

NYSE:ORN Q2 2025 Earnings Call Transcript

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Operator | Conference Operator:

Good morning and welcome to the Orion Group Holdings Second Quarter 2025 Financial Results Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your telephone keypad. To withdraw your question, please press star, then two. Please note that this event is being recorded. I would like now to turn the conference over to Margaret Boyce, Investor Relations for Orion. Please go ahead.

Margaret Boyce | Investor Relations:

Thank you, operator, and thank you all for joining us today to discuss Orion Group Holdings Second Quarter 2025 Financial Results. We issued our earnings release after market last night. It's available in the Investor Relations section of our website at oriongroupholdingsinc.com. I'm here today with Travis Boone, Chief Executive Officer, and Alison Vasquez, Chief Financial Officer. On today's call, management will provide prepared remarks, and then we'll open up the call for your questions. Before we begin, I'd like to remind you that today's comments will include forward-looking statements under the Federal Securities Law. 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 are forward-looking statements. Our actual financial conditions and results of operations may vary materially from those contemplated by such forward-looking statements. Discussion of the factors that could cause our results to differ materially from these statements are contained in our SEC filings, including our reports on Foreign 10Q and 10K. I'd also like to let you know that a reconciliation of unburdened EBITDA for our segments is available on the Investor section of our website at oriongroupholdings.com. With that, I'll now turn the call over to Travis. Travis, please go ahead.

Travis Boone | Chief Executive Officer:

Thank you, Margaret, and good morning, everyone, and thank you for joining our second quarter 2025 conference call. Before we cover the financial results, I'd like to introduce our new CFO, Allison Vasquez, who joined us last month. Allison has deep leadership experience across finance, M&A, and the construction industry with several Fortune 500 public companies. With the first phase of our transformation largely complete, Allison brings the right to the attention of our clients, and she's the one who's going to be leading the financial discipline and strategic insight to help guide us through the next phase of our growth strategy. After my market overview, I'll turn it over to Allison to discuss our financial results. On to the quarter. We've delivered another strong performance in the second quarter, with revenue increasing 7% to \$205 million and adjusted EBITDA doubling to \$11 million from the second quarter last year. On a sequential basis, revenue grew 9% and adjusted EBITDA increased 34%. Our results were primarily driven by new contract awards in both segments and reflect our commitment to disciplined, profitable growth. We continue to see strong demand across the markets we serve as evidenced by our backlog for both operating segments growing over the first six months of the year. Our opportunity pipeline also grew from \$16 billion last quarter to \$18 billion today, fueled by diverse growth drivers with multiple sources of public and private funding, which gives us continued confidence in our plans for growth. We remain focused on our business development strategy that prioritizes mission-critical projects with good margins for high-quality clients. In our marine segment, we see robust opportunities resulting from the U.S. Navy's strategy in the Pacific, port expansions and maintenance,

and coastal rehabilitation and energy infrastructure. Our pipeline remains robust with several large-scale opportunities under active pursuit that represent potential work over the next couple of years and align well with our strategic growth objectives. Overall, we are encouraged by the breadth and quality of the prospects ahead and will continue to see momentum remain strong. In the quarter, our marine business was awarded a contract for an export dock replacement project in the Pacific Northwest to remove and replace an existing timber berth structure and replace it with a new concrete structure supported by large-diameter steel pipe piles. This project is expected to be completed in the third quarter of next year. We also won two projects with the Port of Tampa Bay. The first is a three-year maintenance dredging contract for the port, which is estimated to begin later this quarter and continues our long history of providing maintenance dredging for the Port of Tampa Bay. The second award is for a critical port infrastructure improvement project to support the rapid population growth in the Tampa region and increasing demand for construction and bulk materials. In our concrete business, we have strong opportunities with an expanding base of clients. Data center investment from hyperscalers and the AI race remains exceptionally strong. While we are experiencing increased competition on data centers from new market entrants in the concrete business, we continue to win a healthy share of opportunities coming to market by consistently exceeding client expectations, particularly in schedule, quality, and safety performance. Our pipeline is diverse and in the quarter we were awarded contracts for new projects spanning energy, consumer goods, and transportation. These projects are expected to commence in the third quarter of 2025 with an estimated duration of about a year. Last year we expanded into Florida with minimal upfront investment and the results have been very encouraging. Both of our operating segments are now actively executing projects across the state of Florida. Building on that momentum, we recently opened an office in Phoenix to capitalize on continued data center investments and other commercial growth in Arizona. As we look ahead, we are enthusiastic about our long-term growth opportunities which are driven by multiple concurrent sources of public and private funding. The recent move to our new headquarters in central Houston has brought our teams across Houston together under one roof, fostering stronger collaboration and a unified culture. With the best operations teams in the industry, an outstanding safety record, and high barriers to entry that limit competition, we are well positioned to capitalize on the significant demand for marine infrastructure and concrete construction projects. The political winds are blowing in our favor with President Trump and the federal government focused domestically on reshoring manufacturing and shipbuilding in the U.S. and internationally on investing in military infrastructure in the Pacific over other geopolitical regions. In addition, we believe that the recently passed One Big Beautiful Bill Act will have several notable positive impacts for our marine and concrete businesses. Specifically, the bill appropriates \$4.4 billion for shoreside infrastructure including ports, maintenance facilities, and training centers. It also includes wide-ranging benefits for our energy and industrial clients to make their projects more financially compelling. For example, the bill includes provisions to lower operating costs, expedite permitting, and minimize taxes. Also, last week's executive orders were intended to further American AI dominance by incentivizing fresh investments in new data centers and related infrastructure. Combined, these tailwinds are expected to benefit the Bookings environment over the next several years and will serve as a significant catalyst for our long-term growth. I'll now turn it over to Allison to discuss the second quarter financials. Allison?

Allison Vasquez | Chief Financial Officer:

Thanks, Travis. I'm delighted to be here. There's a real sense of momentum throughout the organization and I've been thoroughly impressed by the caliber and the commitment of the team. Top to bottom, the people of Orion are aligned and energized around our strategy to be the premier specialty construction partner delivering with predictable X1. It's clear that a great deal of work has gone into professionalizing both front and back offices and the team has built a solid foundation, maturing the organization such that today we are well positioned to pursue disciplined growth in attractive, expanding markets. I see tremendous potential for Orion to capitalize on favorable tailwinds across multiple mission critical themes. Infrastructure modernization, AI investment, defense, and energy security, great people, differentiated capabilities, happy clients, and healthy end markets, what's not to love. And I definitely know that I made the right choice in

joining Orion. I now will turn to the second quarter results. As Travis highlighted, we delivered an excellent second quarter with consistent execution that translated to top line growth, improved margins, and meaningful earnings growth on both a gap and adjusted basis. I'll start with the consolidated results where revenues increased 7% over 2Q2024 and 9% sequentially to \$205 million in the quarter. The increase was driven by new bookings and increased volume across both of our business segments. Gap net income for the second quarter was \$800,000 or \$0.02 per share and adjusted net income was \$2.7 million or \$0.07 per share. Adjusted EBITDA doubled to \$11 million in the quarter compared to 2Q24 with margins improving 240 basis points to 5.3%. The overall increase in profitability is primarily attributable to strong performance across both segments that I'll touch on momentarily as well as moderation of G&A, reduced borrowing costs, and some benefits from taxes coming through the quarter.

Laura Meyer | Analyst, B. Riley Securities:

In this

Allison Vasquez | Chief Financial Officer:

quarter, we used about \$5.6 million of cash for operations, primarily attributable to working capital timing on a couple of large projects, and we used about \$6 million of cash for investing activities. We ended the quarter with approximately \$31 million of net debt. From a backlog perspective, we added approximately \$111 million in new awards and change orders in the quarter, as Travis mentioned earlier, and combined with a particularly strong first quarter, we reported backlog of almost \$750 million, which is up modestly for the first half of 2025. From a segment perspective, marine revenues increased 3% over 2Q24 and 6% sequentially to \$135 million in the quarter, and marine adjusted EBITDA grew to \$12.7 million for the quarter, a .4% margin for the marine operations. The marine EBITDA dollar and margin growth from last year are primarily attributable to efficiently closing out projects in 2025 and project delays in 2024 that did not recur in 2025. For the concrete segment, revenues increased 14% over 2Q24, or 14% sequentially, to \$70 million in the quarter, and concrete adjusted EBITDA was a \$1.7 million loss compared to \$4 million of profit in 2024. The EBITDA reduction year over year is primarily attributable to favorable project closeout benefits in 2024 that did not reoccur in 2025. It's worth noting that our reported segment EBITDA margins are fully burdened with both corporate SG&A and segment SG&A and corporate SG&A. If we exclude corporate SG&A from the operating segment, concrete standalone contribution EBITDA margin would have been right at 5% and marine would have been 13%, both generally in line with management expectations. Moving on to our financial outlook, we're pleased to reaffirm our full year 2025 guidance of revenue in the range of \$800 to \$850 million, adjusted EBITDA in the range of \$42 to \$46 million, adjusted EPS in the range of \$0.11 to \$0.17, and capex of \$25 to \$35 million. Now back to Travis to wrap it up.

Travis Boone | Chief Executive Officer:

Thanks, Allison. We've delivered a strong quarter of revenue, EBITDA, and EPS growth and are tracking nicely with our 2025 guidance. We have a healthy pipeline of private and public opportunities that support multiple enduring growth themes. The recent consolidation of our offices to our new headquarters has brought our teams together under one roof, fostering stronger collaboration and a unified culture. And we have the right team to execute on the next phase of our strategy. Finally, I want to thank all of our employees for continuing to execute safely and with predictable excellence, and to our shareholders for continuing to believe in us. Thank you for attending our earnings call. I'll now turn it over to the operator for question and answers.

Operator | Conference Operator:

We will now begin the question and answer session. To ask a question, you may press star, then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw it, please press star, then two. At this time, we will pause momentarily to assemble our roster. Our first question comes from Aaron Spichala of Craig Hallam. Please go ahead.

Aaron Spichala | Analyst, Craig Hallam:

Yeah, good morning, Travis and Allison. Thanks for taking the questions. Maybe first for me, you know, good to see the pipeline grow to 18 billion. Can you just kind of talk about some of the key drivers of the expansion there and then, you know, just thoughts on converting some of that to orders in the back half? Are you seeing any, you know, slowing or extending of kind of quote to orders? Thanks.

Travis Boone | Chief Executive Officer:

Good morning, Aaron. We I think part of the part of the driver on the growth of the pipeline, we did have it was a little bit lighter of a quarter for bookings in the second quarter from the first quarter. And I think some of some of the slide of and that's are mostly attributable to private sector clients that maybe tap in the brakes just a bit with uncertainty with economic things or tariff situations, whatever it might be that made some of the private sector, like I said, sort of tap the brakes on awarding some projects. So I think there was there was a shift, a shift from the second quarter kind of into the back half of the year as kind of confidence gets regained and and people start to maybe, you know, whether it's interest rates drop, things like that. I think everybody's kind of not everybody, but there are there are some clients that are holding off on making making big decisions on on awarding projects until they see see some some of the ups and downs slow down as well as maybe see interest rate relief and that sort of thing.

Aaron Spichala | Analyst, Craig Hallam:

All right. I appreciate the color there. And then maybe second on concrete, you know, can you just maybe give a little more color on the data center opportunity, what that pipeline looks like and growth outlook there and then just on margins, you know, sounds like some kind of close outs and some of the corporate burden, but just maybe talk about the confidence and hitting some of the targets you've laid out for high single digit margins there.

Travis Boone | Chief Executive Officer:

Yeah, I guess first on the on the high single digit margins, we talk about that for for concrete. That's not necessarily immediate term. That's more in the longer term. So keep that in mind. But as far as the data center kind of pipeline and activity there, it's still still fairly fairly hot. We haven't seen it. We haven't seen it slow down a lot. What we have seen is a few new entrants into the market, as I mentioned on the call that, you know, adding adding some additional competition. But we're we're still we're still feeling really good about about our opportunities, our partnerships with with general contractors and and our ability to continue to do data center work.

Aaron Spichala | Analyst, Craig Hallam:

All right. And then just maybe last on the balance sheet and cash flow. You know, how how are you thinking about free cash flow kind of conversion in the back half? Sounds like there's some working capital in the second quarter. Thanks.

Allison Vasquez | Chief Financial Officer:

Thanks for the question, Aaron. We there definitely was some use of capital in the first half of 2025. I would say that it's a bit modulated or a bit improved over what we saw last year. But we are seeing some good indications just in the month of July. We've seen some good traction from a collections perspective. So some reverting back to the norm

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Allison Vasquez | Chief Financial Officer:

a balance sheet and working capital perspective. We also ended July or we're ending July with, you know, paydown of the borrowing that we had on the revolvers. So that's nice to see in terms of just strength of the overall balance sheet and working capital focus across the organization. And we are seeing some improvement in that area. So we do expect the back half of the year to be good.

Aaron Spichala | Analyst, Craig Hallam:

All right. Thanks for taking the questions. I'll turn it over.

Travis Boone | Chief Executive Officer:

Thanks, Aaron.

Operator | Conference Operator:

The next question comes from Julio Romero of Sudoti and Company. Please go ahead.

Julio Romero | Analyst, Sudoti and Company:

Thanks. Good morning, Travis and Allison. Last quarter, I think you had mentioned four large pursuits with decisions expected in the next couple of months. I wanted to ask if you had any additional visibility into those specific pursuits and the decision timeline for those particular projects?

Travis Boone | Chief Executive Officer:

Yeah, those that I referred to were all part of when I – in the last question when I was saying there were some delays on decisions when the private sector, all four of those slid a little out of the second quarter. One of those has been submitted and we expect here in the next month or so. And then a couple of them are in – will be later in the third quarter.

Julio Romero | Analyst, Sudoti and Company:

So. Okay, great. And does the new tax reform guidance passed in July, does that help at all with regards to customer decision making going forward?

Travis Boone | Chief Executive Officer:

On the – what was that again, Julio? Sorry.

Julio Romero | Analyst, Sudoti and Company:

The tax reform bill, the reconciliation bill, does that help your customers with regards to kind of yay-nay on decision making for some of these projects?

Travis Boone | Chief Executive Officer:

I think it will. I mean, I think there's – like I said, there's uncertainty and I think the more certainty that customers get, the more likely they are to make the decision to make capital investments. So, to me, it's all about comfort and clarity and certainty on the variables that have been kind of presented to everybody over the last six months. So, the more comfortable people feel with – that they know what the future holds, then I think, you know, the pocketbooks open up and projects start going.

Allison Vasquez | Chief Financial Officer:

Yeah, and I'll add to that by just saying that the bill absolutely makes permitting easier just from a deregulation perspective. There are definitely some tax benefits to make some of the investments a lot more financially attractive quicker. So, it does help from an outlook perspective as our clients are thinking through what investments they make and where it will help them expedite some of those decisions by making those capital decisions a little more financially feasible in the near term.

Julio Romero | Analyst, Sudoti and Company:

Very helpful. And then one more, if I could, is on the concrete segment. I know you spoke a little bit about the competitive environment and some new entrants coming in, especially on the data center side. Can you maybe just talk about, Orion, and how you're positioning yourself to win as that environment has evolved?

Travis Boone | Chief Executive Officer:

Yeah, I mean, the good thing about, you know, the relationships we have with the general contractors that do a lot of data center work, we've got deep, long relationships. We've done a large number of data center projects, well over 30 projects that we've either completed or are in the process of completing with very strong, great work on the safety side and the quality side, meeting schedules, all the things that owners and general contractors care about on the data centers. So, we're still in great shape from the relationship perspective and proof that we can deliver. And so, that gets us a lot of credibility. And, you know, as we see some of these new entrants come in, I think they'll either fail and find their way out or, you know, I'm not concerned about it, I guess. I wanted to point it out because it's just in the interest of transparency, but we're still feeling really good about data centers and the number of opportunities in our relationships.

Julio Romero | Analyst, Sudoti and Company:

Very helpful. I'll pass it on. Thanks, guys.

Travis Boone | Chief Executive Officer:

Thanks, Julio.

Operator | Conference Operator:

Our next question comes from Brent Tillman of D.A. Davidson. Please go ahead.

Brent Tillman | Analyst, D.A. Davidson:

Great. Thanks. Good morning.

Aaron Spichala | Analyst, Craig Hallam:

Morning, Brent.

Brent Tillman | Analyst, D.A. Davidson:

Yeah, I guess I wanted to pick a bit more on what the major drivers were to the strong bottom line performance at Marine this quarter. What sort of carries forward for you in terms of projects into the second half? How much do you still have to go out and get, I guess, ultimately to drive this? Yeah, kind of the reaffirmed guidance here for that business group.

Travis Boone | Chief Executive Officer:

Sure. I think the biggest drivers, we've got multiple good sized projects going at once. Kind of the, beyond just, you know, kind of last year, we talked about two major projects that were real contributors on the Marine side. That was, you know, the Hawaii projects with Pearl Harbor as well as the Grand Bahama Shipyard. Well, we've got those two going. Plus, we've got multiple other fairly large projects that are underway and contributing a lot to the kind of to the mix here. So it's more than just a tale of two projects. It's multiple projects contributing strong delivery by our teams, good discipline and focus on the bids and bidding at the right numbers. And I think that's going to continue as we see all of these opportunities coming in front of us in the next 6, 12, 18 months.

Brent Tillman | Analyst, D.A. Davidson:

Travis, presumably Hawaii and Bahamas wind down in the second half, but you've got a lot of other things going that I would think maybe help smooth that transition. Is that fair?

Travis Boone | Chief Executive Officer:

That's fair, Brent. We've got Hawaii and Grand Bahama will start to kind of ramp down, but not a ton until kind of later, late in the year and into next year. But they will start winding down. But we've got several other good projects that are contributing.

Allison Vasquez | Chief Financial Officer:

Yeah, and I'll just add to that by saying that from a work under contract perspective, as we enter the second half, the work under contract outlook is quite good, which is Travis mentioned in his opening remarks. And then also from a margin perspective, that the margin performance through the first half of the year has been right in line with what we expected, right in line with the guide. And we expect to see just a continuation of the consistent delivery of both top line and the bottom line from an overall perspective.

Brent Tillman | Analyst, D.A. Davidson:

Okay. I know there was some pretty atrocious weather in some parts of your concrete business this last quarter, I guess, is the sun shines again. Maybe you could just talk about maybe the pick up you're seeing in that business group here this summer.

Travis Boone | Chief Executive Officer:

Definitely. Let the record note that you brought up weather, not us. Oh, I hear about Travis. Yeah, it is. It was definitely a factor in actually the first half of the year. We've had a tough year for concrete, lots of weather in Texas and in Florida for our concrete guys, which has been challenging to overcome. And it has impacted us on the revenue side of things. You know, we're optimistic that the back half of the year, typically the back half of the year, the weather is better in these areas, generally speaking, not to throw out the chance of a big named storm or whatever. But generally speaking, the back half of the year, the weather is better and we're expecting to kind of recover some of the lost revenue in the first half in the back half in the concrete business.

Brent Tillman | Analyst, D.A. Davidson:

Maybe just one more. The federal military kind of naval opportunities are vast, I know. Is the update Travis on timing maybe I know is normal for these things to move around. But what are the award timing opportunities here for those things you're tracking and particularly in the Pacific?

Travis Boone | Chief Executive Officer:

Yeah, we're definitely seeing some sliding around with some of these Navy opportunities. They have been, seems like they tend to slide to the right and take longer to award than we would think they should. And we are we are seeing more of that. As far as, you know, expected timing, I don't anticipate that. Well, I'm pretty confident we won't get awarded anything this year. There won't be much effect. As of the as of last night, the update I saw, I don't expect there to be projects awarded this this fiscal year. Hopefully by mid next year, we'll see a couple of those things come come in, but it'll be it'll be next year at best.

Brent Tillman | Analyst, D.A. Davidson:

And sorry, but absent that. Do you feel pretty comfortable? There's pretty good opportunities to build the backlog into the end of the year. Does the private side hesitation give you a pause on that? Maybe that if you could just comment on that.

Travis Boone | Chief Executive Officer:

Yeah, there's there's still a ton of opportunities, Brent. It's on it's on the private side as well as public side across the business that we feel we still feel really good about, you know, building building backlog. It might, you know, maybe it's we're not quite as ambitious as we were early in the year with with kind of having a quarter of of slower slower opportunities, but definitely still optimistic about the year and building our backlog this year.

Brent Tillman | Analyst, D.A. Davidson:

Great, great. Thanks.

Operator | Conference Operator:

As a reminder, if you would like to ask a question, please press star then one on your telephone keypad. Our next question comes from Laura Meyer from B Riley securities. Please go ahead.

Laura Meyer | Analyst, B. Riley Securities:

Hi, Travis and Allison. Good morning. My first question is you mentioned developing relationships with strong partners in data centers. Are you seeing opportunities to expand these relationships into other verticals?

Travis Boone | Chief Executive Officer:

Good question. Yes, definitely. We've got some of our strongest relationships with some of these general contractors. We are leveraging those to be we were working on a medical project, for example, with one of our our strong partners doing some kind of higher ed as well as some kind of more commercial commercial type industrial projects. So definitely we've been able to leverage those relationships and other types of opportunities.

Laura Meyer | Analyst, B. Riley Securities:

Great. And then one more. Are your order wins coming from market growth or more taking share from competitors and how sustainable is this competitive advantage?

Travis Boone | Chief Executive Officer:

Are you referring to concrete or marine or all of the above?

Laura Meyer | Analyst, B. Riley Securities:

All of the above, Travis.

Travis Boone | Chief Executive Officer:

Okay, I would say we're It's probably a mix a little where we're taking it from taking it from competitors and as well as having a better approach to to win in the work as far as, you know, putting a lot of effort into upfront development of the of our bids and our proposals and And doing the work upfront necessary to have a better have a better mousetrap, so to speak, to win the win the project.

Laura Meyer | Analyst, B. Riley Securities:

Great. Thanks.

Operator | Conference Operator:

This concludes our question and answer session. I would like to turn the conference back over to Mr. Travis Boone for any closing remarks.

Travis Boone | Chief Executive Officer:

I just want to thank everybody for joining. Appreciate everybody sitting through our call today as well as also want to as as always thank our guys out in the field working in the elements day in and day out to to help us deliver our business. Have a good day.

Operator | Conference Operator:

This concludes our presentation. Thank you for attending today's conference. You may now disconnect.