NYSE:TPC Q1 2026 Earnings Call Transcript

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Rob | Conference Operator:

Good day, ladies and gentlemen, and welcome to the Tudor Perini Corporation first quarter 2026 earnings conference call. My name is Rob, 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'll now turn the call over to your host for today, Mr. Jorge Casado, Senior Vice President of Investor Relations. Please proceed.

Jorge Casado | Senior Vice President, Investor Relations:

Hello, everyone, and thank you for joining us. With us today are Gary Smalley, CEO and President, and Ryan Soroka, Executive Vice President and CFO. Before we discuss our results, I will remind everyone that during today's call, we will be making forward-looking statements, which are based on management, current assessment of existing trends and information. There is an inherent risk that our actual results could differ materially. You can find disclosures about risk factors that could contribute to such differences in our Form 10-Q, which we are filing today, and in our Form 10-K, which was filed on February 26, 2026. 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 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. Before we discuss our first quarter results, we wanted to share with you tragic news regarding a recent incident that affected the Tutiprini family. A few weeks ago, during Super Typhoon Sinaklu, our offshore cargo vessel, the Mariana, capsized at sea with a six-member crew that included two of our employees near the island of Saipan in the northwestern Pacific Ocean. It's an unimaginable loss for all of us at Tutiprini, and we extend our deepest thoughts, prayers, and heartfelt condolences to the crew's families, loved ones and the entire affected community. We have been in close contact with the families to provide them with updates and to offer our support. We remain committed to the families and will continue to work with them to provide whatever support we can. I would like to express our sincerest appreciation to the U.S. Coast Guard, the U.S. Air Force, U.S. Navy, as well as search teams from the Japan Coast Guard, and the Royal New Zealand Air Force for their professionalism and tireless efforts during an intensive nearly two-week search and rescue mission. One of the bodies of the crew was found, but the other five were not. Before proceeding, I will now pause for a moment of silence to honor and remember the crew members and pray for their families and friends. Thank you. Turning to our usual agenda. We delivered strong first quarter results highlighted by record operating cash flow of $147 million, by far the highest first quarter result ever, which was driven by collections on new and ongoing projects. Our revenue grew 11% year over year to $1.4 billion, the highest revenue of any first quarter since 2009, driven by contributions from various larger higher margin projects that are in the early stages with significant scope of work remaining. Brian will get into more of the details of our financial results shortly. Our backlog remains

very strong at $19.8 billion at the end of the first quarter, and we continue to expect that it will feel much higher revenue and earnings, increased profitability, and continued strong cash flow this year and beyond. The civil segment produced its highest ever first quarter operating income which was up 10% year over year and delivered a 12.6% operating margin, solid results for a first quarter, which is typically a slower quarter for us due to seasonality. The building segments operating income was up an impressive 56% year over year with an operating margin of 3.5%. And the specialty contractor segment continues to deliver solid execution on its current projects, improved operating results, as evidenced by the fact that they were marginally profitable for the quarter, with further improvement still expected as the year unfolds. In fact, we see higher margins ahead for all three segments as many newer large projects continue to ramp up. In the first quarter, we booked nearly $700 million of new awards and contract adjustments. The largest additions to backlog included the following, which are all in California. $186 million of additional funding for the Eagle Mountain Casino Phase II expansion project, $97 million of additional funding for a healthcare project that entered the construction phase, and approximately $66 million for two mass transit projects. Our strong backlog, which includes the nine megaprojects we won over the last one to three years, provides us with excellent visibility for our future revenue and earnings over the next several years. Recently, one of our major projects, the Brooklyn Jail in New York, reached a key milestone. The project held its topping out ceremony, marking the completion of the structure's steel frame with the placement of the final and highest structural beam. Workers and dignitaries watched as the final beam, adorned with the traditional evergreen tree and American flag, rose 15 stories to its destination atop the building that, when completed, will be a $1 million square foot facility and have 1,040 beds. This project and all of our other major projects are all running very smoothly with solid business execution and strong financial performance. As I have discussed previously, customer demand remains strong and we continue to have numerous significant project bidding opportunities, particularly in the Northeast, the Midwest, the West Coast, and the Indo-Pacific region. We believe we're all well positioned to continue winning our share of new projects later this year and over the next several years. We will continue to be very selective when we bid future projects, which will continue to enhance and help maximize shareholder value. Our focus remains on bidding projects with favorable contractual terms, limited competition, and higher margins. In addition to vibrant demand across the markets we serve, Some of our existing projects are expected to spawn significant incremental work, which bolsters our confidence that our backlog will remain elevated. For example, we anticipate adding approximately $1 billion of additional backlog in the second half of the year for the finished trades scope of work for phase one of our midtown bus terminal replacement project in New York. Also, some of our building segment projects that are currently in the pre-construction phase are anticipated to advance to the construction phase later this year and the next year. The largest of these is a multi-billion dollar healthcare project in California expected to begin construction in late 2027, for which we currently only have a nominal amount of backlog. Let's talk about some of the significant bidding opportunities we expect to pursue over the next 12 to 18 months. They include the multibillion-dollar Penn Station transformation project in New York, for which the U.S. Department of Transportation has recently announced a substantial amount of committed funding and for which the selected development team is expected to be chosen later this month. The $1.4 billion I-535 Blatnick Bridge project in Minnesota, for which the selected contractor is expected to be announced next month. A multibillion-dollar additional segment of the California High-Speed Rail project bidding later this year. The $1 billion I-69 ORX Section 2 project connecting Indiana and Kentucky also bidding later this year. The Sepulveda Transit Corridor Program in Southern California believed to be valued at approximately $12 billion and expected to be awarded under multiple contracts with the initial contract expected to be bid next year. The $3.8 billion Southeast Gateway Line also in Southern California and bidding next year and the $3 billion Newark Liberty International Airport Terminal B project in New Jersey, very similar to the award-winning Terminal A project that we recently completed at the same airport. This enormous number of significant opportunities I just mentioned doesn't even include numerous projects we are pursuing in the Indo-Pacific region, which collectively total more than $4 billion and include military infrastructure improvements at Naval Base Guam, airport and harbor projects on the island of Yap, and wharf and harbor improvement projects in the Republic of Palau. We also continue to have several large healthcare project opportunities on the West Coast and hospitality and gaming opportunities mostly in the Southwest. As a reminder, the majority of these opportunities start bidding and are expected to be awarded in the middle or second half of 2026 or to continue bidding through next year. Due to

this timing, and the significantly higher revenue we expect to recognize this year for work already in backlog, we continue to anticipate a modest sequential backlog reduction in the near term, followed by resumed backlog growth as we capture our share of major new projects. We are confident in our ability to drive continued backlog growth over the medium to longer term, even as we focus on profitability, free cash flow, earnings growth, quality, and safety as our primary performance indicators. As you recall, last November, our Board of Directors authorized our first-ever quarterly cash dividend of $0.06 per share, as well as a share repurchase program totaling $200 million. Today, the Board declared another $0.06 quarterly dividend, which will be paid on June 4th. And earlier this year, in the first quarter, we completed the first repurchase under our share repurchase program, buying back approximately 278,000 shares on the open market for $20 million at an average price of approximately $72 per share. We expect to make additional opportunistic share buybacks moving forward under this authorization to return excess capital to shareholders. Next, let's turn to our outlook and guidance. First, I am pleased with the excellent start to the year as we delivered results in line with our expectations. We continue to benefit from favorable macro and economic tailwinds that are driving strong, sustained market demand across all segments which is a great sign for future awards, growth, and value creation. Our business is resilient and we remain confident in our outlook for consistent revenue and earnings growth over the next several years. Based on our outlook and assessment of the current market, we continue to anticipate double-digit revenue growth and strong earnings in 2026, with even higher earnings expected in 2027, by which time many of the newer large projects in our backlog should be in the construction phase. Accordingly, we are affirming our 2026 adjusted EPS guidance in the range of $4.90 to $5.30 per share. Our guidance continues to factor in a significant amount of contingency for unknown or unexpected outcomes and developments in 2026, including the possibility of a lower than anticipated success rate for future project pursuits, the potential for project delays, slower ramp-ups for our newer projects, and any unexpected settlements and or adverse legal decisions associated with the resolution of disputes. We also continue to expect strong operating cash generation in 2026 and beyond due to increasing project execution activities on our newer mega projects and the anticipated resolution of remaining legacy disputes. Before I turn the call over to Ryan, I'd like to comment on one of those remaining legacy disputes. Last month we received an unfavorable legal ruling and were assessed damages of approximately $175 million related to a dispute with our customer regarding the W Element Hotel in Philadelphia, a building segment project that we completed in 2021 and that opened to the public the same year. We strongly disagree with the ruling and firmly believe it does not reflect the merits of the case. To be respectful to the legal process and since it is ongoing litigation, we will not comment specifically about what we believe to be significant legal flaws in the court's decision. We do intend to appeal and will continue to vigorously pursue all appropriate legal remedies to defend ourselves against the damages awarded to the customer and to collect amounts contractually due to us. The appeal process is likely to take two years, perhaps even longer, so this recent development represents another step along the path of an ongoing lengthy legal dispute. As a result of the ruling and after a close review of our claims against the owner and certain subcontractors, we recognized an immaterial charge earnings in the first quarter. Thank you. And with that, I will turn the call over to Ryan to discuss the details of our financial results.

Ryan Soroka | Executive Vice President and CFO:

Thanks, Gary. Good day, everyone. I will begin by discussing our results for the first quarter, after which I'll provide some commentary on our balance sheet and our 2026 guidance assumptions. All comparative references will be against the first quarter of last year, unless otherwise stated. As Gary mentioned, we generated a record $147 million of operating cash for the quarter, up 542% year over year, and well ahead of any first quarter cash flow result ever. I'm pleased to see our cash flow momentum from last year's record year continuing this year. Our cash flow this quarter was largely driven by collections from newer and ongoing projects. reflecting a significant increase in project execution and improved working capital management, with only an immaterial amount attributable to the resolution of disputes. We anticipate that we will continue to generate solid cash flow in 2026 and beyond, with most of our cash to be derived from organic operations, that is, from the new and existing projects, and enhanced from time to time by cash collected following

dispute resolutions. Revenue for the first quarter of 2026 was $1.4 billion, up 11%, with the growth primarily due to increased project execution activities on certain large, newer, and higher margin civil and building segment projects, especially in the Northeast. This included, among others, the Midtown Bus Terminal Phase 1 project, the Manhattan Tunnel project, the Manhattan Jail, and the Newark Air Train replacement. Bill segment revenue was $698 million, up 14% due to increased project execution activities on some of the projects I just mentioned, which have substantial scope of work remaining. It was a civil segment's highest revenue of any first quarter ever, reflecting the solid, sustained demand that Gary noted. Building segment revenue was $473 million, up slightly compared to the first quarter last year, but the segment's revenue growth expected to increase substantially later this year. All our major building segment projects, including the Brooklyn and Manhattan jail projects in New York and a large healthcare campus project in California, are running smoothly and also have substantial scope of work remaining. Specialty segment revenue was $219 million, up a solid 24%, with the segment's growth continuing to be primarily driven by increased activities on various electrical and mechanical projects in New York and Texas. The specialty segment's strong revenue growth began in the second half of 2025, and we expect the growth to continue this year and next year as those projects and other newer mega projects advance. Our operating income for the quarter was $59 million, down 9% compared to last year. Our operating income was driven by improved contributions from each of our three segments, but those contributions were offset by a $23 million increase in shared base compensation expense in the first quarter of 2026 compared to the first quarter of 2025. primarily due to our stock price being substantially higher in 2026 as compared to the same period last year, which affects the fair value of liability classified awards. As a reminder, our share-based compensation expense is expected to decrease in 2026 and to decline much more significantly next year as some of these liability classified awards vested at the end of last year and most of the remaining awards will vest by the end of 2026. We are no longer awarding liability classified awards, which should meaningfully reduce earnings volatility starting next year. Civil segment operating income was $88 million, up 10 percent, and the highest first quarter result ever for the segment, with a corresponding segment operating margin of 12.6 percent, a very solid result for a first quarter given typical seasonality. The increase in the operating income was primarily due to contributions associated with the increased project execution activities on various higher margin projects that are ramping up, partially offset by an unfavorable adjustment of $16 million in the first quarter of 2026 on a mass transit project in California due to changes in estimates resulting from ongoing negotiations of change orders, which we will expect will generate significant cash once they are ultimately approved. We anticipate continued civil segment margins in the range of 12% to 15%. Building segment operating income was $16 million, up a strong 56% with the increase driven by contributions from certain newer, higher margin projects in New York and California with substantial scope of work remaining. The segment's operating margin was 3.5% compared to 2.3% last year with the improvement primarily driven by contributions related to the increased higher margin project execution activities I mentioned. We anticipate building segment margins in the range of 3% to 6% fueled by continued contributions from certain higher margin projects. Specialty contractor segment operating income was approximately $600,000 for the quarter compared to a loss from construction operations of $7 million for the first quarter of last year. The improvement compared to last year was primarily due to contributions related to increased project execution activities on the electrical and mechanical projects I mentioned earlier. Many of these projects are in the early stages and are expected to ramp up substantially over the next several years. The specialty segment had a handful of small, immaterial, unfavorable project adjustments this quarter related to legacy disputes that adversely affected its results for the quarter, though the segment was still profitable and its results reflected a significant improvement year over year. Corporate G&A expense for the first quarter of 2026 was $45 million compared to $18 million last year. with increase mostly due to the substantially higher share-based compensation expense that I mentioned. Income tax expense for the quarter was $17 million with a corresponding effective tax rate of 30.1% for the period compared to $13 million last year with a corresponding effective tax rate of 23.2% in that period. The higher effective tax rate this year is attributable to the significant increase in share-based compensation expense, which is almost entirely non-deductible. Net income attributable to Tudor Perini for the first quarter of 2026 was $26 million, or 48 cents of GAAP earnings per share, compared to $28 million, or 53 cents of GAAP earnings per share in the first quarter of last year. Excluding the impact of share-based compensation expense, net of the associated tax benefit, adjusted net income attributable to Tudor Perini for the first quarter

of 2026 was $55 million, or $1.03 of adjusted earnings per share, compared to $34 million or 65 cents of adjusted earnings per share in the same quarter last year. As you can see, our adjusted EPS was up a strong 58% year over year, reflecting the high margin contribution and outstanding performance we were seeing from our projects and backlog. Now I'll address the balance sheet. Our record cash generation enabled us to continue paying down our total debt, which stood at $399 million at the end of the first quarter. We ended the quarter with cash and cash equivalents exceeding total debt by $404 million, a very strong net cash position, and $533 million better than we were just one year ago when we were in a net debt position. Our cash available for general corporate purposes was $321 million at the end of the first quarter of 2026, up 18% compared to $271 million at the end of 2025. Our balance sheet is stronger than it's ever been, and our solid net cash position presides with excellent capital allocation flexibility. We anticipate refinancing our existing senior notes by around mid-year to secure a more favorable interest rate and extend our debt maturities, which should result in substantially reduced interest expense going forward. Lastly, all assumptions I provided last quarter pertaining to our 2026 guidance remain unchanged. Thank you. And with that, I will turn the call back over to Gary.

Gary Smalley | CEO and President:

Thank you, Ryan. To recap, we have kicked off 2026 with excellent first quarter results marked by record operating cash flow of $147 million, solid revenue growth, adjusted EPS of $1.03, which was up 58% year over year, and continued strong backlog of approximately $20 billion. This backlog underpins the confidence we have in our ability to deliver double-digit revenue and earnings growth, and continued strong annual cash flow in 2026 and beyond as our newer projects progress through design and into construction. Our business continues to perform well, and we expect our solid project execution to continue. The long-term outlook for TutorPrinti remains very bright given today's backlog of long-duration, higher-margin projects with improved contractual terms, operational improvements we have made in our specialty contractor segment, persistent favorable macroeconomic tailwinds, and strong public and private customer funding that is fueling vibrant market demand and numerous major bidding opportunities. And importantly, we also believe that we are getting closer to the time when all of our segments will be firing on all cylinders, which will allow us to demonstrate more fully our growth and earnings potential. Thank you. And with that, I will turn the call over to the operator for your questions.

Rob | Conference Operator:

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 poll for questions. Our first question is from Michael Dudas with vertical research partners. Please proceed with your question.

Michael Dudas | Analyst, Vertical Research Partners:

Good afternoon, gentlemen.

Gary Smalley | CEO and President:

Hi, Mike.

Michael Dudas | Analyst, Vertical Research Partners:

Hello. And I share my prayers for the family and those families as well. First, Gary. Sure. First, Gary, so you talked about several large projects that will be coming up for bid second half this year, 2027. But maybe you could assess that relative to what projects may be rolling off in some of those regions, and it seems like there's so much business that can be done in the Northeast, especially in the New York area, certainly in California. I mean, again, all over, but how you're balancing where the opportunities are, your capacity, and maybe even seem to think a little bit more on the Guam because you mentioned some pretty large numbers and some opportunities in the Indo-Pacific, which certainly should have a pretty good tail given all the money that's been spent over there. Yeah.

Gary Smalley | CEO and President:

Yeah, great, Mike. First of all, some of these opportunities are already in the hopper, so to speak. They've been submitted. We're waiting on the results. So we should know something, as we talked about in some cases, later this month, sometime in some cases next month. So capacity, look, you should feel just rest assured we're not going to pursue something we can't handle. We do have some work that's that's winding down in California, and we'll use some of those resources to staff this other work. But all the work we're pursuing, we have people ready and raring to go, and we will execute the work soundly. Yeah, so I don't think that should be a concern. If I would look at what's out there and what we would expect to book, provided we get anywhere close to our fair share, I would say that's going to be by far a net add. There are just so many opportunities, as you noted. The opportunities that we have as we sit here today and we compare that to the last time we talked, there's more out there. Some of it's moved closer to fruition. In other cases, there are new opportunities that we're pursuing. So the pipeline is rich, and we think we're well positioned for a fair amount of these opportunities. And then You know, if we get to a point, and we'd love for this to happen, if we get to a point where, you know, we can't handle anymore, then we'll sit on the sidelines. But we're not there yet. We don't think we will be there at this point. And we look forward to, you know, when we get together another quarter or two to report on increased backlog as these opportunities come home.

Michael Dudas | Analyst, Vertical Research Partners:

I appreciate that. And my follow up, Gary, would be as you as you assess the margin performance, which again for Q1 seemed quite solid across the board, but the cadence of it as we move through 2026, is it just a function of ramping up the volume and capacity? And are there some other opportunity areas where, you know, between the low and high end of those ranges where what could help you achieve those versus maybe pushing them out to say 2027?

Gary Smalley | CEO and President:

It's exactly what you said. It's about volume. You know, the first quarter is always a slower quarter for us. It's difficult to, you know, to estimate what the first quarter is going to be. It's harder than the others because you don't know the extent of, you know, we didn't know we were going to have all the rain that we had in Southern California, for example. And we didn't know that, you know, New York out your way. Mike, I had a trip that I canceled because of, you know, the weather being so bad and the airport being closed and things of that nature. So you just don't know. But as we progress during, you know, through the year, the volume goes up. We also, our margins are expected to go up. These larger projects that we've been booking, you know, they're ramping up right now. They're only going to get stronger as the year progresses. And some of that is the weather itself. But the other factor is that they're just early in their development, and so they're going to start blowing and going. Some already have, and others will gain more momentum as we continue. So I would expect 26 to gain strength each quarter, and 27 will just be a follow-on to that. Excellent. Thank you, Gary. You're welcome. Thanks.

Rob | Conference Operator:

Our next question is from Judah Aronowitz with UBS. Please proceed with your question.

Judah Aronowitz | Analyst, UBS:

Hey, good evening. Thanks for taking my question. On for Steve Fisher. The first question, I noticed that you changed the language around 2027 UPS expectations to significantly higher on the upper end of the 2020s guide from just higher. Is that right? And if so, I guess what makes you more confident now relative to three months ago? You know, can you talk about your confidence level in achieving this level of earnings in 27? And specifically, is the work already in backlog, or is there still more work to book?

Gary Smalley | CEO and President:

Yes, if we didn't book any more work, 27 is going to be a blowout year, as is 26. But, you know, there is going to be more work to book, so it will be even better. So what gives us a little bit more optimism or confidence, Judah, is, you know, time has gone by. We see how things have developed. We see how the new work is progressing. We see how settlement discussions are progressing. So all those things together make us as confident as we can be. And look, we affirmed guidance. We didn't raise guidance. And that's always something, at least as we go forward, that you should expect is maybe a raise or at least consideration for it. We did consider it this time because we do feel a lot better about how things are shaping up. But we also want to be conservative and in our approach. So yes, we do feel more confident and it's just the way all the details are coming together right now. We were very pleased with where we are with respect to the execution of all this new work and also very optimistic about building on this great backlog we already have.

Judah Aronowitz | Analyst, UBS:

Okay, that makes sense. Good to hear. And then my follow up relative to inflation, what are you seeing in the business now? And how comfortable are you with your contingent contingencies, you know, in areas where you don't have the ability to reindex to inflation? Thank you.

Gary Smalley | CEO and President:

Yeah. Yeah. Good question, because you even indicated that in some cases, you know, you implied that we do have the ability to reindex with inflation. And that is the case. But in those instances where we're still being impacted by inflation, as everyone else is, you know, look, we're covered. We we're very conservative in how we addressed contingency, but also we have this buyout that we talked about before on calls where early on we look at firming up commitments with respect to subcontractors and also vendors to make sure that we pass that risk on to them if there's any change in pricing. So we're good with respect to inflation.

Judah Aronowitz | Analyst, UBS:

Got it.

Gary Smalley | CEO and President:

Thank you. Thanks, Judah.

Rob | Conference Operator:

Our next question is from Liam Burke with B Reilly Securities. Please proceed with your question.

Liam Burke | Analyst, B. Riley Securities:

Thank you. Good evening, Gary, Ryan, Jorge.

Gary Smalley | CEO and President:

Hi, Liam.

Liam Burke | Analyst, B. Riley Securities:

Hi. Gary, your balance sheet is much stronger. Your cash position is great. You're returning cash to shareholders.

Gary Smalley | CEO and President:

strong liquidity position allow you to undertake larger projects without having to consider a joint venture partner you know what it absolutely does and uh and that's what our preference is of course because um we have great joint venture partners and we appreciate what they bring to the table but at the same time if um if we can do the work on our own and not have to share 20 or 25 or 30 percent uh margin and cash with them that's the ideal position that we'd like to be in. And certainly when you're a stronger company, as we are now compared to a year ago and the year before that, then that does offer us opportunities to do more things on our own.

Liam Burke | Analyst, B. Riley Securities:

Great. And in terms of talking about bidding activity and potential projects expanding, is that Robert Marlayson, Increasing the competitive field or things pretty much the same part of it is that data Center activity is pulled some of the competitors off off the projects that you're bidding on.

Gary Smalley | CEO and President:

David Miller, yeah I would say that if there is a change it's you know from last quarter there's probably not much of a change, to be honest with you, but. David Miller, But you know look the the trend has been to be less competitive and whether it's data centers adjust the volume of work, such as what we've we've talked about. So, you know, I certainly there's not going to be more competition, at least in the short term, medium term, or even as far as we can see looking out because of all the just the magnitude of work. And so few of us that can do the complex work that we pursue. So so I would say that, you know, the competition is is probably a little less and would likely be continue to be less than what it is currently. But certainly we don't see. new competitors coming into the market right now.

Liam Burke | Analyst, B. Riley Securities:

Great. Thank you, Gary.

Gary Smalley | CEO and President:

Yeah. Thank you.

Rob | Conference Operator:

Our next question is from Min Cho with Texas Capital Securities. Please proceed with your question.

Min Cho | Analyst, Texas Capital Securities:

Great. Thank you. Thanks for taking my questions. My first question has to do with black construction. So I know that's a higher margin business for you. Can you talk about your annual run rate of revenue there and kind of what you have in backlog? And how big do you feel like that business can get? And if you can just talk about any of the bottlenecks to driving more growth from block construction. Thank you.

Gary Smalley | CEO and President:

Hi, Min. In the past, we've really steered away from talking too much about specific business units and what type of you know, what they bring to the overall consolidated Tutor-Perini. Just, I guess, but to try to address your question in some way, we're looking at black. I won't talk about revenue, but I'll talk about backlog. It exceeds a billion dollars. And, you know, if you look at the run rate, some of their work is, you know, two, three years in duration. Other projects are, you know, a bit longer, maybe four or five years. And, you know, we're looking to build that. We've got the capabilities there. It's an extraordinary business for us, just very talented workforce. So, you know, look for that. It probably won't double, but it could grow significantly from that, you know, beginning point.

Min Cho | Analyst, Texas Capital Securities:

Great. Thank you. And then also your recent Army Corps MATOC Award to support the energy resilience conservation investment program. How much of that $2 billion is within TPC's kind of addressable business? And if you can just talk a little bit about the types of construction projects that are expected there.

Gary Smalley | CEO and President:

Yeah. All of it is within what we do and what we do well. And the type of work for, you know, that's available under that ATOC is It varies. It can be building work. It can be civil work. It can be specialty work as well, specialty contractors work. Our workforce at Black and Guam and the surrounding areas, again, I mentioned before it was very talented, but we're very diversified. We can do whatever work that's out there. We also have PMSI as one of our Uh, business units, and likewise, they are very equipped in whatever part of the world that they operate to to do all types of building work or all types of construction work. Their emphasis is generally more on the building side. Uh, but, um, but really between the 2 of those entities, we can do just about anything.

Min Cho | Analyst, Texas Capital Securities:

Excellent if I can just squeeze in one more question, can you just talk a little bit about tutors position currently on pursuing some of the mission critical and high tech projects like the data centers or semiconductor campuses.

Gary Smalley | CEO and President:

Yes, so this is you know something that we're looking at very closely, we do, we are actually doing some data Center work with in on the specialty side. And we are looking to, we're exploring ways to expand that currently. So, you know, we want to make sure that we don't give up the core market because we know one day that, you know, and who knows how long down the road that will be, whether it's five years or 10 years down the road, that, you know, the data center work at some point in time probably won't be there, at least not as strong as it is now. So we want to make sure that, you know, we're still well positioned to do the work that is our standard bread and butter. But at the same time, the data center work is very exciting for us. We see it as an opportunity where we can expand margins and increase revenue as well. So we're looking at it very closely. And I think not too far down the road, certainly for the years up, you'll hear more from us as far as maybe new strategy to explore some of that market. or at least explore what we're already doing. And we'll talk more publicly about it at some point too. We just, we're not quite there, but we're getting closer.

Min Cho | Analyst, Texas Capital Securities:

Great. Thanks for the call.

Rob | Conference Operator:

Thank you. Our last question is from Adam Tallheimer with Thompson Davis. Please proceed with your question.

Adam Tallheimer | Analyst, Thompson Davis:

Hey, good afternoon, Gus. Great quarter.

Gary Smalley | CEO and President:

Yeah, thanks, Adam.

Adam Tallheimer | Analyst, Thompson Davis:

Thanks. We're happy. I liked Min's question. Can I just keep going on that? Are you thinking that you might look at data center work for other segments or just within the specialties?

Gary Smalley | CEO and President:

Yeah, right now it's a little too early to get out in front of any more than what I said, Adam. But specialty is probably where we see the most, we'll say, current type opportunities coming. Um, and, uh, but we're looking at other areas as well. And it's something that, uh, you know, we're talking about as management, we'll talk more about it with the board as we learn a little bit more, but certainly there's a lot of, um, excitement, uh, in

internally, uh, as we look at opportunities that, um, could, could be out there for two to pretty.

Adam Tallheimer | Analyst, Thompson Davis:

Okay. Great. Um, the buyback, I was curious, good to see you do 20 million in Q1. How would you. like to pace that from here?

Gary Smalley | CEO and President:

Well, it's certainly something that would we buy back at $72 on the average price, right? Right. Nicely done. Yes. And we, you know, there's some, you know, it wasn't without some debate internally because, you know, we're a stock that has grown quite well over the last year or so. And some of us felt a strong conviction to even buy with our own money, such as myself. And I've done that a couple times in the last several months. So for me, it was pretty easy on the buyback. Now that we're 90-ish or something like that, it's not as compelling for us. But at the same time, we know that we've got a lot of upward momentum trajectory that's that's to come. And so I think there will be, we're going to be opportunistic. And I think there will be opportunities in front of us, but we're not really planning it to say, Okay, we're going to do x million dollars every quarter or six months, we're just see where the opportunities are, weigh that with, you know, the cash needs and how quickly we're building our cash balances, and then go from there. So I know it's not a specific answer for you, but we're very aware that we've got a lot of room left with the buyback. We are very bullish on what the opportunities are right now, very bullish on what the share price could continue to do. So either on a personal basis or a company basis, I think there will be more coming, but again, we just don't know exactly when.

Adam Tallheimer | Analyst, Thompson Davis:

Great. Ryan, the refinancing you said is coming in the next few months. Can you give us a sense for the target structure and potential interest rate savings?

Ryan Soroka | Executive Vice President and CFO:

Yeah, sure. I think at this point, we're looking to refinance the notes one-to-one. Maybe that could change a little We're looking at interest savings of somewhere between 400 or 500 basis points as we look at the marketplace. Again, there's still a little bit of volatility out there related to some of the geopolitical issues going on, so that remains to be seen. But I think at the same time, what we also intend to do is take a look at our credit facility. Right. And looking to to upsize that and extend those maturities. So ultimately, the goal is to, you know, refinance the notes with significant interest savings and then extend the maturity and have some extend the maturity on the credit facility with significant extension and maturity as well.

Gary Smalley | CEO and President:

Our goal is to get somewhere with the six handle compared to the horrible rate that we have right now on the bonds. Yep, that'd be great.

Adam Tallheimer | Analyst, Thompson Davis:

And then last one for me, you gave the margin outlook for the other segments, Ryan, but I didn't hear it for specialty. I was curious what the range is there that you're working towards. And also, what percent of their work now is for other TPC segments? Sure.

Ryan Soroka | Executive Vice President and CFO:

For 2026, we're probably looking in the call one, two to three percent range. Ultimately, we expect that, you know, especially to get up into the 5 to 8% range. I mean, look, we still have a little bit of overhang with some legacy disputes. That's why I'm kind of tempering 2026 in that 1 to 3% range. And at this point, specialties backlog, about two-thirds of it is with, you know, is on called other Tudor Perini subsidiary projects.

Adam Tallheimer | Analyst, Thompson Davis:

Great. Thank you, Gus.

Ryan Soroka | Executive Vice President and CFO:

Thank you. Thank you.

Rob | Conference Operator:

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 everyone for your participation today. We look forward to continuing to deliver excellent results and to speaking with you again next quarter. Thanks again.

Rob | Conference Operator:

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