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# Valmont Industries, Inc. (VMI)

Q2 2025 Earnings Call

## CORPORATE PARTICIPANTS

### Renee L. Campbell

Senior Vice President-Investor Relations & Treasurer, Valmont Industries, Inc.

### Thomas Liguori

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

### Avner M. Applbaum

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

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## OTHER PARTICIPANTS

### Adam M. Farley

Analyst, Stifel, Nicolaus & Co., Inc.

### Jon Braatz

Analyst, Kansas City Capital Associates

### Christopher Moore

Analyst, CJS Securities, Inc.

### Brian Drab

Analyst, William Blair & Co. LLC

### Jean Veliz

Analyst, D. A. Davidson & Co.

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Greetings. Welcome to Valmont Industries, Incorporated Second Quarter 2025 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 this conference is being recorded.

I will now turn this conference over to your host, Renee Campbell, Senior Vice President, Investor Relations and Treasurer. Ms. Campbell, you may begin.

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### Renee L. Campbell

Senior Vice President-Investor Relations & Treasurer, Valmont Industries, Inc.

Good morning, everyone, and thank you for joining us. With me today are Avner Applbaum, President and Chief Executive Officer; Tom Liguori, Executive Vice President and Chief Financial Officer; and Tim Francis, Chief Accounting Officer. Earlier this morning we issued a press release announcing our second quarter 2025 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 e-mail alerts on our Investor website. We'll begin today's call with prepared remarks and then open it up for questions. Please note that this call is subject to our disclosure on forward-looking statements, which is outlined on slide 2 of the presentation and will be read in full after Q&A.

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

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### Avner M. Applbaum

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

Thank you, Renee. Good morning, everyone, and thank you for joining us. I'd like to start with second quarter highlights and key messages summarized on slide 4. We delivered solid results operationally this quarter, reflecting the dedication and resilience of our global Valmont team. I want to thank our employees for living our core values and delivering for our customers every day. Sales grew modestly, driven by strength in Utility, Telecom, and International Agriculture. Our teams executed well, driving volume growth in key markets, while advancing our long-term strategy. We remain deeply confident in the end markets we serve, which are supported by powerful long-term growth drivers. Secular mega trends, including the energy transition, infrastructure investment, and global demand for food security, offer significant potential for our business. We have intentionally aligned our unique strengths with these trends.

When I became CEO two years ago, we laid out a clear strategy; simplify the business, focus where we lead, flatten the organization, and direct our resources to the areas with the best long-term returns. That framework has not changed, and we've executed consistently against this. This quarter represents the final step in the realignment work we began in July 2023. We exited unprofitable parts of Solar, took a hard look at Access Systems, and completed targeted changes across the company, removing layers, reassigning talent, and sharpening accountability. These actions resulted in \$112 million of nonrecurring charges, but they were decisions that are fully aligned with the strategy we set from the start. Having now finished the realignment work, we have the right structure in place and our teams are focused. We're in a stronger position to scale and execute more effectively and drive long-term value creation.

With that foundation set, we're focused on what's next; accelerating growth, driving greater efficiency, and advancing innovation to deliver greater values to our customers. That mindset is already part of how we operate, from adapting to changing market needs to evolving our products. With a strong balance sheet and track record of consistent cash flow generation, we're investing in organic, high-return initiative that enhance customer impact and improve returns.

Turning to slide 5, I'd like to provide an update on the progress we've made on our 2025 critical objectives. In Utility, we're capturing the infrastructure wave. We're scaling capacity, staying close to the long-term customer plans and improving execution. This is a business that's growing, and we're investing to stay ahead. With an infrastructure backlog approaching \$1.5 billion, demand for our products continues to outpace current capacity. We're operating in an unprecedented utility investment cycle. According to a Jefferies Utilities report issued in June, US CapEx is expected to exceed \$212 billion this year, a 22% increase driven by electrification, data center expansion, and grid modernization. The next five-year cycle is also accelerating to record levels. Capital is shifting toward transmission and generation, while distribution and substation spending remains strong. We're well positioned to meet this demand with our engineered structures and coating services.

Our \$100 million growth CapEx target for this year is on track, focused on scaling Utility operations and improving workflow across the footprint. At the same time, we're addressing areas that require operational improvement. In Lighting and Transportation, we've made leadership and organizational changes to improve performance. This is a broad business with diverse end markets, some of which are experiencing softer demand. However, we remain confident in the long-term fundamentals. Our focus is on improving execution so that we're ready to capture growth as demand returns. Second, in Agriculture, we've reshaped the business to be more resilient and globally balanced. We've streamlined the team, added dedicated aftermarket resources, and we're executing well across key international markets. Brazil is very important market for us and is showing signs of stabilization.

Our international project pipeline is stronger than ever. The EMEA region continues to show momentum, and we recently were awarded \$20 million of project work in Africa. While North America remains challenged, we're building for long term with better agility, stronger margins, and technology advancements for our growers. And

across the company, we're focused on doing more with what we have, from smarter scheduling to piloting AI at eight of our infrastructure facilities. We're scaling throughput without scaling cost. We're looking across systems, teams, and assets to make sure we're running as efficiently as we can and setting ourselves up to support growth without adding complexity. This also helps us execute with focus and invest in high-value innovation to best serve our customers.

Finally, Valmont's strength lies in our people, their resilience, values, and commitment to a strong safety culture. Last month, we published our 10th Annual Sustainability Report, highlighting many of our team's accomplishments. Sustainability remains central to our purpose of conserving resources and improving life in a strategic competitive advantage that continues to shape our business. In summary, we've taken the hard steps, refined the portfolio, realigned the structure, and tightened our focus. I'm proud of how this team has advanced and sharpened our strategy over the past year. We're executing with more precision, more discipline, and clear returns. Now, we move forward from a stronger foundation. Our priorities are the same, but our ability to deliver on them is better than ever.

I'll now turn the call over to Tom to discuss our second quarter financial results and updated outlook.

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## Thomas Liguori

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

Thank you, Avner. Good morning, everyone. Turning to slide 7. I'd like to expand on the actions and associated one-time non-GAAP items recorded this quarter. Deliberate steps were taken to better align the organization and drive growth and profitability in the coming years. We reduced our head count, primarily in Solar and North America Agriculture to reflect near-term market conditions. We've transitioned many of these team members to support growth in Infrastructure and International Agriculture. We've reduced management layers across both segments and corporate to enable quicker decisions and greater agility. Manufacturing operations were integrated into the segments to drive accountability and improve collaboration between commercial and operations teams.

In addition to the realignment, we further refined our portfolio. As you know, Solar has been a growth headwind for some time, compounded by recent changes in government policy and regulation. Therefore, the leadership team decided to exit North America and significantly downsize our Solar operations in Brazil for both our Infrastructure and Agriculture segments. The second portfolio action was within Lighting and Transportation. We reviewed the performance and outlook for the APAC Access Systems business, leading to a goodwill impairment tied to revised financial outlook.

All in, these actions resulted in the following nonrecurring financial impacts; non-cash long-lived asset impairment charges of \$91.3 million, including \$71.1 million for goodwill and intangibles related to the Solar and Access Systems businesses, and \$20.2 million for other assets that will no longer be utilized; cash realignment charges of \$9.8 million, primarily severance; other non-recurring charges of \$10.9 million, primarily cost to fulfill contractually required payments for system licenses no longer needed; and an estimated liability to exit a joint venture ag-solar business described in the footnote on pages 2 and 5 of the press release, as a change in redemption value of redeemable non-controlling interest.

Altogether, these items totaled \$138.3 million, of which \$105.5 million relates to our Solar businesses, \$23.8 million to Access Systems, and \$9 million is within corporate and other businesses. As a result of these actions, we expect annualized savings of \$22 million in 2026, with \$8 million realized in the second half of 2025. Turning to slide 8 and our second quarter results on a GAAP basis. Net sales of \$1.05 billion increased 1% year-over-year. We achieved sales growth in both segments, led by Utility, Telecommunications, and International Agriculture. Gross profit margin of 30.6% was slightly below prior year due to lower international infrastructure

profitability from lower sales. SG&A expenses were \$191.7 million or 18.2% of revenues. GAAP operating income was \$29.3 million or 2.8% of net sales. Below the line, interest expense decreased due to lower debt. GAAP diluted loss per share was \$1.53.

Turning to slide 9. My comments going forward will focus on the adjusted results as outlined in the press release and in the Reg G disclosure in the presentation appendix. Net sales were \$1.05 billion. Adjusted gross profit margin was 30.7%. Total SG&A expense was \$181.4 million, an increase of \$8.4 million due to higher variable selling cost and investments in IT and AI-related technologies. We expect SG&A to be in the mid-\$170 million per quarter in the second half of 2025. Adjusted operating income was \$141.4 million or 13.5% of net sales, a 70-basis point decrease from prior year; and adjusted EPS declined slightly to \$4.88. Both declined due to lower international infrastructure profitability.

Moving to our segment results on slide 10. Infrastructure sales of \$765.5 million were similar to last year. Growth in Utility and Telecom was largely offset by lower sales in Solar, along with softer demand in Lighting and Transportation. Utility sales increased 5.4%, driven by higher volumes and pricing actions that more than offset lower steel cost pass-throughs. Lower sales in Lighting and Transportation and Coatings were primarily due to softness in international markets. Our Telecommunication business saw strong sales growth of more than 40%, driven by a successful product alignment with key carrier programs. Solar sales declined nearly 50%, reflecting lower volumes. Adjusted operating income was \$124.6 million. Operating margin decreased 130 basis points to 16.3% of net sales. The decline was due to lower international profitability, primarily due to lower sales.

Turning to slide 11. Second quarter Agriculture sales of \$289.4 million increased 2.7%, reflecting strong execution in key international markets. In North America, irrigation equipment volumes declined due to fewer storm-related replacement sales compared to last year, along with continued market softness. International sales increased 22%, led by strength in the EMEA region and higher volumes across all regions, including Brazil. Adjusted operating income increased to \$44.8 million or 15.6% of net sales, mostly driven by improved profitability in EMEA and lower SG&A in North America.

Moving to slide 12 for cash, liquidity, and capital allocation. Operating cash flows reached a very healthy \$167.6 million, a tribute to the Valmont team's focus on cash and working capital management. Net working capital days have steadily decreased from 118 days in Q1 of 2024 to below 90 this quarter. We ended the quarter with \$208.5 million of cash and no borrowings under our revolving credit facility. As of July 10, we extended the facility for another five years, maintaining \$800 million in available liquidity to support our growth and capital allocation strategies. Thank you, Valmont treasury team, for successfully leading the extension. Our net debt leverage remains below 1 time. We remain committed to a balanced approach to capital allocation, to deploy approximately half toward reinvesting in our businesses and half to shareholder returns. In the second quarter, we invested \$32 million in CapEx, primarily for growth. We also returned \$13.6 million through dividends and repurchased \$100 million of shares at an average price of \$279.35.

Turning to our updated 2025 outlook on slide 13. Net sales are projected to be in the range of \$4 billion to \$4.2 billion. We're raising our full-year adjusted diluted earnings per share expectations to a range of \$17.50 to \$19.50, increasing the midpoint to \$18.50 from \$18. Regarding tariffs, all known tariffs are included in our outlook. Moving to slide 14. We have a clear road map to grow our business, driving revenue and EPS growth. While we've discussed elements of this strategy at recent investor conferences, in light of our second quarter actions, Avner and I want to reinforce the key value drivers, supporting our long-term strategy and five critical objectives.

First is catching the infrastructure wave. Utility represents about 35% of total company revenue. With growth expected to accelerate, we're scaling our capacity to meet sustained customer demand for high quality, on-time

delivery of engineered structures. As we speak, our teams are installing break presses and welding equipment in multiple facilities, and our operations and AI teams are improving scheduling for greater throughput. These initiatives are unlocking \$350 million to \$400 million in incremental capacity and revenue. We expect early benefits to be reflected in our fourth quarter financials. Second, in Agriculture, we're helping farmers work smarter and operate more efficiently. Our new digital e-commerce platform makes it easier for farmers to order parts directly from the field, improving repair speed and helping us grow our aftermarket revenues.

We also recently launched AgSense 365, a unified remote management app that includes features like tire pressure monitoring, with more capabilities on the way. Third, we've taken a disciplined approach to resource allocation. Internally, our corporate cost team is driving a focused effort to improve efficiency. Over time, we believe we can reduce corporate cost from about 3% of sales to under 2%, while, at the same time, deploying AI tools and data analytics to speed execution and improve productivity. Externally, we're deploying capital to drive shareholder value. We're pursuing tuck-in acquisitions tied to our core business, executing on a \$700 million share buyback program and plan for consistent annual dividend increases.

Bringing it altogether, we see a clear path to deliver \$500 million to \$700 million in revenue growth and \$7 to \$12 in additional EPS over the next three to four years. These drivers build on the strength of our existing business and position Valmont to deliver sustainable long-term shareholder value. Before we close, we want to recognize and thank the entire Valmont team. This is a quarter of significant actions and accounting decisions, yet the team remained focused on our value drivers, satisfying customers, delivering revenue growth, disciplined execution, and generating exceptional cash flows.

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

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## Renee L. Campbell

*Senior Vice President-Investor Relations & Treasurer, Valmont Industries, Inc.*

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

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Our first question is from Nathan Jones with Stifel. Please proceed.

**Adam M. Farley**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Yeah. Thank you. Good morning. This is Adam Farley on for Nathan.

**Renee L. Campbell**

*Senior Vice President-Investor Relations & Treasurer, Valmont Industries, Inc.*

A

Good morning.

**Avner M. Applbaum**

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

A

Good morning.

**Adam M. Farley**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

I wanted to start on the Solar business. Maybe you can talk about the decision to exit these pieces, what's left in the portfolio, and why being in Solar at all is the right idea going forward.

**Avner M. Applbaum**

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

A

Adam, well, thank you for your question. As I mentioned, we are done with all the portfolio actions that we've taken. We decided to exit the North American solar market due to the environment. It really no longer supported the scale of the returns that we expect. Add to that the regulatory uncertainty, what's already a very competitive, fragmented, volatile market, so we decided that we were not able to provide strong returns. So we exited the market. Now, we have stayed in Italy, and Italy is a very different story. Our Italy Solar business, it's profitable. It's supported by EU funding. It benefits from very strong brand equity, leadership position. We have strong engineering depth and strong customer trust. It is also a market that we know very well, and we continue to serve effectively.

We've also decided to stay in Brazil. Now, Brazil, it is more volatile. So what we've done there, we built a lean, we've been a scalable platform, and we do have a meaningful share there. So we're manning that business, we're managing with discipline. We're monitoring the energy prices, the interest rates, and we're basically aligning our capacity and demand. So to sum it up, both of these businesses, they're aligned with our infrastructure strategy, and we're running them with focus and return discipline.

**Adam M. Farley**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. Thank you for that color. Does exiting the Solar business adds you EPS, assuming it was lower or loss-making?

**Thomas Liguori**

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

A

Yes, it does. It was operating at a slight loss, and it will be profitable in Q3 and Q4.

**Adam M. Farley**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. Thank you. And then maybe shifting gears to recent impacts on steel prices, how does the impact of the increased tariff on steel impact your outlook? Are there any further price increases that are necessary at the current price level?

**Avner M. Applbaum**

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

A

When we look at pricing, the way we look at pricing is, it's the value that we provide to our customers, and they're strong value, especially in this dynamic environment due to our strong, innovative solutions, our engineering expertise. We have strong manufacturing footprint and capabilities and a strong dealer network. So overall, we have a strong value proposition. Now, of course, pricing is part of the equation, and we do look at our cost as well. But the other important factor is, our products provide strong ROI to our customers, if it's our engineered structures, if it's our pivots, they provide strong ROI and they support their long-term strategy. So from that point of view, we continue to take pricing leadership, and we haven't seen any impact on the demand. Tom, you want to just maybe add a little bit of flavor on the actions that we're taking and...

**Thomas Liguori**

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

A

Sure, Avner. Thank you. Steel, the pricing is stable, which is very encouraging for us. And you may be referring to increases in tariffs on steel. We are using primarily US poured and melted steel, and therefore we feel in a good position. In tariffs, in general, I would add, we keep the term profit neutral, and that's what we see right now. That's primarily because we have 24 plants in the US serving our US customers. But I also want to say, our team managed it very, very well. In addition to pricing that Avner talked about, it was about changing our supply chain, changing sourcing, making more things in the US. So steel, we feel very good about where it is today.

**Adam M. Farley**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. Thank you. I'll leave it there.

**Thomas Liguori**

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

A

Thank you.

**Operator:** Our next question is from Chris Moore with CJS Securities. Please proceed.

**Christopher Moore**

*Analyst, CJS Securities, Inc.*

Q

Hey. Good morning, guys. Thanks for taking a couple. Maybe we can pick up on where Tom left off on the roadmap, adding \$500 million to \$700 million revenue, \$7 to \$12 EPS. Obviously, lots can change over the next

three to four years. But sitting here today, is it likely, is that back-half loaded or is it reasonably smooth to get there?

**Thomas Liguori**

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

A

No. It's smooth and it is definitely not back-end loaded. We expect to start seeing some of these improvements, revenue and EPS, in Q4. We expect a step-up in 2026. So we feel very confident about it, Chris.

**Avner M. Applbaum**

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

A

Yeah. And Chris, let me add. A lot of these initiatives that we're taking to drive the \$7 to \$12 EPS are really grounded in some of these strong mega trends that we're seeing in our markets. If we start with the catch the infrastructure wave, we're seeing strong market demand driven by really undeniable powerful mega trends. Think energy transition, electrification, load growth. I mentioned that Jefferies report earlier this morning, which is another data point. So overall, we're seeing very strong demand in Utility space. And we've already taken actions, to Tom's point, around investing in our capacity and capability, anything from capital to automation, AI, and talent. So we're well on the way in our investments. We manage that very tightly. We have KPIs aligned with that, and we're very confident in our ability to drive the Utility space, as well as Agriculture.

We're focusing on areas like aftermarket and ag tech that provide very strong value proposition to the grower ultimately, having the grower in mind, how do we help them achieve their goal and their profitability levels. And we have initiatives in place, we mentioned earlier, around our e-commerce platform, our AgSense 365, ICON, et cetera. So even in a tough ag market, we're able to scale and provide those benefits to the growers. So overall, we are confident in our ability to execute on these plans and ultimately provide strong shareholder value.

**Christopher Moore**

*Analyst, CJS Securities, Inc.*

Q

Got it. Really helpful. Maybe my follow up, you were just talking a little bit about ag. And I know you don't break out this margins separately between international and North America, but can you maybe talk a little bit about, on a relative basis, where the margins in international are now versus maybe a year or two ago, and where they could be in a couple of years, given some of the ag tech, et cetera? Just trying to understand the drivers.

**Thomas Liguori**

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

A

That's a good question. So the margins in international are improved from where they were a year or two ago. The international teams, both in Brazil and in EMEA, have spent a lot of time on their factories. We were just down in Brazil this quarter. It is very clean. It's got a great flow. These are things that help contribute to better margins. In our EMEA business, they're very focused on – there are large projects, and we need to be very profitable on these large projects. And there's been a lot of actions taken that give us great confidence going forward. Chris, I hope that answers your question.

**Christopher Moore**

*Analyst, CJS Securities, Inc.*

Q

Yes, it does. I guess just on a relative basis, a couple of years out, international versus North America, you see them at parity, you see one of them still being meaningfully above?

**Thomas Liguori**

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

A

Yeah. So Brazil and North America at parity, and EMEA probably slightly below, but much closer closing the gap versus a couple of years ago.

**Christopher Moore**

*Analyst, CJS Securities, Inc.*

Q

Perfect. I will leave it there. Thanks, guys.

**Thomas Liguori**

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

A

Thanks, Chris.

**Operator:** Our next question is from Jean Veliz with D. A. Davidson. Please proceed.

**Jean Veliz**

*Analyst, D. A. Davidson & Co.*

Q

Hi. Good morning. Thank you for the time.

**Avner M. Applbaum**

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

A

Morning.

**Thomas Liguori**

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

A

Morning.

**Jean Veliz**

*Analyst, D. A. Davidson & Co.*

Q

In Telecom, can you talk about the visibility you have for the rest of the year, and expanding on that with, can you provide just a look whether there's further potential strength in 2026?

**Avner M. Applbaum**

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

A

Well, thank you for the question. I'll start off with, Telecom is not a backlog business. But having said that, Telecom came in very strong this quarter, over 40% year-over-year. And that was really driven by increased carrier and tower activity, specifically around carrier technology upgrades, additional spectrum deployment, particularly tied to 5G densification and fixed wireless access. And these are all components of a broader digital infrastructure expansion. But what's really important here is that, beyond the market momentum, the growth reflects our competitive positions. We provide engineering support. We have fast and reliable turnaround.

We have integrated solutions that, really, if you think about the customer, it makes their execution much easier. We're expecting another strong quarter in Q3. Some of that is, we do have some easier comps there. And Q4 is going to be more normalized growth, but still very strong, close to double-digit growth in that business. So overall, the carriers are going to continue to spend. We are aligned very well, and we should take that momentum into

2026. So Telecom, it's smaller part of our portfolio, but it is very margin accretive, and it's strategically aligned with the long-term trends in the broadband and connectivity.

**Jean Veliz**

*Analyst, D. A. Davidson & Co.*

Q

Yeah. Thank you. Could you perhaps just expand a little bit what these product alignments with the key carrier programs are?

**Avner M. Applbaum**

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

A

Yeah. So when we talk about, I'll give an example, fixed wireless access is a good example. But overall, as they work on the whole spectrum of deployment in the mid-cell, small cell, we have a very strong product offering to support both the carriers, the tower providers, to make sure they have all the engineered solutions they need to support any part of their deployment. So as I mentioned, we're aligned with their programs with a broad product offering, anything from macro towers, concealment solutions, components that go on towers, if it's antenna mount, et cetera. So we're very broad in this space and provide them a strong set of solutions.

**Jean Veliz**

*Analyst, D. A. Davidson & Co.*

Q

That makes sense. Thank you so much. And if I could just sneak one last one. For T&D, I just wanted to just perhaps get a sense of whether you expect a greater second half versus 2024 second half, and just perhaps a few more comments of what aspects of that business segment is driving this growth. Is it distributions or substations? Yeah. That would be great.

**Avner M. Applbaum**

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

A

Okay. Sure. So overall, I just mentioned, we get it supported by very strong mega trends, and it's really across the board. Transmission is the largest part of our business, but to spend in transmission, it's in distribution, it's in substation. We're seeing strength in all of these three areas. And we expect that to continue for the foreseeable future. We continue to invest in our capacity, and all that will support a very strong second half. We're going to grow in excess of double-digits in the second half of the year. So we're very pleased on how this is shaping out. In fact, last week, we had the strongest production week ever for Valmont. So it is very encouraging to see and the future looks bright in this area.

**Jean Veliz**

*Analyst, D. A. Davidson & Co.*

Q

I appreciate the color there. I'll hop back in the line. Thank you so much.

**Operator:** Our next question is from Jon Braatz with Kansas City Capital. Please proceed.

**Jon Braatz**

*Analyst, Kansas City Capital Associates*

Q

Good morning, everyone.

**Avner M. Applbaum**

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

A

Good morning.

**Jon Braatz**

*Analyst, Kansas City Capital Associates*

Q

Tom, could you go over the SG&A costs increase in the quarter? Can you give us a little bit more details of why it was so high?

**Thomas Liguori**

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

A

Lot of movements, Jon. So first, I would say, Q3 and Q4 should be back to the mid \$172 million range. We did have – year-over-year, we had higher variable selling costs. We had some higher spending in IT. I would say that is a one-time type item. We're putting a focus on better systems and using AI technology for a lot of our scheduling and back office functions. There were also some accounting-type things. We have a deferred compensation plan, and the accounting is – it's a little tricky in that the gains in that fund show up as an accounting SG&A expense. That's offset below the line that you'll see. There's just a lot of stuff going on. But we feel we have a good handle. We feel with the initiatives we have going on, that there will be steadily decreasing as a percent of revenue going into 2026. And please expect mid-170s for Q3 and Q4.

**Jon Braatz**

*Analyst, Kansas City Capital Associates*

Q

Okay.

**Avner M. Applbaum**

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

A

Let me just add on the SG&A. Tom, made very good points there. But as we move forward, we have a lot of initiatives to improve our efficiency in that space, which really allows us to keep on investing around tools such as AI, which we discussed, innovation, et cetera. So we're really managing that to both reduce our cost, as well as provide room to invest in our customers.

**Jon Braatz**

*Analyst, Kansas City Capital Associates*

Q

Okay. And Tom, I think you mentioned that there's some – as you look ahead, maybe some realignment costs associated with North American irrigation. Are we talking head count reduction or anything like that?

**Thomas Liguori**

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

A

No. So that's been completed. And the cost to do that is in our Q2 financials. So you should have some pretty clean financials going forward with improving revenues and improving margins.

**Jon Braatz**

*Analyst, Kansas City Capital Associates*

Q

Okay. All right. Thank you very much. All right. Thank you.

**Thomas Liguori**

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

A

Thank you.

**Operator:** [Operator Instructions] Our next question is from Brian Drab with William Blair. Please proceed.

**Brian Drab**

*Analyst, William Blair & Co. LLC*

Q

Hi. Thanks for taking my question. I just want to start with a high-level question. You talked a lot today about the wave of demand coming in infrastructure. I was just wondering if you could talk a little bit more about what signs you're seeing, what conversations you're having, what projects you're seeing develop that give you the confidence to add. It sounds like you're adding about 30% to your capacity in transmission and distribution. I know it's more than just a report from an investment bank and other things, but just like if you could give us some more tangible signs that this wave is really coming in the next year or two for you, that would be great.

**Avner M. Applbaum**

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

A

Yeah. Of course. Well, thank you for the question. Yes, of course, there's a lot of indicators and reports around the strength in that market and energy transition. But of course, that's not how we make decisions. We are very close to the customers. We're the leader in that space. We have discussions with our customers on daily basis to align with their long strategic goal. So we are linked with them as they move forward and put their capital plans and they work on their strategy. They come to us to help them provide strong solutions, innovative solutions around how to support them with our very large footprint, our large capabilities and capacities around transmission, distribution, substations, around our steel, concrete, composites. So we're there. We hear the voice of the customer, which gives us a high level of confidence.

Now, one last point on that is, of course, we watch the entire market to assess the capacity. The whole industry is under capacity, so we're very mindful of that. So we're adding flexibility. Its capital is one area, but the other area that we're doing is, we're focusing on having the right talent, automation, and we're piloting AI, which I believe will be another strong driver for us to drive additional capacity and capability. So this is pretty tangible, and we have a \$1.5 billion backlog, which is another indicator, which goes into next year, and we feel pretty good about it.

**Brian Drab**

*Analyst, William Blair & Co. LLC*

Q

Great. Yeah. Thanks, Avner. Can you also just talk about the outlook for the Lighting and Transportation business? It was down about 10%, I think, in the quarter. Is there something that you're seeing that could turn that around, or is it still a lot of uncertainty with commercial construction, et cetera? And is there any hope at this point that the Infrastructure Bill that's now like five years old is going to ultimately be a tailwind at all in that business? Thanks.

**Avner M. Applbaum**

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

A

Sure. So I'll start off by saying, L&T, it is a very profitable business. But this quarter results did come in below our expectation. We did see some softer market conditions in Australia, and we did have some execution challenges in both Access and the US. But we took actions. We simplified the structure. We aligned our operations and our commercial teams, and we strengthened some of our leadership. So these changes are in motion and we should expect to see improved performance. Now, as it relates to tailwinds that we're seeing in that market, the DoT spend remains strong, even with or without the IJA is on, I mean, it keeps to be steady. There's a lot of need to rebuild infrastructure. So the DoT business remains strong. L&T today is weak, mostly due to single family housing starts. But when you look into the horizon, there's a shortage of housing. So we do know that it will come

back and we scaled and positioned this business to execute. So we will see steady performance over the next quarters and into 2026 driven by our execution efforts specifically.

**Brian Drab**

*Analyst, William Blair & Co. LLC*

Q

Okay. And then one more quick one, just for, I guess, for you, Tom, or anyone. But when you look at the longer-term guidelines that you gave us for the financial model today, I'm getting, like low double-digit earnings growth over that forecast period, that three to four years, maybe like 12%. I just want to make sure that I'm aligned with how you're thinking about it.

**Thomas Liguori**

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

A

Yes, Brian, you are aligned. Good seeing you at the conference.

**Brian Drab**

*Analyst, William Blair & Co. LLC*

Q

All right. Thank you, everyone. Have a good day.

**Renee L. Campbell**

*Senior Vice President-Investor Relations & Treasurer, Valmont Industries, Inc.*

A

Thank you.

**Operator:** We have reached the end of the question-and-answer session. I will now turn the call over to Renee Campbell for closing remarks.

**Renee L. Campbell**

*Senior Vice President-Investor Relations & Treasurer, 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, and we look forward to speaking with you again next quarter.

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.

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**Operator:** This will conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.

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