Orion Group Holdings

Q2 2026 Financial Results 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 day, and welcome to the Orion Group Holdings' Second Quarter 2026 Financial Results Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on a touchtone phone. To withdraw your question, please press star and then two. Please note this event is being recorded.

I would now like to turn the conference over to Margaret Boyce, Investor Relations for Orion. Please go ahead, ma'am.

Margaret Boyce
Thank you, operator, and thank you all for joining us today to discuss Orion Group Holdings' second quarter 2026 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'll open up the call for your questions.

Before we begin, I'd 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.

With that, I'll turn the call over to Travis. Travis, please go ahead.

Travis Boone
Thanks, Margaret, and thank you all for joining our call today. I want to start by acknowledging that our results for the quarter were not in line with your expectations or ours due to some client delays in our marine business. It is a timing issue, not a performance or operational issue. These delays are now behind us.

We often talk about construction being a lumpy business. This quarter is a good example. Things are going well. Our people are engaged and we are performing. If not for these delays, results would have been right in line with our expectations. We will give more details on the quarter shortly.

Bigger picture, our win rate continues to be high, our concrete business is operating at historic levels, we had a strong quarter of bookings, our pipeline continues to grow, and our story remains unchanged. We have a historically strong marine construction market opening in front of us, and we remain confident in our ability to grow over the coming years. With multiple new marine projects kicking off, we expect the back half of 2026 to be strong, and we are optimistic about 2027 as well.

Turning to the market outlook, today our business is benefiting from powerful, long-term themes that include significant long-duration capital investments spanning defense infrastructure, port and transportation infrastructure, energy, data centers, healthcare, and commercial construction.

For marine, we are well-positioned on the doorstep of a marine infrastructure investment megacycle that enables continued U.S. economic competitiveness, energy security, supply chain resilience, and national defense. These priorities are driving increased investment in larger, more technically complex marine infrastructure projects that require specialized marine construction capabilities, highly skilled workforce, and fit for purpose equipment, precisely the type of projects Orion is increasingly pursuing, winning, and executing.

The President's 2027 $1.5 trillion defense budget proposal made its way through the House last week but has yet to clear legislative hurdles in the Senate before reconciliation can begin. While spending levels will be debated, investments across naval infrastructure modernization, Indo-Pacific command strength, and logistics and port resilience continue to be priorities with solid bipartisan support. We are closely monitoring the U.S. defense budget as we look ahead to programs that will catalyze our long-term growth.

On to the concrete market outlook, where momentum remains very strong. We are benefiting from the buildout of physical infrastructure supporting the investment in AI, cloud computing, and domestic manufacturing. As our clients seek to streamline project coordination, compress schedules, and increase execution certainty, many are directly engaging with our team earlier in the project lifecycle to advise on design and execution. Additionally, our expansion into site civil services is going very well, and we are seeing increased opportunities to pursue this scope on a broader set of projects.

Overall, confidence in the long-term outlook across our business remains robust and our pursuit pipeline has grown to approximately $27 billion, with almost $1.6 billion in projects quoted awaiting award. As you may recall, this number was sitting right around $1 billion at the beginning of the year and reflects our nearest term award opportunities. Our win rate during the quarter was well above industry average, and we were pleased to record over $275 million in bookings in the quarter, representing a 1.25 times book to bill and bringing backlog at quarter-end to $722 million.

Bookings across our marine and concrete businesses reinforce our compelling competitive position in attractive end markets, and include a large port terminal expansion project in Alabama, a dredging project in the U.S. Virgin Islands, a couple of nice jetty wins from Pacific Rock and Dredge, a.k.a. McAmis, who we acquired in February, and additional phases on multiple data center projects. With a growing opportunity pipeline, expanded capabilities, and an outstanding team delivering projects that matter, our conviction in Orion's long-term growth trajectory is well intact.

On to some high-level comments on the second quarter results. Our results reflect the growth of concrete alongside the temporary softness in marine, caused primarily by slower than expected project starts and elongated award cycles. Our concrete business posted excellent results, reporting over 30% top line and 45% adjusted EBITDA growth in the quarter, benefiting from expansion into site civil services, favorable utilization, and solid execution.

Marine top line and profitability were down primarily due to the timing of project awards, startups, and completions, and we have reset our full year 2026 guidance to reflect this timing shift. Today we have very good visibility into the remainder of the year, with nearly 90% marine work under contract and continued concrete momentum to achieve our updated guidance.

Before handing it over, I'd like to take a moment to give a shout out to our Pacific Rock and Dredge team, who are prominently featured in the new documentary movie, "Taming the Mouth." We had the honor of attending the premier this past weekend, and it is definitely worth seeing.

The documentary is a fascinating piece on the treacherous mouth of the Columbia River where it meets the Pacific Ocean, an area commonly known as the “Graveyard of the Pacific”. The movie highlights McAmis's recently completed reconstruction of the massive jetty and breakwater system to calm the turbulent seas. Starting August 4th, you can stream and on Apple TV or Amazon prime.

I'll now turn it over to Alison to discuss the details. Alison?

Alison Vasquez
Thank you, Travis. In the second quarter, we generated revenue of $222 million, an 8% increase from the second quarter of last year. As Travis discussed, concrete delivered another strong quarter, while the timing of marine awards and project startups weighed on our results.

Gross profit was $23 million, down $3 million from last year, due primarily to lower marine volume and equipment utilization. Specifically, we had several projects where our team's mobilization was delayed primarily due to client related issues such as site readiness and timing of delivery of client provided materials.

When marine productivity slows, we sometimes get a double whammy in the lost project profitability along with the correlated lower equipment utilization, and this definitely impacted this quarter's gross profit. These projects are now all in full swing, and we expect good productivity through the second half of the year.

The decline in marine gross profit was partially offset by nice volume and favorable project executions within our concrete segment. GAAP loss for the quarter was $4.1 million compared to GAAP net income of $0.8 million in the second quarter of last year, which was caused primarily by reduced volume in our marine business, increased depreciation and amortization, and an increase in GAAP taxes associated with VA adjustments.

Second quarter adjusted EBITDA was $7.9 million and adjusted EPS was $0.02, compared to $11 million or $0.07 per share in the prior year quarter. Our balance sheet is in good shape, with net leverage of 2.3 times providing us with financial flexibility to support our strategic priorities.

As Travis mentioned, we have reset our full year guidance to reflect the timing shifts in our marine segment. Revised 2026 annual guidance is revenue in the range of $900 million to $950 million, unchanged; adjusted EBITDA in the range of $50 million to $54 million, representing 15% growth over 2025 actual results at the midpoint; adjusted EPS in the range of $0.23 to $0.30, representing 6% growth over 2025 actual results at the midpoint, and capital expenditures in the range of $25 million to $35 million, which remains unchanged.

With that, I'll turn it back to Travis to wrap it up.

Travis Boone
Thanks, Alison. Orion is embarking on a pivotal chapter. We've spent the last few years refining our capabilities, expanding our geographic footprint, recruiting and upscaling our people, and embedding a culture of teamwork, safety, delivery, and integrity throughout the organization.

We've made these investments intentionally to seize on the vast market opportunities taking shape in the market. While timing can affect individual quarters, our confidence in where this business is headed is stronger than ever. We are on track and pleased with our business and our strategic direction.

With that, I'll hand it back over to the operator to open it up for Q&A.

QUESTION AND ANSWER

Operator
Thank you. We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you are 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 your question, please press star and then two. In the interest of time, please limit yourself to one question and one follow-up. We will now pause momentarily to assemble the roster.

The first question will come from Aaron Spychalla with Craig Hallum. Please go ahead.

Aaron Spychalla
Yeah. Good morning, Travis and Alison. Thanks for taking the questions.

Travis Boone
Morning, Aaron.

Aaron Spychalla
First for us, can you just maybe talk about guidance. It implies a pickup in margins in the back half. And just can you speak to the confidence in achieving those and, just broadly, some of the opportunities you see for margin expansion moving forward?

Travis Boone
Sure. Some of those projects that caused the delays in the second quarter are mobilized and kicking off. We have 90% of our marine backlog for the back half of the year under contract, and 80% of our business overall is under contract for the back half of the year.

And we feel really good about our ability to deliver, recognizing that it's a big jump up from where we were in the first half. But when we get all the marine assets utilized and everybody operating, it's going to be -- it's going to make a big jump. So, we're confident in the back half being a big step up.

Aaron Spychalla
All right. Thanks for that. And then just good to see the orders starting to pick up. Has that carried over into July? And just, again, maybe talk about what you're seeing in the market as you go to bid on the margin side of things as well.

Travis Boone
Yeah. We've seen general continued wins in July. Nothing specifically to write home about or we would've talked about it, but it's been a good group of wins in the first month of the third quarter.

As far as pricing, it's generally stayed relatively steady. Nothing heading in the wrong direction, so that's a good thing. And we're confident about things. Our win rate -- just to reiterate, our win rate has stepped up a bit, so that's been good. And that was in the -- it stepped up in the second quarter from the first quarter just slightly in the marine business, so that's good. And hopefully, we expect that to continue.

Aaron Spychalla
Great. Thanks for taking the questions. I'll turn it over.

Operator
The next question will come from Brent Thielman with Oppenheimer. Please go ahead.

Brent Thielman
Hey, thanks. Good morning, Travis, Alison.

Travis Boone
Morning, Brent.

Brent Thielman
I guess just on the concrete business, it seems like the backlog there is a little misleading relative to what you're seeing within the end market. It's been under pressure here for a few quarters now. Could you just sort of level set us on your expectations for growth for the segment into the second half?

Travis Boone
And you said concrete, correct?

Brent Thielman
Yeah, on the concrete segment.

Travis Boone
Yeah. With concrete, it's tough to tell from pipeline or backlog with what's happening, because things happen so fast. In marine, we see it coming for a long time and then there tends to be quite a few delays, etc. There's a longer kind of lead up to actually getting to work. With concrete, often times we hear about an opportunity and we're working on it two weeks later, three weeks later. It's a really quick turnaround.

And so, not seeing it in the backlog is not an indication of our expectations of what it's going to be just because it comes in quick and burns fast. We've got over $1 billion in our concrete business' bids outstanding. So, quite a bit of work we're waiting to hear on, and feel really good about our concrete business. I mean, I was on a bid review this morning for a large project. There's a lot of things happening.

Brent Thielman

Okay, excellent. And then Travis, you did express confidence in the growth opportunities into 2027. Obviously, a lot going on in both business groups. Maybe if you'd just highlight some of the factors in particular that you're seeing. I know there's some larger naval related programs out there you're pursuing. Should we expect to see kind of a build in the book of the business through the second half as we go into 2027?

Travis Boone
That's what we expect, albeit there's been a lot of slides and delays and opportunities that we think they're going to happen and they slide. So, I do want to caveat it with our expectations versus reality sometimes is a little different just based on clients pushing procurements and awards and things like that.

But our pipeline is very strong for the rest of this year as well as the first half of next year. So, we're feeling really good about our ability to continue to grow the business and build what we've been talking about for a long time.

Alison Vasquez
Yes. I'll just add to that you mentioned the naval side, Brent, but the pipeline and the opportunities that we're pursuing are quite balanced across -- the Department of Defense or Department of War is a piece of it. But, just in this quarter alone, from a second quarter perspective, the largest project that we won was a large port modernization project in Alabama.

So, we're seeing a nice balance between defense, between port modernization, between commercial and energy, oil and gas, chemical clients really looking to make investments in a more regulatory-lite environment while they can press forward. And so, we're seeing good momentum really across a number of different fronts. So, I wouldn't pigeonhole it back into just naval opportunities, not that you would.

Brent Thielman
Okay. Thank you. I'll pass it on.

Operator
The next question will come from Min Cho with Texas Capital Securities. Please go ahead.

Min Cho
Great. Good morning. Thanks for taking my questions.

Travis Boone
Good morning, Min.

Min Cho
The first question has to do with the concrete margins. They were obviously below 1Q. And I know that was a high watermark for you, especially given the weather. But are the 2Q margins a good run rate for the rest of the year, or what could lead to some expansion there?

Alison Vasquez
So, the 2Q margins came in right in line with what we expected, right? I mean, they're just between 5.5% and 6%, and that's generally what we pencil out for them for the year. Do they have opportunities to bump that up to the extent that they can have additional capacity flow through that? They do.

I would say, from a second quarter perspective, we did see a downtick from the first quarter really associated with just some weather and starts and stops and things that happen with that. But from a momentum perspective, we're seeing good momentum in that business overall, good pipeline, as Travis mentioned earlier, of opportunities that we're waiting on, and really strong backlog as we enter into the third quarter.

So, the concrete team is busy and out and executing. And I don't see any issues with that team really hitting close to that 6% margin from a full year perspective, which is what we are really targeting for that business.

Min Cho
Great. Thank you. And then can you just tell us what percentage of concrete revenue and concrete backlog is currently from data centers?

Travis Boone
It's roughly 50% this quarter for data centers on concrete, the revenue this quarter.

Alison Vasquez
Yeah. And I would say the pipeline probably is in line with that, maybe a little bit -- slightly higher.

Travis Boone
Potentially, yeah. And just as a reminder, it was 40% in the first quarter.

Min Cho
Great. Thank you. And then if I can just slip one quick one in here, your pipeline of opportunities has increased to $27 billion now up from the last quarter. Can you talk about any notable trends +-that you're seeing? What was kind of added? Yeah, just any additional information about the growth of the pipeline.

Travis Boone
Alison's point about kind of a good balance of Department of War type, whether it's Corps of Engineers or Army pursuits, as well as private industry energy type work, as well as state and local agencies, whether it be ports or DOTs, it's pretty well balanced.

We are seeing continued shifts to larger, more complex projects, as well as shifts toward more alternative delivery, meaning not a kind of traditional design bid build, but more of the whole variety of different types of alternative delivery, be it design builds or progressive design build or CMGC or all the different other nomenclatures that are used for different delivery models.

So, we've seen an uptick in those as well. And that's -- typically, with the larger, more complex projects, they typically have some sort of alternative delivery component. And that's what -- we're seeing more and more of those.

Min Cho
Got it. Great. Thank you so much.

Alison Vasquez
Thank you.

Operator

Th next question will come from Tomo Sano with JP Morgan. Please go ahead.

Tomo Sano
Hi. Good morning, everyone.

Travis Boone
Morning, Tomo.

Alison Vasquez
Morning.

Tomo Sano
Thank you for taking my questions. You've said marine phasing and high visibility into the back half are understood. And where is equipment utilization today? What utilization levels are you targeting in the second half? And could you quantify margin sensitivity to utilization, please?

Alison Vasquez
We don't talk specifically about what the utilization percentages are, but I would say that they were below expectations in the second quarter. And as we think about what we see in the third quarter and into the fourth quarter, as some of those projects ramp and have ramped and are ramping and as we kick off new work, the equipment plans are quite high in terms of the equipment utilization as well as the labor utilization.

And so, I would say that we have good line of sight into not only just the expansion of the revenue and the growth into the back half, but a lot of that profitability and that revenue growth, we'll have opportunities to bring that all the way to the bottom line, because the equipment cost is the equipment cost, whether you're using it or you're not using it. And as we grow revenue and we're using our own fleet, you have more of those dollars fall to the bottom line, which gives us opportunities to expand margins in a more meaningful way in our marine business.

Tomo Sano
Thank you. And one more follow-up on McAmis. How should we expect McAmis integration to contribute in the back half to utilization wins and profitability? And are there any areas integration is behind the plan or costing more than expected?

Travis Boone
We feel really good about the integration that's happened so far. The team has continued to win projects. And their work window just kind of opened up this month, so they're off to the races, so to speak, with quite a few projects underway currently and will be busy for the rest of the year.

So, I would say they would contribute much more heavily to the back half of the year, which that's kind of going to be the norm, if you will, for that business, back half of the year weighted for them just because of the work windows in their area. But they'll be highly utilized and very busy for the back half of the year.

Alison Vasquez
Yeah. And I'll pick up on the integration question just with regard to how the integration is going. The integration's going very well. They are fully transitioned over to our project controls, financial, IT systems, so that is going well. And they contributed positively both from a top-line perspective and then also from an EBITDA perspective and were accretive to EBITDA margins during the quarter, so we feel good about that.

But as Travis said, their work window really is late June or early July through February. So, our expectation is that, through the back half of the year, that that will ramp up quite significantly.

Tomo Sano
Thank you, Travis, Alison. That's all.

Travis Boone
Thanks, Tomo.

Alison Vasquez
Thanks.

Operator
The next question will come from Gerry Sweeney with Roth Capital. Please go ahead.

Gerry Sweeney
Good morning, Alison and Travis. Thanks for taking my call. A lot of questions already answered, but just maybe another question on McAmis. Obviously, it brings a unique skill set to Orion. I'm just wondering of the opportunity to sort of expand that skill set around jetties, etc., maybe to other operating areas within your footprint and the opportunity there longer term.

Travis Boone
Yeah, definitely, Jerry. We've been tapping into their expertise to look at projects elsewhere across the business into other geographies, and bringing their expertise onto existing projects as well to provide kind of value and efficiencies to projects we already had underway. So, they've provided a lot of value already, and we expect that to continue as we expand their capability set across the geography.

Gerry Sweeney
Got it. And then one question on concrete. Obviously, you mentioned that you get brought into these projects very close to -- there's not a whole lot of lead time between you getting involved and sort of end work starting. But with these concrete or even data center projects,they're permitted, site selection, ground has already been cleared, so these projects are front and center. They're not going to be canceled or anything like that. So, you have clear sight as to the opportunity right in front of you.

Travis Boone
Yeah, that's right, Jerry. By the time they hit our desk, they're full go mode, which is why it's typically a pretty short time between when we find out until we're working. I mean, I mentioned a bid review I was on this morning. We heard about that job early last week, and final numbers go in today and we'll be working within a month. And it's a large project, right? So, it's a really quick turnaround on these things, and they are very much full go mode by the time we get them. So, there's -- highly unlikely that they'd get canceled at that point.

Alison Vasquez
Yeah. And the other thing that I would say that gives us confidence in the longer-term outlook for the data centers, two things. The first is, as we look across the ecosystem and the landscape, we see the long lead time items in the backlog of those companies that have those long lead time items, whether it be the servers or the racks or the electricians, and we see that the backlog for those types of companies is multi-year. So, our expectation, because we are not

long lead time, we are critical path but we have a much shorter window, it gives us a greater window of visibility into what our own path looks like.

So, a lot of times permitting is not front and center. We don't know, because a lot of those things are very secretive for the data centers, which is why we hear about them a week or a month before we really are starting to bid in seriousness. But as we look across the ecosystem, we see that others who do have those long lead time items have a multi-year visibility into that, which gives us confidence that also our concrete business, our site civil services, which are taking off, that those businesses also will continue to be vibrant for the foreseeable future.

The other thing I'd point out is, because of our credentials in this space, we are a known commodity. We are a known player. We are known for delivery. We are known for getting things done on time and on schedule and for working collaboratively across in this critical path item. And it gives us the opportunity to really focus on those more premier clients and not the speculative developers and things.

So, that also really prioritizes where we sit in the stack and the types of opportunities that we see over the longer term. Even if we don't see those with 6, 4, 12 or 18-month visibility in our pipeline, we do have those relationships and the capabilities and credentials to give us confidence that this is a work stream that will continue for us for the foreseeable future.

Gerry Sweeney
That's helpful. Essentially it's also fair to say you're working on projects or data center projects that were planned two years ago.

Alison Vasquez
That's right.

Travis Boone
Exactly.

Gerry Sweeney
So, you're working on projects that were just at the start and the beginning, front end of the AI investment cycle.

Travis Boone
That's right.

Gerry Sweeney
Okay. Yeah. All right. If I could slip one more in, I'm probably at the end of the line anyhow, just a little bit of detail on site civil services. It's something you brought up in expanding. And maybe just what's going on there and what's the opportunity for you?

Travis Boone
Yeah, that's something that we started, Gerry, late last year, as you recall. And we've seen that going really well. The general contractors we work with, and to some extent the owners that we work with, they appreciate that we're doing site civil and the concrete. And that's a good value proposition for them.

And it's been -- we're only two and a half quarters or so in, but what we've seen is a really good performance by the team and a really strong embrace of what we're doing by our teaming partners. So, it's going very well.

Gerry Sweeney
Got it.

Travis Boone
And lots of action and opportunity that we're actively pursuing currently.

Alison Vasquez
And it absolutely simplifies execution for us, and maybe more importantly, for our clients, because they have one place to go to and we can resolve our issues. Whatever issues we may encounter, we can resolve internally. So, it really de-risks execution, so it's something that's quite attractive.

Gerry Sweeney
Got it. I appreciate it. Thanks for your time this morning.

Travis Boone
Thanks, Gerry.

Alison Vasquez
Thank you.

Operator
The next question will come from Laura Maher with B. Riley Securities. Please go ahead.

Laura Maher
Hi. Good morning, Travis and Alison. Thanks for taking the question.

Travis Boone
Morning, Laura.

Alison Vasquez
Morning.

Laura Maher
My first question is on concrete. So, the book-to-bill was roughly .93 times this quarter. Given the 6 to 12 month project duration, how should we think about the bookings cadence?

Alison Vasquez
I think the bookings were -- this was the first quarter in quite a while where the bookings have been -- or the book-to-bill has been less than 1 time. But I see that more as an episodic item and a timing item. I don't see any issue with the bookings environment in concrete at all. I think it is purely a timing issue in terms of when awards -- I mean, we just got a big award in July that could have come in June, but just timing perspective fluctuated that. So, I don't see any issues in that area at all.

Laura Maher

Okay. Thanks. And my second question, are you seeing the same contract term improvements the broader heavy civil market is seeing, specifically upfront mobilization payments and owner-funded escalation provisions? And if so, is that showing up in marine or concrete or both?

Travis Boone
Good question. So, we always are working on trying to get upfront mobilization on our projects, be it concrete or marine, and it depends on the client and things like the contract terms. For example, for the federal government, there's little to no negotiation on contract terms with the federal government. Having said that, on the concrete business, we're not working for the federal government and so we're able to negotiate terms often.

As far as escalation goes, for certain items we're able to get escalation for things like -- which maybe this is where you're headed, but fuel obviously is a concern on all of our business for the cost of diesel, having a lot of variability in the last few months and kind of a continued concern over long-term prices for diesel. We do often either hedge that, lock it in, or we build a contingency pool into our bid to cover higher diesel prices.

Laura Maher
Thanks, Travis. Thanks, Alison.

Alison Vasquez
Thank you.

Travis Boone
Thank you.

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

CONCLUSION

Travis Boone
Thank you. Just a quick kind of recap of our key messages through the call, I would say we started with this just is a timing issue, not a demand issue. This is all about timing of getting started on contracts. Our end markets are very strong. We're winning at or above historical rates and definitely above industry average, and our confidence in the long-term strategy is very high.

And as I mentioned earlier, our marine business, we have 90% of the work for the back half of the year under contract and 80% overall for the company. So, we're feeling good about things, despite how the numbers came in in the second quarter. But we're feeling good about where we are and what we're doing.

We appreciate all of our employees who are working so hard every day to deliver the business, and thanks to our shareholders for believing in our story. Thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.