

# **MasTec, Inc. (MTZ) Q2 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

August 2, 2024 Friday

Copyright 2024 Seeking Alpha Provided by Syndigate Media Inc. All Rights Reserved

**Length:** 7845 words

**Byline:** SA Transcripts

**Body**

MasTec, Inc. (MTZ)

Q2 2024 Earnings Call

August 2, 2024 09:00 ET

Company Participants

Marc Lewis - Vice President, Investor Relations

Jose Mas - Chief Executive Officer

Paul Dimarco - Executive Vice President and Chief Financial Officer

Conference Call Participants

Jamie Cook - Truist Securities

Neil Mehta - Goldman Sachs

Sangita Jain - KeyBanc

Alex Rygiel - B. Riley

Andy Kaplowitz - Citigroup

Justin Hauke - Robert W. Baird

Steven Fisher - UBS

Adam Thalhimer - Thompson Davis

Brian Brophy - Stifel

Presentation

Operator

Welcome to MasTec's Second Quarter 2024 Earnings Conference Call, initially broadcast on Friday, August 2, 2024. Let me remind participants that today's call is being recorded. At this time, I'd like to turn the call over to our host, Marc Lewis, MasTec's Vice President of Investor Relations. Marc?

Marc Lewis

Thanks, Samara, and good morning, everyone. Welcome to MasTec's second quarter call. The following statement is made pursuant to the Safe Harbor for forward-looking statements described in the Private Securities Litigation Reform Act of 1995. In these communications, we make certain statements that are forward-looking, such as statements regarding MasTec's future results, plans and anticipated trends in the industries where we operate. These forward-looking statements are the company's expectations on the day of initial broadcast of this conference call, and the company does not undertake to update these expectations based on subsequent events or knowledge. Various risks, uncertainties and assumptions are detailed in our press releases and filings with the SEC. Should one or more of these risks or uncertainties materialize or should any of our underlying assumptions prove incorrect, actual results may differ significantly from results expressed or implied in today's call.

In today's remarks by management, we will be discussing adjusted financial metrics, reconciled in yesterday's press release and supporting schedules. In addition, we may use certain non-GAAP financial measures in the call today. The reconciliation of any non-GAAP financial measures not reconciled in these comments to the most comparable GAAP financial measure can be found in our earnings press release.

Please note that we have two additional documents associated with today's webcast, which, along with the earnings press release, can be found on the Investors Events and Presentations page of our website at mastec.com. There is a companion presentation with information and analytics on the quarter just ended and guidance summary for Q3 and the balance of the year. This should help you with your models. Both PDF files are available for download.

With us today, we have Jose Mas, our Chief Executive Officer; and Paul Dimarco, our EVP and Chief Financial Officer. The format of the call will be opening remarks and analysis by Jose, followed by a financial review from Paul. These discussions will be followed by a Q&A period and we expect the call to last about 60 minutes.

We had a nice quarter, a lot of important things to talk today. So I'll turn the call over to Jose Mas. Jose?

Jose Mas

Thanks Mark. Good morning and welcome to MasTec's 2024 second quarter call. Today, I'll be reviewing our second quarter results as well as providing my outlook for the markets we serve. First, some second quarter highlights. Revenue for the quarter was $3 billion. Adjusted EBITDA was $268 million. Adjusted earnings per share was $0.96. And backlog at quarter end was $13.3 billion, a $500 million sequential increase.

In summary, we had another good and clean quarter. While revenues were slightly below expectations, margins were about 65 basis points better than expected. Solid margin performance in our Communication and pipeline segments, coupled with solid improvements in our Clean Energy segment, were partially offset by some pressure in our Power Delivery segment. Our second quarter results, coupled with our full year guidance, which is essentially unchanged, demonstrate both the improvements in our business over the last year and our confidence in the future.

As a reminder, on our 2023 year-end call in February, we talked extensively about the signs of weakness we were seeing in electrical distribution spending. While some of the pressure continues, we're pleased that our diversification strategy and strength in other markets have allowed us to perform above expectations.

Despite the short-term pressure in our power delivery segment, the longer-term outlook continues to get significantly better. The projected energy load growth in the U.S. will have a substantial impact on our business as our customers take advantage of this growth opportunity, resulting in meaningful increases in investment in both generation and grid expansion. We are incredibly well positioned to take advantage of this opportunity. These opportunities, coupled with increased federal funding impacting our communications and infrastructure segments, along with an increased expectation that natural gas will play a larger role in energy generation going forward, provide us with unprecedented opportunities across our entire portfolio. I'd like to walk through a number of positive developments that I believe will have a significant impact on our ability to grow both revenues and earnings.

Subscribe to Seeking Alpha for more content like this

First, in our Power Delivery segment. During the second quarter, MasTec was awarded a 700-mile, high-voltage transmission and substation project. The project is expected to start in early 2025, and complete in 2028, with annual revenues projected to be in the $300 million to $500 million range. This project, one of the largest in the United States, represents a significant win for MasTec, as a pursuit of large transmission project has been an important part of our strategy. We've made significant investments over the last few years to better position us to compete and win large projects, and this award is a great start.

While there continues to be a number of large transmission opportunities in the near-term, the reality is that to meet load growth expectations, transmission spending is going to have to meaningfully increase. While a major challenge has been the time involved in the development cycle for transmission projects, we are encouraged by recent proposed legislation in Washington. On Wednesday of this week, the Senate Energy and Natural Resources Committee in a bipartisan 15 to 4 vote passed the Energy Permitting Reform Act of 2024. The purpose of this bill is to accelerate the expansion and upgrade of the U.S. electricity grid. While the build needs to make it through Congress and there will be challenges in an election year, it demonstrates the bipartisan awareness of the importance of this issue. We believe this is a great sign.

In our Communications segment, margins outperformed, and we expect that trend to continue. Our second half growth is largely intact, and we're encouraged by our progress in both the wireless and wireline markets. Our market share expansion with AT&T, coupled with the Nokia Ericsson swap out is on track for our second half expectations, and we continue to experience strong growth opportunities in our wireline business. We expect second half revenues in 2024 to grow organically by nearly 20% compared to last year.

Looking ahead, beads funding is becoming clear as to both size and timing, and we expect it to have an impact on our business in 2025. There has been a number of new customer entrants to the market. Many are backed by private equity and very interested in our end-to-end solutions approach, which we believe gives them a competitive edge, thus providing a great opportunity for us.

In our Oil and Gas Pipeline segment, revenues were slightly lower than expected as some projects shifted to the second half, but margins outperformed. While backlog is down, demand is strong. We expect this segment to return to a more book and burn cadence as it relies less on larger projects. We are confident in the visibility we have in this segment for the next few years and we now believe that gas-fired generation will play a much larger role in helping meet load growth needs. Having good visibility over a multiyear time frame is very different than where we've been in the last few years and that gives us a lot of confidence about our business.

Finally, in our Clean Energy & Infrastructure segment, revenue was up 25% sequentially, and margins were in line with expectations. We had about a 1.2x book-to-bill in backlog for the segment. And most importantly, we have excellent visibility going forward. We're in great shape on project activity, and while we had a big ramp projected for the second half of the year, we're confident in our ability to hit it. We also expect continued backlog growth through the balance of the year and beyond. We continue to see really strong demand in both renewables and infrastructure projects and based on expected wins in bookings, believe we're in great shape to show really strong growth in 2025.

In Infrastructure, the need for our nation and our states to invest in deferred infrastructure spending has never been greater. Infrastructure build investments in highways, bridges, seaports, airports and rail coupled with significant increases in private spending related to site development, manufacturing and data centers is providing MasTec's infrastructure business with exciting growth opportunities. Bid activity is very high and on many opportunities, competition is limited.

As it relates to renewables, we had a solid quarter of bookings, and we expect that trend to continue. On NextEra's recent earnings call, they stated that demand for renewables is expected to triple over the next 7 years versus the prior 7. Let me repeat that, triple over the next 7 years. While I believe we need to embrace all forms of electricity generation to meet the growing demands of both manufacturing and artificial intelligence, there is no faster alternative than deploying renewables with storage.

During the last quarter, we have seen virtually all of our renewable customers, utilities as well as independent developers, position themselves to meet the growing demand of load growth through the deployment of renewables. We strongly believe that irrespective of the election and political dynamics, renewables are going to play a leading role in meeting our country's future energy needs. We, at MasTec, are incredibly well positioned to benefit from that for many years to come.

In summary, we delivered another solid quarter and are off to a good start to the year. Our recent transmission project win is an important milestone for us and hopefully, the beginning of many more future awards. This win, coupled with the industry's need to meet the load growth demands, positions our Power Delivery segment to outperform for the foreseeable future. Our Clean Energy & Infrastructure segment will also be a big beneficiary of the increased investments in power generation. Couple that with both the demand in telecom and the stability within our Oil and Gas pipeline segment and I believe MasTec has never been so well positioned.

Subscribe to Seeking Alpha for more content like this

I'd like to take this opportunity to thank the men and women of MasTec. I'm honored and privileged to lead such a great group. The men and women of MasTec are committed to the values of safety, environmental stewardship, integrity, honesty and in providing our customers a great-quality project at the best value. These traits have been recognized by our customers, and it's because of our people's great work that we've been able to position ourselves for continued growth and success.

I'll now turn the call over to Paul for our financial review. Paul?

Paul Dimarco

Thank you, Jose and good morning everyone. To begin, a few second quarter highlights.

We generated adjusted EBITDA of $268 million, exceeding guidance by $8 million, with margins 65 basis points ahead of expectations. This, despite revenue coming in about 4% below guidance. Our pipeline segment had a very strong quarter, and we were in line with our margin expectations in the other segments. Adjusted earnings per share was $0.96, exceeding guidance by $0.08, driven primarily by the adjusted EBITDA beat. We generated approximately $265 million of cash flow from operations in the quarter despite 10% sequential revenue growth. Our improving margin profile and lower DSOs were the key drivers to the strong cash flow.

Accordingly, we reduced net debt by approximately $200 million with net leverage under 2.5x. 18-month backlog in Q2 totaled $13.3 billion, an increase of $500 million from the first quarter. This reflects an increase to record levels for each segment, except for pipeline, which continues to transition towards more book and burn activity with less reliance on larger projects. The main drivers of the overall increase in backlog was the large power delivery award Jose discussed earlier, and good bookings at CE&I. We also continue to see improving visibility towards higher volume next year in our Communications segment.

Now I'd like to cover our segment performance and expectations. Second quarter pipeline segment revenue was $572 million, with adjusted EBITDA of $135 million or 23.6%. Revenue was slightly below forecast due to timing of project burn, but we continue to have strong performance across the broad mix of service offerings. MVP is now online with only right-of-way restoration activities remaining.

We continue to see improving demand in this segment and now expect 2024 pipeline segment revenue to reach $2.1 billion, a $100 million increase from our prior guidance. Adjusted EBITDA margins for the full year are now expected to be in the high teens, improving 300 to 400 basis points versus 2023. For the third quarter, we expect revenue to be approximately $540 million with adjusted EBITDA margins also in the high teens.

Second quarter communications revenue was $825 million with adjusted EBITDA margin of 9.9%, ahead of our guidance. As we gain visibility towards the second half of 2024, we are reducing full year segment revenue guidance by $50 million to $3.45 billion, but keeping our adjusted EBITDA forecast unchanged with margins in the high single digits. For the third quarter, we anticipate revenue will be approximately $950 million, up 15% year-over-year, with adjusted EBITDA margins in the low double digits. We continue to see strong demand for both wireless and wireline services that are expected to continue to ramp in the second half of 2024 and be fully ramped in 2025. Communications segment backlog of $5.9 billion, once again represents a new record.

Second quarter Power Delivery segment revenue was $637 million, and adjusted EBITDA margin was 8.1%. Revenue was slightly lower than expectations as we saw continued softness for distribution services with certain customers. We are excited to announce the signing of the significant transmission and substation contract, which provides excellent visibility and resource utilization for the next few years. 18-month backlog for Power Delivery is about $3 billion, representing a record for this segment as well. Please note, our backlog only includes a portion of the new transmission award.

For the full year, we are revising our forecast to reflect a slower recovery in demand for distribution services as certain customers continue to defer spending in the near-term. We now expect segment revenue to be $2.5 billion with adjusted EBITDA margins in the high single digits or about 100 basis points lower than 2023. Our 2024 forecast does not include a significant contribution from emergency restoration services or the large transmission award noted earlier. While we are taking the temporary slowdown as an opportunity to evaluate our overall cost structure, we are highly confident these deferrals will alleviate, so we are being cautious to preserve capacity. Third quarter revenue is forecasted at $650 million with adjusted EBITDA margins in-line with the full year estimate.

Second quarter, Clean Energy and Infrastructure segment revenue was $942 million, about $80 million below guidance, driven by timing of project starts, primarily in our civil infrastructure group. We expect to make up this revenue in the back half of 2024. Adjusted EBITDA margin was 5% for the quarter, in-line with our forecast. Backlog increased $160 million to approximately $3.7 billion, reflecting strong bookings for clean energy projects in the quarter. In addition to these awards, we are still working under limited notices to proceed on contracts with total value greater than $2 billion, the vast majority of which will be performed in 2025.

Subscribe to Seeking Alpha for more content like this

Our full year Clean Energy segment guidance remains unchanged at $4.4 billion of revenue with mid-single-digit adjusted EBITDA margins. Third quarter segment revenue is forecasted to be $1.3 billion, up 20% year-over-year, with adjusted EBITDA margins in the mid-single digits, improving approximately 100 basis points from Q2. On a consolidated basis, full year revenue is now expected to be $12.4 billion with adjusted EBITDA unchanged from our prior guidance at $975 million. Our consolidated second half outlook remains largely unchanged with $6.75 billion of revenue and adjusted EBITDA margins of approximately 8%. We expect third quarter revenue to be $3.45 billion with adjusted EBITDA of $295 million or 8.6%. We are also raising our adjusted EPS estimates to $3.03 for the full year and $1.24 for the third quarter.

We had very strong cash flow performance in Q2, generating $265 million of cash flow from operations, despite 10% sequential revenue growth. Our improved earnings and strong working capital management with DSOs at 69 days were key drivers. Liquidity stands at $1.8 billion and net leverage is under 2.5x. The expected second half revenue growth will drive additional working capital investment, particularly in the third quarter, and our outlook assumes DSO in the mid-70s for the second half, an increase from the 69 days achieved during the second quarter. We now expect full year cash flow from operations to be in the low $600 million range, exceeding our prior forecast of $550 million.

In regards to our capital structure, in Q2, we completed a $550 million inaugural investment-grade notes offering to refinance our term loan maturing in 2025 and certain bonds we assumed with the acquisition of IEA. The financing was very well received by investors with a peak order book 7x oversubscribed. The new notes reduced interest rates by approximately 80 basis points versus the refinanced debt. Finally, as a reminder, you can find a guidance summary on our Investor Relations section of our website that summarizes our outlook and provides additional data points for modeling purposes.

I'll now turn the call over to the operator for Q&A.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] We will take our first question from Jamie Cook with Truist Securities. Please go ahead.

Jamie Cook

Hi, good morning and congrats on a nice quarter, considering the noise out there from some of your peers. But Jose, I guess my first question, congratulations on the large transmission win. If you could help us just understand the competitive environment with that project sort of the comfort level with risk. And do we assume that's a margin that would be above segment level because I'm assuming there's probably a little more risk in there. And then just sort of what else is out there in 2024 that you could potentially book which secures your visibility for 2025? And then my second question, cash flow guide is very strong this quarter. You're going to be under 2x levered. Lots of growth opportunities, Jose, first to sort of capitalize on OpEx historically. Just wondering your appetite for M&A and where that would be? Would it be data center? Are you interested in power gen as that market could be coming back? Just trying to understand your thoughts there because you usually – again, the first to go to market and get in front of people. Thank you.

Jose Mas

Yes. Good morning, Jamie, and thanks for the question. I think a couple of things. We've obviously been talking about our pursuit of large transmission projects for a long time. I think we feel great about this project. We're super excited. We're a little bit limited in what we're saying. We obviously haven't announced the name of the project, and we'll be making a joint announcement with the customer in the coming months as they finalize really the start date. So we're really excited. We think that – we've gone after a number of these. We're really comfortable with the risk profile that we've taken. We think we understand the project really well. It's been a long pursuit for us and one that we're excited to get behind us. And I think it bodes incredibly well for us in the market, right? I think that, obviously, this is the largest transmission project we've ever won and our ability to execute on it is going to really open a lot of doors for us. And again, we're super excited.

As it relates to our leverage, we're in great shape. We've been talking about paying down debt over the course of the last year. I think we've made great strides I think we're in a position, quite frankly, to do anything we want as it respects to M&A. With that said, I think we're really focused on organic growth. I think the organic opportunities in front of us are unbelievable. And I think that's our primary focus. I think we'll look at M&A maybe more for tuck-ins for really opportunities to open markets that maybe we're not in, but I don't think you should expect anything major from us on the M&A side.

Jamie Cook

But just to follow-up on the transmission project, is there anything else out there that you could book for 2024? Or do we need to sort of get through this project before, you know what I mean, before we see incremental bookings on large transmission?

Jose Mas

Well, no, there are a number of projects that are out there currently that we're chasing. Obviously, this is a project that's going to be built from '25 to '28. So this project by itself is going to give our group really nice growth opportunities. But we're not out of the market. There are a number of projects we're still competing. We hope to win more projects, and we hope this is just to start really the – what we've kind of been building up for. I mean we made a number of acquisitions in 2022 to really position us to be in the space in a more meaningful way. And I think this is really the culmination and the beginning of those – of starting that of getting a first big win and really positioning ourselves in the marketplace as somebody that can and will do these on an ongoing basis.

Jamie Cook

Thank you. Congrats.

Jose Mas

Thanks, Jamie.

Operator

We will take our next question from Neil Mehta with Goldman Sachs. Please go ahead.

Subscribe to Seeking Alpha for more content like this

Neil Mehta

Yes. Good morning, Jose and team. Congrats on a strong quarter here. But my first question was just around the outlook for the Communications segment. 2025 is going to be an important year in terms of that business. And so just curious about some of the moving pieces as we think about '25 versus '24? And then what do you think about the multiyear outlook for that segment?

Jose Mas

Yes. Good morning, Neil, I think we feel great about it. We've talked about really double-digit growth in that business in '25 where we're coming off in '24. Just based on what's happened in the business over the last year with the awards that we got at the end of '23. We're still comfortable with that. Obviously, we're super excited about what beads funding is going to bring to the market. There's no question that with federal funding, sometimes there's delays. So there's we never expected beads to really impact our business in '24. We think it impacts our business in '25, but that's not the peak year, right? We think we'd begin to see it in '25.

In our prepared remarks, we talked a little bit about the types of customers that are entering the market. We've got a lot of private equity-backed customers that are starting to overbuild and build their own fiber-to-the-home systems. We think we're incredibly well positioned to offer them services that others can't. So we're really bullish on the business. We think '25 is going to be a great year, much better than '24, both from a revenue and a margin perspective, and we think that only builds in '26 and beyond.

Neil Mehta

Okay. That's helpful. And then a follow-up, you mentioned on the distribution side, some deferral of spend, and we've seen that with some of your peers as well. And it's just difficult to reconcile with the fact that we need to spend so much to keep our grid in good shape here with the oncoming growth in power demand. So what's driving that? Is that a function of regulatory outcomes or timing and just your perspective on how this evolves here as we go into 2025?

Jose Mas

Look, I think there's so much is around rate cases, and there's a lot of rate cases that are either – that either started this year are going to start next year. Utilities have been impacted by both inflation and supply chain increases over the course of the last couple of years. They're looking for recovery. It's – we're seeing a concerted effort on transmission and generation. So I do think we're going to see massive increases in both on the utility side. And on the distribution side, I think it all catches up right at the end of the day as these rate cases get defined. I think they're going to get what they need and we're going to see it get back to the levels that we were expecting. In the meantime, we haven't seen a heavy storm season yet. We're expected to be a really strong storm season. And I think the challenges in restoring those systems are going to create a lot of pressure on the utilities, especially if they begin to underspend in distribution. So I think this is a momentary issue that we will get through. It doesn't make sense when you think about what's happening at the macro level with the load growth demands that are coming. And I think the utilities are going to feel that pressure and eventually be forced to not only invest in distribution, but more importantly, invest in both generation and transmission.

Neil Mehta

Common sense should prevail. Thanks, Jose.

Jose Mas

Thanks, Neil.

Operator

We will take our next question from Sangita Jain with KeyBanc. Please go ahead.

Sangita Jain

Hi, good morning, thank you for taking my questions. So Jose, if I can ask you one more on the transmission project. Do you feel like you have all the necessary state and schedule permits to start construction in early 2025? Or are they still being lined up?

Jose Mas

Well, I think all these projects, they kind of start when the permits are already. So there are still a handful of permits that are being secured. We expect them to be secured by the end of the year and the project to start at the beginning of the year. And I think as we make progress there, that's when you'll see us do a joint announcement with our customer.

Sangita Jain

Great. And on Clean Energy, I just kind of wanted to see how you are positioned for the rest of the year given all the policy headwinds. Do you feel like you have to book more work to meet your guidance? Or are you comfortable with what you have in backlog to meet your guidance for the rest of the year?

Jose Mas

It's a great question. We obviously have a big ramp in the second half versus the first half. We feel that at this point, all of the projects that we need to meet that ramp, we have. So we do not feel that we need to book any new work or unidentified work to meet our projections for 2024. Obviously, we're still super bullish. And I think Paul alluded to what we're seeing in the bidding market there. We expect backlog to continue to increase, which is going to position us incredibly well for 2025. So I know there's a lot of noise out there. I know there's a lot of concerns. But quite frankly, we don't see it. We think the demand is off the charts. We think there is tremendous opportunities out there. And we're really bullish, not just for the balance of '24, but quite frankly, going into '25, what we're seeing in that market.

Sangita Jain

Thank you so much.

Jose Mas

Thank you.

Operator

We will take our next question from Alex Rygiel with B. Riley. Please go ahead.

Alex Rygiel

Thank you. Good morning, Jose, nice quarter.

Jose Mas

Good morning, Alex.

Alex Rygiel

As you think about the communications segment, there's a bit of a mix shift here as we enter 2025 from kind of a traditional tower construction in mature telco and cable company kind of wireline work, to equipment change out speed projects with a lot of new entrants. So if that's the case, how might we think about the margin profile in communications over the next couple of years?

Subscribe to Seeking Alpha for more content like this

Jose Mas

We're really proud of the margins that we delivered in Q2 relative to the expectations. We were slightly better. We talked a lot in the past about when our comms margins were at 12% to 13%. We think that that's doable again. We're obviously in a growth cycle right now. It's going to take a little bit of time to get to a steady state. But I do think that margin profile is available, and I do think that across the industry, not just in MasTec, but across the industry, you're going to see continued margin appreciation in telecom.

Alex Rygiel

And congratulations on that Power Delivery project, super exciting to see it start 2025. Margins historically in power delivery have been in the high single digits. As we look out into 2025 and beyond, do you think the volume of work you could be capturing now might allow you to raise your sort of margin profile to that double-digit level longer term?

Jose Mas

I mean, I think the short answer is absolutely. When you look at the evolution of our Power Delivery segment, again, it kind of started through a number of acquisitions a few years ago. We were very public about the margin profile of those acquisitions. We think we've done a really good job at improving those margins. But at the end of the day, it's about scale, right? And I think we're getting to that point where we're building the scale that we need to deliver double-digit margins, which we think is quite custom throughout the peer group. We think we'll achieve that. We think we're getting close. We were hopeful that margins would do better than they have in '24. Obviously, the challenges in the distribution market have impacted our margins for '24. But we're really bullish about what our positioning is in the market and our ability to continue to improve those margins as the next couple of years roll off.

Alex Rygiel

Thank you.

Jose Mas

Thanks, Alex.

Operator

And we will take our next question from Andy Kaplowitz with Citigroup. Please go ahead.

Andy Kaplowitz

Good morning everyone.

Jose Mas

Good morning Andy.

Paul Dimarco

Good morning Andy.

Andy Kaplowitz

Jose you raised your oil and gas revenue and margin forecast for '24. And we know you have a number of Permian projects that can move forward over the next few quarters. Obviously, there is a focus on natural gas, as you talked about. The elections out there, maybe changed the landscape, but could you actually maintain your '24 revenue level moving forward even without an MVP type project? And can you sustain margins at these higher levels that you are now doing moving forward?

Jose Mas

Yes. So, look, we think it's a really active market. We – I think on our last call, we talked about our belief that we can maintain this $2 billion level for the foreseeable future without any really large projects. We continue to believe that. So, we think '25 is going to be a very stable year. We also think that there are some things that could potentially improve that, right. There are some larger-type projects being talked about. We have some of these alternative type projects, like some of the CO2 and hydrogen projects that we think could meaningfully move that industry as well. So, we are really bullish, a lot more bullish than we have been about the future of that business. I don't know that a lot of that hits in '25. I think '25 is a stable year. But I do think beyond '25, there are some really good opportunities to significantly expand on that market.

Andy Kaplowitz

Thanks for that Jose. And then we are about 10 questions in, and we still haven't had a question on data centers yet so, the state of the market, but maybe you can update us on what's going on for you guys there. I think last quarter, you told us – you completed $150 million of work. There is about $1 billion of RFPs out there. So, how has the market developed for you? Is this a '25 opportunity for you? How should we think about it for you guys?

Jose Mas

So, I think it's developing as we expected, right. We expect to do a couple of hundred million dollars in '24 still on data center work. We are hoping that that number significantly increases in '25. The opportunities are there. We are in the middle of what we think is a pretty hefty bid cycle right now. So, we will know more of this in the coming months. But look, I mean we – I know we didn't use the word data center, but the reality is the data center is driving so many pieces of our business, right. We think that what we have learned and I think it continues to evolve. But what we are learning is, it's all about power, right. It's all about the ability to power these data centers. That's going to be ultimately how fast this moves ahead. It's all going to be centered around power and that significantly impacts our business, right, from all the way from generation to power delivery. And on both sides of it, we think we are incredibly well positioned. We think it's going to add tremendous growth opportunities to our customer base, which then forces them to spend a lot more capital on the types of projects that we do. And I feel like so much of what we do every day is really around having those conversations, talking to people on both sides, both on the data center or hyperscaler side versus the utility side, understanding how everybody is attacking it and then trying to position ourselves in the best manner to win. So, I feel great. I think there is going to be a lot more opportunities than we have even talked about to-date, and we have really got to position ourselves to take advantage of that. But I think it's going to be a huge opportunities for companies in our space.

Andy Kaplowitz

Thank you, Jose.

Jose Mas

Thanks Andy.

Operator

We will take our next question from Justin Hauke with Robert W. Baird. Please go ahead.

Justin Hauke

Great. Yes. No, I just wanted to ask a couple more on the transmission project as well given that is new. I mean something you guys have talked about wanting to be in for a while. I was just curious, I mean is that fully sole sourced from you, or some of that being sub-contracted out and I guess if it is, I mean just the – I guess just the visibility you have on that and even just the labor capacity you have to do some of that work, given that it's a little bit different on the high-voltage side versus maybe some of the work that you guys have generally done in that segment?

Subscribe to Seeking Alpha for more content like this

Jose Mas

Well, I want to clarify a couple of things. One is we have done a lot of high-voltage transmission work. It's been an important part of our business for a long time. We have just come off of a handful of really successful projects in the last couple of years that I think gave our customers the confidence in our ability to perform and do these kind of projects. So, we feel we are extremely qualified to do this, and we have done a lot of it. So, I don't want anybody to believe that this is something new or something different than what we have done. Obviously, the size and scale is different. But we have been – we think we are really good at doing this type of business, and we have proven that time and time again. This project is a sole-source project. And again, it's one that we think we have got the labor and the equipment to perform. So, we are – again, we are super excited. We think we are super ready and can't wait to execute on the project and show what we can do.

Justin Hauke

Okay. Great. Yes, looking forward to seeing that. That started learning a little bit more about where it actually is. I guess the second one, I guess staying in this general topic. But on the regulatory challenges in distribution, is that still really just confined to Illinois for you, or are you seeing it in other geographies and customers kind of on what you talked about before? And then just one last one I will just, I guess didn't into that. But on the storm work, did you guys do anything storm restoration for Hurricane Beryl last month? Thanks.

Jose Mas

Yes. So, a couple of things, on – if you look at rate cases around the country, they are not just in Illinois, right. There are rate cases everywhere. I think that the challenges have been more widespread than Illinois. I think we have got a number of peers that have announced earnings in the last two weeks that have, I think talked about that at nauseam [ph]. So, there is weaknesses in other places outside of Illinois for different reasons. And in some places, we haven't seen as much weakness. So, it is geographical. But I do think it's – and I think it's three big issues, right. It's rate cases, it's inflation, it's been the cost creep of the supply chain over time, and ultimately, how our utility is going to be reimbursed by that within their states. So, everybody is working on that a little bit different. Again, I think it all gets resolved, and we are going to see a significant increase to spending again, but that's kind of the world that we are living in right now. And the second part of the question. On the hurricane, we didn't – in the Southern Texas area, which is where it really impacted on the CenterPoint side, we didn't really do much with CenterPoint. So, we were not very active on that storm now.

Justin Hauke

Okay, great. Thank you very much.

Jose Mas

Thanks Justin.

Operator

And we will take our next question from Steven Fisher with UBS. Please go ahead.

Steven Fisher

Thanks. Good morning. I just wanted to follow-up on the outlook for clean energy bookings and particularly renewables. Curious how far out your solar backlog extends at this point, because I think part of what you had visibility on, into 2025 before was maybe contributing to your expectation for double-digit growth there. And are you expecting to book anything notable in clean energy in the second half of this year?

Jose Mas

Sure. So, I would say a few things. Unlike a lot of the equipment suppliers, right, we – when we book something, it's a lot closer to the actual start time of construction. So, there is a big difference between what we include in backlog and the visibility that we have as a company. So, we have a number of customers where we have talked about multiyear outlooks, where we have really good visibility into what we think we will build for them not only in '25, but actually in '26 and beyond. The reality is that none of that shows up in backlog. So, a lot of the commentary and the confidence that we have in our business has nothing to do with the backlog numbers. It has to do with the conversations that we are having with key customers about multiyear outlooks. Unfortunately, that just doesn't show up in backlog. It only shows up in backlog when a project is about to start. So, our backlog today doesn't really include any work that goes beyond 2025, first, because it's only for 18 months. So, as a matter of fact, it won't include anything. But second, we wouldn't call backlog a lot of these projects. So, what we have in backlog is short-term. We do expect to win a considerable amount of work in the second half of this year. That will solidify our 2025 pipeline and give, I think really good color into what '25 will look like for us. So, we don't really – again, we don't need to win a lot or anything to complete our '24 year, so that we have kind of booked. We have got it in backlog. We are working off that. Now, it's all about building for '25. And I think we will be able to demonstrate that over the next couple of quarters. And again, just on the dialogue that we are having with our customers, it's why we are so confident for a much longer period than just the 18-month backlog.

Steven Fisher

That's great. And then just my follow-up, it is nice to see that you are getting to the point of really starting to deliver these clean energy projects for the second half of this year. So, as you move into that, kind of what steps are you taking to ensure that good delivery is going to be as expected and how should we think about the supply chain and kind of the preparation of your teams to be able to deliver as expected?

Jose Mas

Steve, it's a great question. And it's one that, obviously, we have been focused on since the day we bought IEA. This is what it's been all about. We have really been in a position, we think, to execute at this level for a long period of time. Unfortunately, last year, we didn't have the work to deliver on it. This year, we have got the backlog and the work to deliver. Our teams are ready. We are operationally focused. That's where all of our focus goes into today. We are very confident in our ability to execute. We can't wait to demonstrate it over the course of the next six months, but that's what our business is all about today. We think that on the front end, on the business development side and the bookings side, we are in a very different place than we were a year ago. We have held on to the right resources to be able to execute on the work, and that's the stage that we are in today. And again, we are super excited about getting there versus where we were at last year.

Steven Fisher

Great. Thanks Jose.

Jose Mas

Thanks Steve.

Operator

And we will take our next question from Adam Thalhimer with Thompson Davis. Please go ahead.

Adam Thalhimer

Good morning guys. Great quarter.

Jose Mas

Good morning Adam.

Adam Thalhimer

Jose, you mentioned looking at infrastructure jobs with limited competition. And I am curious what you are seeing there and what sized project you would be comfortable with?

Subscribe to Seeking Alpha for more content like this

Jose Mas

Yes. Adam, look, our infrastructure business is now approaching $2 billion. It's a combination of both our legacy MasTec infrastructure business with the infrastructure business that we picked up with IEA. I think we have been surprised at the performance of the business since we acquired it. It's actually outperformed segment margins since the acquisition. I think we have been really surprised by the opportunity set and the fact of how rapidly it's expanding. We are seeing very limited competition across a number of different geographies on large projects. And I think we have gained a lot of confidence in our ability to execute. So, it's outperforming what I expected. I think we are gaining a lot more confidence in our ability to invest in that business and grow that business. And I think it's going to be a much bigger part of MasTec's future than maybe what we originally anticipated. So, I still think it's early. I think that hopefully, over the coming quarters, we will be able to get deeper into the question that you just asked, which is the type and size of projects that we are willing to go after. There is actually a lot going on there, but we would rather talk about it when we think we have had some wins and feel good about being able to publicly talk about it.

Adam Thalhimer

Okay. And the $2 billion of limited notice to proceed in clean energy, is that – has that been stable? Are those projects delayed, or are they just moving through the normal course movement towards construction?

Jose Mas

Yes. It's – the $2 billion that we have today is very different than the $2 billion that we had six months ago, right. So, those projects are converting to backlog, so they start with a limited notice to proceed, eventually books into backlog and then new projects are coming into limited notice to proceeds. So, the $2 billion that we have today is actually completely different than the $2 billion that we had six months ago. I don't remember specifically all of those projects from a quarter ago, but it's an ever transitioning list. So, it's really the – the list that it hits before it hits backlog, and I think it's been very active, very healthy, and we continue to see that trend.

Adam Thalhimer

Yes. Thanks Jose.

Jose Mas

Thanks Adam.

Operator

And our last question comes from Brian Brophy with Stifel. Please go ahead.

Brian Brophy

Thanks. Good morning everybody. Appreciate taking the question. I guess could you remind us, just sticking on the large transmission project in here, historically, what kind of margins have you had on these large transmission projects? And is there any reason to assume this one is going to be materially different?

Jose Mas

Yes. So, we believe that all of the large transmission projects, the ones that we have completed to-date and the ones that either we are contracted to do or hopefully, will do, all have the ability to hit double-digit margins. At different points in times, a project may not meet its objectives. But for the most part, we think that they are very healthy projects. They have very healthy margin potential and it's all about our ability to execute it. So, our expectation on that project would be that when it's all said and done that we have delivered, hopefully at or above double-digit margins.

Brian Brophy

Okay. That's helpful. And then you also called out some civil project starts getting delayed a little bit here in the second quarter. Is there anything specific to call out there? And I assume those projects are starting here in the second half. How should we be thinking about those? Thanks.

Jose Mas

Yes. Some of it is government work. We picked up a significant civil business that has some highway and projects associated with it and stuff. And it's just normal delays. So, it's just projects that started a little bit behind schedule. We have said we are going to make it up in the second half, so those projects will just accelerate a little bit as it relates to construction. So, really just tweaking nothing meaningful.

Brian Brophy

Appreciate it. Thank you.

Jose Mas

Thanks Brian.

Operator

And at this time, I will turn the conference back to Jose Mas for any additional or closing remarks.

Jose Mas

Just want to thank everybody for their interest in MasTec. And we look forward to updating you on our performance on our next quarterly call. Thank you.

Operator

And this concludes today's call. Thank you for your participation. You may now disconnect.

Subscribe to Seeking Alpha for more content like this

**Load-Date:** August 2, 2024

**End of Document**