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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the MYR Group First Quarter 2021 Earnings Results Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions) I would now like to hand the conference over to your speaker today, 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, Elizabeth, and good morning, everyone. I'd like to welcome you to the MYR Group conference call to discuss the company's first quarter results for 2021, which were reported yesterday. Joining us on today's call are Rick Schwartz, 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 & 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, May 6, at 11 a.m. Mountain Time by dialing (855) 859-2056 or (404) 537-3406 and entering conference ID 3066739.

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 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 Schwartz.

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

Thanks, David. Good morning, everyone. Welcome to our first quarter 2021 conference call to discuss financial and operational results. I will begin by providing a brief summary of the first quarter 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's 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 entered 2021 with positive momentum fueled by record-setting financial performance in 2020 and a substantial backlog. Our first quarter results included record high net income of $19.9 million, double the first quarter of 2020, along with increases in revenues, gross profit, EBITDA and free cash flow as compared to the same period of 2020. Our backlog at the end of the first quarter was $1.64 billion, reflecting the ongoing stability in the markets we serve as well as our competitive strength.

We successfully navigated the challenges presented by the COVID-19 pandemic in 2020. Our focus remains on anticipating and adapting to client needs as they continue to respond to the evolving conditions related to COVID-19 impacts. Our T&D and C&I segments are currently experiencing active bidding and project activity. Major trends in the energy market point to continued investment in clean energy, improving grid resiliency and favorable energy policies. The business strategies of our clients reflect these trends, which present growth opportunities for MYR Group.

We continue to position ourselves for opportunities to partner with customers to successfully execute their investment strategies going forward. Our C&I market continues -- our C&I market segments have shown resiliency through the pandemic, and I'm excited about the future opportunities. Our pipeline includes projects from a diverse range of customers and work types. Our focus on technical and complex facilities position us well to capitalize on the increased opportunities within the market.

Our T&D and C&I segments continue to build high-performing teams and diverse capabilities to support growth opportunities in the market. In alignment with our values, MYR Group companies are committed to continuous improvement in innovation. We openly share best practices with customers to strengthen our partnerships and work to enhance the value we bring to their business. Our commitment to excellence and safety, project delivery and the development of our team members contributes to the recognition of MYR Group as a leading company within the industry. We are proud of our first quarter performance and are excited to continue to implement our strategies for generating growth and delivering stockholder value.

Now Betty will provide details on our first quarter 2021 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 first quarter of 2021 as compared to the first quarter of 2020. Our first quarter 2021 revenues were $592.5 million. This represents an increase of $74 million or 14.3% compared to the same period last year. Our first quarter T&D revenues were $314.9 million, an increase of 21.5% compared to the same period last year. The breakdown of T&D revenues was $211.2 million for transmission and $103.7 million for distribution. The T&D segment revenues increased primarily due to an increase in revenue on large-sized projects. Approximately 50% of our first quarter T&D revenues related to work performed under master services agreements.

C&I revenues were $277.6 million, with an increase of 7.1% compared to the same period last year. The C&I segment revenues increased due to an increase in revenue on medium-sized projects. Additionally, revenues during the first quarter of 2020 were negatively impacted by a slight slowdown of C&I work in certain geographic areas related to the COVID-19 pandemic.

Our gross margin was 13% for the first quarter of 2021 compared to 11.9% for the same period last year. The increase in gross margin was primarily due to better-than-anticipated productivity on certain projects and a favorable job closeout. These improvements were partially offset by inclement weather experienced on a project, unfavorable pending change order adjustments on certain projects and labor inefficiencies on certain projects.

SG&A expenses were $49.6 million, an increase of $4.6 million compared to the same period last year. The increase was primarily due to an increase in employee incentive compensation costs and an increase in contingent compensation expense related to a prior acquisition.

First quarter 2021 net income was $19.9 million or $1.17 per diluted share, both of which were record highs for MYR compared to $9.9 million or $0.59 per diluted share for the same period last year. Total backlog as of March 31, 2021, was $1.64 billion, and was 6.7% higher than a year ago. Total backlog as of March 31, 2021 consisted of $694.5 million for our T&D segment, and $948.8 million for our C&I segment.

Turning to the March 31, 2021 balance sheet, we had approximately $217.5 million of working capital, [$29.7 million] of funded debt and $362.7 million in borrowing availability under our credit facility. We have continued to focus on strengthening our balance sheet and improving our free cash flow. Free cash flow came in strong for the period at $52.4 million and was a record high $157.1 million for the trailing 12 months providing a net cash position of $43.6 million as of March 31, 2021.

Our funded debt-to-EBITDA ratio has continued to stay strong at 0.2x leverage as of March 31, 2021. 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 bonding 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 the first quarter of 2021, we set a new record high for gross profit, net income, earnings per share and EBITDA.

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 the first quarter of 2021. Our current project portfolio remains a mix of smaller to midsized projects, alliance agreements and some larger scale projects. Our bidding activity and success rate resulted in a nice backlog with continued growth in EPC, master service agreements and renewable energy opportunities, which remain a focus area for growth at MYR Group.

As I discussed on our last call, MYR Group recently surveyed executive leaders for more than 20 of our top T&D customers in our annual strategic Insight survey. Nearly all of the leaders acknowledged that significant investments in transmission and distribution infrastructure are necessary to support a transition to reduced emissions and/or carbon-free generation. However, the delays and complexities associated with regulatory compliance remains an ongoing concern for executives focused on leading the energy transformation.

President Biden's recently announced American Jobs plan calls for the creation of a new grid deployment authority within the Department of Energy. The new entity would be focused on better leveraging existing rights of way and supporting creative financing tools to spur additional high priority, high-voltage transmission lines. The current political climate indicates supportive investments and implementation of new and upgraded electrical infrastructure to complement environmental and economic goals.

Our T&D companies continue to strengthen and expand their market presence, and we are steadily growing our position in the solar energy storage market. In the first quarter, we received verbal commitments on 3 groupings of EPC solar projects totaling just under 200 megawatts. Each of these projects represent new customers to MYR Group, and we are targeting additional projects that if selected would create work for our solar team through the early part of 2022. These projects are also expected to provide growth opportunities for other subsidiary companies.

We also continue to pursue a number of large projects and programs in the market with established utilities on both an EPC as well as construct-only basis. We see the demand for larger, more sophisticated contractors in the T&D space increasing and the barriers for entry should allow us to continue improving on our market share.

The Western region of our business remains very active. Sturgeon Electric Company continues to provide ongoing services for Xcel Energy under a multiyear alliance agreement. The Arizona market is providing steady, ongoing work and growth opportunities through strong relationships with 3 major utilities, and our Portland office is actively engaged in projects with Portland General Electric, PacifiCorp and Burns & McDonnell. The Eastern region of our business has experienced solid bidding and project activity.

Harlan Electric recently executed a 5-year extension with DTE Energy and was awarded 3 transmission projects for Eversource. Harland also partnered with MYR Energy Services to be selected as the EPC contractor for AEP's (inaudible) project in Ohio. In the Midwest, L.E. Myers is actively engaged in work with MidAmerican Energy, Ameren, IPL and NIPSCO, to name a few. In Texas, we have multiple crews of the L.E. Myers company and Great Southwestern Construction supporting CenterPoint Energy and [Encore] respectively.

In summary, we continue maintaining our focus on safety and operational excellence as we adapt our strategies to remain equipped to support our customers in the dynamic and rapidly changing energy market.

I'll now turn the call over to Jeff Waneka, who will provide an overview of our Commercial and Industrial segment.

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

Thanks, Tod. Good morning, everyone. Our C&I market segments have shown resiliency throughout the pandemic, and our results through the first quarter demonstrate that our strategy is sound and our ability to adapt rapidly is proving successful. We are also pleased that several projects whose start dates were pushed at the onset of the pandemic, have announced that they will begin construction this year.

Although the delayed starts disrupted our planned workflow in 2020, they also allowed for some unexpected benefits such as greater coordination time, creative alternatives to improve cost efficiency and a more connected relationship between all the team members. Budgeting and bidding activities experienced a notable increase in quantity throughout the quarter, and we are pleased with the quality of the projects in our pipeline. Leading the way in the first quarter have been numerous projects in e-commerce, data security and data storage. These include several expansions, upgrades and sizable greenfield builds.

In addition to these already anticipated projects, there were a number of new opportunities in a surprisingly wide breadth of building types, which include medical research, manufacturing, higher education, health care, rooftop solar, power generation, water treatment and various forms of warehousing. Activity levels differ across our regions with some regions returning to pre-COVID levels while others are still facing significant headwinds.

The American Institute of Architects reported increases in the architectural billing index in January, February and March. This returned the index to positive territory for the first time since the pandemic began. The positive trend reflects increased C&I investments and should lead to continued improving bidding opportunities for our business. The Dodge Momentum Index increased 7.1% in February and another 1.7% in March. This quarter's increase marked the highest level in the momentum index since the pandemic began. Dodge expects total construction activity gains of $771 billion in 2021. While certainly positive news, the question of sustainable gains still remains.

Consensus amongst economists and industry experts is that the construction industry will rebound in a K-shaped recovery with some sectors growing positive while others continue to contract. We are pleased that the strategic decisions to focus our future on e-commerce, renewable related projects, transportation, health care and industrial water projects are proving beneficial as these industries are all showing positive forecasts for the coming years. The industry is experiencing a notable increase in competition in some market segments where the projects are commoditized and relationships have less importance.

But our chosen markets have remained primarily relationship-driven and expertise-focused. As everyone in the industry works their way through the post pandemic cycle, we believe our clients will continue relying on trusted contractors who will help them navigate through the numerous industry challenges present in today's economy.

And to wrap up, I will address the pending infrastructure legislation titled the American Jobs Act. While it is too early to understand the full impact of the proposed legislation, there is good reason to believe that MYR Group is well positioned to benefit from its approval since the current plan directly relates to the work we perform. In general, we are pleased with the improving activity on inquiries for projects in planning and enthused by the bidding activity on fully funded projects.

Thanks, everyone, for your time today. I'll now turn the call 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 first quarter 2021 performance reflects our ability to build strong customer relationships, identify and pursue new markets and attract and develop talented team members who deliver excellence in all they do. MYR Group is strongly positioned as an industry leader who is viewed as a valued and essential partner by our customers.

2021 represents a great opportunity for MYR Group to build upon our success. While implementing effective strategies to increase the value we deliver to customers, team members and stockholders. I thank each of you for your ongoing commitment and support to the success of this organization. I look forward to working with you to advance our vision and realize our business goals.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is from the line of Sean Eastman with KeyBanc Capital Markets.

Sean D. Eastman ***KeyBanc Capital Markets Inc., Research Division - Senior Equity Research Analyst***

Compliments. First, I'd just like to try and get a sense for whether T&D segment margins can sustain above that sort of historical targeted 6% to 9% range. Would you be able to quantify the closeout benefit in the first quarter? And maybe speak to how much the large project contributions helping margins and what the phasing of those large projects in backlog looks like over the next couple of quarters and how that dynamic could impact T&D margins?

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

Okay, I'll start, and then I'll let Tod add. I think when you look at our margins, and we identified the puts and the takes on our T&D margins, so both the good and the bad. I think those really offset each other. So I would say that the percentage we're running at operating margin on the T&D is on the upper end, and we like where it's at. And really those 2 puts and takes offset each other. So we see that continuing, or at least we hope to see it continuing going forward. The large projects did have a good contribution in the quarter, and they'll continue for a while because, as we said, it was delayed by a couple of quarters of getting started. So we're off and going now, but that front-end is a little heavier than maybe the last end of the projects go. So when you look at that, it'll -- it will continue for the next quarter to -- next couple of quarters to add a little bit then stabilize from there.

Tod, do you want to talk about the overall market a little bit?

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

Yes, I mean, what we're seeing right now is we're really awaiting some -- there's some lumpiness out there on some awards, and we're trying to get some things over the finish line. But as Rick had mentioned, the large project activities, specifically on a couple of our larger projects has picked up and will continue to do so for the next couple of quarters. And in the meantime, we're going to be pursuing additional large project opportunities that look like they're well on their way to being fully permitted and out for bid here sometime soon. So we're pretty excited about where it's at.

Sean D. Eastman ***KeyBanc Capital Markets Inc., Research Division - Senior Equity Research Analyst***

And then I guess similarly on the C&I side, it was really nice to see those margins inflect up, I mean, 5.1% in the first quarter. Is there anything onetime-y in there? Is -- are we looking at sort of a sustained improvement in C&I versus what we've been seeing over the past couple of years as well?

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

Well, we've seen -- we've always said we want to operate in that 4% to 6%. We're in that 5% range right now. And I would say that's for us, it's a good improvement from where we were. We got a few of the change order items behind us. We still have a few more to go on that side to get through, but we see it as a good market for us. I think for us, really we talked about before, kind of these Part A, Part B projects where you get a portion of the project to do constructability and planning and stuff, and then the major portion of the project comes out and they'll award that contract a little later.

We have a lot of those Part A and that timing of getting the Part B going is probably the unknown side. And I don't think it's -- we haven't seen anything canceled, and we don't see anything that's going to be canceled right now, but what we haven't seen or what we may see is those pushed out by a month or 2 or a quarter or so in order to happen. So we continue to watch that. But I think, as Jeff said in his script, he's happy about the activity we see in the market from the bidding standpoint and the markets we're in. And Jeff, you can talk a little bit just about anything you see that I didn't cover.

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

Well, it's certainly good to be returning back to that range that we're customary to and to work through some of the challenges that were a bit of drag on the business for a while. But we are back into the range that we believe we can continue to operate in and the projects that we have under contract now look healthy and the pipeline equally. So we intend to stay there.

Sean D. Eastman ***KeyBanc Capital Markets Inc., Research Division - Senior Equity Research Analyst***

Excellent, excellent. And then it's also noteworthy. It looks like you guys flip to net cash this quarter. So I assume you guys are kind of primed up to do an acquisition here at some point. I'm just curious whether you'd like to add more T&D at this point or more C&I maybe something different. And I guess, maybe particularly on the T&D side, do you think you'd be able to acquire more T&D revenues at a multiple below where you guys are trading today, and I'd be curious to get a sense on that.

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

Yes, I'll let Betty cover the free cash flow in a minute. As far as our cash position and looking at acquisitions, we took a holiday last year, as we said, to make sure we focused on our bottom line, the integration of the businesses and making sure our balance sheet was back in shape. And we accomplished all those items. Not that we're happy with where we're at. We're always trying to take it to the next level and be a little better. But with the acquisition front, we continue to see what's out there. We continue to explore. There's companies we'd like to have. But can you get them at the right price?

Can you get a good company at the right price? That's the unknown side. So the good news is we don't have to do anything. I'd like both segments, and I've said that for years that we're in, both the T&D and the C&I. So I would like to add to both. It's really what opportunities are out there and how good a companies can we find. We're not looking to buy a broken company. We're looking to find a good company that's additive to what we do. So we'll continue to look, and hopefully can find something in the next year or so.

Betty, anything on free cash flow you want to highlight?

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

Yes, just thanks for recognizing, Sean, the strong free cash flow and net cash position, just as we've said before, we -- it's often a matter of timing, as you can see in our free cash flow statement, the capital expenditures are probably on the lower end this quarter. So we anticipate still spending the capital as we normally would and just a matter of timing. So they will pick up later in the year. And then as well as just a matter of timing of the flow of cash on -- especially as you have some of the larger projects and the mix of jobs. But yes, this quarter was strong and wouldn't anticipate as strong of quarters going forward, but we've got plenty of room to use our -- for our capital deployment, no matter what.

Operator

(Operator Instructions) And your next question comes from the line of Andrew Wittmann with Baird.

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

I guess, following up a little bit on the margins in the C&I segment to start out with here. I mean, they're at a level we haven't seen in a while, obviously. And I'm just trying to get an understanding of, I guess, the sequential change in the margin improvement. You guys talked about cleaning up some change orders. I mean, there was obviously some jobs that weren't all great last year. Is the sequential step-up in the margin performance as much of a result of just like being done with low-margin jobs in the prior quarters? Or can you attribute it to other things, including -- could you please clarify the closeout that you mentioned in the press release? Was it in -- which segment was it in?

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

It was in the T&D segment. So that close out was in the T&D segment. So far as the margins on the C&I front go, I think, overall, we did have that -- those issues of kind of that lower profit work finishing up last year and kind of those change order negotiations. We're not completely through the lower margin work. But we're pretty well through it. So I think that added to where we're at in our performance. And then the other side we've had is we've had a couple of areas, as Jeff said in his script, rebound quicker than we thought they would with the COVID issues we had.

We had a couple of areas that are responding very well. And then we have some that are lagging behind. So some of the areas you would think that would be slower to recover are actually quicker. If I had to predict it a year ago, I would have said these areas will come back slower, but they're actually coming back quicker. So some good sites out there, and it's really what happens over the next 6 months as far as some of those projects being released about -- that I talked about earlier.

Jeff, anything to add from what you're seeing?

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

Rick, you covered it pretty well. All I would add is that there are a number of things that were causing some drag in C&I. And so some of those things are behind us, as we've talked about. And as I've mentioned, it looks like we're on a pretty good clean run rate right now, and that's where we intend to stay.

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

I was just going to say, when you talk about the one time, the -- we talk about better-than-anticipated productivity on certain jobs. And then we had offsets. Those are all pretty close to offsetting items with -- if you take them away, being a net, very minimal impact on a net-net basis. So that 5.1 is a fairly clean percentage for them with these jobs behind us now.

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

And by the same commentary, it sounded like for the T&D segment with that first question that you answered that on a net-net basis, including the closeout? I guess maybe that's worth clarifying, including the closeout that you had still net-net, pretty reflective margin performance in the T&D segment this quarter.

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

Yes, that's correct.

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

The only thing to make sure you take into mind is we did have extremely good weather across most of the country. So that did help our margins some. I've always got to highlight that because I would say it's above-average as far as what we've had good weather wise, not bad weather wise. So it affects our margins. And then remember, as we move into the summer season, part of the transmission work is you cannot work on certain right-of-ways during that period of time. So make sure you take that into consideration as we -- as you look into our future quarters.

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

I guess just as it relates to the large jobs in the T&D segment then, you've been talking about them coming into the award picture actually for quite some time, I think, at least over a year. But it sounds like now it's really hitting the income statement here. I guess my question is, how many large projects are you up -- were you up on in the first quarter? And it sounds like there's still ramping contribution from those projects or maybe other projects also beginning here in the next quarter or 2.

So can you just tell us how many projects you're on right now? And then as far as the booking outlook goes, you've been talking about these large projects, obviously, particularly around solar. Has the timing pulled forward or moved out on any of those? Previously, you talked about some of these larger solar projects, maybe hitting backlog in the fourth quarter. So I was just hoping for an update on that.

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

Sure, as far as our company goes right now, we've got what we consider 3 large projects going. So when you look at those, they've all been announced, it's the I-70 project. It's the solar project that we have in Nevada, and then it's also the LS Power project that we've talked about. Those are all at various stages. So the I-70 project has another 2 years left on it, basically to finish up.

The Battle Mountain or the Nevada project actually has about 6 months left to finish on that project. And then the LS Power one was the one that we thought would start a couple of quarters earlier, and due to some permitting and some other issues, it got extended out, and that's what we've really seen push up this last quarter. That's the one that's starting. So when you look at that, that's what we have now, I'll let Tod talk about future projects out there that we're chasing. And remember, any of those projects we land are 12 to 18 months if we do land them before they really hit backlog.

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

Just to add to Rick's comment on the LS Power that's the Marcy to Scotland project that we did do an -- we did an announcement on that thing will run through midyear 2023, at least. So that's a 2.5 to 3-year project.

The other opportunities that we're seeing right now, we're seeing some of the transmission lines that have been discussed in the West coming out for bid actually. And then I think there's a couple of other ones that we're hearing about that we're tracking that are very nice sized projects that still have some hurdles to get through. But I know that there are some power purchase agreements being sought on a few of them right now. And there's an intent to get some of those out to bid here in mid-summer.

So we're pretty excited about the opportunities that are out there as well as the opportunities on what we typically call midsized projects, which we're seeing quite a few of the 500 kV transmission lines that maybe that don't have the length that we -- that would get it to what we claim to be a large project, but very nice projects that we're going to be seeing probably make that start dates as early as this summer to the fall. The other ones I mentioned previously would be 2022 start dates.

Operator

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

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

So just to clarify or at least summarize your answers to some of the other questions on margins, are -- is it safe to say that you're entering a sustained period in which your sales mix has evolved into larger projects in the T&D segment to sustain the high end of the T&D margins past just the next couple of quarters due to timing?

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

I would say not so much just on the large projects side. I mean, we've talked about the projects we have going. We talked about the opportunities, but any large project, we would start or if we were awarded in the next, let's say, 6 months wouldn't start for at least another 6 months as a minimum. So I wouldn't say our margins are sustainable based on that. I think if you look at our total mix of work, right now, when you look at the large, small and medium-sized projects and you look at it that way, I would say that's why we're saying we're trending towards that upper end of our guidance.

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

And just on the Aeolus Power, contract. If it's running through 2023, how much percent completion did you actually have in this first quarter? And I would imagine it ramps up through the middle of the project. I mean, how should we think about kind of the sequential revenue contribution of that project over the next 2 or 3 years?

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

The way I usually look at a project like that because of the material component and part of the subcontractor component, you'll see it a little heavier on the front that you might see as far as a percentage of the job within the first 20% of the job, you may be 30% or 35% of the revenue, something like that. And then as it progresses, it levels out.

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

And how is your labor force now? Are you -- do you have enough labor to meet what seems like accelerating an incremental demand on both sides of your business, and therefore, margins can grow faster than revenue, given that type of scenario?

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

I would like to say we're in that position. I've always said contractors are their worst own enemy. They want that next project. So even though resources are tight, you don't see it reflected in margins as far as backlog margins or how projects are going. We try to always -- I would say, we've got long-term clients, we want to treat them right. We want to make sure we have a fair margin for what we do. But it's still a very competitive market in what we do. So -- and it continues that even with tight labor resources, we've been through this for -- I've been here a long time. So when you look at it every cycle, we go through where labor really tightens up. You think it would really be shown in margins and what you're able to get work for. But it still remains very competitive.

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

Then just lastly, big picture, and I can appreciate the commentary on transmission and your current utility customers and there's been a general consensus among utility senior management teams in this earnings cycle related to the infrastructure bill. And the clean energy and renewables are a big focus, but it seems as if the biggest opportunity for a lot of these large utilities is transmission.

But from MYR Group's perspective, given your mix of business between T&D and C&I, and I know there's a lot of work to do on the infrastructure bill, but where do you see more opportunity? Do you see it in the C&I segment in terms of market opportunity? Or do you see bigger opportunity in these larger multibillion-dollar transmission projects that ultimately will be needed, but it certainly will take time to develop and permit?

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

For us, it's both. I mean, we see opportunities on both sides. The C&I market, we -- as I said, I mean, we want to -- we hope that nobody delays on their decisions to move projects forward as they're kind of waiting for the economy to recover in certain areas. We haven't seen any cancellations, and we see that as positive. But we like those opportunities. We've been building our C&I business through acquisitions and also organic growth and on our T&D front. We very much like that market.

We're very strong in that market. It's something we want to continue to grow. We would have had more acquisitions under that, but some of the multiples that are being paid and some of the things that have happened in the past, we haven't been able to capitalize on maybe those opportunities but for acquisition growth. But when you look at the organic growth we've had over the last 4 or 5 years, we will continue to push that side. So great opportunities on both markets, and we like both markets we're in.

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

One last question, if I could. We didn't hear much about storm response efforts or margins maybe in the first quarter in Texas or in the Gulf or in the South. I was just curious, were you involved in any storm restoration? And/or does that create near-term opportunity for maybe weatherization or upgrades and reliability and even redundancies that might be needed in electric transmission down there.

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

Sure, for us, it was very little storm work done even in Texas. It wasn't where lines were coming down. It wasn't bad wind, it was freezing conditions and it wasn't ice loading. So it wasn't taking lines down. It was really just freezing things. So we had a lot of different kind of outages, things we worked on there. But for the most part, it was the crews we've had in Texas. So we have a substantial number of crews in Texas, and they moved from doing their day-to-day work to that storm type work restoration, but not anything that's moved the needle.

I think long term, Texas needs to decide what -- they're trying to decide what they're going to do. I think more to come on that as we all learn more.

Operator

(Operator Instructions) And your next question comes from the line of Noelle Dilts with Stifel.

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

Congrats on another good quarter. I was hoping, Tod, that you could expand a bit more on what you're seeing in solar kind of how you're thinking about the size of the opportunity and what you're seeing in terms of the competitive dynamics. And also if you could touch on any actions or hires that you've kind of taken on in order to position yourselves better in that market.

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

Yes, first, to answer your last question there, we continue to recruit from contractors that have had experience in the solar industry to help us with the experience that we've had. And we believe that some of the hires that we've had recently are going to play a key part in the growth of our solar business going forward.

Anytime we have a new business, we want to make sure that, that business has a strong start, the ability to grow organically and continue at a nice steady pace. So as we started this last year, we were really looking at getting our feet on the ground, while still having success on our projects, and we've achieved that. We'll continue to grow that incrementally as we can and get resources for it. But from a market perspective, I will say that there are a lot of opportunities that are coming our way with the individuals that we brought with us have brought with them or brought along.

So they're there from a competitive standpoint, there is some competition, and competition is growing pretty rapidly in that market. Just over the past year, we've seen more people trying to get in it. And therefore, it's become more competitive. But right now, we're still able to almost sole source some projects with some people coming to us for some of the smaller distributive type stuff and even a few of the midsized utility-scale solar plants that are out there.

So we're going to grow the market. We're going to grow it smart, and we think there's great opportunity in it.

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

And then more generally, I was curious with the inflation that we've seen in steel and some other raw materials. I know you don't have as much direct exposure there, but are you kind of cautious about anything on the -- in terms of indirect exposure. For example, the availability of poles or delays around transmission poles? Just curious how you're thinking about that dynamic.

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

On existing projects, I think we're good, but we are closely monitoring the situation, especially with the structures and the folks that are out there, manufacturing lattice towers and steel poles.

As always, we try to protect ourselves upfront by having conversations upstream with our clients as well as downstream with our vendors to make sure that the project is executable in the timeframe. And we just work on contractually in both positions up and down to make sure that we're protected. We're monitoring that every day. That in addition to the freight situation, is something that we're monitoring closely as well as we continue to see those charges go up.

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

And finally, just on the infrastructure bill. Obviously, in Biden's bill a lot of interesting commentary around addressing some of these hurdles that have really plagued the industry for decades around siting, permitting and cost allocation. But how are you guys thinking generally about when that benefit could come through, let's say, a bill is passed later this year, is this something that we should be thinking about as having an impact in the market over the next 3 to 5 years? Could it be sooner? Just curious how you're thinking about timing on that front.

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

Yes, for me, anything that gets approved in Washington, first of all, what goes -- what bill goes in and what comes out is sometimes altered. So we'll see. But we think anything that gets approved that way will be positive for us. But it would have, I would say, a minimum of a 12 to 18-month delay before we saw anything come that way. Just things move so slow in Washington. And I would probably put that guidance out there. It's probably 12 to 18, from everyone I've talked to, months before we would see anything. And that's talking to some of our utility clients and others that are heavily involved in those conversations.

Operator

(Operator Instructions) At this time, I show there are no further audio questions in queue. I will now turn the call back over to Mr. Rick Swartz for closing final 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

Thank you. This concludes today's conference call. Thank you for participating. You may now all disconnect.