# Willdan Group
# Second Quarter FY 2026 Financial Results Conference Call
# August 6, 2026

**Presenters**
**Al Kaschalk - Vice President of Investor Relations**
**Mike Bieber – President and CEO**
**Kim Early - Executive VP & CFO**

**Q&A Participants**
**Andrew Scutt - ROTH Capital Partners**
**Tim Moore - Clear Street**
**Steven Wahrhaftig - Wedbush Securities**

**Operator**
Greetings! Welcome to the Willdan Group Second Quarter Fiscal Year 2026 Financial Results Conference Call. At this time, all participants are in a listen only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. Please note this conference is being recorded.

I will now turn the conference over to Al Kaschalk. Thank you. You may begin.

**Al Kaschalk, VP Investor Relations**
Thank you, Clio. Good afternoon, everyone, and welcome to Willdan Group's second quarter 2026 earnings call. Joining our call today are Mike Bieber, President and CEO, and Kim Early, Executive Vice President and CFO. Our conference call remarks will include both GAAP and non-GAAP financial results. Reconciliations between GAAP and non-GAAP measures can be found in today's press release and in the presentation slides, all of which are available on our website.

Please note that year-over-year commentary or variances on revenue, adjusted EBITDA, and adjusted EPS discussed during our prepared remarks are on an actual basis unless otherwise specified. We will make forward-looking statements about our performance. These statements are based on how we see things today. While we may elect to update these forward-looking statements at some time in the future, we do not undertake any obligation to do so. As described in our SEC filings, actual results may differ materially due to risks and uncertainties.

With that, I'll hand the call over to Mike, who will begin on Slide 2.

**Mike Bieber, President and CEO**
Thanks, Al, and good afternoon to everyone on the call. We had a very strong second quarter, capping a strong first half, and continuing the momentum we built across the business. Demand remains healthy. Execution was strong, and we delivered significant growth in both revenue

and profitability. In the second quarter, contract revenue increased 33% year-over-year to $231 million. Net revenue grew 23% to $117 million. And adjusted EBITDA increased 51% to a record $33 million in the quarter. GAAP earnings per share increased 53%, even faster, to $1.58. And adjusted earnings per share increased 38% to $2.07. All those growth metrics are on top of strong performance we had a year ago.

Overall, the business is performing well. We're seeing strength across all of our customer groups, but commercial demand, in particular, is accelerating and expanding our addressable market

AI is adding to electric load growth and is also improving Willdan's productivity to help us solve clients' more complex problems. With a strong first half behind us and good visibility into the remainder of the year, we're raising our full-year financial targets.

On Slide 3 - when I became CEO at the beginning of 2024, I talked about our strategy to significantly increase our presence in the commercial market. We believed then that a broader customer base would add stability, create new growth opportunities, and support higher margins. That strategy has worked well, and commercial revenue has now added a third leg to the stool. It's currently about a quarter of our business and is helping create more balanced, consistent results.

Importantly, this growth complements our strong utility and government business. The largest part of our commercial revenue is for electricity at data centers and is the fastest growing part of Willdan. As another data point, revenue from our APG acquisition, which is commercially focused, is projected to nearly triple this year over last to roughly $75 million.

The commercial market also gives us another channel to deploy our engineering, software, procurement, and energy management capabilities. We believe that broadens our addressable market and strengthens Willdan's long-term growth profile.

On Slide 4 - this slide shows how that diversification is taking shape across our customers, contracts, and services. We now serve a broader mix of utilities, public agencies, and commercial clients. We balance recurring program work with project-based engagements, and our services now span advisory, engineering, software, implementation, and ongoing energy management. This balance matters because it reduces our dependence on any single customer type or service line, allows us to participate across more of the energy investment life cycle, and positions us to pursue larger and more complex opportunities. Burton Energy is a good example of how we're extending that strategy.

So on the next slide, Slide 5 - Burton is performing well right out of the gate. It had the characteristics we look for in all acquisitions - a strong management team, differentiated capabilities, strong client relationships, and meaningful cross-selling opportunities with the rest of the company. Since closing on May 4, we've focused on converting to Willdan's ERP system, customer continuity, and cross-selling. We're pleased with the early progress, including new customer relationships with Walgreens, Carter's, and Five Below, all since May. Burton adds significant expertise in building HVAC and energy controls technology. It also adds a new line of business in commercial energy procurement. Burton is already involved in two Willdan utility programs, and we're particularly optimistic about cross-selling Burton's commercial experience with Willdan's broader technical capabilities.

Next, on slide 6 - we've had another strong stretch of contract wins, and here are six notable examples since our last earnings call. For the Los Angeles Department of Water and Power, LADWP, we were awarded a $110 million solar streetlight contract expansion through the existing Commercial Direct Install Program. This project combines energy efficiency, resiliency, and public infrastructure. It removes streetlight load from the LADWP power grid, providing additional capacity while also increasing public safety. We hope that programs like this could be launched in major metro areas across the country. We were also awarded a $53 million central plant upgrade for the City College of New York. Energy projects like these are core competencies of Willdan's, especially for the Municipal Utility School and Hospital, or MUSH market.

Since the last call, we were awarded a new five-year, $49 million energy efficiency contract with the Southern California Regional Energy Network, or SoCal REN, supporting the public sector on resiliency. The California RENs are assuming a larger role from traditional investor-owned utilities in the energy efficiency space, and we have a number of future opportunities with the RENs that are even larger in scope and funding than this contract.

We were also awarded a $31 million renewable biogas cogeneration and microgrid project, a $15 million battery energy storage project in Texas, and a $6 million substation project in Illinois. Taken together, these wins demonstrate three trends we're seeing. Customers trust us with larger projects, the customer base continues to broaden, and the solutions we deliver are becoming more complex. Each quarter, we try to step back and look at the broader forces shaping electricity markets and Willdan's opportunity.

So on the next slide, slide 7 - electricity providers are confronting several major challenges at the same time. Load growth due to rapidly changing -- or rapidly growing demand, continued pressure on affordability, rates, and an increasing need for reliability. These challenges are closely connected and they're intertwined. Utilities are being asked to add capacity, modernize the grid, and improve reliability while limiting the impact on customer rates. That requires more sophisticated planning, investment, and execution.

Demand is already straining generation and grid capacity in certain circumstances and locations, while data center development is adding permitting and interconnection pressure in several markets. At the same time, substantial capital needs are placing pressure on rates and utility returns, making energy efficiency and distributed resources increasingly valuable.

Extreme weather and wildfires are also raising outage risk and disrupting grid operations, especially in the western U.S. This environment aligns well with Willdan's capabilities. We help customers evaluate trade-offs, plan investments, improve efficiency, and implement solutions across the grid and behind the meter.

So the next big question is, how are the customers responding? On Slide 8 - utilities and hyperscalers alike are responding with increased investment in large-scale battery storage. Battery storage is important because it adds flexibility to the power system. It can help manage peak demand, support intermittent renewable generation, improve resiliency, and provide backup power for critical facilities. Batteries are also rapidly dispatchable power, available to the grid in milliseconds and ideally suited to AI learning model electricity load spikes. These batteries complement, and sometimes they can replace, the need for gas peaker plants, which require five to 15 minutes to spool up compared to the milliseconds for batteries.

We're seeing a growing pipeline of battery storage opportunities, often as part of larger projects that combine planning, engineering, controls, renewable generation, and microgrid capabilities. That increasingly complex, multidisciplinary work is a good fit for us.

Finally, on slide 9, as we've mentioned, the largest growth in electricity demand is due to data centers. This growth is occurring throughout the U.S., and speed to power is the primary factor determining where data centers will be located. Accordingly, there are a lot of opportunities in Texas, and Willdan already has a number of projects underway there. Several studies have shown that, to date, data center load growth has reduced the public's electricity bills. However, more grid investment will be required to accommodate future AI load growth. So, Willdan is involved in studies across the country that inform these decisions and help ensure data centers continue to pay their fair share. We believe the convergence of power load growth, affordability, and reliability will create opportunities for Willdan for years to come. We do seem to be right now at the right place at the right time.

I'm very pleased with our performance throughout the first half of 2026. Good job, the Willdan team.

Kim, now over to you.

**Kim Early, Executive VP & CFO**
Thanks, Mike, and good afternoon, everyone. We delivered another quarter of strong financial performance driven by healthy underlying demand, disciplined execution, and continued growth across all our markets. Another quarter of record profitability, strong cash flows, and a healthy balance sheet positions us well to capitalize on the opportunities ahead.

Turning to our second quarter results on slide 11, contract revenue increased 33% year-over-year to $231 million, while net revenue grew 23% to $117 million. While our Burton acquisition contributed strongly to the growth, the organic growth rate in net revenue was 18% year-over-year, reflecting the higher revenues from data centers, battery storage projects, and the continued health of our utility and municipal infrastructure businesses.

Higher volume and strong execution drove gross profit dollars up 28% year-over-year. The gross margin declined 150 basis points, reflecting a shift in the mix of revenues toward performance engineering and commercial project revenue, which carry a heavier load of equipment and subcontractors. But despite the lower gross margin, adjusted EBITDA increased 51% to a record $33 million for the quarter, representing a record 28.2% adjusted EBITDA margin on net revenue. This 28.2% is the highest quarterly margin in the company's history. Note that while our commercial projects often carry a lower gross margin, they also carry a lower overhead rate, and resulting higher adjusted EBITDA margin on net revenue.

Also note that G&A expenses increased 20% year-over-year but declined to 29.3% of contract revenue versus 32.6% in the second quarter of 2025. While salary and benefit costs grew consistent with the acquisitions and the growth in core revenues, stock compensation expense increased 51% as a result of higher stock prices compared to a year ago, and non-cash charges for the amortization of intangibles derived from acquisitions grew by 27%. Interest expense was 50% lower than a year ago, reflecting the lower leverage and our strong cash flows. Netting all of the above, pre-tax income grew by 88% to $19.1 million for the second quarter of 2026, compared to $10.2 million in the year-ago period, and we recognized a $5.3 million tax benefit for the quarter.

So on the bottom line, net income increased 58% to $24.3 million or $1.58 per diluted share on a GAAP basis compared to $15.4 million or $1.03 per diluted share in the prior year. Adjusted earnings per share increased 38% to $2.07 per share this quarter compared to $1.50 a year ago. It was a very good quarter.

Turning to our year-to-date results on slide 12, for the first half of 2026, contract revenue was up 19% to $386 million year-over-year, while net revenue increased 16% to $210 million. Excluding the impact of the extra week in the first half of 2025, contract revenue increased 23% and net revenue increased 21%. First half gross margin increased 30 basis points year-over-year to 39.0%, reflecting strong operating performance across the business. Adjusted EBITDA rose 41% to $51.1 million, or 24.4% of net revenue for the six months, and adjusted earnings per share grew 39% to $2.98 per share. GAAP earnings per share for the first half was $2.13, up 57% from $1.36. All are record numbers for the six-month period.

To provide a broader perspective beyond quarterly variability, let's turn to Slide 13. While quarterly results can be influenced by the timing of various project phases, acquisitions, and revenue mix, our trailing 12-month results better illustrate the underlying earnings power and sustained growth of the business. Over the past 12 months, contract revenue and net revenue each increased 18% to $742 million and $394 million, respectively. Adjusted EBITDA grew 36%, twice as fast as revenues, to $94.3 million. And adjusted earnings per share increased 60% to $5.76.

Earnings have been growing faster than revenues due to increased productivity in project management and continuing operating leverage as G&A costs are growing more slowly than revenue and AI adoption aids efficiency.

On Slide 14, I'd like to remind you of the long-term adjusted EBITDA margin target we introduced last quarter. We continue to see a clear path to achieving margins in the high 20% range as larger and more complex projects, growth in our commercial business, AI-enabled productivity, and the scalability of our operating platform support continued margin expansion over time. Our adjusted EBITDA margin was 28.2% for Q2, demonstrating the goal is achievable given the right mix of revenues. The quarter also reflects some acceleration of revenues that will impact the second half of the year, and thus we do not expect that margin to hold throughout the year. Nonetheless, 2026 will show a significant expansion of the adjusted EBITDA margin to an estimated 25% for the year, up from 21.8% in 2025. We continue to see opportunities to further expand margins as we grow and realize the synergistic benefits of collaboration with our newer acquisitions.

Turning from earnings to cash generation and the balance sheet on slide 15, cash flow provided from operating activities was $71 million over the last 12 months, with $62 million in free cash flow, or $4.04 per share. We continue to expect strong cash flow from operations and believe we can convert more than 70% of adjusted EBITDA into free cash flow on an annual basis. Those future cash flows will continue to be aided by the $34 million in deferred tax assets on our balance sheet generated by the 179D deductions and other tax benefits. The 179D provision may have sunset at the end of June, but we'll continue to enjoy the cash flow benefit of those incentives for years to come.

We ended the quarter with $33 million in net debt, and a net debt to trailing 12-month adjusted EBITDA ratio of 0.3x, modestly higher than year-end after deploying $50 million in cash for recent acquisitions. We repaid $10 million of the $30 million drawn under our revolver in May for the Burton acquisition, and thus had $80 million available at quarter end under our $100 million revolver. We also had $50 million available, but undrawn from our delayed draw term facility, and $35 million in cash, giving us $165 million in total available liquidity at quarter end.

Given our expected earnings for the remainder of the year, and absent any further acquisitions, we would expect the revolver to be fully repaid by year-end and continuing to provide us low leverage and high liquidity with significant capacity to support continued organic growth and strategic acquisitions. We continue to explore opportunities to expand the depth and breadth of our services and accelerate growth through acquisition.

Now to slide 16, based on our strong performance for the year, we're raising our full year 2026 financial targets. We now expect net revenue to be in the range of $415 million to $430 million, adjusted EBITDA in the range of $103 million to $107 million, and adjusted diluted earnings per share between $5.00 and $5.15. This outlook assumes approximately 15.9 million diluted shares outstanding at year-end and a 0% effective tax rate for the year. Taken together, we believe these results demonstrate the strength of our operating model and reinforce our confidence in both the near-term outlook and long-term growth strategy.

Before we open the call for questions, I'd like to close on Slide 17 with a few thoughts that reinforce why we remain confident in our outlook. We're on track to deliver another year of double-digit growth, supported by continued margin expansion and strong cash flows.

We're excited by the commercial expansion, collaboration, and momentum we're seeing from our recent acquisitions of APG, Compass, and Burton, which continues to broaden our growth opportunities while complementing our strong utility franchise. We're also increasingly leveraging AI across the business to enhance productivity and deliver more complex customer solutions, and we believe we're still in the early stages of realizing its long-term potential.

Finally, our balance sheet remains a competitive advantage. With low leverage and significant liquidity, we're well-positioned to continue to invest in organic growth, pursue strategic acquisitions, and create long-term shareholder value.

With that, I'll turn the call back to the operator, and we'd be happy to take your questions.

**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 while we poll for questions. Our first question is from Andrew Scutt with ROTH Capital Partners. Please proceed with your question.

**Andrew Scutt, ROTH Capital Partners**
Hey, guys, it's Andrew on for Craig. Congrats on the strong results. First question from me - can you kind of talk about the ramp of the LADWP project in the second quarter and then kind of how that plays out in the back half of the year? And then secondly, how the new project extension win kind of just changes the overall outlook for the project?

**Mike Bieber, President and CEO**
Sure. Well, the project was already ramping up from the beginning of this year, and we said it wasn't going to hit the full run rate until probably early next year. And then we got this expansion of the existing contract, another $110 million. We already have authorization to proceed on half of that $110 million. The big question is, as you mentioned, how does it ramp up? We probably could have been even more aggressive with our outlook if we knew the answer to that, but it is going to ramp up through Q3. The balance of Q3, and we think run into Q4 and probably the early part of 2027, we don't really know at this point. It's too early to tell exactly what the Q3 contribution is going to be. So we were appropriately conservative, it's a great outlook, and there may even be more opportunity behind this for further expansion. So that contract's going to ramp up and could be our largest customer in 2027. It's looking like it might be.

**Andrew Scutt, ROTH Capital Partners**
Great. Well, appreciate the color there. And then second from me, just on the Burton cross-selling opportunities, are you guys kind of seeing traction in both directions, or is this something where you're taking an approach and going in one direction, selling Willdan's services to their clients or vice versa?

**Mike Bieber, President and CEO**
Yeah, no, Burton is bi-directional. We've been in to see several of their large clients, and there's opportunities to provide new Willdan services to some of those existing relationships. I've been a part of some of those discussions. And likewise, we've already brought Burton into two utility programs on the East Coast and the West Coast because they have specific HVAC capabilities we didn't have before. It's going both ways, and it looks good early on.

**Andrew Scutt, ROTH Capital Partners**
Great. Well, thanks for taking my questions, and congrats on the continued progress.

**Operator**
Thank you. Our next question is from Tim Moore with Clear Street. Please proceed with your question.

**Tim Moore, Clear Street**
Thanks, and congratulations on the continued organic growth and the acquisition integration success that's coming along quite nicely as the Los Angeles solar retrofit expansion. That was good to hear the commentary because I always ask about the ramp up in Los Angeles every quarter. I actually have a geographic diversification question for you. You've been so -- California is your backyard. You've been in New York for a long time. You're going more into Texas and Florida, APG stuff. Just kind of curious, what kind of directs the geographic diversification? Is it mostly data centers driven and battery storage? If you can just give us a little color on maybe how you expand into different states that's not New York or California.

**Mike Bieber, President and CEO**
Sure. Great question. And we just finished our ops meeting talking about that. We've set up permanent offices and really hubs that we'll operate from in Florida, now Georgia, North Carolina, Kentucky, and Texas. Those are all new locations in the last 18 months. But you are absolutely right. From a project perspective, these data centers are being built around the country. So for the first time, we're performing projects in New Mexico and Montana, some in Utah. The data centers are all over the country, coast to coast.

So it's giving us the opportunity to gain experience and hire people around the country where we didn't have as much of a presence, especially in sort of the breadbasket, the middle part of the country, those Midwestern states.

**Tim Moore, Clear Street**
No, that's really helpful color. No, thanks for naming all those other states and those hubs. It's really interesting. My only other question was really around consultants and talent allocation. I know you had a lot of consultants this year. Can you maybe talk to us a little bit about how you make the trade-off if you have to on accepting a new project or advisory for a new customer that's not a data center customer versus kind of servicing your current long-tenured customers, if you're getting to the point where you have some labor shortages, which you might not, but I'm just kind of curious.

**Mike Bieber, President and CEO**
Yeah, on the study sector, we actually have a group that is focused on commercial customers within our study practice. It's run by a person named Kush Patel, and he focuses exclusively on commercial customers. The utility customers have separate teams, and they do cross-collaborate. They sit in the same office, but they're separate teams studying slightly different problems. We have not seen what I'll call labor shortages on either of those areas, but labor is tight. I'll say that for the experienced superstar, prices are certainly going up, salaries are going up, and we continue to hire.

**Tim Moore, Clear Street**
That's great. That's really helpful insight and good to hear about no labor shortages and your continued cross-selling. That's it for my questions. Thank you.

**Operator**
Thank you. As a reminder, 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. Our next question comes from Steven Wahrhaftig with Wedbush Securities. Please proceed with your question.

**Steven Wahrhaftig, Wedbush Securities**
Good evening, guys, and thanks for taking the questions. Congrats on the quarter. I kind of want to talk first about the guide itself just because we know that you'd like to be a little bit conservative with the metrics whenever it comes to either the net revenue or the EBITDA or EPS. But it seems like these numbers are a little bit overly conservative. I mean, this quarter you beat by about $15 million on the top line, beat on EBITDA by about $10 million, and then the EPS was a pretty significant beat, but the raise in the guide wasn't that sizable. So can you break down the guidance a little bit further? Is there kind of a lack of visibility, or is there anything that you can really touch on about the guidance?

**Mike Bieber, President and CEO**
Yes, Steven, and by the way, congratulations for taking over as our lead analyst over at Wedbush.

**Steven Wahrhaftig, Wedbush Securities**
Thank you.

**Mike Bieber, President and CEO**
We scratched our heads on this one a little bit because we don't know how quickly LADWP will ramp up over the next six months. That was the biggest variable that we looked at. We have a couple other projects also that really drive the answer to that question. So you're right, we did guide towards the more conservative area, but it looks really good. And whether we get the work done over the next six months or in the first part of '27, all are possible. It's probably going to happen that way, and it looks really good. It's a good pipeline of work. Kim, do you want to talk to the spread between Q3, Q2, I'm thinking?

**Kim Early, Executive VP & CFO**
Yeah. So Q3 and Q4 are probably going to look something similar to Q2. Q2 did benefit to some extent that we had some stronger outperformance and we'll call it acceleration out of a couple of our utility programs, and we were making good progress on some of our performance contracting activities that we originally forecasted would drag into the third and fourth quarter. So I think we're seeing a little bit of acceleration there into the second quarter, and the third and fourth quarters should both be fairly robust, may not be quite as strong as what Q2 was, but they're both going to remain good. But as Mike said, we're being somewhat conservative because we still have a lot of variables there.

**Steven Wahrhaftig, Wedbush Securities**
Okay, got it. Thank you for the color. And then just talking a little bit more about the tax line, just because, Kim, you mentioned that the 179D is going to be something that you benefit from for the foreseeable future -- I think you mentioned a few years on the transcript. But when we're thinking about the guidance for the tax rate, a 0% guidance would imply that the second half of the year is going to see a tax rate of around 20% from an income tax expense perspective. So can you break that down a little bit more, because in the first quarter, we actually saw that move in the right direction from that 10% initial guide to 0%. Why not guide it to closer to another negative 10% if you're going to continue to see those benefits?

**Kim Early, Executive VP & CFO**
Yeah, well, from a P&L standpoint, there's -- that benefit expires at the end of June. And so we'll get a little bit of carryover because it does apply to projects that were started before the end of June, but it won't apply to any other projects from that point forward. So you're right, the second half of the year is going to have a positive income tax expense. We have to recognize all of the potential in the quarter that we've got it in terms of the 179D credit this quarter, but in the second half of the year, it's going to be a tax rate somewhere between 15% and 20%.

And the tax benefits we're saying that are going to carry forward is from a cash standpoint. So we're out of the ability to carry it back, but it does carry forward. So we won't be sending any checks to the government any time soon because we've got that significant deferred tax balance there.

**Steven Wahrhaftig, Wedbush Securities**
Okay, appreciate the time, guys.

**Operator**
This now concludes our question-and-answer session. I would like to turn the floor back over to Mike Bieber for closing comments.

**Mike Bieber, President and CEO**
Great. Well, thank you for your interest in Willdan, and we'll speak to you next quarter. Thank you.

**Operator**
Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. Please disconnect your lines and have a wonderful day.