NASDAQ:MTRX Q2 2026 Earnings Call Transcript

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Victor | Conference Operator:

to today's host, Ms. Kelly Smyth, Senior Director of Investor Relations for Matrix Service Company.

Kelly Smyth | Senior Director of Investor Relations:

Thank you, Victor. Good morning, and welcome to Matrix Service Company's second quarter fiscal 2026 earnings call. Participants on today's call include John Hewitt, President and Chief Executive Officer, and Kevin Cavanaugh, Vice President and Chief Financial Officer. Following our prepared remarks, we will open up the call for questions. The presentation materials referred to during the webcast today can be found under Events and Presentations on the Investor Relations section of MatrixServiceCompany.com. As a reminder, on today's call we may make various remarks about future expectations, plans, and prospects for Matrix Service Company that constitute forward-looking statements for the purposes of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking results because of various factors, including those discussed in our most recent annual report on Form 10-K and in subsequent filings made by the company with the SEC. The forward-looking statements made today are effective only as of today. To the extent we utilize non-GAAP measures, reconciliations will be provided in various press releases, periodic SEC filings, and on our website. Finally, all comparisons today are for the same period as the prior year, unless specifically stated. As we open today's earnings call, let's take a brief moment to focus on what matters most, keeping ourselves and each other safe. With about six weeks to go before the official start of spring, this winter has already brought a range of extreme weather across the country, from blizzards and ice storms to record-breaking cold snaps and heavy rainfall. These conditions disrupt daily life and create serious safety challenges for everyone, especially those working outdoors. But the challenges go beyond just physical safety. Shorter days and colder temperatures take the toll, not just physically, but mentally and emotionally. Challenges to mental health are as real and as important as physical risk. This is especially true for those in construction and field work. where teams often face harsh outdoor working conditions and are also far from home and their personal support networks, all of which can lead to increased stress, fatigue, and isolation. That said, regardless of where we work, it's important to take time to check in with ourselves and those around us. Watch for signs of stress. Start a conversation, listen, and offer support. When we look out for one another and use the resources available, we help keep our teams and workplaces safe, healthy, and strong. If you or a colleague needs help, reach out to someone you trust or use the support resources available. Let's keep safety, both physical and mental, at the forefront, especially during challenging times. Together we can make sure everyone goes home safe every day. I will now turn the call over to John.

John Hewitt | President and Chief Executive Officer:

Thank you, Kelly, and good morning everyone. Before we address our second quarter results, I want to highlight important developments announced yesterday regarding our succession planning at Matrix. Over the past year, Matrix has focused on actively advancing our strategic objectives and our leadership succession plan while continuing to evolve our organizational structure to support long-term growth and success. As you might recall, as part of this effort, Sean Payne was promoted to President of E&C in May of 2025. Yesterday, in our leadership transition release, we announced that Sean has now been elevated to the Chief Operating Officer of Matrix. And then, per our succession plan, I will step down as President and Chief Executive Officer on June 30, 2026. At that time, Sean will assume the role of Chief Executive Officer, ensuring a seamless leadership transition. I've worked alongside Sean for nearly 30 years, first at a previous employer and later by recruiting him to Matrix in 2012. Sean is a proven leader with exceptional operational expertise and unwavering commitment to our people and our stakeholders. He has been instrumental in the growth of our backlog, our business turnaround, organizational streamlining, and strategic planning, and he will actively participate in future calls and investor meetings throughout this transition period. I'm confident in Sean's leadership, and I'm excited about the future of Matrix, as well as our market strength and the unprecedented generational infrastructure investment underway across the country. Now, moving on to second quarter results, which reflect continued positive execution across our business and culminated in revenue growth of 12% compared to the second quarter of last year. And while our underlying results for the quarter reflect strong growth and solid execution, we did record an unfavorable adjustment related to warranty responsibilities and miscellaneous subcontractor and vendor commercial items we are working to resolve on a substantially complete storage project. EPS was a 3 cent loss of a quarter, which included the negative 13 cent impact from this issue. Kevin will discuss this in more detail during his comments. That said, given our overall positive execution, current backlog of 1.1 billion, In projects already in flight, we are reiterating our full-year revenue guidance of $875 million to $925 million, and will achieve profitability in the second half of the year. Turning to awards, project awards during the second quarter were approximately $177 million, resulting in a book-to-bill of 0.8. The overall volume of project awards has been tempered due to uncertainty around trade policy, permitting, and the government shutdown that occurred in late 2025. This uncertainty has delayed FIDs and award progression on many projects in our specific market pipeline. While this will likely persist to the end of this fiscal year, it does not represent a fundamental slowdown in our end market demand. In fact, our overall opportunity pipeline continues to expand, increasing to $7.3 billion at the end of fiscal second quarter. As we gain more brand recognition and momentum in the power and data center infrastructure market, This will add to the pipeline in future quarters. Now, I want to step back and provide a clear overview of the macro environment we are operating in, our strategic response, and our outlook for the future. Matrix and our entire sector has experienced a once-in-a-generation surge in demand for critical energy, power, rare earth, and industrial infrastructure. Companies like Matrix, with proven expertise in safely delivering complex projects on time and on budget that are essential to addressing the nation's vast infrastructure needs. We firmly believe we are still in the early stages of this transformative build-out. The shortage of reliable, cost-effective power generation has steadily intensified nationwide, and the surge in demand from AI data centers, which require continuous and substantial power, has only compounded this issue. Demand for natural gas, widely recognized as the essential bridge fuel for a cleaner energy future, has soared by over 100%, while pipeline capacity has grown by only 50%. At the same time, the onshoring of manufacturing, electrification of devices, transportation, and equipment are increasing electricity needs. The United States is now critically short of affordable, reliable electric generation, most of which depends on natural gas, an abundant energy source in North America. Crucially, the global race for AI dominance hinges on electricity availability. Governments increasingly recognize that this is not merely a matter of business efficiency or quality of life, but at its core, a national security imperative. Today, the urgent need for affordable, reliable power and connectivity and the fuels that enable them has ignited an unprecedented investment cycle backed by strong political resolve. In addition to power generation and electrical infrastructure, we're seeing a compelling multi-year opportunity in mining minerals. The push to onshore and secure critical and rare earth material supply chains in the U.S. is accelerating investment in mining, processing, and assortment associated infrastructure, signaling the early stages of a new multi-year upcycle in project demand. This generational investment cycle has not only had a direct impact on wages, productivity, and a growing domestic manufacturing base, but combined with federal fiscal and tax policy changes, as well as private and public investment, will continue to drive a positive economic environment and GDP growth, all of which will create positive tailwinds for our industry. Against that backdrop, Matrix is especially well positioned as a leading end-to-end EPC general industrial contractor that designs, builds, and maintains critical energy, mining, and industrial infrastructure. We possess market expertise, specialized capabilities, resources, relationships, and a proven track record to deliver comprehensive, high-quality services safely. Matrix meets these standards and is exceptionally well positioned to benefit from this opportunity. Over the past five years, Matrix has proactively transformed our organization to meet these challenges and capitalize on the opportunities ahead. We have strategically exited non-core businesses, invested in our people, systems, and processes to strengthen our core expertise in energy, power, and industrial projects. We have streamlined our operations to deliver on our purpose and value proposition to all stakeholders. And as a result, we have built a business positioned at the intersection of powerful macro growth drivers one that will deliver sustainable and profitable growth for years to come. Our recent project awards, including those secured this quarter, and a robust pipeline and LNG facilities, power generation, electrical connectivity, substation, mining the minerals, underscore the strategic evolution of our business. While we continue to serve traditional energy and industrial clients, our future growth and sustainable performance are firmly anchored in this generational investment cycle. This quarter, for example, we secured the LNG storage component for the first phase of a peak shaving facility in the Virginia AI corridor. Additional storage to support two gas fire generating facilities in the southeast and multiple smaller strategic electrical connectivity projects in the northeast, which is ground zero for this huge data center investment cycle. Subsequent to the end of the quarter, we were awarded the FEED study and are currently developing the full scope of work for a Midwestern utility to provide them the ability to run dual fuel on two of their gas-fired power facilities. We were frequently asked about our role in power generation and delivery, and more specifically about our role in supporting data centers and advanced manufacturing facilities. So I want to take a few minutes to share with you at a high level overview of the work we do supporting these critical growth markets. Matrix has a strong legacy in power generation and power delivery. This includes simple and combined cycle plant construction, centerline erection, HRSG erection, balance of plant mechanical and electrical, as well as construction of greenfield substations, brownfield substation upgrades, including grid interconnects. This, together with our expertise in both LNG peak shaving and backup fuel facilities, provides our clients with the integrated solutions needed to meet existing and increasing demand for electricity to empower homes and businesses, including data centers. stabilize the grid during peak periods, and ensure reliable operation during emergencies. This same expertise is needed by data center developers, OEMs, owners, and others who are pursuing their own energy infrastructure to ensure reliability and redundancy in their operations. In short, Matrix does not build the data center or advanced manufacturing facility. However, we do build the required critical energy infrastructure needed to power them. Through both organic and inorganic growth, Matrix is positioned to accelerate its momentum as a critical provider of the services demanded by this massive infrastructure build-out. Our momentum was fueled by the steady conversion of opportunities into awards, and those awards into revenue, all executed by the business we have purposely built for this moment. In summary, I'm proud of the team's continued execution as we proceed through this critical chapter of growth for Matrix. We have plenty of opportunities ahead, and I'm confident that our focus on our core pillars of win, execute, and deliver will drive compounding profitable growth and long-term value for our shareholders and customers alike. I'll now turn the call over to Kevin.

Kevin Cavanaugh | Vice President and Chief Financial Officer:

Thank you, John. Let's start with the results for the second quarter of fiscal 2026. Revenue was $210.5 million, an increase of $23.3 million, or 12% over the second quarter of last year, driven by growth in all three segments with utility and power infrastructure accounting for over 60% of the increase. We expect to achieve our full-year revenue guidance of $875 to $925 million on strong growth in the second half of the fiscal year, particularly in the fourth quarter. This growth will be driven by large LNG and NGL projects already underway in the storage and terminal solutions segment. Consolidated gross profit increased 21%. to $13.1 million in the second quarter compared to $10.9 million in the prior year. Second quarter gross margin was 6.2% as compared to 5.8% for the second quarter of fiscal 2025. Higher revenues resulted in improved recovery of overhead costs and project execution was generally strong throughout the business. That said, costs associated with items arising during commissioning of a specialty tank project in the storage internal solution segment resulted in a $3.6 million reduction of gross profit during the quarter, or about 13 cents per share. Adjustments to project cost estimates and therefore direct margin, both positive and negative, are a normal aspect of our business, especially as we work to close out a project. During the course of a year, these variations, generally net to a positive, and improved direct margin across the portfolio, which we expect to occur this year as well. Year-to-date, the direct margin performance, including this issue, is above plan. As backlog converts to revenue and activity levels continue to ramp, if these types of project-level dynamics occur, we expect them to be absorbed more efficiently across the P&L, reducing quarter-to-quarter variability. Moving down the income statement, SG&A expenses decreased to $15.1 million in the second quarter compared to $17.3 million in the prior year. The 13% decrease is primarily due to cost reductions resulting from our organizational realignment and lower stock-based compensation expense, which decreased $0.7 million associated with the variable accounting for cash settled awards as a result of fluctuations in our stock price. As we previously discussed, Our ongoing SG&A quarterly run rate is about $16.5 million. As we return to profitable performance, that will be impacted by variable compensation expense tied to earnings. We also incur restructuring costs of $0.2 million in the second quarter, primarily facility-related costs. We will incur additional expenses in the second half of the fiscal year related to the CEO transition. Details of that CEO transition are included in Item 5 of the Form 10-Q, which will be filed this afternoon. The company generated $1.5 million of interest income in the quarter from its strong balance sheet that has been built up through effective working capital and contract management. For the quarter, the company had a net loss of $0.9 million compared to a $5.5 million net loss in the second quarter last year. EPS was a loss of 3 cents compared to a 20 cent loss in the prior year. And then adjusted EBITDA in the second quarter improved $4.6 million to a positive $2.4 million compared to a loss of $2.2 million in the second quarter last year. Now moving to the operating segment, starting with storage and terminal solutions, which represented 47% of consolidated revenue. Second quarter revenue was $99.9 million compared to $95.5 million last year. The growth was the result of an increased volume of work for LNG and NGL projects, partially offset by lower volumes for crude oil projects. We expect specialty storage projects, including LNG and NGL, to drive robust growth for the storage and thermal solution segment as we move through the remainder of fiscal 2026. Storage and thermal solutions segment gross profit of $4.8 million represented a $2.5 million decrease in the quarter compared to the same period last year. The segment gross margin of 4.8% was lower than segment gross margin of 7.6% last year. The decrease occurred due to the $3.6 million charge we previously discussed. We expect to see significant margin improvement in the remainder of the year based on expected project execution. on our high quality backlog and improved overhead cost recovery, resulting from increased revenue levels. Moving on to the utility and power infrastructure segment, which accounted for 36% of consolidated revenues. Second quarter segment revenue increased 14.3 million, or 23%, to 75.4 million, compared to 61.1 million in the second quarter of fiscal 2025. benefiting from higher volumes of work associated with LNG peak shaving and power delivery projects. Segment gross profit of $7.2 million increased by $3.8 million or 112% in the second quarter compared to $3.4 million in the same quarter last year. The increase resulted from higher revenue and an improved gross margin, which increased to 9.6% compared to 5.6% in the same period last year. The margin increased due to strong project execution and improved construction overhead cost recovery as a result of higher revenues. Finally, the process and industrial facility segment accounted for 17% of consolidated revenue, or $35.3 million in the second quarter, compared to $30.6 million last year. We expect similar revenue levels until we capture additional project opportunities from the strong market in our expansion efforts. Segment gross profit was $1.2 million or 3.5% in the second quarter compared to $0.4 million or 1.2% last year. The current margin level is due to the mix of work, which is primarily lower margin reimbursable activity, and the low revenue level, which results in under recovery of construction overhead costs. Both issues should improve as the company captures additional revenue opportunities. Moving to the balance sheet and cash flow, cash increased $7 million in the quarter, ending at $224 million as of December 31, 2025. The balance sheet and liquidity remain in a strong position with liquidity of $258 million and no outstanding debt. We also expect to maintain our strong cash balance through the remainder of fiscal 2026 and had the financial strength and liquidity needed to support and grow the business. As we stated previously, the improvement in our consolidated revenue combined with continued focus on execution excellence and leverage of our construction overhead and SG&A cost structures will allow us to return to profitability in the fiscal year and make significant progress toward the achievement of our long-term financial target. That concludes our prepared remarks, so we'll now open the call up for questions.

Victor | Conference Operator:

Thank you. And as a reminder, to ask a question, you need to press star 1-1 on your telephone and wait for your name to be announced. To withdraw your question, please press star 1-1 again. Please stand by while we compile the Q&A roster. One moment for our first question. Our first question will come from the line of John Fransreb from Sudoti. Your line is open.

John Fransreb | Analyst at Sudoti:

Good morning, everyone, and thanks for taking the questions. I'd like to start with that one-time issue or the issue you called out, the 3.6 million in storage. I'm curious, is that bleeding into the current quarter, and is there any other large issues similar to that that we should be cognizant about?

John Hewitt | President and Chief Executive Officer:

No, I mean, we think that we've captured the issues associated there and that we would not expect anything bleeding, as you said, bleeding over into the third quarter. We think we've got our hands around what the issues are and a path to get them resolved.

John Fransreb | Analyst at Sudoti:

And is there anything similar?

John Hewitt | President and Chief Executive Officer:

Nothing similar hanging around someplace else.

John Fransreb | Analyst at Sudoti:

Okay, good to know. You also called out in your prepared remarks the opportunity pipeline. It looks like it's up roughly 10% or $600 million from last quarter. What's driving that growth?

John Hewitt | President and Chief Executive Officer:

I think probably, I don't have the statistics in front of me, John. I think a lot of it is in the LNG market space and NGL space, but we're also seeing more activity in mining and minerals space. And we're seeing more activity in, I think, in electrical. And while those projects aren't necessarily as big, but they're strategically significant for the business.

John Fransreb | Analyst at Sudoti:

Okay. I got it. And, again, you did reference this in your prepared remarks about the backlog. I'm kind of curious, not only in aggregated as the backlog kind of been weak for the last couple of quarters, but also notably in utility, which I really thought would have been stronger. Can you kind of talk about what's going on in the overall marketplace?

John Hewitt | President and Chief Executive Officer:

Yeah, I think, you know, the award cycle, obviously, you know, we feel as though it's been a little muted. And I think some of the uncertainty in energy markets and, you know, permitting The process of permitting is difficult. I think some of those things is just taking a little bit longer for a lot of those projects to get from our opportunity pipeline into a situation of FID and award. We think all the projects in there are good solid projects that we're gonna have an opportunity to bid and win our fair share of them. There has not been, so we track, what comes in and out of our opportunity pipeline on a monthly basis. And so if you go look at that, it isn't a lot of those things that are getting won by someone. It's not a high percentage of them that are getting won by competitors, right? They're either moving out of our opportunity pipeline back into our prospects because of some permitting delay or a client's investment decision, and then we have projects moving in out of prospects into opportunities But I can't tell you, we're looking at our statistics every month, every quarter, and it's saying, oh, wow, we're not winning any of this work. This stuff is just kind of moving around on us. And you've got to remember, too, a decent chunk, I think we've said in the past, probably $70 to $100 million worth of stuff happens for us every quarter. It's just small projects and maintenance activity and all that. It's not in that opportunity pipeline because we don't think it's relevant to have mixed in there with all that other stuff. So we have this baseline of awards and work that can come in and out in a quarter, not in that opportunity pipeline. So it almost makes it sort of invisible. But that stuff is continuing to happen for us, and we're focused to continue to expand our maintenance operations and maintenance projects. work, and we're geographically looking into new areas to expand our refinery maintenance and some of the other maintenance activities we have. So while we certainly would like to have big book to bills every quarter, but I think we've communicated to you guys in the past that we're going to have a quarter with a big book to bill, and then we could have two, three, four quarters where it's going to be below one. So I think it's okay. I think we're in a good spot. I would tell you if you look at the details, you know, the book to bill for the year, the book to bill in storage is above one. So we're continuing to have strong bookings in that, and it represents a big chunk of the business.

John Fransreb | Analyst at Sudoti:

So, John, just to follow up, do you expect these awards to be moved to the right such that they're going to be awarded in the second half of the fiscal year, or they move to the right that they're going to be a fiscal 2027 award? I'm just kind of curious about maybe the exit velocity of backlog in fiscal 2026, because we kind of talked about it being around 1.0 overall, and maybe I wonder if that dynamics changed at all.

John Hewitt | President and Chief Executive Officer:

Right. I think what we've said or what we've communicated in the past, and I'll use an NFL term, chunk plays, so like chunk projects. So the big chunk projects that really drive that big book to bill in a quarter, they're out there. We're positioned for them. Those big chunk projects are the ones that I think we're going to see in our award cycle in fiscal 27, which starts July 1st. And, but we're going to see some, probably some strategic awards, some smaller awards that are going to, uh, be in the next two quarters. Uh, but you know, it probably isn't likely that we're going to exit the quarter over a one Oh, collectively across the business, but you continue to see a strong book to bill in any one of those, any one of the segments.

John Fransreb | Analyst at Sudoti:

Got it. Thanks for taking the questions.

Victor | Conference Operator:

Thank you. One moment for our next question. Our next question will come from the line of Brent Thillman from DA Davidson. Your line is open.

Brent Thillman | Analyst at DA Davidson:

Yeah, hey, thanks, guys. Hey, John, maybe just to follow up on the conversation about all the things you can do, you know, around data centers and I sort of bundle, you know, things you can do directly on those sites with, you know, the power component of that as well, which just seems to be sort of feverish demand here. Why wouldn't that be more influential to your bookings here in the next few quarters, just given the appetite and the fact that you have these, you know, capabilities that seem to be in the sweet spot of that?

John Hewitt | President and Chief Executive Officer:

Yeah, so I think it's a good question. You know, we've been focused on that market here. It didn't just start yesterday, right? So we've been working on it probably over the last 12 months of And we recognize, like everybody else, that there's a significant amount of spend there. But you've got to remember, a lot of those clients are new clients to us. Yes, we've got a power generation capability in-house. We've built some significant power plants that's on our resume. And obviously, the electrical connectivity issues that are electrical connectivity capabilities that's principally in the Northeast and then all the backup fuel and all that stuff. So, but You know, we're kind of entering that market, and we've got to sell our resume. We've got to build relationships with those clients. We have got to want to make sure we're positioning ourselves for work that's, you know, fits our risk profile and our financial profile. We need to appreciate how we compete and how we win in that market. And so all that stuff's going on, and I think we're starting to see some fruits of that work by our business development and operations people. And so, as we said in the prepared remarks, my thoughts are is that we're going to start to see some growth in the opportunity pipeline as some of this stuff hits where we are going to be deciding to bid or being invited to bid on certain projects. But we're already bidding projects from an electrical infrastructure standpoint on new substations that are directly connected. to a data center power needs. We have several of those that we're bidding now, and I would hope that we're going to be able to put some of those into backlog in this second half of the year. We're also working with EPC power plant constructors where we can come in and provide our services. Any one of the things that I mentioned there, whether it's you know, putting the turbines in or doing the mechanical work or electrical work or erecting the boilers or whatever that is, all those things we've got capabilities and skills for. And so I think we're doing a good job. We're working into those markets, and I think we're going to see here over the – we're going to start to see some impact of that effort in our opportunity pipeline and to a small degree into our award cycle this fiscal year, but it's going to really start to grow, I think, as we move into 2017.

Brent Thillman | Analyst at DA Davidson:

Appreciate that John. Any thoughts on the midstream side? I mean, we talk about all the demand around gas power coming and it's becoming pretty evident with some other companies. Is there are the things that you're starting to see in the midstream arena pop up for you that could also be an opportunity?

John Hewitt | President and Chief Executive Officer:

So when you say midstream, you talk about crude oil or you're talking about gas? Yeah, yeah. Yes to both. Yeah, so I think the crude market is fairly muted. There's some new tanks getting built. There's certainly tank maintenance repair works going on all the time. We do that work. But I think a lot of our storage resources have been a little more focused on the specialty vessel stuff we're doing, where it's more complex construction. better margins for us, less competition. And so while we're still doing it, we continue to offer services on the crude storage and midstream side of the company. It's become a smaller and smaller piece of the revenue of the business. So there's activity out there. On the natural gas side, certainly we've got a great position in gas storage. We're in LNG and in NGLs. both from a storage perspective, but also the balance of plant construction for those facilities, and whether they're a utility connection or they're for fueling or whatever. I think the activity level there, I think, related to gas is strong, getting stronger. A lot of permitting issues around that, as we said in the prepared remarks. You know, there's a lot of pipeline issues out there in the marketplace because of permitting challenges. And so you have companies that are, you know, unsure about tying up dollars when they're uncertain about the ability to get a permit pushed through. So one of the projects that we announced and award last quarter, we're building the balance of plan for an NGL facility, which we're also building the storage tank for. And, you know, we had expected more revenues in Q2 on that project, but the permitting delays have kind of slid our ability to go burn revenue into the back half of this fiscal year. The project's in flight. We're starting to get permits. We're starting to work through it. But that's certainly one of the issues I think that's impacted probably a lot of people in the mystery market.

Brent Thillman | Analyst at DA Davidson:

Okay. And then... You did mention minerals and mining. You know, obviously critical materials become more topical here lately. You're positioning there and kind of maybe waited for us to size the opportunity for you.

John Hewitt | President and Chief Executive Officer:

Yeah, so we've got, you know, we've got a legacy history in mining and minerals. We used to have, when that market was stronger, we had an operation in Arizona and did work for some of the big miners down there. And then that market kind of fell apart. And so we've kind of kept our hand in there from a sales perspective, but really haven't done any work. That market's coming back strongly. Copper, rare earth minerals, gold. And so we're seeing a lot more opportunities finally get off the drawing board. And we've got a couple of really nice projects that we're bidding now in the mining and minerals market. And again, we think our brand continues to be strong there. And so we're kind of rebuilding those relationships. And I think there's a real opportunity for us here. Besides the demand for those kind of non-ferrous metals related to what's going on with all this infrastructure build out, You've also got the federal government now that is, again, from a national security issue, is investing money in rare earth minerals to make sure that from a national security issue that we've got those minerals here in this country. So I think there's a lot of good tailwinds associated with that market, and I think we've got a resume and the relationships to be able to take advantage of it.

Brent Thillman | Analyst at DA Davidson:

Okay, maybe just last one, guys. Appreciate you taking all these. You know, I think about the outlook for the rest of the year, the return to profitability you're anticipating. And what seems to me like a lot of green shoots here in the business, notwithstanding some of the uncertainty in some of your markets here in the short term. And you got a lot of cash on the balance sheet. I mean, John, just to refresh on You know, buybacks, why wouldn't they make sense here? Just seems like businesses heading in the right direction. You got some good things coming for you. Hey, just update on your thoughts there.

John Hewitt | President and Chief Executive Officer:

I think, you know, as we've always said, I think our, you know, as we want to, as we return to profitability, yes, we have cash on the balance sheet. You know, we're going to be focused on, you know, we've been pretty lean as an organization on how we spent our capital. internally for our operations and so there's some catch up for us to do there. We are going to be looking for inorganic opportunities that round out our business offering and certainly the inability to find inorganic opportunities to add to the business could result in us making the decision that maybe we buy back shares. I would say all that stuff's on the table. And, you know, so we're, as we've said in previous calls, we're waiting to, we're driving a business to return to profitability, you know, to win, execute, and deliver. And as that happens, then we're going to be looking for more expanded things to do with the cash on the balance sheet.

Brent Thillman | Analyst at DA Davidson:

Okay. Thanks for taking all the questions, guys. Appreciate it. Sure. Thank you.

Victor | Conference Operator:

One moment for a follow-up question. We have a follow-up question from John Frangereb from Sedoti. Your line is open.

John Fransreb | Analyst at Sudoti:

Yeah, I'm just actually curious about the competitive landscape. Are new jobs being written at target margins, or is there pressure in certain markets versus others? And I guess on the flip side of that, are some being written at above target? Can you just kind of talk a little bit about that?

John Hewitt | President and Chief Executive Officer:

Yeah, I mean, the work that we're booking... on a collective basis, is falling within our targeted margin ranges. So I would say it's not the same as it was three years ago where contractors are out chasing projects and driving margins to the bottom. We're not experiencing that.

John Fransreb | Analyst at Sudoti:

Any of the markets above target margins at all?

John Hewitt | President and Chief Executive Officer:

Yeah, I mean, it depends on which piece of our business. Some pieces will get a higher margin, some bigger the job. Sometimes we're able to get a higher margin. So I think, you know, we've talked about a margin range of 10% to 12%. Some pieces of our business are in the high end of that range. Some are a little bit above. But some, you know, some more of the maintenance activities and those things are certainly at the lower end of those margin ranges or even below. But the portfolio overall... I think the margin range is there in the backlog is well within our expected range.

John Fransreb | Analyst at Sudoti:

Okay. Thanks for taking the follow-up, John. Appreciate it.

Victor | Conference Operator:

Thank you. I'm not showing any further questions in the queue. I'd like to turn it back over to Kelly for any closing remarks.

Kelly Smyth | Senior Director of Investor Relations:

Thank you. As always, our approach is to be open and transparent with our investors, and as such, I would like to invite you if you'd like to have a conversation with management, to contact me through Matrix Service Company Investor Relations website. You can also sign up for MTRX News by scanning the QR code on your screen. Thank you so much for your time.

Victor | Conference Operator:

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone have a great day.