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MANAGEMENT DISCUSSION

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

Thank you, Operator, and good morning, everyone. Welcome to Dycom's third 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 third quarter results, along with certain outlook information. We also announced a definitive agreement to acquire Power Solutions, a premier data center electrical contractor in the Mid-Atlantic. Both press releases and accompanying materials are available in the Investor Relations section of our website.

These materials, which we will discuss during today's call, include forward-looking statements, made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Our discussion and 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. Good morning, everyone and thank you for joining us.

Today marks a pivotal moment for Dycom. We are announcing both a record-setting third quarter that reinforces our leadership in telecommunications infrastructure; and our agreement to acquire Power Solutions, that immediately positions Dycom at the heart of the explosive demand for digital and AI infrastructure.

I will start by reviewing our third quarter results and then move to further discuss our pending acquisition.

Our third quarter performance was exceptional. We delivered all-time record revenue of \$1.45 billion, an increase of 14.1% compared to Q3 FY2025. Adjusted EBITDA was \$219 million and EPS was \$3.63, both setting new all-time highs. Adjusted EBITDA margin

was 15.1%, a 169 bps increase over the prior year, and our DSOs were 105 days, an improvement of 14 days year-over-year. Our backlog was \$8.2 billion, an all-time high with strong, diversified bookings throughout the quarter.

As a result of our strong performance, we are increasing the midpoint of our full-year revenue outlook, expecting revenue of \$5.350 billion to \$5.425 billion, representing a range of 13.8% to 15.4% total growth over the prior year. This outlook excludes any results from the pending acquisition, expected to close in our fiscal Q4, as the impact is dependent on the date of completion.

Looking forward, telecommunications demand drivers have never been stronger. FTTH builds continue at a fever pitch and will further accelerate next year. The demand for fiber infrastructure to support data center growth continues to strengthen at an incredible rate. Our strong market position is validated by deepening engagement across our customer base. We are seeing robust activity from our long-standing traditional carrier partners, complemented by accelerating demand from the world's leading hyperscale providers. We believe we are in the very early stages of a generational deployment of digital infrastructure, and we project that the construction of new outside-plant data center networks will begin a significant ramp-up in calendar year 2026, leading to substantial growth throughout calendar 2027 and well into the future.

Crucially, these are highly complex, large-scale builds that require specialized expertise. This complexity favors Dycom. Given our scale, national footprint, and sophisticated operational capabilities, we are exceptionally well-positioned to capitalize on what we estimate to be a \$20 billion addressable market for outside-plant data center network construction over the next five years.

I want to emphasize that this significant \$20 billion opportunity is separate and distinct from any potential opportunities related to our pending acquisition, which provides an even broader and more substantial foundation for our future growth.

Our wireless work remains strong and the current build programs go through calendar 2027, positioning us well for future equipment upgrades or densification.

BEAD is close to becoming a reality with revenue currently projected in Q2 of next fiscal year. Just yesterday, the NTIA announced that it has approved final BEAD deployment plans for 15 states and three U.S. territories, and one state, Louisiana, officially has access to its BEAD funding. NTIA approval is one of the last steps before states can start signing contracts and projects can get underway. \$29.5 billion in total spending is expected from the states and territories based on preliminary subgrantee results, split between grants and subgrantee match amounts. Of that, \$26 billion will be used to serve roughly two-thirds of total locations with fiber or HFC infrastructure, creating a large addressable market.

And, importantly, we are seeing the benefit of our positioning. We have already secured over half a billion dollars in verbal awards related to BEAD deployments, which is not yet reflected in our reported backlog. This speaks to our strong ability to capitalize on the significant spending on fiber and HFC networks over the next four-plus years.

Lastly, underpinning it all, we continue to grow our service and maintenance business, which is a recurring and durable component of our annual revenue. Subsequent to the quarter, we executed additional service and maintenance agreements totaling over \$500 million. While these agreements won't be in our backlog until next quarter, they demonstrate our ability to maintain our position as the service provider of choice, while prioritizing profitable growth and shareholder returns.

Transitioning to our pending acquisition of Power Solutions.

The telecommunications infrastructure space continues to evolve as hyperscalers and other large, data-driven technology companies drive the need for new and enhanced fiber networks to connect their data centers and data center campuses nationwide. These changes are creating new demand drivers around long-haul and middle mile fiber networks, and data center interconnects within campuses to address growing data usage, needed compute capacity and the AI race.

With these new demand drivers, we developed relationships with a new customer set- technology companies with significant capex commitments to meet their evolving needs. Analysts estimate that \$6.7 trillion of capex will be cumulatively deployed in data center infrastructure globally from 2025 through 2030, including \$100 billion for network infrastructure and \$600 billion for labor. More than 40% of this spend will be deployed in the U.S., implying \$240 billion of data center labor spend over the next 5 years alone. In a short time, we have extended our reach to capitalize on this, ultimately bringing fiber inside the fence, and inside the data centers to the meet-me room.

Bringing Power Solutions into the Dycom family is the logical, and critical, next step. It enables us to immediately offer a comprehensive service that extends from the core network to the heart of the data hall, providing full electrical and low-voltage services throughout the data center.

This is a significant milestone for Dycom that enhances our position and capability to address the fast-growing digital infrastructure market, extends our platform for long-term growth, and does so in a way that is immediately accretive to our financial performance.

Power Solutions is one of the largest providers of mission-critical electrical infrastructure solutions for data centers and other vital industries in the Greater Washington D.C., Maryland, and Virginia area. Referred to as the DMV, it constitutes the world's largest data center region.

The acquisition will combine Power Solution's leadership in electrical infrastructure with Dycom's scale and expertise in fiber, putting us at the center of the powerful secular trends driving growth in digital infrastructure services, and considerably enhancing our potential to generate meaningful long-term value creation for our customers and our shareholders.

Let me briefly outline the transaction and Drew will go into more detail. The total purchase price is \$1.95 billion, consisting of approximately \$293 million payable in Dycom common stock and the remainder of the consideration payable in cash, subject to customary closing and post-closing adjustments. We expect to close the transaction this fiscal year.

The transaction is expected to be immediately accretive to our Adjusted EBITDA margin and Adjusted Diluted EPS and improves free cash flow for the combined company. Our long-term fiscal disciplines are unchanged, and the combined business is anticipated to provide a clear path to de-lever to 2 times net leverage in the next 12-18 months.

Power Solutions will further solidify Dycom's long-term growth potential in four significant ways:

First, it will expand our exposure to rapidly growing, mission-critical data center demand by leveraging Power Solutions' deep expertise in electrical infrastructure for data center construction, which comprises over 90% of its revenue. This complements Dycom's strong fiber network expertise and will enable us to capitalize on the substantial and critical infrastructure investment that is driving durable growth in the attractive DMV region and in the industry overall.

Second, it will further diversify our services by adding Power Solutions' leading electrical contracting capabilities.

Third, it will unlock significant opportunity to scale Power Solutions' operations and cross-sell services across digital infrastructure players, giving us the ability to extend our combined capabilities into additional, targeted high-growth regions and opportunities over time.

And finally, it will add substantial skilled labor capacity, providing self-perform electrical contracting capabilities with a highly skilled workforce of over 2,800 employees, extending our capacity to execute large and complex projects.

Now, I'd like to take a moment to give you more color on Power Solutions.

The company has established itself as one of the largest electrical contractors in the greater DMV region. For more than 25 years they have delivered high-quality execution and developed deep, customer and end user relationships. We share similar cultures. Like Dycom, most of their operational leadership started their careers in the skilled trades and their commitment to safety, quality and operational excellence raises the bar with their customers.

Their focus on, and success in, data center electrical solutions is unique. As I mentioned, over 90% of their revenue, year after year, comes from data centers with repeat customers and end users. They differentiate in their ability to scale and deliver the highest level of service in a highly complex, technical space.

Power Solutions is a fantastic financial fit. They bring a track record of strong profitable growth, with an impressive 15% four-year revenue CAGR, and EBITDA margins consistently in the mid-to-high teens. With 2025 revenue expected to be approximately \$1 billion, this is a high-quality, high-margin business that we expect to be immediately accretive to our performance.

Power Solutions' current backlog is over \$1 billion, solidifying their strong position in the DMV region. The DMV is the largest data center region in the world, representing 27% of total operational capacity in US markets today. DMV is projected to capture 30% of U.S. data center capacity currently under construction and planned, providing Dycom with substantial opportunities for growth in the world's fastest growing data center region. In addition, data center infrastructure demand is poised for significant growth across the country, providing opportunities to further scale our enterprise.

While AI-led demand of infrastructure capex is reaching all-time highs, it's important to recognize that data consumption has been rising annually for decades, and with it, the need for additional compute capacity; to include new data centers and the digital infrastructure to connect them. Backed by persistent underlying drivers such as cloud migration, mobile usage, and IoT, this trend is projected to continue well into the next decade as industry participants predict non-AI-related data center construction will grow at a 16% CAGR through at least 2030.

The expansion of Dycom's business adds to our enterprise strength, furthering our relationships and expanding opportunities with the hyperscalers and other technology companies. Combining our vast telecommunications infrastructure services with Power Solutions' data center electrical expertise, positions Dycom squarely in the center of the digital and AI infrastructure space.

Finally, let's talk about execution. With the addition of Power Solutions' talented team of over 2,800 to our current team of over 16,100, we will have a combined, highly skilled workforce of 19,000 people. This is a massive competitive differentiator that enables us to meet the growing needs across our collective customers.

Dycom's vast history of acquisitions means we've built a robust integration engine- the people, systems and processes already working to bring Power Solutions into our family. Our time-tested approach preserves the culture, autonomy and local leadership that make our acquired companies successful, and applies Dycom's scale, financial resources and operational expertise to both deliver results and drive further growth opportunities.

Let me close by saying that we have never been more excited about Dycom's position and the opportunity set in front of us. Our diversified platform will be aligned to multiple attractive long-term growth vectors. We will benefit not only from the explosive demand for data center infrastructure and the fiber and electrical work that it requires but also see continued strong growth from our other telecommunications demand drivers.

Our commitment to our telecommunications services and our carrier customers is unchanged, and in fact is emboldened by our expanded platform with this transaction. Our strategy is clear, and we work every day to raise the bar for our customers and communities. We continue our focus on creating long-term value for our shareholders and providing long-term opportunities for our people.

We are thrilled to add the Power Solutions brand to the Dycom family of companies and welcome their strong leadership and teammates. I'd like to thank all our Dycom team members for your commitment to delivering excellence every day as we pursue our vision to be the people connecting America.

And now I'd like to turn the call over to Drew for a financial review and further details on the pending acquisition.

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

Thanks Dan and good morning everyone. I echo the excitement about a record quarter and the pending acquisition of Power Solutions, which we expect to generate considerable long-term value for our shareholders.

First, on the quarter. We are pleased that we outperformed the high end of our expectations for Q3, delivering solid top-line and Adjusted EBITDA growth and margin expansion.

Third quarter total contract revenues of \$1.452 billion grew 14.1% over Q3 of last year. Organic revenue grew 7.2%. Revenues were driven by continued execution of fiber-to-the-home programs, wireless activity, fiber infrastructure programs for hyperscalers, and maintenance and operations services.

Adjusted EBITDA of \$219.4 million increased 28.5% over Q3-25 and we outperformed the high end of our expectations. Adjusted EBITDA was 15.1% of contract revenues, an increase of 169 bps as a percentage of contract revenues over Q3-25 as we performed well and continued to benefit from operating leverage.

Net income was \$106.4 million and Diluted EPS was \$3.63 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 revenue was \$361.9 million and Lumen revenue was \$170.3 million. Customers exceeding 5% of total revenues for the quarter were Brightspeed, Charter, Comcast, Frontier, and Verizon.

Backlog at the end of Q3 was \$8.22 billion, including \$4.99 billion that is expected to be completed in the next 12 months. As Dan highlighted, after the end of the quarter we executed additional service and maintenance agreements, both renewals of existing markets and expansion into new markets, that total over \$500 million that will be reported in our Q4 backlog.

Operating cash flows were strong at \$220.0 million. The combined DSOs of Accounts Receivable and Contract Assets, net improved to 105 days, a reduction of 14 days over Q3-25. We've made great progress year-over-year and strong cash flows remain a key focus area for the Company.

We are implementing a comprehensive ERP system to upgrade and standardize our information technology systems. I am pleased to report that during Q3 we successfully completed the first phase of deployment across our business. We expect to complete additional phases during fiscal 2027, enabling further operational efficiencies and equipping our teams with the latest, powerful technologies.

We continue to observe strong demand across a diverse set of industry drivers, creating significant opportunities for our Company. We have increased the midpoint of our revenue outlook for the year and we expect our full year fiscal 2026 revenue to range from \$5.350 billion to \$5.425 billion.

Our outlook for Q4 reflects normal seasonal factors such as fewer available workdays due to the holidays, reduced daylight work hours, and winter weather conditions. For Q4, we expect contract revenues of \$1.26 billion to \$1.34 billion, Adjusted EBITDA of \$140 million to \$155 million, and Diluted EPS of \$1.30 to \$1.65 per share. Beginning in Q4 we expect to also report Non-GAAP Adjusted EPS excluding the impact of intangible amortization expense. Non-GAAP Adjusted EPS, excluding the after-tax impact of intangible amortization expense, is expected to range from \$1.62 to \$1.97 per share.

Our outlook excludes any results from the pending acquisition and related financing. While we expect to close in our fiscal Q4, impacts are dependent on the timing of completion.

Now, moving to more detail on the pending acquisition. We are excited to bring Power Solutions into the Dycom family. The purchase price is \$1.95 billion on a cash-free, debt-free basis and consists of approximately 1.0 million shares of Dycom common stock valued at approximately \$293 million and the remainder of the consideration is payable in cash, subject to customary closing and post-closing adjustments. We anticipate the transaction to close before the end of our fiscal year of January 31, 2026.

The purchase price represents a multiple of approximately 9.7x Power Solutions trailing four-quarters Adjusted EBITDA. The acquisition will be treated as an asset purchase for tax purposes and is expected to generate sizable tax-deductible intangible assets and goodwill. The estimated net present value of the future cash benefit of the tax amortization further reduces the implied multiple paid by over 1.0x based on the trailing-four quarters Adjusted EBITDA, for an estimated net multiple of approximately 8.5x. We believe the purchase price and related future tax benefits support meaningful value creation for our shareholders.

We plan to fund the cash portion of the transaction with a mix of cash on hand, a committed \$1.0 billion senior secured term loan A facility and proceeds from a committed \$700 million senior secured 364-day bridge loan facility. Pro forma net leverage is expected to be below 3.0x at closing, and the free cash flow profile of the combined business is anticipated to provide a clear path to de-lever to approximately 2.0x net leverage in the next 12-18 months maintaining our financial flexibility for continued strategic growth.

Total borrowings for the acquisition will be determined at closing and the weighted average estimated interest rate based on SOFR plus a spread is expected to be under 6.0%. In the event we borrow and maintain outstanding the committed debt amount of \$1.70 billion for the entirety of fiscal 2027, we estimate incremental cash interest expense of approximately \$96 million and non-cash amortization of debt issuance costs of approximately \$5 million for fiscal 2027.

This transaction is directly aligned with Dycom's capital allocation priorities. It deploys capital in a high-return enterprise that enhances our scale, capabilities, and exposure to rapidly growing data center demand. It supports disciplined capital allocation by acquiring a business with a strong balance sheet. It bolsters free cash flow generation, supporting continued high-return strategic investments. And, it extends Dycom's long-standing customer partnerships, enabling comprehensive telecommunications and electrical infrastructure solutions.

Power Solutions' annual revenue is expected to be approximately \$1.0 billion for calendar 2025. The company's compounded annual revenue growth has been approximately 15% over the past four years, a trajectory that is expected to continue in calendar 2026. Total backlog for the company currently exceeds \$1.0 billion, giving us confidence in their continued growth.

The anticipated results of Power Solutions are expected to be immediately accretive to Dycom's Adjusted EBITDA margin and Adjusted Diluted EPS, excluding non-cash intangible amortization expense. Power Solutions has consistently delivered Adjusted EBITDA margins in the mid-to-high teens, and we expect this level of profitability to be sustained in calendar 2026. We see opportunities for synergies over time, but we have not yet included any of these potential benefits in our outlook.

As I mentioned earlier, the transaction is expected to generate sizable intangible assets that will be determined upon the closing of the transaction and amortize on an accelerated basis. Our preliminary estimate of non-cash amortization expense from the acquisition is approximately \$185 million in fiscal 2027 and declines annually thereafter. Beginning in Q4, we expect to present Non-GAAP Adjusted EPS that will exclude intangible amortization expense.

Our estimates of all these expected results are preliminary and subject to change as we work to complete the transaction.

The acquisition of Power Solutions positions Dycom for accelerated growth in digital and data center infrastructure services. We are honored to welcome Power Solutions' employees to Dycom where together we will continue to be dedicated to serving customers and connecting America. This is a significant milestone for our company and we are confident in our ability to execute our strategy as we pursue 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. Our first question comes from the line of Frank Louthan with Raymond James & Associates. Your line is now open.

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

Great. Thank you. Quickly, the 14-day improvement on the DSOs, is that – are we at a new normal there? Was there something in the quarter that helped? And then, looking forward, what do you think about expansion of Power Solutions to Texas, other areas with some significant data center activity? What are your thoughts on kind of future growth plans for them with your scale? Thanks.

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

Good morning, Frank. As we talked about when we started the year, cash improvement was definitely a priority and something that we're focused on. And you've seen that improvement throughout quarter-over-quarter. Obviously, we're very pleased with the 14-day year-over-year improvement in DSOs. We've had significant efforts and strong disciplines that we've built into the business. We do feel good that we're in a much better place overall. It's not always going to be perfect, but we certainly like the range that we're in going forward.

Shifting to Power Solutions, obviously a lot to talk about there. A large part of this is really about adding skilled workforce to what Dycom has today. Over the years, we've gotten closer and closer with the hyperscalers, closer and closer to the data centers. I think it was a couple of quarters ago we started talking about going inside-the-fence. This really is just that next natural step. We're inside-the-fence, and now we're just crossing over the wall to bring skilled services to really meet the growing demands of the hyperscalers and the growing demands of data.

I talked about it in the prepared remarks, and just want to reiterate again. Data center – sorry, excuse me, data consumption has been growing significantly for decades. That's nothing new. Data center growth has been nothing new for decades, that's continued. What we see around AI, obviously, is a huge influx and a huge inflection point, but there is this really built in data center growth underneath it all. We see that on our side of the business with the telecommunications infrastructure, and we certainly see that on the power side as well.

When you bring those together and you, at the end of the day, are over that entirety of the skilled workforce, I would say it this way, the AI race runs straight through the skilled workforce. That's how we're positioning Dycom for our next 10 years of growth plus, and that's how we're positioning ourselves with our customers.

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

Great. Thank you very much.

Operator

Thank you. Our next question comes from the line of Sangita Jain with KeyBanc. Your line is now open.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Great. Good morning. Thanks for taking my questions. So, if I can ask one more on Power, are there some anchor customers that Power has that you already have relationships with and are other opportunities mostly new build or is it more also retrofit and O&M?

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

They – primarily, they contract to general contractors, so not customers that we have today. But the end users very much align with the hyperscalers that we've moved inside-the-fence with and expanded our capabilities and expanded what we're doing today. So, certainly overlap in the end users. Pleased to get some customer diversification, of course, as well.

They – a few things that are unique about Power Solutions. We've been looking at this space for some time. I think I've mentioned before, in my past career, I started on my first data center in 1998 and pretty much built them for over two decades. The – what you what you normally see with the electrical, whether it's electrical, mechanical, just a lot of these, skilled workforces is– it's only going to be a portion, and usually a much smaller portion, 25% maybe 35% of their work is going to be data center specific.

What really attracted us to Power Solutions, first and foremost, was the culture. This is a fantastic leadership team. Many of whom came up to the trades, great cultural fit with Dycom, talked about it being accretive across metrics. But importantly and uniquely, 90% of their revenue year-over-year has come from the data centers themselves. To your question, the majority of that is new data center builds, but they also do renewals as well. They go in and retrofit and upgrade data centers in addition to that.

So, we're excited about that concentration. They're also in the largest data center market in the world, and certainly one of the largest electrical infrastructure providers in that market. And it's projected to grow – really to consume over 30% of the future growth in the US data centers. So, positioned well for future growth, Sangita; positioned well from how much data center work they do; and the scope and coverage across customers and across end users is also a positive.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Great. And then, can I ask one on BEAD? You said the NTIA approval was one of the last steps. What is the last step? And given that 15 states approved yesterday or day before, like you mentioned, what is the likelihood that the revenue comes before fiscal second quarter for you guys?

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

So, the last step is the actual funding that happens. And that did happen with Louisiana yesterday in the news. So, exciting to see that progress. I think it affirms our Q2, and you heard in prepared remarks, you heard us talking about we have over \$0.5 billion in verbal awards already. That number is increasing quite quickly, in fact. So, we do feel good about starting to see revenue in Q2. Again, there is going to be a ramp to it. It's not going to be all at once. And expect to see awards if not in this Q4, certainly in Q1.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Great. Thank you so much.

Operator

Thank you. Our next question comes from the line of Alex Waters with Bank of America. Your line is now open.

Alexander Waters
Analyst, BofA Securities, Inc.

Hey, good morning, guys. Thanks so much for taking my question. Maybe just first off, Dan, you kind of hit on it in your prepared remarks. But with the \$20 billion data center TAM that you guys gave, gosh, a couple quarters ago, can you just talk about perhaps how additive this acquisition is to that? And then secondly, just thinking about kind of the skilled labor force and the synergies there between the existing Dycom labor base, can you just talk about that too?

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

Happy to. Obviously, there's been a lot of press from our customers that really reinforce the \$20 billion addressable market that we talked about over the next five years, specific to the outside plant, right. That's inside-the-fence work, it's long haul, it's middle mile, completely separate and distinct from what we will see with Power Solutions joining the Dycom family. So, that \$20 billion we really

believe is a conservative number and continues to grow. And we didn't mention it specifically because we had a lot to talk about, but we did have additional awards this quarter in that space as well. So, excited there.

This acquisition and the opportunity with Power Solutions just expands that in multiple ways. One, we have cross-sell opportunities with the hyperscalers. We can have a different level of conversation on how, ultimately, we meet the needs that they have, which everybody knows are significant. And really, even in the most conservative estimates of what the AI race could yield, even in the most conservative estimates, we're talking about massive infrastructure.

I would say that the companies that are going to succeed in the AI race are the ones that are positioned to deliver on that infrastructure, and we've set Dycom squarely in the center of that going forward. So, the \$20 billion on – if you bring it into the data center side, so I mentioned they're in the largest market in the world, it's certainly the largest market in the US, over 27% of total data center capacity right now is in the DMV, and the growth prospects in front of that are significant.

There's a lot of different numbers out there about what that addressable market could be, Alex. I think the one that I quoted in my prepared remarks is the one that we like, \$240 billion on labor in the next five years in the US alone to meet data infrastructure needs. Obviously, that's a significant number. Again, that's going to be heavily weighted, heavily weighted to the DMV market, so we think we're set up well.

So, the skilled workforce, again, this is what attracts us to Power Solutions and this is where we differentiate overall. We have one of the largest distributed skilled workforces in the country. We're across all 50 states, meeting the needs across numerous customers – certainly our carrier customers, certainly the hyperscaler customers. This adds to that collective. Now, there's certainly a different skillset skill set, right, they're going to come in and do the electrical components inside. But ultimately, when you're mobilizing a skilled workforce of this size to do projects of this kind of complexity and this kind of magnitude, how you manage that and how you do it are very, very similar.

So, we feel extremely comfortable about the match. We feel extremely comfortable about the discipline and the strategy that we have about continuing to build that workforce as we grow together. And again, just really excited to bring Power Solutions into the Dycom family and excited to get to spend more time as we look to grow the business collectively.

Alexander Waters
Analyst, BofA Securities, Inc.

Perfect. Thanks, Dan.

Operator

Thank you. Our next question comes from the line of Richard Choe with JPMorgan. Your line is now open.

Richard Choe
Analyst, JPMorgan Securities LLC

Hi. I just have two questions. One, regarding the fourth quarter guidance. The revenue range is a little bit wider than previous quarters. Just wanted to get a sense of what the puts and takes there might be as you look into the fourth quarter? And then, on Power Solutions, can you give a sense of what the contracts are like? And in terms of the \$1 billion in backlog?

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

Absolutely. So, on Q4 revenue range, coming into Q4, as you know, it's the seasonal quarter for us. I've often talked about how, if you think about the lower end of the range and the higher end of the range in a normal quarter, we're looking at the speed of some of these programs. And I want to come back to fiber-to-the-home and make sure that we get enough air time.

The fiber-to-the-home programs continue to increase. We've seen that and that's a large part of the outperformance that we had this quarter, is the growth that we saw in fiber-to-the-home builds. And we see that increasing considerably as you look towards next year. Many of our customers continue to reiterate that growth, continue to reiterate what their plans to build are. So, that's performing very well.

That, in large part, is how fast those programs go, how quickly we move into that, is how we think about the range, the top and the bottom and the midpoint. As you look at Q4, we felt that we needed to add something in considering the seasonality. We've also got holidays that are midweek again this year, which we know from last year we're going to have a lot of folks that are taking extended periods of time off. All that's factored in, so the range is just a little bit wider. But as you know, we did move up the midpoint considerably.

I think the second question is on what kind of – how they contract. So, again, because over 90% of their work is in the data center space, what that means is they have dozens and dozens of data centers that they're working on at one time. Those are typically going to be a relatively finite build over that work, they could be generally 6 or 12 months that they're spending doing work out in the field. And these are massive crew sizes that are coming in to build these over a very quick period of time. Highly sophisticated, highly complex work that Power Solutions, again, has proven time and time again that they really deliver it at the highest level in their space.

I would point to their 15% growth CAGR over the last four years, and our confidence in being able to continue that next year. But the contracts themselves, like I said, they're with the general contractors, so a little bit different from how we look at our work. And again, there's other synergies that we see in the business as we think about it. They're not going to have the same kind of seasonality. They are more capital-light than the telecommunications business, where the equipment costs for us are more significant. So, more, more – really, more pieces that optimize Dycom as a whole going forward.

Richard Choe

Analyst, JPMorgan Securities LLC

And following up on the kind of new markets for Power Solutions, I think with MVA, there's been a long history and steady demand, and it continues to see that. But as you look to new markets, I think there is some worry with some of these builds that some new markets are going to be long-term markets and others are going to maybe not have the same gravity and long-term strength that an MVA will. So, Dallas and Atlanta and maybe certain markets seem that way, but there's others that are less certain or – on that outcome. Can you give us a little sense on how you would think about expansion to new markets?

Daniel S. Peyovich

President & Chief Executive Officer, Dycom Industries, Inc.

Yeah. And I think I missed that in one of the earlier questions, so thanks for bringing it up again, Richard. The first thing I would say is all of this is centered around our strategy for long-term shareholder returns. As we think about all of these parts and pieces that come together, as we think about the significant acquisition, we're thinking of multi, multi-years out into the outer decades about how this can be accretive and how it has strong value creation overall. We're – hopefully, people are seeing we're not ones to move quickly and react to things. We want to be very thoughtful about how we grow that business and how we grow the business that we've been growing for some time now.

As we look to other markets, there's a number of different factors. The first is Power Solutions is in the largest market. It's a proven market. It's got a large skilled workforce. And as we talked about, it's got huge growth opportunities, even if we just stay there. So, we can continue to work with them to expand. We're going to bring our balance sheet behind – we're going to bring relationships with our equipment. And as I said, there's going to be other ways that we can leverage combined relationships, even if we just stay in that greater DMV space.

At the same time, we will certainly look at other M&A opportunities on how we can leverage the whole of the enterprise, and that could include moving to new areas. Of course, we will factor in what – where that is in a growth cycle, how long that can continue to grow. As you know, there are many markets in the country that have been growing for a long time and have continued growth, maybe not as large as DMV, but still significant opportunities. All of that is part of the strategic discussions that we've been under some time, and excited to continue to further that as we think forward.

So, I would just end it at great opportunities for organic growth, great opportunities for combined growth, bringing our customers together. And certainly, we'll be looking at M&A as well.

Richard Choe

Analyst, JPMorgan Securities LLC

Yeah. Sorry to follow up on it, but it was just something that I wanted to make relatively clear. Thank you.

Operator

Thank you. Our next question comes from the line of Steven Fisher with UBS. Your line is now open. Steven Fisher with UBS, your line is now open. Please check your mute button.

Steven Fisher
Analyst, UBS Securities LLC

Thanks. Sorry, it cut out, I wasn't sure that was calling on me. So, thank you for that, appreciate it. And congrats on the deal here. Just, Dan...

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

Thank you.

Steven Fisher
Analyst, UBS Securities LLC

...relative to the 90% of Power Solutions' revenues coming from data centers, I'm curious what that mix was, say, five years ago when the revenues, if you work backwards, were probably around \$500 million. Was it still 90% data centers then when we were sort of in a different stage of data center development? And if not, what happened? What was the rest of the business then? What happened to it? Because, I guess, obviously, today it's great to have 90% be focused on data centers. And I know you view this data center opportunity, as many of us do, for many years. But just thinking about – because you mentioned long-term shareholder value, what is this business set up to do beyond the data center market?

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

The key point around this is working in data centers is a highly complex, mission-critical environment. So, it's a unique skill set. It requires training. It requires a sensitivity to both the speed. And again, even as you know, I spent a couple of decades in this space contracted to many electrical contractors, and we really understand how this whole space works collectively. But if you think about it, it's about how sophisticated they are to build and deliver on that work. So, to answer your question directly, I don't have the exact number on where they were three to five years ago, but yes, in the general term, they've been at 98-ish percent, certainly the majority of the revenue for a long time in that space.

And I think that's where they've differentiated, their ability to handle that complexity. You've heard me say many times that complexity favors Dycom. It favors Power Solutions as well. And that's what attracted us to them. And we think that, together, we're even better poised to address the growing needs of the customer set broadly. So, it is unique when you think about electrical contractors for sure. It's unique that they're so concentrated. That is absolutely a benefit and something that separates our ability as we look forward, and certainly, again, made it very attractive for us as we started having conversations with Power Solutions.

Steven Fisher
Analyst, UBS Securities LLC

Great. And just maybe to talk about the \$500 million of service and maintenance agreements that you talked about after the quarter. Can you just put maybe that into context a little bit? You're doing around \$1.5 billion of new awards per quarter. Is the point here that, let's say, 30% of awards on service is an indication of the importance and growing mix of service and maintenance? Or is it that you're – an indication that you're setting up for another strong quarter of bookings already in Q4? Or is it both?

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

So, a few a few points to make. One, pleased overall with our book-to-bill. This – we had significant service and maintenance awards within the backlog that we reported in the quarter as well. Didn't call them out specifically. Like I said, we've kind of got a lot of things to talk about and we have to pick. The reason we call this out, twofold. One, to accentuate the importance of service and maintenance as we think about our business and think about how we move forward. Two, it really shows our scale and our ability to

continue to be in front of this work with our customers and how we can solve for their growing needs.as they install more fiber around the country. So, it sets us up well for all of those things.

I also want to point out again, our backlog, our total backlog, different from a lot of a lot of the peer set or of other competitors, because of the nature of the timing of our agreements, we're just continuing to try and show that it's not always going to be perfectly timed to the quarter. Very pleased with the all-time high. I would certainly point to the next 12 months of \$5 billion. Again, another all-time high and really shows the overall momentum of the business. So, yes, to answer your last question, definitely sets us up well for backlog as we think about coming into Q4. Wanted to point that out. But really, this is about cementing where we are in the service and maintenance space.

Steven Fisher
Analyst, UBS Securities LLC

Perfect. Thanks very much.

Operator

Thank you. Our next question comes from the line of Adam Thalhimer with Thompson Davis. Your line is now open.

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

Hey, good morning, guys. Congrats on the record results and the acquisition.

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

Thank you.

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

Thank you.

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

First of all, on the organic business, is it too early to talk about fiscal 2027 and maybe broad strokes for revenue growth and margin improvement?

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

Obviously, on the new business, we gave an outlook for that, 15% growth based on their CAGR. So, you have that side. We're not going to give you a lot of detail overall in the business yet. We will, of course, as we come towards the end of the year, just like we did last year.

The point I made last quarter, and you saw that come through this quarter with a 7.2% organic growth. And of course, now that the wireless business that we did, that's fully in the business as we think about Q4, going to be strong organic growth to lead to get to the numbers that we showed for Q4. That sets us up very well coming into FY 2027, calendar 2026. So, we're excited about how we're positioned there. We're excited about the diversification within the telecommunications business, how we are picking up. Already starting to talk about BEAD awards, how we are continuing to increase the amount of work that we're doing with hyperscalers in these long haul, middle mile, and inside-the-fence opportunities. As we talked about, the wireless work is performing well.

So, there's just all of those growth drivers continue to be strong, continue to – we continue to capitalize on the opportunity set. You can see we're also improving margins as we go. And all of that sets us up well looking into next year.

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

Sounds good. And then, Dan, can you give a little bit more background on the acquisition? How did the discussion start with Power Solutions?

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

Yeah, it's – our strategy, as I talked about, it's always been centered around long-term shareholder returns, long-term opportunities for our people. It would be no surprise that anybody – I've been in the seat nearly a year, that as I took the seat, we did a top-down strategic review of the business and where we are and conversations we've been having for some time. Part of that has been, as these hyperscaler relationships have developed, as we've gotten closer and closer to the data centers, is what is the next natural step? And this really made a lot of sense because we're already there, we're already on the campus, we're already working with the end users. We already have a skilled workforce doing highly complex work.

This is just really a matter of crossing into the wall, crossing the wall and moving into the data center itself. This is a space that we know and understand extremely well. We understand how the projects flow. We understand the landscape from a competitive set. So, as we looked for different opportunities when we first met Power Solutions, it really came down to the culture and the relationships. That is so incredibly important to us, and that's really been the cornerstone of the success that we've had in the acquisitions we've done over the decades. And certainly, that we've done over the last few years as well. It comes down to culture. If you get the right fit, if you get the right mindset around how we can grow together and how we can lever further into growth together, that's where you really start to see the magic start to happen, so to speak.

So, again, incredibly impressed with the strength of the leadership team with Power Solutions. Incredibly impressed with everybody that we've met so far. They run a fantastic operation. They're going to fit extremely well with our existing subsidiaries and really embolden us on how we think about growth in the next decade.

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

Thanks, Dan.

Operator

Thank you. Our next question comes from the line of Eric Luebchow with Wells Fargo. Your line is now open.

Eric Luebchow
Analyst, Wells Fargo Securities LLC

Hi. Great. Thanks for taking the question. So, Dan, as you think about kind of the landscape and the data center contracting space, I mean, could you maybe just talk a little bit about how concentrated it is? Is it still pretty fragmented? And do you see more opportunities there to do future M&A? Maybe compare and contrast it to your traditional telecom business where you see more opportunity over time to gain scale.

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

Thanks, Eric. This acquisition for us really widens the aperture as we think about our place in digital infrastructure as we move forward. And as I said earlier, this puts us squarely in the middle of – and I want to be clear, it's not just about AI. There's a natural cadence, there's a natural growth that occurs on whether it's the telecommunications infrastructure or whether it's the data centers themselves. So, we're stepping further into that and believe that there's significant upside opportunity in addition.

As I'm sure everybody has seen, there's been a number of acquisitions in this space. Again, Power Solutions is unique in both the size that they have and the presence that they have in a very large region. The growth that they've had and the concentration in the data center, proven expertise that they have overall. But it is a – continues to be a fragmented space. There are not very many contractors. And again, saw this in my past career, there are not a lot of contractors that are covering across all data center markets or even the majority of data center markets. So, there are opportunities out there.

There are definitely opportunities to continue to think about that and how we move. There's opportunities for us to grow organically with our new business. There's also opportunities to continue on from an M&A front. So, all of that is front and center to what we're thinking about. Excited to move into this. We're certainly focused on integration and have built a strong integration engine to get ahead of it. And looking towards that close towards the end of the year where we will certainly come out and give a lot more insight in how we're thinking about the business and growth opportunities ahead.

Eric Luebchow
Analyst, Wells Fargo Securities LLC

Great. Thanks. And maybe just one follow up for me. You touched on the BEAD program a little bit earlier. We've seen, I think, a vast majority of the awards have gone to fiber, and a lot of the capital will be fiber-related. Have you seen any of BEAD awards go into your backlog at this point? I know you've talked about Q2 as kind of the starting point for revenue contributions, but just wondering if you've been having conversations and you're starting to see demand flow in already so that you can get started in Q2?

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

Yeah. So, two-thirds – about two-thirds to-date, two-thirds of the locations are going to be served by either fiber or HFC infrastructure, so we're excited about that. It really lines up well with how we've been thinking about it to-date. That addressable market is probably going to be in the neighborhood of \$20 billion to include the matches from the subgrantees, so significant spending to do over the next four or five years.

We are front and center there. We've been talking to the states for years. We've been talking to our customers for years. I mentioned in the prepared remarks, we have well over \$500 million in verbal awards today. We don't have any in our backlog, but significant opportunities that, now, as the funding starts to flow, that we hope to move from verbal into backlog for next quarter.

Eric Luebchow
Analyst, Wells Fargo Securities LLC

Yeah. Thank you, Dan.

Operator

Thank you. Our next question comes from the line of Brent Thielman with D.A. Davidson & Company. Your line is now open.

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

Great. Thanks. Yeah, I had a question just on the margin progression. Mid to high teens is notable, Dan, but want to understand how those margins have progressed over the last few years, what you think is sustainable? And I guess, as a follow up to that, can you sort of quantify the cash conversion cycle related to the acquisition, especially as we think about the business sort of driving deleveraging efforts?

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

Happy to. Happy to. On margin progression. So, in that business, absolutely, they get operating leverage just as we do in the business. So, growth certainly helps from a margin contribution. They've been strong margin for a long period of time. And to find somebody that's accretive to our strong margin profile, again, something that we're very pleased with overall.

We certainly believe that to be able to maintain strong margins, it's not always going to be – just like our business, it's not always going to be perfect. Depends on exactly how the projects stack, it depends on what the growth curve looks like. But that mid to high teens is a good range to think about, and certainly how we're thinking about next year and how we're thinking about the deal.

On cash conversion cycle, again, this is a positive from a cash perspective for us. Their DSOs are typically in the 60-plus day range, so that will be a positive impact for overall. And again, strong operating cash. And from a free cash flow, they're not as capital-intensive

as I mentioned. So, really, when you look across the fundamentals, and this deal really does come down to the fundamentals, the fundamentals are strong all the way across the board.

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

Okay. And maybe one more if I could. Your inside-the-fence strategy, maybe you could argue, at least for the core Dycom business, is kind of early days, I know starting from a relatively low point. Does this accelerate it as you leverage these customer relationships that Power Solutions has such that we could see some real revenue synergies with that strategy as you sort of combine the two companies?

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

Absolutely, absolutely. Really, a cornerstone to how we thought about this acquisition. Those relationships have continued to build and get stronger. And it's with more than one hyperscaler, I should be specific about that. But we continue to do more and more work. We are doing work in the same DMV region where Power Solutions operates. So, you absolutely can start talking about synergies. You can start talking about how can we collectively, together, provide more, even more value for the end users than we would apart. We could talk about what that means for – again, there's so much growth in that space that's out in front of hyperscalers. The question is, who's going to be there to meet that?

And I said before, the companies that are going to succeed in the AI race are the ones that are positioned to deliver on that infrastructure. We're already well positioned, and that's why we've continued to move closer and closer and further and further inside-the-fence. This just takes us another step even further, right? It makes those relationships even stronger. And if you think about it from a long-term perspective, the opportunities just get much, much broader and deeper overall.

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

Got it. Okay. Thank you.

Operator

Thank you. Our next question comes from the line of Laura Maher with B. Riley Securities. Your line is now open.

Laura Maher
Analyst, B. Riley Securities

Hi. Good morning. Thanks for taking the question. My first question – Verizon recently announced potential large layoffs, is this related to any kind of project that Dycom's involved with?

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

Obviously, we're following the news. Verizon has been a great customer for us for a long time. We continue to do a significant amount of work for them. We see that continuing. Overall, we haven't seen impacts, Laura, yet on what their new CEO – and congrats to Dan for taking the helm - we haven't seen anything on our side of the business and look forward to just continuing to partner with them and make sure that we can meet their needs and stay out in front of their builds.

Laura Maher
Analyst, B. Riley Securities

Okay, great, thanks. And then, in regard to the latest fiber buildout, how much more sophisticated is this buildout in the support of the growth of AI versus the previous fiber buildout that was driven by the Internet?

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

Just so – I'm sorry, on – you're talking about the work the Power Solutions does or – I'm sorry.

Laura Maher
Analyst, B. Riley Securities

No, just the fiber work in general, not necessarily Power Solutions.

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

Oh, in general. Yeah, the – as you think about – and again, I'll say it for – again, complexity really favors Dycom. If you think about this – these long haul and middle mile routes, these high-capacity, high-density fiber bundles, they are more complex. They are more difficult to install. They are more – they require a lot more sophistication in how you're thinking about the work, planning the work, getting out in front of the work. That's where we specialize. That's where we differentiate. So, it's been a positive for us. We were really, I would say, first at bat, but certainly first inning in getting out there to do that work.

We've been out doing overpulls now with Lumen for the bulk of the year. And so, we really have a ton of experience and a ton of lessons there that position us well to continue that. And we continue to book further awards there and across customers. We talked about the calendar 2027 as really being a ramping period, but I don't want that to be mistaken. There's we're doing significant work today. I think there's going to be significant work next year.

It's just, when you think about new construction that is not overpulling in the existing conduits, new construction takes a while to get planned, to get permitted, and to really build that work plan itself for crew continuity and the flow of work. So, excited about all that. We think it's going to continue to build over time, and a fantastic driver to augment the other extremely busy drivers in the business.

Laura Maher
Analyst, B. Riley Securities

Great. Thanks.

Operator

Thank you. And I'm showing no further questions from our phone lines. I'd now like to turn the conference back over to Mr. Dan Peyovich for closing remarks.

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

Absolutely. I – I'd just like to, again, comment on the strength of the demand drivers in the telecommunications space. Obviously, with the acquisition announcement today, we spent a lot of time talking about that. But I want to make sure that we really recognize that these demand drivers continue to be strong, whether it's fiber-to-the-home, now the rural's coming even stronger with BEAD work. Our service and maintenance continues to grow. We serve our customers well across the business. I'm excited to continue to do that.

If we think about the acquisition, really, this just makes us stronger for all of our customers and widens the opportunity set across all of our customers to make sure that we can meet their needs because it's an active space. The amount of infrastructure that needs to get built in the coming years and in the coming decades is significant, as we talked about really generational-level deployment.

We're excited and honored to be partnered to our customers and want to make sure that we can stay in front of all that. We think that this acquisition and all the work that we've been doing to make Dycom stronger, to become more efficient, really, at the end of the day, it's about our customers, it's about serving them well and serving our communities well.

So, thanks to them, thanks to all of the Dycom employees for their hard work and continuing to differentiate us. And to our future Power Solutions partners, excited to get to the close and to welcome you officially to the family. Thank you all for joining the call today. Look forward to seeing you next quarter. Be safe and be well.

Operator

This concludes today's conference. Thank you for your participation. You may now disconnect.