

# NASDAQ:BWMN Q2 2025 Earnings Call Transcript

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## **Victoria | Conference Operator:**

Good morning. My name is Victoria, and I will be the conference operator today. At this time, I would like to welcome everyone to the Bowman Consulting Group second quarter 2025 earnings conference call. All lines will be placed on mute for the presentation portion of the call with an opportunity for questions and answers at the end. Please note that many of the comments made today are considered forward-looking statements under federal security laws. As described in the company's filings with the SEC, these statements are subject to numerous risks and uncertainties that could cause future results to differ from those expressed and the company is not obligated to publicly update or revise these forward-looking statements. In addition, on today's call, the company will discuss certain non-GAAP financial information such as adjusted EBITDA, adjusted net income, and net service billing. You can find this information together with the reconciliations to the most directly comparable GAAP information in the company's earnings press release filed with the SEC and on the company's investor relations website. at [investors.bowman.com](https://investors.bowman.com). Management will deliver prepared remarks after which they will take questions from research analysts. Replays of the call will be available on the company's investor relations website. Mr. Bowman, you may begin your prepared remarks.

## **Gary Bowman | Chief Executive Officer:**

Great. Thank you, Victoria. And good morning, everyone. And thanks for joining our second quarter earnings call. Bruce Labovitz, our CFO, is with me this morning. I'll start today's call with some introductory remarks, and then Bruce will cover our financial performance. I'll end the call with closing statements before opening to Q&A. So, turning to slide three. The second quarter marked another period of growth due to strong demand across our core verticals. New orders were especially strong in transportation, renewables, and energy transmission, where our expertise and differentiated capabilities continued to drive increase client engagement and long-term opportunities. The momentum we experienced across the business reflects our ability to execute with discipline and deliver high impact outcomes for our clients. For the quarter, we recorded a 17% increase in gross contact revenue, a 15% increase in net service billing, over 8% organic net service billing growth, and almost 51% growth in adjusted EBITDA. Importantly, record bookings during the quarter were well balanced across our markets. Once again, we reported a book-to-bill ratio of well over one. As we sit here today, I'm pleased to report that bookings so far in the third quarter are outpacing second quarter bookings. I'll now turn the call over to Bruce to go into greater detail. Bruce?

## **Bruce Labovitz | Chief Financial Officer:**

Okay. Thanks, Gary, and good morning, everyone. Let's turn to slide four. As we detailed in our earnings release last night, the second quarter was record setting on several fronts, including both gross revenue and net revenue at 122 million and 108 million respectively. Adjusted EBITDA of 20.2 million and a margin of 18.7 were also records. Adjusted EBITDA margin was up 440 basis points over the second quarter last year and 420 points over the first quarter of this year. Gross margin in the second quarter increased by 120 basis points over last year and by 230 basis points compared to the first quarter this year. That's helpful, but it's just a component of the margin expansion story. Keep in mind, gross margin sometimes fluctuates because it only reflects the burdened utilization driven cost of our operations workforce, but does not include indirect non-billable operations labor. So to be more complete, Let's look at total overhead. The combination of the direct payroll and SG&A lines on the P&L is total operating overhead. When we compare the second quarter to the first quarter this year and look at the sequential quarter-to-quarter changes in revenue versus changes

in total overhead, you see that the \$8 million sequential period increase in net revenue was achieved with essentially a flat total overhead. Unpacking that a little further, total unburdened operations labor increased roughly 1%, while net revenue increased roughly 8%. What we find most encouraging about the second quarter's results is the validation of our belief in the scale effect on our adjusted EBITDA margin, the point in our growth cycle where revenue is growing faster than overhead. While there were ups and downs across overhead expenses, we believe that in the aggregate, we are delivering on the scale effect. In large part, the margin expansion we delivered this quarter was the product of deliberate and disciplined labor cost management supported by the commitment of every member of our workforce to optimize our collective utilization. Year to date, our adjusted EBITDA margin is 16.7%, a 250 basis point increase over last year. At the midpoint of our guidance, we're projecting a 17% adjusted EBITDA margin for the year. This implies operating in what we believe is an extremely achievable second half average margin of a little over 17%. Non-cash stock compensation expense in the second quarter was 3.1 million compared to 6.1 million last year and 6.7 million in the first quarter. This sequential quarterly drop is attributable to two primary considerations. First, in the first quarter we benefited from a cost arbitrage based on lower than expected grant date fair value for the shares we issued in April in settlement of our 2024 non-cash stock bonus accrual. Secondly, we implemented structural changes to our 2025 bonus plan during the second quarter that impacted the anticipated annual accrual for non-cash stock compensation. We currently project total non-cash stock comp expense of around \$20 million in 2025. We firmly believe our culture of widespread employee ownership creates shareholder alignment, which contributes meaningfully to improving efficiencies and to our ability to deliver a high teen's margin profile. Let's turn to slide five. The composition of our revenue continues to evolve and deconcentrate. To better illustrate the composition of our revenue, we've added a few new subcategories to the revenue pinwheel. In addition, We reclassified data center work to the power utilities and energy sector, given the rapidly evolving nature of our work in data centers, which Gary will discuss later. Additionally, we added a breakdown of our transportation business to highlight what we believe will be consequential areas of concentration and growth for us over the next few years. This includes ports and harbors and mass transit, including aviation, both small parts of our business today. Within transportation, Our work remains approximately two-thirds public and one-third private in nature. Natural resources and imaging revenue is roughly 50% public-funded digital orthoimaging and photogrammetry for federal customers such as the Department of Agriculture, with the remainder split between water resources, mining, and environmental services. Let's turn to slide six. In the second quarter, we generated 8% organic growth in net revenue over last year. For the year, we have generated nearly 10% organic growth of net revenue. Organic growth of net revenue was positive across all verticals, being strongest in transportation at 21%, followed by natural resources and imaging at 19%, power utilities and energy at 5%, and finally building infrastructure at 4%. These organic growth rates demonstrate the strength of our diversified service offerings and reflect the revenue synergies that have been generated through an uncompromising commitment to adjacency and complete integration in our M&A program. Let's turn to slide seven. Backlog at the end of Q2 was nearly \$87 million, or 25% higher as compared to last year, and over 19 million, or 5% higher than the end of Q1. This healthy growth in our backlog is the product of organic sales, as no new one-time inorganic backlog was added during the quarter. This growth of transportation backlog relative to revenue is a result of our deliberate efforts to grow our transportation business, and at this time we consider it to be indicative of continued future deconcentration of building infrastructure revenue. Let's turn to slide eight. Our balance sheet remains healthy with low leverage of just 1.6 times trailing four quarters adjusted EBITDA. The strength of our balance sheet and improving cash conversion provides sufficient liquidity and access to debt capital to fund our drive to greater scale. At the end of Q2, we had \$108 million in net debt with nearly \$16 million in cash on hand and \$80 million available under the current revolver with sufficient access to lease financing for capital expenditures. We see no imminent need to access the equity capital markets. Cash flow from operations was down a bit in the quarter due to the payment of accrued bonuses and an increase in working capital resulting from backloaded growth in revenue and increased receivables during the quarter. Year to date, we've generated \$16.3 million of cash flow from operations, a nearly 50% adjusted EBITDA conversion rate, and a threefold increase over last year. We remain confident that we will continue to increase that ratio and end the year with conversion in the mid to high 60s. At the beginning of the quarter, we spent \$6.7 million, sorry, at the beginning of the quarter, we spent \$6.7 million capitalizing on the opportunity to

repurchase stock amidst a tumultuous market. We're purchasing over 300,000 shares at an average price of \$22.19 per share. With markets more settled and our stock having rebounded, we're now focused on alternative capital deployment priorities, having not made any additional repurchases so far in the third quarter. Let's turn to slide nine. A couple weeks ago, we announced that we had committed \$25 million for innovation investment through the formation of the Bowman Innovation Growth Fund, or the BIG Fund for short. This initiative is one way we are demonstrating our commitment to engaging our workforce in our quest to expand our digital and data service offerings, expand our revenue capture into OPEX and maintenance budgets, enhance the utility of our deliverables and increasing residual interaction with customers, and enable continued margin expansion through the introduction of innovation-driven efficiencies. We consider this to be an imperative for engineering services providers that want to remain relevant and competitive. Our efforts toward innovation are focused on three primary areas of technology. One, geolocation GIS and intelligent spatial awareness. Two, high resolution digital imaging, and interactive 3D modeling. And three, artificial intelligence tools that leverage large language modeling, hyper iteration, and agentic applications. We're already funding several employee initiated pilot projects and are vetting several others. We expect to yield meaningful returns on these investments over time. For now, we are only investing in internally generated ideas with internally executed implementations. I'll close by addressing the impacts of the recent One Big Beautiful Bill on our business. Keep in mind, the legislation was passed in July, so there are no visible effects in Q2. Of particular benefit to Bowman are the reversion to 100% bonus depreciation and the elimination of the requirement to capitalize and amortize research and experimental expenditures. This change finally affords us the ability to permanently unwind our uncertain tax position over time and reverse corresponding accruals for potential interest, with such future reversals having positive impacts on earnings per share. With that, I'm going to turn the call back over to Gary for closing comments.

### **Gary Bowman | Chief Executive Officer:**

Great. Thank you, Bruce. One of the significant drivers of future growth for Bowman is the renewed increase in demand for power generation, transmission, and consumption. This phenomenon has been accelerated by the rapidly expanding applications for data centers. Data centers today are amongst the most energy-intensive forms of infrastructure development, and their scale, complexity, and urgency are reshaping how we think about them as an asset class. Data centers are no longer just land development initiatives driven by the availability of fiber and proximity to substations. Today, data centers start and end with the availability of power, both in permanent and temporary bridging applications. Power has displaced latency as the primary problem to solve. To better position Bowman for success in capturing a larger share of the entirety of the data center market, we've moved data centers out of building infrastructure and into our power market sector, where it belongs and where it will thrive. We also made an acquisition to further expand our range of service offerings to data center developers and operators. Given the growing influence of the data center market on our business, I want to spend a few minutes walking through our strategy in this space, how the E3I acquisition positions us to unlock near-term growth and expand our service scope in the quarters ahead. I'll just turn to slide 11. Historically, data centers were built where zoning allowed it. Fiber was abundant, and power was sufficient. Today, the definition of sufficiency has exploded to levels unfathomable 5 to 10 years ago, and power is the catalyst to successful data center planning. This is where we are uniquely positioned to capitalize on the growth of data centers. Our teams are not only supporting clients through site development permitting, but also in the design of onsite substations, switching yards, advanced chiller systems, and power distribution infrastructure. We're also able to implement advanced thermal strategies into our designs. These capabilities increase both project complexity and value, which we expect will help us win high margin, longer duration engagements. Evolution in the rapidly evolving power dynamics of the data center market is exactly why we acquired E3I, to better position us to compete for broader scopes of work and grow our long-term presence in this sector. With E3I, we now offer a true end-to-end solution from land acquisition and entitlement to onsite infrastructure and substation integration, all the way to delivery of cooling and electrical systems inside the walls of the facilities. A full delivery solution enables us to expand project scopes, compete more aggressively with the growing power needs of our clients, and deliver greater value

per engagement. The rise of data centers is also fueling increased demand for our renewables and energy services divisions. As clients bring data centers online in advance of the availability of traditionally transmitted electricity, They also pursue grid independence and cogeneration strategies, such as battery energy storage, fuel cells, microgrids, and the alternative energy generation. We have the expertise to plan, permit, and engineer both facilities and the energy infrastructure they depend on, making us not only a key partner in facility design, but in long-term energy strategy. So while we are concentrating on capturing more market share and wallet share in data centers, we continue to focus on revenue diversification across all verticals, and we continue to sail where the tailwinds are strong in other areas, such as road and bridge infrastructure, mass transit, water resources, ports and harbors, and other general civil infrastructure. As we look for the rest of the year, We're optimistic about the remainder of 2025 and our early view of 2026. We expect to see a similar growth pattern to what we experienced last year, wherein momentum builds through the second and third quarters with growth accelerating mid-year before leveling out in the fourth quarter. On slide 12, you'll see we're raising 2025 full-year guidance of net revenues in the range of \$430 to \$442 million. with adjusted EBITDA between \$71 and \$77 million. I'll now turn this call back to Victoria for questions.

**Victoria | Conference Operator:**

Of course. We will now begin the question and answer session. If you would like to ask a question, please press star followed by 1 on your telephone keypad. If for any reason you would like to remove that question, please press star followed by 2. As a reminder, if you're using a speakerphone, please remember to pick up your handset before asking a question. We will pause here momentarily to allow questions to register. Our first question comes from the line of Aaron Spachala with Craig Hallam. Your line is now open.

**Aaron Spachala | Analyst, Craig-Hallum Capital Group:**

Yeah, good morning, Gary and Bruce. Thanks for taking the questions. You know, maybe first for me, can you talk a little bit about the transportation segment and just, you know, some of the growth that you're seeing there, you know, particular areas of strength and just maybe talk a little bit about the pipeline and how you see that segment, you know, performing over the near term.

**Gary Bowman | Chief Executive Officer:**

Sure, Erin. Good morning. What we're seeing is really the establishment of great synergies between some of our recent acquisitions and just increased presence in the market. The public spending both from the infrastructure bill and other funding sources is certainly continued in a robust manner. So lots of wins in our construction management and engineering services. but all throughout also with bridge renewal and highway design. So really across the board, great backlog.

**Aaron Spachala | Analyst, Craig-Hallum Capital Group:**

All right. Thanks for that. And then maybe on power and utilities, energy transmission is an area we haven't heard about for a little bit. Can you maybe just give a little bit more color there, the size of that business for you today and kind of how you see the outlook there moving forward?

**Gary Bowman | Chief Executive Officer:**

Yes, Aaron. It's a significant part of our energy and power segment. Our geospatial group has had some great recent wins with power transmission. And with the acquisition of Surdex last year, we're starting to see some applications with our fixed aerial for some of the big transmission jobs. So we see that as a continuing

increasing part of our power and energy business.

**Aaron Spachala | Analyst, Craig-Hallum Capital Group:**

All right. And then just maybe last on the operating leverage, you know, really good to see that start to show through. Can you just kind of talk about how you, you know, feel from a, you know, operational capacity standpoint, you know, areas of investment that you might need there?

**Bruce Labovitz | Chief Financial Officer:**

Bruce, good morning. I guess The answer to that is we're happy with the way we're leveraging the size of the operation. The key input is always labor, right? And so managing the increases labor being prepared to meet the demand that's coming in through, as Gary mentioned, increasing sales. So investing in having the appropriate labor force available at the right size in the right places at the right times is a meaningful amount of effort here. Beyond that, you know, we've talked about investing in innovation that allows us to further leverage the workforce into higher multiples of return, being able to provide more efficient technology-enabled services to capitalize on the inventory of digital assets that we have in place today to be able to scale in such a way that it's not one to one incremental labor to incremental revenue, that it is a multiple of incremental labor to revenue going forward. So we're investing internally in systems and processes and digital services that are of high value. and in making sure we keep the labor force correctly aligned for the future.

**Aaron Spachala | Analyst, Craig-Hallum Capital Group:**

All right. Thanks for taking the questions. I'll turn it over.

**Victoria | Conference Operator:**

Thank you for your question. Our next question comes from the line of Brent Thaleman with DA Davidson. Your line is now open.

**Brent Thaleman | Analyst, D.A. Davidson & Co.:**

Good morning, Brent. Hey, thanks. Good morning. Hey, great quarter, guys. I guess just. Yeah, first question was just maybe Bruce just on the outlook. The updated view for the year at the at the midpoint sort of implies somewhat lower margins in the in the second half, and it seems like a lot of the factors that are driving the really good operating leverage here this quarter should carry forward. So just wanted to get a sense that there's some other things. Now we had to consider on the margins in the second half. I know it's a dynamic. macro environment right now, and there's a need to want to be conservative as well. So just wanted to dive into that a bit.

**Bruce Labovitz | Chief Financial Officer:**

Yeah, Fred, me and Paul, we've talked about in the past that quarterly margins will vary, you know, depending on the timing of revenue and the increases in labor. I think about the second half relative to the first half, and it does imply improving margins over the first half as a collective. I think that this quarter is a very positive indication of the capability of the organization to generate the kind of long-term high margins that we aspire to deliver. We will see some inflationary pressure on labor, you know, throughout the year, and we do think that'll have some dilutive effect to this particular quarter's margin, but not meaningfully. Um, and so as we

look ahead, we're confident that we can achieve a higher collective margin in the second half of this year than we achieved in the first half of this year, whether it be exactly evenly distributed or exactly at this. Uh, quarters level, this achieving this quarter's level of, of margin would, would allow us to exceed, uh, our guidance for the year. So that's our aspiration.

**Brent Thaleman | Analyst, D.A. Davidson & Co.:**

Okay, appreciate that. That's helpful. And then just on the press release, Bruce, you talked a bit about it, the big fund. Any timelines associated with that? Is that fairly open-ended in terms of the deployment of that back into the business? Just wanted to get a better sense around that.

**Bruce Labovitz | Chief Financial Officer:**

Yeah, at the moment, Brent, I would characterize it as opportunistically open-ended. You know, we would like to be deploying capital into the business in productive ways as quickly as possible, but as prudently as possible. So we are sort of thinking of it as, you know, there's an investment committee that is assessing ideas, that is funding pilot programs. We're currently working with a couple of pilot programs at our ports and harbors group and our water resources group and our civil production group in terms of how we traffic work around the organization. And so there's a number of good things. I would say this is, you see it between the rest of this year and next year, we'd like to see that capital being deployed and returns starting to be generated. And so it's an exciting initiative within the company. It's got a lot of traction, and it's amazing how many ideas our workforce, you know, has been able to generate. We're sorting through them.

**Brent Thaleman | Analyst, D.A. Davidson & Co.:**

Okay, awesome. And then, you know, last one, I mean, Gary, I'd be curious if you could just talk around how some of the demands of the data centers have changed the way you work around and with these customers. I mean, on one hand, it's a small portion of your business, but I'm sure it's having kind of knock-on effects in other areas of your business as well. So if you could just talk around that and how you see that unfolding here going forward.

**Gary Bowman | Chief Executive Officer:**

Well, it's a great question because it is evolving from one where several years ago, it was the land acquisition, entitlement, site development work to now being tied together with, as we said in the comments, the entirety of energy infrastructure, the energy demand, power generation, and now with the addition of E3I to be able to get inside the walls of the buildings. So it's rapidly evolving and in a way that is synergistic with other areas of the business that we've been building. So we're very excited about the, needless to say, about the future potential.

**Andy Whitman | Analyst, Robert W. Baird & Co.:**

Okay. Very good. Thanks, guys. I'll pass it on. Thank you, Brent.

## **Victoria | Conference Operator:**

Thank you for your questions. Our next question comes from the line of Andy Whitman with Baird. Your line is now open.

## **Andy Whitman | Analyst, Robert W. Baird & Co.:**

Great. Good morning, everyone. Yeah, I mean, as I look at the quarter, I think, again, the margins just really stand out to us. Not to beat a dead horse here, but, like, Bruce, could you just talk about, you know, over the last year or so, you've also done some things to manage that overhead. You've done some cost actions there. talk about if that was a contributor here as kind of it's kind of a few quarters now i don't know if it's still contributing but can you just discuss that as it relates to the margins and any benefits maybe from the mix of work that you're doing i have to imagine that this data center grows faster than the rest of the business some of the lower margin parts maybe aren't growing as fast maybe that's a factor as well so maybe a thought could have you address those couple of things too bruce

## **Bruce Labovitz | Chief Financial Officer:**

Yeah, sure, Andy. You know, the margin, you know, the principle contributed to margin here is the efficiency of labor. You know, hands down, that's sort of the single biggest lever is having the right labor in the right place at the right time to meet the demand that the business is generating and the revenue that is to be generated. Having the pyramid of labor Tom Frantz, You know, in the right shape, so that you've got you know cost you've got a large a large collection of folks that can do a lot of different functions and a fewer of the highly specialized folks so that you can share work more freely. Tom Frantz, it's a function of the adjacency of our m&a activity that we're buying things that fit within that pyramid of Labor and then we are fully integrating them. without regard for how they looked before. And it's part of the vetting process of M&A to be able to find the right kinds of organizations that understand what the post-closing environment is going to look like and why they're going to fit in and thrive in this environment. So labor is really the biggest lever we have. And last year, as you talked about, we retrenched and got very serious about made some leadership changes in terms of how labor and operations were managed. And it's been a very effective realignment of interest there and of effort. Everyone within the company has stepped up, mobilized, and found ways to optimize utilization. The rest of overhead is one of those things that we control to the best of our ability and try to limit the growth of. And, you know, we're not in a, you know, a, what do we call it, rapid cost-cutting mode, you know, but we're looking at where can we, you know, be more effective with what we have as opposed to acquiring more things. So, you know, all those things together are contributing to a, you know, what we said is essentially a flat total overhead period over period. I don't really think of it as year over year. I really like to think of things in sequential periods because that's where you really see the relevant change. In terms of margin of work, I would say that it's not as big a factor. We're not out here chasing specific categories of work because we've identified them as being higher margin. But I will say that the introduction of technology is an accelerant in the margin profile of all of the things that we do. To be able to iterate faster, to be able to access large troves of publicly available information and synthesize them in real language I mean, our people be able to essentially ask Bowman their own questions about how to win work has been a very valuable and contributing investment.

## **Andy Whitman | Analyst, Robert W. Baird & Co.:**

Thanks for that, Collier-Bruce. And just kind of, Gary, the M&A pace, you have previously discussed that your M&A pace in terms of number acquisitions might be lower. size of them might be higher. We had a quarter here where I don't think anything closed. So really two aspects to this question. The first aspect is, has that slower acquisition pace afforded a better look at the organic business that's helped you focus in on some of these cost actions? And two, is this still the plan forward with maybe lower frequency, larger deals, and how

should investors be thinking about that as we sit here today?

**Gary Bowman | Chief Executive Officer:**

So it's a great question, Andy. I'd say the pace of our acquisitions, it's really a matter of some normal ebbs and flows, and it has an ebbing. So it wasn't deliberate, but it's certainly timely. And we've taken advantage of it and by taking some bandwidth to be able to focus on the organic growth and the efficiencies. But we certainly will continue to be an acquisitive firm, acquisitive company. And the pace will be focused more on larger deals and not quite as frequent.

**Andy Whitman | Analyst, Robert W. Baird & Co.:**

Got it. Then just if you'll afford me one last one, maybe for you, Bruce. Notice the change in the stock-based comp, just looking at the run rate as what's coming on. You talked about how you kind of restructured the program and made some changes to it. This is, I think, for a lot of investors, been an important area, actually, because it's been a fairly large number relative to the size of your company. So I guess maybe the question is from an operational point of view, like, Is there a substitute here where maybe there's a little bit less stock comp that goes to the income statement, but there's more cash? I'm just wondering if there's some other aspect to how this kind of changed in the compensation system, which has been so important. I mean, Gary set up this company with equity for people to keep them aligned. I mean, this was foundational to kind of the thesis about what your company was going to do. So when you change it, I kind of want to understand and what's changed, how that affects people, and how it affects the income statement. A little bit more detail there.

**Bruce Labovitz | Chief Financial Officer:**

Yeah, I think, Andy, the answer is that in the aggregate, you know, we still are in a competitive labor environment and compensation matters, right? And so don't take that as if we are cutting compensation. We're just restructuring the way that compensation is, you know, and the incentives, the incentives and the way the compensation is settled. And in response to And in an effort to bring the non-cash stock portion and the dilutive effect of that a little more in line as we get bigger. We are not reversing course in any way on our mindset that it is an important component of this business's success to have invested aligned employees who care about the long-term value creation who are incentivized to work that extra hour or two because they know that when we generate margins like we do today, we all benefit collectively. But yes, there's certainly, you know, in the mix of compensation, if you take from one, you give somewhere else. And so we're not risking the loss of employees over it, but we're realigning to where we're at about 4% this year. and expecting that to come down as we grow, as revenue grows and we scale into this mindset. We don't disclose specific bonus components because from a competitive perspective, that's something that we try to be generally descriptive of, but not specifically descriptive of. But the answer is yes, there's some give and take in there, but it is in recognition of

**Gary Bowman | Chief Executive Officer:**

that need to realign and it is gary i just i want to reiterate what bruce said is is as this evolves our ownership culture is as strong as it's ever been so we're committed to not compromising on that so and sort of walking the line between the two and so far appears we're doing it successfully okay great thanks for the detail on that have a have a good day thanks thanks andy

**Victoria | Conference Operator:**

Thank you for your questions. Our next question comes from the line of Jeff Martin with Roth Capital Partners. Your line is now open.

**Jeff Martin | Analyst, Roth Capital Partners:**

Thank you. Good morning. I'm wondering if you could touch on an update on the building infrastructure group. You know, the organic growth returned positive for it in the quarter and, you know, Wanted specifically to dive into the potential for Bowman to benefit from potential industrial reshoring.

**Gary Bowman | Chief Executive Officer:**

For Jeff, it's the the the market has has rebounded over the past six months in our general building infrastructure group. We've had some really great wins in with big national retailers and the residential segment is stronger we're seeing uh lots of recovery in in multi-family and in build for rent we've had a we have a great presence in the bill for rent market and there's some some really strong green shoots there uh so with with reshoring in the long run certainly we our position in building infrastructure overall will will benefit from that so we're looking forward to that Don't think it'll show up next quarter. Don't think it'll show up the fourth quarter. But in the long run, that will be a tailwind for us.

**Bruce Labovitz | Chief Financial Officer:**

And we think about reshoring, really. Reshoring is an entire ecosystem of our services. Anything that gets reshored requires transportation and power and environmental remediation and, you know, and then all the collateral building infrastructure associated with the housing required and the commercial and retail. So it's a holistic impact to us, what is the idea of reshoring.

**Jeff Martin | Analyst, Roth Capital Partners:**

Great. And then wanted to touch on, given the, you know, the nice increase in backlog, just curious from a high level, you know, how much you're bidding on larger contracts, how much you're competing, you know, more directly on those potentially larger contracts. And is this something that you anticipate being more prominent to the business going forward?

**Gary Bowman | Chief Executive Officer:**

Sure, Jeff, as, as the company evolves, as we, uh, move into other markets, almost by definition, transportation markets, highways, bridges, ports and harbors, with the bigger energy projects. We are bidding on and winning bigger projects. So as we continue to grow, we continue to expand into these markets that are newer to us, but that we're well established in. We will see that a continued pattern that I'll say the average size is going to get larger. We're going to have more larger wins as we continue to grow the company.

**Jeff Martin | Analyst, Roth Capital Partners:**

Great. And then wanted to dive in on the big fund a little bit more. Sounds like this is largely a technology-focused initiative. Is there opportunity to create more of a recurring type revenue stream longer term as a result of this initiative?

**Bruce Labovitz | Chief Financial Officer:**

Yeah, I'll answer that, Jeff, absolutely. And it's one of the prime objectives of the big fund is to identify places and opportunities to deploy capital and assets that can create recurring revenue streams. And fundamentally, where we are evolving is from being strictly in the CapEx mindset of our customers to being in the operating and maintenance mindset of our customers. And that is, by definition, recurring revenue opportunity. So not just designing the asset, but innovating in our product suite so that we then deliver our products to our customers in a way that they interact with us on an ongoing basis throughout the lifecycle of the asset. Just in Gary's quote, we talked about evolution in the lifecycle engineering, and that's a deliberate terminology that we're using because that's what we think generates a recurring revenue opportunity for us. We're investing in ways that we can engage with customers between engagements. and create recurring contracted maintenance services, not physically going and, you know, and turning wrenches and screwdrivers to maintain things, but being able to predictably assess the state of infrastructure to know when and where repairs, upgrades, and or, you know, risks exist. So, it's very much a part of the business, and it's also designed to, help to break down friction in what we would think of as high-volume opportunities, where you can leverage the universe of language and libraries of information to rapidly deploy proposals on behalf of customers to expedite their ability to obtain funding. Very helpful. Thank you.

**Jeff Martin | Analyst, Roth Capital Partners:**

Thanks, Jeff.

**Victoria | Conference Operator:**

Thank you for your questions. Our next question comes from the line of Laura Mayer with C. Reilly Securities. Your line is now open.

**Bruce Labovitz | Chief Financial Officer:**

Good morning, Laura.

**Laura Mayer | Analyst, C. Reilly Securities:**

Hi, Gary and Bruce. Thanks for taking the question. My first question is, what are your customers telling you about how the one big beautiful bill might affect their project pipelines and timing? And then how does that transpire to your operations on the front end?

**Gary Bowman | Chief Executive Officer:**

Laura, it's Gary. It's fairly early. Certainly the accelerated depreciation makes a difference in investment decisions. So I guess the most immediate feedback that we hear from the market is that that will have an effect on investment.

**Bruce Labovitz | Chief Financial Officer:**

There's also a calming of uncertainty that results from, okay, this is now behind us, right? It's not an open question. And so now our customers can regroup, settle in, and know where long-term there's opportunity for funding, for capital deployment. It is certainly in many cases accelerating the race to permitting on renewable energy because there are some deadlines now that exist Patrick T. O' that I think are going to draw forward in the next 18 months, a large collection of activity in order to lock in what was, you know, previously not expiring, but now is. So we're gearing up in expectation of there being, you know, an increase in that activity.

**Laura Mayer | Analyst, C. Reilly Securities:**

Great, thank you. And then just another one, what's driving the growth in natural resources and how much runway do you think remains in that segment?

**Bruce Labovitz | Chief Financial Officer:**

Yeah, we've talked about this, that a big influence there was the acquisition of CertX and the introduction of this adjacent but new service that didn't really, in many cases, fit into other categories. We this year have started to allocate it more throughout the business And so a big driver of that is in the work we're doing for high altitude ortho imagery, photogrammetry, and geospatial services around things like the Department of Agriculture's programs. that remain in what we would call natural resources. There's been good growth in water, good growth in mining, and probably a flat environmental environment for us, but that's the primary driver.

**Laura Mayer | Analyst, C. Reilly Securities:**

Thanks.

**Victoria | Conference Operator:**

Pass it on.

**Gary Bowman | Chief Executive Officer:**

Thank you, Laura. Thank you, Laura.

**Victoria | Conference Operator:**

Thank you for your questions. There are no further questions registered at this time, so as a reminder, it is star one to ask a question. Ladies and gentlemen, as there are no further questions, we will conclude today. Oh, apologies. We would like to pass the call back to Mr. Bowman for any final remarks.

**Gary Bowman | Chief Executive Officer:**

Great. Thanks, Victoria. I want to take a moment to thank all the staff employees of Bowman for all the great hard work over the course of this year, the course of this quarter. These results, they don't happen by accident. It's not just Bruce and I who drive it. So great work to everybody. And thanks to our investors for the faith you put in us. And we're looking forward to a continued great year and continued good years ahead.

Thanks, everybody. Good morning.

**Victoria | Conference Operator:**

That concludes today's conference call. Thank you for joining. You may now disconnect your line.