NYSE:ORN Q1 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good day, and welcome to the Orion Group Holdings First Quarter 2026 Financial Results Conference Call. All participants will be in a 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 a touch-tone phone. To withdraw your question, please press star, and then two. Please note, this event is being recorded. I would now like to turn the conference over to Margaret Boyce, Investor Relations for Orion. Please go ahead, ma'am.

Margaret Boyce | Investor Relations, Orion Group Holdings:

Thank you, Operator, and thank you all for joining us today to discuss Orion Group Holdings' first quarter 2026 financial results. We issued our earnings release after market last night. It's available in the Investor Relations section of our website at oriangrupholdingsinc.com. I'm here today with Travis Boone, Chief Executive Officer of Orion, and Allison 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 laws. Forward-looking statements are identified by words such as will, be, intend, believe, expect, anticipate, or other comparable words and phrases. Statements that are not historical facts are forward-looking statements. Our actual financial condition 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 forward-looking statements are contained in our SEC filings, including our reports on Form 10Q and 10K. With that, I'll turn the call over to Travis. Travis, please go ahead.

Travis Boone | Chief Executive Officer:

Thank you, Margaret, and good morning, everyone. Thank you for joining us today to discuss our first quarter 2026 results. We delivered a solid start to the year, supported by disciplined operational performance and a healthy $24 billion pipeline of opportunities. This translated into top and bottom line growth and good cash flow generation. Our teams continue to execute at high level, positioning us well for the remainder of 2026. In our marine segment, demand for mission-critical maritime infrastructure continues to build, particularly across defense and port modernization projects. With the Iran conflict and disruption of traffic through the Strait of Hormuz, American naval superiority and domestic energy and petrochem security are front and center. These are meaningful drivers of public and private maritime buildouts that Orion is well positioned for. On another note related to the conflict in the Middle East, You may have heard that the administration paused the Jones Act related to the disruption in the Strait of Hormuz. This is a temporary pause specifically related to the transportation of bulk petroleum and fertilizer products. Previous administrations have made similar actions related to emergencies or disasters. While this limited pause of the Jones Act does not impact our business, we are strongly opposed to any and all Jones Act modifications. It does not align with the America First approach the administration has so publicly promoted, and this action has had little to no impact on reducing fuel prices in the United States. The President's 2027 budget proposal released earlier this month includes a $1.5 trillion defense budget, a historic increase to fund the expansion and modernization of U.S. shipyards, dry docks, and waterfront infrastructure, alongside expanding investment in maritime security and uninterrupted global transportation lanes. This budget prioritizes investment in hard assets tied to US national security, a central theme to Orion's long range growth outlook. Our commercial clients are signaling a growing

need for investments that increase energy security and supply diversification, particularly in North America. Buoyed by elevated product prices that support investment economics, we're seeing an acceleration of early work to support energy, chemical and petrochemical projects that include meaningful marine infrastructure to increase export capacity. With the addition of J.E. McCamus in February and continued investment in our people and fleet, our team is well positioned to deliver the maritime infrastructure projects critical to our national defense strategy and commercial resilience. Turning to concrete, this team delivered a fantastic quarter across all key metrics with strong revenue and impressive adjusted EBITDA expansion. Registering a 1.1 times book to bill in the quarter and executing with excellence, concrete is firing on all cylinders. Data center development continues to be a primary pillar for this business. Investment by hyperscalers and greenlining of projects continues to advance at a very brisk pace. In the quarter, data centers accounted for around 40% of concrete revenues. And with the current composition of backlog and pipeline, we believe data centers will continue to be a central driver of profitable growth for our concrete segment going forward. We also continue to see growing opportunities across our other sectors, including advanced manufacturing, transportation, and cold storage. Investments in these areas are driven by reshoring of manufacturing around long-term domestic production strategies, increasing demand for expanded distribution and fulfillment networks, and a favorable regulatory environment. With our recent expansion into site civil, earthwork, and underground utilities, we are seeing the size and scale of concrete pursuits and awards increase while also enhancing execution certainty and control for our clients and our own delivery teams. All in all, an outstanding quarter of bookings, execution, and teamwork for our concrete team. Our backlog is growing and our pursuit pipeline remains healthy with broad-based opportunities across both segments, as we move through the year. Our $24 billion pursuit pipeline is currently evenly distributed over time with roughly $8 billion in opportunities for 2026, $8 billion in 2027, and $8 billion in 2028 and beyond. At the end of the quarter, backlog stood at $668 million and included almost $220 million in new awards and change orders booked in the quarter. Representative awards included a couple of mid-sized port modernization and dredging projects, a bridge project for an Army base, a couple of good winds for the McCamas team, and a nice mix of concrete projects. We've continued the bookings momentum into April and have been awarded well over $200 million in new work that is not yet under contract, so it is not in our backlog, including a $100 million port renovation project, a $40 million dredging project, and a $24 million data center project. These new awards set us up nicely for a strong second quarter. With growing backlog and a robust pipeline, we are pleased to reaffirm our four-year 2026 guidance. I'll now turn it over to Allison to discuss our financials. Allison?

Allison Vasquez | Chief Financial Officer:

Thanks, Travis. We're pleased to report first quarter revenue of $216 million, gap net income of $4.7 million, adjusted EBITDA of 8.7 million, and adjusted EPS of 5 cents per share. As compared to the first quarter of 2025, these results represent a 15% growth in revenue, 7% growth in adjusted EBITDA attributable to strong momentum and expansion of services in our concrete segment, and solid, consistent, predictable project execution across the company. Before turning to segment performance, I want to briefly highlight a change to our segment reporting this quarter. We have revised our presentation to begin reporting three segments, marine, concrete, and corporate. We believe this disaggregation of corporate out of the results of marine and concrete will provide greater transparency into the underlying financial performance of each segment and is much more consistent with how we manage the business. Prior results have been recast to conform to the current presentation, and we've included a full recast of FY 2025 in our investor presentation posted on our website. Our marine segment reported revenue of $110 million and adjusted EBITDA of $12 million, representing an 11% margin, compared to $127 million in revenue and adjusted EBITDA of $17 million in the first quarter of 2025. These decreases were primarily due to the ramp down of several large projects and early starts on new projects kicking off. Our concrete business had a standout first quarter, as Travis talked about, reporting revenue of $106 million and adjusted EBITDA of $8.6 million, representing an 8% margin, as compared to revenue of $61.5 million and adjusted EBITDA of $2.8 million in the prior year quarter. These results represent a high watermark for both revenue and adjusted EBITDA, and are the direct result of outstanding productivity, execution, and momentum. We also benefited from the expansion of services that

Travis mentioned earlier. From a balance sheet perspective, we ended the quarter with just over $70 million of debt that included $53 million of outstanding borrowings under the UMB credit facility, which we used to fund the McCamus acquisition in the quarter. Our net leverage remains at a healthy level, providing meaningful balance sheet flexibility as we look ahead. All in all, we are pleased to reiterate our full year 2026 guidance initiated last month. That's it for me. Back to you, Travis.

Travis Boone | Chief Executive Officer:

Thanks, Allison. As we move through the year, our focus remains on executing our work safely, maintaining discipline across the organization, and delivering consistent results. I want to thank our shareholders for their continued support and recognize our teams across the business whose work every day drives our performance. Before I open the call for Q&A, I'd like to encourage our stockholders to cast your votes and participate in our virtual annual meeting coming up on May 19th. You can find the details in our proxy materials and on our website. Finally, I'd also like to take this opportunity to recognize and thank Tom Eminet and Peggy Fran for their service on our board. Each of them will be retiring from our board at the annual meeting, at which time the size of our board will decrease from eight directors to six directors. With that, I'd like to open it up for questions. Operator?

Operator | Conference Operator:

Thank you. We will now begin the question and answer session. To ask a question, you may press star, then one on your touchtone phone. If you are 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 and then two. At this time, we will pause momentarily to assemble the roster. The first question will come from Tomo Sano with J.P. Morgan. Please go ahead.

Tomo Sano | Analyst, J.P. Morgan:

Hi, good morning, everyone.

Jerry Sweeney | Analyst, Roth Capital:

Good morning, Tomo.

Tomo Sano | Analyst, J.P. Morgan:

Morning. Morning. So I'd like to ask about the guidance. Given the solid start of the first quarter and the positive project updates in April, there was no upward revision to your whole year guidance. Is this due to conservative assumptions in your outlook, or does it reflect some lag in the marine segment despite the strong performance in concrete? Could you elaborate on the key factors behind maintaining the current guidance, please?

Allison Vasquez | Chief Financial Officer:

Sure. I'll start and Travis can fill in. I would say, I mean, we just initiated the guidance last month and we had a pretty good view and I think we continue to have a good view. We have a, you know, given what Travis talked about in the call with regard to bookings post end of the quarter with the 200 million plus, especially more heavily weighted toward Marine, we're feeling more confident with just kind of what that path looks like

as things come into focus. But I would say, you know, from a first quarter perspective, the results came in pretty much right in line with what we expected from a profitability perspective. So we felt like it was prudent just to kind of hold where we are. And then as the year plays out, we'll see as those cards get dealt.

Travis Boone | Chief Executive Officer:

Yeah, Toma, we generally, you know, we want to under-promise and over-deliver. So we're going to take a conservative approach to things like this. generally, and we're going to hold the line for now and see how things progress over the next quarter or two.

Tomo Sano | Analyst, J.P. Morgan:

Thank you. And if you could talk about adjusted EBITDA margins contracted year over year in the first quarters, but could you elaborate on your concrete plans for the margin recovery after second quarters, please?

Allison Vasquez | Chief Financial Officer:

I would say that the margin impacts were attributable to just to the phasing of kind of where we are on projects, specifically in Marine. I mean, I assume that we're talking about Marine, which had the margins came down in that business during the quarter. But really just as a, I think, attributable to just phasing of where we are on projects as we, you know, wrapped up many projects toward the end of last year. a lot of goodness will generally come into the numbers we're kicking off. And as we kick off new projects, we generally are a bit more conservative in where we kind of set the stakes initially. So I would say that it's really kind of more of a timing item. We don't see, we aren't seeing any signals that there would be any, you know, consistent or persistent margin degradation over time. If anything, we're seeing the opposite just with just the pipeline and the number of opportunities that we're seeing on the horizon. And then, I mean, concrete had a pretty monster step up in their EBITDA contribution for the quarter. I'll say that, you know, we benefited in our concrete business from good weather. We, you know, a lot of times we'll talk about bad weather, but I mean, this is a quarter where we benefited from Good strong momentum throughout the quarter, good strong utilization and activity throughout the quarter that was not interrupted by weather. And as the concrete projects get larger, we have opportunities to keep our teams on programs to allow them just to have consistent utilization and execution over time, which ultimately serves to lift the margins as there are all those starts and stops. I wouldn't say there are any big good guys that helped concrete in the quarter. I would say that the margins that they delivered were really a product of just really strong execution, good momentum, uninterrupted momentum, and thanks to the guys too.

Tomo Sano | Analyst, J.P. Morgan:

Thank you, and congrats on the quarter.

Operator | Conference Operator:

Thanks, Tomo. The next question will come from Aaron Spahala with Craig Hallam, please go ahead.

Aaron Spahala | Analyst, Craig Hallam:

Good morning, Travis and Allison. Thanks for taking the questions. Good morning, Aaron. First for me, good to hear the order activity continuing to pick up into April. You noted seeing acceleration for early work on the energy and petrochem side. Can you talk a little bit about the timeline from that early work and when those could maybe turn into project awards and just any thoughts on what those could look like size-wise, content-wise?

Travis Boone | Chief Executive Officer:

I think we're seeing a fair amount of activity. I think increased urgency to get projects, you know, with breaking ground and getting going. And there's, you know, I think a lot more conversation about, I think this sort of disruption in the global energy world has woken some things up as well as kind of a, I think probably put some, like I said, put some urgency into getting projects underway.

Allison Vasquez | Chief Financial Officer:

Yeah, and generally as we start seeing the early signals of projects coming to us, and so this is, I mean, mostly on the marine side where we're seeing our larger commercial clients begin the signals of green lighting projects. And there may be a period of three months, six months, or a year. But I would say as we look out onto the horizon, there will be certain projects that will move forward very quickly. And there will also be another set of projects that will move forward to try to get the permitting and all the things that they need to do within this administration. So I think that also, I mean, there's some timelines that are in there. But we do have a good number of clients and programs that we see with the momentum picking up. And on those that are quite serious and are more advanced from a permitting perspective, we would expect those to move forward more quickly.

Aaron Spahala | Analyst, Craig Hallam:

Thanks for that. And then maybe second, you know, you kind of highlighted an uptick in activity with the Department of War and the Coast Guard. Can you just kind of talk a little bit about what some of those opportunities look like and how you're thinking about timing on those as well?

spk04:

The uptick in – on the – oh, yeah, on the president's budget.

Travis Boone | Chief Executive Officer:

Yeah, sorry. Yeah, on the president's budget, there were quite a few – budget for military. Now, of course, the president's budget is the way it works. In reality, it's a bit of a wish list that still has to get put in place by Congress. And so I would say directionally, that's the way the administration would like to see things go. And so we'll see how it plays out. But it is good signs, good indicators of what is likely to come out of Congress, assuming they can get a budget passed.

Allison Vasquez | Chief Financial Officer:

Yeah, and I mean, even just putting the proposal out there for $1.5 trillion, I mean, we're at $900 now, so even if it goes up to a trillion, that's still a very large increase. We would expect to benefit from that, especially with just the emphasis on naval superiority, naval dominance, marine infrastructure resilience. Those are all themes that are central to this budget and, I mean, really kind of into the world that we're living in right now. So it's very much accentuated by what's going on in the Middle East.

Aaron Spahala | Analyst, Craig Hallam:

Understood. Thanks for that. And then maybe one last for me, just with higher fuel prices, you know, some of the kind of tariff developments on maybe Section 232 expansions, just any Margin or backlog sensitivity, any actions you might be taking there on the business side of things?

Travis Boone | Chief Executive Officer:

The fuel side is something we're watching. We tend to build in contingency in our bids and things like that for fuel spikes. We buy in advance on parts of our business where we burn a lot of fuel, things like that. We're generally, at the moment, okay. We're watching it close. It is something that You know, if it becomes a very long-term situation with high fuel prices, you know, we could see some minor impacts, but it's right now we're in a kind of watch and see mode and make sure we're protecting ourselves as much as we can.

Aaron Spahala | Analyst, Craig Hallam:

And then just anything on, you know, maybe like steel or anything, you know, coming out of the Section 232 expansions?

Travis Boone | Chief Executive Officer:

You know, we talked a lot about tariffs, I don't know, about a year ago. And we were generally in pretty good shape with how we bid and bid our work to be, again, either with contingencies in place or we have locked in prices. So we're generally in pretty good shape on the tariff side of things.

Aaron Spahala | Analyst, Craig Hallam:

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

Operator | Conference Operator:

The next question will come from Min Cho with Texas Capital. Please go ahead.

Min Cho | Analyst, Texas Capital:

Great. Thank you. Good morning, Travis and Allison. Congratulations. Yeah. Congratulations on your standout quarter for concrete. And I understand that weather was, you know, helped you guys a little bit here. But just given the level of backlog that you have, do you feel like this level of revenue and margins are sustainable in the intermediate term? Again, assuming that, you know, kind of taking weather out of it.

Travis Boone | Chief Executive Officer:

Yeah, I think between the backlog and the activity we're seeing and the kind of outreach we're getting from owners as well as our general contractor partners, it seems to be like it's going to continue. We don't see a cliff coming or a slowdown happening there. It seems it's very, very active at the moment. A lot of activity that we expect to see coming in throughout the year.

Min Cho | Analyst, Texas Capital:

That's excellent. Obviously, EBITDA of about 9 million clearly suggesting back half weighted outlook. So, can you just talk about like what specific drivers, maybe volume, mix or margins that gives you the most confidence in achieving this guidance and where you could see some risk to the greatest risk or greatest upside?

Travis Boone | Chief Executive Officer:

Yeah, I think it's a timing thing as far as, you know, our marine business a little like this quarter. just with timing of projects and things like that. And then concrete really kicking hard in this quarter. And I think we'll see, as far as the confidence goes, between the backlog and the projects we've won already in the first month of second quarter here. It's been a pretty active quarter this second quarter. And we're We're very confident in the pipeline and backlog we should be able to build this year and work we can deliver in the latter half of the year. I know it's not unlike probably different reasons, but 2024 was a pretty similar year, a little lighter first half and a pretty heavy second half. It's looking to be a similar type of sort of shape to the graph as a couple years ago for different reasons.

Min Cho | Analyst, Texas Capital:

Yep. Excellent. And then just finally, Allison, what was J.E. McCamus's contribution to adjust the VEDON recorder?

Allison Vasquez | Chief Financial Officer:

It contributed positively, but I would say that Their contribution was more in opportunity pursuit and building backlog for the future. They won some really nice awards that they'll continue to execute through 2026 and into 2027. And very importantly, they have been very integral in supporting some other really interesting opportunities that we're looking at. So I would say that their contribution was meaningful. Like I said, they did contribute from a profit and a revenue perspective, but nominally. But I would say that the meaningful part of their contribution was really in just scaling their true expertise across both projects that we have currently in flight right now, and also in guiding, advising, and pretty meaningfully supporting some high-value pursuits.

Min Cho | Analyst, Texas Capital:

Excellent. Great. Well, congratulations, and good luck in the next quarter. Thank you. Thanks, Min.

Operator | Conference Operator:

The next question will come from Jerry Sweeney with Roth Capital. Please go ahead.

Jerry Sweeney | Analyst, Roth Capital:

Good morning, Travis, Allison, and Barbara. Thanks for taking my call. Morning, Jerry. Morning. I may do something blasphemous and just start with concrete, if that's okay. I appreciate the courtesy laugh. Listen, concrete, really, really great quarter, obviously. And I know you're working on the Iowa projects, but I'm really curious as to, you know, what's your visibility on data center work? Some of our other clients are seeing tons of work coming down the pike. especially as sort of the build-out of these facilities start to expand. And I'm just curious, you know, how much visibility you have and what's the market opportunity this year into next year and even maybe a little bit forward as we look at these projects?

Travis Boone | Chief Executive Officer:

Yeah, as we've talked before, but, you know, generally speaking, visibility into data centers is pretty minimal until it's kind of go time, right? Yeah. They're fairly secretive about where they are, what they are, who's doing whatever. Everything's kind of a big secret until it's go time. And so the visibility is always going to be somewhat limited compared to, say, a public sector project in the marine side of the business. However, the activity, as you mentioned, you're hearing is heavy. There's activity really kind of going in several directions. And it seems like there's a lot of big stuff in the works. We're having lots of conversations about really large projects with our key partners and some of the owners that we work with regularly. And it's looking really good for the year for data centers for us.

Jerry Sweeney | Analyst, Roth Capital:

And separately, obviously, You know, Iowa was one that you highlighted previously, and I think as you do that and maybe some other projects, does that sort of elevate you in terms of, you know, reference projects and just bring you more and more into this circle, per se?

Travis Boone | Chief Executive Officer:

I mean, generally speaking, I mean, Jerry, we've done over 50 data centers now. Okay. It's a big, we've got a lot of them under our belt, so definitely we're one of the, one of the key providers in this space, especially in the Texas market where there's a lot of them underway and planned. And so definitely we're kind of, I wouldn't say we're making decisions with the owners, but I would say we have a seat at the table at a lot of the early conversations.

Jerry Sweeney | Analyst, Roth Capital:

Got it. One more question. What about the derivative or knock-on effect? Obviously, as these projects more and more come onto the drawing board and they're hitting shovels in the ground, what does that do to just general capacity in the concrete market and even help margins with other projects? It's got to be pulling talent and capacity into the data set of market and maybe raising pricing or margins in other sectors as well, potentially.

Travis Boone | Chief Executive Officer:

Yeah, I think the data center world, I mean, we're seeing it in Texas for sure, where, and it's not just concrete, but a lot of the trades that are working on these projects, you know, their struggles to find people, find resources, even things like housing and food in some of these more remote areas for all the workers that have to be on these sites. And so it's definitely, you know, there's resource challenges, whether it be people, equipment, materials, whatever. And it's the, I think the owners are finding a way to make it happen. The owners, the general contractors, and the teams on the site are finding ways to make it happen. It's a kind of do or die sort of approach that these owners have, and everybody's finding a way.

Jerry Sweeney | Analyst, Roth Capital:

Got it. That's it for me. I'm going to save my marine questions for the follow-up, if that's okay.

Travis Boone | Chief Executive Officer:

All right.

Operator | Conference Operator:

Sounds good. Thanks.

Jerry Sweeney | Analyst, Roth Capital:

Thanks, guys.

Operator | Conference Operator:

Again, if you have a question, please press star and then one. The next question will come from Liam Burke with B Reilly Securities. Please go ahead.

Liam Burke | Analyst, B. Riley Securities:

Thank you. Good morning, Travis. Good morning, Allison.

Operator | Conference Operator:

Morning, Liam.

Liam Burke | Analyst, B. Riley Securities:

Morning. Your operating cash flow year over year was very strong on what typically would be a slower cash flow quarter. As we look into the balance of the year, is there any priority to de-levering, even though the balance sheet is still in pretty good shape?

Allison Vasquez | Chief Financial Officer:

I think the balance sheet is in good shape. I mean, we'll look at opportunities over time. I mean, I would like to potentially carry a little bit less. But I mean, I think we're in a very healthy place. We're right at one and a half time net leverage. And so I think that's a good place for us to be. We might have opportunities to bring that down, but that's not our highest priority. I would say our priority in terms of our capital deployment would be in opportunities to expand just our positioning from an organic growth perspective and whether that means some investments in key equipment, key people, key things that we need to be able to ensure that we are well positioned for the pipeline and converting the organic pipeline maintaining that healthy balance sheet and then potentially other options. But I would say that sitting at a 1.5 times net leverage is a good place for Orion to be, especially with the interest rates that we negotiated earlier this year. And so I think that we're real comfortable right there. But it's always something that we factor into from a capital allocation strategy, but usually we find some productive uses, and especially in a growing business that will require some amount of working capital contributions will probably tend to run around that one and a half times I would expect on a steady state.

Liam Burke | Analyst, B. Riley Securities:

So I would gather with your organic opportunities, plus it sounds like McCamus is coming on very nicely, both from an addition and plus the synergies you're gaining. M&A is not one of the options in terms of allocation?

Allison Vasquez | Chief Financial Officer:

I wouldn't say that. And Travis, I mean, well, I'll let you start, Travis, and I'll... Yeah, well, she said it.

Travis Boone | Chief Executive Officer:

I wouldn't say that. You know, we're going to be... As far as M&A goes, we're going to be very disciplined about the things we look at. But if something comes along that makes good sense and is a reasonable bite, we might be interested in it.

Liam Burke | Analyst, B. Riley Securities:

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

Operator | Conference Operator:

All right.

Allison Vasquez | Chief Financial Officer:

Thanks, Liam.

Operator | Conference Operator:

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

Travis Boone | Chief Executive Officer:

Thanks, everyone, for taking the time to join the call today. We look forward to speaking with you in the next quarter.

Operator | Conference Operator:

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