NASDAQ:CDNL Q2 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good morning, ladies and gentlemen, and welcome to Cardinal Infrastructure Group's second quarter 2026 earnings conference call and webcast. At this time, all participants are in the listen-only mode. After the speaker's presentation, there will be a question and answer session. To ask a question during the session, you would need to press star 11 on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star 1-1 again. Please be advised that today's conference is being recorded. I would like now to turn the conference over to Emily Lear, Cardinals Director of Investor Relations. Please go ahead.

Emily Lear | Director of Investor Relations:

Good morning, everyone, and welcome to Cardinal Infrastructure Group's second quarter 2026 earnings conference call and webcast. I'm pleased to be here today to discuss our results with Jeremy Spivey, Cardinals Chairman and Chief Executive Officer, Benji Wood, Chief Operating Officer, and Mike Rowe, Chief Financial Officer. Please note there are accompanying slides available on the Events and Presentations section of our website. Today's call will present certain non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margin, and adjusted gross profit. For more information about those non-GAAP financial measures and a reconciliation to the most comparable GAAP measure, Please see our earnings release, the accompanying slides posted on our website, and the current Form 10-K filed with the SEC. This information is also available in the Investor Relations section of the Cardinal website. 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 uncertainty that could cause actual results to differ materially. Cardinal Infrastructure Group takes 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 now turn the call over to Jeremy.

Jeremy Spivey | Chairman and Chief Executive Officer:

Thank you, Emily. Good morning, everyone, and thank you for joining us today. Before I get into our second quarter results, I wanted to start by covering this morning's acquisition announcement. Today, we announced the acquisition of Allied Paving, based in Atlanta, our ninth acquisition since 2021. We closed our follow-on equity offering just weeks ago, and we're already putting that capital to work quickly and on accretive terms. I'll let Benji cover the specifics of the transaction, but importantly, this deal was sourced and executed by the ALGC leadership team with guidance and a playbook from Cardinal. It's been a little over five months since we closed the ALGC acquisition, and the team in Atlanta has absorbed how we operate. They sat with us through Piedmont Pipe to see how we onboard and integrate, and now they've gone out and found, negotiated, and closed a deal themselves. That's the best proof point we could ask for, and it's what frees me and the rest of the leadership team to pursue additional organic and M&A opportunities. Now let's get into the quarterly results. starting on slide four. This was a record quarter for Cardinal, building on an already strong start to the year. Revenue increased 114% from the prior year, driven by continued strength across commercial and industrial and residential end markets. Our ability to flex crews and equipment across our established markets and to build out full turnkey capability as we enter new ones is exactly why we're winning larger, more complex projects, expanding with the customers we already serve, and bringing new logo customers onto the platform. Cardinal is increasingly becoming the contractor these developers call first, and I'm excited by the continued momentum across our footprint, which positions us well for further strength in the coming quarters. Total backlog at the end of the second quarter was 866 million, up 35% from the same period last year, with balanced growth across both commercial and industrial and residential. Commercial retail and retail distribution additions in the quarter were meaningful, a sign of recovery and a relatively slower moving part of the broader CNI space. Adjusted EBITDA margins came in below where we expected them to be for the second quarter. While adjusted EBITDA dollars grew 43% year over year on higher volumes, The cost of meeting customer demand at this level plus intense weather-related impacts in Georgia ran ahead of plan. Mike will cover the specifics in a few minutes. Given this strong performance and the vibrancy across our end markets, we're raising the midpoint of our full-year revenue guidance from $680 million to $890 million, just shy of 100% growth from where we ended 2025. We're gaining share diversifying our end markets and seeing strong demand signals across the board. Along that raise, we're updating our adjusted EBITDA margin expectation to a range of 16% to 18% for the year. That reflects the one-time cost from this quarter, as well as an expected step up in general and administrative expense through the back half. The demand in front of us right now means we have to invest in the people and resources to keep pace. for our customers as much as for ourselves. This opportunity is bigger than anything we've seen and we're not going to leave it on the table. Visibility into customers' multi-year capital deployment and investment plans is encouraging and we're seeing that strength broadly. Continued momentum in commercial and industrial site work and recently a genuine recovery in commercial retail. and residential demand across our Southeast markets continues driven by the migration and population growth into our footprint, even as builder margins compress more broadly nationally. National home builders continue to move forward with a large, multi-phase residential communities supported by the persistent structural undersupply of housing in our core markets. The Raleigh market is one clear illustration of these supportive housing fundamentals. Raleigh's mayor recently emphasized that the city is currently facing a severe 37,000 unit housing shortage, declaring that increasing the housing supply is the top policy priority. A recent statewide housing analysis from the North Carolina Home Builders Association shows just how big this gap really is. Wake and Mecklenburg counties are expected to face housing shortfalls of over 110,000 homes each by 2029. as population growth in Raleigh and Charlotte significantly outpaced new construction. This dynamic isn't unique to Raleigh or Charlotte. According to the U.S. Census Bureau's most recent population estimate, North Carolina and Georgia, the two states where we operate today, both ranked among the fastest growing states in the country over the year ended July 2025, with North Carolina adding the most residents of any state nationally, 84,000. That same data shows South Carolina, Tennessee, and Florida among the 10 fastest growing states. We aren't in those markets today, but the same demographic tailwinds driving our growth in the Carolinas and Georgia are building across the broader Southeast. And that's exactly the kind of long-term backdrop we look for as we continue to evaluate where this platform expands next. Let me step back for a moment and reflect on our journey since our IPO. We've consistently focused on our three-part growth strategy, driving vertical integration, diversifying our end markets, and pursuing selective acquisitions that build local density and expand our geographic footprint. These last seven months have been a period of remarkable execution, operational scaling, and strategic expansion for Cardinal Infrastructure Group, reflected in this quarter's 114% revenue growth and today's raised full-year revenue guidance. Our performance continues to demonstrate the strength of our self-performing, vertically integrated business model across our high-growth southeastern footprint. Beyond the strong execution from our crews, we hit several strategic milestones for the broader platform this quarter. In May, we added Piedmont Pipe in Charlotte, building further density in a market we already knew well. We completed construction of our first asphalt manufacturing facility which will reduce reliance on third-party asphalt suppliers in Raleigh and, in time, will give us the ability to serve outside customers. And in June, we completed a follow-on public offering to strengthen the balance sheet to fund our strategy going forward. With our record backlog, expanding service lines, robust end markets, and an M&A pipeline unlike anything we've seen before, we believe Cardinal is exceptionally well positioned for the second half of 2026 and beyond. With that, I'll hand over the call to our Chief Operating Officer, Benji Wood, to discuss our operational execution and the details of today's acquisition announcement. Benji, the floor is yours.

Benji Wood | Chief Operating Officer:

Thank you, Jeremy, and good morning, everyone. I'll start with Allied Paving and close with a broader operational and safety update across the platform before turning it over to Mike. Let me start with Allied Paving since it's the highlight of the day. Allie brings an experienced paving crew and complimentary equipment to the North Atlanta market, and it fits neatly alongside ALGC's existing grading and site work capabilities. With Allie's paving crew now part of the platform, we can sequence paving directly behind our own grading and site work teams, which compresses project timelines and keeps that margin in-house instead of passing it to a subcontractor. It also takes ALGC a massive step closer to the kind of fully self-performing, full-stack model we've built in Raleigh where we control a project from start to finish. As Jeremy mentioned, this transaction was sourced and run by the ALGC team using the playbook and capital we built as a platform. We couldn't be more excited to have Ally join the team and our courage into ALGC's ability to find and execute deals like this will become a real differentiator for Cardinal as we keep growing. Sourcing and executing bolt-on deals to finish building out the turnkey stack. This is how we'd expect future platforms we may acquire to grow going forward. and it's exactly why finding motivated, aligned leaders and retaining them is so core to who we are. Getting to watch my own team be the ones to prove that out is personally pretty rewarding. Looking beyond Allied, we continue to see strong crew productivity across the Cardinal footprint in the quarter. Charlotte is a good example of what density does for us. We already had wet utilities capabilities in that market and Piedmont Pipe adds meaningful additional density there alongside our existing grading and site work capabilities. that means faster sequencing between scopes and less reliance on subcontracted labor to get a project across the finish line. Charlotte is now nearly a turnkey as a result, though still early in its growth trajectory. Greensboro continues building toward that same turnkey capability. Our Georgia operations, while impacted by weather in the second quarter, are gaining significant momentum with backlog up 10% since March 31st at ALGC. Our first asphalt processing plant operating under the Aviator brand near Raleigh, continues to ramp as expected. With the land already secured for a second facility, we look forward to applying the operational lessons from our first plant to our future asphalt plant builds. We're also investing heavily in fleet deployment and equipment management, using updated systems to make sure we have the right equipment in the right place at the right time across our newer acquisitions. And we're in the process of rolling out a new CRN system that will give us better real-time visibility into both operations and consolidated financial while helping ensuring SOX 4 compliance as we continue to mature as a public company. Beyond the equipment and system investments, our people remain the biggest driver of Cardinal success, and planning for the growth ahead means investing in them now, not just keeping pace with today's demand. As we take on larger, more complex projects and move into new markets, we're expanding our recruiting and training efforts to build the bench strength our crews and project managers need to keep executing at this level. That investment in our people is just as important to sustaining this growth as the equipment and systems we're putting in place. During the quarter, our field teams completed over 9,000 documented safety activities, an increase of over 60% year over year. Across 57,800 individually inspected safety items on weekly site inspections, over 99% met our standards, and the deficiencies our crews proactively self-identified triggered same-day automated alerts to safety leadership for corrective action. That shows we don't sacrifice safety for speed, whether on delivery, on integration, or otherwise. With that, I'll pass the call over to Mike to cover the financials and our updated outlook.

Mike Rowe | Chief Financial Officer:

Thank you, Benji, and good morning, everyone. I'll begin with a review of our second quarter financial results before covering our updated outlook for 2026. In total, second quarter revenue was $227 million, An increase of $115 million from the second quarter of 2025, reflecting organic growth of approximately 56%. Growth accelerated meaningfully as the quarter progressed with May and June both stepping up significantly over April. In our Raleigh market, sustained demand across our commercial and industrial customer base drove continued share gains and another quarter of 40% organic growth. The death of our crews and equipment led us win outsized project awards, even as competition for skilled labor increased across the region. Our ability to deploy crews and source labor and equipment quickly in the areas like Charlotte, which also printed over

40% growth, and Greensboro, with strong share gains across a diversified end market mix in what continues to be a very high growth market for Cardinal. ALGC continues to build on the momentum as part of the platform and is winning larger and more complex work reinforcing Atlanta as one of the most attractive growth markets in the Southeast. The costs associated with delivering on this level of growth specifically in our new yet turnkey markets ran ahead of expectations. As such, margin performance for the quarter was below our expectations. Gross profit was 24.5 million, up 67 from the prior year and Emily Lear. An adjusted gross profit was $36 million, a year-over-year increase of 60%. Adjusted gross margins ended the quarter at 15.9, down 540 basis points from the prior year. This year-over-year variance is a result of three things. First, subcontracted labor and equipment rental costs increased primarily in new markets where we do not yet own full turnkey delivery capabilities. we intentionally shifted towards a more diversified in-market mix. Larger commercial industrial projects ran on a different deployment schedule than residential work our operations were built around. And that mismatch left us with some underutilized crew capacity as we adjusted our deployment models to the new mix more than we had modeled for. And finally, intense weather events in Georgia slowed our ability to deploy high margin work at ALGC. General Administrative Expenses for the quarter were $9 million or 4% of revenue driven largely by the cost of maturing our corporate infrastructure to responsibly support a scaling public platform. As we continue to scale this platform and position Cardinal as the acquirer and contractor of choice across the Southeast, we believe these investments are in the best interest of our employees and our shareholders. Adjusted EBITDA for the quarter was $28.1 million of 40% Thank you for joining us today. We ended the quarter with $195 million outstanding on our term loan and nothing drawn on our $75 million revolving credit facility. With $339 million of cash on hand, we ended the quarter in a net cash position, giving us substantial capacity to keep funding both organic investments and our acquisition pipeline thanks to our successful follow-on offering. As you heard, that capacity is already being put to work with the acquisition of Ally Payton, which brings 108 million of annual revenue at 20.3% adjusted EBITDA margin onto the platform at roughly 5.5 times EBITDA. A meaningfully accretive multiple and exactly the kind of discipline use of our follow-on proceeds we said we'd pursue. Turning to our updated outlook for 2026 on slide eight, given the strong top line performance up 110% year to date, we are raising the revenue to a range of $880 million to $900 million, reflecting total year-over-year growth of 95% at the midpoint. That raise is built on real broad-based customer demand and the visibility we have into the remainder of 2026 and beyond. Our backlog stands at a record $866 million, and our close relationship with customers across our foot plant gives us strong conviction in both the timing and the profitability of that pipeline as it converts to revenue. We're bidding on and winning larger and more complex commercial industrial projects that we have historically including work that's bringing in new logo customers into the platform. While first half adjusted EBITDA sits at $55 million ahead of plan, We are adjusting our adjusted gross margin guidance to a range of 16% to 18% for the full year. It's worth noting, even at this updated rate, the size of our revenue raise means full year adjusted EBITDAs are increasing versus our original guidance from roughly $136 million to over $150 million at the midpoint of today's rate. We recognize one-time costs for the second quarter, a portion of which we expect to recover as the year progresses. The remainder of the shift reflects the pace and scale of our growth. We are investing in systems and processes that will give us better visibility into cost trends going forward. This corporate infrastructure investment reflects the reality of running a business growing at this pace, and we expect it to moderate as a percentage of revenue as we can grow into it. and many more. Similarly, as we continue to build out this platform across the Southeast and reduce our concentration to any single market, we'd expect the impact from localized disruptions like weather in a single region become more muted on our overall results over time. Our conviction in the near-term profitability of this platform in the low 20s is unchanged. And as we look ahead, without getting into 2027 guidance specifically, That trajectory only strengthens as we recognize synergies across the platform, finalize vertical integration into our newer markets, and right-size our cost structure as we scale. Separately, we've also been extremely active in the M&A front. Three acquisitions this year alone, each with a different stage of integration. That's a lot happening across the platform at once, and we're staying disciplined about how we bring each one in. As you heard from Jeremy and Benji, we're incredibly optimistic about the road ahead. We have record backlog, strong and strengthening customer relationship, and some of the best crews in the company and an opportunity to set ahead of us that we believe is unmatched. We're delivering on the strategy that we built this business around, incredible, strong, organic growth, solid and improving margins, a stronger balance sheet, and an acquisition pipeline that gives us multiple paths to compound from here. With that, I'll turn the call over to Jeremy for some quick remarks before Q&A. Jeremy.

Jeremy Spivey | Chairman and Chief Executive Officer:

Thanks, Mike. Just a quick word before we open it up. This was a record quarter for Cardinal. Record revenue, record backlog, and our ninth acquisition since 2021, sourced this time by our own team in Atlanta. Real proof that our platforms can grow their own businesses and free up the rest of us to keep executing. We're growing faster than we planned and gaining share in every market and customer segment we serve. Our balance sheet is strong, our acquisition pipeline is as deep as it's ever been, and we're going to keep moving. I've never felt better about where this platform is headed because we're just getting started. With that, let's turn it over to questions. Operator?

Operator | Conference Operator:

Thank you. As a reminder, to ask a question, please press star 11 on your telephone and wait for your name to be announced. And to withdraw your question, please press star 11 again. We ask that you please limit to two questions. And the first question will come from Louis de Palma with William Blair. Your line is now open.

Louis de Palma | Analyst, William Blair:

Jeremy, Benji, Mike, and Emily, good afternoon. Hey, Louis. Hey, Louis. Hey. The revenue growth was exceptional, though the margin was Can you discuss how much of the margin pressure was related to the one-time cost and the weather? And was the margin pressure focused in Georgia, or was it generally distributed throughout Georgia and the North Carolina markets?

Mike Rowe | Chief Financial Officer:

Hey, Louie, Mike. Great question, and I think it kind of leads down the path of talking about guidance, too, as well. So we had four headwinds that helped us, hurt us, and those four things were, we talked about it, increased one-time labor, sub-labor, subcontractor labor, rental cost, rental expense cost. We had to deploy to keep up with the customer pace. The operational improvements that we are going to make, the recent acquisitions that we're doing are going to help to recover these one-time-in-nature costs. Then on top of that, we had deployment shifts from our diversified project mix and crew retention that went with that. Finally, the weather in Georgia, which slowed deployment of our ALGC crews in that work, hurt us as well. And then finally, the SG&A, let's not forget about it, too. Being a brand new public traded company with the corporate maturity that requires, those costs are coming in and they're starting to level off, but they're still higher than we originally expected. and as such, that's the reason why we're also, the question, I'm addressing the same question at the same time. We are changing from 20% plus to 16 to 18% for our margins. And it's transitional. It's not structurary. It's very much transitional, Louis.

Louis de Palma | Analyst, William Blair:

Great. And what is the visibility for the second half margin increase? I think the guidance implies a margin in the 19s range in the second half? And also, what is the visibility for the medium-term target that you said in the low 20s?

Mike Rowe | Chief Financial Officer:

Yeah, so both of those are the reasons why we have increased guidance for the second half. I mean, ALGC feels very strongly, we feel very strongly about their projection for the second half. Not only is the revenues higher and a and many, many more. are costs that we have from the asphalt plant that have come into line that have helped us as well. And then finally, some of what we call deployment that we did for the project mix, now we've got it aligned, now it's coming together, now we're not gonna have those same misses.

Jeremy Spivey | Chairman and Chief Executive Officer:

Yeah, this is Jeremy. We also had some delayed starts in Charlotte with those projects now starting to kick off. A couple of very large projects, that's a smaller growing market for us. Two projects of significant size having a delay has an impact, and those are getting started. So we'll see those start to run through the second half of the year.

Mike Rowe | Chief Financial Officer:

And that's why we are encouraged and believe in the conviction that we will hit the 16% to 18% guidance for adjusted EBITDA, which at that midpoint allows us to say we're going to be well above the 136 implied that we had for our forecast, and that's at the midpoint of 890.

Louis de Palma | Analyst, William Blair:

Great. And how much are you including the contributions from the allied acquisition in beginning in the third quarter?

Mike Rowe | Chief Financial Officer:

In the fourth quarter.

Louis de Palma | Analyst, William Blair:

Great. And one final one. As it relates to the demand environment, it's pretty staggering. Has that been spread across the Georgia market, ALGC, in addition to Raleigh and Greenboro and Charlotte. Can you provide some market commentary in terms of the demand, Jeremy and Benji, and how sustainable do you see that demand going into 2027 and beyond?

Jeremy Spivey | Chairman and Chief Executive Officer:

Yeah, Louis, this is Jeremy. We continue to see uptake on T&I. We're seeing a lot more opportunity in that space across all the markets that we serve. The residential volume continues at a reasonable pace. You know, obviously, they've had the national home builders have had some margin compression macro, you know, we still have the same number of looks that we've had for probably the last 12 months. That hasn't deteriorated at all. What we are seeing there in the residential market is that some of the clients are asking for some pricing concessions from us and we're just determining if it's a good fit for us or not. So the good news there is that we're not having to bid at low margin, but to be in the conversation, we're supplying our normal bids and then we're determining does this make sense? Is there an opportunity for us to make up a reduced margin through schedule compression, additional resources, that kind of thing? Or do we just want to go focus on the other end markets that are providing better margin and come back to it when the margins start to rebound? I will say that also because of our high degree of involvement in the budgetary services for our residential clients, we have seen activities specifically in the tribal market, which is our largest, pick up almost three times versus what it was six months ago. So this visibility indicates to us that we should start seeing a significant rebound in projects in the next 18 to 24 months because that's the typical entitlement cycle for residential projects. So this would lead us to believe that 2028 is gonna be the year when things start to begin to return to normal on a margin basis for the residential end market. That being said, we're seeing high activity across TNI. And again, I mentioned in my recorded comments that we're seeing a lot of retail activity, which is quite uncommon. So we feel really good about the opportunity. It's very strong across all our MSAs we serve. And as we continue to expand and move geographically, it's going to start to smooth things out for us because we, again, one location gets impacted and it has an impact that's noticeable.

Louis de Palma | Analyst, William Blair:

Great. Thanks for the call. Thanks, everyone.

Operator | Conference Operator:

Thank you. And our next question will come from Brian Brophy with C4. Your line's open.

Brian Brophy | Analyst, C4:

Yeah, thanks. Good morning, everybody. Wondering if you could touch on the data center end market and pipeline. How is execution on that first project going thus far? And just the latest thoughts on that opportunity in that end market. Thanks.

Jeremy Spivey | Chairman and Chief Executive Officer:

Yeah, hey, Brian. Good morning. Yeah, so we're continuing on that project. It's going well. We're ahead of schedule. There has been a lot of revisions and change of scope, adding work to this first contract of ours as they get ready for the next phases. I can't speak too much about what it is and where it is and who it's for, but it continues to go well. We are active in the Georgia market, too, and in the Carolinas, looking at all our opportunities. I will say that from conception to actual award in that end market seems to be a lot longer than other traditional end markets. So there's a lot more effort going into the bidding process, and it's not awarded really quickly, so it takes a little bit longer. But we're very active there. We have a large distribution facility for a very large retailer that's getting started in the Atlanta market, very similar in nature to a data center. in terms of size and complexity and schedule that, you know, had we not begun the integration process with ALGC when we did it as quickly as we did in Add an Allied as a component, I'm not sure that we would have been very aggressive in being able to meet the schedule that was required to do it. So having all these resources now in-house allowed us to bid this at really good margins, comfortably knowing that we're going to meet the scheduled demand from the client. So we continue to see opportunity in the data center. It's new for us. The one that we're doing is going really well. Client's very happy, and we're looking forward to capturing more opportunities throughout the next half of the year.

Brian Brophy | Analyst, C4:

That's great. And then just following up on some of the margin conversation, was there a particular geographic market where you saw some of the subcontractor costs and crew utilization challenges? And is that related to one project, multiple projects? And is there any particular end market that it was concentrated in? Thanks.

Mike Rowe | Chief Financial Officer:

Yeah, it was in the Charlotte market. and it wasn't really concentrated with one customer. It really related to things that we had multiple customers that had delays on jobs and with those delays we had to absorb all the costs that we couldn't deploy that in terms of the work being done. Now that that work started, now that we've given it a lot of attention, Brian, a lot of attention, we feel comfortable we're going to see some improvement and long term we feel really good about it.

Jeremy Spivey | Chairman and Chief Executive Officer:

Yeah, and from the subcontractor calls and research. So when you have these delays and you have your workforce, once it gets deployed and everything gets started and you have other projects coming online, at the same time, it was causing the necessity for us to go out and partner with some of our former trade partners to help expedite that work so we didn't compromise schedule. and as we get back on plane there and you saw the Piedmont acquisition helps to solve that issue, we're adding wet utility resources that we're having to stop contract out, right? And so as we get those tucked in and continue to our organic growth mission there in the Charlotte market, it should do nothing but improve over the next quarter and year.

Brian Brophy | Analyst, C4:

Okay. I guess just one follow-up to that. As you look through July, have you seen kind of a decrease in the subcontractor costs and crew utilization bouncing back here?

Mike Rowe | Chief Financial Officer:

Yeah, very much so.

Brian Brophy | Analyst, C4:

Okay. And then just last one for me. In one of the prior answers, you mentioned some customers asking for pricing concessions. Did you see any impact from that in the quarter, and are you expecting any impact from that in the back half?

Jeremy Spivey | Chairman and Chief Executive Officer:

No, we didn't. If it doesn't meet our requirement, we obviously have a red line. If we have the opportunity to look at a project and see if there's anything that we can do with resources to maintain margin and still execute for our client, we're going to do it. And if it doesn't exist, we move on. So the ask has come. It's not from all our clients. It's from certain ones. It's just their corporate Thank you.

Operator | Conference Operator:

and the next question is coming from Brent Thielman with Oppenheimer. Your line is open.

Brent Thielman | Analyst, Oppenheimer:

Hey, thanks. Good morning. Good morning, Brent. Hey, good morning. Mike, on the guidance and the increase in revenue, it sounds like you have three months roughly of allied paving in there. Can you just clarify how much revenue you've baked into that?

Mike Rowe | Chief Financial Officer:

Yeah. $28 million is what we baked in for that.

Brent Thielman | Analyst, Oppenheimer:

And then it sounds like investments in CRM, some other back office things you need to make. Maybe if you could just level set us on kind of what the new corporate overhead run rate should be, especially as we kind of think of moving into next year.

Mike Rowe | Chief Financial Officer:

Yeah, yeah. By the way, I'm glad you brought that up. Even with the levels we're at for SG&A, we still believe and have seen we're ahead of our peers. And we're going to make sure we do all we have to to make sure We do everything as a new public trading company that we are in where we need to be with compliance, where we need to be in terms of our systems and our processes and our information to help us see this stuff happening more real time. But that said, the percentage we had for the second quarter was 4%, and I think that's probably a number that we're going to be looking at in the future going forward.

Brent Thielman | Analyst, Oppenheimer:

Okay. I guess this last one, maybe Jeremy or Benji, I think you mentioned, you know, one of the other aspects to the margins this quarter was maybe a bit of a shift towards customers outside of residential. And I just wanted to understand what's different about those projects that require some of the investments you've had to make and what exactly causes that near-term pressure as you look at that shift.

Jeremy Spivey | Chairman and Chief Executive Officer:

Yeah, so the deployment schedules is what has impact there. And we're shifting in markets and the timing that some of these larger, more complex, and I mentioned with data centers, you see it across the C&I space, the start time and the schedule to utilize all the resources, get on the project, get in on plane are just completely different from the residential end market. And as we shift to get more diversified, that all smooths out over time. and we'll have a good mix and be able to bounce back and forth between customers and in markets where it has little to no impact.

Brent Thielman | Analyst, Oppenheimer:

Okay, great. Thank you.

Operator | Conference Operator:

Thank you. And the next question will come from Noah Levitz with William Blair. Your line's open.

Noah Levitz | Analyst, William Blair:

Great. Thanks, guys. My first question on the call or prepared remarks, you mentioned that you had secured land for the second asphalt plant. Given that you're about a month and change into having the first one operational, what have you learned so far? What are you liking, not liking? And then what's the ideal timing for plant number two? And would this be in a different geography than you're in, existing one. How are you thinking about that?

Jeremy Spivey | Chairman and Chief Executive Officer:

What I don't like is the red tape with municipality approvals when you meet all the requirements that you need in order to get the plant up and running and operational. I feel for anybody who's in the entitlement space in any end market in any different municipality and the requirements that are ongoing and just come out of nowhere. We're going to get this plan on plane. The other plan has the approvals from a zoning standpoint and from an air quality permit standpoint. We have not begun the process of site plan or ordered the equipment. We'll probably give this one to two quarters of run before we completely have a full grasp what size and model and all the different, you know, there's a hundred different types of sizes of these plants. And once we really get our feet underneath this and get this thing going and seeing what it looks like on plane is when we'll make that determination. But the land is secured, it's owned, the permits are in place, all we have to do is go get the site plan and construction drawing approvals from the municipality.

Noah Levitz | Analyst, William Blair:

Great. And then would that be a similar just pure margin uplift situation or would this second plant in theory be where you start selling material to third parties?

Jeremy Spivey | Chairman and Chief Executive Officer:

It'll be both. It'll be both. And again, you know, we anticipate this is going to serve aviator paving in the tribal market. So when this plant comes, you know, our first plant's online, we anticipate that bringing a lift to revenue eventually because we're going to be able to do more work We can spend a lot of time talking about this, but having a plan compresses the schedule and does a lot of things for us. It allows us to do more work, which equals more revenue. So once we get to a level where we can support it on our own is when we'll pull the trigger. And then naturally, we'll have additional capacity where we can start focusing on outside sales to third parties. And that will just be an added benefit, and it's not modeled in our forecast.

Noah Levitz | Analyst, William Blair:

Thank you. And then my last question. It seems like Raleigh today is your only fully turnkey vertically integrated market. Charlotte, you've made four acquisitions now. Georgia with ALGC plus organic activity bringing in some crews from North Carolina plus now Allied Paving. How turnkey are your markets outside of Raleigh? What inning would you say they're in? for Charlotte, Atlanta, and Greensboro. Thank you.

Jeremy Spivey | Chairman and Chief Executive Officer:

Yeah, so Greensboro is in the second inning. Charlotte's in the sixth or seventh inning. And Atlanta's probably in the fifth inning. We have a lot of specialized services that we start bringing in-house, retaining walls, erosion control, some other things, clearing and grubbing. There's a lot of specialty services that complete the full mix. and Charlotte Piedmont HealthSys because the only way to start adding all these specialized services and having it be running efficient is with scale. And you can't scale this business without the way utilities. You have to have that capacity in-house to keep everybody moving without gaps in schedule. And so as we get those to an elevated level, then we start layering in some of these smaller, more specialized services like retaining walls, Clearing and Grubbing, and these others. So again, I think Charlotte's in the sixth or seventh inning. And ALGC in Georgia is probably in the fifth or sixth. And Greensboro, which is a very immature market for us, is in the second or third inning. And that one, all these will be responsibly scaling. as we continue to focus also on other markets and other platforms that we want to enter into.

Noah Levitz | Analyst, William Blair:

Great. Thank you.

Operator | Conference Operator:

Thank you. And that concludes our question and answer session. I would like to turn the call back to Jeremy for any closing remarks.

Jeremy Spivey | Chairman and Chief Executive Officer:

Thank you, Operator, and thank you all for joining us this morning. I want to thank the Cardinal team again for everything they've accomplished so far this year. We have a lot of runway ahead of us and we're going to keep using it. Thank you and hope you have a great day.

Operator | Conference Operator:

Ladies and gentlemen, this does conclude today's conference call. We thank you for your participation and you may now disconnect. Have a great day.