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Q4 2023 MYR Group Inc Earnings Call

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PRESENTATION

Operator

Good morning, everyone, and welcome to the MYR Group fourth quarter and full-year 2023 earnings results conference call. (Operator Instructions) 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 Gutierrez ***Dresner Corporate Services, Inc. - IR***

Thank you, 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 2023, which were reported yesterday.

Joining us on today's call are Rick Swartz, President and Chief Executive Officer; Kelly Huntington, Senior Vice President and Chief Financial Officer; Tod Cooper, Senior Vice President and Chief Operating Officer of MYR Group's Transmission & Distribution segment; and Don Egan, Senior Vice President and Chief Operating Officer of MYR Group's Commercial & 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 webcast replay of today's call will be available for seven days on the Investors page of the MYR Group website at myrgroup.com.

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, 2023, 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.

Rick Swartz ***MYR Group Inc - President and CEO***

Thanks, Dave, and good morning, everyone. Welcome to our fourth quarter and full-year 2023 conference call to discuss financial and operational results. I will begin by providing a summary of the fourth quarter and full-year results, and then we'll turn the call over to Kelly Huntington, our Chief Financial Officer for a more detailed financial review. Following Kelly's overview, Tod Cooper and Don Egan, 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 then conclude today's call with some closing remarks and open the call up for your questions.

We finished 2023 with solid financial performance in the fourth quarter and full-year revenues of $3.6 billion, setting a record high for the ninth consecutive year. A steady backlog of $2.51 billion reflects a healthy bidding environment and the continued investment in infrastructure to meet growing electrification demands across the US and Canada. Our accomplishments this year demonstrate the strength and expansion of deep client relationships through alliance and multi-year service agreements while strategically pursuing and capturing new opportunities.

Our December 2023 report from clean grid initiative forecasts electricity demand will increase from 2.6% to 4.7% in the US over the next five years, with grid planners expecting a growth of 38 gigawatts through 2028, nearly double the 2022 forecast. In total, the report found $630 billion in near-term investment will be required to meet this load growth. MYR Group will continue to serve as a strong and nimble partner for our clients as they strive to meet demands for reliable power.

In our C&I segment, data centers continue to provide steady opportunity alongside our chosen core markets, including wastewater, transportation, and healthcare. The same clean grid initiative report forecast data center growth alone to exceed $150 billion through 2028 as the use of artificial intelligence increases. We continue to track these opportunities and seek to intelligently bid and execute projects to position us for future success.

Grid modernization, reliability improvement, system hardening, decarbonization, and greater usage of hybrid cloud environments and artificial intelligence are the key market drivers that present opportunities for consistent success across our business. The tremendous investments being made in electrical infrastructure are encouraging and highlight why we believe our chosen markets are poised for ongoing success for many years to come.

Now Kelly will provide details on our fourth quarter and full-year 2023 financial results.

Kelly Huntington ***MYR Group Inc - Independent Director***

Thank you, Rick, and good morning, everyone. For the year ended December 31, 2023, we reached record annual revenues of $3.6 billion, full-year net income of $91 million, and EBITDA of $188 million. Our fourth-quarter 2023 revenue for $1 billion, a record high and an increase of 16% compared to the same period last year.

Our fourth quarter T&D revenues were $592 million, a record high for our T&D segment and an increase of 15% compared to the same period last year. The breakdown of T&D revenues was $403 million for transmission, a record high, and $189 million for distribution. T&D segment revenues increased due to higher revenue on transmission projects primarily related to higher revenue on clean energy projects as well as higher revenue on distribution projects. Work performed under Master Service Agreement continues to represent approximately 50% of our T&D revenues.

C&iI revenues were $413 million, a record high for our C&I segment and an increase of 18% compared to the same period last year. C&I revenues increased primarily due to higher revenue related to clean energy projects.

Our gross margin was 9.7% for the fourth quarter of 2023 compared to 11.1% for the same period last year. The decrease in gross margin was primarily due to labor and project inefficiencies, some of which were caused by supply chain disruption and inclement weather experienced on certain projects. Gross margin was also negatively impacted by rising costs associated with inflation and unfavorable job closeouts. These margin decreases were partially offset by better-than-anticipated productivity and favorable weather on our projects.

T&D operating income margin was 7.2% for the fourth quarter of 2023 compared to 8% for the same period last year. The decrease was primarily due to labor and supply chain inefficiencies mainly related to clean energy projects, inclement weather, and an unfavorable job closeout. These decreases were partially offset by favorable weather on a project and better than anticipated productivity.

C&I operating income margin was 2.1% for the fourth quarter of 2023 compared to 3.6% for the same period last year. The decrease was primarily due to labor and project inefficiencies, some of which were caused by supply chain disruptions and inflation and unfavorable job closeouts. These decreases were partially offset by better-than-anticipated productivity.

Fourth-quarter 2023 SG&A expenses were $60 million, an increase of $2 million compared to the same period last year. The increase was primarily due to higher employee-related expenses to support the growth in our operations and an increase in contingent compensation expense related to a prior acquisition, partially offset by a decrease in employee incentive compensation costs. Fourth-quarter 2023 interest expense was $2 million, an increase of $600,000 compared to the same period last year. The increase was primarily due to higher interest rates and higher outstanding debt balances during the fourth quarter of 2023 as compared to the same period last year.

Fourth-quarter 2023 net income was $24 million compared to $25 million for the same period last year. Net income per diluted share of $1.43 decreased compared to $1.46 for the same period last year. Fourth-quarter 2023 EBITDA was $53 million compared to $52 million for the same period last year.

Total backlog as of December 31, 2023 was $2.51 billion, a slight increase from the prior year. Total backlog as of December 31, 2023, consisted of $960 million for our T&D segment and $1.55 billion for our C&I segment.

Fourth-quarter 2023 operating cash flow was $43 million compared to operating cash flow of $94 million for the same period last year. The decrease in cash provided by operating activities was primarily due to the timing of billings and payments associated with project starts and completion. Fourth-quarter 2023 free cash flow was $22 million compared to free cash flow of $65 million for the same period last year, reflecting the decrease in operating cash flow, partially offset by lower capital expenditure.

Moving to liquidity in our balance sheet, we had approximately $279 million of working capital, $36 million of funded debt, and $442 million in borrowing availability under our credit facility as of December 31, 2023. We have continued to maintain a strong funded debt-to-EBITDA leverage ratio of 0.19 times as of December 31, 2023. We believe that our credit facility, strong balance sheet, and future cash flow from operations will enable us to meet our working capital needs, support the organic growth of our business, pursue acquisitions, and opportunistically repurchase shares.

I'll now turn the call over to Tod Cooper who will provide an overview of our transmission and distribution segments.

Tod Cooper ***MYR Group Inc - Senior Vice President, Chief Operating Officer - Transmission and Distribution***

Thanks, Kelly, and good morning, everyone. The T&D segment achieved solid fourth quarter and full-year 2023 results, once again proving that our business principles of partnering closely with our clients in executing our projects safely with expected quality and on-time delivery remain intact and effective. Expanding relationships with our long-term clients through alliance and Master Service Agreements and strategically bidding and winning work with new and existing clients helped us continue to strengthen and grow our market presence.

As Rick mentioned, the Clean Grid Initiative report forecasts robust investments in the coming years, and we believe there are abundant opportunities for sustained growth in this market. Our strategic insight survey of T&D clients conducted earlier this year had 67% of the respondents planning increased new transmission build over the next five years and validates the Clean Grid Initiative report for the growing electrification demand in the US with 56% of our clients ranking load demand as a high-impact factor in their businesses' strategic direction.

The solar market faced headwinds in 2023. We mentioned on our third-quarter call that rising labor costs, project inefficiencies, and weather most notably on a few solar projects along with supply chain disruptions affected our financial results. This is true for the fourth quarter as well, and we continue to work with our clients and project teams to advance these projects to completion. We anticipate that the majority of the field work on these projects will be completed by the beginning of the third quarter. However, our outlook for solar opportunities and ability to execute remains positive as we see rising labor cost stabilizing and supply chain issues becoming less severe.

The fourth-quarter 2023 Solar Market Insight report released by the Solar Energy Industries Association and Wood Mackenzie reported

58% growth compared to the third quarter of 2022, and their outlook remains strong for the solar markets trajectory over the next five years, forecasting an average 14% growth annually over that period. We will continue to closely monitor and strategically pursue opportunities in the solar markets.

Within the T&D segment, transmission, distribution, substation, and clean energy projects of varying size, complexity, and capacity continue to create a steady pipeline of work. Across the US and Canada, we have won or renewed several MSAs in 2023 and have been successful in securing a nice share of lump-sum transmission, substation, and distribution work.

In summary, we are proud of our accomplishments in the fourth quarter and all of 2023. Our teams maintained a strong focus on safety and project execution, positioning us as a strong partner in the T&D industry into the future, and I thank them for their tremendous efforts. Increased grid demand and reliability and aging electrical infrastructure, decarbonization goals, and legislative funding remain primary market drivers and when combined with our operational excellence positions us well for long-term success in the segment.

In closing, as I step down as the Chief Operating Officer of MYR Group's Transmission & Distribution segment, I'd like to thank Rick and the entire management team for their support throughout my career as well as the thousands of employees whose hard work and dedication on all of our projects have made MYR what it is today. I look forward to supporting Rick and the team with other initiatives going forward in what remains an exciting and dynamic market.

I'll now turn the call over to Don Egan to provide an overview of our commercial and industrial segment.

Don Egan ***MYR Group Inc - Senior Vice President, Chief Operating Officer - Commercial and Industrial***

Thanks, Todd, and good morning, everyone. Our C&I segment saw steady growth, thanks to healthy bidding activity and our continued ability to safely and skilfully execute projects while leveraging our strong vendor relationships to mitigate inflationary and supply chain headwinds. Our backlog increased as we capture desirable projects in our core markets, and we continue to see and track new opportunities in data centers, transportation, clean energy, and healthcare.

As Rick mentioned earlier, the December 2023 clean grid initiative report forecasts significant growth in data centers across the US, driven by the rise of artificial intelligence and hybrid cloud environments. The report found investments in data centers as well as new industrial manufacturing facilities as key drivers for the significant near-term investment to meet load growth demands, with $481 billion in commitments for industrial and manufacturing facilities since 2021 in addition to the announcement of 200 manufacturing facilities this past year.

Data centers are forecasted to increase from 17 gigawatts to 45 megawatts of load demand by 2030, the report found. These forecasts align with the healthy activity we've seen with Sturgeon Electric, executing and pursuing additional data center projects in Arizona and Colorado. Pharmaceutical manufacturing is another core market showing strong bidding activity across the segment that we continue to monitor and intelligently pursue.

Outside of data centers and pharmaceuticals, Western Pacific continues to perform a pipeline of transportation work and monitor exciting transit opportunities in Canada. CSI is executing clean energy and commercial projects across California, while water treatment and healthcare facilities continue to offer strong opportunities throughout the C&I business. A few of our district offices were negatively impacted from long-term, pre-COVID-19 projects that it continued inflationary and supply chain disruptions during the quarter. Most of these projects will be completed during the first half of this year, allowing us to focus and execute on our healthy backlog of projects. Through our strengths of proven pre-construction service, strong execution, and national buying power, we continue to collaborate with our clients, enabling us to secure additional work.

To conclude, our chosen core markets are healthy, and the strength of our current client relationships are generating additional pursuits. Our dedicated employees continue to respond to lingering challenges to the business segment with proactive and customer-facing communication that help MYR Group maintain our leading positions in the markets we serve. We are proud of their dedication, commitment to our organizational values, and the strong culture they create.

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

Rick Swartz ***MYR Group Inc - President and CEO***

Thank you for those updates, Kelly, Tod, and Dan. We are proud of our growth which reflects our ongoing commitment to strong operating principles, sound business strategies, and our ability to maintain and expand long-term customer relationships across both business segments. We believe the future is promising for our industry as demand for electrification increases and our communities come to depend on reliable, clean energy more than ever before. Our accomplishments in 2023 are the result of our talented and dedicated employees. Their commitment is admirable, and I appreciate each of them for placing tremendous care in everything they do.

I would also like to thank Todd for his contributions to the company over his 33 years of service and in his tenure as COO as he transitions towards retirement. And I also welcome Brian Stern, Senior Vice President and COO to our T&D segment.

Finally, I thank each of you for your ongoing commitment and support to the success of our organization. I look forward to working with you going forward.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Justin Hauke, Baird.

Justin Hauke ***Baird - Analyst***

I wanted to start, I guess, I mean, this has been the theme all year and certainly here in the fourth quarter as well with -- your revenue for the year was really, really strong, and the margins have been held back here in the quarter. You called out the 220 basis points of negative gross profit revisions on projects for the year. That was 170 basis points. So I guess I'm just trying to understand how much of an ongoing drag some of these projects are going to be, and they completed and you don't have low margin or zero margin bad jobs there continue to run through? Or how should we think about that kind of drag from the profit adjustments continuing in '24?

Rick Swartz ***MYR Group Inc - President and CEO***

Sure, sure. I would look at it on the T&D side, I think we talked about it last quarter that the majority of our issues were really on a handful of solar projects in one geographic area. So with that, those projects, as Todd said during his script, will end at the end of the second quarter, beginning of the third quarter with field labor. We'll continue to negotiate and go through that side with the customer and make sure that we get hopefully a fair agreement in the end.

But I think that will continue to have some margin pressures on our T&D side. Without those, we would be operating in the mid range of our T&D margin profile of that 7% to 10.5%, so very comfortable that will happen. These just have a slight drag as these projects near completion.

On the C&I side, we've said, if you look at it on a monthly basis, by the end of the second quarter, we'll be back to that 4% operating margin and hopefully have a trajectory above that going forward through the year. And that's really getting those problem projects that were kind of that pre-COVID awarded projects behind us. So we did have some margin degradation during the quarter on a couple of those projects, and then we had material come in on those projects that were low margin. So again, by the end of the second quarter, we see on a monthly basis that margin getting back to that kind of that low end of our margin profile for C&I.

I'll stop there and let (technical difficulty) ask any other questions around it.

Justin Hauke ***Baird - Analyst***

Yeah. No, that's helpful to think about the trajectory of the earnings for the year. It's those margins, I guess, staying kind of muted here in the first half on those. I guess, the second part of it would be on the top line. I'm just trying to think about the growth expectations for the year. If I go back to whatever your backlog was at the end of 2022, it was up 40%.

You grew this year, revenue up over 20%. Obviously, that's not a sustainable long-term growth rate. I think you've been pretty clear about what you can sustainably grow at. But with backlog flat now year over year going into 2024, just how to think about what you're thinking for the topline trends based on the awards you can have?

Rick Swartz ***MYR Group Inc - President and CEO***

I would still look at the high single-digit growth for the year, probably weighted a little more heavy towards the second half of the year. Very positive about what's being out there on the C&I side, I mean, as far as opportunities that Don talked about, Todd talked about opportunities on the transmission and distribution side.

And then on the clean energy side, we're going to continue to be selective on what we take on. We've seen some people taking some low-margin work on that side, and we're willing to -- we like that market. We've got people that are well prepared to do that work, and we've got some very good projects. But again, we'll continue to be selective.

And then, as I always say, in every quarter, backlog is always going to be lumpy. But when you look at the opportunities out there, I think everything in our script and what I see day to day, very active market still.

Justin Hauke ***Baird - Analyst***

Okay, great. I'll leave it at that. That's helpful for just kind of thinking about the modeling.

Operator

Sangita Jain, KeyBanc Capital Markets.

Sangita Jain ***KeyBanc Capital Markets - Analyst***

I was just wondering if you could share more color on the supply chain comments from your release in your prepared remarks and where those pinch points may be. I'm wondering if it's PMO still or if it's more of a balance of plants constrained in terms of switch gears and transformers maybe, if you could share any more color on that?

Rick Swartz ***MYR Group Inc - President and CEO***

I would say from the all time, I guess, slow side of the supply chain, it has improved. I mean, they're not getting any worse when you talk about transformers or equipment that way. Panels seem to be levelizing out on that supply. Again, we usually don't supply those, but they can affect the progress of our projects if the owners don't get them in time or they come in kind of lumpy type delivery. So with that, I think we're seeing an improvement on that side.

We're not seeing anything worse. And in some cases, as we've talked about in previous quarters, our customers are releasing the material portion early now and equipment portions, so we can actually order that in advance of the projects and have it for on-time delivery for future work. So not all negative on that side, it has some impacts during this last quarter.

Sangita Jain ***KeyBanc Capital Markets - Analyst***

Great. That's helpful. And if I can follow up with one on your comment on MSA renewals and new MSAs getting signed. I was just wondering if you're seeing any change of tone on the side of the utilities in terms of them facing their own regulatory headwinds and if they're rationalizing the scopes of the MSAs in any way.

Rick Swartz ***MYR Group Inc - President and CEO***

I think they're always looking at the MSAs. But as far as the amount of work we have and our conversations with them, very positive that that work's going to continue and those trends are going to continue. We haven't seen anybody pull back on anything.

Todd, is there anything you want to add or any insight you want to give?

Tod Cooper ***MYR Group Inc - Senior Vice President, Chief Operating Officer - Transmission and Distribution***

No, Rick, I think you covered it. The MSAs are really about utilities today trying to lock in resources to get their work done, and that continues. We're seeing more clients use this approach. So we've been excited, especially in 2023 with the several large coming up for renewal that we were able to renew. So more to come on that front. But we see more utilities shifting some of their work to the MSA model and staying out of the lump sum at this point, primarily due the resources.

Sangita Jain ***KeyBanc Capital Markets - Analyst***

Great. That's very helpful.

Operator

Ati Modak, Goldman Sachs.

Ati Modak ***Goldman Sachs - Analyst***

I just wanted to understand, you mentioned some capital allocation towards M&A, but wanted to dig into that a little bit and see if you can help us understand the nature of the opportunities you see across both segments or end markets. It seems like the competitive landscape is very fragmented on the T&D side in particular. And the market opportunity seems to have a lot of upside, so I'm wondering what your appetite is to make transformative transactions to increase your footprint? Or do you think it's more reasonable to focus on tuck in-type acquisitions?

Rick Swartz ***MYR Group Inc - President and CEO***

For us, I would say both. I mean, if you look at 2022, I mean, we had 20% growth roughly, 17% of that was organic. The rest was through acquisitions. If you look at last year, we had 20% growth roughly, and it was all organic. So I think we're always looking for acquisition opportunities.

But again, we're always going to be patient on that side. And I think we've shown we can organically grow our business on top of doing acquisitions if they make sense.

Ati Modak ***Goldman Sachs - Analyst***

And then on the clean energy side, you said you mentioned you would be selective, but wondering if you can talk about the nature of the projects that you're looking at today, the customer base, the size of the projects, and what we should think of as we model our numbers for 2024?

Rick Swartz ***MYR Group Inc - President and CEO***

Yeah, for us, I think it's just being selective again as we go forward. It's not that that business is 40% of our overall business when we look at the clean energy market, but it's growing every day. And we'll continue to pursue the right opportunities and the ones that make sense. But we do have a margin profile that we want to meet.

And as we've said before, this year, we really want to focus on -- but we don't mind growing our top line, and we still see it coming in that higher single digit. We're really going to focus on that bottomline growth, and this all takes that into account. We want to make sure that the work we're doing and we take on is profitable going forward.

Ati Modak ***Goldman Sachs - Analyst***

Got it. I'll turn it over.

Operator

Brian Brophy, Stifel.

Brian Brophy ***Stifel - Analyst***

I just wanted to ask about the high single-digit growth that you mentioned, I think that's overall for 2024 on the top line. Is there anything specific to call out as it relates to T&D versus C&I? Or should we expect high single-digit growth across both of them?

Rick Swartz ***MYR Group Inc - President and CEO***

Right now, I would anticipate it across both segments, I mean, barring something project coming in on one side or the other. I mean, we do clean energy on both sides, so that's an example where one could come into T&D (technical difficulty) really doesn't matter where that comes into us on on that side of the business.

But I think you heard the opportunities from both Tod and Don, and those are very strong and, again, very lumpy on the award. So it's always going to be lumpy, and it always has, but when we look at the amount of activity out there, very positive about the amount of work that's out there.

Brian Brophy ***Stifel - Analyst***

Okay. Got it. And then we've heard from some others that transmission may outgrow distribution here in 2024, just given some of the strength on the clean energy side, need to interconnect with data centers, things of that nature. Curious of what you guys are seeing here? Any thoughts on whether transmission and distribution may outgrow this year?

Rick Swartz ***MYR Group Inc - President and CEO***

I don't have any any signs that one is going to outgrow the other one. I think for us, it's where our customers are spending their money during a given quarter or a couple of given quarters. So it's the type of projects we do. We have MSAs on transmission and distribution for many of our clients, so I don't really care where it comes from. The margin profiles are almost identical. So for us, we're not not picky. And we haven't heard our customers saying they're spending more towards distribution and transmission to date.

Brian Brophy ***Stifel - Analyst***

Okay. I will pass it on.

Operator

(technical difficulty) with Sidoti.

Unidentified Participant

Just to follow up on the transmission and distribution question, we're hearing a lot from utilities about new accelerating resiliency programs which, generally speaking, get good regulatory support, and I was just wondering if you're seeing that in terms of maybe your MSA agreements or something outside of that.

Tod Cooper ***MYR Group Inc - Senior Vice President, Chief Operating Officer - Transmission and Distribution***

Yeah, absolutely. That has been an ongoing trend for probably the last four or five years where they've started to accelerate that. And if you think about it, there were some supply chain impacts during COVID and thereafter with some of the equipment associated with it. So we are seeing it come back in a little stronger period. Right now, we're seeing more focus on that throughout all of our MSAs. As Rick mentioned, we do for distribution work across the US and even in Canada.

Unidentified Participant

Okay, great. And then just to follow up on. I think last quarter you made mention that you were you actively positioning to bid on some of these high-voltage, multibillion dollar transmission projects in MISO, but there's also a lot of planning basically all over the country; California, as far as the MISO, SPP, PJM, and I was just wondering what stage of the development on your side are we at for some of these projects that may start construction by 2026 and come online in 2028 to 2030?

Tod Cooper ***MYR Group Inc - Senior Vice President, Chief Operating Officer - Transmission and Distribution***

Yeah. I think a year ago, we were talking about these things were starting to hit the streets and coming out for bid. And today they're still in various stages, but they have advanced, some of them, to the award stage. And we're seeing a lot of activity, both bidding and projects being awarded and negotiated at the present time.

Unidentified Participant

Okay. Great. Then on C&I, obviously, you guys are very diversified in terms of end markets, but are there any -- could you maybe point to maybe top one or two markets that are driving growth more than others. And then maybe talk about some more longer term emerging end markets, whether it's manufacturing, reshoring, and then maybe even more importantly electric vehicle infrastructure as it pertains to your utility customers?

Don Egan ***MYR Group Inc - Senior Vice President, Chief Operating Officer - Commercial and Industrial***

Yeah, I can take that. I would answer that as, depends on the geographic area as far as the end markets are concerned. Data center obviously is a big trend, and we've been talking about that for a couple of quarters. There's obviously parts of the country that are more prone to take on data center opportunities than others. So that's a big focus for ours.

As far as the EV charging, there's lots of information in the news about EV infrastructure, about EV cars. We're still in the, I think, the design of what that's going to look like long term. We're still doing a fair amount of that work now and still monitoring what the progress looks like going forward?

Rick Swartz ***MYR Group Inc - President and CEO***

Yeah, I would say the other market that's out there and on the transportation front is some of the light rail stuff out there. That's a growing market in some areas. That's something that we've been good at in certain geographic locations. So we see that continuing to grow. Healthcare continues strong, and then kind of that manufacturing side. I would take all those kinds of -- along with data centers as kind of the top-tier stuff we're doing.

Back to the electrical vehicle side, I think we've always said that was going to be a slower build than what was anticipated. We see it as a great long-term business. But the US, 50% of the vehicles in my opinion are going to be electric vehicles by 2027. I think it's going to be a lesser amount than that. So the infrastructure is going to continue to build out but probably at a manageable pace.

Unidentified Participant

All right. Great. And then just lastly, any thoughts on the first-quarter impact to weather? I know you guys do emergency storm restoration work, but it also sometimes displace other projects you might be working on that might even just get delayed due to weather. Just wondering what your thoughts were given the well-below normal temperatures we saw throughout the country.

Rick Swartz ***MYR Group Inc - President and CEO***

Yeah. I think to date there hasn't been big storm calls. We don't have a lot of people out on storm. We have had some geographic areas. I mean, if you look at it individually that had some weather impacts, so we continue to have that. But we've had some that are better than anticipated. So I don't want you to think that the weather is bad everywhere. It's really how does it affect the given projects.

And I think we've talked before on calls, you've got two projects that are 50 miles apart. One has extremely bad weather, and the other one has normal weather. So it can really vary. But again, to date, we're not going to -- We haven't seen big storm revenue.

Unidentified Participant

Okay, great.

Operator

Jon Braatz, KCCA.

Jon Braatz ***Kansas City Capital Associates - Analyst***

Rick, a question for maybe you and Kelly. Obviously, the outlook is very positive, a lot of opportunities ahead. But over the last couple of years, maybe your SG&A expenses have moderated a little bit, the growth in the SG&A expenses have moderated. Do you see that continuing, or do you think that you may have to reaccelerate some of those expenses as we go forward?

Kelly Huntington ***MYR Group Inc - Independent Director***

Yeah. Thanks for that question. If you look, we did have, I think, near-record-low SG&A expense as a percentage of revenue in the fourth quarter, and that benefited from the very strong revenue we saw in the higher materials in the quarter. So I think, certainly our goal is to grow our SG&A expense at a slower rate than our revenue growth.

And we've been doing a good job of that the last several quarters that I don't think I would look at fourth quarter as the new assumption for that. I'd look over a little bit longer trend line that like maybe 12 to 18 months because, like you said, recognizing we're growing business that we want to make sure we're investing in our workforce and technology, really just continuing to mature our capabilities to go after the great organic growth that's out there.

Jon Braatz ***Kansas City Capital Associates - Analyst***

Okay. And Kelly, one other question. You mentioned the higher interest costs in the quarter and higher interest rates and so on. At the end of the quarter, your borrowings look sharply lower than at the end of the third quarter. Did you repay some debt at year end that might account for the lower borrowings at year end?

Kelly Huntington ***MYR Group Inc - Independent Director***

Yes, that's a good way to look at it. We did see some stronger cash flow towards the end of the quarter that allowed us to pay down some more debt at the end of the quarter. But when we're talking about a pretty low level of debt to begin with, it doesn't take much of a fluctuation in the amount. And certainly, rates year over year are quite a bit higher.

So it ends up being almost a rounding error as these are pretty small numbers and something we continue to stay focused on and make sure we're driving operating cash flow and trying to keep the debt levels low in anticipation of continuing to support the business and the organic growth.

Jon Braatz ***Kansas City Capital Associates - Analyst***

Okay. All right.

Operator

I'm showing no further questions at this time. I would now like to turn the call back to Rick Swartz for closing remarks.

Rick Swartz ***MYR Group Inc - President and CEO***

To conclude, on behalf of Kelly, Todd, Dan, 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 does conclude the program. You may now disconnect.