Willdan Group
Third Quarter FY 2026 Financial Results Conference Call
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Presenters
Al Kaschalk, VP
Mike Bieber, President & CEO
Kim Early, CFO & EVP

Q&A Participants
Craig Irwin – Roth Capital Partners
Tim Moore – Clear Street
Steven Wahrhaftig – Wedbush Securities

Operator
Greetings. Welcome to the Willdan Group Third Quarter Financial 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, Vice President. Thank you. You may begin.

Al Kaschalk, VP
Thank you, Bill. Good afternoon, everyone, and welcome to Willdan Group's Third Quarter 2026 Earnings Call. Joining our call today are Mike Bieber, President and Chief Executive Officer, and Kim Early, Executive Vice President and Chief Financial Officer. 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 IR 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 point 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 risk and uncertainties. With that, I'll hand the call over to Mike who will begin on slide two.

Mike Bieber, President & CEO
Thanks, Al, and good afternoon or evening to everyone on the call. We had a strong operational performance in Q3. In the third quarter, contract revenue and net revenue each grew 18% to $215 million and $112 million respectively. Organic net revenue growth was a healthy 12% and was a stronger 17% in our energy segment. Adjusted EBITDA increased 22% year-over-year to

$28.3 million, and our adjusted EBITDA margin expanded to 25.2% of net revenue. Our margin has expanded by more than 80 basis points year-over-year. We've achieved this kind of double-digit growth all year long, which has led us to a record nine-month performance in 2026.

Two important things have happened since our last call. First, on October 30th, we closed the acquisition of Mantis Innovation, which significantly scales our commercial and industrial energy management business. Second, with nine strong months behind us and Mantis now closed, we are raising our full year 2026 targets again, and today, we are introducing preliminary 2027 targets that call for continued double-digit growth. Before I move on, I want to congratulate our team on excellent business execution and thank our customers for entrusting us with some of their most difficult challenges.

On slide three. Back in 2024, I talked about our strategy to significantly increase our presence in the commercial market to balance our customer exposure. We believed then that a broader customer base would add stability, create new growth opportunities, and support higher margins. That strategy has been effective. Just two years ago, commercial work was about 7% of our business. Today, it’s about a quarter of our work. And with Burton and Mantis acquisitions on a full-year pro forma basis, commercial work is equally balanced with work for state and local governments and utilities. We’ve now achieved what we set out to do, grow an equal third leg of the stool that diversifies our risk and leads to more consistent results. Commercial end markets have the additional benefit of growing faster than our company average and providing higher margins. Compared with two years ago, on a pro forma basis, Willdan now has no customers over 10% of revenue, and our work now covers all 50 states. We have significantly reduced our customer concentration risk and heavy concentration of work in California and New York.

On slide four. We have now finished the HSR process, put financing in place, and we closed the Mantis transaction last Friday. Mantis is headquartered in Houston, has more than 220 employees across the country. It provides energy management services primarily to large commercial and industrial customers, C&I customers. These energy services include efficiency, procurement, consulting, and controls. As you can see on the slide, Mantis adds an almost entirely new list of blue-chip clients to Willdan including Sabey, DataBank, Giovanni, Hershey, Frito-Lay, Molson Coors, and ASSA ABLOY. In 2026, Mantis is expected to generate about $120 million in contract revenue. The accountants have taken a closer look at the components that build up net revenue, and under those new guidelines, we now expect Mantis to add about $75 million in net revenue, not the 120 million as previously communicated. That change also means that Mantis' margin will be accretive to Willdan's and will be about 35% of EBITDA to net revenue. Strategically, Mantis has a strong management team, a differentiated set of capabilities, and longstanding relationships with blue-chip, commercial, and industrial clients.

Next on slide five. We’ve had another strong stretch of contract wins, and here are six notable examples since our last earnings call. For the New York Power Authority, NYPA, we were awarded a 10-year multiple award IDIQ contract with a total budget of about $3.3 billion. This

represents the recompete of one of our largest contracts. We perform $50 million to $60 million per year of work for NYPA on a variety of energy-related projects in New York, and this vehicle will support continuation and further program growth. There was a press release today about this.

Secondly, Con Edison and National Grid decided to combine several existing smaller programs into one contract and award us a $25 million per year energy efficiency and electrification program serving gas and electric customers in Downstate New York. This work will include our existing Con Ed multifamily and small business work and add National Grid. This is the 17th year in a row supporting Con Ed's energy efficiency program and is a significant expansion of the work we're currently performing. For Menlo Digital, we were awarded a $20 million substation project, which is 50 megawatts in size. For Bodkin in Texas, we were awarded a $16 million, 75 megawatt battery energy storage system. I mentioned in the last call how popular these BESS projects are becoming because they provide owners reserve grid capacity, higher grid resiliency, and improved power quality. Lastly, we were awarded two projects in California for $9 million and $8 million respectively. One is a solar and HVAC project, and the other is a solar BESS project. It was another strong quarter full of new wins, and the pipeline's solid heading into the end of the year.

On slide six. There are some macro trends that are fundamentally reshaping the energy sector and creating opportunities for Willdan. First, artificial intelligence is driving data center development. Second, a changing climate is bringing hotter summers, more wildfires, and more severe storms. Third, new technologies like batteries, solar, and digital controls are being connected to a grid that in many places is 50 to 100 years old. And fourth, inflation and global conflict are raising the cost of commodities and power equipment. These four trends are having a profound, probably once-in-a-generation impact on the energy sector. We've been talking for the past 11 quarters about the return to electric load growth driven by the confluence of data centers, electrification, and more extreme weather patterns. This is making Willdan services more valuable to customers. There is a massive need for reinvestment in the utility and power equipment space.

But the trend that has emerged as the most important to our customers, regulators, and now even the public is energy affordability. While the average retail electricity rate rose by 5% year-over-year, many specific locations in the grid have increased by more than 30% in the same period. Residential heating oil prices have increased 75% year-over-year. The factors described on this slide have converged to make power affordability the most important consideration for most Willdan clients. Communities and policymakers want load growth but not at the expense of customer bills. Willdan sits at the epicenter of this grid challenge, working with all three of our customer groups, utilities with the planning and energy efficiency programs, state and local governments on siting, permitting, and regulatory frameworks, and commercial clients with energy procurement and efficiency. These trends are all playing towards our strength. Kim, over to you.

Kim Early, CFO & EVP
Thanks, Mike, and good afternoon, everyone. We delivered another strong quarter with net revenue up 18% and adjusted EBITDA up 22% on healthy demand, disciplined execution, and margin expansion. Year-to-date adjusted EBITDA is up 34%, and our adjusted EBITDA margin on net revenue has expanded more than 300 basis points. Even after deploying $56 million for acquisitions this year, we ended the quarter at 0.2x net leverage, which positioned us to close the Mantis Innovation acquisition after the quarter end.

Turning to the third quarter results on slide eight. Contract revenue and net revenue each grew 18% to $215 million and $112 million respectively. Organic net revenue growth was 12% with the balance of the growth from recent acquisitions including Burton and Compass. Gross profit grew 23% to $82.5 million, and gross margin expanded about 150 basis points to 38.4% of contract revenue. The improvement reflects a favorable revenue mix including higher incentive revenue under some of our utility programs and increasing revenue from our LADWP street lighting project. Adjusted EBITDA increased 22% to 28.3 million, a 25.2% margin on net revenue, up 80 basis points from the year ago quarter. G&A expenses increased 27% to $66.1 million or 30.8% of contract revenue versus 28.7% a year ago.

Growth from non-cash expenses accounted for most of the increasing percentage of revenue with stock compensation rising 58% to $5.0 million on new grants at a higher stock price and depreciation and amortization increasing 48% to $5.8 million on the acquired intangibles. Salary and benefit costs grew 24% in line with the acquisitions and revenue growth. Interest expense rose 19% to $1.1 million, reflecting increased borrowings to fund the Burton acquisition. The higher stock comp and intangible amortization slowed the pre-tax income growth to 8% over the prior year quarter or $15.4 million. Our effective tax rate rose to 23% from 4% a year ago, reflecting higher pre-tax income and lower discrete benefits from stock option exercises and facility energy efficiency deductions. As a result, net income was $11.9 million or $0.76 per diluted share versus 13.7 million, or $0.90 per share a year ago. Adjusted earnings per share was $1.20, essentially flat with $1.21 in the prior year, as the higher tax rate offset the 22% growth in adjusted EBITDA. On an operating basis, it was another very good quarter.

Turning to the year-to-date results on slide nine. For the first nine months, contract revenue grew 18% to $601 million, and net revenue grew 17% to $322 million or 21% and 20% of net revenues respectively -- of growth respectively. Normalizing for last year's extra week, gross margin expanded 80 basis points to 38.8%, again reflecting a favorable revenue mix and increasing utility revenue. G&A expenses grew 19% in line with contract revenue. Pre-tax income grew 41% to $41.7 million, helped by the higher gross profit margin, a bit of operating leverage despite the increasing non-cash charges, and the absence of last year's one-time refinancing and lease charges. We recognized a $3.0 million tax benefit for the nine months, compared to a $4.2 million benefit a year ago. Net income rose 32% to $44.7 million or $2.89 per diluted share, up 28%. Adjusted EBITDA rose 34% to 79.4 million or 24.7% of net revenue, up from 21.6% a year ago, and adjusted earnings per share grew 25% to $4.18. All are records for a nine-month period.

On slide 10, our trailing 12-month results show the consistency of underlying growth of the business and our ability to convert that growth into higher margins. Contract revenue of 774 million was up 19%. Net revenue of $411 million, up 16%. Adjusted EBITDA of $99.5 million was up 29%, and adjusted earnings per share of $5.75 reflects a 41% increase. Earnings continue to grow faster than revenue, driven by project management productivity, AI-enabled efficiency, and G&A that grows more slowly than revenue.

On slide 11. The consistency of growth in earnings and margins is on display. Our adjusted EBITDA has grown at a 48% CAGR over the past four years from $23 million in 2022 to the $110 million midpoint of our guidance in 2026. That record has been derived from a combination of organic revenue growth and acquisitions but also by increasing our adjusted EBITDA margins through a combination of greater project profitability and operating leverage from disciplined cost control. Our long-term goal remains adjusted EBITDA margins in the high 20% range, and the margins of 25.2% in the quarter and 24.7% year-to-date keep us on track to expand from 21.8% in 2025 to about 25% this year. The acquisitions of Burton and Mantis will accelerate our progress toward our high 20s goal.

Turning to cash flow and the balance sheet on slide 12. Year-to-date, operating cash flow was $32.9 million compared to $40.1 million a year ago, reflecting a temporary working capital lag in September expected to reverse in Q4. Over the last 12 months, free cash flow was 64.5 million or $4.17 per share. On a long-term basis, we expect free cash flow to exceed 70% of adjusted EBITDA, aided by the $31 million in deferred tax assets on our balance sheet. We ended the quarter with $23 million in net debt or 0.2 times the trailing 12 months adjusted EBITDA, down from $33 million and 0.3 times at the end of the second quarter. After repaying another $5 million on our revolver, we had approximately $174 million in available liquidity at the end of the quarter including $85 million on our revolver, our $50 million undrawn delayed draw term loan, and $39 million in cash.

Turning to slide 13. With the closing of the Mantis transaction after the end of the quarter, this slide shows our capitalization on a pro forma basis including Mantis and the related financing. After reducing our revolver balance to zero after the September month end, we funded the acquisition of Mantis with a new $250 million term loan and a $35 million draw on our $100 million revolver, bringing total debt to $332 million at the close and net debt to $293 million. This results in net leverage of approximately 2.3 times the pro forma trailing 12-month adjusted EBITDA and 154 million in available liquidity for the future. We will focus the majority of our strong free cash flow profile on debt reduction and expect to report a net leverage ratio below 2.0 times the adjusted EBITDA by the end of the third quarter of 2027. We’re comfortable with the state of our balance sheet after completing the Mantis acquisition and expect to continue to support a robust organic growth while exploring smaller acquisition opportunities that expand our markets and accelerate our growth while we reduce leverage.

Now to slide 14. Based on our results through the third quarter and visibility into our book of business, we're raising our full year 2026 targets. We now expect net revenue of $435 million to $445 million, adjusted EBITDA of $109 million to $111 million, and adjusted diluted earnings per share of $5.15 to $5.25. This outlook assumes approximately 15.9 million diluted shares and a 0% effective tax rate for the year on GAAP earnings. These numbers include Mantis from October 30 and assume no further acquisitions. I will now turn it back to Mike to preview 2027 on slide 15.

Mike Bieber, President & CEO
Yeah. Thanks, Kim. So, on slide 15, with less than two months to go this year and having closed Mantis, let me provide you a preview of what we think 2027 is shaped up to look like. We see a continued strong market for our services and anticipate the kind of continued strong execution you have come to expect. We're working toward becoming a trusted advisor to our clients. I see this in our work, but investors can also see this because more than 80% of our work comes from the same repeat clients. We've now become a trusted expert at helping solve some of the electricity grid constraints in and around our major metropolitan hubs.

Coming into 2027, we have a fresh set of new technical capabilities and client relationships, so we'll be focusing on internal cross-collaboration. As a company, we've become far more effective at this collaboration, and more of our teams are interdisciplinary than ever before. For clients, that means that we can assemble the kind of national expertise they need for their unique challenge. We think this picture will come together in 2027 such that, for the first time in the company's history, we will achieve $1 billion in contract revenue, implying about 19% annual growth. That kind of top-line number will be complemented by more than a half billion dollars in net revenue. We are now expecting more than $140 million in EBITDA for 2027, which represents more than 25% annual growth and continued margin improvement over 2026. Our track record of consistent growth shows that we've got the right management team, the right systems and processes, and the right long-term customer relationships to drive us past the billion-dollar revenue milestone in 2027.

On the last slide, in summary, we've generated record results this year and are raising our 2026 financial targets again. As a reminder, we are on the cusp of achieving an adjusted EBITDA 48% CAGR over the last five years. The Burton and Mantis acquisitions in the last six months have significantly strengthened our capabilities for commercial and industrial customers and have now equally balanced our customer portfolio. Electric load growth and the massive need for grid modernization are driving the majority of our customers to increase spending. We are an excellent cash generator, so we are targeting to reduce our leverage ratio below 2x by the third quarter next year. And finally, we're introducing preliminary 2027 targets, which continue our double-digit performance and which achieves $1 billion revenue next year. Operator, let's now open up the call to questions.

Operator
Thank you very much. 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 that 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 any speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Thank you. Our first question is from Craig Irwin of Roth Capital Partners. You may proceed with your question.

Craig Irwin – Roth Capital Partners
Good evening and thanks for taking my questions. First, congratulations on another really solid quarter in here. Impressive execution in this market. The equities the last few days have been dominated by concerns about data center, right? You're tripling your business at APG, 75 million this year, up from 25 million last year, and Mantis actually brings you some really interesting assets in that market. Mike, you have a real-world level of visibility on the market right now. The customers obviously talk to you daily because you're executing projects for them. Can you maybe talk a little bit about fair expectations for data center that might be included in your guidance for $1 billion in revenue next year? Are you expecting a triple again at APG? Are you expecting Mantis to have a similar growth rate, or do you have sort of moderated expectations around that? And how fungible are the resources that you have positioned at data center to address some of these significant problems elsewhere in the grid? Like NYPA, I guess, was a good example that you shared on the call today.

Mike Bieber, President & CEO
Yeah, Craig. This has received obviously a lot of press. I would characterize it as the political wave running against data centers might allow supply chain and the labor market to catch up with the current demand for data centers. Remember, demand for these data centers is not wavering. It's not going away. No, we're not expecting a major slowdown, a major change in what is already happening. Our pipeline goes out past 2029 right now, projects that we have been permitting, evaluating, engineering this year. So, it is a long-term pipeline. It is receiving a lot of short-term press, and we're not expecting any major changes in the data center world.

It's a robust market out there. More importantly for Willdan, though, we're the people that solve grid constraints. The grid constraints aren't just coming from data centers. It's climate change. I mentioned electrification. These changes are real across the country. No one factor is driving it. It's multiple factors. The grid is just undersized right now for this modern world that we live in. We're in the business of solving that, and so our utility customers in particular and even state and local customers have high demand for these types of services that look at constraints, evaluate them, help plan for those changes, and alleviate the stress points. Business is good.

Craig Irwin – Roth Capital Partners
I like that. I like that. So, second question if I may. Anyone that knows you knows that you are a very conservative guy. You have ambitious goals, and you're about to meet one of those with

$1 billion in revenue, but you plan for a range of scenarios, right? So, when I step back and I look at this Mantis acquisition, I find the property extremely interesting for the lack of overlap between your data center customers, the fact that they're mostly unique to each of the two companies and then the fact that Willdan with APG has significant expertise, a great resume in high voltage, while Mantis has a great resume and expertise, experience in medium voltage. Can you maybe talk about how transferable these services might be between your customers and whether or not Mantis customers could eventually be served by Willdan? I'm not asking for a timeline or specific impact on the revenue outlook but the bigger picture as far as whether or not these two key things sort of fit together longer term.

Mike Bieber, President & CEO
We think there's a great opportunity here for cross-selling. I mentioned that. The cross-collaboration's going to be a primary focus especially in the next six months, and we have our kickoff meeting for that in two weeks. We think there's a great opportunity because Mantis is coming, you're right, with a set of blue-chip clients that is all new to Willdan. There's essentially no overlap there and vice versa. So, we've got a great opportunity here to focus on cross selling all of the capabilities and energy that we provide those types of clients.

Craig Irwin – Roth Capital Partners
Excellent. Then last question if I may. You gave us a preliminary look on '27 as far as revenue -- net revenue EBITDA. Is it fair for us to expect your free cash flow generation to more or less track your EBITDA in 2027 similarly to the way it's developed in 2026?

Mike Bieber, President & CEO
Yeah, I think that's a fair assumption, Craig. That's what we would expect.

Craig Irwin – Roth Capital Partners
So, more than $100 million in cash flow is probably a fair starting point. Is that something that we can say?

Mike Bieber, President & CEO
Yeah. Well, we said more than 70%, and 70% of that 140 would be 98, so you're in the right neighborhood, yeah.

Craig Irwin – Roth Capital Partners
All right. And you guys are conservative, so I like that. Hey, congratulations. Another solid quarter. I'll hop back in the queue.

Mike Bieber, President & CEO
Yeah. Thanks, Craig.

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

Tim Moore – Clear Street
Thanks. And we appreciate you providing preliminary guidance for next year, and it was nice to see that net debt leverage target for next September so provided. I have a question that is really an industry expertise question. It's a little bit different than the one you just got, because mine's been teed up since sunrise yesterday after the election results. Partially due to maybe the outcome in the Texas governor election and even Ohio, we've been getting a lot of calls on this with data center permitting moratoriums and restrictions. I just wanted to bounce off of you, Mike, if you don't mind sharing. Can you kind of share me the rough timing on interconnection permitting? Isn't that usually early design phase? I mean, some of these big data centers take 18 to 24 months to construct. So, wouldn't an interconnection moratorium or a pause really be for data centers that might not power on till late 2028 anyway, right? Because it's early stages. I'm just kind of trying to wrap our head a little bit better around the delay, and it doesn't seem to be impacting next year's power-on, because the queue's pretty far out anyway. If you can share anything on what you're aware of on just interconnection permitting timing.

Mike Bieber, President & CEO
It's a great question. I'm glad you asked it, because we just researched this. In fact, one of our people put together a chart on this by geography. And interconnection times by and large across the country take years. It's not months. It's years. It's a multi-year process typically. And so, you really start your other permitting with data centers. You may even design, build, and construct the data center without the interconnect. You may be able to operate that if it has additional power sources, which many of these do have. The interconnect may be the last thing that happens. But eventually, most of these data centers do get connected to the grid. It's just way on down the process, and generally does not stop, from what we've seen, the actual upfront, sometimes the design and actual construction of these facilities. So, multi-year.

Tim Moore – Clear Street
Thanks for that. We appreciate it. I just had another question on battery energy storage. It's growing so rapidly. Is there any way you could share maybe what your battery energy storage systems maybe are as a percentage of your revenue this year or maybe how much they've grown over the last year?

Mike Bieber, President & CEO
Good question. I don't have a number on that. I think it's an interesting question. We'll get back to you offline on it. I'm guessing it's in total 5% or less right now, something like that. You're right. It's growing very quickly. And I just looked at a queue of a bunch of new projects that clients are asking us about. So, it's a really interesting area and something that we're very good at. So, clients tend to seek out Willdan for that particular expertise.

Tim Moore – Clear Street
That's great. I've noticed in your last couple presentations that you had that. Yeah, I mean, I bet they think growing 20% to 30%, so I imagine you're doing pretty good with it. Thanks a lot. That's it for my questions. Thanks, Mike.

Mike Bieber, President & CEO
Thanks, Tim.

Operator
Thank you. Our next question comes from Steven Wahrhaftig from Wedbush Securities. You may proceed with your question.

Steven Wahrhaftig – Wedbush Securities
All right. Thanks for taking the time, guys. Appreciate the questions and congrats on another very strong quarter. I kind of want to turn my attention to the fiscal year 2027 guidance. I mean, the numbers themselves are very strong. We're looking at a contract revenue of 1 billion, net revenue of 500 million, and then very strong EBITDA numbers. I want to get a better understanding of the split between the commercial, the utilities, and the state and local governments into fiscal year 2027, because you laid out the long term, a third, a third, a third split between those three businesses. But can we get a better understanding of what your expectations are for fiscal year 2027 if that is going to be reaching that long-term target, or what are you baking in there?

Mike Bieber, President & CEO
No, we're there already on a pro forma basis. So, for 2027, it will be about equal thirds, a third, a third, a third for our three customer segments.

Steven Wahrhaftig – Wedbush Securities
Okay. And then it's supposed to maintain throughout fiscal year 2027 if that is the assumption. And then for that guidance, can we also get a little bit of an understanding of what that split is going to be between the energy revenue and the rest of the business?

Mike Bieber, President & CEO
Good question there. From a gross revenue perspective, it's going to revert. Right now, 15% is in our engineering segment, and that's going to shrink to more like 10-ish percent of our total revenue, maybe even a little less than that.

Steven Wahrhaftig – Wedbush Securities
Okay.

Mike Bieber, President & CEO
With the remainder 90-plus percent of our revenue being focused on energy and in the energy segment.

Steven Wahrhaftig – Wedbush Securities
Okay. Got it. And then specifically on the Mantis acquisition, because you mentioned how it was originally going to be 120 million of contract revenue, and you mentioned that the margins were a little bit lower from a net revenue standpoint, but it's actually going to generate about 75 million of net revenue. Can you kind of give us a better understanding of what your expectations are from an organic basis? What's really going to drive the organic growth and what's going to be that split between organic and inorganic heading into fiscal year 2027, as well?

Mike Bieber, President & CEO
Sure. We don't have a bottoms-up on that yet. We're just starting our planning process for Willdan and Mantis for 2027. So, we're not going to provide specific guidance on that until late February next year. But if you look historically, and this trend line is continuing right now, it's a low double-digit type organic growth business, and we'd expect that for the rest of Willdan. We're seeing that right now, and we think that's going to continue. So, it's similar to the rest of Willdan.

Steven Wahrhaftig – Wedbush Securities
Okay. Got it. And then just last question from me specifically on the deleveraging path, because it was great to get some color on reaching below 2x by 3Q ’27. But if I'm doing the math right, and we're getting to around that $100 million of free cash flow, it seems like this is a pretty conservative target. Is that why the timeline is basically at 12 months and not really closer to the six to nine months? Because it seems like it's a very strong cash-generating business, and you could pay down that debt pretty aggressively. So, is it more so you're giving yourself wiggle room to do some of those smaller tuck-ins, or is there something else that I'm missing?

Kim Early, CFO & EVP
Well, the cash flow is not consistent throughout the year. Our first quarter tends to be a little heavier use of the cash flow, and so the first quarter tends to be a little bit weaker. And as you'll see this year and in the past couple of years, our fourth quarter tends to be the strongest in terms of the way the cash flow goes. So, that's why we're giving ourselves plenty of room there. Get through the first quarter. We'll have really good cash flow this fourth quarter, so we only got two months left of that. Q1 will be a little weaker, and then Q2 a little stronger, and it's possible that we reach that goal in the second quarter. But again, just trying to be conservative and making sure that we've got room there. Then by the third quarter, it should be solidly below the 2.0 mark.

Steven Wahrhaftig – Wedbush Securities
Okay. Understood. I appreciate the time and congrats again on the results.

Kim Early, CFO & EVP
Thank you.

Mike Bieber, President & CEO
Great. Thanks, Steven.

Operator
This now concludes our question-and-answer session. I would like to turn the floor back over to management for closing remarks.

Mike Bieber, President & CEO
Well, thank you for your interest in Willdan. We appreciate it very much, to all our stakeholders out there, and we will talk to you in late February where we'll plan to give full-year 2027 guidance. Thanks a lot and talk to you then.

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