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MYR Group, Inc. (MYRG)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning everyone and welcome to the MYR Group Fourth Quarter 2024 Earnings Results Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

Today's conference is being recorded. At this time for opening remarks and introductions, I would like to turn the call over to David Gutierrez of Dresner Corporate Services. Please go ahead, David.

David Gutierrez

Head-PR, IR and Corporate Development, Dresner Corporate Services/Dresner Partners Investment Banking

Thank you and good morning, everyone. I would like to welcome you to the MYR Group Conference Call to discuss the company's fourth quarter results for 2024, 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; Brian Stern, 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 312-780-7204 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 this 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, 2024, 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

President, Chief Executive Officer & Director, MYR Group, Inc.

Thanks, David. Good morning, everyone. Welcome to our fourth quarter 2024 conference call to discuss financial and operational results. I will begin by providing a summary of the fourth quarter 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, Brian Stern and Don Egan, Chief Operating Officers for T&D and C&I segments will provide a summary of our segment performance and discuss some of the 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 2024 with continued improvement in our financial performance in the fourth quarter as we worked through the unfavorable impacts from a relatively small group of clean energy projects in our T&D segment and one project in our C&I segment over the course of the year. These projects all reached mechanical completion during the fourth quarter. Our backlog increased to \$2.6 billion, reflecting a healthy bidding environment and ongoing investments in infrastructure to meet growing electricity demand. We continue to expand relationships through multiyear master service and alliance agreements, while strategically pursuing additional opportunities to forge new partnerships. Key market drivers such as system hardening, grid modernization, technology advancements, transit infrastructure improvements and decarbonization all present opportunities for long-term growth across our business.

According to the Deloitte 2025 Power and Utilities Industry Outlook released in December, utilities are responding to this dynamic energy landscape with record capital expenditures reaching an estimated \$174 billion in 2024. Forecast projected capital expenditures to keep rising in the coming years. Many – MYR Group plans to continue to serve as a resourceful, flexible and committed partner to our customers as they endeavor to meet demands for reliable power. Our C&I segment continues to see robust, long-term opportunities with new and existing customers within our core markets of data centers, transportation, pharmaceuticals, health care and clean energy. The C3 Group's 2024 North American Electric Transmission Market Forecast released in September, noted there are more than 170 hyperscale and co-location data centers planned requiring more than 45 gigawatts of capacity. Our C&I teams help build new facilities and expand existing ones, while our T&D crews provide grid infrastructure improvements and additions to help deliver the vast electricity demand required of data centers.

Increasing demand for electricity offers a promising outlook for our industry, which more than ever need proven partners with established resources to meet the energy needs of businesses and communities. We believe our chosen core markets are poised for ongoing success, thanks to the significant investments being made in

electrical infrastructure and are confident that our hard-earned reputation for collaboration, honesty and reliable project delivery position us well for future work.

Now Kelly, will provide details on our fourth quarter 2024 financial results.

Kelly M. Huntington

Senior Vice President & Chief Financial Officer, MYR Group, Inc.

Thank you, Rick, and good morning, everyone. Our fourth quarter, 2024 revenues were \$830 million, which represents a decrease of \$174 million, or 17% compared to the same period last year. This decrease was primarily related to certain clean energy projects in our T&D segment that have reached mechanical completion, as well as a decrease in revenue on C&I fixed priced contracts offset by an increase in revenue on C&I T&E contracts.

Our fourth quarter, T&D revenues were \$450 million, a decrease of 24% compared to the same period last year. The breakdown of T&D revenues was \$267 million for transmission and \$183 million for distribution. T&D segment revenues decreased due to a reduction of \$136 million in revenue on transmission projects, primarily related to certain clean energy projects that have reached mechanical completion. Work performed under master service agreements represented approximately 60% of our T&D revenues in the fourth quarter.

C&I revenues were \$380 million, a decrease of 8% compared to the same period last year. C&I segment revenues decreased primarily due to a decrease in revenue on fixed priced contracts, offset by an increase in revenue on T&E contracts. Our gross margin was 10.4% for the fourth quarter of 2024, compared to 9.7% for the same period last year. The increase in gross margin was primarily due to the continued benefit of higher margins on certain completed projects and certain projects nearing completion. These benefits largely related to better than anticipated productivity and previous favorable change orders. Gross margin was also positively impacted by better than anticipated productivity experienced during the fourth quarter. These margin increases were partially offset by a decrease in gross margin related to clean energy projects in T&D that have reached mechanical completion. The unfavorable impact of a C&I project that has reached substantial completion and labor and project inefficiencies.

T&D operating income margin was 6.7% for the fourth quarter of 2024, compared to 7.2% for the same period last year. The decrease was primarily related to losses on certain clean energy projects that have reached mechanical completion. These project losses were due to higher labor and contract-related costs, as well as labor and project inefficiencies. Combined, the gross profit changes related to certain clean energy projects negatively impacted T&D operating income as a percentage of revenues by 3.0% in the fourth quarter of 2024.

C&I operating income margin was 3.9% for the fourth quarter of 2024, compared to 2.1% for the same period last year. The increase was primarily due to the continued benefit of higher margins on certain completed projects and certain projects nearing completion. These benefits largely related to better than anticipated productivity and previous favorable change orders. Operating income margin was also positively impacted by significant estimated gross profit changes related to better than anticipated productivity experienced during the fourth quarter. These increases were partially offset by a single project which had a negative impact of 2.2% on the C&I operating income margin during the fourth quarter. This project reached substantial completion during the fourth quarter. The loss on this project was primarily due to scope additions, increased labor costs related to schedule compression and lower productivity due to access and workflow issues. Additionally, the C&I operating income margin was positively impacted by a decrease in contingent compensation expense related to a prior acquisition.

Fourth quarter 2024 SG&A expenses were \$57 million, a decrease of \$3 million compared to the same period last year. The decrease was primarily due to a decrease in employee incentive compensation costs and a decrease in contingent compensation expense related to a prior acquisition, partially offset by an increase in employee-related expenses to support future growth in our operations.

Our fourth quarter effective tax rate was 40.9% compared to 32.3% for the same period last year. The increase was primarily due to higher other permanent difference items and the unrecognized benefit of deferred tax asset.

Fourth quarter 2024 net income was \$16 million compared to \$24 million for the same period last year. Net income per diluted share of \$0.99 compared to \$1.43 for the same period last year. Fourth quarter 2024 EBITDA was \$45 million compared to \$53 million for the same period last year.

Total backlog as of December 31, 2024 was \$2.6 billion, consistent with the prior quarter and a 2.5% increase from the prior year. Total backlog as of December 31, 2024, consisted of \$818 million for our T&D segment and \$1.8 billion for our C&I segment. Fourth quarter 2024 operating cash flow was \$21 million compared to operating cash flow of \$43 million for the same period last year. The decrease in cash provided by operating activities was primarily due to the timing of contingent compensation payments associated with a prior acquisition and lower net income. Fourth quarter 2024 free cash flow was \$9 million compared to free cash flow of \$22 million for the same period last year, reflecting the decrease in operating cash flow partially offset by lower capital expenditures.

Moving to liquidity and our balance sheet, we had approximately \$266 million of working capital, \$74 million of funded debt, and \$355 million in borrowing availability under our credit facility as of December 31, 2024. We have continued to maintain a strong funded debt to EBITDA leverage ratio of 0.63 times as of December 31, 2024. We believe 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. Our Board of Directors recently authorized a new \$75 million share repurchase program. New program will expire on September 5, 2025, or when the authorized funds are exhausted, whichever is earlier.

I'll now turn the call over to Brian Stern, who will provide an overview of our Transmission & Distribution segment.

Brian K. Stern

Senior Vice President & Chief Operating Officer-Transmission & Distribution, MYR Group, Inc.

Thanks, Kelly, and good morning, everyone. The T&D segment continues to focus on strengthening and growing our market presence by seeking to expand long-term relationships and strategically bidding and winning opportunities with new and existing customers. Our fourth quarter 2024 results were steady, thanks to present business principles of safety, quality and reliability across our balanced portfolio of work. We continue to maintain a stable and diverse pipeline of transmission, distribution and substation projects, working closely with customers to deliver quality results and on time outcomes. Bidding activity remains healthy in the segment, and the outlook for 2025 and future years is positive.

Investments to upgrade an aging electrical infrastructure, improve reliability, meet load growth, and achieve decarbonization goals all present opportunities for long-term growth. According to the S&P Global Forecast, released in January 2025, aggregate energy utility investments are projected to hit new highs of \$202 billion in 2025 and increase to \$211 billion by 2027 as the country strives to meet an increasing electricity demand. Our customers require the proven expertise and reliable project delivery MYR Group provides in the face of this dynamic energy landscape and we believe this creates opportunities for future growth.

Our subsidiaries continue to execute and win additional work across the US and Canada. In our Eastern region, the L.E. Myers Company won transmission and substation work throughout the Midwest as well as in Virginia and Tennessee. While Harlan Electric and E.S. Boulos received substation and transmission project awards in the Northeast. Out West, Sturgeon Electric extended a three-year master service agreement in Alaska and one transmission, distribution and substation work in Arizona, Oregon, Washington and Utah. Great Southwestern Construction was also awarded new transmission, distribution and substation projects in Texas, Florida, Georgia and the Carolinas.

In summary, we believe this is an exciting time to be part of the industry. Our customers rely on us to help them safely meet the increasing demand and deliver reliable energy to communities. I'm proud of our amazing teams and the commitment they show every day to overcoming challenges and providing exceptional value. Our successes are attributable to them.

I will now turn the call over to Don Egan, who will provide an overview of our Commercial & Industrial segment.

Don A. Egan

Senior Vice President & Chief Operating Officer-Commercial & Industrial, MYR Group, Inc.

Thanks, Brian, and good morning, everyone. The C&I segment achieved improved results in the fourth quarter compared to previous quarters as our chosen core markets remain healthy and we continue to capture new projects. Our ability to safely and skillfully execute projects of various sizes is creating many long-term opportunities in our chosen markets. Bidding activity remains healthy with continued signs of long-term stability. The 2025 Dodge Construction Network Outlook released in November 2024, forecasts an increase in total non-residential construction, including 7% growth in commercial construction, 4% in institutional construction and 9% in manufacturing. The American Institute of Architects Consensus Construction Forecast predicts healthy growth in 2025 across our core markets, such as data centers, health care and manufacturing.

Data centers alone are anticipated to see a 22% increase. Our teams continue collaborating with customers to build new facilities and upgrade existing facilities while leveraging our expertise to place us in leading positions to strategically capture future opportunities for continued success. Across the US and Canada, our companies continue to perform and pursue an array of projects. In the fourth quarter, Western Pacific Enterprises won health care work in Vancouver and Huen Electric was awarded a large distribution center project in New Jersey. We continue to win additional transportation work in Canada and Colorado, while CSI Electrical Contractors and Huen Electric captured additional clean energy projects in California and New York. E.S. Boulos was also awarded a higher education project in Maine and is well-positioned for additional project opportunities in the future.

In conclusion, when I look at the accomplishments of our employees have achieved, I am inspired by their effort and dedication to serving our customers with integrity. Because of them, our organization remains at the forefront of the industry. We believe the future is promising and we will continue working side-by-side with our valued customers to safely build the infrastructure required to meet the demands of modern society.

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

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

Thank you for those updates, Kelly, Brian and Don. Our steady fourth quarter performance demonstrates our commitment to sound business strategies and strong operating principles even as we faced headwinds from a

relatively small group of projects. We believe that the growth forecast in the markets we serve, a steady pipeline of project opportunities and the continued development of our experienced teams, positioned us well for enduring success. Through both our business segments, we serve as an open and trusting partner for our valued customers who rely on us to safely deliver high-quality electrical construction services. Our success is made possible thanks to the excellence of our dedicated and talented employees. I'm grateful for them and their invaluable contributions this year. I would also like to thank our customers for their continued trust and our shareholders for your ongoing support. We are excited about the essential role MYR Group will play in the coming years to help create the modern electrical infrastructure our communities rely upon every day. I look forward to working with you in 2025 and beyond.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we'll conduct the question-and-answer session. [Operator Instructions] Our first question comes from the line of Sangita Jain of KeyBanc. Your line is now open.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.

Q

Hi. Good morning, Rick, Kelly. Thank you for taking my question. Can I start by asking you on the bidding environment that you're seeing in C&I, the type of projects, the geographies and if the potential tariffs are coming up in your discussions?

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

A

I would say we're seeing activity in really all the markets. We're in a lot on the data center side. I think when you're getting into hospitals and that still a lot of activity. And in the transit side, as Don highlighted in his prepared comments. I think tariffs, the potential of tariffs is always coming up as we get into newer contracts. I think that's a point that everybody's talking about. So I would say it's a very discussed point out there. And I would say a lot of our contracts are getting provisions in to cover that risk.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.

Q

Got it. And if I can follow up on some comments that you made in your prepared remarks about lower revenue in fixed price contracts in both segments. Can you explain that? Is that a function of a change in how you're bidding for projects with a bigger focus on T&E contracts?

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

A

We like T&E contracts, but we also like fixed price. I think it's just the mixture of the projects that are coming to us during that quarter. I wouldn't look at it as a long-term trend going forward. We've shown we can execute either type of projects, but we did see an increase in kind of the T&E ones over this last quarter.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.

Q

Was that any specific area that you can highlight?

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

A

No. No, it wasn't in one specific area. It was just the way the work came in.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Thank you so much.

Kelly M. Huntington

Senior Vice President & Chief Financial Officer, MYR Group, Inc.

A

And Sangita, sorry, just to add on to that, we did highlight in our disclosures that revenue has been coming down on clean energy projects within the T&D side, and that is all fixed price work. And I think conversely, you've seen our percentage of MSA work has climbed up to 60% of our overall T&D revenue.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.

Q

Understood. Thank you, Kelly.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Justin Hauke of Baird. Your line is now open.

Justin P. Hauke

Analyst, Robert W. Baird & Co., Inc.

Q

Great. Sorry. I guess it's obviously good to see the challenging projects have reached mechanical completion here, which I know is kind of the target for the year end. And I guess the corollary to that would be just thinking about the free cash flow because it looks like with the completion of those bad jobs, a lot of the unbilled has moved into accounts receivable and just thinking about the free cash flow over the last couple of years has been kind of challenged as you funded those. What needs to happen to kind of collect the [ph] AR on (00:27:40) that and kind of bringing the DSOs down? And should we think of 2025 as being a much stronger free cash flow year?

Kelly M. Huntington

Senior Vice President & Chief Financial Officer, MYR Group, Inc.

A

Yeah, good question, Justin. And similar to my comments on last quarter's call, we do see stronger free cash flow generation this year. And I would say positive drivers, of course, increased profitability as we return to more of the mid-part of our target operating income ranges for each segment. So that's a driver. And then as you pointed to also the recent reductions in balances for total pending change orders, that's down about 40% from third quarter and retainage also down over 20% from third quarter. So as we see that cash collected, that helps to drive positive cash flow.

Now the one thing I would, maybe just a couple of factors going the other way. We, of course, quarter-to-quarter our cash flows can be lumpy and that really comes back to project timing. And I would say that our selectivity on clean energy projects and kind of the lumpiness of large transmission work can also impact operating cash flow and just kind of the ebbs and flows of that. But yes, just to return to your original question, we do see stronger free cash flows in 2025.

Justin P. Hauke

Analyst, Robert W. Baird & Co., Inc.

Q

Okay, great. And I guess my follow up, you guys have given us, at least in the T&D segment, the trailing 12-month revenue contribution from clean energy projects the last couple of quarters that have helped kind of normalize where the revenue expectations are as kind of we think about those cycling out. Do you have the update as of the year end how much was clean energy projects in the T&D segment?

Brian K. Stern

Senior Vice President & Chief Operating Officer-Transmission & Distribution, MYR Group, Inc.

A

Yeah, that – it ended up being about 4% for the year. 4%, yes.

Justin P. Hauke

Analyst, Robert W. Baird & Co., Inc.

Q

Okay.

Kelly M. Huntington

Senior Vice President & Chief Financial Officer, MYR Group, Inc.

A

And that was for the quarter about 10% on a year-to-date basis.

Justin P. Hauke

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Is it fair to think that that's essentially zero in 2025? Is that work hasn't come back in or is there a portion of it that is [indiscernible] (00:29:57)

Brian K. Stern

Senior Vice President & Chief Operating Officer-Transmission & Distribution, MYR Group, Inc.

A

Yeah. I think for us, we're going to continue to be selective in that market. We like that work overall as Don spoke, he picked up some work in a few areas where we see very good activity and we've had very good success in some of the other markets we're in where we've historically done that on the T&D front we'll continue to be very selective. So right now I wouldn't – we haven't said we haven't – we're not taking on any work. I mean, we definitely like that market, but we want to take on that work at the right price. So we'll continue to be selective.

Justin P. Hauke

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Yeah. All right. Fair enough. Thank you for clarifying those two.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Ati Modak of Goldman Sachs. Your line is now open.

Atidrip Modak

Analyst, Goldman Sachs & Co. LLC

Q

Hi, good morning, team. Rick, Kelly just curious if there's anything that you can share in terms of how you're thinking about the growth in the two businesses for this year? And anything on the margin progression as we roll through the year? I know you don't have official guidance, but any kind of color there that would be helpful.

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

A

I would say on the margin projection, we're going to – right now, we anticipate operating up on a year basis kind of in that mid-range of our targets that we've [ph] announced (00:31:24) that 7% to 10.5% on T&D and the 4% to 6% on C&I. When we're looking at growth, we still see that on the C&I side, I guess that upper single digit growth opportunity there on revenue and I think on T&D, we still have growth within the core T&D segment, but we've got to make up for kind of that loss of what we've had on the solar side or the clean energy side. So as we said last quarter, there would be a hole to fill and we anticipate trying to fill that best we can and we see the opportunities out there to do it.

Atidrip Modak

Analyst, Goldman Sachs & Co. LLC

Q

That's super helpful. And then I think you highlighted over 170 hyperscalers, if I heard that right. Can you talk about how many of those are in the core markets that you are exposed to? I know you previously indicated that you want a balanced exposure in the C&I business, but I'm just curious what the competitive landscape is for those core regions and what that means in terms of the size and number of projects that you could be on?

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

A

Yeah, I would say we're seeing lots of opportunities. I'll turn that one over to Don. He deals with that every day.

Don A. Egan

Senior Vice President & Chief Operating Officer-Commercial & Industrial, MYR Group, Inc.

A

We are seeing some of the hyperscalers come into our core markets. And just like we said, we're going to continue to be diversified in what we focus on. We like to focus on data centers and health care and water – wastewater work. But there are – to answer your question specifically, there are hyperscalers that are moving into our core markets.

Atidrip Modak

Analyst, Goldman Sachs & Co. LLC

Q

Thank you. I'll turn it over.

Operator: Thank you. One moment for our next question. Our next question comes from line of Jon Braatz of KCCA. Your line is now open.

Jonathan P. Braatz

Analyst, Kansas City Capital Associates

Q

Good morning, everyone.

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

A

Good morning.

Jonathan P. Braatz

Analyst, Kansas City Capital Associates

Q

Rick...

Kelly M. Huntington

Senior Vice President & Chief Financial Officer, MYR Group, Inc.

A

Good morning.

Jonathan P. Braatz

Analyst, Kansas City Capital Associates

Q

...I have a question for you and Brian and sort of a big picture question. Obviously, the Trump administration is sort of refocusing attention on oil and gas. And I'm curious if there's more electricity generation via combined cycle, single cycle as opposed to clean energy, how might that affect your business? And what are you hearing from your utility customers in terms of a changing generation mix as a result of the new administration? And again, how it might influence the opportunities ahead for you?

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

A

For us, either way, I mean, whether it's clean energy or coming from combined cycle plants or anything like that, we're doing the lines in and out of them. We don't do that construction of the combined cycle itself, and we're selective on the clean energy side that we do. So though it's a part of our business, the lines in and out the substations and the associated work is very strong either way for us. I'll let Brian add to that.

Brian K. Stern

Senior Vice President & Chief Operating Officer-Transmission & Distribution, MYR Group, Inc.

A

Yeah, Rick kind of hit on it. I think our planning cycle with major utility customers has been in motion for a while, so we haven't seen any shifts and discussions with them as far as a change from the new administration at all.

Jonathan P. Braatz

Analyst, Kansas City Capital Associates

Q

Okay. Okay. And Kelly, one question for you. Just curious, what the unrecognized benefit from the deferred tax charge was, if you want to call it that?

Kelly M. Huntington

Senior Vice President & Chief Financial Officer, MYR Group, Inc.

A

Sure. So that just had an overall impact on the effective tax rate for the quarter and the year. And really just kind of to be sort of unevenness in profitability we had this year across the portfolio and so a little drag there. I think when you look at tax rate overall, obviously our effective tax rate was higher this driven by the higher permanent differences which – a lot of that was really driven by contingent compensation from a prior acquisition and deductibility limits around that. So that will become less of a headwind as we look forward. But we do expect to still have pressure on our overall effective tax rate relative to history because of the growth in our Canadian operations.

Jonathan P. Braatz

Analyst, Kansas City Capital Associates

Q

Yeah.

Kelly M. Huntington

Senior Vice President & Chief Financial Officer, MYR Group, Inc.

A

And the last thing I'll mention, just maybe revolve around tax rate, as something that's a little bit unusual relative to the last few years, is that we do expect our effective tax rate quarter-by-quarter to be more even across the year. The last few years, we've had a tax rate benefit in the first quarter driven by how stock compensation hit the tax rate and we don't expect that to be a material driver here in the first quarter of 2025.

Jonathan P. Braatz

Analyst, Kansas City Capital Associates

Q

Okay. Thank you, Kelly.

Operator: Thank you. One moment for our next question. Our next question comes from line of Brian Brophy of Stifel. Your line is now open.

Brian Brophy

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Yeah, thanks. Good morning, everybody. Curious if conversations with customers on these prior challenge projects have completed or finished regarding potential claims or change orders? Or is there any potential impact from those discussions that could occur in sometime in 2025?

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

A

I would say those conversations are continuing. Some have been settled out. Some discussions are still going on. There are always could be possible impacts as you settle out these projects. But as we stand right now, we feel we have them covered as far as the way we've reported them. So I would say everything that way appears to be good and the conversations are ongoing, but there always could be impacts.

Brian Brophy

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay. I guess can you give us a sense for potential size? Would this be something relatively immaterial? And then I guess, is there potential for there to be a positive impact because you're pursuing change orders or there also negative potential outcomes, just any help there would be appreciated.

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

A

No. Look, the way we're look at it is it's either positive or negative, it's probably not enough to move the needle when we're looking at it. But, that's how we see it today. As these conversations continue to evolve, we would provide any updates we have. But at this point, not all of them are settled and those conversations are ongoing. So I'm kind of limited on what I can say about them at this point.

Brian Brophy

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Understood. Thank you. Appreciate it.

Kelly M. Huntington

Senior Vice President & Chief Financial Officer, MYR Group, Inc.

A

Yeah. Just to reiterate, I mean, we do – we evaluate that and we adjust our estimates on that month-by-month, quarter-by-quarter. So what we're presenting in our year end financials reflect the most up-to-date information we have.

Brian Brophy

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Understood. Appreciate it. Thank you.

Operator: Thank you. [Operator Instructions] . I'm showing no further questions at this time. I'll now like to turn back to Rick Swartz, for closing remarks.

Richard S. Swartz

President, Chief Executive Officer & Director, MYR Group, Inc.

To conclude on behalf of Kelly, Brian, Don and myself, I sincerely thank you for joining us on the call today. I do not 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 for your participation in today's conference. This does conclude the program. You may now disconnect.

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