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Valmont Industries, Inc. (VMI)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings. Welcome to Valmont Industries Incorporated, Third 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 the conference over to your host Renee Campbell, Senior Vice President, Investor Relations and Treasurer. Ms. Campbell, you may begin.

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; and Tom Liguori, Executive Vice President and Chief Financial Officer. Earlier this morning, we issued a press release announcing our third 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 site.

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'd 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. I'd like to start with third quarter highlights and key messages summarized on slide 4. This quarter's results reflect the continued strength of our diversified portfolio and disciplined execution by the global Valmont team. We delivered net sales growth of 2.5% with double digit growth in utility and telecom. Operating margin improved 120 basis points and diluted earnings per share improved 21%. With these results and the momentum across the organization, we are raising our full year earnings guidance, which Tom will discuss in more detail shortly.

Our strategy continues to guide our decisions and deliver results. We've simplified the business, we're focusing where we lead, and we're directing resources to our best opportunities. United around our shared objectives and a customer-first vision, our teams are driving innovation and executing with greater precision. We operate in attractive markets where our value proposition aligns with customer needs, positioning us to capture long term opportunities. We have the right structure now in place and we have a strong foundation for sustained value creation. Looking ahead, we remain committed to accelerating growth, enhancing performance and investing in high return initiatives that strengthen our leadership and deepen customer impact.

Turning to slide 5, I'd like to provide a brief update on our 2025 critical objectives. Valmont is positioned to lead the North American utility market through an unprecedented investment cycle. We have a multi-pronged approach to growth, expanding capacity and strengthening operating capabilities. Most of our growth CapEx is directed to brownfield utility expansions that increase, upgrade or repurpose our existing facilities, enabling strong returns. We're also increasing throughput by addressing bottlenecks, improving material flow and implementing new technologies.

In Agriculture, we're building a more resilient business to improve margins through the cycle. We've aligned resources around key growth areas; aftermarket parts, technology and international markets. Aftermarket parts sales grew year over year this quarter, driven in part by our new e-commerce system, which all North American dealers now use to provide industry leading service and sales. An international rollout is planned in the upcoming quarters. These initiatives strengthen our leadership today and position us for faster growth and higher profitability ahead. Across the company, disciplined resource allocation, a relentless focus on safety and the dedication of our team remains central to our success. I'm proud of how our employees continue to embrace change and drive momentum with a continuous improvement mindset.

Now turning to slide 6 for an Infrastructure market update, starting with utility, our largest product line. This business continues to benefit from powerful long term demand drivers. Data center expansion, manufacturing onshoring, major oil and gas projects, and broader electrification are all contributing to significant load growth expectations. Rising energy consumption, aging infrastructure and resiliency needs are driving multi-year increases in customer capital plans. Market forecasts call for transmission CapEx to grow at a 9% CAGR through 2029.

Our customers continue to turn to Valmont to help them execute their multi-year plan across transmission, distribution and substation as they expand and modernize the grid. We're winning projects because of the value we deliver through our scale, engineering expertise and proven reliability. For example, we were recently awarded a \$65 million extra high voltage project from a leading engineering and construction firm in partnership with a large utility. This is one of several major wins that reflect Valmont's trusted ability to execute complex, large scale work with consistency and quality.

Moving to lighting and transportation. The Asia Pacific market remains pressured, alongside a softer lighting market in North America. Results were also impacted by operational factors. We know this business can perform better, and we've simplified the structure, better aligned operations and commercial teams, and strengthened leadership. The long term fundamentals of this business remain solid, and these actions are improving focus and accountability, setting the stage for steadier performance ahead. The rest of infrastructure business is performing as expected. We're focused on what sets Valmont apart. Our scale, deep engineering expertise, trusted customer partnership, and speed to market.

Turning to slide 7 for an update on Agriculture. In North America, grower sentiment remains soft as expected record corn and soybean yields weigh on prices. The USDA expects 2025 crop receipts to decline about 2.5%, reflecting lower prices for both crops. In Brazil, the environment has turned more cautious. Growers are facing tighter credit, slower release of government financing, and ongoing trade uncertainty, leading many to delay large capital purchases, including pivots. These near-term pressures are part of the normal cycle following several strong years of farm profitability and investment. We know how to manage through cycles like this. That's why we're staying focused on supporting growers' immediate needs, while continuing to deliver customer centric innovation for the future.

And we're demonstrating that commitment in the field. At recent farm shows, our Valley team showcased the new technology, including the ICON+ control panel, a major addition to the Valley tech suite. It brings full AgSense 365 functionality to any pivot brand, allowing growers to easily connect older or competitive machines. This expands our addressable market and drives growth in recurring revenue.

In Brazil, the long term opportunity remains exceptional, farmers can grow two to three crops per year with mechanized irrigation and the return on investment from pivot is meaningful. With vast, under irrigated farmland, favorable growing conditions and strong water availability, Brazil will continue to be a key growth market.

In our other international markets, results reflect normal project timing. Several large Middle East projects shipped earlier this year, while last year's activity was more back end loaded. Year to date, sales in the region are up double digits. Project demand remains strong. Government and corporate led initiatives are longer term and less affected by short term crop prices. We've invested in our presence and dealer capabilities to capture this growth.

Overall, the long term fundamentals in Agriculture remain strong, and the business continues to deliver solid returns even in a more challenging period. We remain focused on disciplined execution, advancing innovation and positioning us to lead as market conditions improve.

In summary, our strategy is delivering results. Execution has been strong and decisive actions across the portfolio are improving performance even in market facing near-term macro pressures. With momentum established and investment plans underway, our team is energized by the opportunities ahead and confident in the long term fundamentals of the business.

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

Thomas Liguori

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

Thank you, Avner. Good morning, everyone, and thank you for joining us today. Our results are slightly better than expected, particularly the 21.2% growth in earnings per share. I want to thank our team for their execution this quarter, as well as the progress made advancing our value drivers; catching the infrastructure wave, positioning agriculture for growth, and disciplined resource allocation. We made progress in all three.

Turning to slide 9 and our third quarter income statement. Net sales of \$1.05 billion increased 2.5% year-over-year. Sales growth in Infrastructure, particularly utility, was partially offset by lower Agriculture sales. Gross profit margin of 30.4% increased 80 basis points from last year, with improvements seen in both segments.

SG&A expenses of \$177 million were flat year-over-year. Operating income increased to \$141 million, and operating margins of 13.5% improved 120 basis points, driven by improved infrastructure results. Below the line, interest expense decreased due to lower debt. Our tax rate declined to 23.1% due to a more favorable geographic mix of earnings. Diluted earnings per share was \$4.98, a notable step up compared to historical third quarter performance.

Moving to our segment results on slide 10. Infrastructure sales of \$808.3 million grew 6.6% compared to last year. Utility sales increased 12.3%, driven by pricing and higher volumes. Sales in Lighting and Transportation declined 3.4% due to continued weakness in the Asia-Pacific market, softer North America lighting demand, and production challenges that reduced output.

Coatings sales increased 9.7%, supported by healthy infrastructure demand. Telecommunications sales grew 37%. Growth was supported by our quick turn order strategy and the strong alignment of our wireless components business with carrier programs.

Solar sales declined due to our decision to exit certain markets. Solar revenues are expected to be approximately 2% of total company revenues going forward, and therefore, we anticipate consolidating solar into another product line for reporting purposes starting in 2026.

Operating income was \$143.4 million or 17.8% of net sales, an increase of 150 basis points as a result of our pricing actions, growth in high value offerings, and an improved global cost structure.

Turning to slide 11. Third quarter Agriculture sales decreased 9% year-over-year to \$241.3 million. The North America market remains challenged, resulting in lower irrigation equipment volumes. International sales declined mostly due to the timing of Middle East project sales. In Brazil, while third quarter sales were steady, the economic environment weakened late in the quarter as farmers are facing significantly tighter credit. This also created some added pressure on customer payments. We conducted a review of the business and determined it was prudent to record additional reserves, including \$11 million of bad debt expense. We continue to pursue collection of these accounts. Both operating income and margins declined to \$23.2 million or 9.7% of sales, primarily due to the higher bad debt expense. Excluding that expense, operating income was 14.1% of sales. While the Agriculture segment had a challenging financial quarter, we continue to invest in aftermarket and technology projects as we believe the long term prospects are favorable based on the need to improve farmer productivity, feed a growing global population and food security.

Moving to slide 12 for cash, liquidity and capital allocation. We had another quarter of healthy operating cash flows, generating \$112.5 million. We ended the quarter with approximately \$226 million of cash and net debt leverage remains below 1 times. During the quarter, we invested \$42 million in CapEx, primarily for utility capacity expansion. We returned \$39 million to shareholders, including \$13 million through dividends, and approximately \$26 million through share repurchases at an average price of \$374.33.

Moving to slide 13. Last quarter, we provided a financial roadmap highlighting our key value drivers. We remain sharply focused on execution. To catch the infrastructure wave, we continue to invest in capacity and efficiency improvements and are starting to see the volume growth in our revenue. Through the third quarter, we've

deployed \$78 million of CapEx in our North America Infrastructure businesses. Our team made significant progress in capacity expansion in our Brenham, Texas; Monterrey, Mexico; and other North American facilities. Through these actions, we've increased our annual revenue capacity in Infrastructure by \$95 million, with more coming online in the fourth quarter. We're very pleased with the progress of our operations team and thank them for their efforts. Our close monitoring of industry capacity and the expansion plans of our peers reinforces our view that demand will exceed supply, and we're planning accordingly.

In Agriculture, we have comprehensive growth plans in technology adoption, aftermarket parts and international markets. In the third quarter, aftermarket parts grew 15% year over year to approximately \$52 million, reflecting the continued success of our e-commerce platform. AgSense revenues increased 8% year over year, largely due to the productivity benefits farmers are receiving from our technology tools to manage their irrigation. These initiatives are gaining traction and we are beginning to see the benefits in our financials.

Lastly, our disciplined resource allocation initiatives are progressing. Third quarter corporate expense declined 6.4% to \$25.1 million, the lowest level in 13 quarters. We benefited from the work to streamline the organization and we continue to pare back our outside service provider cost. At the same time, we're investing in initiatives that will drive longer term benefits. For example, we recently kicked off a project to simplify our legal entity structure which will improve internal efficiency, reduce compliance burden, and strengthen treasury management. On the capital allocation front, our share repurchase program continues with year to date repurchases of \$125.8 million or approximately 427,000 shares. Bringing it all together, we are making progress toward our path to deliver \$500 million to \$700 million in revenue growth and \$25 to \$30 in EPS over the next three to four years.

Turning to our updated 2025 outlook on slide 14. Net sales are projected to be approximately \$4.1 billion, which is the midpoint of the previous range. We're raising our full year adjusted diluted earnings per share expectations to a range of \$18.70 to \$19.50, increasing the midpoint to \$19.10.

Before we close, we want to thank the entire Valmont team for their focus on execution, moving our value drivers forward. I also want to welcome Eric Johnson as our new chief accounting officer. Eric joined the team yesterday and brings a strong accounting and financial background in large scale manufacturing and project businesses. From his prior roles at ConAgra, Kiewit and KPMG. We look forward to working with you, Eric. Tim Francis, who many of you know, accepted a position in our international Infrastructure group. Tim, we wish you good fortune and much success in working with the international team in your new role.

With that, we'll now turn the call over to Renee.

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. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question is from Nathan Jones with Stifel. Please proceed.

Adam M. Farley

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Good morning. This is Adam Farley on for Nathan. I wanted to start on the Infrastructure margins, very standout performer in the quarter at 17.8%. I believe that's an all-time record. I know you guys have had a number of ongoing margin improvement initiatives within the company over the last couple of years. Can you maybe talk about the most impactful of these initiatives and where the main opportunities remain to continue to expand margins?

Thomas Liguori

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

A

Sure, Adam. Thank you for the question. So if we go back the last two to three years, the margin benefits have been a combination of pricing and costs. Pricing, we are the market leader. We do provide value added engineering, on time delivery and scale and customers are willing – customers value that. Costs, when Avner started, he took a number of cost actions and they have dropped through the bottom line. So that's why you see a good trend in our operating margins going forward. From here onward, it really gets back to the value drivers. In our utility expansions, we're very excited about that, and every incremental revenue dollar contributes well over 20% of operating margin.

But we also have good things going on in the Agriculture group. We have the aftermarket, which is basically spare parts growing, and that's because of the e-commerce and ease of ordering that we've allowed with the farmers and that's had higher margin products. We also have our AgSense 365, which is a recurring revenue type model. And so, if you think about it, it's really going forward, higher mix, higher margin mix of our revenue. And in general, when you look at the value drivers, they are gaining traction. But it's the early days. I'd say we're in the second innings of really reaching the potential of those. So I hope that answers your question, Adam.

Adam M. Farley

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Yeah. Thank you for that color. It's very helpful. Maybe we can talk a little bit about the capacity additions in Utility. It looks like the business might be tracking above the \$100 million of additional revenue for every \$100 million of capacity. So could you just talk about if that's true, and then maybe just if there's any potential upside to the capacity additions in Utility?

Avner M. Applbaum

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

A

Yeah, absolutely. Let me take that question, and I'd like to unpack that a little bit. And just there's a lot of questions around capacity so I'd like to give a bit of an overview. Well, to answer your question, first of all, yes, there's additional opportunity for us to drive continuous growth. And overall, while we gave a benchmark of \$100 million, we are on track to exceed that number and invest over the next several years to drive increased output.

But let me just address the capacity for a moment. When you look at our capacity, I break it out to three layers, right? There is the physical capacity, which is our plants, our equipment, available hours. There's the operational capacity, which is the efficiency of the flow and the supply chain performance. And then, of course, there's the commercial capacity. So you talk about our ability to quote, engineer and deliver quickly. And it's not static. It flexes every day based on product and customer mix. And we are operating at a high level of utilization levels, our plants are running efficiently, but we maintain flexibility to manage mix changes, respond quickly to surge in demand. So we never want to be completely full that you lose your agility, and we continue to add to capacity as the demand grows through our brownfield expansions, through automation, process improvement so we can stay responsive to our customer needs, while we still maintain efficiency.

So, with goal to protect our delivery performance, but also we have to make sure that we can support our customers if they have storms or emergency or unexpected needs. So to stay ahead, we're continuing to invest. We have plans to invest in 2025. We're well on our way for our investments to drive growth in 2026 and beyond, to continue to drive, we've shown that there's strong demand in that area of around 9% in transmission and our goal is to keep investing in that space. So to sum it up, capacity, it's a system, it's capital, it's people, it's technology. They all work together. We're running efficiently, we're scaling intelligently, and we're positioning Valmont to capture the infrastructure growth, while we maintain the agility that our customers depend on.

Adam M. Farley

Analyst, Stifel, Nicolaus & Co., Inc.

Q

That's great color. Thank you for taking my questions.

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

Christopher Moore

Analyst, CJS Securities, Inc.

Q

Hey, good morning, guys. Thanks for taking a couple. Maybe just start on Utility, obviously very strong, 12.3% growth. You called out pricing and volume. Were they relatively equal contributors to that 12.3%?

Thomas Liguori

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

A

Yes. Yes. The pricing goes back – remember the tariff actions we took in Q1, part of the – that enabled us to be profit neutral from tariffs [indiscernible] (00:27:05) pricing. So, those orders were placed in Q1, they were shipping in Q3. So half of this is pricing and half is volume.

Christopher Moore

Analyst, CJS Securities, Inc.

Q

Got it.

Thomas Liguori

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

A

And that would continue...

Christopher Moore

Analyst, CJS Securities, Inc.

Q

Go ahead. I'm sorry.

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

No, I was just saying that would continue into Q4.

A

Christopher Moore*Analyst, CJS Securities, Inc.*

Okay. Got it. Very helpful. And for SG&A, was 16.9%, something like that, of revenue in Q3. Is that sub-17%, is that a target moving forward, is that realistic over the long term?

Q

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

That's realistic and that's where we'd like to be. I mean, there will be ups and downs in any given quarter. But yes, Chris, that is realistic.

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Christopher Moore*Analyst, CJS Securities, Inc.*

Perfect. I will leave it there. Appreciate it.

Q

Operator: Our next question is from Brent Thielman with D.A. Davidson. Please proceed.

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

Hey, great. Thanks. Good morning. Great quarter. I guess, just a question on the Agriculture business. It looks like the backlog is lower, but I know the project business can be sort of episodic. Are you seeing sort of industry fundamentals right now impacting the project business pipeline? In other words, are those opportunities, sliding, should we read too much into this backlog? Just trying to get a sense for that.

Q

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

Yeah. It's a good question. And when you look at our project business, let me start off with like there is no change in the market environment. The market environment continues to support the need for food security really in that region, and that's the demand driver, which is different than what we've seen in like North America and Brazil, which is more the crop prices. So the market continues to be strength, our pipeline is strong. And actually we have a pretty good and diverse pipeline right now. So it's not just Middle East, it's not North Africa, it's South Africa, it's a more broader pipeline. We're really pleased where it stands right now, will support our 2026 goals. But we always need to keep in mind, there's always project timing. Last year it was more back end loaded, this year was more front end loaded. So these things move overall. But we're happy year to date, we're up double digits and we're looking forward to another strong year in that part of the world.

A

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

Okay. Appreciate that, Avner. And I guess, a lot of good things going on in the Infrastructure segment. I guess I'll pick on L&T just a little bit. I mean, when you look at your backlog within the overall group and/or sort of order trends in lighting and transportation, is there anything, Avner, to point to which might suggest some stabilization on the horizon or are you sort of expecting some softness to continue here?

Q

Avner M. Applbaum

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

A

Oh, that's a fair question. We've seen in the lighting and transportation continued softness in lighting, particularly in Asia-Pac, as well as weaker construction activity. In North America, again, also lighting has been a little weak, but transportation continues to be steady, driven by the need for critical infrastructure. But the reality is that this business should perform better. We did have some operational issues, but we've made meaningful progress on reshaping this business. We have new leadership in place. We have a simpler structure. We have a strong alignment between our commercial and operations team and focusing on our factory performance delivery and cost discipline. All of these areas are improving and we're seeing early traction.

Some of these elements, they're not going to be overnight. So some could take a little bit more time to play out. But really, what matters is the foundation is solid, we have clear plans, and we're confident in the direction and the momentum we're building. So overall, if I sum it up, I'd say transportation's healthy, actions we're taking to strengthen the business are in play and then we will see growth as these changes take place.

Brent Thielman

Analyst, D.A. Davidson & Co.

Q

Okay, great. Thank you.

Operator: Our next question is from Brian Drab with William Blair. Please proceed.

Brian Drab

Analyst, William Blair & Co. LLC

Q

Hi. Good morning. Thanks for taking my questions. I did want to go back to Utility just for a minute. And the reason is just that this is obviously a topic of a lot of discussion right now for you, given in part the history with the last – one of the last booms in demand for Utility resulted in too much capacity coming online. And you really did a good job of addressing that to date. But I just wonder if we can talk a little bit more about, why is the expectation and why have you achieved, as Tom said, well over 20% incremental margin, operating margin, on the utility capacity that's coming online? And maybe I should clarify, too, you are talking about operating margin and in the past it's been much lower than that. So, can you just talk a little bit about why is the margin that high and what you're seeing in a little more detail across the industry that gives you confidence that people aren't bringing on too much capacity.

Avner M. Applbaum

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

A

Perfect. I'll take that, and then Tom can share more information around the margins. And actually, I'm glad you brought that up. Since I spent already time on the capacity, our internal capacity, but it is really important to understand the dynamics around the industry capacity, because we do get that question a lot. So the simple truth is, it's a high bar, approval driven industry. It's not about building a plant. It's about decades of engineering know-how, certified well procedures, material science and the ability to design and deliver the safety critical grid structures. And utilities, they don't add suppliers overnight. Every facility, every product line need to be qualified and approved before they can supply one transmission or substation project.

It takes time, you need proven field performance, you need deep customer relationship that build through – for us, built through thousands of on time delivery and problem solving in the field. And it's also an industry where there's only a few players that have the financial strength, supply chain depth, technical engineering capabilities to really

meaningfully add capacity through long lead, high investment programs, you need capital to build, you need people to execute and you need the customer trust. And we're one of those few players and we're actually the leader in the space. And as I just mentioned, right, we have our healthy utilization of capacity, but that takes time.

So overall, I'd say the barriers to entry here are real; engineering capital, manufacturing, supply chain, and trust, and we manage and we monitor the industry capacity very closely and we could see it's balanced today. And even if at some point the industry adds a little bit too much, demand will catch up quickly. So overall, we feel good where we are, we're good on where the industry is right now, and we're in a strong position to maintain our leadership in this space. So that's how we kind of we look at the industry capacity, and Tom can just share a little bit about the margins.

Thomas Liguori

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

A

Sure. Brian, on the margins, it's very healthy margins from capacity expansion. We have good pricing for the reason that Avner just said, our engineering capability, our on time delivery, our scale. But also keep in mind, these expansion projects, they're brownfield. So we're taking our existing plants and we're adding welding stations, brake presses and other capital equipment. So we're getting more throughput from existing plants. So we get the benefit of basically better fixed cost absorption. So both pricing and for – those are brownfields, that's why we get over 20% operating margin.

Brian Drab

Analyst, William Blair & Co. LLC

Q

Okay. Thank you. And then for my follow-up, can you just put a little bit of a finer point on what is driving current demand in Utility across the different product lines in terms of maybe large transmission structures, substations and other categories. And are you starting to see demand specifically related to the AI data center boom and tying those to the grid?

Avner M. Applbaum

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

A

Yeah. Thanks. So we're seeing strong demand across the board, right? And first of all, on all product lines, transmission, distribution, substations, large projects, smaller projects, all these megatrends are real. If you look about the electrification, AI, grid connectivity, resiliency, everything that we've been talking about, the load growth that we haven't seen in a while. And of course, AI and data centers are a key driver as well. We know they're a large consumer of energy. So we don't see slowness in any area. All of our customers are showing extremely strong demand. Our backlog is well into 2026.

And the good thing right now, it's not one single driver and it's not one single customer, right? It's very broad. And all indications are that this will continue for a while, and all the transmission, and then you'll add another legs to that, when they're ready to focus more on hardening and reliability. And so, overall, to sum it up, I mean, we are very excited about where the Utility space is today with the strong drivers and our ability to execute based on our relationship with our customers, our engineering, manufacturing, that makes us a key partner to our customers. So overall, feel very positive.

Brian Drab

Analyst, William Blair & Co. LLC

Q

Great. Thanks very much.

Operator: [Operator Instructions] Our next question is from Tomohiko Sano with JPMorgan. Please proceed.

Tomohiko Sano

Analyst, JPMorgan Securities Japan Co. Ltd.

Good morning, everyone.

Q

Avner M. Applbaum

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

Morning.

A

Renee L. Campbell

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

Good morning.

A

Thomas Liguori

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

Morning.

A

Tomohiko Sano

Analyst, JPMorgan Securities Japan Co. Ltd.

Thank you for taking my questions. My first question is Utility segment pricing. You mentioned recent favorable pricing in the Utility segment, but could you provide more color on outlook pricing trends? Especially, you talked about the three types of capacity expansions and competitors also expanding capacity going forward, how – like, when we think about the stepping up for the pricing trends for 2026 or beyond, could we get more color on this, please?

Q

Thomas Liguori

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

Yeah. So the pricing – hi, Tomo. The pricing in this quarter, most of it is because in the beginning of the year, with our tariff mitigation plans as well as supply chain changes, but we passed it on in pricing and there's a delay from when you bid and when these products ship. So we're seeing part of that. Going forward, that will continue. Our head of utility often talks about the bid market. The bid market is very strong. The demand/supply remains tight. We are quoting very healthy margins and winning projects. So, I think pricing outlook remains strong for at least the foreseeable future, if not for some time.

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Tomohiko Sano

Analyst, JPMorgan Securities Japan Co. Ltd.

Thank you, Tom. And my follow-up question is on Agriculture margins, so regarding the decline in Agriculture margin. You mentioned it was due to lower sales and bad debt expense of \$11 million. Do you expect these levels of bad debt expense to continue in the fourth quarter and beyond?

Q

Thomas Liguori

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

Yeah. So that's a really good question. I'm glad you asked that. So we worked with the Brazil team this quarter, bad exposures and we thought it was prudent to book the \$11 million of receivable reserves, but we are still attempting to make those collections. If we take that out, the operating margins for Ag are about 14%. So there

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are a few remaining issues that we're working to bring to resolution in the fourth quarter, and that is reflected in our guidance. And our whole intent here is to get these exposures behind us financially and put in processes so that they don't repeat. And we feel very good about that.

So I think when you look at Ag operating margins, Q4 could be another challenging quarter. But when we get into Q1, we believe we'll have these issues behind us. And even with the current revenues, we had flat revenues in Q1, you would see a double digit operating margin and that's what we would expect going forward.

Thomas Liguori

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

Thanks. That's all I have and congrats on quarter.

A

Thomas Liguori

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

Thank you, Tomo.

A

Avner M. Applbaum

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

Thank you.

A

Operator: We have reached the end of our 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. We look forward to speaking with you again next quarter.

Operator: 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 governments, including tariffs.

The company cautions that any forward-looking statements in this release are made as of its publication date and does not undertake to update these statements, except as required by law. 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 laws 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.

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

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