Orion Group Holdings

2Q25 Conference Call

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CORPORATE PARTICIPANTS

Margaret Boyce - *Investor Relations*

Travis Boone - *Chief Executive Officer*

Alison Vasquez - *Chief Financial Officer*

PRESENTATION

Operator
Good morning and welcome to the Orion Group Holding Second Quarter 2025 Financial Results Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*" then "1" on your telephone keypad. To withdraw your question, please press "*" then "2."

Please note to this event is being recorded. I would like now to turn the conference over to Margaret Boyce, Investor Relations for Orion. Please go ahead.

Margaret Boyce
Thank you, Operator. And thank you all for joining us today to discuss Orion Group Holding Second Quarter 2025 Financial Results. We issued our earnings release after market last night. It's available in the Investor Relations section of our website at OrionGroupHoldingsInc.com.

I'm here today with Travis Boone, Chief Executive Officer of Orion and Alison Vasquez, Chief Financial Officer. On today's call, management will provide prepared remarks, and then we will open up the call for your questions. Before we begin, I would like to remind you that today's comments will include forward-looking statements under the federal securities laws. Forward-looking statements are identified by words such as will, be, intend, believe, expect, anticipate, or other comparable words and phrases. Statements that are not historical facts, are forward-looking statements.

Our actual financial condition and results of operations may vary materially from those contemplated by such forward-looking statements. Discussion of the factors that could cause our results to differ materially from these forward-looking statements are contained in our SEC filings, including our reports on Form 10-Q and 10-K. I'd also like to let you know that a reconciliation of unburdened EBITDA for (inaudible) is available on the Investor Section of our website at OrionGroupHoldingsInc.com. With that, I'll turn the call over to Travis. Travis, please go ahead.

Travis Boone
Thank you, Margaret, and good morning, everyone, and thank you for joining our second quarter 2025 conference call. Before we cover the financial results, I'd like to introduce our new CFO, Alison Vasquez, who joined us last month. Alison has deep leadership experience across finance, M&A, and the construction industry with several Fortune 500 public companies. With the first phase of our transformation largely complete, Alison brings the right blend of financial discipline and strategic insight to help guide us through the next phase of our growth strategy. After my market overview, I'll turn it over to Alison to discuss our financial results.

Onto the quarter. We've delivered another strong performance in the second quarter with revenue increasing 7% to $205 million and adjusted EBITDA doubling to $11 million from the second quarter last year. On a sequential basis, revenue grew 9% and adjusted EBITDA increased 34%. Our results were primarily driven by new contract awards in both segments and reflect our commitment to disciplined profitable growth.

We continue to see strong demand across the markets we serve as evidenced by our backlog for both operating segments growing over the first six months of the year. Our opportunity pipeline also grew from $16 billion last quarter to $18 billion today, fueled by diverse growth drivers with multiple sources of public and private funding, which gives us continued confidence in our plans for growth. We remain focused on our business development strategy that prioritizes mission critical projects with good margins for high-quality clients.

In our Marine segment, we see robust opportunities resulting from the US Navy's strategy in the Pacific, port expansions and maintenance, and coastal rehabilitation and energy infrastructure. Our pipeline remains robust, with several large-scale opportunities under active pursuit that represent potential work over the next couple of years and align well with our strategic growth objectives. Overall, we are encouraged by the breadth and quality of the prospects ahead and momentum remains strong.

In the quarter, our Marine business was awarded a contract for an export dock replacement project in the Pacific Northwest to remove and replace an existing timber berth structure and replace it with a new concrete structure supported by large-diameter steel pipe piles. This project is expected to be completed in the third quarter of next year. We also won two projects with the Port of Tampa Bay. The first is a three-year maintenance dredging contract for the Port, which is estimated to begin later this quarter, and continues our long history of providing maintenance dredging for the Port of Tampa Bay. The second award is for a critical port infrastructure improvement project to support the rapid population growth in the Tampa region and increasing demand for construction and bulk materials.

In our Concrete business, we have strong opportunities with an expanding base of clients. Data center investment from hyperscalers in the AI race remains exceptionally strong. While we're experiencing increased competition on data centers from new market entrants in the Concrete business, we continue to win a healthy share of opportunities coming to market by consistently exceeding client expectations, particularly in schedule, quality, and safety performance. Our pipeline is diverse, and in the quarter, we were awarded contracts for new projects spanning energy, consumer goods, and transportation. These projects are expected to commence in the third quarter of 2025 with an estimated duration of about a year.

Last year, we expanded into Florida with minimal upfront investment, and the results have been very encouraging. Both of our operating segments are now actively executing projects across the State of Florida. Building on that momentum, we recently opened an office in Phoenix to capitalize on continued data center investments and other commercial growth in Arizona.

As we look ahead, we are enthusiastic about our long-term growth opportunities, which are driven by multiple, concurrent sources of public and private funding. The recent move to our new headquarters in Central Houston has brought our teams across Houston together under one roof, fostering stronger collaboration and a unified culture. With the best operations teams in the industry, an outstanding safety record, and high barriers to entry that limit competition, we are well positioned to capitalize on the significant demand for marine infrastructure and concrete construction projects.

The political winds are blowing in our favor with President Trump and the whole federal government focused domestically on reshoring manufacturing and shipbuilding in the US, and internationally on investing in military infrastructure in the Pacific over other geopolitical regions. In addition, we believe that the recently passed 'One Big Beautiful Bill' Act will have several notable positive impacts for our marine and concrete businesses.

Specifically, the bill appropriates $4.4 billion for shoreside infrastructure, including ports, maintenance facilities, and training centers. It also includes wide-ranging benefits for our energy and industrial clients to make their projects more financially compelling. For example, the Bill includes provisions to lower operating costs, expedite permitting, and minimize taxes. Also, last week's executive orders were intended to further American AI dominance by incentivizing fresh investments in new data centers and related infrastructure.

Combined, these tailwinds are expected to benefit the bookings environment over the next several years and will serve as a significant catalyst for our long-term growth. I'll now turn it over to Alison to discuss the second quarter financials. Alison?

Alison Vasquez
Thanks, Travis. I'm delighted to be here. There's a real sense of momentum throughout the organization, and I've been thoroughly impressed by the caliber and commitment of the team. Top to bottom, ops to finance, the people of Orion are aligned and energized around our strategy to be a premier specialty construction partner delivering with predictable excellence. It's clear that a great deal of hard work has gone into professionalizing both front and back- offices, and the team has built a solid foundation—maturing the organization such that today, we are well-positioned to pursue disciplined growth in attractive, expanding markets.

Broadly, I see tremendous potential for Orion to capitalize on favorable tailwinds across multiple mission critical themes -- infrastructure modernization, AI investment, defense, and energy security. Great people, differentiated capabilities, happy clients, healthy end markets. What's not to love? And I definitely know that I made the right choice in joining Orion.

I'll now turn to the second quarter results. As Travis highlighted, we delivered an excellent second quarter with consistent execution that translated to top-line growth, improved margins and meaningful earnings growth on both a GAAP and adjusted basis. I'll start with the consolidated results where revenues increased 7% over 2Q'24 and 9% sequentially to $205 million. The increase was driven by new bookings and increased volume across both of our segments.

GAAP net income for the second quarter was $800 thousand or $0.02 per share, and adjusted net income was $2.7 million or $0.07 per share. Adjusted EBITDA doubled to $11.0 million in the quarter compared to 2Q 2024 with margins improving 240 basis points to 5.3%.

The overall increase in profitability is primarily attributable to strong performance across both segments that I'll touch on momentarily, as well as moderation of G&A, reduced borrowing costs, and some benefit from taxes coming through this quarter.

In the quarter, we used $5.6 million of cash for operations primarily attributable to working capital timing on a couple of large projects and we used about $6 million of cash for investing activities. We ended the quarter with approximately $31 million of net debt.

From a backlog perspective, we added approximately $111 million in new awards and change orders in the quarter, as Travis mentioned earlier. And combined with a particularly strong first quarter, we reported backlog of almost $750 million, which is up modestly for the first half of 2025.

From a segment perspective, Marine revenues increased 3% over 2Q24 and 6% sequentially to $135 million in the quarter. And Marine adjusted EBITDA grew to $12.7 million for the quarter, a 9.4% margin for the Marine operations. The Marine EBITDA dollar and margin growth from last year are primarily attributable to efficiently closing out projects in 2025 and project delays in 2024 that did not reoccur in 2025.

For the Concrete segment, revenues increased 14% over 2Q24, or 14% sequentially, to $70 million in the quarter and Concrete adjusted EBITDA was a $1.7 million loss compared to a $4 million profit in 2024. The EBITDA reduction year-over-year is primarily attributable to favorable project close-out benefits in 2024 that did not reoccur in 2025.

It is worth noting that our reported segment EBITDA margins are fully burdened with both segment SG&A and corporate SG&A. If we exclude Corporate SG&A from operating segment results for the second quarter, then Concrete's stand-alone contribution EBITDA margins would have been right at 5% and Marine would have been right at 13%, both generally in line with management expectations.

Moving on to our financial outlook. We're pleased to reaffirm our full year 2025 guidance of revenue in the range of $800 million to $850 million; adjusted EBITDA in the range of $42 million to $46 million; adjusted EPS in the range of $0.11 to $0.17; and CapEx of $25 to $35 million. Now back to Travis to wrap it up.

Travis Boone
Thanks, Alison. We've delivered a strong quarter of revenue, EBITDA, and EPS growth and are tracking nicely with our 2025 guidance. We have a healthy pipeline of private and public opportunities that support multiple, enduring growth themes. The recent consolidation of our offices to our new headquarters has brought our teams together under one roof, fostering stronger collaboration and a unified culture, and we have the right team to execute on the next phase of our strategy. Finally, I want to thank all of our employees for continuing to execute safely and with predictable excellence, and our shareholders for continuing to believe in us. Thank you for attending our earnings call and I'll now turn it over to the operator for question and answers.

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press "*" then "1" on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw it, please press "*" then "2." At this time, we will pause momentarily to assemble our roster. Our first question comes from Aaron Spychalla of Craig-Hallam. Please go ahead.

Aaron Spychalla
Yeah, good morning. And Travis and Alison, thanks for taking the questions. Maybe first for me, good to see the pipeline grow to $18 billion. Can you just kind of talk about some of the key drivers of the expansion there and then just thoughts on converting some of that to orders in the back half? Are you seeing any slowing or extending of kind of quote to orders? Thanks.

Travis Boone
Good morning, Aaron. I think part of the driver on the growth of the pipeline, we did have -- it was a little bit lighter of a quarter for bookings in the second quarter from the first quarter. And I think some of the slide of, and that's mostly attributable to private sector clients that maybe tapping the breaks just a bit with uncertainty, with economic things or tariff situations, whatever it might be, that made some of the private sector, like I said, sort of tap the breaks on awarding some projects.

So, I think there was a shift from the second quarter kind of into the back half of the year as confidence gets regained and people start, maybe whether it's interest rates drop, things like that. I think everybody's kind of, not everybody, but there are some clients that are holding off on making big decisions on awarding projects until they see some of the ups and downs slow down as well as maybe see interest rate relief and that sort of thing.

Aaron Spychalla
All right, I appreciate the color there. And then maybe second on concrete, can you just maybe give a little more color on the data center opportunity, what that pipeline looks like and growth outlook there? And then just on margins, sounds like some kind of closeouts and some of the corporate burden, but just maybe talk about the confidence in hitting some of the targets you've laid out for high single digit margins there.

Travis Boone
Yeah, I guess first on the high single digit margins, when we talk about that for concrete, that's not necessarily immediate term, that's more in the longer term, so keep that in mind. But as far as the data center kind of pipeline and activity there, it's still fairly hot. We haven't seen it slow down a lot. What we have seen is a few new entrants into the market, as I mentioned on the call, that adding some additional competition, but we're still feeling really good about our opportunities, our partnerships with general contractors and our ability to continue to do data center work.

Aaron Spychalla
All right, and then just maybe last on the balance sheet and cash flow, how are you thinking about free cash flow kind of conversion in the back half? Sounds like there's some working capital in the second quarter. Thanks.

Alison Vasquez
Thanks for the question, Aaron. There definitely as some use of capital in the first half of 2025. I would say that it's a bit modulated or a bit improved over what we saw last year, but we are seeing some good indications. Just in the month of July, we've seen some good traction from a collections perspective, so some reverting back to the norm from a balance sheet and working capital perspective.

We also ended July or we're ending July with pay down of the borrowings that we had on the revolvers. So that's nice to see in terms of just strengths of the overall balance sheet and working capital focus across the organization, and we are seeing some improvement in that area. So, we do expect the back half of the year to be good.

Aaron Spychalla
All right, thanks for taking the questions, I'll turn it over.

Travis Boone
Thanks, Aaron.

Operator
The next question comes from Julio Romero of Sidoti and Company. Please go ahead.

Julio Romero
Thanks. Good morning, Travis and Alison. Last quarter, I think you had mentioned four large pursuits with decisions expected in the next couple of months. I wanted to ask if you had any additional visibility into those specific pursuits and the decision timeline for those particular projects.

Travis Boone

Yeah, those that I referred to were all part of, in the last question when I was saying there were some delays on decisions when the private sector, all four of those slid a little out of the second quarter. One of those has been submitted, and we expect here in the next month or so, and then a couple of them will be later in the third quarter.

Julio Romero
Okay, great. And does the new tax reform guidance passed in July, does that help at all with regards to customer decision making going forward?

Travis Boone
On the, what was that again, Julio? Sorry.

Julio Romero
The tax reform bill, the reconciliation bill, does that help your customers with regards to kind of yay, nay on decision making for some of these projects?

Travis Boone
I think it will. I mean, I think there's, like I said, there's uncertainty, and I think the more certainty that customers get, the more likely they are to make the decision to make capital investments. So, it's, to me, it's all about comfort and clarity and certainty on the variables that have been kind of presented to everybody over the last six months. So, the more comfortable people feel with that they know what the future holds, then I think the pocketbooks open up and projects start going.

Alison Vasquez
Yeah, and I'll add to that by just saying that the bill absolutely makes permitting easier just from a deregulation perspective. There are definitely some tax benefits to make some of the investments a lot more financially attractive quicker. So, it does help from an outlook perspective as our clients are thinking through what investments they make and where it will help them expedite some of those decisions by making those capital decisions a little more financially feasible in the near term.

Julio Romero
Very helpful. And then one more, if I could, is on the concrete segment. I know you spoke a little bit about the competitive environment and some new entrants coming in, especially on the data center side. Can you maybe just talk about Orion and how you're positioning yourself to win as that environment has evolved?

Travis Boone
Yeah, I mean, the good thing about, you know, the relationships we have with the general contractors that do a lot of data center work, we've got deep, long relationships. We've done a large number of data center projects. Well over 30 projects that we've either completed or in the process of completing with, you know, very strong, you know, great work on the safety side and the quality side, meeting schedules, all the things that owners and general contractors care about on the data centers. So, we're still in great shape from the relationship perspective and proof that we can deliver.

And so that gets us a lot of credibility. And you know, as we see some of these new entrants come in, I think they'll either fail and find their way out or, you know, I'm not concerned about it, I guess. I wanted to point it out because it's just in the interest of transparency, but we're still feeling really good about data centers and the number of opportunities in our relationships.

Julio Romero
Very helpful. I'll pass it on. Thanks, guys.

Travis Boone
Thanks, Julio.

Operator
Our next question comes from Brent Thielman of DA Davidson. Please go ahead.

Brent Thielman
Hey, great. Thanks. Good morning.

Travis Boone
Morning, Brent.

Alison Vasquez
Good morning.

Brent Thielman
Yeah, I guess I wanted to pick a bit more on what the major drivers were to the strong bottom line performance at Marine this quarter. What sort of carries forward for you in terms of projects into the second half? How much do you still have to go out and get, I guess, ultimately to drive this, you know, kind of the reaffirmed guidance here for that business group?

Travis Boone
Sure. Sure. I think the biggest drivers -- we've got multiple good sized projects going at once. Kind of the, it's beyond just, you know, kind of last year, we talked about two major projects that were real contributors on the Marine side. That was, you know, the Hawaii project with the Pearl Harbor as well as the Grand Bahamas shipyard. Well, we've got those two going, plus we've got multiple other fairly large projects that are underway and contributing a lot to the -- kind of to the mix here.

So, it's more than just a tale of two projects. It's multiple projects contributing strong delivery by our teams, good discipline and focus on the bids and bidding at the right numbers. And I think, you know, that's going to continue as we see all of these opportunities coming in front of us in the next, you know, 6, 12, 18 months.

Brent Thielman
And Travis, presumably Hawaii and Bahamas wind down in the second half, but you've got a lot of other things going that, you know, I would think maybe help smooth that transition. Is that fair?

Travis Boone
That's fair, Brent. We've got, you know, Hawaii and Grand Bahama will start to kind of ramp down, but not a ton until kind of late in the year and into next year. But they will start winding down, but we've got, you know, several other good projects that are contributing.

Alison Vasquez
Yeah, and I'll say I'll just add to that by saying that from a work under contract perspective, as we enter the second half, the work under contract outlook is quite good, as Travis mentioned in his opening remarks. And then also from a margin perspective, that the margin performance through the first half of the year has been, you know, right in line with what we expected, right in line with

the guide. And we expect to see just a continuation of the consistent delivery of both, you know, top line and the bottom line from an overall perspective.

Brent Thielman
Okay. I mean, I know there was some pretty atrocious weather in some parts of your concrete business this last quarter, I guess, as the sun shines again. Maybe you could just talk about, maybe to pick up your seeing and that business group here this summer.

Travis Boone
Definitely. Let the record note that you brought up weather, not us.

Brent Thielman
It’s all I hear about, Travis.

Travis Boone
Yeah, it is. It was definitely a factor in, actually, the first half of the year. We've had a tough year for concrete. Lots of weather in Texas and in Florida for our concrete guys, which has been challenging to overcome. And it has impacted us on the revenue side of things. We're optimistic that the back half of the year, weather won't -- and typically the back half of the year, the weather's better in these areas, generally speaking. Not to throw out the chance of a big named storm or whatever, but generally speaking, the back half of the year, the weather's better and we're expecting to kind of recover some of the lost revenue in the first half in the back half in the concrete business.

Brent Thielman
Maybe just one more. The federal military kind of naval opportunities are vast, I know. Is the update, Travis, on timing maybe, I know, is normal for these things to move around, but what are the award timing opportunities here for those things you're tracking, and particularly in the Pacific?

Travis Boone
Yeah, we're definitely seeing some sliding around of some of these navy opportunities. They have been -- seems like they tend to slide to the right and take longer to award than we would think they should.

And we are seeing more of that as far as expected timing. I don't anticipate that, well, I'm pretty confident we won't get awarded anything this year. There won't be much – in fact, as of last night, the update I saw, I don't expect there to be projects awarded this fiscal year. Hopefully by mid next year, we'll see a couple of those things come in, but it'll be next year at best.

Brent Thielman
And sorry, absent that, you feel pretty comfortable there's pretty good opportunities to build the backlog into the end of the year? Does the private side hesitation give you a pause on that? Maybe that -- if you could just comment on that.

Travis Boone
Yeah, there's still a ton of opportunities, Brent. It's on the private side as well as public side across the business that we've been working on. We still feel really good about building the backlog. Maybe we're not quite as ambitious as we were early in the year with kind of having a quarter of slower opportunities, but definitely still optimistic about the year and building our backlog this year.

Brent Thielman

Okay, great. Thanks.

Operator
As a reminder, if you would like to ask a question, please press "*" then "1" on your telephone keypad. Our next question comes from Laura Maher from B. Riley Securities. Please go ahead.

Laura Maher
Hi, Travis and Allison. Good morning. My first question is you mentioned developing relationships with strong partners in data centers. Are you seeing opportunities to expand these relationships into other verticals?

Travis Boone
Great question. Yes, definitely. We've got some of our strongest relationships with some of these general contractors. We are leveraging those to be -- we're working on a medical project, for example, with one of our strong partners doing some kind of higher ed as well as some kind of more commercial type industrial projects. So definitely, we've been able to leverage those relationships and other types of opportunities.

Laura Maher
Great, and then one more. Are your order wins coming from market growth or more taking share from competitors and how sustainable is this competitive advantage?

Travis Boone
Are you referring to concrete or marine or all of the above?

Laura Maher
All of the above, Travis.

Travis Boone
Okay, I would say we're -- it's probably a mix a little where we're taking it from competitors and as well as having a better approach to win in the work as far as putting a lot of effort into upfront development of our bids and our proposals and doing the work upfront necessary to have a better mousetrap, so to speak, to win the project.

Laura Maher
Great, thanks.

CONCLUSION

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

Travis Boone
Just want to thank everybody for joining. Appreciate everybody sitting through our call today as well as also want to, as always, thank our guys out in the field working in the elements day in and day out to help us deliver our business. Have a good day.

Operator
This concludes our presentation. Thank you for attending today's conference. You may now disconnect.