positioned to maintain our status as a leading company in the industry, and we are proud of our fourth quarter and 2020 full year performance, which we expect to serve as a solid foundation to future growth opportunities and continued stockholder value.

Now Betty will provide details on our fourth quarter and full year 2020 financial results.

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

Thank you, Rick, and good morning, everyone.

On today's call, I will be reviewing our quarter-over-quarter results for the fourth quarter of 2020 as compared to the fourth quarter of 2019.

Our fourth quarter 2020 revenues were $608 million, a record high. This represents an increase of $36.9 million or 6.5% compared to the same period last year.

Our fourth quarter T&D revenues were $318.6 million, a record high for our C&I segment, with an increase of 2.4% compared to the same period last year. The breakdown of T&D revenues was $207.8 million for transmission and $110.8 million for distribution. The T&D segment revenues increased primarily due to an increase in revenue on distribution projects, which include an increase in storm work, partially offset by a decrease in revenue on transmission projects. Approximately 50% of our fourth quarter T&D revenues related to work performed under master service agreements.

C&I revenues were $289.4 million, with an increase of 11.3% compared to the same period last year. The C&I segment revenues increased primarily due to increases in volume associated with CSI acquisition, partially offset by slowdowns associated with the COVID-19 pandemic.

Our gross margin was 12.6% for the fourth quarter of 2020 compared to 12.1% for the same period last year. The increase in gross margin was primarily due to increase in higher margin and storm-related work, successful change order negotiations and better-than-anticipated productivity on certain projects. These improvements were partially offset by labor inefficiencies as well as unfavorable settlements on certain projects.

SG&A expenses were $50.8 million, an increase of $2.7 million compared to the same period last year. The increase was primarily due to higher employee incentive compensation costs and other employee-related expenses to support the growth in our operations.

Fourth quarter 2020 net income attributable to MYR Group was $18.2 million or $1.07 per diluted share, both record highs for MYR, compared to $12.8 million or $0.76 per diluted share for the same period last year.

Fourth quarter 2020 EBITDA was $37.2 million, representing a quarterly record high for MYR. Total backlog as of December 31, 2020, was $1.65 billion and was 10% higher than a year ago. Total backlog as of December 31, 2020, consisted of a record high for our T&D segment of $753.9 million and $895.5 million for our C&I segment.

Moving to liquidity in our balance sheet. We had approximately $193.3 million of working capital, $29.4 million of funded debt and $364.6 million in borrowing availability under our credit facility as of December 31, 2020.

We have continued to focus our strengthening our balance sheet, improving our free cash flow. Free cash flow came in strong for the period at $29.7 million and was a record high $130.8 million for the trailing 12 months.

Our funded debt-to-EBITDA leverage has improved since our CSI acquisition, improving from 1.85 as of September 30, 2019, to 0.2x leverage as of December 31, 2020.

We believe that our credit facility, strong balance sheet and future cash flows from operations will enable us to meet our working capital needs, equipment investments, overall growth initiatives and binding requirements.

In summary, we had improvements this quarter in revenue, gross profit, net income, earnings per share, EBITDA, free cash flow, funded debt-to-EBITDA leverage and backlog compared to the prior year. Additionally, in our fourth quarter 2020, we set a new record high for revenues, net income, earnings per share and EBITDA. This strong quarter also enabled us to reach record annual revenues of over $2.2 billion, with record highs in both our T&D and C&I segments. For the year ended December 31, 2020, we also reached record EBITDA of over $132 million, and as previously mentioned, a record high free cash flow of over $130 million. Our 2020 earnings per diluted share also reached a record of $3.48, an increase of 54% from the full prior year.

I will now turn the call over to Tod Cooper, who will provide an overview of our Transmission and Distribution segment.

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

Thanks, Betty, and good morning, everyone. Our T&D segment performed well in 2020, and we maintain a positive outlook for 2021 and beyond. In 2020, we executed on a range of smaller to mid-sized projects, with some notable larger projects included in our portfolio. Our bidding activity and success rate resulted in a strong backlog, with continued growth in EPC, master service agreement and renewable energy opportunities, which remains a focus area for growth in MYR Group.

In its Annual Energy Outlook 2021, the U.S. Energy Information Administration projects that the share of renewables in the U.S. electricity generation mix will increase from the current 21% to 42% in 2050. MYR Group recently surveyed executive leaders from more than 20 of our top T&D customers in our annual strategic insight survey. 80% of those surveyed said renewable energy would have the greatest impact on the strategic direction of their business over the next 3 to 5 years. MYR Group is uniquely positioned to offer customers a full range of capabilities to build renewable energy generation facilities and the associated infrastructure needed to deliver it to the grid. Our MYR Group Energy Services team is currently constructing the Battle Mountain solar project in Nevada. Battle Mountain is a 132-megawatt solar facility, coupled with 100 megawatt-hours of battery storage. MYRE is providing EPC services and self-performing nearly all scopes of work in the field. The project is being constructed for Consolidated Edison, Inc. and is expected to be completed midyear 2021.

Aging grid infrastructure also remains an industry issue that presents opportunities to support critical customer needs. The demand to modernize the system is being driven by goals to achieve a clean energy future, integrate innovative technologies, harden systems for storms and improve overall system reliability. As a result, the industry has seen significant construction investments, including full replacements, equipment automation, line and substation upgrades and system hardening. This is evident in that AEP's 5-year capital expenditure forecast includes more than $10 billion for distribution grid modernization. And Xcel Energy's 5-year capital plan calls for more than $7 billion in transmission and distribution investments. According to our insight survey, this represents only a fraction of the system upgrades that will need to take place in order to completely modernize the grid, and MYR Group is well positioned to be a strong partner to help customers plan and execute system-wide improvements in the coming years.

Across the United States, MYR Group has had significant impact through our projects and opportunities. And we continue to work on multiple long-term alliance agreements in several small to medium-sized projects. During the fourth quarter, our subsidiary, Harlan Electric, successfully completed the Rochester area reliability project in Upstate New York and the Hartford reliability project in Connecticut. Bidding remains strong in these small to medium-sized projects, and we continue to work with our clients in their efforts to develop larger projects.

In summary, we continue to invest in our market leadership position to expand and develop our customer base as we believe there are abundant opportunities for sustained growth in the T&D market. We will continue to raise the bar by devoting our energy and resources to doing what it takes for the successful future of MYR Group.

I will now turn the call over to Jeff Waneka, who will provide an outlook on our Commercial and Industrial segment.

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

Thanks, Tod. Good morning, everyone.

2020 proved to be an interesting year in the C&I segment as we adapted to the myriad of COVID-related disruptions and project resequencing. Our C&I fourth quarter and full year results mostly mirrored the general economic conditions we faced as we work through -- work with our clients through a bumpy business climate. As we enter a new year, we will continue to monitor and adapt to project protocols that vary from project to project and state to state, with a heightened focus on teamwork and increased operational efficiency.

Throughout 2020, we provided our clients with exceptional customer service and are now seeing some exciting pockets of opportunity in the markets we serve. Early in the pandemic, we anticipated that our primary markets may be somewhat less vulnerable to economic slowing, including health care, data centers, transportation, renewable energy and water projects. Today, our view has been confirmed as we pursue multiple opportunities in each of these market sectors.

Large health care projects typically involve a long time line from concept to a completely operational facility. And we believe that based on the number of opportunities we see in the pipeline, the fundamental need for new facilities has not changed. Our district offices across the country are engaged in pursuits of all sizes, from small, medium and large expansions, to new greenfield facilities. We are currently under Phase 1 contracts on several projects to assist our clients through the design process, which typically leads to the receipt of Phase 2 contract a few months later for construction of the project. Health care facilities are complex and require highly skilled and trusted professionals to coordinate high-tech solutions in tight spaces. The same holds true for commercial and institutional facilities dedicated to research and development. MYR Group provides a trusted proven group of skilled labor and management experts to serve the demands of this sector. Recent awards to assist our clients on the design development for new research facilities leads us to believe that the health care and research industries will continue to provide growth opportunity for years to come.

High-tech data centers remain a major focus for many of our district offices, with notable opportunities in Arizona and Colorado. Trusted relationships with long-standing clients lead to early engagement, many times before the project hits the open market, thus allowing our project team to develop collaborative solutions that benefit the owner during the early stages of design and project planning. Once these projects are built, we typically establish long-term maintenance contracts and remain on site for nearly constant upgrades and expansions. The pandemic has changed a lot about how we interact with each other, and the nation's increasing demand for computing power, data security and e-commerce should continue to provide significant opportunity in 2021 and beyond.

Much like the health care industry, civil projects, including roadway, airports, tunnels, rail and water projects, have long lead times with well-established funding mechanisms, commonly through multiyear capital improvement plans and dedicated bonds. Many of the large civil projects we have tracked across the country continue to advance toward procurement. For us, this is especially true along the Pacific Coast in both the U.S. and Canada, where new modes of transportation have been in development for many years.

Our efforts to share the collective experience of our subsidiary companies is expanding our opportunity and increasing our efficiency in executing these projects. The Central 70 project in Colorado, awarded in early 2018, is a very complex, multi-phased project that is progressing as planned and is one example of the highly collaborative effort required to successfully complete these massive public projects. In addition to the transportation projects already in the pipeline, we anticipate that the changes in Congress and President increase the likelihood of a meaningful transportation and infrastructure bill.

We are encouraged to see the major indices, such as The Architectural Billing Index and the Dodge Momentum Index, slowly trending back upward throughout the year. Our pipeline remains intact. Bidding remains active. And we continue to see attractive opportunities in the markets we serve.

To conclude, the performance achieved by our employees throughout a unique and challenging year was admirable. Their continued dedication and outstanding efforts provided consistent results, while improving the services we provide in numerous ways. As the headwinds from the pandemic continue to fade, our efforts to strengthen our capabilities will provide greater opportunity for years to come.

Thanks, everyone, for your time today. I'll now turn the call back over to Rick, who will provide us with some closing comments.

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

Thank you for those updates, Betty, Tod and Jeff.

Our fourth quarter and full year 2020 performance demonstrates our agility and the strength of our business strategies. MYR Group is recognized as an industry-leading partner, which provides us a strong foundation to capture new opportunities and grow our business. I am confident in our ability to successfully navigate the ever-changing landscape of this industry. Our success in 2020 is the result of our team of dedicated and talented people, whom I'd like to sincerely thank. I would also like to extend a thank you to our customers for their continued trust and our stockholders for your ongoing support. I look forward to working with you to continue our success in 2021 and beyond.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Andrew Wittmann with Baird.

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

Great. I was just wondering, Rick, if you could talk a little bit more about the renewable energy opportunities. It sounds like MYR is capitalizing on them pretty well in the marketplace today. But you mentioned in your script that you're continuing to make some investments there. I was wondering if you could elaborate a little bit on the types of investments that you are making or maybe need to make to take advantage of the renewable opportunities in the future.

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

Sure. Since the early 2000s, we've been investing in resources to chase this work, so putting teams together. Various divisions across our company have chased renewable work, whether it be wind, solar or geothermal or anything associated with it. And then as we've done our acquisitions, whether it's ESB, Huen, CSI, they've all had a renewable or a solar component to them. So that's just additive to what we've already been building in our company. And then this year, we rebranded MYR Transmission Services to be MYR Energy Services, which is really our leg that changes -- that chases renewable, both on the transmission front and project-specific delivery front. So it's something that we continue to invest. We brought some great talent in over the last few years. And we see this as a really a growing market for our company.

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

Great. Betty, I wanted to see if I could get you to help us a little bit on the quarter and understanding it a little better. As always, you have some good projects. You have some projects that have some inefficiencies, and you always kind of mention that. But I was wondering if by just looking at the segment performance this quarter, the margins were obviously very good in the transmission side. They were down sequentially a little bit in C&I. I was hoping, could you maybe confirm or comment a little bit on, did you have some inefficiencies more heavily on the C&I side of the business that led to that margin performance? And then can you talk about if there are any positive benefits on a percentage-of-completion accounting adjustments on the T&D side? And how much the storm revenues and then the margin from those revenues contributed to the strong margin performance in T&D? Anything to help context the performance in the relative segments, I think, would be helpful for us all to understand.

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

Yes. I can do that. Yes. When it comes to the first part of the inefficiencies on the C&I side, yes, there were a couple of jobs that we've talked about in earlier -- throughout 2020 that we've been working to close out where we were impacted. And this quarter, there was -- as we were closing them out, there was some adjustments in -- like including a job that had final closeout settlements. And the good news is, at least for that job, it was closed out. So that did bring our margins down to the 2.5% level that -- lower than typical. But when we take those away, we get us back into our 4% to 6% range that we've quoted just as a result of those couple of projects we're referring to in our overall commentary.

And when it comes to T&D, although there's always pluses and minuses in margin adjustments in T&D, a majority of those adjustments, I'd say, were closer to netting. We did have some benefits from, as we mentioned, the storm work, and then some negotiations with clients. And we have some jobs that throughout 2020 had a higher margin, just overall higher margin work.

Now having said that, we're not saying that our 11% quarterly segment margins is something to rely on going forward as we always strive to get into that level. But there's definitely items in the quarter that led us to a higher percentage.

Rick, do you have anything else to add to that?

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

I'd say when you -- and Betty, you summed it up well. I think when you look at the storm revenue, the execution pickup and the change order side on the T&D side, it really -- that taken us above that 9% to 10%. That is kind of split between those 3 groups pretty even. So if I look at those 3 areas of pickup, that was pretty even. There's not one that stands out really above the others. And then as you said, on the C&I front, it was really coming to final negotiation on a couple of change orders on some projects that negatively affected us and carrying those projects at slightly lower margins until they've completed.

Operator

And our next question comes from the line of Sean Eastman with KeyBanc Capital Markets.

Alexander David Dwyer ***KeyBanc Capital Markets Inc., Research Division - Associate***

This is Alex on for Sean. So we picked up on some commentary around large transmission projects in your 10-K, saying that large projects awarded in the second half of the year could start construction in 2022. I guess what's your level of confidence that these larger-sized projects get awarded in the second half of this year? Or do you think there's still risk that these continue to push out further?

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

I think there's always a risk that they continue to push out. I mean every time we think some of them are there and they're finalized, the permitting gets delayed a little bit. The starts might get pushed out. But again, we're seeing activity there. We're seeing good movement. It's really just through those little nits and nats get it held up in permitting or that final approval. And for the most part though, I'm happy to see the projects moving forward, at least budgeting and pricing going out. So Tod, anything to add on that?

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

No, Rick. We did announce in previous quarters the Marcy-New Scotland award, and that one is getting underway now. And we continue to monitor and work with clients, as I mentioned, on several other projects that are in development. It's most likely that will remain in development throughout 2021 in order, and we're hoping to see some construction activity thereafter. So...

Alexander David Dwyer ***KeyBanc Capital Markets Inc., Research Division - Associate***

Got it. That's helpful. And then with the C&I backlog being down double-digit year-over-year, is that a good way to think about C&I revenues next year? Or does the bid pipeline kind of support some backfilling in the coming quarters?

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

We certainly hope it supports some backfilling. It's really -- does the economy pause a little bit, and do some of these developers pull back a little bit? We're still seeing an active bid market. I mean, Tod -- or Jeff talked a lot about some of the opportunities out there that they're seeing, whether it be health care, data centers, e-commerce type stuff. Lots of opportunities. But does somebody pull back a little bit, pump the brake a little bit based on what's going on? We haven't seen it yet. But could it happen? Yes. And then again, I want to remind everyone that we always talk about backlog as being lumpy. It's something we don't control when a contractor -- when we're going to receive a contract. And we're going to do everything we can to make sure we have the right contract in place, so it may take us longer to negotiate it. We're not worried about getting it in there for quarter end. We're worried about having the right contract that's beneficial to us. So again, it's going to be lumpy. So I really don't weigh our backlog into -- too much into future quarters. It's really the active bid market and what we're being awarded out there. And we're still seeing that as active today.

Jeff, anything to add on that?

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

Rick, I think that's a good summary. We had 9 straight quarters of strong backlog growth prior to the COVID pandemic. So there has been no doubt some leveling, but still feel good about what's in our backlog and feel that there are things remaining active. So hoping that things continue to pick up.

Operator

And our next question comes from the line of Noelle Dilts with Stifel.

Noelle Christine Dilts ***Stifel, Nicolaus & Company, Incorporated, Research Division - VP & Analyst***

Congrats on good performance in this tough environment. I have a couple of questions. Well, first, on solar. It's a little bit multipart. But I was hoping you could touch on -- just because there have been, I think, a lot of new entrants have talked about the opportunity in that market. Could you speak to what you believe are some of the key competitive advantages you have in the solar market?

And second, I was hoping you could kind of talk about how we should think about the margin profile of that type of work relative to some of the more legacy T&D work that you do. And finally, like what you think is really important in terms of being able to achieve success there and hitting margin targets.

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

Tod, do you want to take that? You're on mute. Tod? Okay. Sorry about that. Tod's talking, but something happened to his phone here. So I'll go ahead and take that one.

When you look at the opportunities we have out there, it just continues to grow. And I think, as you said, all our competitors are saying the same thing. Our competitive side is we work for -- a lot of this is utility-grade solar. So a lot of it has to do with either our clients changing or our developers coming in and trying to do that level, which gives us that connection back to the utilities that they're doing the work for. We're seeing those margins be on the upper side right now of what our T&D expectations are. So we always talk about that 6% to 9%. We see that on the upper end of the availability for what we can make there. So we see it as a positive market. We've been growing that market out. We picked some talent up over the years that have been doing solar for a long time to add to our current resources that have always done solar and renewable energy. So again, it's a good growth market for us. We're going to continue to invest in it. And the opportunities are really strong. I mean when we look at projects that we're chasing out there, they don't just go into 2022. They're -- we're budgeting projects that are 2023, 2024, and we see it as a growing market for us.

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

Yes, Rick. And also, I believe that our ability to provide that full service is really a key from the -- the utility-scale generation, to the battery storage, to the infrastructure required to get that stuff to the grid. So we're able to provide that full service to our customers as well.

Noelle Christine Dilts ***Stifel, Nicolaus & Company, Incorporated, Research Division - VP & Analyst***

Okay. Great. And then second, just looking at your T&D margins. They've -- if you kind of look through some of the adjustments, I would say that if you look at 2020 and even late 2019, it just -- it feels like things have sort of stepped up a level. Could you speak to maybe some of the changes or efficiencies that you've implemented that have kind of helped you to move up margins in that division? And how we should think about the sustainability of these higher margins moving forward?

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

Well, first off, as Rick mentioned, there was kind of a threefold increase to the margins that resulted from the efficiencies, the storm work as well as the -- getting the favorable settlements on some change orders there. That did drive it up slightly higher than what we consider the acceptable numbers. But overall, we've worked really hard on the T&D side and the C&I side on project management. And we brought lot of talent into the organization centered around project management. And we've developed some internal programs for training, not only from project management but technical training in the field and improving the skills of their employees at all levels. So we think we're seeing the benefit of that. That typically takes a couple of years to get that into place, get it running and then seeing the results of it. And I think in 2020, we started to see the results of these programs that we put in place as well as the talent that we brought in and in utilizing best practices across the country. I think the improvement in the technology in itself and almost the force -- the fact that we had to force the use of technology through this COVID crisis enabled us to strengthen our communication skills across the country. And I think that's another added benefit that helped drive the margins in 2020.

Operator

(Operator Instructions) And our next question comes from the line of Brian Russo with Sidoti.

Brian J. Russo ***Sidoti & Company, LLC - Research Analyst***

So we've -- there's been a lot of discussion around Texas with the cold weather recently and the need to upgrade infrastructure, whether it's generation or T&D. Batteries and energy storage has been brought up as one solution. Can you just discuss what your presence is like in Texas? Maybe example of projects you've worked on in the past? Any customer relationships you might have? And then maybe just in general, your competitive advantages in that market opportunity, which may be more near-term than, say, some of the longer development-type transmission projects that you're involved with.

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

Yes. Our presence in Texas, that as representative of our presence throughout the United States, being a nationwide contractor. Texas, obviously, a big state, a lot of people, a lot of utilities. And we do have a couple of master service agreements in Texas with some key clients, that being CenterPoint and enCore. And there's long-standing relationships that we work on every day. They're important to us, and we stay very close to those clients. And we performed -- we're pretty diverse with each and every one of them doing distribution, transmission and substation work. So in addition to that, there's always going to be some renewable energy opportunities. We've hit on those in the past in West Texas. And there is a lot of discussion right now. You're exactly right around solar and generation, obvious discussions as a result of what took place a few weeks ago, and we're monitoring those. It's an extremely recent event right now to really make any projections on. But the end result of that could be -- it's certainly going to be some grid reliability and some grid strengthening.

Brian J. Russo ***Sidoti & Company, LLC - Research Analyst***

Okay. Great. And also on the T&D side, what's your thoughts on offshore wind? We've seen some extremely large project announcements in the Mid-Atlantic, off the coast there, as well as up in the New England area.

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

We see that as a growing opportunity for our company. I think it's more of the bringing the stuff onshore than it is doing the specialized cable placement in the ocean or that kind of stuff. That's usually -- there's companies that specialize in that side of it and do that. For us, it's really getting that infrastructure, the cables in, in onshore and everything that's associated with that, whether it be substations or whatever. So we've done that side, and we see that as a growing business. But that's, I think, part of what gets us excited about the T&D market overall as all these kind of new additions that are coming in, whether it's just solar sites, batteries or offshore wind.

Brian J. Russo ***Sidoti & Company, LLC - Research Analyst***

Okay. Great. And then just back on the fourth quarter. The C&I revenue, up 11.3%. You mentioned higher volume from the CSI acquisition. Is my understanding that acquisition closed before the fourth quarter? So was a lot of that volume growth organic? And what's driving that?

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

I'll start and let Jeff add to it. I think when we look at that, yes, we did that acquisition halfway through '19. So that was completed in July. So it did have that revenue last year in our numbers. But they continue to grow. They continue to execute. And I was -- I've kind of been shocked with where their revenue has been a little bit because I thought COVID, as much as they were shut down, would have a huge effect on their business. And it had a slight negative effect but nothing major, and they continue to perform with opportunities coming forward. So the California market is a good market for us. Jeff, anything to add?

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

Yes. No. I think there's been a lot of variation across all of our districts with COVID. And some have performed with very little impact and others should have seen a larger impact. So all in all, we're pleased with the revenue and believe that some of those areas that have been down, they're showing some opportunities. So we're looking forward to that.

Brian J. Russo ***Sidoti & Company, LLC - Research Analyst***

Okay. And then just last, on capital allocation. You have a $50 million share buyback ongoing. It doesn't look like you bought much stock back in the fourth quarter. Just how do you balance buybacks versus any M&A-type opportunities, especially with your leverage ratio now at around 2x? And what's kind of your capacity or max leverage ratio when considering acquisitions?

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

Betty, you want to take that one, and I'll add?

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

Yes, I'll start with. We've talked about our allocation and tolerance for leverage being -- our norm in the past had been in like, say, 1x EBITDA leverage, 1x, 1.25x, and that -- but that would definitely go up to 2x, maybe slightly higher in that right after an acquisition, during that acquisition holiday when all the EBITDA results aren't in. So that's -- and we saw that range when we acquired CSI. Our 0.2x leverage that we have today, you're right, is much lower. We put the stock buyback program in place, and that's correct this quarter. We did not purchase anything as the -- just based upon the current change in the stock price fairly recently. But that's still in place. It was put in place for a full year as well as acquisitions. And we've talked about our interest of looking in the market. Definitely, our capital allocation program is to go out where our team is daily looking at transactions. However, at the same time, Rick's been talking about for the last 6 months or so, I'm not sure what -- in 2021, with the pent-up demand and what companies are going to come on the market, whether something will come through in '21, but we are definitely interested.

Rick, do you want to add anything to that?

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

Yes. Yes. I think when we look at it overall, we have these conversations, not just internal with our management group but with our Board on where we allocate our capital to. And I think it's something we don't have to do anything. We're going to grow our company. There's a lot of opportunities to grow our company organically. And we'll continue to invest in that when necessary and as necessary to grow our company. We don't have to do an acquisition. We want to do acquisitions. We're an acquisitive company, but we want to do it for the right company at the right price. So again, even with our stock buybacks, our acquisitions, we're opportunistic buyers. But we're going to do it at the right price. So we're not going to leverage ourselves heavy just for the sake of buying something. We're going to make sure we make the right business decisions. And if we have to be a little patient on some of the stuff, we're going to be in order to have the right portfolio in the end.

Operator

And we do have a follow-up question from the line of Andrew Wittmann with Baird.

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

Yes. Great. I wanted to talk about cash flow because it was actually quite remarkable in the year. And if I look at the year-over-year change in the working capital, most of your accounts were to the positive, accounts receivable, contract assets fell down, contract liabilities up a little bit. So it seems like working capital was mostly favorable in the year. This is all to ask the question, Betty. Does some of this need to reverse in 2021, do you think, because of just the positions where you finished on December 31? Could you talk about that, talk about the capital budget outlook? And could you also just quantify for us the benefit from the CARES Act and the payroll tax holiday that you were given in 2020? So we just know how much that contributed to the very good cash flow this year?

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

Yes, I can. I'll start with the last part of the question. The CARES Act is for deferring taxes and other items. It's $26 million that was through the end of 2020 and gets paid back over a 2-year period. So that definitely benefited us in 2020 like other companies. When it comes to -- thanks for recognizing, that was -- it's a huge change for us to flip from a net underbill to overall, a net overbill showing both underbillings decreasing and overbillings increasing. That has been a huge focus for our team for several years, just as Tod talked about training and things taking place, and it takes a while for momentum to pick up and show in the results. We've been working on that for a while. And I think in 2020, we definitely saw some benefits.

Having said that, there's always timing that comes into play, and there's a mix of jobs. And right now, our -- the mix of jobs that we have has resulted in a nice favorable change in that overall working capital. So we continue to strive to work on those terms, in billing and collections, and you name it. And I'm proud of the team for everything that they've been able to do to get us to that $120 million this year. Some of that -- I would not rely on $130 million in 2021. But clearly, that's a focus for us to stay in this position.

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

And just -- sorry, that was helpful. I'm sorry. Maybe you mentioned in the script or maybe you mentioned -- but can you just give out what you think about for the capital budget here in '21, in case I missed it?

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

Yes. We don't have that addressed specifically, but our capital is fairly consistent with our previous years in 2020. Our capital was probably a little bit less than we had even planned just as we held back earlier in the year relating to the COVID and all that uncertainty. But if you just take a look at our -- the fairly recent years, 2021 wouldn't be much different.

Operator

And I'm showing no further questions at this time. And I would like to turn the conference back over to Mr. Swartz for any further remarks.

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

To conclude, on behalf of Betty, Tod, Jeff and myself, I sincerely thank you for joining us on the call today. I don't have anything further. And we look forward to working with you going forward and speaking with you again on our next conference call. Until then, stay safe.

Operator

Ladies and gentlemen, this concludes today's program. You may now disconnect. Everyone, have a great day.