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MANAGEMENT DISCUSSION

Callie A. Tomasso
Vice President, Investor Relations, Dycom Industries, Inc.

Thank you, Operator, and good morning, everyone. Welcome to Dycom's second quarter fiscal 2026 results conference call. Joining me today are Dan Peyovich, our President & Chief Executive Officer, and Drew DeFerrari, our Chief Financial Officer.

Earlier this morning, we released our fiscal 2026 second quarter results, along with certain outlook information. The press release and accompanying materials are available in the Investor Relations section of our website. Today's discussion will include forward-looking statements, made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements reflect our expectations, assumptions, and beliefs regarding future events and are subject to risks and uncertainties that could cause actual results to differ materially. A detailed discussion of these risks and uncertainties is included in our filings with the SEC. Forward-looking statements are made as of today's date, and we undertake no obligation to update them.

Additionally, we will reference certain non-GAAP financial measures during today's call. Explanations of these measures and reconciliations to the most directly comparable GAAP measures can be found in our press release and accompanying materials. With that, I will turn the call over to Dan Peyovich.

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Thank you, Callie, and good morning, everyone. We appreciate you joining us today.

This quarter, we demonstrated the power of our strategy as we continue to execute against a rapidly expanding addressable market. We delivered a quarter of record revenue within our range of expectations and record EBITDA and EPS that exceeded our expectations, a direct result of operating leverage, increased efficiencies and a disciplined focus on operational excellence.

Our revenue for the quarter was $1.38 billion, a 14.5% increase over the prior year. This top-line growth, combined with our strategic initiatives, drove Adjusted EBITDA to $205.5 million, representing a 14.9% margin, and a 29.8% increase over the prior year. Our commitment to efficient cash flow management also paid off, as we improved our DSOs by nine days year-over-year, ending the quarter at 108 days.

We finished the quarter with total backlog of $8.0 billion and Next-Twelve-Months backlog of $4.6 billion. This represents a year-over-year increase of 16.9% and 20.2%, respectively. We continue to cultivate a healthy pipeline in diverse customer and program opportunities. As a reminder, the size and complexity of these opportunities can lead to short-term variation in reported backlog resulting from the timing of when contracts are signed. With that in mind, shortly after the quarter's close, we secured a significant new award for both service and maintenance and FTTH work across numerous states. This award will be reported in our Q3 backlog and is a clear testament to Dycom's breadth of capabilities across our national footprint.

We continue to see a marketplace of unprecedented opportunity as our customers' ambitious plans grow. The increasing addressable market, coupled with our proven ability to execute, bolster our confidence to achieve our full-year growth target. As a result, we are reaffirming our fiscal 2026 revenue outlook range of $5.290 billion to $5.425 billion.

The demand for digital infrastructure is accelerating, and Dycom is uniquely positioned to lead. Our customers are actively seeking partners with the scale and national reach to meet their ambitious goals.

Shortly after the Q1 earnings call, AT&T and Lumen announced AT&T's acquisition of the majority of Lumen's Mass Market segment. With this announcement, both companies affirmed their current fiber-to-the-home build projections for calendar 2025, and AT&T increased their total expected fiber-to-the-home passings to 60 million, an increase of 10 million from their prior expectations, now incorporating the Lumen footprint. Collectively, our customers' fiber-to-the-home build plans comprise over 125 million passings, more than 50 million of which are incremental in the past 16 months. While the pace of these builds is not always linear, the opportunities for continued growth over the coming years are significant, and we continue to believe will extend well beyond 2030. It's important to note that beyond the market growth we're anticipating, we also expect to realize incremental opportunities driven by the shift we've seen among our customers to consolidate their engineering, construction and service and maintenance partners. We continue to strengthen our portfolio, and this quarter, extended fiber-to-the-home agreements and secured new fiber-to-the-home markets across numerous customers.

Our service and maintenance business is the cornerstone of our strategy, providing stability and a recurring revenue stream. It continues to grow, with meaningful new awards that extend our footprint and deepen our customer relationships. The infrastructure we build today becomes the service and maintenance work of tomorrow. We believe our ability to rapidly respond to our customers' needs across all 50 states is unmatched, and this business provides a strong foundation for all our other demand drivers. During the quarter, we extended key service and maintenance agreements and were awarded new markets by multiple customers.

In the wireless space, there is optimism that new spectrum availability and emerging AI workloads will spur further wireless equipment upgrades and densification. Our current equipment replacement work continues to deliver above expectations and positions us well for future wireless opportunities as these trends develop.

Shifting to BEAD, we anticipate we'll get more clarity on the program in the coming months when the NTIA provides its final approval on the individual states' plans. We're encouraged by the discussions we're hearing and early announcements from several states, which continue to emphasize fiber infrastructure as the preferred solution. We believe that once the plans are finalized, there will be significant opportunity for Dycom.

As we've said, we haven't included any potential revenue from the BEAD program in our current outlook. Our projections for growth in the coming years are supported by other strong demand drivers within the industry and we believe these existing opportunities provide a substantial foundation for our anticipated growth.

The demand for digital infrastructure that powers the AI revolution continues to grow at an incredible rate. We're seeing this firsthand in the market. The top hyperscalers have once again collectively raised their capital expenditure expectations for this year and next, driven by significant increases in AI-related investments across the country.

The trend is just beginning. Analysts estimate that by 2035, U.S. power demand from AI data centers will grow more than thirtyfold, reaching 123 gigawatts from just 4 gigawatts in 2024. This translates to an estimated $1 trillion or more of investment in U.S. data center infrastructure alone.

While a large portion of that will go to power infrastructure and the data center buildings themselves, a massive amount of fiber infrastructure will be required. This includes connecting new data centers and upgrading existing pathways to meet the current and future needs of AI. Specifically, this means a need for substantial increases in fiber capacity, the build-out of ultra-low latency networks, diverse routing to ensure uptime, and a shift toward building data centers at the edge to support inference and agentic AI.

This presents a significant opportunity for Dycom, and we believe we are uniquely positioned to capitalize on it. Our combination of scale and focused expertise is a distinct advantage given the complexity of these builds and the speed of delivery required. We believe this build cycle will extend deep into the next decade, with annual investments increasing over time.

We estimate the addressable market for Dycom from the spend on outside-plant data center network infrastructure is over $20 billion for the next five years alone, with spend backloaded over that period, and likely increasing further as we enter the next decade.

Our engagement with both the carriers and hyperscalers on this front is only increasing. We believe we are in the very early stages of a generational deployment of digital infrastructure, and we expect construction of outside-plant data center networks to ramp up in calendar year 2026, with significant growth in 2027 and beyond.

On this front, I am pleased to report that during the quarter, we were awarded another "inside-the-fence" opportunity with a hyperscaler. Separately, we were also awarded a service and maintenance agreement with a different hyperscaler. While we can't go into specifics, this represents an opportunity for recurring revenue and involves work that is not performed or managed by our traditional carrier customers.

Our success is fundamentally tied to our highly skilled workforce. We've built a time-tested approach that we believe is a key differentiator for Dycom.

We are intensely focused on developing our own talent. We invest significantly in recruiting, training and retaining our workforce, providing clear career paths and a commitment to upskilling and promoting from within, which is a key part of our culture. Exemplifying this, most of our operational leaders started in the field, which gives us an unmatched level of deep, hands-on expertise.

It is important to gain a clear understanding of growth opportunities and customer needs and we are in constant conversation with our customers and other industry partners to ensure we stay one step ahead with our labor forces, as well as our fleet and equipment.

Our strategy means we have the right people and the right equipment at the ready to execute our customers' ambitious plans, now and in the future, and, we believe, provides a strong competitive advantage in a demanding market.

Moving to the macro-economic environment, the passing of the “Big, Beautiful Bill Act” has spurred additional investment by our customers. Several have stated they intend to accelerate their already rapid pace of investment by reinvesting capital from cash tax savings into their builds in the coming years.

Additionally, other positive policy initiatives are underway with the primary focus of streamlining permitting processes across infrastructure sectors. Specific to digital infrastructure, as proposed these initiatives would reduce costs of deployment for networks and accelerate both ramp and build cycles.

Lastly, while tariffs continue to be fluid, we are not seeing significant impacts on our business or our customers’ forecasted build programs. We are watching this closely and have regular discussions throughout the supply chain.

In summary, our strategy is clear, and this quarter we made significant progress against our goals. We meaningfully improved our margins through operating leverage and by driving operational efficiency, and our focus on effective cash flow management has led to lower DSOs and an increased Operating Cash Flow. We've also continued to build a diverse backlog that strikes the right balance between risk and shareholder returns. Most importantly, we've capitalized on strong growth opportunities, driving a 14.5% increase in revenue over the prior year. Throughout all this, we've maintained a level of service for our customers and communities that we believe sets the industry standard, from day-one to day-done.

Looking ahead to the second half of the year, our commitment to this strategy remains unwavering. We've already secured meaningful awards in our service and maintenance business, which bolsters our other demand drivers. The overall addressable market is robust and the industry growth ahead of us, across numerous drivers, is unprecedented. We are well positioned to achieve our full-year growth target and remain squarely focused on creating long-term value for our shareholders and providing long-term opportunities for our people.

I want to personally thank all our teammates for their dedication to safety, quality, and to each other every single day.

I’d also like to thank our customers for their continued trust and confidence in our team’s capabilities. We are steadfast in our commitment to constantly raise the bar to meet and exceed their expectations as we pursue our vision to be the people connecting America.

With that, I'll turn the call over to Drew for a financial review.

H. Andrew DeFerrari
Senior Vice President & Chief Financial Officer, Dycom Industries, Inc.

Thanks Dan and good morning everyone. Total contract revenues of $1.378 billion grew 14.5% over Q2 of last year. Revenues were driven by continued execution of fiber-to-the-home programs, wireless activity, maintenance and operations services and initial revenue contribution from fiber infrastructure programs for hyperscalers.

Adjusted EBITDA of $205.5 million increased 29.8% over Q2-25 and we outperformed the high end of our expectations. Adjusted EBITDA was 14.9% of contract revenues, an increase of 175 bps as a percentage of contract revenues over Q2-25 as we performed well and continued to benefit from operating leverage in the quarter. Net income was $97.5 million and diluted EPS was $3.33 per share, also exceeding the high end of our expectations.

We are pleased with the strength of our relationships and diversification across our customer base. AT&T and Lumen each exceeded 10% of total revenues for the quarter. AT&T was at $373.0 million and Lumen was at $155.4 million of revenue. Customers exceeding 5% of total revenues for the quarter were Brightspeed, Charter, Comcast, Frontier, Verizon and an unnamed customer.

Backlog at the end of Q2 was $7.989 billion, including $4.604 billion that is expected to be completed in the next 12 months. As Dan highlighted, subsequent to the end of the quarter we secured a significant new award for both service and maintenance and FTTH work across numerous states that will be reported in our Q3 backlog.

Operating cash flows of $57.4 million were solid in the quarter. The combined DSOs of accounts receivable and contract assets, net improved to 108 days, a reduction of 9 days from Q2-25. We are pleased with this year-over-year reduction and continue to see opportunities for further improvement as strong cash flows remain a key focus area for the Company.

Recent corporate tax legislation is expected to have positive impacts on our customers and Dycom. Specifically, the legislation reinstates 100% bonus depreciation for property acquired and placed in service earlier this year and restores immediate deductibility of domestic research and experimental expenditures. These pro-investment policies are expected to provide a significant increase in cash flow for many of our customers leading to incremental capital spending and an uplift in fiber broadband deployment.

For Dycom, we also expect a free cash flow benefit this year from a reduction in our cash tax payments by approximately $50 million compared to the amount that would have been required prior to enactment of the legislation.

We are observing strong demand across a diverse set of industry drivers, creating significant opportunities for our Company. We are reaffirming our full-year fiscal 2026 revenue outlook range of $5.290 billion to $5.425 billion.

For our Q3 of fiscal 2026 outlook, we expect, contract revenues of $1.38 billion to $1.43 billion, Adjusted EBITDA of $198 million to $213 million, and diluted EPS of $3.03 to $3.36 per share.

With our 15,800 employees dedicated to serving customers and connecting America, we are confident in our ability to execute our strategy and we look forward to the opportunities ahead.

Operator, this concludes our prepared remarks. You may now open the call for questions.

QUESTION AND ANSWER SECTION

Operator

Thank you. [Operator Instructions] Please stand by while we compile the Q&A roster. And our first question will come from Richard Choe from JPMorgan. Your line is open.

Richard Choe
Analyst, JPMorgan Securities LLC

Hi. I wanted to go over for the second quarter, kind of what, I guess didn't come through and led to the low end of guidance for revenue. And then also for given the third quarter guidance and full year guidance, what should the rest of the year look like? And is there going to be less seasonality in the fourth quarter given where the guidance ranges are?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Good morning, Richard. To start with, we're very pleased with our performance on both revenue and certainly margin and cash flow improvement for Q2. If you look at revenue, we talked earlier in the year about how these different programs from the customers, especially the Fiber-to-the-Home programs; there are different stages of ramp. I think commonly people think that the programs themselves are at some kind of plane, but for the most part, the programs are ramping. How those ramps come together is really what impacts the quarter.

So, in the short-term as we've talked about, in the short-term, it doesn't really mean anything other than just the modulation of the programs themselves. In the long term, as you heard in my prepared remarks, over 50 million incremental passings in the last sixteen months added by our customers, we continue to capitalize not only extending current agreements, but adding in new agreements, especially for Fiber-to-Home builds. So, very optimistic about that.

You see that in our reaffirming the full year guide. You see that certainly in our backlog overall. I would point to the next 12-month backlog up 20%, a little over 20% year over year. So, a lot of momentum in the business. Highly optimistic about how we conclude the year. I think a little bit of leveling between Q3 and Q4 and the outlook, but again, if you look to the margins and our ability to maintain that, you see that in Q3 outlook as well.

Richard Choe
Analyst, JPMorgan Securities LLC

And the follow-up on the margins, I mean, really high-end guidance again is for the next quarter. Should we expect this level of margins kind of going forward? And what has the change been because margins have generally been a little bit more modest than this?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

You've seen, you've seen our margins improving over time, really for some time now. You know, we're very pleased with the outperform that we had, comes from a couple of things. One, operating leverage, of course. I've talked about that, sometimes it comes through drops to the bottom line. Other times we're strategically reinvesting that to continue to propel our growth. But what I would really like to point out this quarter is the operational efficiencies we're building into the business.

If you look at the incremental margin increase, a large part of that comes from the work that we've been putting in, the discipline that we have out in the field, our ability to execute, deliver the quality of product that we're delivering time and time again for our customers. We think that differentiates us in the industry, but as you can see as well, it's really starting to come through to margins.

So, if you think about margins, if you think about cash flow, we look at those as durable outcomes over time, not always going to be linear. We do have seasonality that comes into play, but the short answer to your question is, yes, we strongly believe in the margins we've been able to produce, the return to our shareholders. And I would add that as we look towards the future, we see further opportunities for improvement there.

Richard Choe
Analyst, JPMorgan Securities LLC

Great. Thank you. Thank you.

Operator

Thank you. Our next question will come from Alex Waters from BofA. Your line is open.

Alexander Waters
Analyst, BofA Securities, Inc.

Hey, good morning, guys. Thanks for taking my question. Maybe just number one, backing off of Richard's question here. With the 2Q performance, was it kind of the smaller private guys that maybe are slipping a little bit into the second half of the of the year here? And then maybe just on the wireless side, obviously really strong quarter in terms of revenues. How should we kind of expect this business to continue to ramp and even into kind of calendar 2026 here? Thanks.

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Sure. On revenue, so as I mentioned, Alex, the programs, just as much as we like to think that these are all very linear things or linear and increasing, they're stacking up in some cases tens of thousands of individual work orders. So, if you look at it on a micro level, quarter-over-quarter, month-over-month, there is actually more movement that you would expect. We had a couple of customers that the programs were a little bit lighter in Q2. As you can see as we look out for the full year maintaining our full year guide, that we still see a lot of growth there.

And I'd really just like to point to, there's a ton of momentum in the business, a ton of momentum both on backlog, certainly on performance, 14.5% at our size continued growth is considerable and we see that continuing. We certainly see that continuing in what you see for the next two quarters, but we see significant opportunities to continue that growth well into next year. On wireless specifically, it's been great work for us. It's been ahead of expectations. I would tell you that the aggregate amount of what we acquired, that total business had increased. So, it's not just a pull forward, we're actually going to do more work.

So, we will – by the way, we will also lap I think we just quite literally hit the one year mark from acquiring that business. So, we will lap next quarter to bring that inside as organic, but great business. We'll continue to perform certainly this year and that program has at least two more years on it.

Alexander Waters
Analyst, BofA Securities, Inc.

Thanks. And just a quick follow-up on the wireless. Is it mainly just the O-RAN work that you're doing or are you seeing any kind of incremental deployments from the carriers?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah, it continues to be the equipment replacements. And as we said, great work for us. It sets us up really well. And you heard in my prepared remarks, we will see kind of timing potentials around densification, but it's great to see some commentary there, some optimism coming through. I think we're very well positioned to be able to pivot into that if it does come through.

Alexander Waters
Analyst, BofA Securities, Inc.

Perfect. Thanks, Dan.

Operator

Thank you. Our next question will come from Frank Louthan from Raymond James. Your line is open.

Frank G. Louthan
Analyst, Raymond James & Associates, Inc.

Great. Thank you. Can you give us an update on the percentage of your revenue of your current business that's recurring in nature, recurring revenue? And then where do you see that going over the next couple of years? How much higher can that go? And then can you give us an idea of the data center opportunity that's embedded in your backlog? Thanks.

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah. I'm going to read your comment on recurring, Frank. I think you're talking about our service and maintenance business. The bulk of our work, over 80% is on MSAs, So, technically is repeatable, but we talked last quarter about specifically the service and maintenance business which historically has been over half of our business. We had both in the quarter, you heard me talk about additional awards, extensions, also new market awards and it's a really important point.

As we continue to put more plant in ground, as we continue to expand into new markets, that only grows. And as I said in the call, the fiber that we're putting in the ground today is the maintenance work of tomorrow. And that really is the case. So, we're very pleased with that. I talked about, subsequent to the quarter, another large award that also includes service and maintenance. So overall, that's a large amount of repeatable recurring opportunity and we see that continuing to grow over time.

And then on the hyperscalers side, you also heard now some service and maintenance work coming there. So again, another opportunity for recurring revenue. And as you heard, one, I think in just generally sizing the market, we thought that was important for investors as we get more and more insight, we're having more conversations. Our confidence in the opportunity set there grows -- $20 billion over the next five years we really think is just a starting point. If you had asked six months ago, that number would have been less. I think six months from now, the way things are trending, that number is going to be even more. So, I think that $20 billion is conservative and I believe that Dycom is very well positioned to be able to continue to capitalize.

The breadth that we have, the relationships with both our carrier customers and the hyperscalers and ultimately that all of our customers collectively, they want a national partner. They want a scaled partner that can continue to execute and deliver on expectations time and time again. So, there's a need to be filled. So, excited about that. Not sure if I answered your question entirely on the data center side, but we capitalized well, Frank, and believe we can continue to do that in future.

Frank G. Louthan
Analyst, Raymond James & Associates, Inc.

All right, great. And then are you able to update your backlog with the recent award that you have? Can you give us an idea of the magnitude of that?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah. We don't like to size specific opportunities, but what I would say is we have a very strong backlog quarter in Q3 shaping up already.

Frank G. Louthan
Analyst, Raymond James & Associates, Inc.

All right. Great. That's helpful. Thank you very much.

Operator

Thank you. Our next question will come from Sangita Jain from KeyBanc. Your line is open.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Hi. Good morning. Thank you for taking my questions. So can I ask one on the inside-the-fence data center opportunity? You mentioned one last quarter. Just want to know if that made it into bookings into in 2Q and how the opportunity that you mentioned today compares in size to the one that you mentioned last quarter?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Absolutely. So that's correct, Sangita. The last quarter in our backlog, we had awards for inside-the-fence work. This quarter, we have new awards. I would point out things are different – in different places. I can't be too specific, but they're at different places. So, it's not just extending something that we already had, and we really see – we're just very early in kind of entering into that opportunity set. And important to point out the conversations we're having with the hyperscalers is, they're looking for somebody like Dycom to come in across multiple geographies, across data center campuses to really give them that level of certainty that they're looking for. So, we're pleased with the awards. It's still a very early game there.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Did you book the one from last quarter in this quarter? And just like you expect to book the one that you just talked about in next quarter?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

So, the backlog that we showed for Q2 includes all of the inside-the-fence awards that we have today.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Okay. Got it. And then just a follow up on the comment in your presentation about the significant new award. I know you don't want to quantify it, but how should we think about that? Is it MSA related? Is it something different? Just curious, because you've pointed it out.

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Absolutely. So, this is a long-term customer that we know well, very pleased to [indiscernible] opportunity set. It is multi-state, multi-year, includes both Fiber-to-the-Home work with an aggressive build schedule as you would imagine, which is common across all of our customers and also service and maintenance work. So, very pleased with the award. It is significant and will hit our backlog in this coming quarter.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Great. Thank you so much.

Operator

Thank you. Our next question will come from Eric Luebchow from Wells Fargo. Your line is open.

Eric Luebchow
Analyst, Wells Fargo Securities LLC

Hi, great. Thanks for taking the question. Dan, I'm curious, talking to some of your larger carrier customers that have benefited from tax reform in the recent bill. Are you having early conversations about accelerating work with them as they reinvest some of the cash tax savings into the business? And do you think that shows up more next year or in subsequent years versus the second half? I'm not sure there'll be a whole lot they can do in such a short period of time, but how do you think that flows in some of these incremental builds that we talked about that we've heard about from tax reform?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah. It's an excellent point, Eric. And again, I would go back to so many of these programs are still in some level of ramp, there's very few that are up on plane. Many of our customers have continued to increase absent, and I'll certainly get to the tax reform, but even absent that, we continue to see increases in expected passings from our customers. So many of the programs are already ramping.

To answer your question directly, yes, we've had customers that certainly publicly have talked about reinvesting that capital. We think most of that will come through starting in next calendar year, but already having many of those conversations and it really just goes in line with a lot of the current conversations around ramp and opportunities. So, I can't say enough about the momentum there, our ability to capitalize on that, and really believe that those are going to come through, but again, not only in the back half of this year, but coming into next year.

Eric Luebchow
Analyst, Wells Fargo Securities LLC

Okay, great. Just one follow-up here. I know you mentioned your DSOs have improved a lot. You see continued room to improve them. So, as we think about operating cash potentially ramping, how are you prioritizing potential? I know reinvesting in the business is number one, but opportunities in the M&A market to acquire other platforms versus buying back your own stock. What are you seeing out there today and how are you thinking about allocating excess capital?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah, first, we said from the outset as part of our overall strategy that improving our cash is a priority. It's something we've been working hard on in the business building in disciplines, always looking for opportunities for improvement. And you see that, our DSOs improved nine days year-over-year. That's significant in our space, very happy with our results and believe that there's more opportunity there, to include operating cash flow as well.

As far as reinvesting, as we've talked about, the first thing is to support the growth. We've got still considerable growth coming into the business in the back half of this year. I talked about the momentum, making sure that we can stay ahead overall. It's always going to be the first priority.

To your point, yes, absolutely. We have an appetite for M&A. You've seen that we've been active there over the past couple of years now. It really comes down to do the opportunities out there fit our strategy, do they fit in our culture and where those make sense and we can create additional value for our shareholders that's absolutely something that we're showing interest in and spending time in that space. And then, as you mentioned, we balance that against share repurchases when those make sense too.

Eric Luebchow
Analyst, Wells Fargo Securities LLC

Yeah. Thanks, Dan.

Operator

Thank you. Our next question will come from Steven Fisher from UBS. Your line is open.

Steven Fisher
Analyst, UBS Securities LLC

Thanks. Good morning. Just to start on the revenues, curious about the visibility you have to the Q4 revenues at this point, what are the go gets from here that you still need to book to hit those implied Q4 numbers? And what are the types of things that are driving the accelerating growth later in the year? Is it really just that kind of the first half, second half comparisons from last year on the Fiber-to-the-Home programs? Or is it more that you've got these data center wins that are that are driving that?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah. Thanks, Steve. Good question. So, one, we're not going to give a full guide into Q4. We've obviously given the full year revenue guide. So, I don't think the math is too difficult to figure out where we're trending and where we're heading. What I would tell you is this confidence in the business. We've done very well with awards this year. You've seen that we've not only been able to increase incrementally our backlog both next-12 and full year as we've moved along, but we've increased margins within that as well. So, we're competing well, we're capitalizing well on opportunities. And as I said, so many of these programs are ramping. The Fiber-to-the-Home, still plenty of opportunities continue to ramp that, continued opportunity for us to secure additional markets.

If you look towards the back half of the year, there's not something that we're out there trying to capture that we don't have visibility to today. So that gives us confidence in the overall number. There's obviously weather that can happen in Q4, so we think about that. You've got the extra week that's included in there that obviously plays a part in the overall number. But again, a lot of momentum, a lot of confidence overall, and we feel good about how we're set up and how we're positioned and how we've been showing our ability to capitalize.

Steven Fisher
Analyst, UBS Securities LLC

That's very helpful. And then just a bigger picture question on margins, just curious, and it feels like they compared to a year ago or so, perhaps back at the time, it seemed like it was more of a revenue growth opportunity. And now in recent quarters, the narrative around margins is really evolving and filtering through as you deliver on that.

And it sounds like operational leverage and efficiencies, I guess I'm curious, number one, how should we think about this evolution of the margin narrative? Is it more – is my impression correct that there's maybe more of a margin narrative than you were thinking, say, a year ago? And are you getting – if that's correct, that you're getting better efficiencies than you would have thought? Is the perhaps the growth happening at a more manageable pace that you can better align the head count with the needs, so the operating leverage is coming through better than you might have thought?

And then just thinking about how we actually model this, is it given the talk about operating leverage, should we be looking at this on an incremental margin basis year-over-year? Is it a number of basis points year-over-year in terms of margin improvement? Just kind of curious how to, I know that's a lot, but just curious how to think about the margins in a bigger picture sense.

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

So, obviously pleased with our margin performance. We've talked about throughout the year the opportunities for continued margin improvement and growth. As you mentioned, we talked about two different ways. One, certainly operating leverage that is coming through the business. You can see that in the margins. Sometimes, Steve, we do reinvest that. So important just we can't straight line it out. And the other part is it's not always linear on all of the incremental margin improvement.

All that said, on the efficiencies, these are things that we've been working behind the scenes, under the hood on for some time. As they come through the business now and you see them coming to the bottom line, we're certainly happy to talk more about them. We don't want to get ahead of ourselves as we work on different parts of the business, but we feel strong and confident in our ability to continue to perform in those margins – in that margin range. Again, not always going to be linear. It's got to include the seasonality, but we do see continued opportunities to further drive efficiencies that will result in further margin improvement. So, feel good about where we are from a margin perspective. Feel good about the opportunities to continue improving that over time.

Steven Fisher
Analyst, UBS Securities LLC

Okay. Thanks. Congrats on those margins.

Operator

Thank you. Our next question will come from Brent Thielman from D.A. Davidson. Your line is open.

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

Hey, great. Thanks. Good morning. Hey, Dan, you talked before about expecting certain middle mile work to commence later in the fiscal year, I think ramping into next fiscal year. Maybe just a progress update on that and other long haul middle mile opportunities you see potentially on the horizon?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah. No, really good question. And that's why we really wanted to size the total opportunity. That's the – that $20 billion that we've talked about, we thought it was important to put a number to that. I'll take just a quick moment to talk about what's in that number. So, it's something that we've built from the bottom up. We're looking at route miles across the United States, connecting data center campuses, both long-haul, middle mile. That includes opportunities for new routes, includes replacing some existing routes as we talked about some of the infrastructure, it doesn't have the capacity. It can't get the latency that's needed as we continue this AI evolution. It includes this inside-the-fence work, smaller component of the $20 billion, but that's included in that number as well. And we really think that that's conservative, that is going to continue to grow.

To your point, we've capitalized on that with several awards and opportunities. I mentioned quickly and briefly that the Lumen overpull work is going well. It takes a while to ramp into these programs. They're highly complex over long distances going through municipalities that can have complicated permitting. And so, each of the opportunities does take multiple months to ramp. So, we're still very early innings, happy to be working on those projects, happy to continue to add them to our backlog, but I would really think about those heating up from a contribution standpoint next year and really 2027 is when we think that a lot of those opportunities are going to come online in a significant way.

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

Okay. I guess one more on the margins. I mean, fantastic performance here, but Dan, as these things get underway in a bigger way, particularly inside-the-fence initiatives, other things around long-haul, do we need to consider that in terms of having an accretive or dilutive impact to the margins? How should we approach that, especially as these things become a bigger piece in the revenue pie?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah, yeah. So, it's competitive, right. There's a lot of press around the AI evolution, a lot of press around these long-haul middle mile networks and that's been the same on the Fiber-to-the-Home. That's been the same with our customers who are highly sophisticated for a long time. We shown our ability to compete there. I've mentioned before that across all the work, because of market dynamics and how we look at our resources, from equipment needs, return on capital, that all of our margins are in a similar range. So, I wouldn't model those differently or separate them out. We believe that we can continue to capitalize and be in similar range that we've seen across other business drivers.

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

Okay. Very good. Thank you.

Operator

Thank you. [Operator Instructions] And our next question will come from Adam Thalhimer from Thompson Davis. Your line is open.

Adam Robert Thalhimer
Analyst, Thompson Davis & Co., Inc.

Good morning, guys. I wanted to ask one more about the large August award. When does that work actually start?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

We are heavily into planning that work as we speak right now, Adam. We do think that there will be some contribution this year, but really that's a multi-year program. We think about that in large part contributing next calendar year, next fiscal year for us. But we have begun today and it's something that we're working hard on with that customer as we speak.

Adam Robert Thalhimer
Analyst, Thompson Davis & Co., Inc.

Got it. And then as you think about the percentage of your revenue from hyperscalers or maybe we'll call it data centers more broadly, what was that percentage in Q2 and where do you think that can go?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah, not giving a breakout on backlog or breaking out the revenue run across the different drivers. As I mentioned, it's still very early innings. So, we're happy to be really, again, we believe first on the field or certainly among the first on the field, really out there. We've – if you look at overpull work, we've been working on that for seven – over seven, eight months now. I think that puts us ahead of a lot of folks in the space. So, we've got a lot of lessons learned over that period of time, really have a handle and understanding around that not only that work, but that work type, the long-haul middle mile networks. So, we think that sets us up well for continued opportunity, continued growth. But again, think about those contributing in a much more material way starting next year.

Adam Robert Thalhimer
Analyst, Thompson Davis & Co., Inc.

Got it. And then just lastly, the hyperscaler, I think there was a service and maintenance contract that wasn't traditional telecom work. Did I hear that right, Dan?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah, and I think the point I was trying to make there is that this is independent of work that we do. We do have some work for our carriers or traditional customers that where they have contracts with the hyperscalers and I was really trying to differentiate this, this is not competing in that space, this is not that type of work. This is a completely new service line for us and new opportunity set with the hyperscalers where we can go direct to do some work that hopefully over time can be perpetual year-over-year, but it is service and maintenance type work for some of their networks.

Adam Robert Thalhimer
Analyst, Thompson Davis & Co., Inc.

Great. Thank you.

Operator

Thank you. And our next question will come from Liam Burke from B. Riley. Your line is now open.

Liam Burke
Analyst, B. Riley Securities, Inc.

Thank you. Good morning. Your operating cash flow year-over-year was very strong. You highlighted DSOs, better margins. Typically, the second half of the year flips and that's where you really have stronger cash flow. Is there anything to expect differently than the way the cadence has been from previous years?

H. Andrew DeFerrari
Senior Vice President & Chief Financial Officer, Dycom Industries, Inc.

Liam, thanks for the question. This is Drew. So, no, we expect the same type of seasonality in the operating cash flow. We were pleased with how we performed in Q2, and that's a direct result of improving on the DSOs. And then just to mention, I highlighted it in my comments, but on the new tax legislation, we would have had about another $50 million or so of cash taxes in the back half of the year that we won't have to make now. So that's helpful as well.

Liam Burke
Analyst, B. Riley Securities, Inc.

Great. Dan, you talked about the pipeline opportunities as we move into the third quarter. You highlighted some awards, but is there anything that's contributing to the growth in pipeline opportunities or is it across the board?

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Thanks, Liam. It really comes down to momentum, right. That's not just momentum for Dycom. That's momentum in our space. These builds continue to grow. The opportunities continue to favor Dycom with our size, scale, our customer relationships and quite frankly our proven ability to deliver it time and time again. Our goal is to make sure that we're always one step ahead of our customers and make sure that we can execute on their ever-growing expectations. And you're seeing that in our continued awards. You're seeing that in our opportunity to improve margins over time as well. So, we're really just excited about our position in the landscape in front of us. And I would just point out that while we're confident in the back half of the year, we see a lot of growth opportunity going into next year.

Liam Burke
Analyst, B. Riley Securities, Inc.

Great. Thank you, Dan. Thank you, Drew.

Operator

Thank you. And this does conclude our question-and-answer session for today's conference. I'd now like to turn the call back over to Mr. Dan Peyovich for any closing remarks.

Daniel S. Peyovich
President & Chief Executive Officer, Dycom Industries, Inc.

Yeah, thanks everyone for attending this quarter. We look forward to seeing you next quarter. Be safe and be well.

Operator

Thank you. This does conclude today's conference call. Thank you for your participation. You may now disconnect. Everyone, have a wonderful day.