NASDAQ:CDNL Q1 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good morning, ladies and gentlemen, and welcome to the Cardinal Infrastructure Group first quarter 2026 earnings conference call and webcast. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. To ask questions during the session, you will need to press star 11 on your telephone. You will then hear a message advising your hand is raised. To withdraw your question, simply press star 11 again. Please be advised that today's conference is being recorded. I would now like to turn the call over to Emily Lear, Director of Investor Relations. Please go ahead.

Emily Lear | Director of Investor Relations:

Good morning, everyone, and welcome to Cardinal Infrastructure Group's first quarter 2026 earnings conference call and webcast. I'm pleased to be here today to discuss our results with Jeremy Spivey, Cardinal's Chairman and Chief Executive Officer, Benzie Wood, Chief Operating Officer, and Mike Rao, Chief Financial Officer. Please note there are accompanying slides available on the events and presentation section of our website. Today's call will present certain non-GAAP financial measures. For more information about these non-GAAP financial measures and the reconciliation to the most comparable GAAP measure, please see our earnings release. Today's call will also include forward-looking statements as defined by the United States securities laws. These statements relate to future events, operating results, or financial performance, and are subject to risks and uncertainties that could cause actual results to differ materially. Cardinal Infrastructure Group undertakes no obligation to publicly update or revise any forward-looking statements except as legally required, whether due to new information, future developments, or otherwise. Information regarding these factors that may cause actual results to differ materially from these forward-looking statements is available in the company's SEC filings. With that, I'll turn the call over to Jeremy.

Jeremy Spivey | Chairman & Chief Executive Officer:

Thank you, Emily. Good morning, everyone, and thank you for joining us today. Before I dive into the quarter, I would like to welcome and introduce a new team member to the call. Benji Wood, our chief operating officer, is joining us out of our Atlanta, Georgia operation. For those new to the Cardinal story, Benji led AL grading as a vice president and operator and joined Cardinal as COO of the combined company when we closed the ALGC acquisition in February. I'll talk about how we further vertical integration in our core markets and then handed it off to Benji to cover our M&A strategy. Mike will finish things up with a recap of financials and an update on our outlook for 2026. We reported very strong financial and operating results for the first quarter. Revenue grew approximately 105% year-over-year, with organic growth of approximately 64%. And backlog ended the quarter at $854 million, an all-time high. These are exceptional numbers, and they are the result of years of building this platform and a team that executes relentlessly at every level. I want to start by thanking everyone at Cardinal for what you delivered this quarter. Growth in the quarter was broad-based, with continued strength in residential paired with expanding contributions from commercial, manufacturing, and industrial work across all our markets. The bidding environment across our footprint remains active, with strong project flow giving us increased visibility into the second half of the year and into 2027. Beyond the headline growth, our operations are performing at a high level across the entire platform. Our crews did incredible work in Q1, executing safely through a higher than average number of winter weather events across the southeast. We completed multiple projects in the quarter ahead of schedule and ahead of bid margin, including a commercial site where we completed onsite utilities approximately two months early. an industrial project where in-house rock blasting drove an early pad delivery, and a second consecutive on-time delivery for a national grocery customer. We also delivered a complex residential project on schedule for a large regional developer that is new to Cardinal, as we continue to attract new residential developers and grow our share in core markets. These outcomes are generated by self-performing the full scope and from running a workforce trained to execute across multiple trades. AOGC and the talent that came with the acquisition are already making strong contributions. The integration is on track, the business is operating at a high level, and the acquisition thesis is playing out in real time as we expected. Benji will walk you through AOGC and our broader acquisition framework in a few minutes, but I will say up front that this is the strongest possible validation we could have asked for of the playbook we built in the Carolinas and are now applying in Georgia. We quickly deployed adjacent crews in drilling and blasting and paving, immediately reducing our reliance on subcontractor services. Backlog in Atlanta is growing nicely, as is our customer base. Cardinal's performance-oriented Safety First culture and operational playbook have been well absorbed, and we are excited to support this business as it continues to grow. As I mentioned, Backlog entered the quarter at an all-time high of $854 million. This is up 60% year-over-year and up 30% organically, with ALGC contributing just over $160 million to the total. Even more encouraging than the year-over-year growth is the pace at which our backlog is diversifying. Throughout the quarter, both new and recurring customers consistently told us that our ability to deliver self-performed turnkey site development is exactly what they have been looking for. We added strong volumes of work across single-family homes, multifamily, and retail developments, as well as campus build outs for a global overnight delivery and logistics customer and a large format regional convenience and fueling site operator. Shortly after the quarter, we announced further expansion into the mission critical end market with our first data center one, a $24 million contract under which we will self-perform all services with completion expected in 2027. These are sophisticated customers who clearly see the value and differentiation that Cardinal brings to the market. Our strong start to the year, the visibility provided by our record backlog, and our confidence in executing our growth strategy have given us the conviction to raise our full year 2026 revenue guidance. We are increasing our guidance from a midpoint of $672 million to a midpoint of $680 million and continue to expect adjusted EBITDA margins above 20% for the full year, with a clear path to further expansion over the medium term. Underpinning these results and our 2026 outlook is the strength of our platform. Vertical integration is the foundation of how we operate, and the workforce required to deliver it is what makes the model so difficult to replicate. Vertical integration means we self-perform and deliver the full civil scope on every project. Clearing, erosion control, drilling and blasting, grading, wet utility installation, and paving, all with our own crews and our own equipment. When we self-perform every trade with our own workforce, there are no handoffs or delays waiting on subcontractor availability. Each service flows directly into the next without a gap waiting for itself to mobilize. That ability yields six to eight weeks of scheduled compression, which is why customers return to us project after project, with over 80% of our customers recurring in nature. Raleigh, which grew over 40% organically again this quarter, is the clearest example of the model running at full scale in the Carolinas. In our newer markets, Charlotte and Greensboro, we are in the early innings of building out the labor force, the density and the equipment needed to execute on these turnkey projects. Both of these markets are diluted to consolidated margins currently, but have significant runway ahead. As we progress through the busy spring and summer, leverage across our portfolio improves, allowing our margins to scale in-year. Longer term, as these markets mature and we are able to deploy our full playbook and vertical integration capabilities, we expect margins in these markets to expand meaningfully. Delivering turnkey site infrastructure at this level requires a workforce that can execute every trade at high quality, on schedule, and across multiple geographies at once. Across our industry, the availability of skilled labor is the primary constraint on growth. We have built a workforce ahead of demand, and our culture, commitment to safety, and competitive wages enable us to recruit at a pace most of our peers cannot match, proven by what we believe is one of the largest wet utility labor forces in the country. Our workforce is the direct product of how we run the business. We equip our crews with the right tools and resources, deliver training that prepares them for any project, empower field teams to make decisions, and we lead with safety so people look forward to coming to work. That culture produces crews that execute complex projects quickly and to the high standards our customers expect. And it is exactly why we are wanting new work in adjacent end markets, including the data center contract we announced in mid-April. This same dynamic explains how we have broadened our in-market mix so quickly. Pre-IPO, Cardinal was approximately 75% residential focused. In just a few short months, we reduced that to 65% as customers continue to ask Cardinal to take on more of the complex multi-trade work that our platform is built to deliver. Alongside our organic investments, we look to strategic M&A to help us build density across core markets. and to continue deploying the Cardinal Playbook across the Southeast. With that, I'll turn it over to Benji.

Benzie Wood | Chief Operating Officer:

Thank you, Jeremy, and good morning, everyone. I appreciate the opportunity to introduce myself and walk you through how Cardinal thinks about growth through acquisitions. The perspective I bring this morning is grounding and having been on both sides of the table. I helped run A.L. Grady as Vice President prior to Cardinal's acquisition and now sit as Cardinal's Chief Operating Officer. I went through Cardinal's diligence and acquisition process firsthand. and are now part of the team responsible for operating the platform that continues to grow through M&A. What attracted me to Cardinal was simple. The culture is built around the same values that built ALGC. The team is the most disciplined of choir I've seen in this space, and the platform Jeremy has built is one I wanted to be a part of and help grow across the Southeast. The reason is the platform itself. Across North Carolina, South Carolina, and Georgia, Cardinal operates with over 2,500 employees and 160 wet utility-related crews, an all-time high backlog, all in one of the fastest growing construction regions in the United States. The scale and density we've built across this footprint is something a new acquirer would take a decade to replicate. We have two distinct acquisition tracks that solve different problems. Tuck-ins make us deeper and more vertically integrated and in markets where we already operate. We add crews, we fill service line gaps, and we pull subcontract work back in-house. In Atlanta, that can mean growing our wet utilities labor base and reducing our reliance on third-party offerings like installation of retaining walls, concrete work, and paving install over the near term. Platform deals, such as ALGC, serve as a geographic expansion engine. When Cardinal acquired us, that kept our leadership team in place, began integrating us onto their systems and standards, and gave us the operational tools to help facilitate increased pace of growth going forward. That is the model. We see the same setup opportunities available in adjacent southeast states. The pipeline today is the most active it has ever been. We have strong tuck-in opportunities around Charlotte, Greensboro, and Atlanta, and platform-style opportunities under evaluation in adjacent southeast geographies. We will remain patient and disciplined on price, and we will only pursue deals that meet our criteria. Our track record speaks for itself. Cardinal has completed seven acquisitions since 2021, bringing in approximately $310 million in acquired pro forma annual revenue across multiple geographies and end markets. Our target deal economics are outlined on slide seven, but at a high level, tuck-ins are required at around four times EBITDA, and platform acquisitions around six times EBITDA. Platform acquisitions will be accretive to or in line with our consolidated margin profile. And as strong as the margins were at ALGC, we are seeing opportunities in the pipeline with even better margin profiles at multiples consistent with our framework. Cardinal has a defined operating model, growth playbook, and acquisition framework. Each has been proven across multiple acquisitions and multiple geographies. What you should expect from here is consistency. The same discipline applies to a larger and more diversified platform. I'll now hand the call over to Mike for a review of the financials in our updated guidance. Thank you, Benji, and good morning, everyone. I will begin with a review of our first quarter financial results before covering our updated outlook for 2026. As a reminder, ALGC contributed approximately six weeks' results to the quarter given our mid-February closing. In total, the first quarter revenue was 168 million, an increase of 105% from the first quarter of 2025, reflecting organic growth of 64%. We delivered this growth despite a higher than normal number of cold weather days across our footprint during the quarter, which we managed through schedule flexibility and the ability to redeploy crews across our market as conditions allowed. As Jeremy mentioned, This growth was broad-based, with all regions and markets driving top-line improvement year-over-year. Raleigh increased revenues over 40%. Charlotte and Greensboro continued to scale quickly, and ALGC grew mid-teens against a tougher weather comparison from the prior year. Gross profits for the quarter were $24.9 million, or 14.9%, compared to $9.9 million and 12.1% in the prior year. Gross margins increased 280 basis points as we realized scale benefits across higher volumes and tightly managed operating costs. Adjusted growth profits were up 107% year-over-year at $34 million compared to $17 million in the prior year, with adjusted gross margins expanding approximately 20 basis points year-over-year. The expansion was meaningful given Q1 seasonal headwinds and the integration activity underway at ALGC. General nominative expenses for the quarter were 10 million or 6% of revenue. Approximately 3.5 million of the increase is non-reoccurring, tied to acquisition costs and one-time jumps from public company readiness costs. On a continuing basis, G&A was 3.9% of revenue and we expect that ratio to continue to improve as we move throughout the year. Q1 is our highest G&A expense quarter on our lowest revenue quarter, so as we ramp up for the construction season and assort the bulk of the annual public company costs, including audit and reporting cycle expenses, we expect G&A expense as a percent to revenue to come down in the forward quarters. Adjusted EBITDA for the quarter was $27 million, up 84% year-over-year, while adjusted EBITDA margins finished at 16% down from the prior year. Adjusted EBITDA margins were impacted by timing as winter weather impacted our ability to deploy higher margin work during the quarter and the growth initiatives taking place across our businesses. Cash flow from operating activities in the quarter were $9.3 million, compared to $12.1 million in the prior year. This was driven by increased working capital required for growth, specifically increased buildings not yet collected. Capital expenditures were $9.3 million, excluding acquisitions, reflecting the construction of our asphalt manufacturing facility and fleet and equipment investments as we build density in Charlotte, Greensboro, and Atlanta, For the four-year of 2026, we are still forecasting capex of $58 million unchanged from our prior guidance. Turning to the balance sheet, we ended the quarter at $196 million outstanding on our term loan and nothing drawn on our $75 million revolving credit facility. Net leverage at quarter end was approximately 1.2 times and well below our covenant of 2.5. The balance sheet remains in strong shape and gives us meaningful capacity to fund our operations, capital expenditures, and M&A activities. Turning to our 2026 guidance, we are increasing revenue to a new range of 675 million to 685 million, up from our prior range of 665 million to 678 million. We are reiterating our adjusted EBITDA margin guidance of 20% plus for the full year. The drivers for the increase are straightforward. Q1 came in ahead of expectations. Backlog of $854 million represents over 12 months of revenue at our current run rate. The bidding environment across our footprint remains robust. ALGC is contributing in a meaningful way, and our vertical integration is allowing us to move faster than ever a more diverse project mix. Now that we are past the historically largest quarterly GNA impact of the year, as we progress through the construction season with our larger team, refreshed fleet and soon to be running asphalt plant, our adjusted EBITDA margin profile will step up in hand and we are confident in our ability to hit our margin target of 20% plus. We are delivering on the strategy we built this business around. strong organic growth, expanding margins, a solid balance sheet, and an acquisition pipeline that gives us multiple paths to compound from here. With that, let's open up the questions. Operator?

Operator | Conference Operator:

Thank you so much. And as a reminder, to ask a question, simply press star 11 and wait for your name to be announced. To withdraw the question, please press star 11 again. One moment for our first question. comes from the line of Louis de Palma with William Blair. Please proceed.

Louis de Palma | Analyst, William Blair:

Jeremy, Benji, Mike, and Emily, good afternoon and congrats on the quarter.

Emily Lear | Director of Investor Relations:

Hey, Louis. Thanks so much. Hey, Louis.

Louis de Palma | Analyst, William Blair:

Hey. For Jeremy and Benji, how do Cardinal and ALGC as a team make each business stronger? And are there early opportunities to cross-sell services between the North Carolina and the ALGC Georgia markets?

Jeremy Spivey | Chairman & Chief Executive Officer:

Hey, Louie, this is Jeremy. I'll speak on behalf of Benji. He's actually on his way here to our office this morning and is running behind. But yes, the first thing we were able to do with the ALGC acquisition is identify some of the areas we could utilize each other's history, equipment makeup, and services, more importantly, across interchange between the two locations. So for an instance, ALGC was utilizing third parties for drilling and blasting of rock for certain paving services with subgrade cement stabilization services with subgrade as it relates to paving. And these are services that we provide across the Carolinas and are able to easily pick up and transport down to the Atlanta region and into some of the South Carolina regions that ALGC operates and start utilizing those services instantly. And also, from the ALGC side, they possess some equipment that we do not possess in the Carolinas specifically related to grading services. we were able to utilize and see how we operate and integrate those services real time and put them straight to work. So we've seen almost day one, we were having some synergies as it relates to that.

Louis de Palma | Analyst, William Blair:

Great. And my second question, the Raleigh and Atlanta markets, they seem to be your most mature markets. Has the growth in those markets remained in the double digits? And do you expect to hit any type of ceiling in terms of market share gains? Or do you see, like, further runway to expand either in the residential market and the industrial markets?

Benzie Wood | Chief Operating Officer:

Hey, Louie. Mike here. We are absolutely in... total confidence that both Raleigh and Atlanta see opportunities for continued growth. We are not concerned about market share with our diversification with our end markets. We are also very happy with the bidding activity in both locations. It's very robust. And we are confident in our ability to keep growing. and at the rate we've been achieving and see that continuing forth going.

Jeremy Spivey | Chairman & Chief Executive Officer:

Yeah, and I'll tag along to that, Louis. ALGC is a good for instance. ALGC has got a significant amount of runway for market share capture and growth with respect to density and integration of services. So we're just now starting to start to integrate all the services that they don't self-perform, which was a number of them. And then as we're integrating those vertical services, we're also adding density to existing services that they already provided. So we're growing the utility division, we're growing the grading division, we're growing all these other services that they had while we're stacking on the vertical services that they didn't self-reform. So paving's a good for instance, and that'll be a focus here in that market. And then you have to look at the diversification. ALGC was similar to our Raleigh office, where they led with residential, they did have some exposure in some other end markets, primarily industrial manufacturing, but there's a whole other host of end markets that they haven't begun to diversify into. So, similar to Raleigh, as we look to diversify to other end markets, we have a whole world of market share to go capture there. So, we do not see – we can't see the light at the end of the tunnel with respect to how we can continue to grow our market share in these two specific markets.

Louis de Palma | Analyst, William Blair:

Great. And one final one before I jump back in the queue. After the initial data center win, how should we think of your data center business? Are you bidding on other data center projects across North Carolina and Georgia? And should investors expect other wins across the next couple of years? Or are you going to focus on this one to start and we should wait to see how it does and then you perhaps will bid on others later? What's the status of your bidding activity?

Jeremy Spivey | Chairman & Chief Executive Officer:

That's a great question, Louie. Our bidding activity is very active. And I'll say with our expansion into the Atlanta market, the Georgia market, which has many more opportunities as it relates to mission-critical projects, that's only expanded. And so we're putting an effort and a focus with business development on that end market. We have a lot of opportunities in front of us. We are focused on execution of the one that we have on our plate right now. And, you know, it was, we spent a little bit of time, and I spent a lot of time on calls with weekly status updates, just making sure there's not something new that we're not used to seeing as it relates to the services that we provide, so we can get ahead of maybe anything that we're not used to seeing. But it sounds like that has gotten quickly on plane, and know there's a few nuances as it relates to that specific end market the things that they they look for with safety and uh some some other things but uh we were built for that so we just deployed the the additional resources that we have we send it over there um and everybody gets comfortable when we move forward so we feel really good about the project we have right now it's going great we're just getting started with the wet utility installation uh and as we said in our release there's multiple phases there so We're looking forward to continuing with that client on that project. And then likewise, we're utilizing that project, how we're executing and how we're providing for the customer and going out to other customers and other opportunities and other markets and saying, you know, we want to crack at it. And we're actively bidding several. So we'll see where they go. Again, you know, the margin has got to be there for us. in any of these end markets that we go into. But, you know, we're seeing a lot of activity, which we're really good about the opportunities in front of us.

Louis de Palma | Analyst, William Blair:

Great. And just to confirm, so the margins that you're seeing are pretty favorable relative to your existing residential and industrial businesses?

Jeremy Spivey | Chairman & Chief Executive Officer:

Yeah, and I'll say, I've said this on the road, you know, on the road show and any time I meet, it has to be at or better than what we're used to getting on the residential side for us to consider any end market. And so I will say that the margins are at or better than what we're getting with our current customer base on the residential side.

Louis de Palma | Analyst, William Blair:

Great. I will hop back in the queue. Thanks, everyone. Thank you, Louis.

Operator | Conference Operator:

Thank you so much. Our next question comes from Brian Brophy with Stifel. Please proceed.

Andrew Mazer | Analyst, Stifel:

Hey guys, this is Andrew Mazer on for Brian. Thank you for taking the question. I just wanted to ask about your updated revenue guidance up 50%. How should we think about that split between acquisition contribution and then the cadence of organic growth through the year? And then within that, how are you thinking about growth across your end markets, resi, commercial, and DOT work?

Benzie Wood | Chief Operating Officer:

In terms of guidance, we see absolutely favorable bidding activity right now. Our backlog is very strong. We did increase it. We see the second quarter being stronger than the first quarter. Somewhere in the teens for growth off of the first quarter. So we're still early into the year, but our guidance is favorable for revenue, and with it, the adjusted EBITDA margin we talked about is still looking good too as well. Organic growth is still coming on very strong. Again, we mentioned the activity going on in the bidding, and it's robust. Our backlog's still strong. We mentioned 30% growth in the backlog organically. So right now, we're very... confident in our ability to deliver the growth that we have for the year.

Jeremy Spivey | Chairman & Chief Executive Officer:

And I'll also say that the organic growth opportunity, again, with Charlotte, with Greensboro, with Atlanta, as we look to build density and start to integrate the vertical services that aren't already self-performed in those markets, that'll drive a lot of the organic growth across the platform.

Benzie Wood | Chief Operating Officer:

And I forget your other question. Sorry.

Andrew Mazer | Analyst, Stifel:

My other question within that was how you're thinking about growth across resi, commercial, and DOT type work, but I think you sort of touched on it. Good. So, yeah, I guess my second one is on the asphalt plant. Wondering if you could provide an update on that. I think it was supposed to be or has already commissioned in the second quarter here.

Jeremy Spivey | Chairman & Chief Executive Officer:

uh yeah i'll give you a quick update on i actually got some very cool photos right before this call or videos um we are we're we're on uh we're on first and goal with uh with the uh startup of that of that plant it's almost fully constructed um there were there there's a couple of services with electrical and gas with some permitting things that got delayed but they're still on track to be a q2 start i mean the plants almost fully constructed. As I said, we're in the process of taking the recycled asphalt that we had stockpiled and processing that and getting it ready for use. We actually have a very large resurfacing project that sits right adjacent to our plant that we won in Q1 that'll go directly into, you know, in the queue for this plant. So it's still on track. It'll be open Q2. And it should be any day, so I would hope to provide an update to the market as soon as we hit the on switch. Perfect. Thank you.

Operator | Conference Operator:

Thank you so much. And I am not showing any further questions in the queue. I will turn it back to Jeremy Spivey for closing remarks.

Jeremy Spivey | Chairman & Chief Executive Officer:

Thank you, operator, and thank you all for joining us this morning. I want to thank the Cardinal team for delivering an exceptional first quarter. Their execution, their commitment to safety, and the pride they bring to their work are what makes this business what it is. We are off to a very strong start in 2026. The platform we have built is performing. Our acquisition framework continues to deliver. And the runway in front of us is very significant. We look forward to meeting many of you on the road this quarter. Thank you and have a great day.

Operator | Conference Operator:

And thank you for your participation in today's conference. This does conclude the program. You may now disconnect.