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Valmont Industries, Inc. (VMI)

Q3 2026 Earnings Call

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Brian Drab

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Christopher Moore

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Valmont Industries, Inc. Third Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note that this conference is being recorded.

I'll now turn the conference over to your host, Renee Campbell, Senior Vice President, Capital Markets & Risk. Ms. Campbell, you may begin.

Renee L. Campbell

Treasurer & Senior Vice President-Capital Markets & Risk, Valmont Industries, Inc.

Good morning, everyone, and thank you for joining us. With me today are Avner Applbaum, President and Chief Executive Officer; John Schwietz, Executive Vice President and Chief Financial Officer; Eric Johnson, Chief Accounting Officer; and Casey Meyer, Vice President, Treasury and Investor Relations.

Earlier this morning, we issued a press release announcing our third quarter 2026 results. Both the release and the presentation for today's webcast are available on the Investors page of our website at valmont.com. A replay of the webcast will be available later this morning. To stay updated with Valmont's latest news releases and information, please sign up for email alerts on our Investors site.

We'll begin today's call with prepared remarks and then open it up for questions. A reminder that today's presentation and Q&A includes forward-looking statements about Valmont's expectations, plans, and future performance. Actual results may differ materially from those expressed or implied. Important factors that could cause those differences are described under forward-looking statements, which is outlined on slide 2 of today's

presentation and in the risk disclosures in our most recent Form 10-K and subsequent Forms 10-Q available on our Investor Relations website and sec.gov.

With that, I now like to turn the call over to Avner.

Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

Thank you, Renee. Good morning, everyone, and thank you for joining us. Turning to slide 4. I would like to start by highlighting three important takeaways from the quarter. First, we delivered another quarter of sales and earnings growth. Net sales increased 5.5% and operating margin expanded 220 basis points. Earnings per share rose 25.3%. The progress we are making reinforces our confidence in achieving our long-term financial objectives.

Second, infrastructure growth continues to be anchored by markets where we have strong positions and see significant long-term opportunity. North America Utility sales increased 23%, as customers are modernizing the grid, adding capacity and improving resiliency as power demand growth. North America Coatings sales grew 14%, supported by utility construction projects, including data centers. These businesses are delivering on our Investor Day priority to capture above market growth in utility.

Finally, North America agriculture sales increased 16%, a notable result given the challenging broader market. When storms disrupted, growth operations during their peak season, our valley dealers and teams were ready to help get their systems back up and running as quickly as possible. Strong replacement activity contributed to the quarter's growth and demonstrated the value of the dealer network. These relationships also support our strategy to grow aftermarket parts and technology strengthening the business even before a broader market recovery.

Turning to slide 5. I'll review our infrastructure businesses starting with North America Utility. Demand is exceptionally strong. Our alliance relationships give us visibility into customers' multiyear plans before projects become firm orders and enter the backlog. That pipeline continues to strengthen. This quarter, more of those opportunities converted into orders, bringing the infrastructure backlog to \$1.8 billion. The projects ahead and orders in hand support our confidence in the utility growth behind our path to \$35 in earnings per share by the end of 2029.

My recent conversations with key utility customers reinforce our view that we are still early in a multiyear investment cycle. One customer told me it has tripled its project management and field teams over the past two years to support its expanding investment program. That same company asked us to evaluate structural alternatives and total installation costs for a higher voltage transmission project. Customers rely on our engineering expertise to make informed decisions early in their projects. They have also made clear that dependable delivery is essential to their construction schedules. That's why we are focused not just on adding capacity, but also on improving throughput and meeting delivery commitments.

Through the third quarter, we've installed and commissioned approximately 20% of the incremental utility steel production capacity required to support our 2029 plan. Lead times across the industry have extended as demand grows and new capacity ramps up. To support utility and coatings, we are increasing our expansion and expect to double our growth capital investment in 2027 compared with this year. These investments are aligned with visible customer demand in our capital framework presented at Investor Day.

North America Coatings is also benefiting from the infrastructure investment, supporting utility and other end markets. With one of the largest galvanizing networks in the industry, our coatings business plays an important

role in improving the durability and lifecycle performance of critical steel infrastructure. With galvanizing demand outpacing industry supply, we expect to shift more of our existing capacity towards growing internal volumes as we bring expansion projects online. This will help us maintain reliable delivery for our utility customers.

In Lighting and Transportation, transportation markets are healthy, while lighting continues to be affected by softer residential and commercial construction activity. We're pursuing targeted growth, including expanding our presence in Texas. Our work with utilities and municipalities is translating into new orders and product approvals supporting our growth in this important market. Our priorities remain improving on time delivery, manufacturing reliability, and overall operating performance.

In telecom, carrier capital deployment remains selective, following the peak of the 5G build out. Several carriers are delaying site modification work to align with future technology and spectrum deployment. This impacted demand this quarter and we expect market conditions to remain soft in the near term. This does not change our view of the longer-term need for network investment. We are well-positioned to support long-term growth in data consumption and network capacity needs.

Across our International Infrastructure markets, we're advancing initiatives to strengthen commercial execution and operational performance across these businesses. A good example this quarter is in Europe, where we secured a new contract to supply distribution poles to a major utility, expanding our participation in grid investment.

Turning to agriculture on slide 6. Global ag market conditions remain challenged. In North America, higher input costs and lower grain prices continue to pressure farm economics and constrain capital spending. Recent industry reports indicated a decline in grower sentiment and capital investment expectations, reinforcing our view that this quarter's sales growth does not suggest a broader market recovery.

The landscape is similar in Brazil. Interest rates and input costs remain elevated, while grain prices have not kept pace. We remain confident in the long-term fundamentals of the Brazilian market. In the Middle East, the ongoing conflict in the region continues to affect our operations and the timing of certain customer projects, with high shipping costs adding to the delays. We do not expect a near-term return to normal activity in the region and recovery will take time. At the same time, we are very pleased to have been awarded a \$100 million project in North Africa supporting food security in the region. The project includes our full suite of technology and water management solutions to improve farm productivity and water efficiency.

We expect shipments to begin in the first half of 2027. And our diverse global manufacturing footprint provides the flexibility to reliably serve this customer. While the underlying dynamics differ across regions, we expect the overall operating environment for ag to persist through year-end. We are investing in higher-value aftermarket and technology solutions to help growers improve productivity. These areas continue to gain traction and strengthen the quality and resilience of the business through the cycle. Across Valmont, our priorities as we look ahead are clear; efficiently ramp the capacity we're adding, align our operations with demand across the portfolio; and recover higher input costs through disciplined pricing.

I'll now turn the call over to John to review our third quarter financial results and updated 2026 outlook.

John L. Schwietz

Chief Financial Officer & Executive Vice President, Valmont Industries, Inc.

Thank you, Avner, and good morning, everyone. Turning to slide 8. I'll begin with our consolidated results. Net sales of \$1.1 billion, increased 5.5% year-over-year, driven by growth in infrastructure, notably North America

Utility and Coatings. Operating income increased to \$172.8 million and operating margin expanded 220 basis points to 15.7%. Our tax rate was approximately 26%. Diluted earnings per share was \$6.24, a 25.3% increase from prior year.

Moving to our segment results on slide 9. Beginning with infrastructure, sales of \$882.1 million, grew 9.1% year-over-year. North America Utility sales increased 23%, driven by higher pricing and volume growth, supported by a robust market environment. Sales in North America Lighting and Transportation declined 2.2% due to lower volumes. North America Coatings sales increased 13.8%, supported by healthy infrastructure and data center demand. North America Telecom sales decreased 33.8%, reflecting lower carrier spending as customers shifted capital allocation priorities. International sales increased 5.5%, driven by pricing actions and favorable foreign exchange impacts.

Operating income increased to \$154.8 million or 17.6% of net sales, compared to \$143.4 million or 17.8% of net sales. Higher pricing and volumes in utility and coatings helped offset higher material costs, the costs of ramping utility capacity and lower telecom contribution. We are addressing the margin pressure through contractual pass-throughs and broader pricing actions. As capacity ramps, we are focused on strategic sourcing, productivity enhancements and improving material flow.

Let me provide some context on the price cost timing we are experiencing. Average steel prices on the third-party index we use for contractual pass-throughs were approximately 50% above prior-year levels. This increase is visible in the chart we have in the Appendix. Because of the size and duration of our utility backlog, these costs affect results before the related pricing adjustments reach revenue. When input costs stabilize, we expect pricing will catch up and support infrastructure margin expansion. This usually takes two to three quarters to fully realize. These near-term pressures do not change our view of the long-term earnings potential of this business.

Turning to slide 10. Third quarter agriculture sales decreased 6.4% year-over-year to \$226 million. North America sales increased 15.8%, led by strong replacement orders and favorable pricing. International sales decreased 25.3%, driven primarily by lower Middle East and Brazil volumes. We also saw continued growth in our higher value offerings, with aftermarket parts sales increasing approximately 12% and technology services growing 7%, despite softer equipment demand.

Operating income increased to \$40.1 million or 17.9% of net sales, compared to \$23.2 million or 9.7% of net sales. Lower credit losses and certain recoveries in Brazil and higher North America volumes contributed to the year-over-year increase, which was partially offset by lower international volumes.

Moving to slide 11 for cash, liquidity and capital allocation. Operating cash flow was \$100.5 million, which includes a \$40 million of accelerated receivable collections. Working capital increased during the quarter, driven in part by increased sales volume and raw material inflation. We remain focused on improving cash conversion. We ended the quarter with \$122 million of cash and net debt leverage of approximately 0.9 times. The strength of our balance sheet continues to be reflected in our investment-grade credit ratings, with S&P reaffirming our BBB+ rating during the quarter and Moody's reaffirming our Baa2 rating subsequent to quarter-end.

Turning to capital deployment. During the quarter, we invested approximately \$46 million in capital expenditures, primarily to support utility capacity expansion. We returned \$97 million to shareholders through \$82 million of share repurchases and \$15 million of dividends. At quarter-end, approximately \$367 million remained available under our current share repurchase authorization. This balanced deployment of capital reflects our focus on investing in the highest return growth opportunities, while maintaining financial flexibility and returning capital to shareholders.

Turning to our full year outlook on slide 12. We are reaffirming our net sales outlook of \$4.3 billion to \$4.45 billion and raising our adjusted diluted earnings per share guidance. Our infrastructure sales outlook is unchanged at \$3.4 billion to \$3.5 billion. It reflects favorable pricing and volume growth in North America Utility and Coatings and continued softness in telecom. Our agriculture sales outlook is also unchanged at \$900 million to \$950 million, as current market conditions remain broadly consistent with our prior assumptions.

Looking to the fourth quarter, we expect earnings and margins to moderate from third quarter levels. Our outlook reflects increasing input cost pressures, business mix effects in the absence of certain third quarter benefits. Following the strong third quarter performance, we now expect full year adjusted diluted earnings per share of \$22.75 to \$23.75. Finally, our capital expenditure outlook remains unchanged at \$170 million to \$200 million.

With that, I will now turn the call over to Renee.

Renee L. Campbell

Treasurer & Senior Vice President-Capital Markets & Risk, Valmont Industries, Inc.

Thank you, John. At this time, the operator will open up the call for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Thank you. Our first question comes from the line of Nathan Jones with Stifel. Please proceed with your question.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Good morning, everyone.

Q

Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

Good morning.

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Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

I guess I'll start on price cost. I'm sure it's going to get a lot of attention. There's obviously been significant steel inflation, freight cost inflation, all of that kind of stuff. I wonder if you'd be able to just talk about what the impacts to margins or what the impact to earnings was for that? Does it get worse in 4Q before it gets better as you start to catch up on price cost? I know we've seen this movie before with Valmont. We know there's a lag between the cost and the price catch up. Just any more color you can give us around what the impact in the quarter was, what you'd expect it to be next quarter, and how much margin upside there is assuming costs stabilize at some point? Thanks.

Q

John L. Schwietz

Chief Financial Officer & Executive Vice President, Valmont Industries, Inc.

Thank you, Nathan, for the question. So, I won't go through the movie as we've seen it before, as we said. But the answer is, there was impact to the margins here in Q3. They were modest impacts. There was no, let's say,

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negative dollar impact to it, but there were impacts to the margins. As we look to Q4, we expect that to get a little more pressured. So, what we've seen since the last earnings call is that the pace of the inflation in our input costs have accelerated. So, we expect more pressure in Q4 on the margin side.

If we look further out, as you know, it usually takes two to three quarters to sort of fully pull through our price mechanisms to results in a stable environment. I'd say even if it moderates, we'll see some growth again in margins. We don't need a full stabilization, but some moderation of the pace of input costs.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Okay, that's helpful. I guess, the other one I'll ask is on the ag side. Obviously, the 16% North America growth is something influenced by the storm revenue and the margins there are also impacted by storm revenue. It's much higher margin, I know. Can you talk about the impact that that had to the quarter? Maybe what it contributed to earnings? If you can break it down that far, just so we kind of have a better idea of what the underlying run rate was?

Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

Yeah, perfect. So Nathan, I'll start off and then I'll hand it over to John for some more detail. So, I think it's important to understand that when these storms occur, our farmers have choices, and they chose to come to Valmont for several reasons. One, it is critical time for our farmers to be able to get back up and running. And our operations team are able to manufacture and support with manufacturing these pivots. Our dealers are ready to support our customers and able to get them back into Valmont's ecosystem with our technology and other offerings. So, we're very pleased with our ability to support our farmers and which contributed strongly to our results. And maybe, John, you could add a little bit more color there.

John L. Schwietz

Chief Financial Officer & Executive Vice President, Valmont Industries, Inc.

Yeah, sure. To your question about the impact to revenue growth and then also the margins, on the revenue side in North America, that was substantially responsible for the growth in North America that we saw in Q3. If we go to the margins, so 17.9% was exceptional and exceeded our expectations. So, sort of two areas to touch on. As we mentioned in the prepared remarks, we did have some onetime benefits in ag. It amounted to about \$7 million. Those are mainly related to recoveries that we made in South America. If we take the impact of those onetime items out, we're just north of 14% for the operating margin, and really that was above what we had discussed in terms of low-teen expectations for the second half of the year, and that delta really is the effect of the storm. It's the effect that it's a higher mix with regards to North America, better accretive and then also better pricing as well.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Thanks for taking my questions.

Operator: Thank you. Our next question comes from the line of Tomo Sano with JPMorgan. Please proceed with your question.

Tomohiko Sano

Analyst, JPMorgan Securities LLC

Good morning, everyone.

Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

Good morning.

Renee L. Campbell

Treasurer & Senior Vice President-Capital Markets & Risk, Valmont Industries, Inc.

Hey, Tomo.

Tomohiko Sano

Analyst, JPMorgan Securities LLC

Thank you for taking my questions. If you could talk about infrastructure backlog has increased to \$1.8 billion. Could you break down what is driving the increase across customers? And if you could talk about competitive landscape as well from the current environment. Thank you.

Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

Sure. So, first of all, the majority of the increase, majority of the backlog is related to our utility customers. Now, it's important to understand the entire context is backlog is part of the equation, right. We also monitor our pipeline and our pipeline with our alliance customers have actually strengthened as well. And the backlog represents those orders converting from the pipeline to our backlog. The environment continues to be extremely robust. Our customers are strengthening their order. They're increasing their spend. Our pipeline through 2029 has increased over the last several quarters.

So, the market continues to be extremely strong. As it relates to the competitive landscape, the industry is constrained. And being the leaders in this industry with the engineers and relationship that go over for many decades, as I mentioned, I visited some of our customers and it's clear that they come to us for our engineering expertise, for our on-time delivery, for the reliability overall. So, we continue to win in this space. We're booking well into 2028. Our customers are looking for us to secure our capacity. So we'll continue to see robustness in the industry.

Tomohiko Sano

Analyst, JPMorgan Securities LLC

Thank you, Avner. And then just one quick follow-up on North America Utility was up 23% in Q3. Could you quantify the contribution from volume versus price? And how should we think about Q4 in your guidance? Thank you.

John L. Schwietz

Chief Financial Officer & Executive Vice President, Valmont Industries, Inc.

Yeah. Thank you for the question. So 23% was a result we were pleased with. So, the majority of the driving factor there was volume, in this case for Q3, although it's noteworthy that price was right at double digits as well. So both contributed. If we look at the full year, we're expecting mid-20s in terms of growth rates for utility and we are expecting to hit our target of double-digit volume growth for the full year.

Tomohiko Sano

Analyst, JPMorgan Securities LLC

Thank you, John.

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John L. Schwietz

Chief Financial Officer & Executive Vice President, Valmont Industries, Inc.

Yeah.

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Operator: Thank you. Our next question comes from the line of Brian Drab with William Blair. Please proceed with your question.

Brian Drab

Analyst, William Blair & Co. LLC

Hi. Good morning and thanks for taking my questions. First on the project in North Africa, congratulations on that win. Can you talk a little bit more specifically on the timing of revenue recognition there and the cadence of that, and also the margins here relative to typical ag margins?

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Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

Yeah, sure. So overall, right now, we're expecting to start delivery on that project in the first half of 2027. It's going to be likely an 18 months up to 2 years project. But maybe just to take a step back, I mean, in this environment, we're very pleased on our ability to win a project in the region, as well as to support it with our global footprint and we're able to support it from our Dubai facility, as well as from other facilities around the world, which allows us to continue to support that region, which has strong demand for food security and water scarcity. So that is a good win for the team. And so overall, I'd just like to summarize, probably go over 24 months. And John, maybe share a little bit about the margin profile.

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John L. Schwietz

Chief Financial Officer & Executive Vice President, Valmont Industries, Inc.

Sure. So on the margin side, we are, of course, very disciplined in our intake process as it relates to these projects. This particular project, like most large projects, is slightly below baseline operating profit margin, but not significantly and not expected to really make an impact necessarily.

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Brian Drab

Analyst, William Blair & Co. LLC

Okay. Thank you. And then switching to utility. I mean, you guys sounded, of course, very positive on the utility outlook at the Investor Day. You sound to me maybe even more positive now. I was a little surprised just now to hear that volume accounted for more than half of the growth in the quarter, given what's going on with price. But has your outlook become more positive even just since the recent Investor Day? And do you have more visibility now? You talked about visibility to \$6.7 billion in revenue through 2029. How has that number maybe changed, and just the overall sentiment?

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Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

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The answer is, yes. We are more confident now in our goal, and that is based on several factors. One, we're actually seeing the spend. We saw our backlog increase. The pipeline we spoke about for the \$6.7 billion, that number, now of course we're shipping against that as well, has increased. So, we're getting better coverage through our 2029. And the confidence is driven based on our conversations with our customers. It's with our customers' spend. It's their customers committing to them for a load growth and committing to spend within.

We're seeing more in the industry around additional spend in areas like AI. We're seeing even in areas that we don't talk about that much, but we're seeing that the EV spend has also increased. We're seeing more energy out of that area, as well as all the other factors of onshoring manufacturing. Unfortunately, we've seen some storms over the last several weeks, which just emphasize the point that we need to keep on focusing on grid hardening and resiliency. So, we keep our eye on the market. We're booking well into 2028.

The utility have plans going through 2030, and some – our conversations with the customers, our plans are going through 2032. And we also see that in the industry that the lead times are expanding, and we're seeing now, they're going well beyond the year where they're going to 60 weeks and 70 weeks. So, it just shows the entire strength in the market and we're very pleased with how we're adding our capacity, supporting our customers and looking pretty positive for us.

Brian Drab

Analyst, William Blair & Co. LLC

Thanks very much.

Operator: Thank you. Our next question comes from the line of Brent Thielman with Oppenheimer & Company. Please proceed with your question.

Brent Thielman

Analyst, Oppenheimer & Co., Inc.

Hey, great. Thanks. Avner or John, just back on the North American Utility, would you expect pricing to sustain at a double-digit run rate as we go into 2027 just considering all this inflation? It seems to be a pretty significant factor to your growth rate for that business next year.

John L. Schwietz

Chief Financial Officer & Executive Vice President, Valmont Industries, Inc.

Brent, the answer is, yes.

Brent Thielman

Analyst, Oppenheimer & Co., Inc.

Okay. Okay. And then I guess just in terms of the telecom, obviously, utility is outgrowing, but any sense from customers when we might see a change? I know you mentioned not through this year, but I mean, any sort of inklings, what you are hearing next year and what could be some catalyst to turn the business around.

Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

In telecom, we don't have great visibility into the market. Of course, we do talk to our customers and we are seeing that they're being more selective around their spend. Following the peak of the 5G rollout and some of the site modification. Their capital allocation moved out into 2027. So, right now, we're looking to continue same

environment. Going into 2027, we do know that they're going to spend more on the spectrum. They're waiting for some technology advancement, but overall, they need to continue their build. So, we know it's coming. It's just a matter of timing. There's some indications that we see some coming back more towards the latter half of 2027. But again, we don't have great visibility.

So, right now, what we're doing is we're focusing on our cost. We're focusing on new product development with our customers. We're looking into other spaces like private networks overall. We're working on what we can control, but expect that these conditions to remain at least through the end of the year.

Brent Thielman

Analyst, Oppenheimer & Co., Inc.

Okay. Thank you.

Operator: Thank you. Our next question comes from line of Chris Moore with CJS Securities. Please proceed with your question.

Christopher Moore

Analyst, CJS Securities, Inc.

Hey, good morning. Thanks for taking a couple. So maybe just one more on the steel catch-up. So, obviously, Q3 was a little bit of pressure. Q4 is going to be a little bit more. Your double-digit pricing is going to continue into 2027. From where you sit today, assuming some normalization of steel pricing, would that imply that we start to see kind of a little bit incremental margin improvement in Q2? Or is that more back half?

John L. Schwietz

Chief Financial Officer & Executive Vice President, Valmont Industries, Inc.

Thanks for the question. So, the pace of margin expansion really will be defined in part by how quickly these costs continue to accelerate or stabilize. So, Q2 is a bit far for us to really tell where these costs are going – the trajectory of these costs. What we can say is that the actions that we're taking to expand margins are taking hold. And so, as you know, our focus on scaling profitably, on improving operating leverage, you can see – on improving leverage over SG&A, you can see that in the SG&A numbers that we posted here this year and in this quarter, those things will continue to be working on to try to offset any sort of price cost pressure that we have.

Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

No, I just want to add one point, which I think you know this. But as – we talked about the dislocation, which has an impact on our margins in the short term. But as we look forward, right, the pricing actions we take are mostly to offset the cost. Of course, there's some margin there. But as we get into next year and we see higher pricing that doesn't necessarily means that's all dropping to the bottom line. That's really offsetting some of the steel costs. So, the pressure right now is more of the dislocation. And as they stabilize, that's when our margins stabilize as well.

Christopher Moore

Analyst, CJS Securities, Inc.

Got it. No, that makes sense. And maybe just one more within the competitive landscape within infrastructure, obviously, demand is off the charts at this point of time. Just specifically, Nucor is a relatively new entrant here,

just near term, perhaps long term, do you see that has any impact on the infrastructure kind of landscape at all from where you guys are sitting at this stage?

Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

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Yeah, so we monitor capacity industry consistently. And to your point, Nucor, they just announced that they're going to add capacity. Even with all the capacity adds, there's still more demand than supply in the industry. So, we feel very comfortable with our ability to continue to support our customers without having the industry at full capacity. But it's also important to understand that our customers and the large utility customers, they come to Valmont not because we have four walls and press brakes, they come to us because of our engineering expertise, for our reliability, on-time delivery. And the fact that they don't want to take risk and they know when they come to Valmont, that's one area that they don't have to take risk. So, of course, we have our own competitors, but we feel very good that the industry continues to be well in balance, and we don't have any concerns on that element.

Christopher Moore

Analyst, CJS Securities, Inc.

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Sounds good. I will leave it there. I appreciate it, guys.

Operator: Thank you. Our next question is a follow up from the line of Brent Thielman with Oppenheimer & Company. Please proceed with your question.

Brent Thielman

Analyst, Oppenheimer & Co., Inc.

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Hey, thanks. Maybe just one follow-up on ag. The margins have been outstanding this year, and I know there's some mix factors to that, but why wouldn't we see a carryover benefit to margins in that segment in the fourth quarter from what you saw in 3Q?

John L. Schwietz

Chief Financial Officer & Executive Vice President, Valmont Industries, Inc.

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Yeah, great question. Thanks. Thanks, Brent. So, really the story here is the mix between North America and international. So, Q3 you're very familiar with is usually a very strong international quarter. And as you saw because of the storm demand that we had that was exceptional, it was much stronger on the North America side. And then also with that, the preferred pricing that we get in those circumstances. So, that really drove a much better business mix in Q3. If we look to Q4, to your point, we are expecting sort of a more normal return to the business mix between North America and international and that will put some pressures on the margins compared to Q3.

Brent Thielman

Analyst, Oppenheimer & Co., Inc.

Q

Okay. And maybe if I could just a follow-up. What's been the headwind from the issues in the Middle East, including the closure of the facility? What's been the overall headwind to the business this year just so we can kind of think about that going into 2027?

John L. Schwietz

Chief Financial Officer & Executive Vice President, Valmont Industries, Inc.

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Just from a numbers perspective compared to last year? You're right that it's been in the Middle East. I mean, the biggest delta from a top line perspective versus last year has been the lack of project revenue through ag this year. Other than that it's really just been the sort of the market conditions, the soft market conditions that we see and the fact that where we haven't quite seen line of sight yet to the recovery.

Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

Yeah. So right, if you just order right, I'd say definitely the Middle East and then we did see continued softness in Brazil. But North America is one area that where we're bumping along the bottoms, right, and that market keeps on kind of supporting those conditions and we've seen that in Q3 actually we had strength. But that's our expectation is that North America does not go further down with more upside opportunity in North American market.

Brent Thielman

Analyst, Oppenheimer & Co., Inc.

Understood. Thank you.

Avner M. Applbaum

President, Chief Executive Officer & Director, Valmont Industries, Inc.

Thank you.

Operator: Thank you. We have reached the end of the question-and-answer session, and I'll now turn the call over to Renee Campbell for closing remarks.

Renee L. Campbell

Treasurer & Senior Vice President-Capital Markets & Risk, Valmont Industries, Inc.

Thank you for joining us today. A replay of this call will be available for playback on our website and by phone for the next seven days. We look forward to speaking with you again next quarter.

Unverified Participant

These slides and the accompanying oral discussion contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on assumptions made by management considering its experience in the industries where Valmont operates, perceptions of historical trends, current conditions, expected future developments and other relevant factors. It is important to note that these statements are not guarantees of future performance or results. They involve risks, uncertainties, some of which are beyond Valmont's control and assumptions. While management believes these forward-looking statements are based on reasonable assumptions, numerous factors could cause actual results to differ materially from those anticipated.

These factors include, among other things, risks described in Valmont's reports to the Securities and Exchange Commission, SEC, the company's actual cash flows and net income, future economic and market circumstances, industry conditions, company performance and financial results, operational efficiencies, availability and price of raw materials, availability and market acceptance of new products, product pricing, domestic and international competitive environments, geopolitical risks and actions and policy changes by domestic and foreign

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The company's guidance includes certain non-GAAP financial measures, adjusted diluted earnings per share and adjusted effective tax rate presented on a forward-looking basis. These measures are typically calculated by excluding the impact of items such as foreign exchange, acquisitions, divestitures, realignment or restructuring expenses, goodwill or intangible asset impairment, changes in tax law or rates, change in redemption value of redeemable non-controlling interests, and other non-recurring items.

Reconciliations to the most directly comparable GAAP financial measures are not provided as the company cannot do so without unreasonable effort due to the inherent uncertainty and difficulty in predicting the timing and financial impact of such items. For the same reasons, the company cannot assess the likely significance of unavailable information, which could be material to future results.

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