

**Willdan Group**  
**First Quarter FY2025 Financial Results**  
**May 8, 2025**

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**Presenters**

**Al Kaschalk - Vice President, Investor Relations and M&A**

**Mike Bieber - President & Chief Executive Officer**

**Kim Early - Executive Vice President & Chief Financial Officer**

**Q&A Participants**

**Craig Irwin - ROTH Capital Partners**

**Tim Moore - Clear Street**

**Operator**

Greetings and welcome to the Willdan Group first quarter and fiscal year 2025 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, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. I'd now like to turn the conference over to Al Kaschalk. Thank you. You may begin.

**Al Kaschalk - Vice President, Investor Relations and M&A**

Thank you, Matt. Good afternoon, everyone, and welcome to Willdan Group's first quarter 2025 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 website. Please note that year-over-year commentary on 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. And actual results may differ materially due to risks and uncertainties. With that, I will hand the call over to Mike, who will begin on slide two.

**Michael Bieber - President & Chief Executive Officer**

Thanks, Al. We had a strong start to 2025, delivering record first quarter results for revenue, adjusted EBITDA, and EPS. We surpassed both analysts' expectations and our internal forecast. Contract and net revenue each grew 24% year-over-year. Adjusted EBITDA rose 31%. GAAP diluted EPS increased 52%, and adjusted diluted EPS was up 58%. These comparisons were all against a strong Q1 last year. Performance was strong across all business lines, driven by consistent execution. In the quarter, we completed two more acquisitions that expanded our

geography and our electrical engineering capabilities. As electric load increases, Willdan's differentiated capabilities and consistent execution position us well for long-term growth. Earlier this week, we expanded our credit facility from \$150 million to \$200 million, a key milestone to scale our business.

Turning to slide three. Willdan delivers a broad range of energy and infrastructure solutions to utilities, customers, and state and local governments. Calculated on a pro forma basis for 2025, our commercial customers are forecasted to comprise 15% of our revenue, double the percentage of last year. State and local government customers are forecasted to be 44% while utilities are forecasted to be around 41% of our revenue. Demand remains healthy across all customer groups. Our commercial work is increasingly centered around electricity usage at data centers where AI-driven load growth is creating significant demand. Willdan is helping technology clients navigate energy constraints, optimize infrastructure, and meet aggressive power requirements. We see strong momentum in this area and intend to pursue acquisitions that further expand our capabilities and relationships with commercial customers. Our utility business continues to perform well. Most of our utility contracts are multiyear in nature, funded by rate payer fees and continue to provide a strong foundation of recurring revenue. On the public sector side, our work for state and local governments continues to grow organically at a double-digit pace. Demand remains solid, and the outlook is positive.

It's worth noting that Willdan has minimal exposure to direct federal contracts or federally funded programs. As a result, recent federal spending cuts have had little impact on our backlog and near-term visibility, just like I said last quarter. Most of our public sector work is funded through user fees and municipal bonds, which have remained stable. Last week, we released our 2024 Sustainability Report, highlighting meaningful progress. Notably, we help clients avoid about 100x the GHG emissions that the company emits. Our energy segment makes up more than 80% of our revenue, while the legacy part of our business makes up the remainder. We work out of 55 offices across North America and ended the quarter with 1,770 employees, primarily scientists, engineers, and technical professionals.

On slide four. Our upfront policy and data analytics work informs Willdan's strategy and helps us navigate market change. In our upfront work, we are seeing particular demand for integrated resource planning and asset valuation on projects associated with data center electricity load. Those market changes have led us to acquisitions that provide solutions to these clients. In engineering, we saw strong execution and growth, particularly with municipal customers. In program management, we performed above our plan on utility programs and building energy programs for cities. Putting this model to work, for the last 25 years, we've performed upfront financial planning and on-call civil engineering work from the city of Fairfield, California. Then in Q1, we were awarded a new \$30 million program management, energy savings, and modernization contract that provides EV charging stations, solar arrays, central plant, and other electric infrastructure upgrades.

On slide five. We have a strong pipeline of opportunities that we are converting into contracts. Here are just a few examples we converted since our last conference call. I already talked about the city of Fairfield, California example. Then for the Paramount Unified School District, that's another example of cross-selling. We won an \$18 million design and management contract for solar arrays and EV charging stations.

For National Grid in Massachusetts, we were awarded a new \$20 million multiple-work contract, providing energy efficiency services to small business. And for Warner School District, we were awarded a new \$11 million contract. We were also awarded an important recompetes to provide the California Public Utility Commission, CPUC, with integrated resource planning and technical support. That \$9.8 million award supports analysis of the resource staff necessary to achieve California ISO's requirements. On the last call, I mentioned winning the expanded recompetes with the Los Angeles Department of Water and Power, LADWP. The new \$330 million five-year contract delivers more complex energy efficiency measures to a broader set of commercial and government clients. We don't expect significant revenue from the LADWP program until the fourth quarter of this year but ultimately think it will become among our largest programs annually.

On slide six. From 1970 to 2005, the U.S. experienced several decades of sustained electric load growth, followed by 15 years of relative flatness. Today we're seeing a return to meaningful load growth, marking a structural shift in the energy landscape. This shift is creating significant new opportunities for Willdan, and we believe it will be a powerful tailwind for our business in the years ahead. Key drivers include the electrification of cities, buildings, and transportation, reshoring of industrial manufacturing, and the rapid rise in electricity demand from data centers powering AI. Electricity demand in the U.S. is expected to increase by 50% between now and 2050. We spent a fair amount of effort this quarter discussing and preparing for the uncertainty created by tariff risks. This new uncertainty has had little immediate impact on Willdan. However, we and our clients are watching carefully for price increases in the specialized equipment we use on our projects. We are inserting more flexible contract terms with our customers, and we are working to identify alternative product suppliers that could be cost-effective if tariff risks persist. If a recession occurs, Willdan should be better positioned than most due to our clients' funding sources. But we would not likely be immune to a broad economic slowdown.

Turning to slide seven. The graph on the left depicts the strong margin execution the team has delivered over the last five years. Several years ago, we laid out a goal of 20% operating margin, measured as adjusted EBITDA divided by net revenue. We've significantly improved our operating margin over the last five years, reflecting disciplined execution, more efficient cost absorption, and a shift towards higher-value work. The 20% EBITDA margin in our industry represents best-in-class performance and is associated with a highly differentiated customer solution. This year, Willdan estimates that it will be around that 20% margin goal. Q1 is typically our lowest margin quarter, so we're right on track for this year. On the right, and reflected over the same five-year period, we've continued to increase revenue per employee, reflecting higher

productivity and the growing value our teams are delivering to clients. This consistent improvement, alongside our expanding operating margin, underscores the scalability of our model and the strength of our operating leverage as we grow. Kim, over to you.

**Kim Early - Executive Vice President & Chief Financial Officer**

Thanks, Mike, and good afternoon, everyone. On slide eight. We delivered a strong start to the year, exceeding expectations as our teams continued to execute at a high level. We also completed two additional strategic acquisitions while expanding and extending our credit facilities. With low leverage and strong liquidity, we're well positioned to invest in future growth. In the first quarter of 2025, contract revenue increased 24% year-over-year to \$152 million. The acquisitions of Enica, Alpha Inspections, and APG contributed 6.0 million to the contract revenue in the quarter. Net revenue also grew 24% to \$85 million. The recent acquisitions brought 6% of that growth, and the 14th week in the quarter represents another 6% increase, resulting in an apples-to-apples organic growth rate of 12% for net revenue in the quarter.

Contract revenue growth was strong in both of our segments. Revenue in our energy segment rose 25%, led by double-digit increases in program and construction management activity and continued strength in utility programs. Engineering and consulting segment revenues increased 20%, reflecting strong client demand and continued geographic expansion. While gross profits increased 22% over the period -- over the prior year, G&A expenses increased only 20% in the quarter compared to the 24% net revenue growth, reflecting the operating leverage we've been experiencing as we grow. The year-over-year increase was primarily due to increased wage and incentive costs consistent with the earnings growth as well as higher stock-based compensation resulting from the increase in stock price. Intangible amortization expenses increased by \$600,000, reflecting the impact of our recent acquisitions, while interest expense decreased by \$300,000 to \$1.8 million on our reduced leverage.

The growth in revenues and the disciplined cost control resulted in a 32% increase in pretax income, and the favorable 9.75% effective income tax rate resulted in net income of \$4.7 million for the first quarter of 2025, up 59% from the \$2.9 million Q1 2024 bottom line. The favorable income tax rate was a result of discrete benefits from divesting of stock compensation in the quarter as well as the expected energy efficiency tax incentives. We continue to expect a full year tax rate of approximately 16%. Adjusted EBITDA was \$14.4 million or 16.9% of net revenue, up 31% compared to \$11.0 million in the first quarter of 2024. GAAP earnings per share were \$0.32, up from \$0.21 per share a year ago, while adjusted diluted earnings per share increased 58% to \$0.63 per share compared to \$0.40 a year ago. This was a record first quarter for Willdan in terms of contract revenue, net revenue, adjusted EBITDA, and earnings.

On slide nine we present some key balance sheet and cash flow metrics that reflect the continued strength of our financial position. Net debt was \$49 million at quarter-end after deploying \$32 million in cash for two acquisitions. Total leverage was a modest 0.8x adjusted

EBITDA. Free cash flow was \$40 million over the trailing 12 months or a robust \$2.74 per share. We ended the quarter with \$38 million in cash and access to an undrawn \$50 million line of credit, resulting in total liquidity of \$88 million at that time.

Turning to slide 10. Earlier this week, we amended and restated our credit agreements, expanding it to \$200 million to enhance financial flexibility, reduce costs, and extend our maturity by five years. The new structure includes a \$100 million revolver, under which we've drawn \$38 million. The new Term Loan A has been reduced \$50 million and supplemented by an additional \$50 million delayed draw term loan feature, which remains unused at this time. The Term Loan A will be amortized at 2.5 million per year over the five-year term. Interest rate spreads over SOFR or Prime were generally reduced by 25 basis points with the spread varying depending on the leverage ratio for any given quarterly period. The expanded and extended credit facilities along with future cash flows provide the resources necessary to drive growth and expand our service capabilities in strategic markets through acquisitions while maintaining the strong balance sheet and conservative leverage.

On slide 11, based on our strong performance to start the year, we're raising our 2025 financial targets. We now expect net revenue for the year to be in the range of \$325 million to \$335 million, adjusted EBITDA in the range of \$65 million to \$68 million, and adjusted diluted earnings per share in the range of \$2.75 to \$2.90 per share. These targets do not assume any future acquisitions. Operator, we're now ready for questions.

#### **Operator**

Great. Thank you. We'll now be conducting a question-and-answer session. If you'd 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 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. One moment, please, while we pull for questions. First question is from Craig Irwin from ROTH Capital Partners. Please go ahead.

#### **Craig Irwin - ROTH Capital Partners**

Hi. Good evening. And congratulations on another strong quarter, and thanks for taking my question. Mike, top question on investors' minds these days is actually tariffs. And I might have missed it, but I don't think you mentioned tariffs as far as the impact on Willdan. It's creating a lot of confusion out there, but it sounds like your customer base is already [inaudible] to the projects, and, I mean, I guess that most of the equipment they're using is not at risk. Can you just address the tariff issue for us and tell us what you understand this [inaudible]?

#### **Michael Bieber - President & Chief Executive Officer**

Sure, Craig. And you may have joined just a little late. On page six of the slide deck, it specifically addresses tariffs. So, let me go over that again. Yeah. Really -- you mentioned, the risk is in the equipment that we specify on our projects. We're looking for price escalation. It hasn't occurred yet, but it could. That's possible, along with project delays if the equipment just

becomes too expensive to be economical. What we're doing about it is searching high and low for alternative equipment sources. Most of our suppliers have already front-loaded equipment over the past quarter, and we have most of the equipment we need for the installations that we have this year because they front-loaded and purchased that already. We don't know what's going to happen next year at this point. We're also inserting more flexible contract terms where we can in all of the new contracts that address tariffs specifically. We haven't seen any short-term impact thus far, but it may be too early. So, that's what we covered, Craig.

**Craig Irwin - ROTH Capital Partners**

Excellent. Excellent. And my next question is around the return to secular load growth, right? So, it hasn't really found its way into your valuation. But Willdan seems like a really important part of the solution when transmission lines take many years to actually site and construct. New generation faces tremendous environmental hurdles, even in a Republican administration, for construction. And the idea of brownouts and blackouts is highly unappealing to different utility commissions. Can you say what the tempo of conversation is with your customers, both utilities and state and local government? And how you're partnering with them to frame the long-term solution set, both -- things that you can execute quickly in a matter of months or years versus some of these other competing solutions that are much longer duration in gestation.

**Michael Bieber - President & Chief Executive Officer**

The market was good with just electrification driving load growth, and that was really the status of the world about 12 to 18 months ago. It was a very healthy market then, and they were talking about load growth for the next 25 years just based on the electrification of buildings and the transportation networks with EVs and other things. Then about 12 months ago, the conversation changed with AI and data centers piling on top. A lot of the high-growth scenarios were just -- that have been modeled during those early days aren't even possible likely in the short term because there's not enough generation. There's not enough high-voltage transmission. You can't site these facilities quickly enough. So, customers have backed off those extreme growth scenarios, and now we're seeing 2-plus percent growth per year or something like that, which is significant in the electric space when you consider this is likely a long-term trend. It's likely over the next 25 years. So, there's conversations with all of our major customers about updating their forecasts, updating their CapEx spending. The lead times for new generation have become even longer, especially around gas turbines. So, all of that is happening at once. And often part of the energy stack is energy efficiency, as well, which was sort of our legacy market. So, we're building a company that tries to serve those customers in all of those ways.

**Craig Irwin - ROTH Capital Partners**

Excellent. And last question, if I may. The last couple of years, you guys have been pretty conservative around guidance, and I don't think I've ever seen you raise guidance in your first quarter given that it's your seasonally sort of lowest quarter as you start the year. There's got to be some really interesting things or high-confidence things that you're looking at. Can you talk

about what it is that has you being more confident now than maybe in prior years? Even though you have executed very well over the last couple of years. And are there elephants out there? Are there things out there that could work to the plus side for you as we look at potential continued strength in building the business book?

**Michael Bieber - President & Chief Executive Officer**

Well, Q1 came in above our own internal forecast. It was just very strong. And it wasn't any one area. It was across the board. We're just performing very well, and some of our customers are looking at upsizing the size of contract that we have on these legacy programs. So, with that already completed, Craig, we just thought it was the right thing to do and, in good conscience, we needed to raise estimates modestly, which we did. That's what we attempted to do, even taking into account some of the tariff risks maybe in the fourth quarter or something like that. We're just -- we've got a great book of business right now and customers that want to expand our programs. So, that's why we did it.

**Craig Irwin - ROTH Capital Partners**

Great. Well, congratulations on another strong quarter. I'll go ahead and hop back in the queue.

**Operator**

As a reminder, if you'd like to ask a question, it is star one. Next question is from Tim Moore from Clear Street. Please go ahead.

**Tim Moore – CLEAR STREET**

Thanks. Organic growth was very strong even excluding the extra week in the quarter and, obviously, the -- pulling out the acquisition contribution. That was impressive. So, I just thought -- you mentioned it was very broad-based growth drivers. Just thinking about the opposite side of the spectrum, I'm kind of curious, are there any pockets or end-markets or consulting engagement types where maybe you're seeing any type of slowdown in demand since late last year? Or anything maybe not as compelling or accelerating? Just kind of curious on the opposite end.

**Michael Bieber - President & Chief Executive Officer**

Kim, I can't think of any headwind we've seen in the actual operations. Can you?

**Kim Early - Executive Vice President & Chief Financial Officer**

No. Not significant ones. A little less in the permitting field and a few places but nothing worth mentioning really.

**Michael Bieber - President & Chief Executive Officer**

No. The major risk out there, Tim, is equipment risk and tariffs, and no one knows how that will occur. But the rest of the business is doing just very well across the board.

**Tim Moore – CLEAR STREET**

That's really helpful. And just out of curiosity, have you ever -- I mean, this might be more of a project calculation. But, I mean, have you ever kind of -- on these larger contracts, let's call them 100 million plus, multiyear contracts. I mean, equipment -- if you could kind of quantify how much equipment is of that? I mean, are we talking like equipment is 10% of the project cost, something like that? So, I mean, tariffs wouldn't drastically hurt you or harm you with some price escalators in there?

**Kim Early - Executive Vice President & Chief Financial Officer**

Yeah. I think in the parts of our business where we're really working through the installation of equipment -- and I think material and equipment costs are probably 25% to 30% of what the overall contract value would be. Something like that. That's the exposure there.

**Tim Moore – CLEAR STREET**

Okay. That's helpful. And that's over multiyear contracts such as the five-year with the Los Angeles Department Water and Power?

**Kim Early - Executive Vice President & Chief Financial Officer**

Yeah. That's right. That's right.

**Tim Moore – CLEAR STREET**

And then just on that Los Angeles Department of Water and Power, it was -- we talked about, last time you reported. It was a great renewal. But the timing of the renewal is -- there's a gap definitely in the first half of the year. So, now you're saying you think that's really going to start ramping in the fourth quarter. So, how should we think about -- I mean, the momentum is really good in the rest of the business and it clearly overpowered any -- whatever the sales gap would have been in the March quarter, whether it was 7 million or 8 million, something like that. So, should we just not -- things are going just so well, it's not even a blip, the way that that renews and the timing of the start gap?

**Michael Bieber - President & Chief Executive Officer**

Tim, I think you pointed out the biggest concern we probably had in Q1. Without our biggest program up and running, what was the result going to be? And we blew right through that. We overcame that headwind and posted, as you mentioned, 12% organic growth on a normalized basis, even better than that actually. So, that gives us -- shows the strength of the business. We were concerned about it, also. We had no revenue for LADWP in the quarter, and I don't think we're going to have any in Q2 either or certainly not much. But by Q4 -- we've now received notice to proceed. We're working through the administrative hurdles of ramping up such a big program. And I think that by the end of the year, we'll start to see some real momentum, especially going into 2026, that that should be cranked up.

**Tim Moore – CLEAR STREET**

That's terrific. And I've got one last question. The APG, the Alternative Power Generation, acquisition seems amazing and really increased your sales exposure to data centers. If I

remember correctly, maybe you might have 10% to 15% now. I mean, it's probably the bulk of the commercial exposure you have. I was just wondering, have you thought about integrating the two from your previous kind of maybe data center exposure team, with the APG team? Are you going to keep them kind of separate? I'm just wondering if we're going to be cross-selling or really kind of working together to really grow that business even faster.

**Michael Bieber - President & Chief Executive Officer**

They started cross-selling before we closed the transaction. They're in close communication. We're not going to physically merge them, but we don't need to. We've already compared the customer lists. We're already probably executing projects at this point between the two groups. So, that's exactly the strategy.

**Tim Moore – CLEAR STREET**

That's terrific. Thanks. And that's it for my questions.

**Operator**

As a final reminder, if you'd like to ask a question, it is star one. Since there are no further questions, I'd like to turn the floor back to Mike Bieber for any closing comments.

**Michael Bieber - President & Chief Executive Officer**

I just want to thank our customers, employees, and investors for their interest in Willdan. We've got several upcoming investor conferences, so we'll see some of you in person soon. Otherwise, we'll talk to you next quarter. Thank you.

**Operator**

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