NYSE:TPC Q3 2025 Earnings Call Transcript

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Operator | Conference Operator:

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 today, Mr. Jorge Casado, Senior Vice President of Investor Relations. Thank you. 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 Sirocco, Executive Vice President and CFO. Gary and Ryan will review the details of the quarter and provide some commentary regarding our outlook and guidance. Ron is here 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 will 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. 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, both of which can be found in the Investors section of our website. Thank you, and with that, I will turn the call over to Gary Smalley.

Gary Smalley | CEO and President:

Thanks, Jorge. Hello, everyone, and thank you for joining us. As I mentioned during our last two earnings calls, it certainly is a great time to be a TutorPretty shareholder. Our business, and correspondingly our stock, has performed extremely well this year, yet we are just at the start of what we expect will be a very strong period of double-digit revenue growth, increased profitability, and solid cash generation over the next several years. With what we continue to see on the horizon, there remains tremendous opportunity ahead for further substantial shareholder value creation. Now let's talk about our third quarter performance. Tudor Perney delivered excellent results for the third quarter, once again setting new records across various key metrics. Our operating cash flow was extraordinarily strong for the quarter at $289 million and $574 million through the first nine months of 2025, setting new records for both respective periods. The strong cash flow was almost entirely driven by collections from newer and ongoing projects. Our third quarter cash flow was the second best for any quarter ever, and our cash flow through the first nine months of this year is already well in excess of last year's full-year record operating cash flow. With what is now our fourth consecutive year of record operating cash generation, the cash on our balance sheet is quite healthy. We plan to continue building our cash position until our general corporate purpose cash reaches a level at which we can comfortably initiate one or more strategic capital allocation alternatives, most likely in the form of recurring dividend, and or a share repurchase program. Tudor Verney has been benefiting from favorable macroeconomic tailwinds, which are driving strong sustained market demand for construction services across all segments. We believe that these tailwinds will persist due to the tremendous amount of federal, state, and local level funding that are now in place and because our country has for decades and until recent years neglected to adequately fund and prioritize the types of substantial infrastructure investments being made today. We have continued to be successful in capitalizing on major project opportunities, adding $2 billion of new awards and contract adjustments in the third quarter, which increased our backlog to a new record of $21.6 billion, up 54% year over year. Backlog for both the building and specialty contractor segments also set new records. Our book-to-burn ratio for the third quarter was 1.4x. I'll provide further details on some of our new awards shortly. Our third quarter revenue was strong, up 31% year over year, and revenue for the first nine months of 2025 was the highest since 2009, achieving record quarterly and first nine months revenue performance for the civil segment and the best performance since 2020 for the building segment. Operating income was up significantly this quarter despite a further substantial increase in our share-based compensation expense that resulted from the dramatic growth in our stock price, which has nearly tripled since the end of last year, reflecting our continued strong operating performance driven by contributions from various newer higher margin projects in the civil and building segments. I will note that while we expect our share-based compensation expense to be higher than previously anticipated for the full year of 2025, it is still projected to decrease considerably in 2026 and further in 2027 once certain awards have vested. The civil segment continues to perform at record levels, delivering its highest segment operating income ever for both the third quarter and first nine months of the year, with strong margins that are sustainably above the historical range for the segment. The building segment's operating income for the first nine months of 2025 was the highest since 2011. And importantly, the specialty contractor segment returned to profitability this quarter ahead of expectations. Adjusted earnings per share for the third quarter, which excludes the impact of share-based compensation expense net of the associated tax benefit, was $1.15 up significantly compared to the adjusted loss per share of $1.61 reported for the third quarter last year, again demonstrating our strong core operating performance and contributions from various newer, larger, and higher margin projects, many of which are just ramping up. Our GAAP EPS was $0.07 for the third quarter, a substantial improvement compared to a loss of $1.92 per share for the same quarter last year. Overall, Our business continues to perform extremely well this year, significantly better than we anticipated at the start of the year. The newer, larger projects I mentioned are expected to drive very substantial growth, strong profitability, and solid cash flow over the next several years. Now, taking a closer look at our new awards in the third quarter, the largest of these included the UCSF Benioff New Children's Hospital in California valued at approximately $1 billion, a $182 million defense system project in Guam, and a $155 million education facility project in California. We also listed several other smaller new awards in our earnings release today. Looking ahead, we believe that our backlog will remain strong as we continue to see numerous major bidding opportunities for our civil and building segments, many of which should also include a significant role for electrical and mechanical business units within the specialty contractor segment. Our most significant new project opportunities over the next several years are primarily located in California, New York, the Midwest, and 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 a few later this year and others over the next two years. We have well over $25 billion of upcoming bidding opportunities over the next 12 to 18 months, the largest of which include the $12 billion Sepulveda Transit Corridor, the $3.8 billion Southeast Gateway Line, and a $2 billion replacement hospital, all of which are in California, as well as the $5 billion Penn Station Transformation Project in New York, the $1.4 billion I-535 Platnick Bridge Project in Minnesota, and the $1 billion I-69 ORX Section 2 project connecting Indiana and Kentucky. In addition to these billion-dollar-plus projects, we have an even firmer opportunity that is on the near-term horizon. We expect to add approximately $1 billion to backlog by second quarter of next year for the finished trade scope of work for Phase 1 of the Midtown bus terminal in New York City. Recall that we were awarded the first part of phase one of the bus terminal project last quarter for an announced value of $1.87 billion. We also continue to have significant Indo-Pacific opportunities, largely driven by the federal government's specific deterrence initiative. Black Construction, our Guam-based subsidiary, has had tremendous success in winning various new projects throughout the region and continues to be well positioned to capture additional major projects over the coming years. We remain highly selective as to what opportunities we will pursue with a continued focus on bidding projects with favorable contractual terms, limited competition, and higher margins. We're pursuing projects that will highlight TutorPrinti's differentiated approach, depth of operational talent, and history of outstanding project execution. Based on our outstanding performance to date and strong confidence in the results we expect to deliver for the fourth quarter, we are raising our guidance for the third consecutive quarter. Our adjusted EPS for 2025 is now expected to be in the range of $4 to $4.20, up from our previous guidance of $3.65 to $3.95. Importantly, the outlook for TutorPrinting remains very positive beyond 2025. We still anticipate that our adjusted EPS in 26 and 27 will be significantly higher than the upper end of our increased guidance for 2025, and we expect strong operating cash flow for the rest of this year and beyond. Finally, I will reiterate and expand a bit on what we have said earlier this year regarding the broader macro environment. We still do not 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, defunded, or otherwise materially impacted by the administration's targeted funding cuts or by the recent federal government shutdown, including our work on the first phase of the California High-Speed Rail project or any of our projects in New York. We have had discussions with our customers, and they have confirmed that our projects are funded and authorized, and they are not expected to be adversely impacted. So for us, it continues to be business as usual at this time on all of our major projects. Thank you, and with that, I will turn the call over to Ryan to discuss the details of our third quarter results.

Ryan Sirocco | Executive Vice President and CFO:

Thanks, Gary, and good afternoon, everyone. I'll start with a discussion of our third quarter results, after which I'll provide some commentary on our balance sheet and our latest 2025 guidance assumptions. All comparative references will be against the same quarter of last year, unless otherwise stated. Revenue for the third quarter of 2025 was $1.42 billion, up 31% year over year. Civil segment revenue was $770 million, up 41%. Building segment revenue was $419 million, down slightly compared to last year, but expected to increase substantially over the coming quarters. Specialty contractor segment revenue was $226 million, up a very strong 124%. Our revenue growth for this quarter continued to be driven by increased project execution activities on various newer, larger, and higher margin projects that all have substantial scope of work remaining. These included the Midtown bus terminal phase one project in New York, a new hospital project in California, the Brooklyn and Manhattan jails, the Honolulu rail project, the Manhattan tunnel, the Newark air train replacement, and the Kensico ECU connection tunnel. All of these projects are in their early stages and are expected to ramp up substantially over the next several years. Civil segment income from construction operations was $99 million in the third quarter of 2025, up substantially compared to a loss of $13 million. Last year's third quarter loss was due to a significant charge that resulted from an adverse arbitration decision on a completed bridge project in California, which we are appealing. The improvement this quarter was otherwise driven by contributions related to the strong revenue growth from higher margin projects that I mentioned for the segment. Civil segment operating margin was solid at 12.9% for the third quarter of 2025 and 15.1% through the first nine months of 2025, both well ahead of the segment's historical 8% to 12% range and in line with our expectations for 13% to 15% for this year. Building segment income from construction operations was $14 million in the third quarter. also up considerably compared to a loss of $4 million last year, which was mostly due to a charge we took during last year's third quarter for the settlement of a legacy dispute on a completed government facility project in Florida. The profit increase in the current year quarter was primarily due to contributions related to the increased project execution activities I mentioned. Building segment operating margin was 3.4% for the third quarter of 2025, in line with expectations. We believe this margin will continue to increase over the next several quarters as volume from certain higher margin projects grows. Specialty contractors segment income from construction operations with $6 million for the third quarter, reflecting an earlier than anticipated return to profitability and compares to a loss of $57 million last year. The improvement was primarily due to the absence of certain prior year unfavorable adjustments, as well as a current year contributions related to the segment's very strong revenue growth, with increased project execution activities on various newer projects across diverse end markets. Specialty contractor segment operating margin was 2.7% for the third quarter of 2025. Other income for the third quarter was $7 million compared to $4 million last year. Interest expense was $14 million, down 36% compared to $21 million last year because of our significant debt reduction since last year. Income tax expense for the third quarter was $15 million with a corresponding effective tax rate of 44.6% compared to an income tax benefit of $34 million last year with a corresponding effective tax rate of 27.5%. We treat up our tax revision again this quarter and our new projected effective tax rate for 2025 is now higher than previously anticipated entirely due to the significant increase in share-based compensation expense that Gary mentioned, and the fact that nearly all of that higher expense is non-deductible. On a GAAP basis, net income attributable to Tudor Perini for the third quarter of 2025 was $4 million, or 7 cents of earnings per share, a result impacted by the further increase in our share-based compensation expense, but still a substantial improvement compared to the net loss attributable to Tudor Perini of $101 million, or $1.92 loss per share in last year's third quarter. Adjusted net income attributable to Tudor Perini was $62 million, or $1.15 of adjusted earnings per share for the third quarter, up very substantially compared to adjusted net loss attributable to Tudor Perini of $85 million, or an adjusted loss of $1.61 per share for last year's third quarter. For the first nine months of 2025, adjusted net income attributable to Tudor Perini was $171 million, or $3.22 of adjusted earnings per share, also up very meaningfully compared to an adjusted net loss attributable to Tudor Perini of $46 million, or an adjusted loss of 88 cents per share for the same period last year. As you can tell, our business is performing well with core operations performance driving very solid earnings this year and reflecting a dramatic turnaround compared to last year. As Gary mentioned, our operating cash flows for the third quarter and first nine months of 2025 were record-breaking at $289 million and $574 million, respectively. We expect that our operating cash for the full year of 2025 will shatter last year's record and will represent our fourth straight year of record cash generation. We also anticipate that our cash flows will continue to be strong well beyond 2025, driven by organic cash collections, that is, from new and existing projects, and occasionally enhanced by collections associated with dispute resolutions. Next, I'll address our balance sheet. Our total debt at September 30, 2025, was $413 million. down 23% compared to $534 million at the end of 2024. Our cash balance has grown substantially this quarter due to our record operating cash flow, and it continues to significantly exceed our total debt, now by $283 million. Our cost and estimated earnings in excess of billings, or CIE, declined again this quarter and is at the lowest level it has been since the first quarter of 2017. CIE has declined by $95 million, or 10%, since the end of last year, mostly driven by the resolution, billing, and collection of various disputed matters, as opposed to project charges. Our CIE is expected to continue to decrease as we resolve the remaining legacy disputes. Finally, here are our latest updated assumptions regarding our increased earnings guidance. G&A expense for 2025 is now expected to be between $410 million and $420 million, with the increase from our previous assumption due entirely to increased shared base compensation expense, as our share price has continued to climb. Depreciation and amortization expense is now anticipated to be approximately $50 million in 2025, with depreciation at $48 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 $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 30% to 32%, higher than previously anticipated due to increase in share-based compensation expense. nearly all of which is non-deductible. We still 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 now anticipated to be approximately $170 million to $180 million, with the vast majority of the capex in 2025 estimated at approximately $120 million to $130 million to meet 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. In summary, we delivered extraordinary results for the quarter that exceeded expectations. With record operating cash flow, continued strong revenue growth, solid operating income and profitability across all segments, and strong bottom-line earnings, as well as backlog that climbed to a new all-time record of $21.6 billion. This record backlog should enable us to produce strong double-digit revenue growth and significantly higher earnings in 2026 and 2027, while serving as a catalyst for continued strong annual cash flow as our newer projects progress through design and into construction. Our excellent performance to date, combined with our confidence in the results we expect to deliver for the fourth quarter, has enabled us to raise our 2025 EPS guidance for the third consecutive quarter. The outlook for Tutoprini is very bright over the next several years as we continue to benefit from favorable macroeconomic tailwinds and strong public and private customer funding that are fueling sustained market demand for our services. Finally, and just to reiterate, Despite the dramatic growth we have seen this year in our stock price, I still believe we have tremendous opportunity ahead for further substantial shareholder value creation. Thank you. With that, I will turn the call over to the operator for questions.

Operator | Conference Operator:

Thank you. With that, we will now be conducting a question and answer session. If you'd like to ask a question, please press star 1 on your telephone keypad. Confirmation tone will indicate that your line is in the question queue. You may press star two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing star keys. One moment while we poll for questions. And our first question comes from Adam Thalheimer with Thompson Davis and Company. Please proceed with your question.

Adam Thalheimer | Analyst, Thompson Davis and Company:

Hey, good afternoon, guys. Great quarter. Thanks, Adam. Can you give a little more color on specialty turning positive? What drove that? And what's your expectation for the next few quarters?

Gary Smalley | CEO and President:

Yeah, Adam, look, what's really driving specialty performance is the work that we have, the non-claim resolution or dispute resolution work is just going extremely well. We're making heck of a lot of money, and that is the work that we're primarily doing is for TutorPrinti, but also the work that we're not doing for TutorPrinti is just doing extremely well. So we have a quarter that had very little noise from dispute resolutions, and that's what's really driving it. So whenever we have quarters like that throughout the business, but especially for specialty at this point, you're going to see much improved results.

Adam Thalheimer | Analyst, Thompson Davis and Company:

Is the Does the specialty revenue trend up from the Q3 level?

Gary Smalley | CEO and President:

Yes. It will because, you know, keep in mind that most of the work that they're doing is for these larger projects that we've been announcing awards of over the last year and a half or so. And as those projects continue to ramp up, their participation will continue to ramp up. So their revenue is going to go up significantly, particularly New York-based revenue.

Adam Thalheimer | Analyst, Thompson Davis and Company:

And then can you just level set us lastly on – how many of the legacy disputes are remaining?

Gary Smalley | CEO and President:

Yeah, we're looking at about a dozen, let's say, of any significance. There's some cats and dogs, odds and ends out there too, but 10, 12 of any significance.

Adam Thalheimer | Analyst, Thompson Davis and Company:

Great. Nice job. Thank you. Thank you.

Operator | Conference Operator:

Thank you. And our next question comes from the line of Liam Burke with B Reilly Securities. Please proceed with your question.

Liam Burke | Analyst, B. Riley Securities:

Yes, thank you. Good afternoon. Hi, Liam. Hey, Ray. Hi, Gary. As you move on with better terms and better margins on these contracts, the rolling overs we can see in your operating margins, is your bidding activity staying robust, or have you been – seeing less interest in certain areas?

Gary Smalley | CEO and President:

No, it's still very robust. We've got a load of work that's coming up in different geographies, really led by New York still. And a lot of things happening in California. We still have Indo-Pacific that's looking very strong, as well as the Midwest. So in all of our major geographies, there's still a really strong pipeline of work yet to be bid.

Liam Burke | Analyst, B. Riley Securities:

Great. And I don't want to keep harping on specialty contractors, but you had a pretty nice quarter in awards and the announcements, which we really don't hear a lot about. Is there something changing in terms of the amount of awards that specialty contractors are getting?

Gary Smalley | CEO and President:

No, not really. Just keep in mind, though, for these larger projects, particularly in New York that we've been announcing, their participation is very strong in each one of those projects. So, you know, that means that as the backlog was building for the whole company, the specialty backlog, particularly in New York, has also been building. And this is higher margin work for them than what they've seen in the past. So expect higher margins to be reported as we move forward.

Liam Burke | Analyst, B. Riley Securities:

Great. Thank you, Gary.

Operator | Conference Operator:

Yeah.

Liam Burke | Analyst, B. Riley Securities:

Thank you. On this side of that, I must.

Operator | Conference Operator:

Thank you. And our next question comes from the line of Min Cho with Texas Capital Securities. Please proceed with your question.

Min Cho | Analyst, Texas Capital Securities:

All right. Thank you. Congratulations on another strong quarter and guidance raise. Thank you, Min. So you went through your, yeah, you went through your 12 billion kind of near-term bid pipeline pretty quickly. I know the awards and backlog can be kind of lumpy from time to time, but based on that pipeline, and just the timing of the pipeline. Could you exit the fourth quarter at another record, or are we expecting something a little bit more flattish?

Gary Smalley | CEO and President:

Yeah, it's probably a little bit more flattish in the fourth quarter. It's going to be lumpier. Lately, it's been every quarter seems increased new record, new record, new record. And we're not going to see that going forward in the short term. We may have new records, but it won't be consistently quarter after quarter. So a little bit, a little bit lumpy, but, um, you know, flattish over the, uh, the short term, short to medium term anyway.

Min Cho | Analyst, Texas Capital Securities:

Right. That's still just a very high level. So that's great. Um, also kind of going back and maybe Ryan, I'm on the specialty contracting, um, business. Nice to see it back in the black. Um, by 2026, could you kind of be at your target of five to 8% or given what's in the pipeline, do you expect that could take a little bit longer?

Ryan Sirocco | Executive Vice President and CFO:

Yeah, I think there's certainly certainly potential to to get up to that 58%. In particular, looking forward as these newer projects ramp up and and that are obviously coming along with the with the significant civil work and building work. So I think as those revenues and margins come through, I think you're going to see those margins continue to elevate.

Min Cho | Analyst, Texas Capital Securities:

Excellent and then just finally Gary, So obviously the directional outlook for 2026 is still to be up substantially from the high end of 25. But from even the last quarter, are you feeling better or the same about 2026? And if you can just talk about what's maybe changed.

Gary Smalley | CEO and President:

Yeah, I would say at least as good, if not better. What's happening is we continue to have exceptional results in resolving the things of the past. And so that certainly is helpful. But Also, as we go forward, you know, we're seeing more clarity on the work that we were booking. We've been able to do a better job negotiating what we call buyouts. So, in other words, we offload risk to vendors and subcontractors. And for these lump sum projects, we've done a better job than what we thought. So, everything is – and then the early performance is also really better than what we thought. So I would say that, you know, we expect, we just are more bullish now over 26 and even 27 than we were before. But it's always been, you know, very, you know, high expectations. And so we still have those, but with a little bit more.

Min Cho | Analyst, Texas Capital Securities:

Great. Thank you so much and good luck.

Gary Smalley | CEO and President:

All right. Thank you, Mitch.

Operator | Conference Operator:

Thank you. The next question comes from the line of Michael Dennis with Vertical Research Partners. Please proceed with your question.

Michael Dennis | Analyst, Vertical Research Partners:

Good afternoon, gentlemen.

Operator | Conference Operator:

Hi, Mike.

Michael Dennis | Analyst, Vertical Research Partners:

Mike? Not sure who's had a better year, to the Perennials or the Dodgers?

Gary Smalley | CEO and President:

That's a good question.

Michael Dennis | Analyst, Vertical Research Partners:

You can ponder that offline. Gary, we've talked a couple of the response to the questions about the bookings that you're looking at and the bidding activity. There's several and they're large. How do you look at that relative to like where your business is today, what regions, your capacity, the ability to kind of continue to execute at this high level? And is this, is the market set up for maybe not in the next few quarters, but maybe the next 12 to 30 months? Do you have another uptick in what the backlog can be and what the visibility can be out to the end of the decade?

Gary Smalley | CEO and President:

Yeah, it certainly can have an uptick as we progress through these bids. It really depends on the timing of when the bids come to fruition and then, of course, our success rate. But there are some large projects that you've heard. We like our chances. As far as capacity, we're not going to overextend ourselves. We're very disciplined in the approach. We still have capacity for more, but we also are working off projects, too. So as projects get worked off, we have staff that become available, and we insert those individuals, those key leaders where we need them most. So we feel really good about where we're staffed, and we feel good about what the long-term prospects of this backlog can look like.

Michael Dennis | Analyst, Vertical Research Partners:

I appreciate that. My follow-up is, Gary, the cash performance has been outstanding. It goes without saying. Maybe as we think about it, you're going to need some cash to grow the business, I'm assuming, as these projects wrap up on the cash cycle. And you did mention about what to do once you get to this certain level on cash. And maybe you could share a little bit about what you're thinking. Maybe the board might be thinking internally on this concept And, you know, over how much more, what kind of level is required to maybe start thinking about that in a more tangible thought process?

Gary Smalley | CEO and President:

I won't give you an exact timeline, but I will say that it is a topic of conversation every time we get together with the board, and the next time is next week. And I think that we're unanimous in believing up until the latest conversations is that it would be prudent to continue to accumulate more cash because of exactly what you said. There's you know, we still have to look at future needs for the cash. Um, you know, so we'll, we'll be a conservative, um, we'll, we'll be, um, intelligent with what we do. And, um, as far as the timing, um, you know, I won't, uh, we won't have a spoiler alert at this point because we got to get through the, the meeting next week. And then we'll, we'll, uh, if there's any news, then, uh, we'll roll it out as soon as possible. But, but, you know, look for a continued conservatism and just, um, caution to make sure that, uh, that we have excess cash rather than needing to draw down on some revolver or anything.

Michael Dennis | Analyst, Vertical Research Partners:

That makes perfect sense. Just a quick follow-up on the bidding opportunities. Are you bidding on those by yourself, or are there any joint venture partners in many of these projects? I'm assuming most of them are going to be on your own, or is there some that you might join with some partners?

Gary Smalley | CEO and President:

Yeah, it's a mix. You know, when the projects get as large as the ones that we were talking about, it's likely that there's a JV partner. But look, we do very well with respect to surety support, being able to deliver projects ourselves without the need for others to participate. We also have, you know, capabilities internally that we don't always need help. But these are huge programs, so look for we'll say a good many of those to have a JV partner. And then we'll rely on our experience with our JV partners in the past. We've always had very successful JVs and would look to go back to our established partners. Thank you, Gary.

Operator | Conference Operator:

Thank you. And our final question comes from the line of Stephen Fisher with UBS. Please proceed with your questions.

Stephen Fisher | Analyst, UBS:

Thanks. Good afternoon. Congratulations also on the cash generation there. Just curious on that point, what's the outlook for the mobilization payments or upfront payments that you're getting? Is that now mostly kind of happened as your sort of backlog is flattening before this next wave? And is cash going forward for the next handful of quarters going to be more red? It's just of ongoing project burn?

Gary Smalley | CEO and President:

Yeah, most of the mobilization payments have happened. There's still a couple fragments to go. I would look at cash continue to be strong, not as strong as what we had in the third quarter. That's just really phenomenal, the $289 million. So it'll still be very strong compared to where we've been historically. And we'd look for continued strong cash going into 26 and 27 and beyond that too.

Stephen Fisher | Analyst, UBS:

Okay, that's helpful. And just in terms of impactful margin momentum, I mean, clearly going specialty from negative to positive is important, but on the scale of dollars, it's maybe not as big as what could happen with the building segment. So just trying to get a sense of the, both the timing and the magnitude of that momentum in the building side. And so maybe you can help me with this in terms of, as we think about the revenue mix of the building segment over the next couple of years, what percent of that do you think is going to be sort of the typical lower margin GC work for a lot of the subcontractor pass-throughs versus you know, the larger prison-type projects where you've got, you know, more higher margin profile? Is this going to be like, you think, 50-50 within that segment or more weighted towards those kind of fixed-price projects like the prison-type thing?

Gary Smalley | CEO and President:

Yeah. Yeah, look, you know, as always, our margin profile is dependent on a large mix of work A good bit of the work that we're doing now is the, you know, you mentioned the prisons, but it's work like that that is higher margin. Even the traditionally lower margin work that we're doing now, some of those projects are showing increased margins, too. So, you know, without giving you an exact percent, the mix is better than it's ever been. You know, certainly the fixed price work impacts that, but also the the complexity of some of the work that we're doing and the absence of bidders, not even talking about the fixed price work, that's helping us to demand higher margins there too. So that's why we're so bullish on building margins improving because the content of this newer work that's higher margin is just going to feed the margin growth in the building segments.

Stephen Fisher | Analyst, UBS:

Makes sense. And then just a quick follow-up there is when do you think you'll hit the point where the building segment margins are really reflecting the solid burn on all the work that's gone in there? Is that sort of a 2027 timeframe or could it be sometime before then?

Gary Smalley | CEO and President:

No, I think you're going to see by mid-2026, you're going to see a significant impact and it's going to be improved by the time you get to 2027. But 26, I think, I mean, a lot of part of 26 is going to look much better than where we are even now with the, you know, the elevated margins in 25.

Stephen Fisher | Analyst, UBS:

Okay. And then I guess the last question here, I suppose I have to ask on the government funding side, you mentioned, Gary, that the government shut down and the budget cuts aren't going to have an impact. I guess I'm curious to hear what you think about the dynamics with the mayor-elect in New York City here versus the Trump administration and what that could mean for ongoing projects and perhaps, importantly, something like Port Authority, which you have, it sounds like another slug coming. So what do you think about those dynamics and how they could play out?

Gary Smalley | CEO and President:

Yeah, look, it's hard to predict what the future might hold, but we're not expecting any significant impacts. And you mentioned the Port Authority. Look, the Port Authority is not a city agency. It's a state agency between two states, New Jersey and New York. And we just don't anticipate any impacts, nor do our owners, our customers. We're having active dialogue with them as developments occur. And so far, you know, we don't see any impact at all.

Stephen Fisher | Analyst, UBS:

Okay, terrific. Thanks very much.

Operator | Conference Operator:

Thank you. Thank you. And with that, that does conclude the question and answer session. I would now like to turn the floor back over to Gary Smalley for closing remarks.

Gary Smalley | CEO and President:

Well, thank you, everyone, again, for your interest and participation today. We look forward to continuing to deliver strong results going forward as we have for the first three quarters of this year. Look, we appreciate your support and confidence in the improvements that we are making and your patience for those of you who have been with us for a long time. For those of you who have been in wait and see mode, you know, that's okay. I get it. But we believe that there's still a lot more good to come. So get on board. There's still time. And look, we look forward to talking to you again next quarter. Thank you very much.

Operator | Conference Operator:

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