NASDAQ:WLDN Q1 2026 Earnings Call Transcript

Generated on 11/25/2026

Mike Bieber | President and Chief Executive Officer:

that we believe diversification would add long-term stability and would provide Wilden with the opportunity to earn higher margins. These pie charts show that in 2024, commercial revenue was 7% of our business. Two years later, on a full-year pro forma basis after Burton, commercial revenue is expected to be about 25% of revenue this year. The diversification has also contributed to our higher margins and to the reset of of our long-term margin targets that Kim will present in a few slides.

Investor Relations | Head of Investor Relations:

On slide five.

Mike Bieber | President and Chief Executive Officer:

This chart shows that Burton is headquartered outside Atlanta, Georgia, and helps fill in Wildan's presence in the Southeastern and Midwestern states. With Burton, Wildan now has active projects in all 50 states. We now have permanent offices in 26 of the 50 states, plus a presence in Puerto Rico and Canada.

Investor Relations | Head of Investor Relations:

Next on slide six.

Mike Bieber | President and Chief Executive Officer:

We've used this triangle diagram before to show that in problem solving, upfront analysis of a client's problem leads to the engineering of a solution, and then to the program management of the solution implementation. Burton's services fall into all three categories. Burton often starts with the study of a client's energy usage, energy costs, and carbon generation. That usually results in the design of a program that helps lower cost, improve resilience, and achieve a client's unique objectives. Burton will usually manage the teams of contractors that will address a client's energy usage to achieve that client's objectives. Each of these phases of work is usually conducted through multi-year contracts that lead to the long-term client engagements of more than 10 years.

Investor Relations | Head of Investor Relations:

On slide seven. We've had another solid stretch of contract wins, and here are a few examples since our last earnings call.

Mike Bieber | President and Chief Executive Officer:

For Southern California Edison, SCE, we received a two-year extension and another $100 million of funding for our commercial energy efficiency program. This expansion would extend the program through the end of 2027. For the Dormitory Authority of the State of New York, DASNI, we won a $54 million project to upgrade the central plant at a college in New York City. I'm very pleased that we were awarded the $27 million three-year New York Accelerator Program. This is a new contract which has been held for many years by one of our strongest competitors. We started pursuing this contract several years ago and were able to win this key program which helps the City of New York accelerate the decarbonization of buildings in the city. A very cool win. Next, we were awarded the CERO-1 project in Puerto Rico, a $24 million battery energy storage system. This project is one of several on the island designed to help improve power grid resiliency in Puerto Rico, a major issue there. And lastly, we were awarded two small contracts with National Grid for New York City and Long Island to implement small business energy efficiency programs.

Investor Relations | Head of Investor Relations:

It was a good quarter for New Winds, and our pipeline of opportunities continues to grow. on slide eight.

Mike Bieber | President and Chief Executive Officer:

Each quarter, we try to take a step back and look at macro changes to electricity demand and its effect on the grid and wheel dance market. We've talked a lot about how AI is driving a long-term increase in electricity demand due to new data centers. Previously, we presented some of our work for the state of Virginia, the largest data center market in the world. Recently, we studied electricity U.S., so I'll present a few highlights from those studies. Work like these keeps you in the very forefront of trends in the energy markets, helping us to navigate this period of rapid change. Slide 8 shows a few examples of electricity demand across the western U.S. On the left of the slide, in the Pacific Northwest, the scale of the new electricity generation is insufficient to meet forecasted demands by 2030. To the right, the southwestern U.S. needs 25 gigawatts, and California alone needs 20 gigawatts of additional generation capacity by 2030. The growth in electricity demand is largely driven by new data centers. On slide 9, this slide from the same study shows that in the northwestern U.S., when you take into account retiring electricity generation, the pace of new generation will increase by four to five times the pace of historical generation development. The sum of integrated resource plans, IRPs, indicates that most of this electricity is forecasted to come from solar, wind, and battery storage, given the supply chain constraints around gas turbines. This more complex future generation stack complements Wildan's capabilities. The sustained load growth and increased investment are driving longer engineering, and energy solutions, areas where Wildan is well positioned. As we've mentioned before, energy efficiency is one of the most quickly available, least-cost electricity resources. We believe these trends will drive our business for years to come. Overall, we're pleased with our performance to start the year. Operational strength and the addition of Burton set Wildan up to have what we believe will be another very strong year. As Kim will detail, we are now anticipating that we will grow adjusted EBITDA by 26% to 32% year-over-year, an outstanding result.

Kim | Chief Financial Officer:

Kim, over to you. Thanks, Mike, and good afternoon, everyone. We delivered a strong start to 2026, exceeding expectations with solid performance across our businesses and continued margin expansions. Strong underlying demand for our services and greater productivity in our utility programs and performance engineering projects drove higher profitability in the quarter. Slide 11 shows the key metrics for the quarter. Contract revenue increased 2% year over year to $155 million, while net revenue grew 8% to $92 million for the quarter. But as a reminder, the first quarter of 2025 included an additional week. Excluding this impact, contract revenue grew 10% year-over-year and net revenue 17%, reflecting the continued health of the

business. An improvement in gross margins was the key driver behind the 25% increase, or 35% when 2025 is normalized, in adjusted EBITDA over the prior year. The $18.1 million in adjusted EBITDA was a first quarter record and represented 19.6% of net revenue. Expense control and the 2026 tax benefit versus the smaller tax expense in the prior year enabled adjusted earnings per share to increase 44% over last year's first quarter to $0.91 per share compared to $0.63 in 2025. To provide a little more detail on the components of the earnings improvements, our gross margin expanded to 40.7%, up from 37.8% in the prior year, reflecting the expanding volume, improved productivity, and a favorable service mix as we continue to focus on quality and profitability. The improved margin performance was derived from productivity improvements in sales and reduced costs under our utility programs and further aided by margin improvements in our performance contracting projects, including those from the acquisition of APG a year ago. G&A expenses increased 10% year-over-year, or 19% when normalized for the additional week in 2025, primarily reflecting higher non-cash charges for the amortization of intangibles derived from acquisitions of $1 million, as well as stock compensation increases reflecting the higher stock price compared to a year ago, up $1.3 million. Salary and benefit costs also increased consistent with the acquisitions and the growth of core revenues and earnings, while interest expense was $1 million lower than a year ago, reflecting the lower leverage from our strong cash flows. Thus, our pre-tax income grew by 40%, to $7.3 million for the 13-week first quarter of 26, compared to $5.2 million in the 14-week period a year ago. We recognized a $1.3 million tax benefit in the quarter compared to a $500,000 tax expense in 2025. The tax benefit was driven by Section 17090 energy efficiency deductions and discrete items related to stock-based compensations. So, on the bottom line, net income increased 82% to $8.5 million, 96% when normalized, or $0.55 per diluted share on a gap basis compared to $4.7 million or $0.32 per diluted share in the prior year. And again, adjusted earnings per share increased 44% to $0.91 per share this quarter compared to $0.63 a year ago. Earnings were very good with solid growth and improving margins in what historically has been our weakest quarter of the year. Turning the cash flow in the balance sheet on slide 12, cash flow used in operating activities was $24 million in the quarter compared to a positive $3 million in the prior year. On a trailing 12-month basis, cash flow from operations was a positive $52 million. which would have been $18 million higher should one client have paid us two weeks earlier. From a free cash flow perspective, we used approximately $1.71 per share in the quarter, but generated $2.81 per share on a trailing 12-month basis. We continue to expect strong cash flows from operations, aided by the carry-forward of $28 million in deferred tax assets on our balance sheet generated by the 17090 deductions and other incentives to offset future tax liabilities well into 2027 and beyond. On a long-term basis, we would expect free cash flow to exceed 70% of our adjusted EBITDA on an annual basis. We ended the quarter with $28 million of unrestricted cash to net against the $48 million outstanding under our term loans. resulting in a 0.2 times leverage ratio of net debt to adjusted EBITDA over the trailing 12 months. There were no borrowings outstanding on our $100 million revolving credit facility at the end of the quarter, but subsequent to year end, or quarter end, we drew $30 million on the revolver to fund a portion of the Burton acquisition, which would increase the leverage ratio to 0.6 times. Given our expected earnings for the remainder of the year, we would expect the revolver to be fully repaid by year-end and continue to provide us low leverage and high liquidity with significant expansion capacity under the $100 million revolver and the $50 million delayed draw term loan facility to support continued organic growth and strategic acquisitions. Turning to slide 13. Last year, we exceeded our long-held goal of delivering adjusted EBITDA in excess of 20% of net revenue. Based on our recent performance and the underlying drivers in the business, including improved productivity, favorable revenue mix, and additional operating leverage, we are now raising our long-term margin goal to expect the adjusted EBITDA of the net revenues margin to be in the high 20s. We'll continue to focus on the volume, productivity, and cost control efforts required to achieve that goal as we continue to grow the business. Now to slide 14. Based on our strong start of the year, we're raising our full year 2026 financial targets. I'll note that the increase in guidance is roughly double the Q1B plus the expected contribution of Burton, reflecting the strength of our core business. We now expect net revenues to be in the range of $410 to $425 million, adjusted EBITDA in the range of $100 million to $105 million, and adjusted diluted earnings per share between $4.90 and $5.05. This outlook assumes approximately 15.9 million diluted shares outstanding at year end, and a 0% effective tax rate for the year, reflecting the higher expected pre-tax income and reduced estimates of discrete tax benefits derived from stock compensation. And on slide 15, it was a strong start to FY26, fueling our optimism for continued growth

and expanding margins. The acquisition of Burton a few days ago further fuels that optimism, expanding our addressable markets and creating numerous opportunities for collaboration and cross-selling. We continue to enjoy low leverage and high liquidity even after this investment, and we are raising our guidance and increasing our goal for adjusted EBITDA margins. It was a good quarter.

Investor Relations | Head of Investor Relations:

Operator, we're now ready to take questions.

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 one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two 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 keys. And our first question will come from Craig Irwin with Ross Capital Partners.

Craig Irwin | Analyst, Ross Capital Partners:

Good evening. Thanks for taking my questions and congratulations on a strong quarter here. Mike, I wanted to start off the top by asking if you could help us with maybe a little bit more color on why your fundamental profitability levels are going up. You're raising your base EBITDA guidance targets and raising your guidance for this year on that as well. Clearly, there's things that are working for you I know you've had a number of initiatives internally at the company to improve profitability. We're also seeing an environment where reserve margins are likely to fall. So your customers will look pretty desperate to stop brownouts and other problems that you prevent with your services. How would you help us understand what the opportunity is? And is this really just a first step? Is there potential room in the future for this number to keep moving higher.

Mike Bieber | President and Chief Executive Officer:

Yeah, Greg. You know, if you look back five years ago, we wouldn't have thought this possible. But we're performing very well, and we've got a lot of confidence that we'll be able to get this into the high 20s. If you just model out our guidance for this year, you know, we'll be potentially north of 24% already this year. So there's really four things that are driving it. Number one, is growth and back office cost absorption. We've been able to control costs as we grow the business, especially on the back office, at a fraction of the rate of the growth rate of the company. So that's number one. We need to keep growing. Number two, you're right. Energy demand plays a part in this. The price of energy is going up. Resources, our The third is probably that we've moved up the value chain. You know, we've got a much more differentiated set of services that we provide compared to five years ago. And that continues to go in the right direction north. The last thing is probably, you know, the percentage of commercial work. The state and local tends to be the lowest margin opportunities. With, you know, I'll call it a balanced portfolio of the three customer groups and commercial being 25% now, we have the opportunity to drive margins. Those customers tend to want the solution immediately, like yesterday, but they're willing to pay for that, unlike government customers that take a little more modest approach to schedules. So those are the four things driving it, and we think this restructuring We're going to make good progress on that this year.

Craig Irwin | Analyst, Ross Capital Partners:

Fantastic. So I wanted to ask about APG and the setup that you have providing services, building power blocks primarily for data centers. This business, you've talked about it growing extremely quickly, potentially doubling this year. Is there any update or any color you can give us on specific wins in there, new customers, diversification? What should we look for over the next couple quarters as you scale that business?

Mike Bieber | President and Chief Executive Officer:

Wow, has that been a good acquisition. They are doing outstanding. Yeah, they're going to more than double. They might even approach tripling this year. They're just performing outstanding. And it's already work we've won and are executing, and we're really looking towards the pipeline of 27 and 28 right now. The biggest thing driving that is a few big power blocks for large data centers. Those tend to be confidential projects, so that's why you haven't seen them announced. But the biggest project that APG all of the power blocks. So there are several more projects in the pipeline that look just like that. They've also diversified. They were the ones that won the battery storage project down in Puerto Rico, so they do that type of work. That's good as well. It's been very good. Mt. SAC was a great collaboration. We announced that project. That was with the rest of Wildan. It's been one of the most synergistic acquisitions collaboration with the rest of the company.

Craig Irwin | Analyst, Ross Capital Partners:

Excellent. Last question, if I may. Amber and her team at E3 have incredible visibility on demand for services like Wildan's and the overall outlook for CapEx for utilities and commercial infrastructure for power. You know, it's interesting that you guys are buying Burton, that you've tucked them into the team, and obviously this is something you, you know, it's similar in character to the core of your business. Do you see the Northwest as, you know, maybe a new frontier for Wildan, something that could potentially be as interesting or as substantial as your work on the West Coast and the East Coast where you generate quite a large portion of your revenue?

Mike Bieber | President and Chief Executive Officer:

I wouldn't really focus on the Northwest so much as that happened to be a study of all of the Western states, the Northwest being a particular focus area. It also covered California. It was a regional study that we did. So we just pointed that out as new data that all points to what we're seeing across the country, which is that the demand for electricity is increasing. In some cases, we're not keeping up. How do you do that in an equitable way without raising rates? Rates are going up across the country. And so it's a complex equation that's happening all across the United States. I wouldn't single out the Northwest more than in other places, though.

Craig Irwin | Analyst, Ross Capital Partners:

Well, that's good to hear it's broad-based. Thanks for taking my questions. Congrats on another solid quarter. I'll hop back in the queue.

Operator | Conference Operator:

And again, that is star one if you'd like to ask a question. We'll go next to Tim Moore with Clear Street.

Tim Moore | Analyst, Clear Street:

Thanks. And very impressive EBITDA growth and margin in the seasonally low quarter despite the one last week last year. And despite probably not benefiting from the Los Angeles Water and Power Award yet. I enjoyed your head fish of conservative guidance late February. Can you just update us maybe On the timing or visibility for maybe when the Los Angeles Water and Power contract might kick in, I mean, that's quite the large contract, I don't know, maybe $16 million gross revenue or quarter run rate. Any visibility on when that might start, and is that part of your recent guidance upgrade?

Mike Bieber | President and Chief Executive Officer:

It didn't really drive the guidance upgrade that much. We had a very small contribution in Q1, but we did have revenue for the first time in a while. pretty substantially in Q2, but it's still a small number. We have bigger expectations for the back half of this year. I would characterize it as sort of the first ending of a ball game. We're ramping up the program. Every week is better than the previous. In addition to all that ramp up, though, there are some future opportunities we hope to share with the group that may drive that contract even larger. We haven't nailed that down yet, but The ball's rolling. It's not driving current results, nor did it really drive the upgrade of our forecast, but we think there may be more to come there.

Tim Moore | Analyst, Clear Street:

That's very helpful, Collard, to have that in your back pocket. It seems like it'll be more of a contributor for next calendar year as it ramps up and maybe plays some catch-up on that five-year contract. Just switching gears, if you can maybe just share a little color on, you know, how many months did you evaluate or negotiate maybe or, you know, the Burton Energy Group? And maybe you can just try a little color in your acquisition funnel. I mean, you have so much liquidity and, you know, barely any net debt. It seems like you could absorb a few more acquisitions, you know, over the coming quarters. Just any thoughts on that? Or are you still really focusing a bit more on the commercial side for Target's

Mike Bieber | President and Chief Executive Officer:

Well, Burton was extremely deliberate in their discussions with us. It took a long time. We were in detailed discussions with them for, I'm thinking, I don't know, seven or eight months, something like that. It took a long time, and we got to the right spot. So we're very pleased with the Burton deal. We had known that company for more than 10 years, and when they decided that they wanted to make a move, even though we had known them. So we very much appreciate them for doing that. We've respected Burton for a long time. And sometimes what happens with our teaming partners and people we're working with out in the industry, they know what we're after. And when the time is right, sometimes we get that call and they come to us. That's what happened with Burton. And it's characteristic of something we're also seeing in our pipeline. We're one of the strict few strategic buyers out there in this marketplace who are competing with a lot of private equity that often will pay more. And some of these groups that we're working with won't sell to private equity at any price. They want to go with a strategic partner like Will Dan. And so that makes us a buyer of choice. And if you look at our pipeline right now of what we're evaluating for the back half of the year and into next year, that's the case. I point to the same focus areas that we've had. Electrical engineering is hard to find. It's also very expensive. It's being bid up. But, boy, we'd sure like to have it. And the success we've had in electrical engineering with APG demonstrates that we're willing to move into that space. Commercial, more commercial would be helpful. We're looking at that in our core services. But we're getting to a point where that's more balanced with the other areas. And the front end of our business is still undersized. We would love to have more science and front end evaluation work, more data analytics, more software, very differentiated solutions. We're looking there as well. So those are still three of the focus areas.

Tim Moore | Analyst, Clear Street:

No, that's great, Mike. And I think you kind of beat me a little bit to my next question. I'm just trying to think about what you and Kim think about maybe as a limiter to organic growth. I mean, you mentioned all the states you're in. I mean, you're definitely largely in California and New York, and you've got some Florida and Texas and some other good scale. I mean, there's just high demand for what you offer, and you're really the go-to consultants and experts on this. especially with E3 and everything else you have, is there any kind of limitation now on really accepting more large contracts that would start in the next 12 months?

Mike Bieber | President and Chief Executive Officer:

We always hate to say that labor is going to limit our ability to grow organically, and I don't think it is in a big area. There are some niches where we're hiring, and we're looking for people to just go to our websites that area around APG, you know, our electrical engineering and construction management that's very specialized there needs to significantly increase its workforce. But I wouldn't say it's a constraint point at this point.

Kim | Chief Financial Officer:

Would you? No, I don't see that as a constraint. And the pipeline of opportunities that our various business units are pursuing is pretty robust. So I don't see a cap on what that potential might be. But when you're dealing with large programs and large projects, timing is everything. And exactly predicting when that might occur is more difficult. But we don't have a limitation of resources or even supply chain at this point that really is going to limit that potential.

Tim Moore | Analyst, Clear Street:

Thanks. That's really good granularity, and that's it for my questions. Congratulations on all the terrific progress. Thank you.

Operator | Conference Operator:

And this now concludes our question and answer session. I would like to turn the floor back over to Mike Bieber for closing comments.

Investor Relations | Head of Investor Relations:

Great. Well, thank you for your interest and will then, and we look forward to speaking with you next quarter.

Operator | Conference Operator:

Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. You may disconnect your lines and have a wonderful day.