

**Willdan Group**  
**Fourth Quarter and Full Year 2024 Financial Results**  
**March 6, 2025**

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**Willdan Group**

**Al Kaschalk, Vice President**

**Mike Bieber, President and CEO**

**Kim Early, Executive VP and CFO**

**Q&A Participants**

**Craig Irwin – ROTH Capital Partners**

**Tim Moore – Clear Street**

**Richard Isenberg [sp]– Private Investor**

**Operator**

Greetings and welcome to the Willdan Group fourth quarter and full year 2024 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. It is now my pleasure to introduce Al Kaschalk. Thank you, you may begin.

**Al Kaschalk, Vice President**

Thank you, Matt. Good afternoon, everyone, and welcome to Willdan Group's fourth quarter and fiscal 2024 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 organic basis. 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 risks and uncertainties. With that, I'll hand the call over to Mike.

**Mike Bieber, President and CEO**

Thanks, Al. We had a strong finish to a record year in 2024, significantly exceeding the Street consensus estimates and our own expectations. For 2024, contract revenue was up 11%, and adjusted EBITDA was up 24% year-over-year. GAAP EPS nearly doubled year-over-year, and adjusted EPS was up 39%. Execution and performance across all lines of business were strong, leading to a record level of free cash flow. For 2024, we generated \$4.49 per share of free cash flow, an outstanding result for any public company. With our latest acquisition announced this morning, we've transformed our technical capabilities to serve the commercial data center market. Electric load growth, Willdan's unique capabilities in the market, and our consistently solid execution have all come together to fuel a positive long-term outlook coming into 2025.

On slide three. Willdan provides a wide range of energy and infrastructure solutions. We provide solutions for the electric power grid, solutions to electric utilities, and solutions to commercial and local government customers. With the acquisition announced today, we have about 1,800 employees comprised mostly of scientists, engineers, and technical professionals. We now have 54 offices across North America and help clients avoid emissions of 12.5 million metric tons of greenhouse gases. I have talked about wanting to expand our commercial services as well as add electrical engineering capabilities. The Enica acquisition in Q4, serving biopharma, and the APG acquisition we announced today both overwhelmingly serve the commercial technology sector. Calculated on a pro forma basis, our commercial customers now comprise 15% of our revenue, double the percentage of last year. State and local government customers are now 44%, and utilities are now 41% of our revenue. Demand for our services with all three customer groups is healthy. Our work for commercial customers is now largely related to electricity usage at data centers. AI-driven load growth is providing Willdan with many commercial opportunities to help technology clients navigate electricity constraints. We would like to continue adding acquisitions that strengthen our capabilities with commercial customers. Our work for state and local government clients is growing organically at a high single-digit pace, is strong, and the outlook is positive. Willdan has almost no work directly with the federal government or funded by the federal government. The recent federal spending cuts have had almost no impact to our backlog or our outlook because our state and local government work is funded primarily through user fees and bonds. Our work for utilities is primarily under multi-year contracts, is funded by user fees, and remains robust.

On to slide four. Our upfront policy and data analytics work informs Willdan's strategy. In our upfront work, we are seeing particular demand for integrated resource planning and asset valuation on projects often 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 geographic expansion in Florida and Texas and continued demand from Southwestern city customers. In Program Management, we performed above our plan on utility programs and building energy programs for cities. Since Q3, we've completed three acquisitions, totaling about \$50 million in 2024 annual revenue, and the diagram shows where they expand our engineering and program management capabilities. I'll talk more about these capabilities in later slides.

On slide five. We've had a great string of new wins since the last call. In fact, Willdan successfully won all of our major recompetes in 2024. Today, we announced 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 within LADWP territory. The new contract will become among our largest programs at Willdan on an annual basis. I'll note that, due to the recent timing of this award and ramp up, we don't expect significant revenue from the LADWP program until the back half of this year. Next, we were awarded three new California energy efficiency programs outside of our traditional investor-owned utility base. The first two are with regional energy networks, or RENs, which are groups of public entities that band together and form a collective entity providing energy services and savings. For the Los Angeles County Regional Energy Network, (So Cal REN), we won a \$15 million commercial energy program. And

for the Central California Rural Regional Energy Network, (CCREN), we were awarded a new \$6 million program for energy efficiency and regulatory support. We are tracking more opportunities this year from California REN customers. For the South Coast Air Quality Management District, we won a \$10 million new multifamily and small business energy program. We were also awarded new contracts with Snohomish County and South Lake Tahoe. Coming into 2025, our pipeline of new opportunities around the country is robust.

On slide six. From 1970 until 2005, the US saw decades of higher electric load growth, followed by 15 years of mostly flat load growth. The US has now returned to higher load growth again. This is creating exciting new opportunities for Willdan, and we believe will help drive our growth for years to come. I've mentioned that experts are uncertain about the future speed and scale of this load growth, but there is now widespread consensus that higher load growth will occur and has already begun. In the most current forecast data, the electricity consumed by data centers powering AI will be the largest load growth driver, (the coral-colored block on this slide). Willdan is now in the center of discussions about how to meet this load growth. Data centers will be followed by light and medium-duty electric vehicles, (the green blocks on the slide), reshoring of industrial manufacturing facilities in the US, and the electrification of buildings (the blue blocks on the slide).

On slide seven. In January, we completed the acquisition of a small engineering business in Central Florida, Alpha Inspections. This transaction expands our civil engineering presence in the Southeast, which has been an area of strong organic growth for Willdan.

Turning to slide eight. We added new technical expertise with the acquisition of Alternative Power Generation, Inc. or APG. APG helps fill a strategic gap that Willdan customers have been asking for, expertise in utility scale electrical engineering. I've known the APG management team for many years, and they are well respected in the industry as experts in substation design, interconnects, microgrids, and data center electricity. Most of their work today powers new large-scale data centers, although in years past, their work has powered other industries and utility customers. These are all highly specialized electrical engineering areas that complement Willdan's technical strengths in mechanical engineering, energy efficiency, and grid planning. APG's customers today are all commercial, which is consistent with our strategy to expand our commercial client base. APG generated approximately \$37 million of revenue in 2024. We're excited to be adding APG and believe the combined skill set is exactly what commercial data center owners want. Willdan now offers upfront data center planning and consulting, APG's detailed electrical engineering design, and then Willdan's legacy data center resiliency and energy efficiency work. This combined data center offering is estimated to be 10% to 15% of our revenue in 2025.

Slide nine on the left depicts our current actual versus our pro forma customer mix. Diversifying this mix towards commercial technology customers should add long-term stability, and commercial customers generally provide higher profit margins. On the right side of the slide, many years ago, we laid out a goal of 20% operating margin, measured as adjusted EBITDA divided by net revenue. While COVID impacted '21 and '22 results, I'm proud of our progress toward our goal. A 20% EBITDA margin in our industry represents best-in-class performance

and is associated with a highly differentiated customer solution. In 2025, Willdan estimates that it will be around that 20% margin goal.

We plan to add even more capabilities through future acquisitions in the quarters ahead. Kim, over to you.

**Kim Early, Executive VP and CFO**

Thanks, Mike, and good afternoon, everyone.

Our fourth quarter provided a very strong finish to an exciting and productive year, resulting in a record-setting performance for the company. I'll provide a brief review of the fourth quarter beginning on slide 10. Keep in mind that the fourth quarter of 2023 benefited from some exceptional opportunities we experienced last year to over-deliver target quantities on some of our utility programs. As we shared at that time, we estimated these exceptional opportunities contributed approximately \$20 million in contract revenue, \$15 million in net revenue, and \$3 million of Adjusted EBITDA, which of course significantly impacts the comparison of the two periods. Despite the appearance that the 2024 quarter was relatively flat with or slightly lower than 2023, when adjusting for those "exceptional opportunities", the comparison would reflect a 20% increase in net revenue, a 29% increase in adjusted EBITDA, and a 19% increase in adjusted earnings per share for the fourth quarter of 2024 compared to the prior year.

Turning to slide 11. In terms of the full year, 2024 was a record year across all our key metrics. Contract revenue increased 11% over 2023 to a record \$566 million, and net revenue increased 10% to \$296 million, with solid growth across our service lines and substantially all of it organic. Double-digit percent increases in building solutions activities, utility programs, and municipal civil engineering services were the primary factors behind the higher revenues. If adjusted for the Q4 exceptional opportunities in 2023, the revenue growth would reflect even stronger organic growth of approximately 14% year-over-year. Gross profit in 2024 increased 13% to \$203 million, and gross margin expanded slightly to 35.8% from 35.2% a year ago, driven by the improved performance in our program management activities and the increased activities and mix of business in our Engineering and Consulting segment. G&A expenses grew about 9%, closely tracking the 9% increase in headcount but less than the 10% net revenue growth. Higher stock-based compensation was partially offset by lower intangible amortization from previous acquisitions. Wage-related and other G&A expenses were consistent with the revenue growth. All this helped drive a 24% increase in adjusted EBITDA in 2024 over 2023 to \$56.8 million. Interest expense decreased by 17% to \$7.8 million for 2024, primarily due to the lower interest rate spread from lower leverage levels, and Income tax expense was \$4.1 million, or an effective tax rate of 15.4%, compared to 25.1% in 2023 resulting in net income of 22.6 million, or GAAP earnings per share of \$1.58, versus net income of \$10.9 million, or \$0.80 per share, in 2023. Adjusted earnings per share was \$2.43 per share, up 39% over the \$1.75 a year ago. The lower tax rate in 2024 reflects the expanded energy efficiency incentives as well as other discrete reductions related to stock options.

From a balance sheet and cash flow perspective on slide 12, we generated \$72 million in cash flow from operations and \$64 million, or \$4.49 per share, in free cash flow in 2024. This impressive cash flow strengthened our balance sheet, adding \$50 million to our cash balance

and, when combined with our untapped \$50 million line of credit, provided us \$124 million in total liquidity at the end of the year. We expect to invest this liquidity and future cash flows to enhance our growth and to expand our service capabilities in strategic markets through acquisitions. Our financial position is strong, and our outlook remains positive despite the uncertainty of the current economic environment and the impact of the delay in the restart of our new LADWP energy efficiency contract.

Thus, slide 13 provides our financial guidance for 2025. We're expecting net revenue in the range of \$320 million to \$330 million with Adjusted EBITDA in the range of \$63 million to \$67 million and adjusted earnings per share in the range of \$2.70 to \$2.85 per share. These targets assume a 16% tax rate and 15.1 million shares outstanding and does not include any potential future acquisitions. Note that these targets are well above the current consensus Street estimates.

For more detail on our financial results, you can access this presentation, our press release, and our 10-K on the investor page of our website. Operator, we're now prepared to take questions.

**Operator**

Great. Thank you. At this time, we'll 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 your handset before pressing the star keys. One moment, please, while we poll for questions. Our first question here is from Craig Irwin from ROTH Capital Partners. Please go ahead.

**Craig Irwin– ROTH Capital Partners**

Good evening. Congratulations on another really solid results here tonight.

**Mike Bieber, President and CEO**

Thanks, Craig.

**Craig Irwin– ROTH Capital Partners**

Thank you. So, Mike, I wanted to start off by asking about the LADWP contract, the renewal and expansion of the contract. Can you comment a little bit about the linearity of this contract? Are there any potential start-up issues as we look at '25? Is this something that becomes a bigger book of business over the five years, or does this have a potential chunky step-up in activity this year?

**Mike Bieber, President and CEO**

Sure. There's not big start-up concerns we have about this program because it is a recompetete. We've operated this contract for many years before. It's the third or fourth time we've won this recompetete. I'll note, though, that activity on the contract stopped in December. So, we're going to have to re-ramp it back up here in the spring of this year. We don't yet have notice to proceed as we've just been awarded the contract, and it's been finalized and ratified. So, we expect to get notice to proceed soon, and we will be ramping that up in the first half of this year, Craig. That's why I said we don't expect much revenue in the first half of this year from

the contract. Beyond that, though, it should be a more linear program. It's roughly \$65 million a year. Because we've got some ramp-up, we'll have a little bit more to spend maybe next year than this year. And it's a great program. The other thing about it is that it adds more complex measures, which we wanted, and the LADWP needed. So, it's a different contract from that perspective, complex measures such as hot water heat pumps, other measures that address a wider group of customers than we previously had access to. It's a great program, and it's going to become one of our largest.

**Craig Irwin– ROTH Capital Partners**

Excellent. That's great to hear. So, I wanted to ask a little bit about the RENs. So, we've talked about this on and off over the last couple of years, and it's nice to see the orders coming through. Can you maybe just remind us the funding for these RENs come from? Who drives the accountability of the project activity? Where are they administered from? And who are the ultimate constituents?

**Mike Bieber, President and CEO**

Yep. Sure. The funding comes from the same surcharge on your electricity bill that I've talked about in the past, which funds most of the energy efficiency in the state of California. It's also the source of funding for the IOUs. The RENs are made up, ironically, in some part by the IOUs themselves. They choose to band together. In the case of SoCal REN, that's exactly the case. So, the RENs band together and do different types of energy efficiency that is overseen directly by the PUC. It also does not have some of the constraints and bureaucracy and administrative requirements that the IOUs are asked to jump through. So, they're simpler contracts. Each of these two REN contracts is a time and materials contract. And we do a wider range of service, as well. We provide everything from regulatory support to technical consulting and the management of the different programs themselves.

**Craig Irwin– ROTH Capital Partners**

Excellent. And my third question, if I may. This past couple of months, there have been a lot of investor questions about the presidential transition, the change in administration, and the potential impact on business activity at Willdan. Can you comment about how you see the change in administration impacting your business activity, your broader sort of funnel at the front end and whether or not some of these big strategic initiatives that President Trump is pushing have the potential to accelerate activity in different areas of your business?

**Mike Bieber, President and CEO**

Craig, we haven't seen much change from what I said the last quarter when we were asked this question coming into the presidential election. What do you think a change in administration will do? The answer is not much. And what we've seen thus far is not much. That's because of the nature of the work that we do, which is primarily driven by state and local governments and local activities. I mentioned federal funding cuts that have decimated the engineering community have had almost no impact. In fact, less than a 1% backlog impact to us. Really no change in our outlook whatsoever. So, we just haven't seen impacts like that. The other thing I'll mention is tariffs. We worked hard during COVID to put in place language in our contracts that allowed us to pass on supply chain escalations to customers. And that's going to benefit us this time around the tariff -- or the potential of tariffs this time because now most of our long-

term contracts already have that kind of language in where we can, if they occur, pass that cost through. So, we don't see the change in administration having much impact to our business at all right now.

**Craig Irwin– ROTH Capital Partners**

That's good to hear. Well, congrats again on some really strong performance here. Thank you.

**Mike Bieber, President and CEO**

Thank you.

**Operator**

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

**Tim Moore– Clear Street**

Thanks. And Mike, your tone and enthusiasm was a refreshing change to more than half the earnings calls I've listened to over the last couple of weeks. Just maybe my first question. Clearly, low growth in electrification is an obvious enduring theme for the next several years. Just within government - within those customers' end market, I mean, are there any two to three programs jumping out gaining a lot more frequency or implementation over the last couple of quarters or at least incoming inquiries? I'm just wondering what maybe is more trending within government.

**Mike Bieber, President and CEO**

The California programs have expanded because, I mentioned probably 1.5 years ago, the consumption of electricity in California has gone up, and they're looking for additional sources of electricity or likewise, additional energy efficiency that has the same effect on the grid. So, that's a broad trend that has translated into a lot more demand for the programs that we operate within California. That's one I can point to. The same thing, though, is happening in part in New York where certain pockets, they call them load pockets, are also seeing the same demand for additional electricity. Those programs have grown. The other thing I'll say is our upfront study work, trying to help customers navigate new load growth, data centers, different print strengths they have on the grid has also picked up. There is a lot of planning work, a lot of consulting work that is going on right now, and that's why we really wanted to pick up APG. We're not able to follow through on that consulting work. We know where the projects are, and now with APG, we can follow those trends through and actually provide the detailed electrical engineering and construction management of substations that power these data centers. So, those are the areas I'd point to.

**Tim Moore– Clear Street**

That's terrific. And my other question is just any update on software cross-selling? And does APG have its own embedded software, or are you going to be introducing yours to their suite?

**Mike Bieber, President and CEO**

We're going to be introducing ours. They don't have any software right now, and that introduction was yesterday. So, it's brand new to them. We think that's a great opportunity to

cross-sell. And you asked about software cross-selling. That's been solid, as well. The work that E3 and IA are doing upfront to support these different grid planning efforts is a good market.

**Tim Moore– Clear Street**

Thanks. That's all my questions and I appreciate it.

**Operator**

Our next question is from Richard Isenberg [sp], a Private Investor. Please go ahead.

**Richard Isenberg**

Good afternoon, Mike, and congratulations on a great quarter and a great year.

**Mike Bieber, President and CEO**

Thanks, Richard.

**Richard Isenberg**

Welcome. Has artificial intelligence been integrated yet into your software? And what are the opportunities for Willdan to expand into Europe? Thanks again, Mike

**Mike Bieber, President and CEO**

We're working hard to roll out the integration of AI into a new version of LoadSEER, and we believe that will be ready in the first half of this year. The new version of LoadSEER is also simplified in that it requires smaller engineering staff to manage and run it. We're designing it more for more simplified operations like municipal utilities or smaller cities. And the new AI-powered version of this will have predesigned load forecasts and load curves, load shapes that utilities -- smaller utilities can use, and they don't need to staff 30 electrical engineers to power it. So, that is primed to come out this year in the first half. It's a good opportunity, and we're already looking to cross-sell that towards our municipal relationships throughout the country.

You mentioned Europe. We currently have no presence in Europe and very little presence outside of the United States. We have got five or six people in Calgary, a little bit of presence in Puerto Rico, hardly any international exposure whatsoever. In the short term, Richard, Europe and work outside of America is not our focus. Eventually, we may consider moving outside with an acquisition that places us there, but there is so much opportunity in the United States right now. We're focused on the US market, probably all of this year and the next several years.

**Richard Isenberg**

Okay. Thanks, Mike. Thank again and have a great 2025.

**Operator**

Once again, if you'd like to ask a question, it is star one. And if there are no further questions, I'd like to turn the floor back to management for closing comments.

**Mike Bieber, President and CEO**

Great. Thank you. We'll wrap this up in 30 minutes. Thank you for being shareholders and being interested in Willdan. I know that in years past, business has not been as robust, and we're

enjoying some of the best business opportunity the company has ever seen right now. We're on fire, and we're enjoying it over here. Expect more throughout the year. Thank you.

**Operator**

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