

# NYSE:ORN Q3 2025 Earnings Call Transcript

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## Allison | Chief Financial Officer:

14 million year to date. We wrapped up the quarter with 21 million of net debt or just under half a turn of leverage on a TTM EBITDA basis, which is a very healthy place for Orion. As the boss covered earlier, in October, we were very happy to close on the sale of the East West Jones property. The transaction resulted in a significant cash upside of over \$22 million net of commissions and taxes and a nominal book charge, which will be reflected in our fourth quarter results. We expect to use the proceeds to pay down debt and for general corporate purposes. From a backlog perspective, we added approximately \$160 million in new awards and change orders in the quarter, and at quarter end, backlog stood at \$679 million. Moving on to segment results. From a segment perspective, marine revenues increased just about 2% over the third quarter of 2024 and 6% sequentially to \$143 million in the quarter. And marine adjusted EBITDA grew over 50% to \$18 million in the quarter, which represents a 12% margin this period compared to 7% in the same quarter of 2024. Strong marine margins are attributable to a greater mix of higher margin revenue, excellent execution and project closeouts, and favorable equipment utilization. Concrete revenues decreased 5% over prior years and were up 17% sequentially to \$82 million in the quarter, and concrete incurred a \$4 million loss in adjusted EBITDA for the quarter compared to a \$4 million profit in the third quarter of 2024. The reported adjusted EBITDA reduction is primarily attributable to favorable project closeout benefits in 2024 that did not reoccur in 2025. Some weather issues in the quarter also impacted chargeability in our concrete business this quarter. For reference, concrete's contribution EBITDA margin in the quarter was right at 2%. I'll wrap up with our guidance update. We're very pleased to update our full year 2025 guidance as follows, increasing our revenue guide to \$825 million to \$860 million, increasing our adjusted EBITDA guide to \$44 million to \$46 million, increasing our adjusted EPS guide to \$0.18 to \$0.22, and reiterating our CapEx guide of \$25 to \$35 million. I'll now pass it back to Travis to wrap it up.

## Travis Boone | Chief Executive Officer:

Thanks, Allison. We have all the pieces in place to finish the year strong, and I'm even more excited about what lies ahead in 2026 and beyond. I want to thank our shareholders for their continued confidence in us and our people for the exceptional work they do every day in the field to deliver safely for our customers. Operator, we're ready to take questions.

## Operator | Conference Operator:

Thank you. We will now begin the question and answer session. To ask a question, you may press star, then 1 on your touchtone phone. 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 your question, please press star, then 2. And our first question today will come from Erin Spectula with Craig Hallam. Please go ahead.

## Erin Spectula | Analyst, Craig-Hallam & Co.:

Yeah, good morning, Travis and Allison. Thanks for taking the questions. You know, first for me, you know, noticed a slide in the deck on the pipeline, you know, detail on award dates and opportunity size. Can you just maybe talk a little bit about that? You know, has that split by opportunity size been pretty consistent? And just any thoughts on expected traction with some of those larger opportunities?

### **Travis Boone | Chief Executive Officer:**

Good morning, Aaron. Sure, yeah, we can hit on that slide. So it's um you know we we have been talking about our pipeline for uh for a while in the in the in the increase in size of our pipeline so we have been working to kind of provide some more information on the pipeline based on a lot of questions about about it and so we uh we we just could try to find a way to break it up so people could have a little better fuel for what's in there, when it's coming, and the size of the opportunities. But generally speaking, I would say it's fairly consistent. Our pipeline for next year is very strong. Still got some good opportunities this year that we're working on bringing in the door, and good, very strong opportunities for 2026. So anything to add to that?

### **Allison | Chief Financial Officer:**

Just to reiterate the comment from the call on the over a billion dollars of projects and opportunities that we have that are in the queue awaiting award decisions. The number has stayed pretty consistent around that 1.2 billion, so over a billion, which is a really healthy place for us to be. That number has actually grown through the year. If we look back through the earlier part of the year, just because of some of the delays that we're seeing with some of our clients and some of the pauses that our clients have put on. So it's nice to see that bid submitted and awaiting award number continue to be a very robust 1.2 billion.

### **Erin Spectula | Analyst, Craig-Hallam & Co.:**

Understood. Uh, thanks for the color there. And then, you know, does that include the, the, the opportunity in Washington with the estuary or, or, you know, maybe just, can you give an update there on, on how, uh, that. Yeah, good.

### **Travis Boone | Chief Executive Officer:**

Good question. So that's the, uh, the Deschutes estuary project that we won, uh, almost a year ago when I believe in late, late 2024, early 2025 timeframe. Uh, it's, it's not included in the, in the pipeline. Um, it's kind of in a weird spot where it's, uh, It's an awarded, not booked project because we've won it, but it's not – so it doesn't show up in backlog, nor does it show up in our pipeline. It's in kind of a weird limbo spot until we actually get under contract to do the work, which is probably going to be about a year or so out before we actually start that work. So good question.

### **Erin Spectula | Analyst, Craig-Hallam & Co.:**

Got it. And then – You know, can you just give a little bit more detail on the data center opportunity? Just, you know, how much of the concrete business does that represent today and maybe the pipeline there? You know, are you seeing quoting, you know, pickup, any, you know, average deal size pickup and just how you're thinking about opportunity there as we head into 2026?

### **Travis Boone | Chief Executive Officer:**

Definitely, it's remained very steady on the data center opportunity side of things. We've been, you Bidding quite a large number of projects on data centers. To your question specifically, it's about 27% of our pipeline is data centers and about 27% of our current revenue in 2020 and the quarter, I should say, for concrete was 27% of concrete's revenue for Q3 was data centers. And lots of continuing activity there with bid opportunities.

**Erin Spectula | Analyst, Craig-Hallam & Co.:**

Understood. Thanks for taking the questions. I will turn it over. The next question is from Liam Burke with B Reilly Securities.

**Operator | Conference Operator:**

Please go ahead.

**Liam Burke | Analyst, B. Riley Securities:**

Thank you. Good morning, Travis. Good morning, Allison. Good morning, Liam. Travis, you had, or Allison touched on the negative operating profit for concrete. We're looking at sequential backlog step up. Could we anticipate a more profitable mix in the backlog as we move into the fourth quarter?

**Travis Boone | Chief Executive Officer:**

Yes, definitely. We're expecting concrete to continue to be in a good place. As she mentioned, when you compare it over last year, it doesn't look super favorable based on some big pickups around this time last year. But as far as the concrete business, we remain confident in the profitability and the good business that it is.

**Liam Burke | Analyst, B. Riley Securities:**

Great. Thank you. And have you seen any either good or bad movement on major projects due to policy changes with the administration?

**Travis Boone | Chief Executive Officer:**

None that affect us, no. We haven't seen any movement related to policy changes. Some of the movement that's happened has been related to You know, there's been movement in the private sector over the last couple of quarters with awarding projects based on kind of uncertainty around tariffs and things like that. There's been some movement in other, you know, whether it's the Navy opportunities in the Pacific that I talked about last quarter, some of that slid out a year based on funding from Congress and some other things, but no policy-related shifts or changes.

**Allison | Chief Financial Officer:**

Yeah, I would... I would just add that from a regulatory perspective, I mean, the deregulation that we're seeing happening is a benefit to our clients, and some of the tax benefits that are coming in on deductibility of interest and deductibility of fixed assets, the acceleration of those things, those things should continue to reduce the outlook for our commercial clients especially.

**Liam Burke | Analyst, B. Riley Securities:**

Great. Thank you, Travis. Thank you, Allison.

## **Operator | Conference Operator:**

Of course. The next question will come from Brent Salmon with DA Davidson. Please go ahead.

## **Brent Salmon | Analyst, D.A. Davidson:**

Hey, thanks. Good morning. I guess Travis or Allison, maybe the first question just back to Maureen. I'm trying to think through these really strong results here, the contribution from your two big projects to those margins. And then I guess really get into the point of, you know, what we think is kind of a sustainable solution margin threshold going forward through the segment, especially considering some of the somewhat slower bookings here in the last couple quarters.

## **Allison | Chief Financial Officer:**

Sure. I'll start on that. From a margin perspective, we were really pleased with the Marines' performance in the quarter. And I would say that there were some – we saw some benefits that came through, some upsides. But I would also add that they were not unusual in terms of the amounts or the magnitudes we had – or the magnitude. We had really great performance across the business. We had great performance. across the Atlantic, in the Gulf. We had really strong performance in dredging, which you'll see just the uptick in those when we publish the queue later today. But the dredging was very strong in the quarter, which ultimately benefits us, top line and bottom line, because of the very favorable equipment utilization that we get out of that. While there were a handful of upsides that we recognized in the quarter, I wouldn't say they were meaningful. I would say that the more meaningful driver of performance was really the operational performance really led this quarter by dredging so hats off to that team.

## **Brent Salmon | Analyst, D.A. Davidson:**

Okay. And then the elevated SG&A, Allison, as you mentioned, is sort of a factor for the lower year-on-year performance. EBIT performance. I guess your thoughts on where that goes going forward. What is that predominantly focused toward? How do you harvest that investment you're making in the business as we think about that going forward?

## **Allison | Chief Financial Officer:**

Sure. I would say that A couple of million of the SG&A uptick from a year-over-year perspective is related to investments in the business, like just directly in the advancement of or the expansion into the Atlantic or region for concrete into Phoenix, some of those offices that we're investing in that we're setting up so that they will fuel some of the organic growth that we are expecting going forward. And then I would say that probably the other big driver is there is some lumpiness associated with how certain employee costs were recorded last year as compared to this year that created a quarter over quarter increase, but from a sequential perspective, pretty consistent and in line.

## **Brent Salmon | Analyst, D.A. Davidson:**

Okay. And then last one, just in consideration of the balance sheet here, you've obviously got the property sale, which comes in at the end of the year. Maybe just your expectations for cash flow in the fourth quarter, I guess, especially as some of these larger projects wind down, presumably receivables come in. Should we or could we see sort of a big windfall in cash flow into year end?

**Allison | Chief Financial Officer:**

The East West Jones for sure, results in just a \$23 million of cash that drops to the bottom line. Now, that'll go through investing, so that'll be an investing activity, not an operating activity, but cash in our treasury, which is nice. And that cash, we have already received that cash, so it's nice to have that in our pocket now. From the rest of the business perspective, I don't see really a downturn in the cash collection cadence. The team is really focused on very keenly identifying, targeting, and going after and reducing our past due balance sheet and really optimizing the working capital on the balance sheet. And I think that you can see that while we only report from a quarter to quarter perspective, you can see that really in the interest expense and the significant step down that we had this quarter from an interest expense perspective. And that step down is related to Just a significant amount of work that the team has put into optimizing the balance sheet so that we could minimize borrowings under the revolver. So do I think that from a fourth quarter perspective, we could see good cash? We will see good cash from East West Jones. We've not seen a slowdown in cash collection activity in the rest of the business. We have a couple of months to go, so we'll see. But so far through October, it's been good.

**Operator | Conference Operator:**

Great. Thank you.

**Travis Boone | Chief Executive Officer:**

Thanks, Brent.

**Operator | Conference Operator:**

The next question will come from Alex Rigel with Texas Capital. Please go ahead.

**Alex Rigel | Analyst, Texas Capital:**

Thank you. Good morning, Travis and Allison, and congratulations on the sale of EastWest. That's great news.

**Travis Boone | Chief Executive Officer:**

Thanks, Alex. You've been hearing us talk about that for a lot of years, so.

**Alex Rigel | Analyst, Texas Capital:**

Good to see you got the sale done. Quick question for you on that. Is there a way for us to think about what the present value of the dredge spoil sort of 10-year agreement is at that site?

**Travis Boone | Chief Executive Officer:**

Yeah, probably we're going to keep the details on that. just for competitive advantage purposes to ourselves. But part of the reason we were okay taking a lower purchase price on that is because we were able to find a way to kind of use the property again through being able to use it for dredge spoils going forward. It's good news.

**Alex Rigel | Analyst, Texas Capital:**

And then as it relates to your expanded bonding capacity, can you talk about the value of bonds you have outstanding right now? And I guess what I'm trying to get to here is just what is the kind of remaining opportunity balance that you have with that new bonding capacity?

**Travis Boone | Chief Executive Officer:**

I'll say it this way. We had a fair amount of available capacity before we got this increase. What this does is just allow us to – continue to bid larger projects and facilitate the growth that we see coming here in the next few years. So obviously we're going to keep working on adding additional bonding capacity to the mix to continue to kind of stay in front of our ability to grow and bid bigger projects.

**Alex Rigel | Analyst, Texas Capital:**

And then lastly, as it relates to the data centers, Have you seen a notable increase in the size of the project opportunity for these data centers? And how does that compare to, say, two or three years ago?

**Travis Boone | Chief Executive Officer:**

Compared to two or three years ago, I would say definitely there's some bigger ones in the mix now. We did do a large one a couple of years ago in North Texas, and that was kind of a one-off, but it seems like now there are more of those larger type – larger data centers that we have visibility to and are bidding on. We've talked about the one we're working on in Iowa. It's a large data center, a very large data center. Thank you very much.

**Operator | Conference Operator:**

Again, if you have a question, please press star, then 1. Our next question will come from Jason Usainer with Bumbershoot Holdings. Please go ahead.

**Jason Usainer | Analyst, Bumbershoot Holdings:**

Good morning. Thanks for taking my questions and congrats on finally closing the East West Jones sale in a great quarter. It was about a year ago that I was asking you during the World Series about this field of dreams vision and there was kind of clear daylight for significant growth in demand for the marine services coming over the next couple of years and just not a lot of contention it felt like that you've kind of built the right platform to capitalize it and so the question i had then was kind of really around execution and margin profile and so it feels like kind of this year some of those big pursuits with the navy slid out a little bit um you know kind of started to talk about the transformational growth 2026 and beyond and so not a lot of change in the vision but just kind of maybe this delayed onset so just kind of to update on the overall long-term vision that you're you know you're building it and that it's coming on the demand side, everything from your prepared script, you know, the bonding, the pre-approved Mac team kind of sounds like there's still a lot of clear catalysts that all the growth is coming and, you know, answered it a little bit in the Q and a, but maybe just, reiterate anything that could cause shocks to that investment in the Pacific and just sort of this whole vision of demand materializing. And then, you know, to the extent that it does kind of come the way you're envisioning, whether, you know, you still think it's likely to translate to some of those long-term profitability targets that you previously laid out.

**Travis Boone | Chief Executive Officer:**

Sure. Yeah. Thanks, Jason. I think you kind of answered your question for me, I think, a little bit, but it definitely – The way we saw it a year ago, we still see everything the same, if not even more confident now, because we've delivered on getting some things accomplished over the last year that we were working toward. And so as far as the vision, if you will, is still the same. The only thing that's changed a little bit is some of those delays and some of the bigger changes contract opportunities in the Pacific that slid out a year. So that's really the only thing that's changed from a year ago. And so we're continuing to invest and work toward the growth opportunity that we see in front of us. Everything is going as planned. Everything that's in our control is going better than planned, I would say. And there's a couple of, you know, the biggest thing out of our control is those opportunities sliding to the right. But we feel like we've executed well on our plan, and we've delivered, and we're going to continue to do that. And, you know, when those opportunities do show up, we're going to knock them down and keep going.

**Allison | Chief Financial Officer:**

Yeah, and I would just ask that, Jason, that, I mean, the beautiful part about this business is it's not singularly threaded. Like, this is a multifaceted business, and so the opportunities in the Pacific are exciting, and they, you know, afford us, you know, some pretty interesting growth catalysts in the future. But, you know, today we're starting on, you know, a large project or starting on a large project in Texas on a large bridge project over water. We have a big port project that's going on in South Carolina. So there are a number of other opportunities that we pursue and that we win and that we are executing that are outside of the Pacific. The Pacific is exciting, but it's not the only story here.

**Jason Usainer | Analyst, Bumpershoot Holdings:**

Okay, great. Appreciate the answers and congrats on a great quarter.

**Travis Boone | Chief Executive Officer:**

Thanks, Jason.

**Operator | Conference Operator:**

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

**Travis Boone | Chief Executive Officer:**

Thank you all for joining our call today. We're super excited about where we are as a company and looking forward to coming back to you with our year-end results here in a few months. And also want to thank our team, all of you guys working hard every day to make this business work.

**Operator | Conference Operator:**

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.