NYSE:TPC Q2 2026 Earnings Call Transcript

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Rochelle | Conference Coordinator:

Ladies and gentlemen, and welcome to the Tutor Perini Corporation's second quarter 2026 earnings conference call. My name is Rochelle, 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 is being recorded for replay purposes. If you would like to ask a question at that time, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. I will now turn the conference over to your host for today, Mr. Jorge Casado, Senior Vice President of Investment Relations. Please proceed.

Jorge Casado | Senior Vice President, Investment 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'll 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-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 our earnings release and in our Forum 10Q, both of which can be found in the Investors section of our website. Thank you, and with that, I'll turn over the call to Gary Smalley.

Gary Smalley | CEO & President:

Thanks, Jorge. Hello, everyone, and thank you for joining us. We had an excellent second quarter, delivering very strong results highlighted by record revenue in operating income, record operating cash flow, of $334 million for the first half of 2026 and meaningfully and sequentially improved operating margins across all segments. Our record cash flow so far this year has been driven by higher volume and solid execution and collections on various large projects that are very profitable. Our second quarter revenue increased 90% year over year to $1.6 billion. driven by contributions from projects that are in the very early stages with significant scope of work remaining. With strong revenue growth, we generated operating income of $118 million, up 54% year over year, and produced an outstanding $1.74 of adjusted earnings per share, up 23% compared to the second quarter last year. Brian will discuss the details of our financial results shortly, including some commentary about our recent successful debt refinancing. As I mentioned, our segment operating margins were all up significantly this quarter compared to the margins for the first quarter of 2026 as our work continues to ramp up on several of our mega projects. The civil segment's second quarter operating margin was 15.3%, a very solid performance that exceeded the high end of our anticipated four-year margin range for the segment. The building segment's operating margin was 5.6% for the second quarter, an operating income that was up an impressive 39% year-over-year. The building segment's outstanding margin performance is already approaching the upper end of the range we expect for the segment this year. And the specialty contractor segment continues to deliver solid execution on its current projects with improved operating results. Its operating margin for the second quarter was 2.2%, up nicely compared to the first quarter, and with further margin improvement still expected as the back half of the year unfolds. Overall, we are very pleased with the results we are delivering in terms of revenue growth and margin expansion, as well as with our substantial earnings and record cash generation. Now let's turn to the second quarter new awards and backlogs. We booked $1.7 billion of new awards and contract adjustments, a book to burn of just over 1x, and finished the quarter again with a near-record backlog of $19.9 billion, up slightly compared to the prior quarter. The largest additions to backlog included the following. A $652 million project to modernize and protect critical power infrastructure at Naval Base Guam, $143 million for two U.S. Coast Guard projects, a housing project, and a child development center project, both in Alaska. $130 million of additional funding for a new pediatric campus electrical project in Texas, $114 million for the Jones Hall project at the University of Mississippi, and $106 million for a bridge project in Minnesota. As we've indicated previously, our strong backlog, which includes nine mega projects, we have one over the past few years with a combined value of about $16 billion, continues to provide us with excellent line of sight for future revenue and earnings over the next several years. We continue to expect that our backlog will fuel higher revenue and earnings, solid profitability, and strong cash flow this year and beyond. Customer demand remains robust, and we continue to have numerous significant project bidding opportunities, particularly in the Indo-Pacific region, as well as in California, the Midwest, and the Northeast. Overall, we have a massive pipeline of more than $200 billion in potential project opportunities over the next three to four years, which is about three times larger than the pipeline we had just a couple of years ago. Many of these opportunities are expected to bid over the next one to two years, and we are very well positioned to win our fair share. We will continue to be quite selective in bidding and winning new projects, with our key overall objective being to maximize shareholder value. Consistent with our approach over the last several years, our focus will remain on bidding projects conservatively so that our project budgets reflect safe costs, adequate contingency, favorable contractual terms and higher margins. As we observe the market, we continue to see limited competition for the larger fixed price work, which should help us achieve our goal of winning important and profitable contracts that enhance revenue earnings growth and margin expansion. Now let's talk about some of the major bidding opportunities we expect to pursue over the next 12 to 18 months. We currently have more than $4.6 billion of Indo-Pacific opportunities with the federal government for our Guam subsidiary, Black Construction, including port and harbor improvements on the islands of Palau and Yap, a fueling facilities project at Wake Island, air-filled and fueling facilities in Yap, and the Polaris Point submarine pier at Naval Base Guam. In addition, there are more than $1 billion of other opportunities already identified in the region We expect that our backlog will remain strong during the remainder of 2026 and beyond. We still anticipate approximately $1 billion of additional funding later this year for the Midtown bus terminal replacement project in New York. We also have certain building segment projects currently in the pre-construction phase that are anticipated to advance to the construction phase later this year and beyond. In addition, In the third quarter, we will be bidding various projects, including the $1 billion I-69 ORX Section 2 bridge project connecting Indiana and Kentucky. And in the Indo-Pacific region, Black Construction just last week submitted a bid for the half-billion dollar Palau Port and Harbor Improvements project. And later this year, we will bid a multi-billion dollar jail project in Illinois, leveraging our success and experience with our ongoing Brooklyn and Manhattan jail megaprojects. We will also continue to have several new large healthcare project opportunities and hospitality and gaming opportunities, mostly in California and the Southwest. In 2027, we expect to bid on several multi-billion dollar projects, including the Merced to Madera segment of the California High-Speed Rail Project, as well as the initial contract for the Sepulveda Transit Corridor Program in Southern California, a program believed to be valued at approximately $12 billion and expected to be awarded under multiple contracts. In addition, we have the $4 billion Southeast Gateway, the $2 billion Eastside Transit Corridor Phase II, and the $1.5 billion K-Line Extension to Torrance projects, also in Southern California. And on the East Coast, 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. Late next year or early the following year, we expect to bid on the second phase of the multi-billion dollar Midtown Bus Terminal replacement project in York, the phase that will demolish the existing bus terminal and build its permanent replacement. Because of the unprecedented pipeline of opportunities just mentioned and our competitive positioning, we remain confident in our ability to drive backlog growth over the medium to longer term as we also continue to focus on earnings growth, margin improvement, free cash flow, quality, and safety. Now, as we announced today in our earnings release, our board of directors has declared a 9 cent per share quarterly cash dividend payable to shareholders on September 3rd. This is a meaningful 50% increase compared to the previous 6 cent dividend. The increased dividend reflects our continued confidence in the outlook for strong revenue, operating margins, and many more. to return excess capital to our shareholders. Finally, let's turn to our outlook and guidance. As I mentioned earlier, I am very pleased with the financial results we have delivered thus far this year, results that were ahead of our expectations. We continue to benefit from favorable macroeconomic tailwinds that are driving strong, sustained market demand, which bodes well for future awards growth, earnings, and value creation. Our business is resilient. and we remain confident in our outlook for consistent revenue and earnings growth for the remainder of 2026 and beyond. 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 our newer large projects in our backlog should be in the construction phase. Because of the favorable outlook and our strong financial results to date, we are raising our 2026 adjusted EPS guidance to the range of $5.15 to $5.45 per share, up from the previous range of $4.90 to $5.30. As usual, our guidance continues to factor in a significant amount of contingency for unknown or unexpected outcomes and developments this year. We also continue to expect strong operating cash generation in the second half of 2026 and beyond due to increasing project execution activities on our newer megaprojects and the anticipated resolution of remaining legacy disputes. Before I hand it over to Ryan to review our financial performance, I want to take a moment to highlight a significant corporate milestone. As some of you may know, Tutor Perini was recently added to the S&P Small Cap 600 Index effective before the opening of trading on July 24th. Tutor Perini has also recently been added to various other S&P indices, including the S&P 1000. We view our inclusion in these benchmarks as clear validation of the strong operational progress our team has achieved over the past few years. Our focus on improved contractual terms, safer costs, and more contingency in our bids, effective project execution and resolving legacy disputes, has structurally strengthened our balance sheet and helped us drive unprecedented earnings and cash generation. This milestone marks an exciting new chapter for Tutor Perini as we continue to drive long-term value for our shareholders. Given all this, I'd like to take a moment to reflect on Tutor Perini's enduring value proposition for investors and why we are so confident in our future trajectory. As we have said before, We continue to benefit from generational investment opportunities to refresh and modernize the U.S. infrastructure. Our ability to capitalize on this exceptional market environment where we see no shortage of opportunities moving forward is evidenced by our recent major project wins. Next, our backlog of $20 billion provides us with clear revenue and earnings growth visibility moving forward. And finally, we have taken meaningful action to strengthen our balance sheet over the past few years by deleveraging, resolving legacy disputes, and through the recent refinancing. As a result, we strongly believe Tutor Perini today is a more compelling value investment opportunity than any other point in our storied history, and our confidence continues to build given the disciplined steps we are taking to create value for our shareholders moving forward. 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 & CFO:

Thanks, Gary. Good day, everyone. I'll discuss our results for the second quarter followed by some commentary on our balance sheet and the assumptions underlying our increased 2026 guidance. All comparative references will be against the second quarter of last year unless otherwise stated. But first, I'd like to highlight the recent debt refinancing that we successfully completed here early in July. We're extremely pleased with the outcome of our refinancing by which we replaced our 11.875% senior notes with $400 million of new senior notes at a coupon rate of 6.625%, a 525 basis point reduction, and extended the notes maturity by four years from 2029 to 2033. The coupon reduction will result in annual cash interest savings of $21 million going forward. We also amended and restated our revolving credit facility, More than doubling our currently unused capacity from $170 million to $350 million, while obtaining substantially improved covenant terms and interest rate spreads and extending the revolver's maturity from 2027 to 2031. Overall, refinancing gives us a greater capacity to pursue strategic opportunities while continuing to return capital to shareholders. As will be disclosed in the 10Q, The debt extinguishment and refinancing costs we incurred in the third quarter of 2026 will be excluded from our adjusted EPS when we report our Q3 results. Now, to our financial results. As Gary mentioned, we generated a record $334 million of operating cash for the first half of 2026, up 17% compared to the first half of last year. This included strong cash flow of $187 million in the second quarter, Our record first half cash flow was driven by significant volume growth and strong collections on various profitable projects, as well as effective working capital management with only a small amount attributable to dispute resolutions. We expect to continue generating solid cash flow this year and beyond, with most of our cash to be sourced from organic operations and occasionally enhance a cash collected from dispute resolutions. Revenue for the second quarter of 2026. was a record $1.6 billion, up 19% with a growth primarily due to increased project execution activities on certain large high-margin projects in New York, California, Hawaii, and the Indo-Pacific region. Civil segment revenue was $816 million, the segment's highest quarterly revenue ever and up 11% with a growth driven by increased project execution activities on the Midtown Bus Terminal Phase 1 project, the Manhattan Tunnel, the Kensico ECU Connection Tunnel, the Honolulu Rail Project, and the APRA Harbor Waterfront Repairs Project in Guam, all of which have substantial scope of work remaining. Building segment revenue was $560 million, the segment's highest quarterly revenue since 2011, and up 21% due to increased activities on the Brooklyn and Manhattan jail projects, as well as on a large healthcare campus project in Northern California. All our major civil and building segment projects are continuing to run smoothly. Specialty segment revenue was $261 million, up a very strong 47%, 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 strong revenue growth drove our second quarter operating income to a record $118 million, up 54% year-over-year. double segment operating income was $125 million compared to $140 million. The prior year included a large favorable adjustment of $28 million. The civil segment continues to execute extremely well and once again delivered a very healthy segment operating margin of 15.3%, which, as Gary mentioned, is above the top end of the 12% to 15% margin range we expect for the segment and up sequentially from 12.6% last quarter. Building segment operating income was a solid $31 million, the highest result since 2010 and up 39% with the strong 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 5.6%, the highest building margin of any quarter since 2012 and up sequentially from 3.5% from the first quarter of this year. The building segment's margin performance was outstanding and near the upper end of the 3% to 6% margin range we expect for the segment. Specialty contractor segment operating income was $6 million for the second quarter compared to a loss from construction operations of $18 million for the same quarter last year. The specialty segment operating margin was 2.2% this quarter, up sequentially from 0.3% last quarter and a significant improvement and many more. and in the future years as we continue toward our goal of eventually sustaining specialty margins in the 5% to 8% range. Corporate G&A expense for the second quarter of 2026 was $42 million compared to $68 million last year with the decrease largely due to a $28 million reduction in share-based compensation expense this year as some of the liability classified awards that have recently caused elevated share-based compensation expense vested at the end of 2025. Most of the remaining liability classified awards will vest at the end of this year, so in 2027 we expect that our share-based compensation expense will be significantly reduced compared to this year. Income tax expense for the quarter was $31 million, with a corresponding effective tax rate of 26.8% for the period, compared to $22 million last year, with a corresponding effective tax rate of 31.8% in that period. The lower effective tax rate this year is mostly attributable to the lower non-deductible share-based compensation expenses estimated for 2026 relative to 2025. Net income attributable to Tutor Perini for the second quarter of 2026 is $66 million, or $1.23 of GAAP earnings per share, compared to $20 million, or $0.38 of GAAP earnings per share in the second quarter of last year. Excluding the impact of share-based compensation expense, Net of Associated Tax Benefit, adjusted net income attributable to Tutor Perini for the second quarter of 2026 was $93 million or $1.74 of adjusted earnings per share compared to $75 million or $1.41 of adjusted earnings per share in the same quarter last year. This is a solid 23% improvement in our adjusted VPS compared to last year's second quarter, reflecting the high margin contributions and outstanding performance we continue to see as we execute our projects and backlog. Now I'll address the balance sheet. Our total debt stood at $396 million at the end of the second quarter. We ended the quarter with cash and cash equivalents exceeding total debt by $542 million, an increasingly strong net cash position and $435 million better than we were just one year ago. Our cash available for general corporate purposes was $424 million at the end of the second quarter of 2026, up 56% compared to $271 million at the end of 2025. Our balance sheet has continued to strengthen, and our large net cash position provides us with ample flexibility to allocate our capital efficiently and strategically. Finally, let me update you on our latest assumptions underlying our increased 2026 guidance. which are more favorable overall compared to our previous assumptions. DNA expense for 2026 is now expected to be between $380 million and $400 million. Depreciation and amortization expense is now anticipated to be approximately $45 million in 2026 with depreciation at $43 million, amortization at $2 million. Interest expense for 2026 is now expected to be between $42 million and $44 million. of which about $3 million will be non-cash. Our effective income tax rate for 2026 is now expected to be approximately 26% to 29%. We now anticipate non-controlling interest to be between $70 million and $80 million. We still expect approximately 54 million weighted average diluted shares outstanding for 2026. And capital expenditures are still anticipated to be approximately $125 million to $135 million. with the vast majority of the CapEx in 2026. Approximately $75 million to $85 million being owner funded for large equipment items on certain large new projects. Thank you.

Gary Smalley | CEO & President:

And with that, I will turn the call back over to Gary. Thanks, Ryan. To recap, we delivered very strong financial results for the second quarter and through the first half of 2026 marked by record first half operating cash flow, double digit revenue growth, record operating Our business momentum is growing. and our results this year demonstrate the substantial revenue, earnings and cash potential of our solid project execution. The long-term outlook for Tutor Perini remains very bright given the long duration, higher margin nature of our backlog and the enormous pipeline of bidding opportunities. We expect that the favorable macroeconomic tailwinds and strong public and private customer funding will persist and continue to support vibrant market demand and ample bidding opportunities well into the future. All of this supports our strong belief that Tutor Perini presents a unique and compelling value opportunity for investors. Thank you, and with that, I'll turn the call over to the operator for your questions.

Rochelle | Conference Coordinator:

Thank you. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the start keys. And our first question, we'll hear from Adam Thalheimer with Thompson Davis and Company.

Adam Thalheimer | Analyst, Thompson Davis & Company:

Hey, good morning, guys. Congrats on the – good afternoon. Congrats on the great quarter. Thanks, Adam. It sounded like the civil and building – Operating margins were stronger than you expected. Can you give a little bit more color on why that was and your expectations for the back half?

Gary Smalley | CEO & President:

Yeah, Adam, really what's going on is these new projects, the nine megaprojects that we had booked the last few years or so, those projects are starting to ramp up, and they're higher margin projects, and they're really contributing much higher margins than what we're seeing in some of the old work. Thank you very much. is really where you want to plan on us being with the civil segment. On the building side, somewhere in the 3% to 6%, but we aim for the upper end of that 3% to 6%, and that's where we were this quarter with the 5.6%. So expect in the latter half of the year to be in that range, but really toward the upper end of that range. And again, this 12% to 15%, keep in mind that not too long ago we were – We're talking about 8% to 12% margins, so we've seen a consistent, healthy increase there. And down the road, hopefully we can push that 12% to 15% even higher.

Adam Thalheimer | Analyst, Thompson Davis & Company:

Okay. And then you guys have been really active putting out press releases for, call it small and mid-sized jobs. I'm just curious how we should think about the margin profile for those jobs versus your mega jobs.

Gary Smalley | CEO & President:

Generally, the mega jobs have higher margins. However, it's mixed in with some of these projects. Look, one of those was an AI project or a data center project. It has very high margins. So the blend isn't going to be much different from what you're seeing otherwise. It's always a mix of things. But the margins on the projects that you mentioned in these releases, they're healthy margins.

Adam Thalheimer | Analyst, Thompson Davis & Company:

Great. I'll turn it over. Thanks, guys.

Gary Smalley | CEO & President:

Great. Thanks, Adam.

Rochelle | Conference Coordinator:

And our next question will come from Min Cho with Texas Capital Securities. Please proceed. Great.

Min Cho | Analyst, Texas Capital Securities:

Thank you, and congratulations on a really strong quarter here. So you all had a very nice award in the quarter for black construction, and it looks like there's some pending bids out as well. Can you talk about black construction in general, just I mean, you probably can't double the size of that business at the current capacity, but are you looking to add more scale there? How can that business, which tends to have higher margins, get larger for you? What can you do to make it bigger?

Gary Smalley | CEO & President:

Yeah, I mean, thanks for the comment and the compliment on the quarter. Look, you know, in our prepared comments, we talked about the potential there over the next 12, 18 months. We have $4.6 billion of bid opportunities. And then beyond the The 18 months, there's already a billion dollars of opportunities that we've identified. So we just see more and more potential there. We're looking at, you know, adding staff there to continue the expansion. Can we double it? You know, we certainly would like to double it. It depends on our win rate. It depends on, you know, continued, you know, opportunities that come out. We certainly expect to grow it. And, you know, the margins are generally healthy there. Thank you very much.

Min Cho | Analyst, Texas Capital Securities:

And then just moving to data center opportunities, I know Fisk Electric won the data center project, and it sounds like electricians are becoming a big bottleneck for data center projects. Can you talk about how you're bidding for those projects and kind of what you're seeing in terms of opportunities specific to data centers on the electric end?

Gary Smalley | CEO & President:

You're exactly right with respect to the bottleneck with electricians being the bottleneck. And that's really where the opportunities that we're looking at. We're going to continue to emphasize the core business. That's where we're doing very well right now. And data centers, we're looking at those being where there is a need, where we have resources. And so primarily in the Texas region is what we're seeing right now where Electricians are short, but we have the available capacity to take that on in addition to the other work. So we're seeing healthy margins, and that's the type of data center work that we're pursuing at this point is more on the electrical side.

Min Cho | Analyst, Texas Capital Securities:

Excellent. Thank you.

Gary Smalley | CEO & President:

Thank you.

Rochelle | Conference Coordinator:

And our next question we'll hear from Michael Dudas with Vertical Research Partners.

Liam Burke | Analyst, B. Riley Securities:

Good afternoon, gentlemen.

Michael Dudas | Analyst, Vertical Research Partners:

Hey, Mike. Hey, Mike. Gary, maybe you can opine a little bit more. The $200 billion pipeline number was pretty shocking. I'm pretty not surprised by maybe, you know, how it's evolved over the past couple years. And when you look at that pipeline and look at some of the opportunities ahead of you, how you're positioning how best to which resources, which projects, terms and conditions, In that pipeline, what you could convert to a backlot or award and that visibility over the next, say, 12 to 18 months?

Gary Smalley | CEO & President:

Yeah, Mike, the $200 billion, if you compare it historically, let's go back the last six, seven years. It's generally ranged somewhere around $70 to $90 billion. and up and down a little bit depending on just the economy and just the pace of the awards. But we've really seen this go from about two or three years ago, it was about $70 billion. It's gone from $70 billion to $200 billion. So that's the tripling that I mentioned earlier. And so what happens is there's no way you're going to try to pursue $200 billion or even $70 billion of work. But what it does you look at the available opportunities and you target the regions, the types of projects where you expect to have the best terms and you also look at the expected competition and from those then we target the best opportunities for us and therefore the best margins for us. So the fact that it's three times the total number of opportunities bodes quite well for us because what that means is You know, we can be more selective in the opportunities we pursue and hopefully land, you know, again, our fair share at higher margins.

Michael Dudas | Analyst, Vertical Research Partners:

Well, that's very helpful, Gary. And then maybe for Ryan, a tremendous job on recapitalizing the balance sheet. And this, you know, with the strong cash flow first happened when he expected the second half and he refinanced on the senior notes level. The composition of the net cash and balance sheet, like, remind us, you know, working capital needs as you're growing the business, the surity, you know, positioning and how that plays through and how the balance sheet can continue to support, you know, some of the project opportunities to support, I would guess, some pretty good-sized growth in the backlog of the next couple of years.

Ryan Soroka | Executive Vice President & CFO:

So I guess just moving to operating cash, first part of that question, obviously record-setting first half. As we think about the year, the remainder of the year, we're not going to set a new record. What was it, $750 million last year? But as we look at the second half, perhaps getting to maybe a second-best outcome for any given year. That's kind of certainly where we're seeing things trending, really from the cash being spun off from organic operations and the ongoing projects, in particular the mega projects. As we look at the cash on the balance sheet, obviously roughly $424 million available for general corporate use. As we think about that from a capital allocation perspective, obviously there's the opportunity to stick to share repurchases. There's a dividend that we increased. This quarter, up 50% from the prior quarterly dividend. And also kind of investing that cash into the business to continue to grow, but also to get the continued support from our assurities to continue bidding on these larger projects as a sole source provider. And I think kind of the way I look at it, the last component would really be M&A, which we look at from time to time and look at strategically. whether that's adding geographic presence or incremental resume or skill set that we don't have today.

Adam Thalheimer | Analyst, Thompson Davis & Company:

Excellent. Thank you, Ryan. Thank you, Gary.

Ryan Soroka | Executive Vice President & CFO:

Thanks, Mike.

Rochelle | Conference Coordinator:

And next we'll hear from Liam Burke with B. Reilly Securities.

Liam Burke | Analyst, B. Riley Securities:

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

Gary Smalley | CEO & President:

Hey, Liam. Hey, Liam.

Liam Burke | Analyst, B. Riley Securities:

Gary, pre-construction activity is usually a very solid indicator of how the forward activity is going to be, or at least give a cadence. But can you give us a sense on where you are on pre-construction activity?

Gary Smalley | CEO & President:

Yes, and you're absolutely right. When we look at it over a long period of time, it's greater than 90% hit rate when something's in pre-construction. And we have hundreds of millions of dollars of building opportunities already in pre-construction. and what I said earlier was we will see in the third and fourth quarter and then also into 2027, we will see some of those pre-construction projects that are ongoing, we'll see those manifest themselves into backlog. And there continues to be other pre-construction work that we're adding as those blossom into full-blown backlog. Our goal is to continue to replace them because they are more secure backlog. It gives us greater visibility into what the backlog is and what the revenue and profit burn will be going forward.

Liam Burke | Analyst, B. Riley Securities:

Great. Thank you. And, Ryan, your cash flow is strong. The balance sheet is in great shape. You're starting to return cash to shareholders. How are you balancing a dividend with share repurchases?

Ryan Soroka | Executive Vice President & CFO:

I guess the real short answer is looking at the share repurchases opportunistically, and that's going to be from time to time. As we look at the dividend, even with the increase, it's still a relatively – I won't say not relatively, but a conservative cash outlay relative to our balance. So that's something that we will continue to monitor, obviously, with the support of the board from time to time.

Gary Smalley | CEO & President:

And I'll just add that, you know, Look, Liam, this is new to us, right? We haven't paid a dividend in some time. We've never bought back shares until recently. And, you know, we have a large amount of cash, and we're going to be conservative in how we administer the cash because, you know, for all companies, but especially in our industry, it makes sense to have as much cash as you can on hand. And also from a charity standpoint, you know, we're pursuing very large projects. and these large projects, a lot of times sureties for most companies, they require there to be a joint venture partner in order to ensure the bonding for the projects. We like to pursue projects without joint ventures as much as we can and the large cash helps us be able to do that to get the surety approval to pursue the projects with just ourselves. What that means is when you've got a couple hundred million or so of profit on these new projects that you're landing, if you don't have to share 20%, 25% with a joint venture partner because the sureties have confidence that you can execute the project, and as we continue to pursue these large projects with safe costs that Ryan mentioned and the contingency, then, look, it makes a lot of sense to have a healthy amount of cash available. and one thing that we talked about last quarter and we kind of talked about a little bit, it's implied with what we're saying about this great operating cash that we're generating is that all of these mega projects, these nine big projects that we booked, they're all just spawning cash. They're all ahead of the cost on cash. The projects are going extremely well. and, you know, we're really confident that we're going to deliver those projects at least at the as-sold margins. So, we would expect that as those projects get closer to completion down the road that there will be, you know, additional profit that we can take in through the release of contingency. We're a little early for that because, you know, again, we're going to take a conservative approach. There's more profit, we believe, in those projects than what we're recognizing currently that hopefully as the risks are mitigated, then they'll drop to the bottom line. Great.

Liam Burke | Analyst, B. Riley Securities:

Thank you, Gary. Thank you, Ryan.

Gary Smalley | CEO & President:

Thank you.

Rochelle | Conference Coordinator:

And next, we'll move on to Stephen Fisher with UBS. Please go ahead.

Stephen Fisher | Analyst, UBS:

Thanks. Good afternoon and congrats on the continued progress. Gary, just to follow up on those comments you're just making about the execution on the large project, maybe you could just give us kind of a broader update on how you're staying on top of these nine major projects. It's a lot to have going on at one time. How are you making sure you are actually really staying on top of all the details there and particularly how you're managing the inflation I guess outside of those nine projects more broadly. I know you've done sort of locked in a lot of the costs on the large projects but inflation on sort of the rest of the portfolio.

Gary Smalley | CEO & President:

You know, Steve, we've got a very strong team of people that can execute the projects and we've trained them on on smaller projects and even some of the larger projects that we've had. And that's part of what we've done on programs like the high-speed rail where we've trained individuals that we brought in the company with great experience or maybe they're homegrown. But on projects like high-speed rail and Purple Line, we've given them the experience so that now they're starting to branch out a little bit and being able to do more. We've got a lot of systems in place to make sure that the projects are adequately staffed, but we're also monitoring the projects through the same systems. We have other people, senior people involved where they visit the projects and provide oversight to very senior people. Let's bring a name from the past that's still in the present. We have Ron Tutor, perhaps the greatest line that the industry has ever seen and Ron helps at times with some of the oversight of these large projects too to provide his input and his oversight or his opinions on what he's seen as well. So we feel really good with the infrastructure that's in place as we monitor these projects and everything we've seen at this point is extremely positive because It gets back to also the terms of the project and the safe costs, the way we bid those projects, and also the way we're recognizing revenue on a conservative basis based on the risk that we've identified. So we think that things are going as well as they could be, really, on those. And then on the inflation comment, I'm not sure I followed completely the question. Could you maybe refocus me?

Stephen Fisher | Analyst, UBS:

Yeah, sure. I mean, we're seeing broader inflation in the economy, and it's flowing through a lot of the construction activity. And I know when it comes to the bigger projects, you manage those very carefully up front, a lot of buy-downs and locking in other contracts. So I'm just wondering, across the broader part of your portfolio, how are you managing inflationary risk on sort of just the average project that's not a major megaproject?

Gary Smalley | CEO & President:

Yeah, well, it's still the same type of procedures that we use on the megaprojects. We still, there's, you know, the buy-down that you mentioned. There's also, you know, contractual terms that many times protect us on certain inflationary measures. So, it's very similar. It's just on a smaller scale.

Stephen Fisher | Analyst, UBS:

Okay. Maybe if I could also just ask you about the competitive dynamics. I think you mentioned you're still seeing limited competition there. for some of these larger projects. It seems like maybe there's seeing a return of maybe some more aggressive regional players on some of them. Do you think those are sort of one-offs or is there a broader trend here that we should be keeping an eye on?

Gary Smalley | CEO & President:

I think at this point, what we said over the last really several quarters, the last few years, about the limited competition on the larger projects, we still see that being the case. And we never... expect to win all of those projects, and we don't, but we went through a stretch. We won nine out of 11, but before that, we were about 0 for 4, 0 for 5 on some of the big ones, and so over time, we're going to get our fair share, and we're going to remain vigilant and resilient in approaching these projects very conservatively. We're not going to try to book projects just because we want projects in the backlog. We want profitable projects, very high margins in backlog. And that $200 billion that we talked about earlier as targeted opportunities over the next, you know, let's say year or two, those opportunities, the fact that they have grown so much just means that there's, you know, more opportunity for us to stay the course, to be patient, and we know that. Thanks very much. Thanks, Steve.

Rochelle | Conference Coordinator:

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

Gary Smalley | CEO & President:

Thank you very much. I want to thank everyone for your participation today. We look forward to continuing to deliver outstanding results. I'm talking to you next quarter and we're very comfortable with the progress we've made here at Tutor Perini. We also know that this is really the tip of the iceberg. We have a lot of good things that are still happening and we look forward to and sharing those good stories with you. Thanks again.

Rochelle | Conference Coordinator:

Thank you. That shall conclude today's teleconference. We thank you for your participation and you may disconnect your lines at this time.