NASDAQ:BWMN Q4 2025 Earnings Call Transcript

Generated on 11/25/2026

Becky | Conference Operator:

Good morning, my name is Becky and I will be the conference operator today. At this time I would like to welcome everyone to the Bowman Consulting Group fourth quarter and fiscal year 2025 conference call. All lines will be placed on mute for the presentation portion of the call with the 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 earning press release. filed with the SEC and on the company's investor relations website at investors.bowman.com. Management will deliver prepared remarks, after which they will take questions from research analysts. A replay of this call will be available on the company's investor relations website. Mr. Bowman, you may now begin your prepared remarks.

Gary Bowman | Founder & CEO:

Okay, thanks, Becky. Good morning, everyone, and thanks for joining our year-end earnings call. Bruce Labovitz, our CFO, is with me this morning, along with Dan Swayze, our Chief Operating Officer. First, I'd like to welcome all new Bowman employees who joined us this quarter, including those from RPT Alliance who joined in December. After my introductory remarks, I'll turn the call over to Bruce, who will cover our financial performance and technology initiatives. And then Dan will discuss operational successes, including where we're winning and why. I'll end the call with some closing statements before opening it to Q&A. Going forward, we plan to periodically introduce members of our leadership team to provide deeper insight into specific aspects of our business. Let's start with fourth quarter and full year results. You know, it's hard to believe that 2025 was our fourth full year as a public company and the final year of our emerging growth company status. I'm pleased to report that we delivered another record year as we advanced our efforts to become an ENR top 50 firm. We achieved our goals of generating double digit in gross revenue, double digit growth in gross revenue, organic net revenue, and adjusted EBITDA. In addition, we increased our capture rate for public contracts with growth of approximately 28%. We entered 2026 with a record backlog of over $479 million, of which 20% improvement over the prior year. We strengthened our position in our existing markets through acquisitions, ACWA hires, and organic workforce expansion. Our increasing breadth of services, growing scale, and redoubled commitment to relationship building produced new order growth for the year that was particularly strong in power utilities, transportation, and natural resources. all of which are markets where we are seeing increased durable long-term demand. Our book-to-burn ratio continues to be over one times a level which I'm proud to say we have achieved consistently since our public debut in 2021. The first quarter of 2026 is so far no exception, with sales this quarter outpacing the fourth quarter. With the successful acquisition and integration of several consequential acquisitions during the year, and these results as a springboard, I'm confident we're positioned for another breakout year in 2026. With that, I'll turn the call over to Bruce to review our financial performance in greater detail. Bruce?

Bruce Labovitz | Chief Financial Officer:

Great. Thanks, Gary. I'm going to start with a little off-script nod to Gary in light of his recent announcement. When I came to Bowman in 2013, we were a $50 million company with around 450 employees. Gary's vision of achievement at the time was a diversified $100 million revenue company where people could thrive and grow. For the past 13 years, he's been deliberate in his leadership with a conviction about growth and a steadfast commitment to our culture. So with $490 million in revenue to end the company's 30th anniversary year and 2,500 committed professionals living our values every day, I think it's fair to say Gary's qualified for membership in the Overachievers Club. On behalf of everyone at Bowman, I want to publicly thank you for all you've done.

Gary Bowman | Founder & CEO:

That's nice, Bruce. Thank you.

Bruce Labovitz | Chief Financial Officer:

Okay. Turning to the fourth quarter and full year 2025. I'm pleased to be here today discussing another breakout year for Bowman. With quarterly gross revenue of $129 million, we've now had two consecutive quarters at a revenue run rate of greater than $500 million. Net service billing, which we use interchangeably with net revenue, was $114.6 million in the quarter, up 16.2% compared to last year. At an 89% net-to-growth ratio, up 200 basis points over last year, growth was disproportionately achieved through net revenue. For the full year, growth and net revenue were up 14.9 and 14.5% to $490 million and $434.8 million, while maintaining a net-to-growth ratio of 89%. We again generated double-digit growth of organic net revenue at 12.4%. Gross margin for the quarter was 55%, up 190 basis points from last year, and 53.4% for the full year, up 120 basis points over last year. SG&A for the full year was down 250 basis points compared to the prior year. Combined overhead for the year, in other words, the combination of all labor, both direct and indirect with SG&A, was down 400 basis points compared to the prior year. We believe this reflects an evolving mix of business and the scaling strategy we've been working towards for several years. Pre-tax net income for the year was 11.2 million as compared to a loss of 8.9 million in the prior year. Net income was 12.8 million for the full year as compared to $3 million for the prior year. With issues related to research and experimentation capitalization resolved, Tax benefits had a lesser impact on our fourth quarter and the full year results. Moving forward, taxes projected to have a more normalized impact on our statements, including simplifying the calculation of changes in working capital on our operating cash flows, no longer splitting the effect above and within the working capital. With Section 174 capitalization no longer an issue, it's key to note that we do still benefit from other permanent research and development credits that reduce our effective tax rate and never expire. We believe the turnaround in pre-tax GAAP profitability this year is a result of the improved labor utilization, scale, and full integration strategy we've been executing to achieve efficiency and operations. We're pleased to see meaningful increase in EPS, both GAAP based and adjusted. On a GAAP basis, our basic and diluted EPS of 74 cents and 73 cents were up 300% year over year. On an adjusted basis, Our basic and diluted EPS of $1.72 and $1.68 were up nearly 40% for the prior year. Holding our share count through buybacks also helped. With absolute growth in all market verticals this year, we continue to advance our objective of increased revenue diversification. Revenue distribution continued to shift positively in 2025, with transportation at 21.2, power and utility at 22.4%, natural resources 11.5 percent, and building infrastructure down to 44.9. We expect this trend and trajectory to continue in 2026. Our geospatial operations continue to be increasingly consequential and represented approximately 26 percent of 2025's gross revenue as a service that was spread across all markets. In the aggregate, around 30 percent of total gross revenue was derived from government or public funded work assignments, an area where we expect to continue to grow over the short and long term. Organic net revenue growth was 11% in the fourth quarter and 12.4% for the full year, excluding up E3I, SOA liaison, and RPT. Broken down by vertical for the quarter and for the full year, natural resources led the way with 29% and 27% growth. Power and utilities delivered 11%

and 13% growth. Transportation grew 6% and 22%. and building infrastructure was up 9 and 6%. The organic growth rate in transportation in the fourth quarter was a function of delayed contracting and notices to proceed in Q3 of 2024. While we caught up in Q4 of 2024, the delay created a skewed growth curve for the year. All is well within our transportation business, and we continue to win consequential new awards. I think it's also worth pointing out the steady increase in organic net revenue growth in building infrastructure throughout the year. We're optimistic that this represents a developing trend for that market. Backlog increased 20% to $479 million on December 31st, 2025, up from $399 million at the end of 2024. While every vertical is up, the biggest gainer was power and utilities, where we were particularly active with business development and acquisitions. Excluding purchased backlog in place at year end, the increase was 18.5% at $473 million. Sales of new work after closing an acquisition would not be considered acquired backlog. In the case of RPT, while we have very strong visibility into projects and schedules, work is released in more frequent phases that keep their forecasts high but their backlog low relative to the overall companies. Cash from operating activities for the full year increased by nearly 50% to $35.8 million from $24.3 million in the prior year. Networking capital increases adjusted for the UTP changes represented the equivalent of a roughly four-month investment in growth revenue. Reducing that investment by 25% through process automation and operational efficiencies could add seven to eight percentage points to cash flow conversion. This is high on our to-do list in 2026. Net debt at the end of the year was $179 million, including the all-cash acquisition of RPT on December 5th. Leverage was 2.45 times trailing 12 months, and 2.06 times the midpoint of our 2026 guidance. We expect to increase cash flow from operations during the year to continue to reduce this debt throughout 2026. On March 3rd, we executed a third amendment to our credit facility with B of A, TD Bank, and PNC to increase the maximum borrowing to $250 million. We increased the facility to ensure we have sufficient access to affordable capital to continue funding investments in organic growth innovation and efficiency, accretive acquisitions, and stock repurchases. As of today, we have available liquidity of approximately $150 million. During 2025, we periodically repurchased $18.8 million worth of our common stock at an average price of $27.51 per share. We continue to view stock repurchases as a means of addressing liquidity and valuation dislocations, as opposed to a commitment to the return of capital. Assuming market stability and a rational evaluation of our equity, our top priorities remain investment in organic and inorganic growth. We remain steadfast in our commitment to investment and innovation. The big fund, our internal technology incubator, is funding ideas presented by our employees to make impactful investments that advance our capabilities, improve the efficiency of our workforce, and decouple revenue growth from headcount growth increase the value of our services, and extend customer engagement. It's admittedly a tricky time in our industry with respect to innovation and AI. We need to be sure we're prioritizing investment in processes and services relating to deliverables sold at stable values, as opposed to efficiencies that merely cannibalize the work of work sold by the unit. We're making significant investments this year in our fleet of geospatial imaging assets, including high resolution, high altitude scanners, along with improved capture vehicles including planes, UAVs, drones, and boats, all of which increase collection rates and data processing efficiencies by as much as 30 to 40 percent. We continue to integrate the technologies we've developed in-house with tools we purchased in the recent ORCIS acquisition. And we're launching PAC, our Port Asset Conditions Kit, which provides GIS-enabled digital twin-based lifecycle asset management to port and marine operators. As opposed to the traditional software as a service subscription model, we've put forward a services powered by software model that engages our integrated digital platforms with customers through a professional services arrangement that combines process automation and professional intervention. As we develop our suite of AI and GIS enabled tool sets, we believe we're well positioned to monetize the library of assets in our growing digital services and advisory practice into a unique value proposition for our customers and shareholders. In connection with yesterday's release, we increased our full year 2026 guidance to a range of $495 million to $510 million and an adjusted EBITDA margin of 17 to 17.5%. At an 88% net to gross ratio, this would represent $563 million to $580 million of gross revenue. This increased net revenue guide includes the recent RPT acquisition without contemplating any future acquisitions. At the midpoint of our net revenue guidance, this represents approximately 16% absolute growth over last year. Proforma, to exclude RPT's 2025 revenue from the basis and from next year, from this year, we're projecting just over 12% organic net revenue growth. We expect revenue during the year to again be nonlinear, with the first and fourth quarters representing around 47% of net revenue, and the second and third

to be around 53% of net revenue. This should not be construed as quarterly revenue guidance, but rather as a guideline for relative weighting of the quarters throughout the year. I'm now going to turn the call over to Dan Swayze, our Chief Operating Officer, who's joining us today to provide insight into the question of where we're winning and why. Dan has been with Bowman for over three and a half years. and has spent two decades in senior leadership roles in civil and energy-related engineering. At Bowman, Dan's focus as the Chief Operating Officer is on the management and execution of our portfolio of services across markets. Dan, welcome.

Dan Swayze | Chief Operating Officer:

Thank you, Bruce, and good morning, everyone. I know a lot of our team is listening to the call today, and I sincerely thank them for all they do and their commitment to Bowman. I'm very proud of our team. Today, I'm going to focus on where we are winning in the market and why those wins are becoming increasingly repeatable. In other words, our right to win. Over the past several years, we have been deliberate about building differentiated capabilities in markets where technical depth, geographical reach, capacity, execution consistency, and integrated end-to-end ability creates a competitive advantage. Our acquisition strategy across the country created integrated service delivery teams in our various markets. In our data center and mission critical practice, we are increasing our win rate by meeting our clients where they are. Data center programs are rarely single service projects. They are multi-phase, multi-service opportunities. For example, combining the electrical and mechanical engineering forces from our E3 acquisition, the fire and life safety design services from our Fisher acquisition, with our established capabilities in civil planning and engineering, we have a strong service offering our clients can rely on. Our ability to deliver consistent technical standards across jurisdictions while maintaining strong relationships positions us as a long-term partner rather than a one-time design provider. As major operators continue to deploy capacity into new regions, we are following them into those markets, pairing local engineering knowledge with the strength of our national platform. As a result, we are expanding wallet share and deepening our engagements in a durable growth market. This approach increases client stickiness. The power utility sector remains a robust market for our organization, expanding electric, oil, and gas, as well as renewables. Bowman is actively involved in supporting the development and expansion of new power supplies for utilities, addressing the evolving and urgent need for bridging power for data centers, and the rapid deployment of compressor stations for the midstream movement of natural gas. The services we provide for our natural gas clients are provided through a combination of several of our acquisitions, including MTX Surveying, RPT Alliance, excellent engineering, and Burke engineering. Our approach leverages a comprehensive suite of services seamlessly integrating a unique collection of geospatial expertise and equipment with proven engineering solutions to address the evolving needs of our clients. This multi-service end-to-end strategy ensures we can consistently deliver innovative, reliable, one-stop shop outcomes across a diverse landscape of our clients' needs. Being in early establishes incumbency, and incumbency is an important element to our right to win. Our geospatial engagements often create pull-through opportunities for related engineering and advisory services. Our recent investments in new aircraft and advanced LIDAR sensors directly strengthens our competitive position. These advanced capabilities allow us to support complex infrastructure initiatives, including utility expansion, both in electricity and natural gas, damage assessments, land acquisition, land development, and other large-scale public works projects. As an example, we were recently renewed for a five-year agreement with the U.S. Army Corps of Engineers to provide photographic mapping and related survey services. Being awarded this renewal with this renewed agreement reflects both past performance and technical differentiation. We're also continuing to build strength in transportation across the U.S. where our extensive history of timely delivery and our expansive portfolio of creative bridge and highway design create a meaningful competitive opportunity. Our comprehensive transportation services offerings are an amalgamation of our acquisitions of McMahon, Spies-Lewis, and Exeltec, and our legacy teams in Chicago area providing end-to-end solutions. Transportation agencies prioritize demonstrated experience and capacity to deliver on comparable assets. The depth of our expertise and project experience in these regions drives repeated wins. Across these markets and others we participate in, the pattern is consistent. We win where

specialized technical expertise matters. Past performance and incumbency create barriers to entries to our competitors. Our national presence enhances client value, and where our integrated geospatial and engineering delivery improve client outcomes. Our operational investments, including workflow modernization, data integration, and selective automation using AI and machine learning support these markets by improving throughput and timely delivery of superior outcomes. These investments are in service of a larger objective to strengthen our competitive standing in the market where we see durable demand and long-term growth potential. We are not pursuing growth indiscriminately. We are concentrating on efficient use of capital, leveraging our talent, and embracing technology in markets where we have established credibility and where our integrated platform creates measurable differentiation and competitive advantage. The result, we continue to successfully deepen client relationships enhance our right to win multi-service assignments, and strengthen our foundation for sustained revenue growth. Our competitive position in the industry has never been stronger, and our right to win continues to broaden throughout our markets. With that, I'll turn it over to Gary.

Gary Bowman | Founder & CEO:

Great. Thanks, Dan.

Gary Bowman | Founder & CEO:

As Bruce mentioned, our focus on execution, organic growth, and strategic acquisition was evident in our results. We exited 2025 with strong momentum, some of the best margins in the E&C group, and a backlog that foreshadows another year of double-digit revenue growth. We enter 2026 with a renewed focus on disciplined growth and continued operational improvement along our service platform. While change in the occupant of the CEO chair is ahead of us, the core of this company, its senior leadership and professional workforce is as intact cohesive and aligned in its mission. With the exceptional talent we have at every level of this organization, I'm really excited for the future of the company I founded some 30 years ago. With that, I'll now turn the call back to Becky for questions.

Becky | Conference Operator:

Thank you. If you did wish to ask a question, please press star followed by one on your telephone keypad now. If you feel your question has been answered or for any reason you would like to remove yourself from the queue, please press star followed by two. When preparing to ask your question, please ensure your device is unmuted locally. Our first question comes from Aaron Spiekele from Craig Hallam. Your line is now open. Please go ahead.

Aaron Spiekele | Analyst, Craig Hallum:

Yeah, good morning. Thanks for taking the questions. Morning, Aaron. Morning. First, maybe on the RPT acquisition. Good morning. Thanks. On RPT, can you just maybe talk a little bit about what that brings to your offering, an early read on just how integration is going there and kind of potential synergies within the platform?

Bruce Labovitz | Chief Financial Officer:

Yeah, I'll start off with the second part of the question. Actually, integration there is well ahead of any other acquisition that we've done. It's uh, pretty much, uh, you know, integrated from an operating and financial perspective. Uh, it's on its way from a platform perspective. And so, uh, we jumped right on that one because

the, you know, the opportunity is, is, is right ahead of us, uh, to, to grow that business in connection with the rest of the components of, of BOM. And so, so it's integrated. Uh, it, it really extends our, our product offering at LNG. I'll let Dan talk for a second about the, uh, the extension of the LNG and data center product offering.

Dan Swayze | Chief Operating Officer:

Yeah, if you go back to what we talked about a minute ago and you think about our right to win, RPT's skill set and client reach puts us right into the whole midstream movement of natural gas, feeding liquefied natural gas centers, and also gives us that opportunity to provide more consulting and engineering services for those building pipelines.

Bruce Labovitz | Chief Financial Officer:

I'll also say we've already been successful in several cross-selling efforts where the combination of services has gotten us into projects that we otherwise probably wouldn't have been necessarily a lead contender for.

Aaron Spiekele | Analyst, Craig Hallum:

All right. Thanks for the call there. And then maybe second on EBITDA margins, you know, good performance in the quarter, 17.3. You know, just thinking about the guidance. for 2026, you know, were there anything, you know, noteworthy from a, from a driver perspective in the fourth quarter and what are some of the factors you're incorporating for, for 2026? And how are you thinking about potential for, for upside there?

Bruce Labovitz | Chief Financial Officer:

Yes. Again, I think Aaron, we've, we've demonstrated that, you know, that margin is, is not necessarily always consistent, you know, throughout the quarters, but that we look at the year as, as being able to deliver from what was a 16 high 16s, this year to what we think will be a mid-17s, you know, next year. So, it's continuous improvement in margin. It always has to do with the timing of the acquisition of labor relative to the starts of projects. That's our biggest driver of margin in any particular period is the, you know, how well we time the collection of labor and with the realization of revenue. think that we continue to as we scale uh grow grow margin over overhead uh and and as we implement you know better and better workflow processes automated processes we we optimize labor so i think we can increase by another you know we're projecting another you know 50 to 50 plus basis points of of margin expansion this year uh 80 80 points and uh i think those are the key drivers

Aaron Spiekele | Analyst, Craig Hallum:

All right. Thanks for taking the questions, Gary. Congrats on the retirement, and best of luck to everyone moving forward.

Gary Bowman | Founder & CEO:

Thank you, Aaron.

Bruce Labovitz | Chief Financial Officer:

Thanks, Aaron.

Becky | Conference Operator:

Thank you. Our next question comes from Mincho from Texas Capital Bank. Your line is now open. Please go ahead.

Aaron Spiekele | Analyst, Craig Hallum:

Good morning, Mincho.

Mincho | Analyst, Texas Capital Bank:

Thank you very much, and congrats on a really strong year. Good morning. You know, you mentioned that the building segment saw some organic growth this quarter and that there were some developing trends. Can you talk a little bit about just the opportunities that you're seeing there?

Bruce Labovitz | Chief Financial Officer:

So, as I put it, we're optimistic that this is a developing trend. I'm not sure we're ready to call it yet. I think one thing that we are expecting to see at some point is a focus on affordability of housing. And we're already seeing it at the state level. You're seeing the requirements for permitting being loosened and stimulus for more affordable housing. That's where we really thrive is in creating supply for builders and for the home building and multifamily market. We saw some good positive movement there. It is geographical in nature. Some pockets of the country are better at times than others, but we're optimistic that that's an early indicator of some opportunity for bigger growth in that market again.

Mincho | Analyst, Texas Capital Bank:

Excellent. Got it. Also, on slide 8, provided some gross margin by verticals, and I was just wondering if you can talk about how that has been trended over the last few years. I'm assuming that it's kind of expanded just with the scale that you have. But can you talk a little bit about expectations for 2026, just directionally across the board?

Bruce Labovitz | Chief Financial Officer:

I mean, you broke up a little bit there. So I think the question was about the gross margins by vertical and expectations on those for the year. I'm going to assume that was the question. Yes. And so it's consistent with where we were in the third quarter when we started reporting on gross margin by vertical, with transportation being more of a cost plus kind of market, but with longer term commitments and longer engagements that reduce turnover costs there and create stability and workforce. And we think that the other three markets continue to have favorable gross margins, and I don't see anything that's going to erode those throughout the course of this year. If anything, processes, you know, process automations can help to improve those slightly.

Mincho | Analyst, Texas Capital Bank:

Great. Thank you. And then just finally, your natural resources segment obviously had strong organic growth this quarter and just in the year. And I don't think Dan spoke too much about that segment, but can you just provide a little more detail about where that demand is coming from? seeing any green shoots there.

Bruce Labovitz | Chief Financial Officer:

Yeah, so in some respect, that's a little bit of the catch-all for what doesn't fit into other categories, but it includes environmental, it includes mining, it includes water resources, it includes agricultural imaging and ortho imaging, and it includes land services associated with assisting landowners in acquisition of easements and other rights of way. when it's not land acquisition for a power utility or for a road bridge or highway. So it's a large category for us in terms of the number of things that fit in there. A lot of exciting projects that are developing in that area, particularly with water resources, particularly with high altitude aerial imaging and in the land services business.

Mincho | Analyst, Texas Capital Bank:

Great. Thank you very much.

Andy Whitman | Analyst, Baird:

Thank you, ma'am. Thanks, Beth.

Becky | Conference Operator:

Thank you. Our next question comes from Andy Whitman from Baird. Your line is now open. Please go ahead.

Andy Whitman | Analyst, Baird:

Yeah, great. Good morning, and thanks for taking my questions. I have a few here. Good morning. So where do I want to start? I guess, I don't know, maybe I'm reading into it too closely, but in your press release, I talked about 2026 being, I forgot the exact terminology, more of an organic year. Am I reading, that sounds like a little bit of change. You said in your script here that your priorities are still in organic growth and inorganic growth. And so it just feels like maybe there's a change there. Is there more kind of organic focus in 26 than in the past? And If that is correct, why the change? I don't have a value judgment here. This is not to say you should be doing more M&A or not. I'm just kind of curious if there is a change there, why there's a change there.

Gary Bowman | Founder & CEO:

Andy, this is Gary. There's not a fundamental change. We're still committed to inorganic growth. They were a little narrower in our focus with strategic opportunities and moving toward bigger opportunities. So you're seeing maybe less frequent, certainly less frequent announcements. But we are just as committed to ever to a strong growth of, a strong combination of inorganic and organic growth.

Bruce Labovitz | Chief Financial Officer:

I think there is an evolving nature of the market, that there's opportunity to invest in the expansion of our services through investment in technologies and innovation, and that's all organic. So we continue to be investing in expansion of our capabilities, expansion of the capability of our workforce to generate revenue. But as Gary said, I think will do less frequent small, but still be focused on acquisition, and in the meantime, be focused on internal investment in organic growth. But thanks for bringing it up, because I think it's an important point of distinction there. I want to clarify that.

Andy Whitman | Analyst, Baird:

Yeah. Okay, great. And then, Bruce, in your comments, you talked about some things that are going to be kind of a priority on collecting working capital this year. Could you just elaborate on that a little bit more? It does feel like there is some working capital opportunity, maybe at lots of different places, including your receivables. I just thought it'd be worth checking in here again with those a little bit higher than you've been for a while. What is a realistic goal here for DSOs maybe? Yeah, so we'll progress here through 26.

Bruce Labovitz | Chief Financial Officer:

Yeah, one thing I will point out that, you know, we're already so far past the end of the year, it's hard to remember that at the end of the year, there was a government shutdown, and that did slow collection on a portion of our receivables, not because they weren't collectible, but just because, you know, getting them processed was slower in a, you know, in a portion of our business. So I think there's a little bit of extension of receivables from that artificial impact. Getting work through working capital is an important focus for us. Certainly getting work to be billable, not necessarily that we aren't earning it, but getting it to the point of billing and collecting it, you know, is something that, you know, we're working towards, you know, narrowing down. And so I think reducing, let's say, work in process, which is a component of working capital, will be, you know, will be a focus this year. uh and you know we're always we're always working on collections andy it's it's a you know it's one of the great challenges that that you know never seems to to completely get solved but uh between that between you know the we we had a um we we implemented a new uh not a new we we upgraded our erp system throughout in 2025 and we think that'll help facilitate the the process of of processing work to to

Gary Bowman | Founder & CEO:

follow on Bruce's point, always work on the collections, the 30, 31 some years we it's in our DNA. We, uh, uh, we, we, we have to keep the cash flowing.

Andy Whitman | Analyst, Baird:

Yep. Okay. Uh, my next few here are maybe just kind of more kind of model focused or whatever, but some of these are kind of important. So Bruce, you talked about a more normalized tax rates. Um, Are you still, what is the effective tax rate that you think is applicable here in 26?

Bruce Labovitz | Chief Financial Officer:

Yeah, I would say that it is, you know, based on our statutory, less our RD credits, it's somewhere in that high team 20 kind of range.

Andy Whitman | Analyst, Baird:

Okay. Great. And then just, this is really myopic, but I think notable. As I look at 2025 in the market, That's the total, that's the number that we should use basically on the, on the company's income statement. It's high teens, low twenties. Yeah. Yep. Is that correct? Yeah. Okay. So I was looking back at 2025 and the margin progression for 2020. I'm sorry. You're trying to say something. Go ahead.

Bruce Labovitz | Chief Financial Officer:

No, I wasn't.

Andy Whitman | Analyst, Baird:

Go ahead. Oh, sorry. I thought, I thought I heard you chime in. Okay. So the second quarter net adjusted EBITDA margin was higher than the third quarter net adjusted EBITDA margin in 2025. That's usually for companies like yours, the third quarter margin is higher than the second quarter. So I guess my question is, you talked about revenue seasonality in your prepared remarks, but just on this one specifically, it feels like I want to put the higher margin in the third quarter than the second quarter. Am I thinking about that correctly, or is there a reason that that pattern from last year would repeat again here in 2026?

Bruce Labovitz | Chief Financial Officer:

TAB, Mark McIntyre, No, I don't think it's necessarily a repeatable pattern from last year, I think we had a we had some we talked about it in the second quarter of last year, there were a few. TAB, Mark McIntyre, Exceptional items that that you know sort of hit on all cylinders, I think that you know I wouldn't necessarily say that that is indicative of of our of a pattern permanently.

Andy Whitman | Analyst, Baird:

TAB, Mark McIntyre, yeah okay just wanted to make sure um. I'm trying to think if there's anything else here. Yeah. Okay. I think I'm good there. Thank you very much. You're out if you have more. Thanks, Andy. Sounds great. Thanks, Andy.

Becky | Conference Operator:

Thank you. Our next question comes from Tomo Sano from JP Morgan. Your line is now open. Please go ahead.

Tomo Sano | Analyst, JP Morgan:

Hello, everyone. Morning. Thank you. Although we have only recently met, I'd like to express our respect and appreciation for your leadership and culture as you prepare for your retirement.

Gary Bowman | Founder & CEO:

Thank you, Tomo. That's very kind.

Tomo Sano | Analyst, JP Morgan:

Thank you. So I'd like to kick off. You raised your 2026 net revenue guidance to $495 to $510 million, and which segments or prospects projects driving these out-of-water revisions, and are you currently 479 million backlog? What proportion do you expect to convert to revenue in 2026, please?

Bruce Labovitz | Chief Financial Officer:

Generally speaking, Tomo, we turn somewhere between 70% and 80% of backlog in a year, in a 12-month period. Sometimes it gets a little longer, sometimes it gets a little shorter, but generally speaking, we think of 70% to 80% of backlog in any moment has a 12-month tail to it. In terms of where we think we're going to continue to see growth, obviously power is an area that we expect to contribute to the growth year over year. A big chunk of that guidance increase was from the acquisition of RPT that happened after third quarter's conference call. So that's all power related in that bit of the increase. The rest of it is is between natural resources and transportation.

Tomo Sano | Analyst, JP Morgan:

Thank you, Bruce. And follow-up on upcoming CEO transitions. Could you talk about how you're ensuring management's abilities and continuities, and are there any qualitative KPIs or targets related to successions and strategic continuity, please?

Gary Bowman | Founder & CEO:

We're effective communication. We're doing retention, economic retention packages for some key people. And really, the communication, the assurance of the continuation of our culture. So, you know, a qualitative view of success in the succession. There's certainly retention of our key staff, retention of our leadership, and continued forward execution of our strategic plan.

Bruce Labovitz | Chief Financial Officer:

Yeah, we've got 2,500 people who depend on the continued success of this company every day. And, you know, we take that responsibility very seriously. And, you know, the board takes that responsibility very seriously. And so we are all wholly committed to the long-term success of this. We're all invested in the long-term success of this company and And in seeing this through without any disruption in service to our customers, in service to our employees, and in value generation to our shareholders.

Gary Bowman | Founder & CEO:

I'll also follow up there, Tomo. As a member of the board, I'm not on the search and selection committee, but certainly I have input. But I would not have made this move if I didn't have great confidence in the board getting this right, both for the legacy, my legacy, candidly, personal legacy, and my personal economics. I'm still the largest shareholder, single shareholder in the company. And I tend to continue to own a tremendous amount of this stock in the long run. So I have a real vested interest in the success.

Tomo Sano | Analyst, JP Morgan:

Thank you very much. That's all from me. Thanks, Tomo.

Becky | Conference Operator:

Thank you. Our next question comes from Liam Burke from B Reilly Securities. The line is now open. Please go ahead.

Gary Bowman | Founder & CEO:

Good morning, Liam. Thank you. Good morning, Gary, Bruce, Dan. Good morning. Gary, congratulations on your retirement.

Gary Bowman | Founder & CEO:

Thank you, Liam.

Gary Bowman | Founder & CEO:

When you reach critical mass here on the front end of the infrastructure project, Has there been any competitive pushback from some of the larger specialty contractors that are looking to move into your space, since it is probably the most profitable piece of the project?

Bruce Labovitz | Chief Financial Officer:

Are you talking about in the power space or just infrastructure writ large, Liam? Power space?

Gary Bowman | Founder & CEO:

Let's go on the infrastructure at large, Gary.

Bruce Labovitz | Chief Financial Officer:

Yeah, there's a real line of distinction in the industry between, I'd say, the construction companies, I think that's what you're asking about, and the engineering firms, and there's a collegial relationship between. We've not felt threatened. Dan, you can tell if you've felt it from the ground up from, let's say, specialty construction contractors trying to make their way into the engineering world.

Dan Swayze | Chief Operating Officer:

No, in some cases, we're working for those contractors, so it's not really a threat that we see.

Bruce Labovitz | Chief Financial Officer:

Yeah, if anything, I'd say it's drawn the other way is that there's such a resource constraint in this space that, you know, it's an all-hands-on-deck kind of mindset, and there are functions of the construction process that the specialty contractors need help with, right? The equipment providers, the GC contractors, GCs need help. There's no effort to share risk on that part of the process, but there is an effort to bring in help.

Gary Bowman | Founder & CEO:

Fair enough. Across the board, you had good growth across all your business segments. Do you see any pockets of weakness, or is it just your diversification to be able to move right past it?

Bruce Labovitz | Chief Financial Officer:

Right now, I would say that there are no pockets of weakness. There's no negative connotation in any of the markets or segments. Obviously, we're keeping an eye on the growth rate of the building infrastructure space. It's still our biggest, and it's still continuing to grow, and we have hopes for it to accelerate. And so I wouldn't characterize it as weakness. It's getting attention from us to make sure that we keep our staffing right. and our, you know, and all of our overhead right for that group. But on the others, it's a, as I use the same phrase, it's all hands on deck effort to try to keep up with power and transportation and other resources.

Gary Bowman | Founder & CEO:

Great.

Bruce Labovitz | Chief Financial Officer:

The good news, Liam, as we've talked about is that in our workforce, it's very fungible across the four markets. So we don't have silos of workforce that are only able to do one thing. You know, the base of our labor pyramid, you know, really is very cross-disciplined and cross-market capable. And so, you know, we focus on that kind of business model deliberately.

Gary Bowman | Founder & CEO:

Great. Thanks again.

Gary Bowman | Founder & CEO:

Thank you. Thank you, Liam.

Becky | Conference Operator:

Thank you. Our next question comes from Jeff Martin from Roth Capital Partners. Your line is now open. Please go ahead.

Bruce Labovitz | Chief Financial Officer:

Good morning, Jeff.

Jeff Martin | Analyst, Roth Capital Partners:

Thank you. Good morning, Gary, Bruce, and Dan. Good morning. Bruce and Gary, I wonder if you could touch on RPT. I know that they were constrained for growth and you've owned it roughly three months now. Just curious how much you've been able to staff up for RPT during the initial three months and maybe give us a glimpse at what's your hiring plans for that business in particular, as well as touch on just general availability of labor and ability to staff up in front of larger contracts in general.

Gary Bowman | Founder & CEO:

As Gary, I'll jump in. As we were doing our due diligence on RPT and certainly part of the attraction is all the opportunities in the space that they are in. And they're being down there, it's a single office operation in Houston, but being in Houston, there are pockets of the oil and gas industry that are, especially the oil industry, maybe up until this past week, that have been soft and it's been a good availability of labor down there. So we've found the ability for the RPT group to staff up as flexible as any of our pieces of business.

Bruce Labovitz | Chief Financial Officer:

I think it's been also them becoming part of a much larger organization has given them access to staffing that has availability of utilization as well. So, we've camped down the shortage by adding capacity from our system. The other thing that we've been doing a lot of now is insourcing things that they used to outsource. And so we're finding they're using survey, they're using our fire protection, they're using our mechanical, and we're grabbing more work from their clients, which is, again, putting a little more stress on the need for people. But it's what we do for a living is making sure that we can meet demand with supply.

Jeff Martin | Analyst, Roth Capital Partners:

Great. Wanted to touch on geospatial. You mentioned roughly 20, I think 26%, 24% of your net revenue. Sounds like you're making investments, further investments in geospatial. Maybe you can elaborate, you know, kind of some of the general demand trends you're seeing there. And if you could also touch on the competitive dynamic for geospatial, that'd be helpful.

Bruce Labovitz | Chief Financial Officer:

You know, Jeff. Geospatial is pretty much at the core of everything that we do. A lot of the work we do originates with imaging. It processes through imaging and utilizes survey and scanning and three-dimensional iteration throughout the lifecycle of the asset. So we don't think of it as a vertical because it's a service that really supports every bit of business that we do. It's kind of at the epicenter of our services portfolio. So we are making investments in that space because it's evolving so quickly. And those that are ahead have distinct advantages. And geospatial is one of those service lines that creates, as Dan mentioned, incumbency. And incumbency is such a valuable asset in the lifecycle of asset work. We're buying high-resolution scanners. We're buying imaging technology that does underwater LIDAR. We're buying vehicles that collect data, whether that's from the air or from the water. We're improving the operational efficiency of our high-altitude fleet, which spends a lot of time, let's say, chasing weather, and if we can shorten the shorten the chase, we get more productivity out of it, and there's plenty of work to be done there. So geospatial is, we think, you

know, it is really a critical part of the overall product we deliver, and so we want to be a leader in our fleet.

Jeff Martin | Analyst, Roth Capital Partners:

Great. And could you tie that into your CapEx and, you know, property equipment acquired under capital lease projections or estimates for this year?

Bruce Labovitz | Chief Financial Officer:

It's generally included. I mean, it's included in that bucket. We may, again, we talk about an average of 3%, 4% spending on CapEx. Episodically, it may be, you know, a little bit higher and a little bit lower in years. This may be one of the little bit higher years. as we continue to improve that fleet. But as revenue is growing, you know, you absorb that CapEx from a percentage perspective as well. So I don't think it's going to, you know, in any way put it off the charts, but, you know, it could pop at a point or so this year. But then these are long-lived assets. So, you know, you buy them in one year, they last for several years.

Jeff Martin | Analyst, Roth Capital Partners:

Thank you. And, Gary, congratulations on your retirement.

Bruce Labovitz | Chief Financial Officer:

Thank you, Jeff. Jeff, look forward to seeing you guys in a couple of weeks.

Becky | Conference Operator:

Thank you. Our next question comes from Sharif Alsabahi from Bank of America. The line is now open. Please go ahead.

Bruce Labovitz | Chief Financial Officer:

Good morning, Sharif.

Nandita Nayan | Analyst, Bank of America:

Hey, everyone. This is Nandita.

Bruce Labovitz | Chief Financial Officer:

Hey, everyone.

Nandita Nayan | Analyst, Bank of America:

This is Nandita Nayan for Sharif. Hey, I'm good, Gary. How are you?

Gary Bowman | Founder & CEO:

Good. Thanks.

Nandita Nayan | Analyst, Bank of America:

Priti Krishtel- awesome so i'm just just quickly on the full year guide, as you know, you raise the net revenues for the full year, but the ebitda guide was maintained. Priti Krishtel- Just could you just talk about you know the margin profile and maybe of like recent acquisitions like rpt doesn't you know comment like lower margins with you know other costs optimization measures in the business holding margin steady at like 17 17.5. Or on the flip side, you know, is it slightly accretive and are there other temporary investments in the business that we should be aware of that's, you know, holding margins back a little bit?

Bruce Labovitz | Chief Financial Officer:

Yeah, so I'm not sure I'd characterize it as holding margins back in a sense that, you know, if we continue to grow margin, we're growing it, you know, we're committing to grow it, you know, another half to 50 to 50 plus basis points during the year. So we're very much focused on expanding margin over time. RPT is a high margin business. But again, as a percentage of our overall business, even being a significantly higher margin business doesn't necessarily drag the whole business along from a margin perspective. We think that being able to get 17.5% margins is a pretty high bar for the industry. And I think that as you asked about contributors to that, certainly this concept that we introduced about um decoupling revenue growth from headcount growth doesn't mean shrinking your workforce but it means growing revenue faster than you grow workforce and that increases margin and that's from the tools that we're employing uh and investing in is one of the earlier questions about organic investment and investing in these in these processes and and service line expansions we think will add margin over time uh we've talked about that you know we believe that this is a high teens margin of business without innovation and an even higher one with. And, you know, it's a journey that we continue to be on.

Nandita Nayan | Analyst, Bank of America:

That's helpful. And also, guys, you know, net leverage is, I think, around, you mentioned, 1.9 times, you know, higher than historical levels. Just would you remind us of our target range again? And, you know, I believe, like, historically, it's been around, I think, 0.8 times on average. Could we you know, see leverage structurally closer, maybe like to the high end of your range for like a certain period of time as Bowman kind of gets more acquisitive, or is there a plan to deliver to historical levels over the near to medium term?

Bruce Labovitz | Chief Financial Officer:

Yeah, so we've typically been in the one and a half kind of range, you know, the mid ones. we made this acquisition of RPT on December 5th, so didn't get any of the benefit at year end for any of the EBITDA from that acquisition, but had all the leverage on our balance sheet. When we look ahead, it's about, on a pro forma basis, about two. That's before we start paying that down with cash flow that we'll generate from this year. So we hit 50% cash flow generation this year. We think that's going to continue to improve. So at at an EBITDA of, you know, in the 17s margin on, you know, on 500 million in revenue, there's going to be a good deal of cash flow to be used to pay that down. Now, we'll continue to be growth-oriented, and to the extent that we identify another acquisition, you know, we would certainly you know, there could be additional leverage from it, but there'd also be significant amount of EBITDA from it. So I think that you'll see us structurally, you know, try to achieve a below two, keep it in that, you know, one and a half to two range, which has been our sort of our target, but it would be consistent that episodically we will be higher as we

invest, you know, in growth.

Nandita Nayan | Analyst, Bank of America:

Erika Moritsugu- got it and just lastly um you know, on the 25 million big fun, could you just give us a sense of how much has been committed versus funded just kind of the runway there thanks i'll turn it over.

Bruce Labovitz | Chief Financial Officer:

James Forrest, Norcal PTAC, I would say that that we're roughly about halfway into it in terms of committed. James Forrest, Norcal PTAC, It doesn't mean it's all been extended there's a lot of proof of concept, a lot of proof of returns of you know, and a lot of. of other factors to, you know, that over the next 12 to 18 months we would, you know, fund the projects that have come forward. Some of it is the investment in assets in geospatial that will facilitate some of these additional services. But I'd say we're about halfway into ideas that would be funded.

Nandita Nayan | Analyst, Bank of America:

Okay, perfect. That's great color. I'll turn it over. And Gary, congrats.

Gary Bowman | Founder & CEO:

Thanks so much. Thanks, Adita.

Becky | Conference Operator:

Thank you. As we have no further questions on the line, I will now hand back to Gary Bowman for final comments.

Gary Bowman | Founder & CEO:

Thanks again, Becky. Well, thanks for everybody for joining us on the call today. We're very pleased with where we're at, pleased with the prospects for the year, and thanks certainly to all the employees and to our investors for all the faith that you put into us. Have a great day, everyone.

Becky | Conference Operator:

Thank you. This concludes today's call. You may now disconnect your lines.