X` CONSTRUCTION PARTNERS

2023 10-K:

Primary Operations:

1. manufacturing and distributing hot mix asphalt internal use and sales to third parties in connection with construction projects
2. Paving activities, including the construction of roadway base layers and application of asphalt pavement
3. site development, including the installation of utility and drainage systems
4. mining aggregates, such as sand, gravel and construction stone, that are used as raw materials in the production of HMA and for sales to third parties

Acquisition Growth Strategy. HMA Paving and Construction Industry

2023 Developments:

1. Five acquisitions across four states, added 8 asphalt plants

Totaled $92 million

Disposal of a quarry

Totaled $37 million in cash proceed & facility exchange of $5.4 million

1. Inflation. Inflation severely impacted the cost of inputs of ROAD, including the wage costs and costs of raw materials to make HMA

Our Industry:

Highway & Road Construction Industry, Asphalt Paving Materials and Services Segment

Rapid Growth Driven by the Department of Transportation Budget

Non-Discretionary Industry, heavily rely on govt policies

Operations Primarily across Alabama, Florida, Georgia, North Carolina, South Carolina, and Tennessee

Customers: 63% Publicly Funded Projects, 37% Privately Funded Projects (with diversification in contracts)

Type of Contracts: Public Projects: Primarily Fixed Unit Price Contracts

 Private Projects: Primary Fixed total Price Contracts

**“Contract Backlog”:** is a financial measure that generally reflects the dollar value of work that the Company expects to perform in the future. We generally include a construction project in our contract backlog at the time it is awarded and to the extent we believe funding is probable. Our backlog generally consists of uncompleted work on contracts in progress and contracts for which we have executed a contract but have not commenced the work.

Competition: Competition is constrained in our industry because participants are limited by the distance that materials can be efficiently transported, resulting in a fragmented market with thousands of participants nationwide, many of which are local or regional operators.

Competition Factors**:** price, estimating abilities, knowledge of local markets and conditions, project management, financial strength, reputation for quality, aggregate materials availability and machinery and equipment

Seasonality: Severe weather conditions may impact performance, since activities are conducted outdoors. Material Production & Shipment happen in Spring, Summer, and Autumn. Warmer and Drier conditions in the Third and Fourth fiscal Quarters result in higher level of activities and revenue. Not CYCLICAL !!!

(40/60% Rev, 30/70% Adj. EBITDA distribution in first, second half of year)

Raw Materials to Purchase: Diesel fuel, Liquid Asphalt, other petrol-based materials, sand, rock.

Risk Factors:

1. Slow down in economy, southeastern US in particular
2. Govt policies on infrastructure & federal fundings
3. Loss of competitiveness to bid for state DOTs contracts
4. Inflation and supply chain disruptions
5. Profitability is sensitive to volume, high capital intensity & high proportion of FIXED COSTS & SEMI-FIXED COSTS

Investor Day Presentation (Oct 23):

ROAD MAP 27: (exceeded the upside of 5-year IPO target)

* CAGR: 15%-20% Revenue Growth from 23-27, $2.7-3.2 bn by 2027
* Adjusted EBITDA Margin: 13%-14% (+50-75 bps annually)
* Net Income +34%-38% CAGR

Focused on “short duration, low risk projects” (69%, $0-1 mm projects)

Growth Avenues:

-Organic

-Greenfield (vertical integration, sales of HMA)

-Acquisitive

DoT Fundings:

Funding for pavement-related infrastructure by DoT each year (track, also Trump terms)

Initial FY24 Guidance:

$1.75-1.825 bn Revenue Growth (+15%), $63-70 mm Income Growth (+41%)

Adjusted EBITDA $197-219 mm (+22%), Adjusted EBITDA Margin 11.3%-12.0% (+6%)

* IPO 5 Year Plan

Annual Revenue Growth: Single- Low Double Digits (17.6% act.)

Achieve Revenue above $1 billion (1.3 bn in 2022)

122% (growth in number of distinct local market)

19 acquisitions

Conference

70%, 80% of work tend to be maintenance related work

Economists mentioned in the southern US, 60% maintenance & 40% increase capacity widening, much higher widening than Northeastern US due to migration to the southern US.

Organize labor in local markets (currently 72, overseen by a management team in the local market, who face recurring revenue work and repeat customers)

SG&A pipeline: expect 8 to 10 basis points per year shrink as a percentage of revenue

A third of the margin expansion from SG&A and two-thirds from the gross margin

Around half/half growth for organic & acquisitive

* Don’t need to worry about acquisitive part, worry about organic part
* Target: 3%-6% real organic growth, 4% growth in price (7%-10% each year)

5% net capex of rev. per year (3.25% fixed maintenance, 1.75% flexible with upside variation)

FY24 Q2 Conference Call

Revenue Growth 14.3%, 6.6% organic, 7.7% acquisition

Growth Profit 10.4% of revenue, up from 8.1% in Q2 2023

80%-85% of next 12 months contract revenue booked in backlog,

up from 70%-75% last year

Backlog has declined sequentially during our heavy spring and summer work seasons

Debt-EBITDA 1.81, expect to be within 1.5-2.5 range for sustainable growth

FY24 Net Capex: Expect $90 mm - $95 mm

Raise Guidance: Rev. $1.81-1.85 bn, Net Income $71-75mn, Adj. EBITDA 211-225mm, Margin 11.7%-12.2% (expect similar distribution of Rev and EBITDA as FY23)

Growth in the price of infrastructure projects

Our backlog has trended up, which gives CPI more visibility and allows them to bid more patiently

Still seeing good gross margin expansion

75% to 80% conversion of EBITDA to cash flow from operations, still considering that conversion rate in the second half ($95 million cash from operations)

Historically has had sequentially backlog go down in the busy summer work season

FY24 Q3 Conference Call

Revenue Growth 22.7%, 13% organic, 9.7% acquisition

Growth Profit +30%

SG&A is on pace to end at approximately 8% of revenue

Adjusted EBITDA margin 14.1%

Backlog $1.86 million, 80%-85% of next 12 months contract revenue booked in backlog, up from 70%-75% last year (15 quarters of sequential increase)

Raise Guidance: Rev. $1.835 – 1.86 bn, Net Income $73.5 – 76 mn, Adj. EBITDA 219-228 mn, Margin 11.9%-12.3%

Stable & Strong economy and demand within the industry

% of Public backlog increased from 65% to 67% or 68%. IIJA now in full gear, as the second year the govt is really using the money. Expect this to come through to the P&L in the next 12 months.

“won’t put unannounced M&A into Guidance for FY25.”

Three Levers of Margin Expansion:

1. Build better market & able to put more money on the bids (patience at the bidding table, mentioned when having more % of revenue built into backlog)
2. Vertical integration
3. Scale

All three are contributing & working together

People matters much more than machines in raising productivity

Not being worried too much about slowdown in private (which has not seen any slowdown) if slowdown, just shift to public

Participating megaprojects as subcontractor (those that come with IIJA)