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MYR Group Inc (MYRG) Q3 2024 Earnings Call Transcript

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Q3: 2024-10-30 Earnings Summary

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EPS of $0.65 beats by $0.26 | Revenue of $888.04M (-5.47% Y/Y) misses by $29.13M

MYR Group Inc (NASDAQ:MYRG) Q3 2024 Results Conference Call October 31, 2024 10:00 AM ET

Company Participants

David Gutierrez - Dresner Corporate Services
Richard Swartz - President & Chief Executive Officer
Kelly Huntington - Senior Vice President and Chief Financial Officer
Brian Stern - SVP and Chief Operating Officer, Transmission and Distribution Segment
Don Egan - SVP and Chief Operating Officer, Commercial and Industrial Segment

Conference Call Participants

Atidrip Modak - Goldman Sachs
Sangita Jain - KeyBanc Capital Markets
Justin Hauke - Baird
Brian Brophy - Stifel
Jon Braatz - Kansas City Capital

Operator

Good day, and thank you for standing by. Welcome to the MYR Group Third Quarter 2024 Conference Call. [Operator Instructions] Please be advised today's conference is being recorded.

I would now like to hand the conference over to your speaker today, David Gutierrez of Dresner Corporate Services. Please go ahead.

David Gutierrez

Thank you, and good morning, everyone. I'd like to welcome you to the MYR Group conference call to discuss the company's third quarter results for 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 and Distribution segment; and Don Egan, 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 312-780-7204, 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 today's call will be available for 7 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 that 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 the company's quarterly report on Form 10-Q for the third quarter of 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 Rich Swartz.

Richard Swartz

Thanks, David. Good morning, everyone. Welcome to our third quarter 2024 conference call to discuss financial and operational results. I will begin by providing the summary for the third 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 our T&D and C&I segments, will provide a summary of our segment's performance and discuss some of MYR Group's opportunities looking forward. I will then conclude today's call with some closing remarks and open the call up for your questions.

Our steady third quarter performance improvement was a result of our strong market position and the strengthening of our long-standing customer relationships, as we continue to resolve unfavorable impacts from a relatively small group of projects that were discussed last quarter. With the exception of these projects that are anticipated to reach mechanical completion in the fourth quarter, we are seeing strong project execution across our business segments.

Opportunities for long-term growth remain healthy, as we continue to see strong bidding activity as well as opportunities to build new relationships and expand existing ones. In July, the Edison Electrical Institute projected that U.S. investor-owned utilities will invest between $186 billion and $203 billion in annual capital investments from 2024 to 2026 in order to meet the growing electrification demand. We continue to track these major expansion projects that may lead to future work opportunities and growth, while remaining committed to executing projects for our valued customers.

Our C&I segment continues to see strong bidding activity in our core markets, while capturing new opportunities in transportation data centers and pharmaceuticals. As always, our success is grounded in an unwavering commitment to our customers, safe and reliable project execution and the dedication of our talented team members. I thank each of them for their hard work and the important role they play in helping our company grow.

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

Kelly Huntington

Thank you, Rick, and good morning, everyone. Our third quarter 2024 revenues were $888 million, which represents a decrease of $52 million or 5.5% compared to the same period last year. Our third quarter T&D revenues were $482 million, a decrease of 12% compared to the same period last year. The breakdown of T&D revenues was $277 million for Transmission and $205 million for Distribution. T&D segment revenues decreased due to a reduction of $81 million in revenue on transmission projects, partially offset by an increase of $14 million in revenue on distribution projects.

Transmission revenues include revenues from our clean energy projects. Work performed under master service agreements represented approximately 55% of our T&D revenues. C&I revenues were $406 million, an increase of 4% compared to the same period last year. The C&I segment revenues primarily increased due to an increase in revenue on fixed price contracts and T&E contracts.

Our gross margin was 8.7% for the third quarter of 2024 compared to 9.8% for the same period last year. The decrease in gross margin was primarily related to unfavorable impacts from certain clean energy projects in T&D and a single C&I project. T&D operating income margin was 3.6% for the third quarter of 2024 compared to operating income of 6.6% for the same period last year.

The decrease was primarily related to losses on certain clean energy projects due to unfavorable weather conditions, labor and project inefficiencies, higher labor and contract-related costs and contractual disputes. In addition, schedule extensions caused by owner-furnished panel delays led to increased costs on 2 clean energy projects for which we are pursuing change orders. Combined, the gross profit changes related to clean energy projects negatively impacted operating income as a percentage of revenues by 5.5%.

Many of these projects have reached mechanical completion and the remaining projects are anticipated to reach mechanical completion in the fourth quarter of 2024. C&I operating income margin was 5% for the third quarter of 2024 compared to 3.6% for the same period last year. The increase was primarily due to the continued benefit of higher margins on certain projects nearing completion as well as better-than-anticipated productivity and a favorable change order experienced during the third quarter.

These increases were partially offset by a single project that was discussed in the prior quarter, which had a negative impact of 2.9% on C&I operating income margin during the third quarter. This project is anticipated to reach substantial completion during the fourth quarter of 2024. 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.

Third quarter 2024 SG&A expenses were $58 million, a decrease of $2 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.

Our third quarter effective tax rate was 42.5% compared to 30.3% for the same period last year. The increase was primarily due to higher permanent difference items, mostly related to deductibility limits on contingent compensation associated with the CSI acquisition, which was successfully achieved during the third quarter of 2024 as well as higher U.S. taxes on Canadian income.

Third quarter 2024 net income was $11 million compared to net income of $22 million for the same period last year. Net income per diluted share was $0.65 compared to $1.28 for the same period last year. Third quarter 2024 EBITDA was $37 million compared to $47 million for the same period last year. Total backlog as of September 30, 2024, was $2.6 billion, 1% lower than a year ago and a 2% increase from the prior quarter. Total backlog as of September 30, 2024, consisted of $799 million for our T&D segment and $1.8 billion for our C&I segment.

Third quarter 2024 operating cash flow was $36 million compared to operating cash flow of $13 million for the same period last year. The increase in cash provided by operating activities was primarily due to the timing of billings and payments associated with project starts and completions. Third quarter 2024 free cash flow was positive $18 million compared to negative free cash flow of $10 million for the same period last year, reflecting the increase in operating cash flow and lower capital expenditures.

During the quarter, we repurchased 526,000 shares at an average price of $111.65. Year-to-date, we have repurchased 643,000 shares at an average price of $116.54 for a total cost of $75 million, exhausting our current share repurchase program. Moving to liquidity and our balance sheet. We had approximately $269 million of working capital, $93 million of funded debt and $376 million in borrowing availability under our credit facility as of September 30, 2024.

We have continued to maintain a strong funded debt-to-EBITDA leverage ratio of 0.74x as of September 30, 2024. We believe that our credit facility, strong balance sheet and future cash flow from operations will enable us to meet our working capital needs to support the organic growth of our business pursue acquisitions and opportunistically repurchase shares.

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

Brian Stern

Thanks, Kelly, and good morning, everyone. The third quarter performance of our T&D segment was steady even though we remain unfavorably impacted by clean energy projects that are scheduled to reach mechanical completion by the end of the year. Our transmission and distribution portfolio saw a solid performance executing projects of various sizes throughout our regions and generating new opportunities through long-standing customer relationships, strong bidding activity continued in the third quarter, reflecting the investments being made across the country to meet the growing electrification demand.

D.A. Davidson released a positive outlook on T&D spending in September. The firm compared 3-year CapEx forecast for utilities and estimated T&D spend will increase 30% in 2024 to 2026 compared to 2021 to 2023. And according to the C3 Group's 2024 North American electric transmission market forecast released in September, U.S. investor-owned utilities spent $90 billion replacing growing and maintaining their T&D grids in 2023 with distribution spending increasing a record 18%.

Increased electrification, the clean energy transition, low growth and system hardening are all significant market drivers now and are expected to continue to be drivers into the future. The need for new and upgraded electrical infrastructure has the potential to create future opportunities for our business. In our Western region, Great Southwestern Construction, Sturgeon Electric and High Country Electric performed storm response work related to Hurricanes Beryl and Helene.

Great Southwestern was also awarded a new master service agreement contract in the Mid-Atlantic region. Out East, the L.E. Myers Company won substation projects in Tennessee and transmission work in Iowa as well as storm response work of its own. Harlan Electric continues to see MSA and transmission work in the Northeast.

In summary, our T&D segment remains committed partnering with our valued customers and safely providing project delivery, while strengthening and expanding those relationships for mutually beneficial outcomes. I want to thank our employees for helping us reach our high standards every day. We are optimistic about the outlook of the T&D industry and look forward to playing a key role in helping our customers meet the future energy demand in the U.S. and Canada.

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

Don Egan

Thanks, Brian, and good morning, everyone. Our C&I results improved from the previous quarter as we saw steady performance, thanks to the strength of our core markets. We continue to execute projects of various sizes across the segment and strategically monitor and bid new opportunities. CSI Electrical Contractors was awarded the replacement passenger terminal design build project for Hollywood Burbank Airport in California, valued at approximately $100 million, with an expected completion date in late-2026. This further solidifies our strong working relationships in the region.

Data centers continue to provide ongoing and long-term opportunities across the segment with new awards in the quarter. Health care, aerospace, transportation and pharmaceuticals are also markets, where we continue to execute on projects and see healthy bidding activity. Our segment continued to be unfavorably impacted by a single project, which continues to present headwinds as we work towards substantial completion during the fourth quarter of this year. Moving forward, the future is promising as our chosen core markets are expected to grow during the rest of the year and into 2025.

The consensus construction forecast from the American Institute of Architecture released in July expects industrial facilities to see strong double-digit spending growth throughout the rest of 2024. With health care facilities, specifically forecasted to rise 3.5% in 2025, the Dodge Momentum Index released in July also reported an increase of 17% over the past 12 months across all segments, with data centers continuing to play an important role in market growth.

In conclusion, we're encouraged by the forecast of our chosen core markets, which align with the healthy bidding activity we currently see. By remaining a nimble partner for our customers, backed by the dedication of our talented employees, we will continue to work to safely execute projects and deliver value to our customers and shareholders.

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

Richard Swartz

Thank you for those updates, Kelly, Brian and Don. Our third quarter performance reflects the resiliency of our core markets and the strength of our long-standing customer relationships as we continue to complete a relatively small group of underperforming projects. Bidding activity across our business segments remain healthy and market forecasts are positive throughout the remainder of this year and into 2025.

Our focus is continually placed on emphasizing our customers' needs, further developing and supporting our skilled employees and providing value by successfully and safely executing projects.

Finally, I want to thank each of you for your continued support of MYR Group. We look forward to progressing our business strategies, while strengthening our client relationships and creating shareholder value.

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

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from Ati Modak with Goldman Sachs.

Atidrip Modak

You mentioned some [indiscernible] that there are some change orders you're pursuing for the clean energy project. Can you give any additional color there, the potential impact on margins? Should we expect a little bit of a bump temporarily in realized margins for these change orders? How should we think about the progression?

Richard Swartz

For us, we need to get these projects behind us. We do have change orders we're pursuing. Again, as we close out these projects, we evaluate those every quarter and look where we're at and really try to assess it on a real-time basis. So we do that every quarter. We're continuing to have conversations with the clients. And we said we will probably continue to have some impacts from these projects as we get into the -- or finish the fourth quarter, but those should all be behind us at year-end.

Kelly Huntington

Just to add on to that, so I think when you look at the T&D operating income margin, similar to what we talked about last quarter, we expect to be in the middle of the target range, when you exclude the impacts of the solar projects.

Atidrip Modak

Yes, that's what I was about to ask next. So like margin progression core T&D business seems like it's doing well, C&I as well. Can you give us a little bit more color on that progression trajectory from here? Is it too early to think about upside to the ranges you've provided previously? Any color there?

Kelly Huntington

Sure. I'll start on that, and then Rick may want to add some broader market context. For the C&I side, operating income margin also expecting to be in the middle part of the range excluding the impacts of the single project that we talked about that will reach substantial completion here in the fourth quarter. And as we go forward into next year, our expectation as these projects reach completion, is that we'll have those behind us, and we should be operating in the middle part of our each of our segment ranges. So that's the 7% to 10.5% on the T&D side and the 4% to 6% on the C&I side as we look forward into 2025.

Richard Swartz

Yes. And as Kelly said, next quarter or the fourth quarter, we need to get these projects behind us after that. We see strong market opportunities out there. But again, too early to adjust kind of our margin profiles. But as Kelly said, we anticipate being in that midst range for next year. And hopefully, we see opportunities that can take us above that.

Operator

Our next question comes from Sangita Jain with KeyBanc.

Sangita Jain

Great. Rick and Kelly, can you talk a little bit about your T&D backlog, Rick, and how much solar you still have in there and if the terms on those are different from what you have been burning currently?

Richard Swartz

Yes. We really haven't defined the exact amount that's carried in our backlog. But as you know, we've been very selective on the T&D side of which projects we're taking on as far as solar projects. So with that, I would say our backlog continues to decline, and that's on the solar side, while growing on our core team, what I call our core T&D business. So as we go forward, we're going to continue to be selective on those projects. We still don't mind the solar market, but with the right terms and conditions.

I would say there's been no new projects that have been identified that are problem projects on the solar side of our T&D business or even on our C&I side minus the 1 project. So we're still talking about the same projects we had last quarter with nothing new added there. So I think our core business, as Kelly said earlier, is operating very well, minus those few problem projects. Kelly, anything you want to add?

Kelly Huntington

Yes. And just to connect that, Sangita, to kind of what are our expectations as we move into the fourth quarter, T&D revenue, we expect to be probably flattish to the third quarter. We're expecting to see lower clean energy revenues in that segment as additional projects reached mechanical completion. But that's offset by growth in our core T&D business.

And just while we're on the topic from a C&I perspective, there in the fourth quarter, we see revenue being flat to down slightly compared to third quarter. And that really will just depend on project timing and how things roll out in the fourth quarter versus into next year.

Sangita Jain

So while we are talking about 4Q, can I ask you about margin progression 3Q to 4Q as some of these projects problem projects start to reach mechanical completion? Should we expect the trend to move towards your midpoint of your long-term ranges?

Kelly Huntington

Yes, I'll go back to the comments I made earlier. We're expecting without the impacts of these problem projects in clean energy on the T&D side and a single project on C&I that we'll be operating in the middle part of the range. I thought -- I think we saw good progression relative to the losses that we experienced on those projects in the second quarter versus the third quarter. But we still have work to do on those projects. And until they're done, we may have risk around those projects. And of course, we are carrying them at lower margins until they're completed. So they will have a drag on our performance that has been strong and within our expectations outside of these projects.

Sangita Jain

Got it. And Kelly, can I ask you a question on free cash flow? So your free cash flow was stronger than what we had modeled for this year -- this quarter. So is there any thing that you can help us understand on, if there was a specific reason for that, a positive closeout or just kind of something to kind of like understand that better?

Kelly Huntington

For us, a lot of it, when you look quarter-by-quarter, it really comes back to the timing of when projects are starting and wrapping up. So that can make it a little bit lumpy I think we benefited from that. We've also seen some modest reversals on balances for retainage for example, and for total pending change orders, so that's helping to support positive cash flows. I think as we look into next year, we do see an outlook for stronger cash flows relative to certainly what we saw in 2023 and on a year-to-date basis so far this year.

And then that's really driven by our outlook for increased profitability from both segments. And I'd say we do still face a headwind like all companies, interest rates are coming down, but they're still high. So payment terms continue to be a focus of conversations with customers. But I think a lot of that's in our numbers today.

Operator

Our next question comes from Justin Hauke with Baird.

Justin Hauke

Great I have a couple of, I guess, clarification ones and then one maybe bigger picture thinking about next year. But Kelly, I guess just starting on the C&I margins of 5%. You guys talked about the 350 basis points of negative adjustments. And I guess the vast majority of that was that one project. But you also said there were some offsets that had a positive change order. I was just wondering, if you could kind of quantify that because the 5% given those headwinds was quite strong for the quarter. So I just want to make sure that we have all pieces.

Kelly Huntington

Yes. We did have some positives, and we identified those. We also have some -- you might remember the last couple of quarters, we've noted some positive adjustments that have been helping to offset that in it. And as we're carrying both projects forward to completion, we're carrying them at higher margins. I think a little bit of this is also that our losses have really been concentrated in a couple of areas, right?

So the one project on the C&I side, the solar projects on the T&D side and when you're -- when you're only taking out the bad, it's leaving all of the good, right? And we typically do have some pluses and minuses in a given quarter. But our minuses recently have been really concentrated in just a couple of areas. And so that's why we're a little cautious when you normalize those out, remember, we've also got some things that have been positive in those quarters as well that we expect over time kind of even out.

Justin Hauke

Okay. All right. Well, I guess you kind of talked about the 4% to 6% being at the midpoint. So I guess we'll just look at those and looking at balancing at 5% here. But I guess my second question is just on -- I don't think that you mentioned anything, but do you have any detail about just kind of the storm impact for the quarter or what you've seen in 4Q? I know usually that's really high margin, high utilization stuff. Maybe just some context of what the contribution has been versus maybe a historical year of how much storm work can you usually do?

Richard Swartz

We always have some storm work in our numbers. So I would say we've talked before, the majority of our work that we really -- when you look at 50% of our work is MSA work and the majority of those clients are all part of mutual assistance. So they tell us how many crews we can take off where we've really tried building our businesses around that solid day-to-day work. We like storm work. We like being able to support it. But again, our clients really tell us how many people we can remove from their work and send to storm. So for us, it's usually not a needle mover, but it is usually a positive contributor, but not a needle mover by itself, if that makes sense.

Justin Hauke

Okay. Fair enough. This is obviously an unusually active season. So I just didn't know if there was anything on that, but yes. And I guess just my last one here, thinking about '25, so the backlog as it stands right now with kind of winding down the solar portfolio of the projects you've been completing, you're flat.

I'm just trying to think about from a high level, what you would be thinking about in terms of revenue growth for '25? I mean is flat backlog consistent with kind of a flattish revenue outlook for the year. Or is there stuff that's expected to come in? It's not in the backlog that maybe gives some growth expectations above that? Just trying to kind of get an idea of where you're thinking for '25.

Kelly Huntington

Yes. I'll start off on that and then I'm sure Rick will want to add some market context. So when you look at C&I and our traditional T&D business, we're seeing high single-digit growth opportunities in both segments. I think the headwind, as you highlighted against part of that is the strong contribution we've still seen from a revenue perspective this year from clean energy work and that relative to the comments that Rick made about the future and backlog. So that has represented about 12% of our work year-to-date in the T&D segment.

Richard Swartz

Yes. And again, as Kelly said, we see great market opportunities on the T&D side to continue to grow our business minus solar. And if solar market improves in the markets we've been talking about, we anticipate taking on some work there and being able to add that to our backlog. But I think -- and on the C&I, I think we shown quarter-over-quarter, we can -- that there is project opportunities, and we are growing that backlog. So for us, it's just making sure we choose the right opportunities, and we remain selective.

Justin Hauke

Great. Glad it's all completing here this year, that's good to see.

Operator

The next question comes from Brian Brophy with Stifel.

Brian Brophy

So a question on C&I backlog. Obviously, it was quite strong in the quarter. Can you talk about what's driving that? And is there any particular large project to call out or end market that's driving a majority of that?

Richard Swartz

I wouldn't say a large, large project by itself. Don talked about the $100 million approximately project that we picked up at the Hollywood Burbank Airport. That was part of it. But I would say in all the markets we're in right now, we're seeing a lot of activity. So good opportunities going forward. And I wouldn't say, it's all contributed fully to just one area or one extremely large projects. We've got a pretty balanced portfolio.

Brian Brophy

Okay. And then I wanted to ask on capital deployment. Obviously, it looks like you guys bought back quite a bit of stock in the third quarter, used up the entire authorization. Can you talk about how you're thinking about priorities for cash going forward here?

Kelly Huntington

Sure. So we are really focused on how do we deploy capital for growth, and we're seeing good opportunities. So both from an organic growth perspective, we remain interested in tuck-in acquisitions that we think could create shareholder value. So we do see that prioritizing that as we go forward. That said, we've always thought about share repurchases opportunistically. And we -- even after a couple of tough quarters, we have a strong balance sheet. So we've got flexibility I think, to support what makes sense from a value creation perspective.

Operator

The next question comes from Jon Braatz with KCCA.

Jon Braatz

Rick, just sort of a point of clarification, are you pursuing at this point any solar work or are you just looking elsewhere until maybe the environment changes?

Richard Swartz

No, we continue to pursue it. We like the solar market. As we said, it's been a positive contributor on the C&I side. And we've had good growth on that side in select markets. We talked about a couple of geographic areas that we have historically done that work under the T&D segment that have been what I'd call challenged on margins or the way projects are being bid right now. So we're going to remain selective, make sure we have the right terms and conditions, but we're not getting out of that market. We like the market overall. We've been in it a long time. Again, it just comes down to making sure we have the right pricing in terms and conditions that we're willing to accept.

Jon Braatz

Okay. But is it fair to say the environment, generally speaking, is a little bit more competitive?

Richard Swartz

Not in all markets. Again, I said it's been positive on -- in the geographic areas that we've done it on the C&I side. So I wouldn't say it's been a challenging market on that side in a couple of areas. It has an really, that's affected our T&D side of the projects that are clean energy ones. So again, overall, I wouldn't say it's aggressive everywhere.

Jon Braatz

Okay. And Kelly, when you look at the performance of the problem projects in the past quarter in the third quarter, just curious, did they come out better than you were looking for? Or were they pretty much in line with what you were thinking in terms of the losses and so on?

Kelly Huntington

Yes, it's an interesting question, Jon. We always -- any time we're closing the books at the quarter, we're taking all the information we have at that time to estimate what we think the cost to complete will be and so we're taking that into consideration. I think, when we talk about solar, you may have noticed in our disclosures that the biggest driver for us in the quarter on those challenged solar projects was unfavorable weather. So that was a hit for us. But certainly, we hadn't anticipated when we reported our second quarter results.

So those are the kinds of risks we can face as we close out projects and why we've tried to give as much disclosure as we can around when we reach mechanical completion for the solar projects or substantial completion for the C&I project. Because we know it becomes more predictable what to expect after that point, even though the work isn't 100% done.

Jon Braatz

So with that in mind, would it be fair to assume that as you look into the fourth quarter, those projects will be less of a drag than they were in the third quarter?

Kelly Huntington

I think we certainly hope so, but until the work is complete, we're -- the accounting rules don't permit us to take a worst-case view of these. So we're taking all the information we have when we closed the quarter. But we know at a minimum, we're going to carry these projects at lower margins until they are complete.

Richard Swartz

The only thing I would add to that, Jon, is we've also got ongoing conversations with the clients. So when it comes to the change orders or the potential claims out there, we're continuing to have those. And as I said, as these projects fit closer to completing, and we reached that mechanical completion, those conversations accelerate. So that can always be -- it could affect you either way, either positive or negative. But again, we anticipate getting these projects, at least mechanical completion by year-end.

Operator

[Operator Instructions] And I'm not showing any further questions at this time. I'd like to turn the call back over to Rick for any closing comments.

Richard Swartz

To conclude, on behalf of Kelly, Brian, Don 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. Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.

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