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# Valmont Industries, Inc. (VMI)

Q1 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*

**Brent Thielman**

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

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Greetings. Welcome to Valmont Industries Incorporated First 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. We ask that you please limit yourself to one question and one brief follow-up question and return to the queue. [Operator Instructions] Please note this conference is being recorded. I will now turn the conference over to your host, Renee Campbell, Senior Vice President of 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 first quarter 2025 results. That press 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. 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 statement, 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 first quarter highlights summarized on slide 4. Demand across most of our markets has remained resilient amid a dynamic macro environment. Secular megatrends, such as the energy transition and infrastructure investment, continue to create meaningful opportunities for our business. While pockets of the business are more exposed to economic pressures, overall order activity and volume growth remain healthy, as reflected in our growing backlog of \$1.5 billion dollars. We're confident in our ability to manage through disruptions, while positioning the business to capture long-term growth. While consolidated net sales were down slightly, they increased modestly on a constant currency basis with both operating margins and earnings per share remaining stable.

Our financial performance is a result of our disciplined execution against our strategic priorities. We've streamlined the organization to operate more efficiently, and our operational and commercial excellence initiative are delivering tangible results. Driven by a continuous improvement culture, we're strengthening our position to grow as certain markets recover. Importantly, our market leadership and commitment to deliver premier quality and service to our customers continues to set us apart in Infrastructure and in Agriculture. We're also actively mitigating near-term tariff risks. With 24 manufacturing and 18 coatings facilities across the United States, we're well-positioned to meet domestic demand. A few years ago, we began implementing a Local for Local supply chain strategy to better serve our global customers. And that work is paying off, helping to reduce our exposure today. Also seeing success from other proactive efforts across the business. Tom will share more detail later in the call.

Turning to slide 5. I'd like to share an update on a few of our 2025 critical objectives that I introduced last quarter. We're executing our strategy to catch the global infrastructure wave by expanding capabilities and optimizing capacity across our footprint.

In the first quarter, we invested approximately \$30 million in CapEx, with a significant portion directed towards increasing Utility production. Our expansion in Brenham, Texas is progressing as planned, and is expected to be fully operational by year-end. We're prioritizing high return capacity expansion investments, scaling up our existing facilities to operate with greater efficiency and capture future growth. This quarter, we continued equipment upgrades in Tulsa, Oklahoma and also started new productivity investments at our manufacturing facilities in Florida and Kansas.

Our second objective, is positioning our Agriculture business for long-term growth. Lower crop prices have pressured global Ag markets and net farm incomes since late 2023. While conditions remain challenged, we're using this time to enhance our competitive strengths, including dealer excellence, production and aftermarket capabilities, and customer centric innovation. These efforts will position the business to emerge stronger when the cycle recovers. As an example, expanding our aftermarket parts business is a key priority, delivering high margin revenue. Our new e-commerce platform enhances the customer experience with faster access to a broader range of parts, and seamless direct ordering. Additionally, our new AgSense platform, AgSense 365, has received positive early feedback for its performance and ease of use. We're very pleased with customer adoption rates, and the initial benefits are tracking in line with our growth plans.

As the market leader, investing in digital tools for more precise irrigation is essential. We're helping growth, increased productivity with fewer inputs, improving yields, and resource efficiency. We're also allocating capital and talent with discipline and our focus on ensuring resources are directed where they can have the greatest impact for our customers and our business. Our people are at the center of our success. Investing in their safety, wellbeing, and talent development is essential to our future.

Our progress on these five objectives reflects the dedication of our global Valmont team. I'm proud of what we achieved together. As we continue to execute, 2025 is shaping up to be a pivotal year that positions us for long-term success.

Now turning to slide 6 for an infrastructure market update starting with Utility, our largest product line. The business continues to show healthy volume growth driven by long-term demand drivers, such as rising energy usage and the need to replace aging infrastructure. Our focus on value-based pricing and commercial execution has driven strong performance in a capacity constrained environment. The capacity additions mentioned earlier will begin ramping in the second half of this year, setting us up well for continued growth.

Moving to Lighting and Transportation. US transportation demand remains strong. Lighting markets have been soft, but we're starting to see stabilizing order trends. Consistent with historical patterns, roughly 40% of total L&T sales are international, where we're expecting mixed regional market performance this year.

Our Coatings business serves a variety of markets and typically follows industrial production and regional GDP trends, while also supporting our internal demand. Growth in North America was offset by a softness in international markets.

Telecommunications sales are growing as carrier spending has recovered from softer 2024 levels. Our components business leads the market with exceptional customer service, and a product portfolio that aligns closely with carrier programs. Our geographic presence is a key competitive advantage, with 11 strategically located warehouses enabling next day delivery to most of the US market. Looking ahead, Telecom has a positive long-term outlook, supported by ongoing network expansion, modernization efforts and the need for greater connectivity.

In Solar, as expected, sales declined this quarter, reflecting softer market conditions and our strategic decision to exit lower return projects. In the US, policy uncertainty is impacting market activity. However, current European regulations are driving industry innovation and the adoption of agrivoltaic application that I mentioned last quarter. Our team remains focused and agile in navigating this dynamic environment.

Across the portfolio, we serve customers and markets aligned with multi-year secular megatrends. Our capacity and capability investments address the growing complexity of customer demand, where our expertise brings the most value and impact. It reinforces our market leadership while positioning us for long-term growth.

Turning to slide 7 for an agriculture market update. North American market conditions remain challenged. Corn and soybean prices, which are key indicators of demand, are projected to decline mid-single digit this year. These factors, along with ongoing trade policy uncertainty, are causing farmers to be more cautious with capital investment decisions.

In the meantime, our Valley dealer network is working closely with growers to ensure we're ready to meet their irrigation needs as the cycle improves. We're leaning into our strategy to grow strategic account partnership by deepening relationship with large growers. These collaborations reflect our unique strength and ability to deliver meaningful, scalable solutions.

In Brazil, our largest international market, grower sentiment is improving. We're encouraged by early signs of market stabilization, including a return to volume growth in the first quarter. Earlier this month, we welcomed our Brazilian dealers to our Nebraska facilities to share best practices, align on priorities and strengthen collaboration.

I was once again reminded of the impressive industry knowledge and customer relationships of our dealers, which reflects their deep passion for the business. The team is energized. They're looking forward to the annual Agrishow next week, and remain confident in the long-term opportunities in the region.

International projects are a bright spot for our business. In the Middle East, demand is strong as nations place the highest priority on building sustainable, resilient food system. The \$45 million project we've previously announced is on track, and our robust pipeline in the region continues to grow. To meet rising demand, our Dubai manufacturing facility has nearly doubled its output from a year ago. Our strong dealer network and proven ability to execute large scale projects give us competitive advantage. We're proud to play a vital role in addressing the global need for a secure, sustainable food supply. Our irrigation solutions help growers do more with less, demonstrating Valmont's ability to deliver meaningful value.

In summary, we've had a good start to 2025 despite a dynamic economic backdrop, and the actions we're taking to improve performance give us confidence in delivering strong results this year and beyond.

I'll now turn the call over to Tom to review our first quarter financial results and 2025 outlook.

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## Thomas Liguori

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

Thank you, Avner. Good morning, everyone. Our team operated well in a rapidly evolving environment during the first quarter. We continue to make progress with our capacity and margin expansion initiatives. I want to thank our team for their actions to control costs in the first quarter and the work performed to mitigate tariffs. Their efforts are helping to secure solid financial results for full year 2025.

Turning to slide 9. First quarter, net sales of \$969.3 million decreased 0.9% year-over-year. Gross margin of 30% decreased 130 basis points from the prior year. The decrease was in our Agriculture segment, primarily due to a higher mix of international projects that carry lower margins. The gross margin decline was largely offset by lower SG&A due to cost reduction activities. Operating income was \$128.3 million or 13.2% of sales. Below the line, interest expense decreased due to lower debt. We incurred \$2.7 million of other expense, primarily due to foreign exchange impacts. Our diluted earnings per share was \$4.32 in line with prior year period. Our first quarter results include \$3 million of costs from tariffs, or \$0.11 per share.

Turning to the segments on slide 10. First quarter Infrastructure sales decreased 2.4%. Growth in Telecom and Utility was largely offset by significantly lower sales in Solar, along with softer results in Lighting and Transportation. Utility sales increased 2.4%, driven by higher volumes and higher average selling prices. Sales of concrete distribution structures were impacted by a strategic shift by a key customer, which reduced volumes at that facility. This was a project specific decision, but no impact on other concrete operations. Our Utility backlog remains strong, and we're actively supporting our utility partners with their long-term grid hardening efforts. Excluding concrete, our steel Utility business grew 8% year-over-year. Lower sales in Lighting and Transportation and Coatings were primarily due to softness in international markets. Our Telecommunications business saw strong sales growth of nearly 30%, driven by favorable carrier spending. Solar sales declined by more than 50%, reflecting lower volumes, including the company's strategic decision in 2024 to exit low margin projects. Infrastructure operating income decreased slightly to \$117.2 million. Operating margin improved 30 basis points to 16.7% of net sales. The improvement was largely due to lower SG&A expenses.

Moving to slide 11. First quarter Agriculture sales increased 3.3%, and increased approximately 6% on a constant currency basis. In North America, irrigation equipment volumes and selling prices were lower due to continued market softness amid lower grain prices. International sales increased significantly, led by strength in the EMEA

region and higher volumes in Brazil. Agriculture operating income decreased to \$36.2 million or 13.6% of net sales. Lower gross margin due to the higher mix of international projects, was partially offset by lower SG&A expenses.

Moving to slide 12, and our cash liquidity and capital allocation priorities. Our liquidity remains strong. We ended the quarter with \$184.4 million of cash and approximately \$800 million of available liquidity on our revolving credit facility. We generated operating cash flow of \$65.1 million through earnings and lower inventory. Our net debt leverage was below 1 times.

We remain committed to a balanced approach to capital allocation. Deploying approximately half of our capital toward reinvesting in our business, and the other half to shareholder returns. In the first quarter, we invested \$30.3 million in CapEx, primarily to expand capacity in our Infrastructure segment with a focus on Utility. We are pleased with our progress in expanding our manufacturing capacity for the coming years. We expect that for every \$100 million we invest in capacity, we can generate over \$100 million in annual new revenue and \$20 million plus in operating income, delivering over \$1 of diluted earnings per share.

We returned \$12 million to shareholders through dividends, and announced a 13% dividend increase during the quarter. In addition, we initiated a trading program in the first quarter to begin executing our \$700 million stock repurchase program. The program included a 30-day waiting period, so repurchases began in the second quarter. To April 18, we've repurchased 59 million of shares in the second quarter at an average price of \$2.69 per share.

Turning to our 2025 outlook on slide 13. We are reaffirming our full-year expectations. Net sales are projected to be in the range of \$4.0 billion to \$4.2 billion. Diluted earnings per share is expected to be in the range of \$17.20 to \$18.80. For second quarter, we expect both sales and earnings per share to be above first quarter levels. While we are maintaining our 2025 guidance ranges, we now expect full-year EPS to land above the midpoint, inclusive of tariffs.

Regarding tariffs, our outlook includes tariffs as of April 18. Always keep in mind, for our US-based customers, the vast majority of products shipped to them, come from one of our 24 manufacturing facilities in the United States, significantly reducing our exposure. When we started assessing potential tariff impacts earlier this year, we estimated our total gross exposure could reach \$80 million. In response, our teams developed and are in the process of implementing, comprehensive plans to mitigate the impact of tariffs this year, starting with price. As a market leader in both segments, we are working with customers to further reflect the increased cost of tariffs in pricing. We've increased the use of US-sourced steel in our Mexico operations, and shifted some coatings work to our own US-based galvanizing facilities. Products from our Mexico plant remain USMCA compliant, with the majority of steel US melted and poured.

Our supply chain teams are focused on local sourcing. As well as working with suppliers on cost sharing initiatives. We are working with US suppliers to provide components that were previously sourced internationally. Lastly, we are using advanced tools to improve scheduling and drive higher productivity in our Mexico operations. We believe these actions will enable us to be cost neutral with respect to tariffs on a dollar basis in fiscal 2025.

Beyond mitigating tariffs, we are also taking actions to further optimize our cost structure. Our teams are focused on efficiency and productivity improvements in both our factories as well as back office operations. Our procurement teams are actively working to reduce our spend on indirect materials and services. At corporate, we are closely evaluating our use of outside service providers, with the intent to leverage our internal talent to perform more work in-house more cost effectively. Results so far are promising, and we believe the savings will

be sustainable beyond 2025. We truly believe that the work our teams are doing to mitigate tariffs and optimize our cost structure makes us a stronger company that will benefit Valmont for years to come.

To summarize on slide 14, we remain optimistic about our 2025 outlook and beyond. Our teams are executing well, with businesses aligned to end markets, supported by long-term global megatrends. We're advancing growth initiatives, managing tariffs, driving cost efficiencies, and investing in capacity to better serve our customers. With clear competitive advantages, a focused strategy and strong cash flow, we are well-positioned to create lasting value for our customers, employees and shareholders.

We'll 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.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] To allow as many questions as possible, please limit yourselves to one question and one follow-up. One moment while we poll for questions. Our first question is from Nathan Jones with Stifel. Please proceed.

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### Adam M. Farley

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

Yeah. Good morning. This is Adam Farley on for Nathan. I wanted to start with pricing actions. Have price actions been implemented to offset all of the tariff impacts to-date, and is there any type of lag that we should expect from pricing?

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### Thomas Liguori

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

Well, first of all, I think the team did a really good job on mitigating tariffs. And I want to reiterate, for the total year, we'll be cost-neutral, which we believe is very positive. And it will be cost-neutral for both segments. It'll make us have a strong second half.

To your question on pricing, we mentioned that we had \$80 million of tariff exposure. About half of that is through pricing, and the other half is through, really, supply chain movements and activities to avoid tariffs. I think as you look through the year and you look at our guidance, we expect higher pricing, possibly lower volumes, that's included in our guidance, but we feel very good about where we are.

With respect to lags on pricing, yeah, things that are in backlog are generally not re-priced. So in Utility, the bid market, that's pretty much immediate passed on backlog. We'll see the effect on that more in the second half as we have new orders being produced. Hope that helps.

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### Adam M. Farley

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

Yeah. That's very helpful. Maybe shifting to Telecom, I mean, a really strong quarter here, 30% growth in Telecom. How should we think about that business for the rest of the year? I mean, should we expect this normalization to continue or are there any early signs of maybe carriers deferring spending?

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**Avner M. Applbaum**

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

**A**

Hey. Good morning, Adam. So overall, we're very pleased with our Q1 growth of over 30% in Telecom. So we've definitely seen stabilization after a couple of years where carriers reduced their spending. And now, the carriers are continuing to spend and focusing on the 5G upgrades and modernization, expansion, et cetera. So our order rates continue to be strong, and I believe the carriers will continue to invest. I mean, they're investing in the future. If you look at – and we're tied very closely with a lot of their investments and their programs. I'll give you an example.

AT&T, they're focused on the multi-year RAN transition. And we're well-equipped to support them in their growth, and that's been a lot of our demand. In fact, if you see, this morning, just Verizon came out with their earnings and they reaffirmed their CapEx spend and their outlook for the year.

So I'd say, overall, we're going to keep on monitoring the order intake pretty closely. But the carriers are continuing to spend, and we believe they're focused on the long-term. And we will continue to support them, and we're well-equipped to do so.

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**Adam M. Farley**

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

**Q**

Great. Thank you for taking my questions.

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

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**Christopher Moore**

*Analyst, CJS Securities, Inc.*

**Q**

Hey, good morning. Thanks for taking a couple. Yeah. So, on the steel side, it sounds like you're talking about pricing as of April 21. Just theoretically, if steel does increase, meaning from here, does that just you can't reprice some of the backlog? Does that just push out some of the 2H earnings a little bit further?

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**Thomas Liguori**

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

**A**

Yeah. Look, this is what we're seeing. Prices for steel went up. They're starting to moderate. If you look at futures in the second half, they've actually come down. So, that is reflected in our guidance. But we visited a steel supplier in the last two weeks, the largest plate producer in the US, and they have capacity. They invested in their plant in Houston. Houston is close to our Brenham and Monterrey facilities, so we're talking to them about how can we use their steel at a lower freight cost. They're also talking to us about more value added operations that they can perform, like cutting the steel, doing some base plates. So, whereas February, March, steel was very volatile, I think we have a better line of sight and road map to where we'll be toward the end of the year. And net-net, I'd say it's positive to us.

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**Christopher Moore**

*Analyst, CJS Securities, Inc.*

**Q**

Got it. Very helpful. The EPS guidance stayed \$17.20 to \$18.80. It sounds like you have more confidence that you'll get above that midpoint. Is that a margin discussion? Are you more comfortable you get closer to the high end of the revenue guide? Just any thoughts there.

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**Thomas Liguori**

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

**A**

We think we have a good shot at being above the midpoint for both revenue and EPS. And we feel better today. We're in a better position today than we were during our earnings call because of the work on tariff mitigation. But just as importantly, we've taken a fresh look at our cost structure and the results are promising. That is not included in our guidance, and it could be upside later in the year. But let me just talk a little bit about the cost initiatives.

We're looking at the productivity in our factories. Avner and I went to Monterrey earlier this quarter. We're really happy with the improvements being made there. We're focused on making sure they have steel and material in their first operations all of the time. We get a better flow through Monterrey. We have a lower average cost per pole, so to speak. We went to our El Dorado facility, same story. We're investing in CapEx for capacity, but it's also going to improve flow and improve our cost.

But it's not just in factories. We're looking at our back office; we're looking at our organization. We have an effort underway in corporate to take a look at let's do it zero-based, plus what really should be done in corporate, what should be done in segment, what should the cost of that be. And just as important, we're working with our suppliers. I'm really happy with the progress of our procurement teams on both steel, which we just talked about, but with our indirect. And when we look at these cost initiatives, altogether, they could be quite sizable, \$15 million to \$20 million once they're implemented. So, we're in the early stages of that work. But we feel that it's in a good place. And that's why we're pretty confident about our total year 2025 and beyond.

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**Christopher Moore**

*Analyst, CJS Securities, Inc.*

**Q**

Perfect. I'll leave it there. Thanks, guys.

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

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**Brent Thielman**

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

**Q**

Hey, great. Thanks. Good morning. Had a question on the Infrastructure segment. It sounds like pretty solid demand across the board in the US. But I was curious just on the international sales exposure that you have, are there some areas that you're monitoring? What's sort of handicapped in the guidance from a demand perspective for that business group in particular?

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**Avner M. Applbaum**

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

**A**

Hey, good morning. So, overall, we're a global company and we do operate in global markets. And what we noted in the call is we had a slow start to the year, mostly in our Asia-Pac, specifically in Australia. Coming into the year, we had a weak backlog mostly on the Lighting side, and it just took a while for that to pick up. And we are positively – we're happy about what we're seeing now in that business. The order rate has been improving in that region. And then on top of that, you're also seeing the Australian government spending more money in infrastructure that helps our business there as well. So, we're monitoring all the markets that we participate in. Our

results in Europe are actually pretty solid for the quarter. So, it's mostly around Australia. The Lighting is where I'd highlight, but we're presently – we're happy with what we're seeing that the order is trending today and that is all factored into our guidance.

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

Q

Okay. Appreciate that. And then, maybe just on Ag. Brazil had been a meaningful market for you in preceding years. It sounds like you're starting to see some green shoots there. Avner, I don't know if you can elaborate on maybe the order trends you're seeing in that market, if this is a true recovery or just some catch up. I know you had a tough year last year there, but just curious, any comments you have around Brazil.

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

A

Yeah. So, I mentioned we had the Brazil dealers here in Omaha last week. We actually had a great meeting and conversations with our dealers there. And we believe it kind of bottomed out in Brazil. And after a tough year, we're seeing stabilization. We're seeing order activity increasing into Q1. Q2 should also be a strong quarter for us. But, yeah, it's still not has recovered. I mean, the margins are still under pressure there. The EBITDA margins are not as high as they were in the past, but improving. They're still profitable. And we're investing with our dealers in our growth and the potential. And we know that that region will drive growth in the future.

In fact, I did have an opportunity to speak with a leading economist from Sao Paulo and a former executive from the Brazilian market. And while they're cautious about the short-term, very excited about the long-term. Even if there are more of these trade tensions between US and China, Brazil is going to benefit from that. The overall global demand is not going to decrease. And even if it stays the same, and the US farmers are negatively impacted, the Brazilian farmer will benefit from that. And they're investing there in infrastructure and in investments to support the growth.

So, we'll continue watching it. There's not a strong backlog there, but we're pleased with the order activity improving. And on top of that, we also have our Middle East Africa project pipeline. That is very strong. That is robust. We're having a strong year in that area around the food security, countries are continuing to invest there. So, I'd say even with a weaker North America environment, we should expect Brazil and the rest of the world to offset the weakness. Overall, pretty positive signs, and we'll keep on monitoring that.

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

Q

Very good. Thank you.

**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.

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

A

Good morning.

**Jon Braatz***Analyst, Kansas City Capital Associates*

Q

Avner or Tom, relative maybe what you were thinking early on in the year, is your expectation for the North American irrigation market a little weaker today than three months ago?

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

A

The short answer is yes. We're going to expect a tough environment. On this type of uncertainty, the US farmer, as we all know, he's going to wait on the sidelines. And we see that and we didn't expect to have a good year, and it's going to be a challenging year for us. Having said that, we're not going to sit on the sideline. We continue to invest. We're investing in technology. As I mentioned, we're very pleased with the early adoption of our AgSense 365 with our ICON solution, connecting more of our pivots, creating that ecosystem, providing the growers with value proposition, making sure their equipment is up and running when they need it, and irrigating optimally, and focusing with our strategic accounts. So, we're going to continue to invest. When the market recovers, we'll be ready to execute. But we should expect a tough year in North America in the Ag market.

**Jon Braatz***Analyst, Kansas City Capital Associates*

Q

Okay. Tom, just a point of clarification. You mentioned in the first quarter, tariffs cost you \$3 million. And your expectation for the full-year is for it to be cost neutral. Are you suggesting that you're going to recover those \$3 million in cost in the last three quarters of the year?

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

A

Yes. Yes.

**Jon Braatz***Analyst, Kansas City Capital Associates*

Q

Okay. Okay. So, tariffs are a positive then?

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

A

For the rest of the year.

**Jon Braatz***Analyst, Kansas City Capital Associates*

Q

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

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

A

Yeah. I'll just add a little bit more color on the tariffs because that would be top of mind. I do want to point out and use this opportunity that I'm very pleased with the work our teams have done to manage the impact of tariffs. They operated with a sense of urgency. Tariff is not new to us. We've been dealing with tariffs as a global company for decades. And we just got on it and Tom gave all the detail about mitigating it. But as you think about us as a company and with our presence in North America, I mean, our engineered structures, they're heavy, right? So if you think about it – but that was by definition. We're not going to be importing things from around the

world. So our footprint here is in North America to support North America. We took these actions to Local for Local, and overall mitigating very well. So I do want to use that opportunity just to say, very nice job by the team mitigating it.

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**Jon Braatz**

*Analyst, Kansas City Capital Associates*



Okay. Thank you.

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

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**Brian Drab**

*Analyst, William Blair & Co. LLC*



Hi. Thanks for taking my questions. I first want to see if you could just put a finer point on the expectation for volume growth in Utility and L&T this year. And specifically, what does the highway market look like in 2025? And should we stop asking about are we going to see impact from the highway portion of the Infrastructure Bill, or is this the year?

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**Avner M. Applbaum**

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



Yeah. I'll put up with the high level. For the growth for the year for Valmont, we have high level of confidence in our forecast. So I'll just give you the main factors as why we feel confident of our growth. We're going into – we have \$1.5 billion of backlog, which has increased over the quarter, just reflecting the strong demand we have in the Utility space in our projects in Middle East. On top of that, we continue to invest in capacity. Our capacity investments, they are ramping up. They're going to support our growth as well, specifically, on the Lighting and Transportation, right?

The Lighting activity we started off, we had a slow start to the year, but the order rate has been improving for us. So that is a positive sign. Although the Lighting business will be impacted over the long-term from a pressure around for recession is to have. Around the Transportation, that's been solid, solid demand for us over the last several years. To your point, how much of that is driven by the Infrastructure Act? It's hard to see exactly, but that does support a continued strength for us in that business. And overall, we mentioned the pricing, the actions that we took that supports our outlook.

So overall, it's a dynamic environment. So we'll keep on managing and monitoring, but a lot of our business, they have long-term drivers and long-term megatrends, and those are not changing. The need for energy, connectivity, hardening, food security, water scarcity, all those long-term drivers are there, and we're operating with discipline and we're positioned to capitalize on them and continue to drive growth.

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**Brian Drab**

*Analyst, William Blair & Co. LLC*



Okay. Thank you. I'm just trying to gauge which of your businesses are – what your expectation is for volume growth or decline in the businesses in 2025 just because – you're forecasting sales to be flat for the year, really, at the midpoint. And I know the strength – you were talking about the strength in some segments and soft in domestic irrigation. So like, for example, I guess domestic irrigation is going to be down volume, but international irrigation is going to be up with the strong international project activity and Brazil recovering. I just don't know, on the Infrastructure side, can you make any – more precise comments on what your expectation is for volume growth or decline? Are we expecting – because we just started off the year down for L&T significantly. Is that a

business that we think by the end of the year can actually see volume growth, or is it going to have a challenged year? And I'm just wondering that for all the sub-segments.

**Avner M. Applbaum**

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

A

Yeah. I'll just give you a high level. When you look at the Infrastructure, we should expect mid-single digit volume growth for the Infrastructure. With the exception of Solar, we should see growth in each one of those businesses on the volume side and, overall, very close to our long-term targets of mid-single digit plus. And that is after accounting from some of the de-selections we've done last year, the strategic de-selections, to improve our business performance with FX headwind. So overall, we should have a good volume growth and sales growth in Infrastructure. So hopefully that answers your question.

**Brian Drab**

*Analyst, William Blair & Co. LLC*

Q

Okay. And then, the last question I have is, how has your – if you could give us any insight into how your impression of your tariff situation, your USMCA compliance, has changed given that you did highlight you have significant shipments from Mexico into the US. And first you thought there wouldn't be tariff if it was US Steel, then maybe it was going to be tariff if it's US Steel. Now, how has – what has changed in the clarity you've been given in terms of USMCA compliance, I guess? And, I don't know, just any insight into how that has played out and your impression of those rules that you have to play by.

**Thomas Liguori**

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

A

Brian, our Mexico operations are USMCA compliant. We feel very good about that. And I would just add, we're all concerned about the economy. We're all concerned about tariffs. And every day we come into work and we manage the tariffs and we manage our cost. And if events change going forward, well, we manage the tariffs going forward. So, while we come in every day to look at tariffs and costs, we're focused on the long-term. And I think that's something that we really want to get across in the call. Think about everything that we've talked about just on the call so far. We talked about cost work that could be \$20 million or above. We've talked about expanding capacity to be able to meet this volume growth in Utility. And every time we spend \$100 million, we'll get \$1 of EPS going forward.

We're actively repurchasing our shares. Our share repurchase authorization is \$700 million. That's over 10% of our market cap, especially today. And we know we have some upside in international Ag. And that's both on our tech products and more so. We feel that we're managing through the near-term. We're concerned about the economy. We think we're putting in actions that are very accretive to EPS over the next two to three years. And we don't need a great economy to be accretive to EPS. We have a decent economy and that's why we feel pretty good about this.

**Brian Drab**

*Analyst, William Blair & Co. LLC*

Q

Got it. Thank you very much.

**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.

**Unverified Participant**

This release contains 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 industry 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. 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.

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

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