NASDAQ:BWMN Q1 2026 Earnings Call Transcript

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Rivka | Conference Operator:

Good morning. My name is Rivka, and I will be the conference operator today. At this time, I would like to welcome everyone to the Bowman Consulting Group first quarter 2026 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 those 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. 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 begin your prepared remarks.

Gary Bowman | President and Chief Executive Officer:

Great. Thank you, Rivka. Good morning, everyone, and thank you for joining our first quarter 2026 earnings call. Bruce Labovitz, our CFO, and Dan Swayze, our Chief Operating Officer, are with me today. First, I'd like to welcome all Bowman employees on today's call, including those from Smith & Associates Land Surveying in Las Vegas, who are the newest members of the Bowman team. After my introductory remarks, I'll turn the call over to Bruce, who will cover our financial performance and technology initiatives. Dan will provide more detail on the opportunities we're seeing across our end markets. Now, turning to the first quarter, from a performance standpoint, we delivered double-digit growth in gross contract revenue, net service billing, and adjusted EBITDA. Our backlog reached a record level of over $650 million. These results were driven by both organic execution and continued contribution from our acquisition strategy. We saw growth across our diversified end markets. Demand remains robust, and we continue to benefit from markets where we have deep expertise, strong client relationships, and increasingly integrated service delivery. Our capabilities are increasingly important in high-barrier, high-demand sectors where our expertise, national scale, and ability to self-perform work position us to win and execute consistently. All this reinforces what we're seeing in the business, strong demand, durable revenue streams, and increasing opportunities to expand both organically and through targeted acquisitions. Based on our performance and outlook, we raised our full-year 2026 guidance and now expect over 20 percent revenue growth for the year. For 2026, we expect net revenue to be in the range of $520 to $540 million, And we expect to report adjusted EBITDA margin between 17.25% and 17.75%. So with that, I turn the call over to Bruce.

Bruce Labovitz | Chief Financial Officer:

Thanks, Gary, and good morning, everyone. I'll begin with a review of our financial performance for the first quarter, and then I'll turn the call over to Dan to bridge Q1 to year end. After that, I'll return to share some thoughts on how we're thinking about technology and automation. and begin to draw a line towards its impact on the future of Bowman. The first quarter culminated with a record march that capped off a solid start to 2026. Our results reflect the durability of our end markets, the scalability of our operating platform, and disciplined execution of our long-term strategic plan. Gross contract revenue of $126.5 million represented a

12% increase over Q1 last year. At a 90% net to gross ratio, net service billing was 114.2 million, up 14% year over year. The increase was anchored by 6% organic growth enhanced by strong performance from recent acquisitions. Looking ahead, we expect to see our net to gross ratio come down by about three to five points based on new awards and new service lines with higher sub-cost ratios. Power was our fastest growing sector, with 37% growth of gross revenue year over year. Transportation followed at 13%, with natural resources at 6% and building infrastructure at 1%. Dan will talk more about where growth is coming from. Growth of organic net service billing was 6% year over year, with the highest organic growth rate coming from natural resources at 16%, followed by transportation at 13%, power at 5% and building infrastructure at 2%. I will point out that there's a significant amount of organic growth embedded in power and utilities revenue characterized as inorganic for now. Our mix of gross revenue continues to evolve with power up to 28% and building infrastructure down to 41%. In just one year, data center activities have more than doubled to a bit over 6% of revenue. Over the course of the next few quarters, we do expect to see a noticeable shift in mix as natural resources will expand by virtue of a significant new award being classified in that category. Contract costs represented approximately 48% of gross contract revenue at a 52% gross margin. When we combine a bit of a slow start in January and February with mobilization costs for assignments that begin in Q2, total overhead as a percentage of revenue was up around 50 basis points compared to last year. I'll also point out that 2026 is the year we exit emerging growth company status, which generates some incremental costs this year that will normalize next year. With accelerating revenue and relatively stable overhead, however, we expect to see total overhead once again trend down as a percentage of revenue moving forward. For the quarter, we reported a gap loss of $3.7 million. Unlike adjusted EBITDA, that result includes non-cash amortization of acquired intangibles, acquisition-related expenses, financing costs, and other non-reoccurring items, including those associated with the CEO transition. Adjusted EBITDA was $16.8 million, up nearly 16% at a margin that expanded year-over-year to 14.7%. We generated $11.6 million of cash from operations in the quarter, representing approximately 70% conversion of adjusted EBITDA to cash. It's nice to finally report a quarter with no deferred R&D tax adjustments on the cash flow. During the quarter, we used cash to repurchase approximately $9.2 million of our stock and advance future organic growth initiatives through investments in data capture, automation, and internal use software, among others. Big fund spending on geospatial and data collection assets associated with specific new future revenue opportunities represented about half of our CapEx in the quarter, along with another million or so of OpEx spending, which is not added back to adjusted EBITDA. To accommodate anticipated increases in CapEx this year, we expanded our revolving credit facility to $250 million. which provides sufficient liquidity to support continued investment in organic growth and acquisitions. Backlog increased to approximately 653 million, up 56% year-over-year and 36% sequentially from year-end. Backlog growth in the quarter was entirely organic. Net of one unusually large organically generated contract award, backlog grew at a 20% annualized pace. As Gary mentioned, we're raising our 2026 net revenue guidance to a range of $520 to $540 million and increasing our margin forecast. The guidance increase implies more than 20% growth of organic net revenue this year and nearly 28% year-over-year growth of adjusted EBITDA at the midpoints. In terms of revenue cadence, we expect the remaining three quarters will build on each other as some consequential assignments ramp up through the second half, with third quarter being at or near the midpoint of the second and fourth quarters. It's notable that this is a bit of a change from prior years. With that, I'm going to turn the call over to Dan.

Dan Swayze | Chief Operating Officer:

Thank you, Bruce. Today, I'm going to spend a few minutes bridging the revenue gap from Q1 to our full-year forecast. Backlog is the foundation of any revenue bridging exercise, and we have discussed in prior calls somewhere between 70% and 80% of backlog typically converts to revenue within a 12-month period, with timing influenced by contract structure, phasing, and notice to proceed. For the remainder of the year, approximately 60% of our expected revenue is supported by existing backlog, with the balance driven by sell and deliver activity. As we move through the year, the mix naturally shifts more heavily towards backlog conversion. Looking at Q2 through Q4, Approximately $250 million of our remaining revenue is supported by

backlog, leaving the remaining 40%, or roughly $170 million, to be delivered through new bookings within the year. When accounting for normal conversion timing between bookings and revenue, that translates to just under .7 times book-to-burn ratio, would be our full-year guidance. This remains at a manageable level, giving our ability to deliver book-to-burn above one times on a consistent basis. The priority is ensuring our resources and capacity are aligned at the right time to deliver high quality, on schedule outcomes for our customers, something we actively plan for and manage every day. Let me cover where I believe our greatest opportunities are for new bookings. Transportation is in a strong position to continue delivering results. Required book to burn is lower than average based on substantial existing backlog coverage for this year's forecast. With many long term and reoccurring revenue assignments Across infrastructure design, construction engineering, corridor management, and inspection services, we are well positioned to deliver. Power and energy. Longer than desired timelines to secure power from the traditional grid is forcing end users to develop their own power solutions. When our customers move forward with alternative power solutions, we expand our wallet share. Recent acquisitions have significantly brought in our reach and opportunities within the energy services vertical and they have also transformed the characteristics of our assignments to include higher velocity sell and deliver opportunities. To deepen our engagement with customers, address the resource void in the marketplace, and become more entrenched in long-term durable revenue, we have expanded to offer procurement services across the sector. Awards for services relating to midstream pipeline infrastructure, energy reliability centers, compressor stations, and terminal operations have shown meaningful increase of late, and show no signs of abating. We are also seeing increased demand for renewable energy solutions, particularly as customers respond to upcoming explorations of IRA incentives. Natural Resources includes a wide range of services and is the sector in which we will report the large government contract award going forward, as Bruce previously advised. It is also much of where our industry agnostic geospatial data collection efforts are reported Recent upgrades to our fleet of data collection assets have already been impactful, opening opportunities for new streams of revenue. As an example, a recent manned aerial award from a longstanding government agency customer was nearly triple that of last year. Accelerated activity in mining and renewed demand for water resources have likewise supported sustained demand. Geospatial, while not a vertical, is a service that sits at the core of everything we do across all our markets. High resolution 3D imaging and complex GIS embedded point clouds are increasingly the basis of infrastructure planning and management. Availability of intuitive and predictive real-time analytics is rapidly becoming a post-operational imperative. Having a comprehensive suite of data collection assets has led us to be engaged earlier and longer with customers. The key takeaway are these. We see the strongest bridge for revenue coming from mission critical and adjacent energy infrastructure markets, along with transportation engineering and geospatial services. Our outlook for outsized organic growth this year is rooted in book backlog conversion and predictable booking levels that are supported by a strong pipeline, a broad and expanding portfolio of capabilities, and disciplined execution. Continuing to ensure we have the capacity to deliver, the discipline to convert demand into profitable revenue, and the tools to innovate remain our top operational priorities. With that, I will turn the call back to Bruce.

Bruce Labovitz | Chief Financial Officer:

Thanks, Dan. Before turning the call back to Gary, I want to briefly address the narrative surrounding AI and automation and engineering, specifically in the context of pricing margins and long-term customer engagement. During our year-end call, I said, and I quote myself, we need to be sure we are prioritizing investments in processes and services relating to deliverables sold at stable values as opposed to efficiencies that merely cannibalize the value of work sold by the unit. That was true then, And it's still true now. But that was two months ago, a lifetime in this moment of technological change. And the message is expanding as we execute on our strategy. There's a misconception in parts of the market that AI will cause an unsustainable compression in pricing and margins across all engineering services. In a vacuum, without a broader understanding of what's really happening inside the industry, the concern that AI leads to a few hours, which equates to lower billable revenue, sounds reasonable. but it's not a plausible reality for established multidisciplinary engineering firms. Before we go any further, let's acknowledge that engineers

and infrastructure professionals operate in an environment where tolerance for error is non-existent and where the deliverables are foundational to public safety and reliable infrastructure performance in the face of ever-changing environmental stresses. As a result, professional judgment, real-world experience, Technical expertise and accountability remain central to the engineering services value proposition, regardless of efficiencies employed in the workflow. It's important to remember that this is not the first time technology has presented opportunity for process evolution in engineering. Our client engagements are not transactional. They're relationship oriented, and that matters. A majority of our assignments are priced on a fixed fee and not to exceed basis, where customers compensate us based on the value our deliverable produces over the entire lifecycle of the asset. It's rare that we're engaged for one discrete individual hourly task. Where work remains on a cost plus or time and materials basis, it is generally with large public clients who prioritize professional mediation and judgment over expedience and bargain hunting. These clients understand the inclusion of indirect costs such as compute and processing on burdened rate structures and are grounded in the long-standing foundations of professional accountability and dependability. It's important to remember that engineering services represent a relatively small portion of total infrastructure project cost. The larger opportunity is combining AI-enabled automation with engineering know-how to help clients improve outcomes beyond construction to the broader asset lifecycle. As professional accountability, AI, process automation, and data analytics are becoming more intertwined, we believe the conversation shifts from the pricing of individual tasks to the value of better decisions, reduced risk, and improved asset performance. The tools we are building are based on both inference and deterministic routines. Without getting too technical, This architecture allows for the harnessing of decades of engineering, construction, and operating knowledge in a platform that facilitates leveraging the collective expertise of everyone in the value chain. To date, we have developed and introduced more than 25 proprietary tools to our operations with additional capabilities in process that include an integrated operating environment designed to better connect us and the data embedded in all of our systems both internally amongst ourselves and externally with our clients post operationalization. While our architecture is designed to minimize the operating cost of compute, the tools are focused on generating higher value deliverables to customers through better execution and faster delivery. With all that said, we do not view the impending wave of AI as a driver of commoditization. Rather, We see it as an opportunity to enhance differentiation for firms that invest in the right capabilities at the right cost structure and integrate the tools effectively into empowering operating environments. From where we sit, this is not a race to the bottom. To the contrary, it's a race to the top. I'm going to turn the call back over to Gary for concluding remarks.

Gary Bowman | President and Chief Executive Officer:

Great. Thank you, Bruce. So stepping back, What this quarter demonstrates is that our strategy is working. We're building a business with strong visibility, diversified demand, and a scalable operating model that continues to deliver. The combination of record backlog, consistent growth across our end markets, and continued investment in our capabilities, whether through technology, integrated service delivery, or targeted acquisitions, positions us extremely well for the future. We're seeing a clear path to sustained growth, margin expansion, and strong performance, not just through the balance of 2026, but into 2027 and beyond. With that, we'll open the line up for questions.

Rivka | Conference Operator:

Thank you. At this time, we will conduct the question and answer session. As a reminder, to ask a question, you'll need to press star 11 on your telephone and wait for your name to be announced. To withdraw your question, please press star 11 again. Please stand by while we compile the Q&A roster. The first question comes from the line of Aaron Spahala of Craig Hallam Capital Group. Your line is now open.

Aaron Spahala | Analyst, Craig Hallam Capital Group:

Yeah, good morning, Bruce, Gary, and Dan. Thanks for taking the questions. You know, first for me, any more details you can share on the, on the government contract, you know, what you're doing kind of cadence of revenue sounds like a little higher, maybe subcontract mix or just, you know, confidence in execution there. And then just broadly seems like you're starting to see some larger awards. You know, can you talk to the scale and capability and just other drivers, you know, that are, that are driving that?

Bruce Labovitz | Chief Financial Officer:

Yeah. Aaron, good morning. Hey, it's Bruce. I'm going to take the first question on the government contract and, and reply with there's a limited amount of information that we can disclose based on nondisclosure agreements associated with the award. However, you are correct to infer from our commentary that it will operate at a slightly higher than average net to gross, I'm sorry, lower than average net to gross ratio, higher than average gross spread. If you think about the math behind lowering it by five points or so that would indicate probably somewhere in the 75-ish, you know, percent range for net to gross spread there. And that contract, as we've talked about, has a 36-year term to it. It is on a month, excuse me, 36-month term to it. and has a not-to-exceed value of, in total, about $177 million. We are mobilizing for it and have been mobilizing for increasing activity there as we speak. As the commentary suggests, we would think that it would have most consequential impact on the second half of this year and into next year.

Aaron Spahala | Analyst, Craig Hallam Capital Group:

Okay, thanks for that caller and can appreciate that. And then, you know, on the margin front, I mean, you just kind of touched on it, but it sounds like, you know, a slow start to the year for a couple months there, and then maybe ramp ahead of, you know, this and other projects. Just, you know, confidence in, you know, the outlook for margin improvement and, you know, just kind of thoughts going forward there as you invest for growth.

Bruce Labovitz | Chief Financial Officer:

Yeah, so I think we've looked ahead at where revenue growth is going to be and assessed that relative to overhead growth, right, and the multipliers that we'll be able to achieve on work in the second, you know, in the remaining three quarters of the year and feel confident that we will be able to deliver margins in excess of where the The year guide is because in order to compensate for first quarter, those obviously have to be at a higher rate than the 17.2 to 17.7% that we've guided to. So we think about it from the perspective of doesn't take a whole lot more machine to necessarily generate the, to support the contribution margin that's coming from incremental revenue. It's not a zero-sum game, but it's a margin-expanding exercise.

Aaron Spahala | Analyst, Craig Hallam Capital Group:

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

Rivka | Conference Operator:

One moment for our next question. Our next question comes from the line of Liam Burke of B. Reilly Securities. Your line is now open.

Liam Burke | Analyst, B. Riley Securities:

Thank you. Good morning, Gary, Dan, Bruce. Good morning. Bruce, I guess the fixed price contracts are a competitive advantage for you. It is also a nice source of a pretty consistent margin. If I look at your backlog, is there a larger percentage of fixed price contracts or is the ratio pretty much the same?

Bruce Labovitz | Chief Financial Officer:

I think we're seeing a migration to a higher percentage of fixed price contracts as the mix is changing a little bit. I don't think it is necessarily I wouldn't characterize it as off the charts dramatic in its movement, but it is steady state moving. It's also some industries we work in really just are resistant to that. It's just the way it's always been done. But in any opportunity where we have a chance to price on a fixed price, that's where we're driving contracting.

Liam Burke | Analyst, B. Riley Securities:

Thanks. And on permitting, which is one of your competitive advantages, are you seeing any increase in that process to move projects along faster, or is it pretty much the same?

Dan Swayze | Chief Operating Officer:

Yeah, this is Dan Swayze speaking, Liam. Nice to talk with you. It's generally the same. We are seeing some hints. that people would like to move faster, but we've yet to see really a material shift that makes the permitting move faster than it is where it's been.

Liam Burke | Analyst, B. Riley Securities:

Great. Thanks, Dan.

Bruce Labovitz | Chief Financial Officer:

Thanks, Bruce. That's not necessarily a negative, right? I mean, the effort involved is the service we provide. So it's, you know, yes, we'd like to be able to do more of it more quickly, but it's also...

Dan Swayze | Chief Operating Officer:

Yeah, we're hopeful we do see a shift on the NEPA front related to NEPA-type permits in the future, but we've yet to see it.

Liam Burke | Analyst, B. Riley Securities:

Okay, great. Thank you.

Rivka | Conference Operator:

One moment for our next question.

Bruce Labovitz | Chief Financial Officer:

Thanks, Liam.

Rivka | Conference Operator:

Our next question comes from the line of Tomo Sano of J.P. Morgan. Your line is now open.

Tomo Sano | Analyst, J.P. Morgan:

Hi. Good morning, everyone. Morning. Good morning, Tomo. Thank you. I'd like to ask about the 6% organic net service billing growth, like billing a growth. What is the contribution from pricing volume, new clients, and deeper penetrations of existing clients? And if you could touch about the how sustainable do you see this growth for the next couple of quarters and so on, please?

Bruce Labovitz | Chief Financial Officer:

Yeah. Yeah. Tom, the organic growth that we've delivered historically is related to increased workload and not a function of pricing. I would say that it's always a 0% contribution from pricing. There's always some appreciation there. But when we look at the growth of our workforce and the sustained utilization of our workforce, we see that it is more people doing more work for more customers. So it's really about increased capacity, increased volume of assignments, increased wallet share with existing customers. When we look ahead at organic growth over the course of this year, we expect it to be in excess of 20%. And so we don't think that there is any – The 6% is unsustainable in any way. In fact, we think we're going to achieve a significantly greater amount of organic growth this year.

Tomo Sano | Analyst, J.P. Morgan:

Thank you. And then follow up on margins, especially SG&A as a percentage of the gross contract revenue was up significantly over the year. What are the main causes and how will you control these costs? And also, Bruce, you talk about you adapt AI. Do you see it becoming a key tool for improving SG&A efficiency going forward?

Bruce Labovitz | Chief Financial Officer:

Yeah. So, Tom, I'll start with the total cost of SG&A was about 50 basis points higher this quarter than last year's first quarter. the absolute amount grew, but the percentage of revenue grew. And we acknowledge that we think it will begin a downward trajectory again as higher revenue quarters absorb more of that overhead. There is a level of cost to run the machine. And so as we move forward to future quarters, we expect that to start coming down as compared to sequentially to last quarter. quarter, it was up about 200 basis points. But I think that's really a function of revenue, not anything else. And I'm sorry, I don't remember what the second part of the question was.

Tomo Sano | Analyst, J.P. Morgan:

Bruce, that is the AI. But I was asking about the HCNA percent of GCR, which was 57.8% plus 730 basis points compared to last year.

Bruce Labovitz | Chief Financial Officer:

So if you're talking about COGS, So we generally try to focus more on total SG&A costs because the way we allocate labor cost into the payroll line can vary from quarter to quarter based on how timesheets are allocated. And so I think movements there are less consequential than overall movements in the overall cost of labor and G&A.

Tomo Sano | Analyst, J.P. Morgan:

Okay, that's clear. Thank you. And any comments on AI with H&A opportunity?

Bruce Labovitz | Chief Financial Officer:

Certainly, I think that part of what we're building are tools that will make operations back office and front office more efficient. So, yeah, I think that technology continues to provide process improvement opportunities throughout the business. I think that's going to be a natural evolution of technology. The higher value orientation is really towards client engagement, client assignment, and client connectivity. So we're not interested in what's going to happen in the back office. And yes, I think there's some points of improvement to be had there, but our primary focus is really on the front office. Thank you. I appreciate it.

Rivka | Conference Operator:

One moment for our next question. Our next question comes from the line of Min Cho of Texas Capital Securities. Your line is now open.

Min Cho | Analyst, Texas Capital Securities:

Great morning. Thank you for taking my question. Hey, Bruce. So you had mentioned that data centers were about 6% of revenue. Can you remind us how many data center projects you've worked on in the past and what that looks like today? And can you talk about kind of data center in your current backlog?

Bruce Labovitz | Chief Financial Officer:

I'm not sure any of us could give you an exact number of how many data center projects, other than to say that the fact that we don't know exactly how many means it's a lot, right? We can't remember everyone by name, so that means that there's been a lot of them.

Dan Swayze | Chief Operating Officer:

I would also add that many of the data center clients are very strict about nondisclosure, so it's hard for us to talk about a specific project.

Bruce Labovitz | Chief Financial Officer:

But I think when you aggregate all of the experiences that the collective here has had between us getting into data centers early in the Northern Virginia cycle and extending that to what is now really a power solutions play for data centers, the intersection with data centers that we have has grown faster than the number of projects has grown. So we're doing more for more data centers, including existing clients. I'd say that even where the project is the same, we're doing more things for the project today. And I would say that it is relatively aligned in our backlog, maybe slightly disproportionate to recognized revenue, right, because we see that as a continually growing space. And particularly, you know, coming off of the E3I project, and LASEN and RPT acquisitions, there's just so much momentum in the space surrounding energy consumption, not just data centers, but other large-scale utility consumers, utility-sized consumers, that it's a growing portion of our backlog. Dan?

Dan Swayze | Chief Operating Officer:

Yeah, and just to add one thing, from an operational perspective, there isn't a week that goes by where we're not trying to shift resources to accommodate additional data center work. So, It's continuing to come in, and it's quite a substantial portion of our growth.

Min Cho | Analyst, Texas Capital Securities:

Perfect. Thank you. Also, you know, you announced the smaller acquisition of Smith & Associates. Can you talk about how that fits into your broader geographic and service expansion plan? And if you can talk more broadly about M&A, kind of how the pipeline is looking, if you're still looking at the smaller or larger projects, and any change in valuations recently?

Gary Bowman | President and Chief Executive Officer:

This is Jerry. On Smith & Associates, the play was really adding talent and productive capability to an existing big client we have in that geography. In addition to expanding into the geography, we already had a small presence in Vegas. The client was demanding a lot more, so it was a production capability play. Pipeline is still robust. We are We are evolving to be more narrow-focused and strategic in what we're looking at. We continue to look at a mix of large and the small ones. As we go to more strategic, the market is not driving multiples up. We see that fairly steady. But as we go to more strategic targets, the multiples are going up a bit. because of the high demand in the energy markets, the utility markets, and so forth.

Bruce Labovitz | Chief Financial Officer:

Yeah, I think Smith's a good example of we acquire to generate organic growth. Yeah. Right? It's a little bit of one of those conundrums of, yes, it's acquired, but it is for an organic opportunity. Got it.

Min Cho | Analyst, Texas Capital Securities:

Okay. And then, let's see. We talked about backlog. I think that does it for me right now. Thank you very much.

Bruce Labovitz | Chief Financial Officer:

Terrific, man. Thanks.

Rivka | Conference Operator:

As a reminder, to ask a question, you'll need to press star 11 on your telephone and wait for your name to be announced. One moment for our next question. Our next question comes from the line of Jeff Martin of Roth Capital Partners. Your line is now open.

Jeff Martin | Analyst, Roth Capital Partners:

Thanks, Simone. Good job. I wanted to dive into the decision that went into going after this large government contract. It's not the norm for Bowman to pursue something like this. So if you could walk us through kind of the thought process and the competitive approach that you went in pursuing this contract. And secondarily, is this something that we could anticipate becoming more frequent in the future?

Bruce Labovitz | Chief Financial Officer:

Yeah, Jeff, part of what happens is as you ascend through the tiers of size, opportunities present themselves to you that might not have otherwise presented themselves to you. I guess we can characterize this as a deliberate multi-year, you know, chase for an opportunity. It was we had assembled the right capabilities in the right place at the right time to meet the demand that a client had for work. And so it was opportunistic. but it wasn't accidental, right, that it happened. In terms of size contracts like it in the future, we certainly hope so, right? I think this establishes a precedent. It establishes a foundation and a threshold for the kinds of work that we can accept and complete. And so while I don't know that there is one in particular of like size, like kind sitting in our pipeline today, that doesn't mean that there won't be tomorrow.

Dan Swayze | Chief Operating Officer:

Yeah, and just to further expand what Bruce was saying, this contract and the reach out that occurred to us aligns directly with some of our strengths and our core services. So this was not a reach at all for us to submit a proposal, provide the required scope, and meet their objectives because it's the core services that we provide and that we're really good at.

Gary Bowman | President and Chief Executive Officer:

Jeff, this is Gary speaking from a broad point of view. This contract, it really expands our paradigm internally of what we can do and what we go after. So it has very intangible cultural, positive cultural effect that's really cool to see.

Jeff Martin | Analyst, Roth Capital Partners:

Congratulations on the contract. Bruce, I wanted to kind of dig in on the scaling up for the resources that you need to execute on this contract. Is there any short-term margin impact that comes back to you in the back half of the year? How should we think about the utilization? Because I know in the past you've staffed up

Bruce Labovitz | Chief Financial Officer:

in anticipation for contracts coming on is that the case in this situation yeah yes we've talked about margin in the business can be a little bit of a roller coaster based on the timing of of notice to proceed and and the accumulation of the resources needed we don't capitalize any costs associated with future work um in anticipation of it it just gets expensed as incurred so there was definitely you know staffing up for the project um it's going to be consequential enough through the rest of the year that we're not really calling it out as anything particular other than to point out that, sure, the revenue that we're going to deliver through the rest of the year that's in backlog, you know, does take staffing in real time. And so, it does have, you know, some drag on Q1 from a, let's call it from a a multiplier across the portfolio, right, because there's labor that wasn't as productive as it will be. But that is absolutely a variable in the margin expansion equation, is this labor, not just for that project, but for some other projects that, you know, this wasn't just a one-trick kind of quarter. You know, backlog grew, you know, another 5%. independent of it. So that also is suggestive of having to staff up for growing revenue.

Jeff Martin | Analyst, Roth Capital Partners:

Appreciate the time.

Bruce Labovitz | Chief Financial Officer:

Thanks, Jeff. Appreciate you working it in.

Rivka | Conference Operator:

Ladies and gentlemen, as there are no further questions, we will conclude today's conference call. Thank you for joining.

Bruce Labovitz | Chief Financial Officer:

Thank you.