

NASDAQ:LMB Q3 2025 Earnings Call Transcript

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Operator | Conference Operator:

Good morning and welcome to the Limbox Holdings third quarter 2025 earnings conference call. All participants are in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. I'll now turn the conference over to your host, Lisa Fortuna of Financial Profiles.

Lisa Fortuna | Host, Financial Profiles:

You may proceed. Good morning, and thank you for joining us today to discuss Limbach Holdings' financial results for the third quarter of 2025. Yesterday, Limbach issued its earnings release and filed its Form 10-Q for the period ended September 30, 2025. Both documents, as well as an updated investor presentation, are available on the Investor Relations section of the company's website at LimbachInc.com. Management may refer to select slides during today's call and encourages investors to review the presentation in its entirety. On today's call are Michael McCann, President and Chief Executive Officer, and Jamie Brooks, Executive Vice President and Chief Financial Officer. We will begin with prepared remarks and then open the call to questions. Before we begin, I would like to remind you that today's comments will include forward-looking statements under federal securities laws. Forward-looking statements are identified by words such as will, be, intend, believe, expect, anticipate, or other comparable words and phrases. Statements that are not historical facts such as those about expected financial performance are also forward-looking statements. Actual results may differ materially from those contemplated by such forward-looking statements. A discussion of the factors that could cause a material difference in the company's results compared to these forward-looking statements is contained in LIMBOC's SEC filings, including reports on Form 10-K and 10-Q. Please note that on today's call, we will be referring to non-GAAP measures. You can find the reconciliation of these non-GAAP measures to the most directly comparable GAAP measures in our third quarter 2025 earnings release and in our investor presentation, both of which can be found on LIMBOC's investor relations website and have been furnished in the Form 8-K filed with the SEC. With that, I'll now turn the call over to President and CEO, Mike McCann.

Michael McCann | President and Chief Executive Officer:

Good morning. Welcome, everyone. Thank you for joining us today. At Limbach, we play a critical role as an enterprise provider of building system solutions, ensuring the reliability and continuity of mission-critical infrastructure across our customers' facilities. We're focused on industries with long-term durable demand where facility assets simply cannot fail. We believe our distinct capabilities position us to deliver sustained growth and attractive risk-adjusted returns. As a reminder, our growth strategy is underpinned by three core pillars. The first pillar is scaling our owner-direct relationships, our ODR business. Here we're focused on working in partnership with owners of mission-critical facilities and existing building environments. This work consists mostly of routine maintenance, emergency repairs, small capital projects, and larger retrofit and renovation projects. Some of this work is contractual, and some is predictable given the age and complexity of mechanical systems. The second pillar is enhancing profitability and increasing wallet share through the introduction of expanded product and service offerings. We have strong and growing relationships with our owner-direct customers built on daily performance, trust, and our vast knowledge of their critical building systems. As a result, there's a win-win opportunity for us to expand our service offerings to these customers by introducing new capabilities that solve a greater breadth of issues for owners. As our capability expands

over time, we can deliver more value to both the owner and LIMBOC. Unlike traditional E&C firms that rely on reactive bidding in response to a project, we're seeing these facilities every day providing solutions. By working directly with owners, we have a better grasp of risk and value. In order to further leverage these relationships, we're formalizing a scalable structure by building a proactive sales team that positions Limbach as a building system solutions provider. The third pillar of strategic M&A aimed at extending the reach of the Limbach brand, strengthening our market presence, and expanding our capabilities. Through target acquisitions, we seek to diversify our vertical market exposure and broaden our geographic footprint, while adding new products and offerings that align well with our ODR value proposition. For the past couple months, we've received a number of questions from investors who want to better understand our various revenue streams, particularly in the ODR segment. So let me walk through the ODR business and break down the sources of our revenue. There are three quick-burning revenue streams, maintenance contracts, work orders, and timing material, or T&M work. Maintenance contracts generate predictable recurring revenues that are usually smaller in nature but which have strong margins. Our maintenance contracts run one to three years in length prior to renewal and are built around routine service for specific equipment and customer sites. Work orders and T&M work often result from problems identified during scheduled maintenance or from emergency repairs or opportunistic upgrades of system components. In some parts of the market, this is referred to as break-fix work. Any one individual work order may not be predictable, but in a large, complex facility, there's generally an estimatable amount of this kind of work in any given year. It's usually quick-burning and completed on an on-demand basis or as directed basis. It can be priced based on labor rates and material markups that are pre-negotiated with customers in anticipation of needing to act fast when the work happens or as small fixed-price jobs less than 10K. For example, large industrial customers usually schedule seasonable shutdowns when their facility reduces production and output repairs maintenance. This provides us the opportunity to execute a high volume of this type of small work in a short period of time. Because T&M work is performed on what's essentially a costless basis, the risk profile is different than, say, a large fixed-price project. Taken together, all these work streams account for approximately one-third of the ODR revenue for year-to-date 2025. Irrespective of the specific structure of the revenue, when executing this kind of work, LIMBOK most often becomes an extension of the facility staff regardless of the contractual relationship. Fixed-price projects greater than 10K in our ODR segment can range from quick-burning work that is booked and executed in the same month or quarter to projects that typically last less than a year. They're usually performed within existing facilities or typically tied in some way to an existing customer relationship and often a maintenance and service relationship. This means we're operating in an environment where we know the systems, the sites, and the customers. This preexisting knowledge reduces uncertainty, enhances our ability to manage outcomes. As a result, the risk profile of these ODR projects is very different than GCR projects. Additionally, the average ODR project size is approximately 245,000, as compared to the average GCR project size of approximately 2.9 million. Both of those are year-to-date 2025 data points, This ODR project work accounts for approximately two-thirds of our ODR revenue. So at a high level, our intentional pivot towards older direct relationships has reshaped our revenue mix. It's become a more diversified and lower risk with more margin consistency. We believe this mix should provide a greater resilience for economic cycles and reflects our focus on stability, predictability, and long-term value creation. On a consolidated basis, ODR revenue as a percentage of total revenue has steadily increased since 2019. We began to shift our strategies. ODR represents 76.1% of total revenue in third quarter 2025 and 74.1% on a year-to-date basis in line with our targeted goal between 70% to 80% for the year. Going forward, the strategy continues to be focused on ODR growth and a reduction in GCR revenue. Keeping in mind, businesses we acquire at the time of acquisition typically do not have an evolved ODR strategy as one box. Whether we're speaking about an acquired business or a legacy business, this strategy is driving margin expansion and earnings growth over time, while also we believe reducing our overall risk profile. Starting to backlog, the strategic shift from TCR to ODR means that a larger percentage of our revenue is now generated from quick-burning, shorter-term projects that can be booked and completed within the same quarter, and therefore is not captured in backlog at quarter end. As a result, backlog alone is no longer as predictable a leading indicator of future revenue as it was in 2018 or even 2022, with a heavy GCR focus, which is typical for E&C companies. Occasionally, we will book projects with building owners that spend multiple quarters. This work is captured in the backlog. However, it's a smaller portion of the overall

revenue mix, and it can experience quarter-to-quarter fluctuations. So today, looking only at backlog, we'll miss a large percentage of our current revenue streams. Earlier, I described our work order and T&M revenue streams and highlighted the industrial shutdown work we engage in. Most of these revenue streams never get captured or included in a quarterly backlog number, and they represent a far larger number than they did several years ago. Instead of the large, high-risk, multi-year projects that were a core element of our legacy business model, we're now focused on building a diversified business with multiple revenue streams and what we think is durable demand. Selective M&A remains a cornerstone of our growth strategy, enabling us to expand both our geographic footprint and deepen market share within existing regions and to expand our product and service offerings. Over the last couple of years, our focus has been broadening on our footprint in ways that enhance diversity and position us to serve national customers. Our approach has always been conservative, and we've remained disciplined and selective in what we pursue, even when the M&A market has gotten overheated. To date, we've acquired six high-quality cash flow-generating businesses at fair values and have used risk-mitigating structures where possible. We believe the Limbach brand and our unique business model positions us to engage with great companies that over time we can reposition to align with our owner-focused vision. After closing, our goal is to improve margins further by implementing our value creation processes. Our main focus in every deal is to expand the quality of gross profit through benchmarking, building a proactive sales team, and leveraging operational standards. Using the same tools that transformed our business units over the last six years led to much higher margins at lower risk. We believe we can expect better results at acquired companies than what we underwrote at the time of the closing of these transactions. At Pioneer Power, our most recent acquisition, we're actively executing the first phase of our value creation strategies. During diligence, we identified improving Pioneer Power's lower EBITDA and gross margins as a great opportunity for the intermediate term. We are now transitioning Pioneer Power to Limbach's accounting system and operating systems. Once complete, we can start to focus on improving the quality of gross profit and providing access to other parts of the Limbach operating platform. We've got a talented team in the Twin Cities. We want to make sure that we deploy all the tools at our disposal to support them and to allow the business unit to flourish. We evaluate a large volume of acquisition opportunities each year and intentionally walk away from the majority of them. Under my leadership, we'll never buy a business just to do a deal. Our track record reflects discipline underwriting, strategic fit, and a focus on asymmetrical returns. There is a meaningful upside to our company if we're right and a limited downside if we're wrong. There are times we lose to competitors willing to pay higher multiples, and we're perfectly comfortable with that. Next, I'll provide an overview of the environment in our core vertical markets. Healthcare has long been one of our strongest, most strategic end markets across all operating regions. Given the mission-critical nature of the healthcare facilities, customers can defer repairs briefly, but delays in capital spending rarely extend beyond a single quarter. While some customers experience temporary delays during the summer months in funding both operating and capital expenditures, we're now seeing spending patterns normalize as the year progresses. Our sales teams have engaged with core customers and emphasized the importance of long-term planning. Increasingly, we're hearing that cost certainty is more important to our customers than simply achieving the lowest cost. This can be achieved by implementing proactive programs, which help avoid reactionary spending and minimize risk to business operations caused by building system downtime. On our latest earnings call, we shared that a national healthcare owner engaged us to conduct facility assessments across 20 locations. In Q3, this initiative has already translated into \$12 million in capital projects at four sites. We'll serve as a design builder for these energy infrastructure projects. Three of which are outside our current geographic footprint. For those out-of-market projects, we'll lead budgeting, design, and procurement, and utilize a network of subcontractor partners where necessary. In industrial manufacturing markets, our customers continue to execute seasonal shutdowns and facility upgrades in order to optimize the production of their plants and facilities. During the quarter, both Pioneer Power consolidated mechanical benefits from this type of activity, which is a core element of their local business models. In the data center market, Limbach remains focused on supporting hyperscale operators through existing building projects and specialized services, primarily in the Columbus, Ohio market. In Q3, we provided specialty fabrication services to one of our customers, enabling on-site contractors to concentrate on their core workloads while we offered supplemental support. That arrangement provided Limbach with what we think is the optimal balance of risk, return, and resource allocation. While our current footprint and

risk profile limits the scale of data center work, We see meaningful growth potential through our national sales efforts and future geographic expansion through strategic acquisitions. In the life science and higher education markets, some of our higher education clients have adopted a cautious approach to spending during ongoing policy uncertainty in Washington, D.C. While the need for our services remains essential to maintaining the mission-critical facilities, many temporary pause capital projects. Encouragingly, these clients have begun communicating anticipated spending needs for the coming year, and we are proactively aligning the resources in preparation for ramp-up. One major client has already requested full-time technician support beginning in January. In the cultural entertainment part of it, we continue to see consistent spending from our key customers. Our recent involvement in capital planning discussions provided valuable insight into some clients' 2026 budgets. Notably, our largest customer in this segment has shared plans for significantly expanding capital and operating budgets next year. They've invited us to review their prospective project list and provide input on the work we'd like to pursue, allowing us to productively plan and allocate resources for 2026. Next, I'll provide an update on sales and marketing initiatives. For the past three years, we've made deliberate investments in building our sales team, which has resulted in a higher SG&A relative to many of our E&C peers. Our training efforts are focused on equipping the team to anticipate owner challenges and craft solutions that are difficult to commoditize. We believe this investment will soon begin to yield measured results, both by leveraging SG&E more effectively and by enhancing the quality and consistency of gross profit. As we head into Q4, our priority is to deepen sales training to ensure a strong start to 2026. In many cases, we're not competing against local contractors. Instead, we're working directly for owners in a proactive capacity, helping them anticipate issues and plan their budgets accordingly. A recent example from Florida illustrates this approach well. Over the past two years, we've supported a \$25 billion annual revenue healthcare customer with emergency repairs and small capital upgrades. During a routine inspection of the main cooling feed, our on-site account manager identified signs of deterioration. We conducted non-destructive testing and confirmed the piping was on the verge of failure. In response, we developed a proposal that clearly outlined the ROI and presented it to the facility manager, who then escalated to the CFO and the chief medical officer. In Q3, the project was funded, and we were awarded phase one of the repair. This is a prime example of a capital project where we weren't competing for the work. Instead, we earned it by identifying the issue early, presenting a compelling data-backed justification for the investment. One of our key differentiators was ability to offer professional services, including MVP engineering, facility assessments, program management, and commissioning. These services are particularly attractive to national customers who can leverage our domain experience even in markets where we might not have field execution capabilities. These services, along with program management, are a key driver of margin expansion. During the quarter, we had one of our national healthcare customers engage us to analyze a hospital in New Mexico, both from a cost and engineering perspective, as they were considering making a substantial investment in the facility. This initial research has the potential to become a design-build infrastructure project. We find that customers appreciate our ability to provide an engineered solution that we can also build. While currently our professional service resources are dedicated to national healthcare owners, in the future we're looking to expand these capabilities into our data center and industrial manufacturing vertical markets. As we broaden our services portfolio, which includes the expansion of our professional services and solutions-based selling, we see a path to achieving long-term gross margins in the 35% to 40% range, driven by two key dynamics. First, our ability to deepen customer relationships by shifting from reactive transactional sales to proactive consultative solution sales. This approach enables us to build long-term operating capital programs that are tailored to solving our customers' needs rather than competing solely on price. Second, our ability to bundle offerings creates margin-layering opportunities. For example, an infrastructure project may include a rental coupon, allowing us to mark up both individual elements and the overall project cost. These strategies position us well to deliver sustainable growth at attractive margins. Moving to guidance, we are reaffirming our 2025 guidance of total revenue in the range of \$650 to \$680 million and adjusted EBITDA of \$80 to \$86 million. Of note, we have made some updates to our underlying assumptions used to model 2025 guidance to better reflect current market conditions, project timing, and operational performance trends. These updates influence our outlook and are incorporated into the public issue guidance ranges for total revenue and adjusted EBITDA. As I mentioned earlier, we are on track for total ODR revenue to be 70% to 80% of total revenue. Total ODR revenue growth is expected to be 40% to 50%, with ODR organic revenue growth of 20%

to 25%. Total organic revenue growth is expected in the range of 7% to 10%, from 10% to 15% previously discussed, as we originally anticipated a more positive mix shift towards ODR than GCR. Pioneer Power's revenue performance this quarter exceeded our initial expectations. While Pioneer Power's current margin profile differs from Livox's consolidated performance, we're actively integrating Pioneer into Livox's platform, and we have a path to implement operational and commercial enhancements that we expect to expand margins over time. Because of the higher revenue contribution of Pioneer, Total gross margins are expected to be 25.5% to 26.5%, from 28% to 29%. Additionally, SG&A as a percentage of total revenue is expected to be between 15% to 17%, from 18% to 19%, primarily due to the higher revenue contribution. Now I'll turn it over to Jamie to walk through the financials.

Jamie Brooks | Executive Vice President and Chief Financial Officer:

Our Form 10-Q and earnings press release filed yesterday provide comprehensive details of our financial results so I will focus on the highlights for the third quarter. All comparisons are third quarter 2025 versus third quarter 2024 unless otherwise noted. We generated total revenue of 184.6 million compared to 133.9 million in 2024. Total revenue growth was 37.8% while ODR revenue grew 52% to 141.4 million. Of the total ODR revenue growth of 52%, 39.8% was from acquisitions and 12.2% was organic. GCR revenue increased 5.6% to 43.2 million, of which 25.1% was growth from acquisitions, offset by an organic revenue decrease of 19.5%, which is as designed as we continue our mix shift towards ODR. ODR revenue accounted for 76.6%, of total revenue for the third quarter, up from 69.4% in Q3 2024. Total gross profit for the quarter increased 23.7% from 36.1 million to 44.7 million, reflecting the ongoing growth of our ODR segment. Total gross margin on a consolidated basis for the quarter was 24.2%, down from 27% in 2024, driven by the lower gross margin profile of Pioneer Power revenue. Our strategy with acquisitions is focused on improving the acquired company's gross margin to align with our broader operating model over time. ODR gross profit comprised approximately 80% of the total gross profit dollars, or \$35.7 million. ODR gross profit increased \$6 million, or 20.3%, driven by higher sales volume partially offset by lower ODR segment margins of 25.2% compared to 31.9% in the year-ago period. The decrease in segment margins was primarily attributable to Pioneer Power's lower gross margin profile. DCR gross profit increased \$2.5 million, or 39.3%, due to higher margins of 20.8% compared to 15.8%, driven by our ongoing focus on higher quality projects. SG&A expense for the third quarter was \$28.3 million, an increase of approximately 19.3% from \$23.7 million. This increase includes SG&A associated with Pioneer Power, Kent Island, and Consolidated Mechanical, where Kent Island was part of the company for only one month in the third quarter last year, and Pioneer and Consolidated Mechanical were not part of the company during the entire of the third quarter last year. As a percentage of revenue, SG&A expense decreased 15.3% as compared to 17.7%, primarily due to the increased revenue in the third quarter of 2025 provided by Pioneer Power. Adjusted EBITDA for the quarter was \$21.8 million, up 25.6% from \$17.3 million in Q3-24. Adjusted EBITDA margin was 11.8% compared to 12.9% in Q3 last year. Net income for the quarter increased 17.4% from 7.5 million to 8.8 million, and earnings per diluted share grew 17.7% from 62 cents to 73 cents. Adjusted net income grew 16.4% from 10.9 million to 12.7 million, and adjusted earnings per diluted share grew 15.4% from 91 cents to \$1.05. Turning to cash flow, our operating cash inflow during the third quarter was \$13.3 million compared to \$4.9 million during the third quarter last year, primarily due to the timing of accrued expenses offset by the timing of billings that impacted changes in working capital. Free cash flow, defined as cash flow from operating activities excluding changes in working capital minus capital expenditures, excluding our investment in additional rental equipment, was \$17.9 million in the third quarter compared to \$13 million in Q3 last year, representing a \$4.8 million increase. The cash flow conversion of adjusted EBITDA for the quarter was 82% versus 75.3% last year. For full year 2025, we currently continue to target a free cash flow conversion rate of at least 75% and expect CapEx to have a run rate of approximately 3 million. This amount excludes an additional investment of 3.5 million in rental equipment for 2025, of which 2.1 million occurred in the first nine months of the year. Turning to our balance sheet, as of September 30th, we had 9.8 million cash and cash equivalents and total debt of 61.9 million, which includes 34.5 million borrowed on a revolving credit facility, of which 10 million is at a hedge rate of an applicable margin plus 3.12%. As a reminder, at the end of June, we expanded our revolving credit facility

from \$50 million to \$100 million. On July 1st, we used a combination of cash and an additional drawdown of approximately \$40 million to fund the Pioneer Power acquisition. During the quarter, we paid down the revolving credit facility \$17.3 million, and as of September 30th, our total liquidity defined as cash and availability on our revolving credit facility, is \$70.3 million. Additionally, we intend to deploy free cash flow to continue to reduce our borrowings under the revolving credit facility. With this expanded facility and our expected cash generation from the business, we believe our balance sheet remains strong, and we believe we are well positioned to support our continued growth initiatives and strategic M&A transactions. That concludes our prepared remarks. I'll now ask the operator to begin Q&A.

Operator | Conference Operator:

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. One moment, please, while we poll for questions. Thank you. Our first question comes from the line of Chris Moore with CGS Securities. Please proceed.

Chris Moore | Analyst, CGS Securities:

Hey, good morning, guys. Thanks for taking a couple. Good morning. So it looks like \$47.3 million of Q3 revenue is acquisition-related, \$37 million of that ODR, 10.3 GCR. Can you give us a sense in terms of how much revenue Pioneer contributed to that \$47 million and the split between ODR and GCR within Pioneer? Sure.

Michael McCann | President and Chief Executive Officer:

Yeah, the Pioneer Power, they continue to produce, I think, even better than we thought they would produce. So we're thinking by year end, the contribution for the second half of 2025 is closer to actually \$60 million. Have really weighted from an owner direct side as well, too. And I think a lot of that strong contribution is from the industrial segment as well, too. Some shutdown work, strong customers and brand, which is always nice to validate after we've had the acquisition as well, too. I think the other thing, too, even from a margin perspective that we're really looking forward to from a pioneer perspective is the opportunity. We see a lot of good, solid foundation from a pioneer power perspective. But at the same time, I think as we've right now, we're in the process of transitioning their finance and operating systems. But we already see signs of our ability to not only benchmark their gross profit, but to look for opportunities as well, too.

Chris Moore | Analyst, CGS Securities:

Got it. So the \$60 million you're talking about for the second half, it looks like the bulk of that is in ODR. Am I looking at that correctly? Yeah. Yeah, you are. Okay. And so just I got it that the gross margins should be coming up there. Why are they within their ODR segment? Why are they lower at this point in time? Do they do different work for clients? Are they focused on on a different vertical. Just any thoughts there?

Michael McCann | President and Chief Executive Officer:

Yeah, it's very interesting. You know, we've seen one of the main opportunities we look at with all our acquisitions is increase of margin. So this is a common playbook that we see. And a lot of times it comes down to they run a really good business, they have relationships, and it's a matter of understanding

benchmarking as much as anything. Now that we've got, even from an industrial space or even from a other contracts that we purchase, we always take a look at it from a margin perspective. A lot of times that's eye-opening as well, too. I think the other piece of it, too, is how do they go to market? They're going to market from a branding reputation perspective, but one of the key elements that we add to is a proactive sales team. A lot of times that makes a difference. At the end of the day, it's a matter of taking great customer relationships and a brand, understanding there's four or five triggers that allow us to expand margins over time. Even And we've looked at it not just from Pioneer Power. Pioneer Power obviously is a bigger contributor, but even from the other acquisitions, it's always the same elements of overtime. It takes time, but I would say it's still the same playbook, and we see lots of opportunity.

Chris Moore | Analyst, CGS Securities:

Got it. Very helpful. Maybe just the last one. SG&A as a percentage revenue, 15.3% versus 18.7% in Q2. 15. the target range is coming down. Is it reasonable to think that SG&A as a percentage of revenue would tick up a bit in 26 versus the 15 to 17 that we're talking about in 25?

Michael McCann | President and Chief Executive Officer:

Yeah, the big piece of that SG&A reduction was due to the different profile from Pioneer of lower gross profit, but also lower of SG&A as well, too. There's some investments that we're going to need to make going into 2026, and that's You know, not only from a Pioneer and other acquisitions, but also from an overall business as well, too. Jamie, anything you want to comment on there?

Jamie Brooks | Executive Vice President and Chief Financial Officer:

Yeah, because part of it, too, gets – I mean, they have a low rate, excuse me, this period for the fiscal year. But going into next year, too, as Mike said, looking at that specifically around Pioneer, that proactive Salesforce piece of it. So we've not given good guidance yet for the next year.

Chris Moore | Analyst, CGS Securities:

Fair enough. I appreciate it, guys. I'll jump back in line. Thank you, Chris.

Operator | Conference Operator:

Thank you. Our next question comes to the line of Brian Brophy with Steeple. Please proceed.

Brian Brophy | Analyst, Steeple:

Thanks. Good morning, everybody. Appreciate all the additional disclosure here. When I try to, I guess, back out PPI from ODR, it looks like gross margins kind of on the core business were down a little bit from a year ago. Is that correct? And can you give us, I guess, a sense of the magnitude and what the driver was?

Michael McCann | President and Chief Executive Officer:

You know, from a margin perspective, I'll let Jamie answer that from the financial exact number perspective. But, you know, our margins do end up fluctuating from a quarter-to-quarter basis. And I think it just depends on the mix of work that may be within the quarter. And, you know, one thing that you pointed out, even as we mentioned the script, is that combination of one-third, two-thirds that essentially goes through the business as well, too, where one-third is that quick-burning work and two-thirds of the owner direct revenue is fixed-price projects that are of average size year-to-date of \$245,000. So at the end of the day, nothing different from it's more of dynamic of the quarter-to-quarter mix of whether it's that quick-burning or it's fixed-price projects.

Jamie Brooks | Executive Vice President and Chief Financial Officer:

Yeah, I'm just going to reiterate that. Excuse me. Yeah, definitely in line. It'll fluctuate quarter to quarter based on the mix, and it's really the impact of the PPI margin for this quarter.

Brian Brophy | Analyst, Steeple:

Okay. Thanks. And then can you give us a sense on ODR organic growth in the first half of the year? I guess the 20% to 25%. guidance for 2025 seems to imply an acceleration in the fourth quarter. I just want to understand if that is accurate and what's driving that acceleration.

Michael McCann | President and Chief Executive Officer:

Yep. Year to date, we're 14.4% organic ODR. And we've talked about a range of 20 to 25% for a full year. So that does imply some acceleration. A couple things that we're really looking at, even from a Q4 perspective, continuing quick burning work from a revenue perspective. Budgets that need to be spent by year end. A lot of people have delayed that OpEx spend in their position right now where they have to spend those dollars. Small projects that are turning. And I think that's also a result of that sales team. You know, the last three years we've invested in the sales team. The recent sales team we've invested in that we hired in Q4 and early Q1, it's been about nine or 12 months. We've been in position with customers and that allows us to get visibility kind of looking into Q4 from that perspective.

Brian Brophy | Analyst, Steeple:

Okay. That's very helpful. And then in your opening comments, you mentioned the \$12 million of capital projects that were awarded from this facility assessment award that you talked about last quarter. Do you anticipate that potentially driving further awards, or do you think that's kind of the extent of the opportunity, an additional follow-on awards from these facility assessments?

Michael McCann | President and Chief Executive Officer:

Yeah, this is really exciting. So a couple of things that we've learned through our evolution, a lot of times in local relationships, the relationships will start with a maintenance project or really quick turning work. On the national side of things, we've really started with healthcare. We're thinking about data centers and industrials. We kind of expand going forward. A lot of times that work starts with professional services, facility assessments, engineering. It's a repositioning of that ultimate entry point. And those customers are very much from a cost certainty standpoint. quality consistency type perspective um so we've got a lot of these national relationships that we've started to and they typically do start with that facility assessment ultimately and then we come up with a pro forma so that particular opportunity those 20 assessments turned into 12

million dollars of projects over four different sites three of which were outside of her geography one that's in so i think i look going forward we're exciting about the opportunity from multiple customers for multiple assessments, so that being kind of a runway for us to have another avenue of work that comes in. I think another interesting thing as well, too, is it's kind of we're going to be a cross-section of having those local maintenance and service type agreements, those quick project agreements, as well as kind of an – as well as the national relationships, and the two of those meeting together are also a big opportunity for us as well, too.

Brian Brophy | Analyst, Steeple:

Thanks. Appreciate the color there. Last one for me. Past three years, you've talked about hiring about 40 salespeople a year. Curious how you're thinking about investing in the sales staff this year relative to kind of the prior pace.

Michael McCann | President and Chief Executive Officer:

Yeah, so it's interesting. I think we're definitely looking at, as we go into every year like we've done the last three years, from a sales staff perspective, I think we've made a lot of hires, over about 120 hires over that period of time. I think we're continuing to make sure that we're supporting our sales staff. I think that's going to be a big piece of next year from a sales enablement perspective as well, too. What resources can we give them to make them successful? How can we connect dots for them? I think that'll be a big focus going into next year as well, too. So it's almost as much sales enablement next year as much as traditional sales staff. We also are looking forward to production as well, too. It takes a long time to get sales staff up and running, but Whether it's professional services, whether it's data analysis, whether it's financial analysis that we do for customers, those are the sort of things going into next year that we're really excited to make sure that we're making our sales staff as successful as possible.

Brian Brophy | Analyst, Steeple:

Thanks, everybody. I'll pass it on.

Operator | Conference Operator:

Thank you. Our next question comes from the line of Rob Brown with Lake Street Capital. Please proceed.

Rob Brown | Analyst, Lake Street Capital:

Good morning. Congratulations on all the progress. Kind of back to the organic growth, how do you think about the longer-term organic growth? The guidance tweaked it down a little bit this quarter, but what do you sort of think of as the long-term organic growth and what needs to happen to kind of get there?

Michael McCann | President and Chief Executive Officer:

Yeah, so from an organic growth perspective, and of course, it's what we're doing from a GCR perspective, but also from an owner-direct perspective. Let me touch on GCR real quick. Our goal is to be as selective as possible. So sometimes there'll be periods where GCR declines, like in this period. And that's a result of being super diligent to quality of work. And we're going to continue to push towards owner direct and be very opportunistic from that perspective. From the owner direct side of things, we're building a long-term sales team and we're building a long-term model to have success over multiple quarters and multiple years as well

too. So we haven't given a target out beyond this year. We hope that the insight of the 20% to 25% owner direct organic will provide some insight to investors. But we're investing for the future. I will say that as well too.

Rob Brown | Analyst, Lake Street Capital:

Okay, thank you. And then on the opportunity for margin improvement overall, and I guess at Pioneer, How, you know, what's sort of the timeline of that and maybe what's, can you get gross margins back to sort of where they've been? Is that the goal?

Michael McCann | President and Chief Executive Officer:

Yeah, for Pioneer specifically, a lot of the work that we've done is transitioning to the accounting and operating system, which is important to us. It's not always the most exciting, but it's really important because it allows us that visibility to get on a common platform. So that first phase, we talked about that first phase, including structure and gross profit benchmarking can almost take almost up to a year. But that doesn't mean we're not doing things along the way. And I think the first thing that we look at is the gross profit benchmarking. Is there opportunity? Is there low-hanging fruit? There has been on the other deals. We can't see why this wouldn't be any different. But I think as we look into next year, definitely from an opportunity from that perspective as well, too. I think from an overall business, it's a matter of our ability to sell in a proactive nature. We've had great success. over the last couple years, working with OPEX-type work, understanding what customers' needs are. And I'm going to point to a specific example that we talked about in the prepared remarks was we had a customer in Florida. And for the last two or three years, we've been really working from an OPEX perspective, taking care of all their problems. That's been high-margin work as well, too. They get to the point, though, where they're thinking, God, that's a lot of money that we're spending. And they end up in this quick period of pause. And it's our job at that point to say, listen, I know you're spending a lot from an OPEX perspective. You're going to have to spend a lot from an OPEX perspective. But there's a reason that you're having that spend. And that developed ultimately into a capital project where we saw deterioration in the same cooling system and built a program to get an important capital project with multiple phases to fix our long-term problems. So that's the type of relationship where we have that OPEX recurring spend A lot of times that OPEX spend will turn into capital projects, and those capital projects are not projects that we're competing against multiple people. We're working on creating a pro forma, giving them cost certainty. There's also an opportunity on a particular opportunity like that to earn really high margin as well, too. So it's a combination of continued improvement from Pioneer Power, running our playbook, as well as this dynamic between OPEX spendings taking care of reactive relationships as well as developing proactive programs and projects as well, too. That's where we see kind of our key components going into next year.

Rob Brown | Analyst, Lake Street Capital:

Okay, thank you for all the calls. I'll turn it over.

Operator | Conference Operator:

Thank you. Our next question comes from the line of Jerry Sweeney with Roth Capital Partners. Please proceed.

Jerry Sweeney | Analyst, Roth Capital Partners:

Good morning, Mike and Jamie. Thanks for taking my call.

Operator | Conference Operator:

Good morning, Mike.

Jerry Sweeney | Analyst, Roth Capital Partners:

I wanted to talk about, you know, it wouldn't be a conference call if everybody didn't ask about gross margins, or I'm sorry, about organic growth. So, obviously, there were some questions about hitting your range on organic growth, and you mentioned fourth quarter being relatively strong. You know, for lack of a better term, are you anticipating a budget flush? And I've gone back and looked at a couple fourth quarters versus three Qs, and not every year, but there's been several years when you see a significant uptake in revenue. So I wanted to get your thoughts on how that's going to occur.

Michael McCann | President and Chief Executive Officer:

You know, I don't know if I would characterize it as budget flush, but I would characterize it as, you know, it's a cross-section of two things that go on from our customer relationships. Ensuring that they're properly spending their budgets as they exit the year. So there are opportunities where there's a lot of times that happens. They're also thinking about what they're going to re-up next year as well, too. So it's a dynamic of completing budgets for 25 and even some of the budgets that have been delayed, as well as what do I need to do in 2026? So it depends on the vertical. I think from a healthcare perspective, we have lots of conversations with customers from that perspective as well, too. It could be from a higher ed, industrial manufacturing, those customers have been pretty consistent from a spend perspective as well, too. So it's really the dynamic between the two, verse 25, verse 26. But the key nature of our work is being an admission-critical facility. They may be able to pause it for a little bit, but inevitably they're going to have to spend, and it's our job to make sure that they spend it wisely as well, too. So we're trying to manage that dynamic with them.

Jerry Sweeney | Analyst, Roth Capital Partners:

Got it. How much visibility do you have in ODR? Like, as of today, can you see out to the end of the year? Obviously there could be some emergency work, et cetera, but, you know, What does visibility in ODR really look like?

Michael McCann | President and Chief Executive Officer:

Yeah, we gave some additional information and color of this dynamic between one-third of the work being quick-burning work and then two-thirds being smaller projects as well, too. And we hope that that provides some additional color as well, too. The one-third work, you traditionally know when it comes. There's some avenues of things that need to happen, but there's relative consistency from that perspective as well, too. The two-thirds is fixed-price project work, but it is relatively small in nature as well, too. If we really look at where the customers are at, we focus on a core group of customers, understanding what their spend profiles as well, too. I think the other thing, too, that's part of the dynamic of the owner direct revenue is our ability that we have sales staff. The sales staff with certain pipelines, dynamic with customers as well, too. So it really comes down to the one-third, two-thirds, as well as that dynamic of where the customers are from a budget

perspective. As we, I feel like we move into future years, we're going to continue to increased visibility from that perspective as well, too.

Jerry Sweeney | Analyst, Roth Capital Partners:

Got it. Switching gears, you talked a little bit about local growth or developing relationships on the local level, which certainly has its benefits, but also looking to develop national relationships. How far along are you on the ladder on the sort of national relationship in terms of sales, building that out? They're different animals, local and national.

Michael McCann | President and Chief Executive Officer:

It's interesting. When we first started out, we thought that this would go super quick. And we probably started with it four or five years ago. And you realize it takes time. And you're cracking in different levels from a customer perspective. Big customers, it may not be C-suite. It may be a couple levels down. So we went at it for probably four or five years now. But this year, I think more than others, we've finally been in a position where they trust us. They've given us that pilot work. And, by the way, this work consists of running a facility program over multiple facilities. It could be project work, engineering work, staff augmentation we've done. So we've put all that hard work in there, and that's allowed us to say, okay, I'm going to give you a bigger piece of the budget. As an example, that \$12 million of projects that came out of those facility assessments, we couldn't have got that two years ago. They wouldn't have trusted us at that point. A lot of times they're in a position where they've got to spend the dollars, they've gone through the work, and it's not really a matter of competition at that point. So we're starting to see a blueprint with healthcare. And we feel like we can apply that same blueprint to some of our other verticals as well, too. Whether it's industrial manufacturing or data center and tech, we feel like there's a blueprint. So we're looking at those as well, too, and hopefully we're looking at it as not taking as long because we're going to apply the same blueprint. But the key is acting as a trusted advisor through a professional service type offering and allowing us to make long-term decisions with them and being in position when they have that spend that needs to happen.

Jerry Sweeney | Analyst, Roth Capital Partners:

Got it. I appreciate it. I'll jump back to you. Thanks.

Operator | Conference Operator:

Thank you. There are no further questions at this time. I'd like to pass the floor back over to Mike McCann for closing remarks.

Michael McCann | President and Chief Executive Officer:

In closing, our priorities as we close out 2025 are as following. Continuing to drive top-line growth. Further expanding our customer relationships to turn technical sales into financial sales. Ongoing successful integration of Pioneer and building our M&A pipeline. At Limbach, we're building a long-term business model to design to deliver durable demand over time. We're making strategic investments where others may not. And we bring a unique combination of an account focus, engineering expertise, and the ability to execute those solutions directly with building owners. These relationships are rooted in long-term partnership, where through consultative engagement, we're helping our clients develop multi-year capital plans that go beyond traditional backlogs. We believe this differentiated business model positions us for sustained growth and risk-adjusted returns. We look forward to meeting and speaking with many of you before the end of the year.

On December 2nd, we're attending the UBS Global Industrials and Transportation Conference in Florida. We hope to see some of you there. Thank you again for your interest in LIMBOK and a great rest of your day.

Operator | Conference Operator:

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.