

NYSE:TPC Q2 2025 Earnings Call Transcript

Generated on 6/17/2026

Carrie | Conference Coordinator:

Good day, ladies and gentlemen, and welcome to the Tudor Perini Corporation Q2 2025 Earnings Conference Call. My name is Carrie, and I will be your coordinator for today. All participants are currently in a listen-only mode. Following management's prepared remarks, we will be opening the call for a question and answer session. As a reminder, this conference call is being recorded for replay purposes. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. I will now turn the conference over to your host for today, Mr. Jorge Casado, Senior Vice President of Investor Relations. Please proceed.

Jorge Casado | Senior Vice President of Investor Relations:

Hello, and thank you all for joining us. With us today are Gary Smalley, CEO and President, Ron Tudor, Executive Chairman, and Ryan Soroka, Executive Vice President and CFO. Gary and Ryan will review the details of the quarter and provide commentary regarding our outlook and guidance. Ron in his role as executive chairman is joining us to help answer any project specific questions as he remains involved in the setup of our newer major projects before we discuss our results. I remind everyone that during this call we will be making forward-looking statements which are based on management's current assessment of existing trends and information. There is an inherent risk that our actual results could differ materially. You can find our disclosures about risk factors that could contribute to such differences in our Form 10-K, which we filed on February 27, 2025, and in our Form 10-Q that we are filing today. The company assumes no obligation to update forward-looking statements, whether due to new information, future events, or otherwise, other than as required by law. In addition, during today's call, management will be referring to certain non-GAAP financial measures. You can find information and a reconciliation of these non-GAAP financial measures in the earnings release that we issued today and in the Form 10-Q that is being filed today. Thank you, and with that, I will turn the call over to Gary Smalley. Thanks, Jorge.

Gary Smalley | CEO and President:

Hello, everyone, and thank you for joining us. Tudor Perini had an outstanding second quarter, one of our best quarters ever, setting new records across various metrics. Operating cash flow was extraordinarily strong for the quarter at \$262 million and \$285 million through the first six months of 2025, setting new records for each respective period. And our second quarter cash flow was the second best for any quarter in the history of the company. In addition, our backlog climbed significantly to a new all-time record of \$21.1 billion, up 102% year over year, and up 9% sequentially, driven by \$3.1 billion of new awards that we booked during the quarter. I will provide further details on some of these new awards in a few moments. Our second quarter revenue was up 22% from last year to \$1.37 billion, and our revenue for both the second quarter and the first six months of 2025 was the highest for each respective period since 2009, reflecting record quarterly and first half 2025 revenue performance for the civil segment and the best performance since 2020 for the building segment. Operating income was up 89% to \$76 million, reflecting strong operating performance and contributions from higher margin projects in the civil and building segments. Our civil segment delivered its highest segment operating income ever for both the second quarter and the first six months of the year, with margins that were exceptionally strong. Our building segments operating income for both periods of 2025 was the highest since 2011, with margins that were also strong. Importantly, operating income for the quarter was very strong despite the substantial increase in share-based compensation expense that we experienced this

quarter as reflected in today's earnings release. As you may recall, and as previously disclosed, over the past few years due to a depleted equity plan share pool combined with a previously low stock price, The company issued cash-settled performance-based awards weighted heavily towards enhancing TutorPrinti's total shareholder return. As a result of our significant share price increase year-to-date, our share-based compensation expense also increased significantly. In an effort to provide our shareholders with a clearer view of TutorPrinti's true overall business performance, starting this quarter, we have elected to report adjusted earnings, which exclude the impact of share-based compensation expense net of the associated tax benefit. It is important to note that at our recent annual shareholders meeting in May, shareholders approved management's proposal to authorize additional shares for incentive awards. So, going forward, the company intends to issue share-settled instead of cash-settled equity which should limit future earnings volatility and reduce our share-based compensation expense considerably once these older cash-settled incentive compensation awards vest, some at the end of this year and the rest at the end of 2026. Returning to our results, for the second quarter of 2025, we delivered GAAP EPS of 38 cents, up substantially compared to 2 cents for the same quarter of last year. Adjusted EPS for the second quarter was \$1.41 compared to \$0.34 for the second quarter of 2024, again demonstrating our strong core operating performance and reflecting the impact of contributions from higher margin projects. Overall, 2Proni's business continues to perform extremely well and, frankly, even better than we anticipated at the start of this year. We are at the beginning of the life cycle for several major higher margin projects that are expected to drive substantial growth, profitability, and cash flow as project execution activities continue. What you are seeing now is just a preview of what these projects should produce on a larger scale in the coming years. Our record-breaking operating cash flow for the first six months of 2025 was primarily driven by collections from both newer and ongoing projects. I should add, however, that we have continued to make good progress in the resolution of certain disputed items that have also had a positive impact on cash generation with only a modest impact on earnings. We expect the same formula to continue to drive strong cash flow for the remainder of the year. As a result of the continued progress we have made on dispute resolutions during the quarter, our Costs and Estimated Earnings in Excess of Billings, or CIE, is now down to \$856 million at the end of the second quarter, which is a reduction of \$91 million, or 10%. Our CIE is now at the lowest level it has been in eight years. Taking a closer look at our record \$21.1 billion of backlog mentioned earlier, following the strong first quarter that featured \$2 billion of new awards, our volume of bookings increased during the second quarter with an impressive \$3.1 billion of new awards. This latest record backlog represents a nearly threefold increase since the end of 2022 and includes record highs in both the civil and specialty contractor segments. This strong foundation gives us tremendous confidence in our ability to deliver the substantial growth, profitability, and cash flow that I just mentioned we are expecting to generate over the coming years. Not surprisingly, our book-to-burn ratio for the second quarter was an impressive 2.2x. The most significant new awards and contract adjustments in the second quarter included the \$1.87 billion Midtown Bus Terminal Replacement Phase 1 project in New York, a \$538 million healthcare project in California, two civil works projects in the Midwest collectively valued at \$127 million, \$90 million of additional funding for a mass transit project in California, and \$54 million of additional funding for another healthcare project in California. As we look ahead, we believe that our backlog will remain strong as our bidding pipeline for the civil and building segments remains full of opportunities this year and over the next several years, with key near- and medium-term prospects located mostly on the West Coast, in the Midwest, and in the Indo-Pacific region. Among these opportunities are several building segment projects currently in the pre-construction phase that are expected to advance to the construction phase later this year, including another California healthcare project valued at nearly \$1 billion. Some of our major upcoming project opportunities include the \$12 billion Sepulveda Transit Corridor, the \$3.8 billion Southeast Gateway Line, the \$1.2 billion Valley Link Phase I rail project, and the \$650 million Foothill Gold Line light rail project, all of which are in California, and the \$1.4 billion I-535 Blatnick Bridge project in Minnesota. As we have discussed previously, there are also significant Indo-Pacific opportunities driven in large part by the U.S. Defense Department's specific deterrence initiative, black construction, our Guam-based subsidiary, has had extraordinary success in capturing various new projects in the region and continues to be well-positioned to win other major projects there over the next several years. Our record backlog continues to enable us to be highly selective as to which opportunities we will pursue and to focus on bidding projects that have favorable contractual terms, limited competition, and

higher margins. We are committed to pursuing projects where we can showcase two different needs differentiated approach, depth of operational talent, and history of outstanding project execution. As Jorge mentioned at the start of this call, Ron Tudor, in his role as executive chairman, continues to help drive the setup of our newer major projects that we were awarded over the past several quarters. The importance of proper project setup of these mega projects cannot be understated, as it is the first key step towards the successful execution of this work. These projects are in the early stages but are going very well thus far, and Ron is here to help answer any project-specific questions that may come up during the Q&A. As a result of our strong performance to date and greater confidence in what we expect to achieve for the rest of the year, I am pleased to announce that we are increasing our guidance for the second time this year and for just the second time in our history. Our GAAP EPS for 2025 is now expected to be in the range of \$1.70 to \$2, up from the previous guidance of \$1.60 to \$1.95. Adjusted EPS for 2025 is expected in the range of \$3.65 to \$3.95, which compares to \$2.45 to \$2.80, the range we would have provided last quarter had we provided non-GAAP EPS guidance. Importantly, our increased guidance continues to factor in a significant amount of contingency for various remaining unknown or unexpected outcomes and developments in 2025, including the potential for slower ramp-ups on our newer projects, project delays for existing and prospective work, lower than expected win rates for future bids, higher than currently anticipated share-based compensation expense, and settlements or adverse legal decisions associated with the resolution of disputes. Moreover, the outlook for Tudor pruning remains very bright beyond 2025. We anticipate that both our GAAP EPS and adjusted EPS in 2026 and 2027 will be significantly higher than the upper end of our increased guidance for 2025, and we continue to expect strong operating cash flow for 2025 and beyond. And to reiterate, while we expect share-based compensation expense to be higher than previously anticipated for the full year of 2025, it is projected to decrease considerably in 2026 and further in 2027 once certain awards have vested. Finally, let me provide a quick update with respect to the broader macro environment. As we mentioned last quarter, we do not currently anticipate that tariffs will have a significant impact on our business. We also do not currently foresee the risk of any of our major projects and backlog being canceled, delayed, or defunded, including our work on the first phase of the California High-Speed Rail Project. In recent discussions with this customer regarding the federal government's decision to reduce funding on the overall program, the customer confirmed that our project is funded and authorized and is not expected to be adversely impacted. Thank you, and with that, I will turn the call over to Ryan to discuss the details of our first quarter results.

Ryan Soroka | Executive Vice President and CFO:

Thanks, Gary. Good afternoon, everyone. I'll start off by discussing our results for the second quarter, after which I will provide some commentary on our balance sheet and our updated 2025 guidance assumptions. Revenue for the second quarter of 2025 was \$1.37 billion, up 22% compared to \$1.13 billion for the second quarter of 2024. Civil segment revenue was \$734 million, up 34% compared to \$546 million last year. Building segment revenue was \$462 million, up 11% compared to \$418 million last year, and specialty contractor segment revenue was \$177 million, up 9% compared to \$163 million last year. Our revenue growth was driven by increased project execution activities on various newer, higher margin projects that all have substantial scope of work remaining. These projects included the Brooklyn Jail, the Honolulu Rail Project, the Manhattan Tunnel, the Newark Air Train Replacement, and the Purple Line Section 3 Stations Project in California. Civil segment income from construction operations was \$140 million in the second quarter of 2025, up 85% compared to \$76 million for the second quarter last year, with increase driven by contributions related to the strong revenue growth I mentioned for the segment, as well as favorable adjustments totaling \$28 million due to the settlement of certain change orders and changes in estimates due to improved performance on a mass transit project in the Midwest. Building segment income from construction operations was \$22 million in the second quarter of 2025 compared to \$5 million last year, with the increase primarily due to contributions related to the increased project execution activities I mentioned. The specialty contractor segment posted a loss of \$18 million for the second quarter of 2025 compared to a loss of \$8 million last year. The increased loss was primarily due to unfavorable adjustments this quarter that totaled about \$15 million related to the settlement of certain legacy claims in the Northeast, partially offset by contributions

associated with the revenue growth for the segment. We anticipate improved operating income over the rest of this year and next year for the specialty segment, as our revenue is expected to increase due to their involvement in several of our newer large projects that are ramping up, which will help to cover the segment's G&A cost. Segment operating margins for the second quarter of 2025 are strong for the civil and building segments at 19.1% and 4.9% respectively. Other income was \$6 million, level with other income reported in the second quarter last year. Interest expense was \$14 million, down 41% compared to \$23 million for the same period last year, because of our substantial debt reduction since last year. Income tax expense for the second quarter of 2025 was \$22 million, with a corresponding effective tax rate of 31.8%, compared to \$7 million for the same period last year, with a corresponding effective tax rate of 31.3%. We had to true up our tax provision this quarter, and our new projected effective tax rate for 2025 is now higher than previously anticipated, all due to the significant increase in shared base compensation expense that Gary mentioned and the fact that nearly all the higher expense is non-deductible. On a gap basis, net income attributable to Tudor Perini for the second quarter of 2025 was \$20 million, or \$0.38 of earnings per share, up substantially compared to \$1 million, or \$0.02 of earnings per share for last year's second quarter. For the first six months of 2025, net income attributable to Tudor Perini was \$48 million, or \$0.90 of earnings per share, also up substantially compared to \$17 million, or \$0.31 of earnings per share for the same period last year. Our second quarter GAAP EPS was ahead of our expectations, even with the impact of the significantly higher than anticipated share-based compensation expense. Adjusted net income attributable to Tudor Perini which again excludes the impact of share-based compensation expense net of the related tax benefit with \$75 million, or \$1.41 of adjusted earnings per share for the second quarter of 2025, up very meaningfully compared to \$18 million, or \$0.34 of adjusted earnings per share for last year's second quarter. For the first six months of 2025, adjusted net income attributable to Tudor Perini was \$110 million, or \$2.06 of adjusted earnings per share, also up substantially compared to \$39 million, or \$0.73 of adjusted earnings per share for the same period last year. As Gary mentioned, our operating cash flow for the second quarter and first six months of 2025 was stellar at \$262 million and \$285 million, respectively, with both results setting new records for the periods. We expect that our operating cash flow will continue to be strong in 2025, as well as over the next several years, driven largely by organic cash collections, that is, from new and existing projects, and occasionally enhanced by collections associated with dispute resolutions. Now I will address the balance sheet. Our total debt as of June 30, 2025, was \$419 million, down 21% compared to \$534 million at the end of 2024. But perhaps more impressive is that due to our record operating cash flow in the second quarter, for the first time since 2010, our cash exceeded our total debt. As of June 30, 2025, our cash was \$526 million, or \$107 million greater than total debt. As Gary noted, our CIE was \$856 million at the end of the second quarter, down \$91 million, or 10% compared to the balance at the end of the first quarter of 2025, and it stands at its lowest level it has been since the second quarter of 2017. The CIE decrease was mostly due to billing and collections activity and, to a much lesser extent, from charges related to litigation and settlement on older disputes. Finally, let me provide you with our latest updated assumptions regarding our increased earnings guidance. G&A expense for 2025 is now expected to be between \$360 million and \$380 million, with the increase from our previous assumption due entirely to increased share-based compensation expense. Depreciation and amortization expense is still anticipated to be approximately \$55 million in 2025, with depreciation at \$53 million and amortization at \$2 million. Interest expense for 2025 is still expected to be approximately \$55 million, of which about \$5 million will be non-cash. This is \$34 million, or 38%, lower than our interest expense of \$89 million in 2024. Our effective income tax rate for 2025 is now expected to be approximately 26% to 28%, higher than previously anticipated due to the increase in share-based compensation expense. nearly all of which is non-deductible. We now anticipate non-controlling interest to be between \$75 million and \$85 million, significantly higher than last year due to increased contributions from certain joint ventures. We still expect approximately 53 million weighted average diluted shares outstanding for 2025. And capital expenditures are still anticipated to be approximately \$140 million to \$150 million. with the vast majority of the capex in 2025 now estimated at approximately \$120 million to \$130 million to be owner funded for large equipment items on certain large new projects such as tunnel boring machines. Thank you. And with that, I will turn the call back over to Gary.

Gary Smalley | CEO and President:

Thank you, Ryan. To briefly recap, we delivered extraordinary results for the second quarter that once again exceeded our expectations with record operating cash flow and continued strong revenue, operating income, and earnings growth, and with backlog that has doubled year-over-year to a new all-time record of \$21.1 billion. This record backlog should enable us to generate double-digit revenue growth and strong earnings for the foreseeable future, while also serving as a catalyst for continued strong cash flow as the newer projects progress through design and into construction. Our outstanding performance to date, combined with our greater confidence in how the second half of this year should conclude, has enabled us to increase our 2025 EPS guidance for the second time this year, while still maintaining what we believe is an appropriate level of contingency for unknown or unanticipated developments. More specifically, we are raising the midpoint of our 2025 adjusted EPS guidance by a staggering \$1.17 or 45% with this latest increase. Our strong results so far this year reflect the impact of contributions from higher-margin civil and building projects, many of which are still in the early stages but are ramping up. Last quarter, I concluded my earnings call commentary on May 7th by stating that, quote, there has never been a better time to be a TutorPrinti shareholder as we believe we are at the dawn of a new era for the company, end quote. With the stock price doubling since then, combined with our outstanding second quarter results that we are reporting today, I think it is easy to see why it was so optimistic then. With what we continue to see on the horizon for this year and beyond, I still believe that statement to be true, and there remains tremendous opportunity ahead for further substantial shareholder value creation. Thank you, and with that, I will turn the call over to the operator for your questions.

Carrie | Conference Coordinator:

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. One moment please while we pull for questions. And our first question will come from Michael Dudas with Vertical Research.

Michael Dudas | Analyst, Vertical Research:

Good afternoon, gentlemen.

Gary Smalley | CEO and President:

Hi, Mike.

Michael Dudas | Analyst, Vertical Research:

Gary, kudos to the operating team. Terrific results. I mean, just it goes without saying, you summarized very well. As we look this quarter, maybe as we look through 2025, any major project closeouts that you will be experiencing? And on top of that, how do you think about percentage or your win expectation rate on the new business that you listed some of the larger projects that may get announced here in the next several weeks or several quarters? Do you have an expectation on that percentage or probability weighted and how that will continue to help offset some of the closeouts that we may see in the next six to nine months?

Gary Smalley | CEO and President:

Yeah, Mike, thanks. I'll take the first part and then let Ron help out also. Look, it's not really about projects wrapping up for us at this point. It's about projects starting up, ramping up, and generating even more revenue and profit and cash than what they've done so far. So we don't see in the next quarter or so or any short-term period of time anything of significance winding down. On the proposal front, Ron, with the prospects that we have out there, we feel good about our chances. Anything else you want to add to that?

Ron Tudor | Executive Chairman:

Yeah, there's only two jobs of any consequence that are in the final stages, and those would be defined as finishing the end of next year. So any reduction in revenue on those two jobs as they work toward their completion is more than offset by the tremendous ramping up of all of these new jobs, where they will continue to explode revenue-wise this year, next year, and the following year, and you will see dramatic revenue increases from all these major new jobs hitting us in the next quarters and continuing.

Gary Smalley | CEO and President:

So, Mike, to your question on the prospects, look, we feel really good about all the prospects. We're not going to get them all, these major ones, but we know that we're one of a few. bidding for them, and so we expect to land one or two of them, and that should help as they ramp up, as they materialize, they will replace the work that Ron just mentioned that, you know, work winding down, you know, next year at the end of 26 and early in 27.

Michael Dudas | Analyst, Vertical Research:

Gary, you mentioned in your prepared remarks that even the first half results are better than you anticipated. maybe you can assess how that occurred or what was some of the drivers of that relative to the plan and how the execution certainly came through this first half?

Gary Smalley | CEO and President:

Yeah, I think, you know, there are a couple of things. One, the project execution, you know, the ramp up of some of these projects was a little quicker than we anticipated. You know, we factored in some contingency or some expectation that things would not go as brilliantly, let's say, as they did. So that certainly was a factor. We also had a real good quarter as we talked about in prepared remarks of reducing CIE, cost and excess of billings. That came down further than what we thought, what we anticipated for the first quarter anyway. We also benefited by the fact that there were a lot fewer write downs than what we had seen recently. We had put contingency in for that possibility. And we did not have to use much contingency there. And then overall, work in some of the units, some of the smaller work, it came in, we'll say, more timely than what we anticipated. And so that also helped. And I'll just say that we have contingency that we have for the year. We don't disclose, of course, what that is. But for half of the year, we've used about a third of the contingency. So I think that even with these outstanding results, We didn't use the contingency that we had anticipated that we would use for the first six months.

Michael Dudas | Analyst, Vertical Research:

That's well said, Gary. My final question, maybe for Ryan. Obviously, the cash flow is going to continue quite strong the next couple of quarters into next year. PACE will track earnings, any adjustments that you can see there? And Gary, certainly, where does the board stand on kind of figuring out what to do with all the benefits that your company is generating here, especially as you bring this cash into the company?

Ryan Soroka | Executive Vice President and CFO:

Yeah, I mean, I think in previous calls we stated that we expected cash to be closer to somewhere between what we produced in 2022 and 2023, so roughly \$200 to \$300 million of operating cash. Obviously, as we sit here at \$285 million of operating cash year-to-date, we're looking certainly north of that. You know, maybe on the lower end, approximately \$350 million of operating cash. And then at the higher end, kind of approaching where we, what we achieved last year, around \$500 million.

Gary Smalley | CEO and President:

Yeah, somewhere in that range. And then your question about, what was your last question? Sorry.

Michael Dudas | Analyst, Vertical Research:

The board and, you know, figuring out an allocation policy.

Gary Smalley | CEO and President:

Yeah, look, we continue to talk to the board. We will next week when we reconvene with them. There's still, of course, a lot of alternatives out there for us. One thing I will say, we are going to be fiscally conservative in this. We want to accumulate more cash. We're not quite ready to go down a path. We're still looking at all options. We will do something someday, but that day is not quite upon us. We ask for everyone's continued patience in that. Everyone's been patient for a long time to see the results that we've generated. We want to stock away some more cash, again, to be fiscally conservative than just start paying a dividend, let's say, or something. We also recognize that we need cash for working capital. We're growing the business at a very significant clip. So that adds to the reason for our conservatism in coming up with some type of capital allocation decision.

Michael Dudas | Analyst, Vertical Research:

Well, the patience has been rewarded in 2025, Gary. Thanks for your time and appreciate it.

Gary Smalley | CEO and President:

Thank you, Mike.

Carrie | Conference Coordinator:

Our next question comes from Adam Solheimer with Thompson Davis.

Adam Solheimer | Analyst, Thompson Davis:

Hey, good afternoon, guys. Congrats on all the success here. Thanks, Adam. Thank you. Can you comment just on the project funnel and the project outlook? I'm just curious, you know, you're obviously being more selective than you've been in the past, but do you still see a good flow of projects that meet your criteria?

Gary Smalley | CEO and President:

Yeah, we do, Adam. Look, obviously, we can be even more selective than we have been in the past, and there aren't as many of these huge projects out there to bid because we ended up getting a lion's share of those projects. But where we're seeing projects now, we see some larger projects materializing in L.A. We see in in the Indo Pacific region, and we see in some opportunities in the Midwest. So there are significant opportunities out there will be selective. We will be look for those projects that geographically make the most sense for us and where we can get higher margins with less competition. So, but we, there are opportunities out there. We just don't feel the need to. you know, we'll say be aggressive with price as we have not seen that need in the last couple years.

Adam Solheimer | Analyst, Thompson Davis:

Great. And then, Ryan, I was hoping you could expand on, you gave some color on your expectations for specialty going forward. I was hoping you could just kind of give a little bit, put a little more meat on the bone in terms of the revenue and the margins there.

Ryan Soroka | Executive Vice President and CFO:

Yeah, I mean, as we kind of look through to the second half of the year, I mean, ultimately the expectation is for specialty to end up around breakeven or even north of breakeven as they start to execute on some of the newer work that they're performing on, which is a lot of that work, in particular in the Northeast, is on Tudor Perini projects. So we have some good insights into those projects. You know, as they expand and ramp up production as looking forward into 2026 and beyond, you know, obviously we're looking at some growth that comes along with those larger projects that they're operating on and certainly expect the margins to continue to enhance. I think ultimately the expectation, once some of these legacy disputes are behind us, is for specialty to get up into that 5% to 8% margin range.

Adam Solheimer | Analyst, Thompson Davis:

Great. I'll turn it over. Thanks, guys. Thank you, Adam.

Carrie | Conference Coordinator:

Moving next is Stephen Fisher with UBS.

Stephen Fisher | Analyst, UBS:

Thanks. Good afternoon. Congrats on the continued good progress. Just wanted to come back to the change in guidance again. It sounds like it's a combination of less contingency needs and maybe things ramping up a little bit faster. Are there any other things that you can call out that sort of bridge the guidance to the extent that you can talk about whether it's in civil, whether it's in building? And is it the work that you've now put in the backlog in Q2 that might already have some impact in the second half? Just any of the other factors that

drove the change here in the guidance.

Gary Smalley | CEO and President:

Yeah, certainly, as we look ahead, civil is going to continue to drive the company's results. It's always has and it always will. But building is going to contribute quite healthily to the results as well, because, you know, obviously we have the one of the two large jails really blown and going now and the other one will soon, you know, a year or so. So, in the results to date, I mentioned we had good progress in some settlements without, you know, any significant impact on the results, on earnings. And one in particular, we had a really healthy project that was very successful for us, and we advanced some settlement discussions, and that came really close to completion and we were able to release some contingency, some reserves on that project. We don't have anything large in the back half of the year, but the adjusted EPS guidance was really, as we mentioned in the prepared remarks, it all comes around the uncertainty with executive comp, the liability-based, executive comp awards that has created the volatility. When we eliminate that with the adjusted EPS, the contingency that we have remaining is, we think, very healthy and very sufficient to accomplish the guidance that we're coming out with today. Hopefully, that addresses your question.

Stephen Fisher | Analyst, UBS:

Yeah, that's helpful. I guess I'm wondering... As we think about the modeling out the civil segment for the second half of the year, are the margins that you embed in there now higher than what you had previously for the second half specifically?

Gary Smalley | CEO and President:

Yeah, I would say they probably have ticked up a point higher. You know, it depends geographically. You know, that's why we always quote a range. But, you know, we're probably up to 15%. Now for civil segment margin, where years ago we were 8 to 10, then we were 10 to 12, and recently we've signaled 12 to 14. I'd say 12 to 15 is probably a good range for civil margins. We'd like to expand on that further, but in the short term, it looks like 12 to 15 probably is the best range.

Stephen Fisher | Analyst, UBS:

Okay. That's helpful. You mentioned that you don't expect any real impact from the tariffs. I guess I'm just thinking that the tariffs really haven't hit construction costs yet, from what I can tell in chatting with folks in the industry. And so I'm wondering what happens if it's by the end of this year and we get into next year, if we really start to see costs picking up a little bit. How much wiggle room is there in contingency in your backlog to account for a few higher percentage points of overall construction costs?

Gary Smalley | CEO and President:

Let me explain. First of all, when we were talking about tariffs not having an impact, we're not just talking about up to now. We're talking about looking forward as well. For each of our major projects, what we did, we renewed or revisited an analysis that we had done last quarter. And we looked at every one of these major projects to see any possible exposure that we might have for tariffs. And I can tell you that it was even less exposure than what we had seen last quarter. We've done a very good job in these projects, what we call buying out the materials and also subs, such that the risk is just not there because now we've passed the risk on to, let's say, vendors where we've locked in, you know, steel prices. Um, for, you know, various projects or, um, other, um, you know, pricing. So we will not have an issue with the current projects that we have in

backlog. We're absolutely. Confident of that, as we look ahead with future projects, and we'll, of course, bid at the higher rates, and then we'll do our best to mitigate that risk primarily through. Through buyout, and then also through contingency. And we just don't foresee that being the impact. So, yes, the impact on the pricing is like what you said. It has not materialized, at least not in a significant way. But when it does, we're protected or we will be protected.

Stephen Fisher | Analyst, UBS:

Perfect. I'll leave it there. Thank you.

Carrie | Conference Coordinator:

Our next question comes from Liam Burke with B Reilly Securities.

Liam Burke | Analyst, B. Riley Securities:

Yes, thank you. Good afternoon. In earlier discussions, you talked about your larger projects, and you've worked yourself into a significant competitive advantage in terms of your bidding. But are you seeing less competitive bidding on the bidding front?

Ron Tudor | Executive Chairman:

What do you mean by less competitive bidding?

Liam Burke | Analyst, B. Riley Securities:

Well, I mean less – Are you seeing fewer competitors looking to bid against you on larger projects?

Ron Tudor | Executive Chairman:

Well, I've talked about that for the last two, three years. We have never seen more than one other bidder in the last two years. And on one occasion, two occasions, we were the only bidder. So, yeah, nothing's changed. The competition is minimal.

Liam Burke | Analyst, B. Riley Securities:

Fair enough. And there seems to be a little more support from the Department of Transportation on transit investment. Are you seeing any of that now, or are you just working on the funded projects?

Ron Tudor | Executive Chairman:

Well, all of our work is funded, and a great deal of which by the FDA and the federal administration. Our air train is a typical transit-funded project. There's more and more money going into transit, which is our biggest strength. So you're right. So we're the beneficiary of that, and hopefully it continues. All righty. Thank you. Thanks, Liam.

Carrie | Conference Coordinator:

And there are no further questions at this time. I would like to turn the floor back over to Gary Smalley for closing comments.

Gary Smalley | CEO and President:

Thank you very much. You know, so we are, what, six months, really seven months into the year, and things are going better than what we thought. There's an expression, so far, so good. I'd like to modify that expression at this point and say, so far, so excellent, because we know that we still have a long way to go, but I think you can see the exceptional progress that we're making here at Tudor Peroni really across the board. So we look forward to demonstrating that this excellence will continue as we move forward. I want to thank you for your continued support in what we are doing, and we look forward to talking to you again next quarter.

Carrie | Conference Coordinator:

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.