



Knife River Corporation NYSE:KNF

1Q 2024 Earnings Call Transcripts (Edited)

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Call Participants

EXECUTIVES

Brian R. Gray
CEO, President & Director

Nathan W. Ring
VP & CFO

ANALYSTS

Brent Edward Thielman
D.A. Davidson & Co., Research Division

Garik Simha Shmois
Loop Capital Markets LLC, Research
Division

Ian Alton Zaffino
Oppenheimer & Co. Inc., Research
Division

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Knife River First Quarter Results Conference Call. [Operator Instructions]

I would now like to turn the conference over to Nathan Ring, Chief Financial Officer. Please go ahead.

Nathan W. Ring VP & CFO

Thank you, operator, and welcome to everyone joining us for the Knife River Corporation First Quarter Results Conference Call. My name is Nathan Ring, Chief Financial Officer of Knife River; and I'm joined by our President and Chief Executive Officer, Brian Gray.

Today's discussion will contain forward-looking statements about future businesses and financial expectations. Actual results may differ significantly from those projected in today's forward-looking statements due to various risks and uncertainties, including the risks described in our periodic reports filed with the SEC.

For further detail, please refer to the legal disclaimers contained in today's earnings release and other public filings, which are available on both our website and the SEC website. Except as required by law, we undertake no obligations to update our forward-looking statements.

During this presentation, we will make references to certain non-GAAP information. These non-GAAP measures are defined and reconciled to the most directly comparable GAAP measures in the appendix to today's presentation. These materials are also available on our website under the Investors tab.

Brian Gray will begin today's call with a high-level overview of our first quarter 2024 results, followed by an update on our Competitive EDGE plan and a segment recap. Following his remarks, I will provide a product line summary, a balance sheet update, and a review of our 2024 financial guidance. At the conclusion of our prepared remarks, we will open the line for a question-and-answer session.

With that, I'll now turn the call over to Brian.

Brian R. Gray CEO, President & Director

Thank you, Nathan. Welcome everyone, and thank you for joining us today. After a record-breaking year in 2023, we continue to have momentum heading into the 2024 construction season. I'm going to talk about what we see ahead for 2024, including our strong markets, improved backlog, growth opportunities, and favorable materials pricing.

Since this is our first time reporting first quarter results as a standalone company, we wanted to provide you with additional context for the quarter. Knife River traditionally spends the winter months preparing for the start of the construction season, which for us, ramps up in the second quarter. These preparations include maintenance of our equipment, mobilization of portable plants, and training for our team members.

Typically, these pre-construction activities begin in the fourth quarter and last into the second quarter. However, due to the extended construction season last year and an earlier start this year, these activities were largely compressed into the first quarter. This earlier start contributed to record first quarter revenue. While the additional pre-season expenses affected our adjusted EBITDA for the quarter, we fully anticipate we'll recoup most of these expenses in the second quarter.

Adjusted EBITDA for the quarter was a loss of \$17.7 million, compared to a loss of \$13.7 million in the prior year period. The difference was expected as we had the increased pre-construction expenses I just mentioned, along with the additional cost of being a standalone business in the quarter that we didn't have in the first quarter last year.

Our crews and equipment are ready to get back to work. And we have a lot of work to go perform. As I mentioned during our year-end call, we noticed delayed bid lettings in the fourth quarter last year compared to normal, that contributed to an increase of lettings in the first quarter, and we picked up our fair share of new work. Our contracting services added nearly \$423 million. Our backlog during

the first quarter, a 66% increase from what we captured during the same period last year. This brings our backlog to similar levels as we had at the same time last year, but this time at higher expected margins.

We continue to be disciplined on bid day, incorporating new EDGE related bidding tools and strategies. The transportation departments in Knife River's 14 states increased their total spending authority for this year by 16% from 2023. We are already seeing the results in our backlog, and we expect these tailwinds coupled with continued pricing growth for our materials to provide momentum through the 2024 construction season and beyond. We operate in healthy markets. The fundamentals of our business are strong and we believe we are well positioned for a good year.

Next, I'd like to update you on a number of growth initiatives we are pursuing along with other important components of our Competitive EDGE plan. If you are new to our calls Knife River's Competitive EDGE strategy is our plan to improve our adjusted EBITDA margins and deliver long-term value for our shareholders. EDGE stands for EBITDA margin improvement, discipline, growth and excellence. On our year-end call, we spent some time discussing our EBITDA margin improvement, including that we achieved our stated goal of 15% adjusted EBITDA margins 2 years ahead of schedule. Our next goal to reach 20% adjusted EBITDA margins, and we are making good progress towards that goal.

Let me provide you some insights from the first quarter. Starting with EBITDA margin improvement. We are focused on a number of initiatives to optimize pricing and lower our costs. The success of the process improvement teams that I've mentioned on previous calls has led to the development of additional such teams each with a different area of focus. We now have a process improvement team dedicated providing targeted training on our commercial excellence, with an early emphasis on dynamic pricing.

We have introduced new tools to help us analyze daily margins at the transactional level. We have implemented these tools at our aggregates operations and are now moving forward at our ready-mix operations. In addition to new tools, our senior leadership team committed to a company-wide sales training program to develop, support and educate our sales professionals. We have hired a full-time sales training instructor and partnered with a national third-party sales training provider to support our sales team and their efforts to optimize pricing.

We're also in the first phase of streamlining the applications and systems we use in our sales process, from order to cash. This in-depth review of business applications and systems will help us support our commercial teams and customers.

Lastly, under the first E in EDGE, I want to give you an update on our original process improvement team or PIT Crew which is focused on operational excellence. We launched this initiative last year to identify and share areas for improvement at our Aggregates, Asphalt and Ready-mix plants.

The team visited 10 of our larger locations last year, and we have increased the size this year to help us drive operational improvements in the field. The team, this year hit the ground running, and have already identified opportunities at several of our locations to reduce production costs, improve runtime and support faster truck loading. We have company wide support for each of these commercial and operational excellence initiatives with a goal of continuing to improve our margins.

Moving to the D in EDGE, we remain disciplined on our approach to bidding and continues our disciplined allocation of capital. I highlighted the fact that we picked up 66% more work in the first quarter, at higher expected margins. Our sales and construction estimating teams continue to be disciplined on bid day, utilizing new bidding tools with an emphasis on optimizing margins and targeting work that meets our EDGE initiatives.

Also during the quarter, we remain committed to the disciplined allocation of capital towards strategic growth projects. We've had a number of organic growth investments focusing our capital on areas where we believe, we can achieve strong returns. Maybe we'll talk more about our balance sheet and healthy financial position in his remarks. I'll share some news on advances we made in the first quarter related to growth.

First, our intent in 2024 is to utilize approximately \$40 million to \$50 million from our CapEx budget toward EDGE related growth initiatives. During the first quarter, we advanced a number of these initiatives including, a greenfield ready-mix operation in Iowa, a liquid asphalt expansion in South Dakota and multiple plant upgrades to reduce production costs.

Our PIT Crews and Regional Operations teams continue to identify organic growth opportunities to help us achieve our goals. Also, as noted in our earnings release, we acquired a small ready-mix operation in South Dakota on April 3rd. This business has 2 ready-mix plants and 10 trucks between our, Sioux Falls and Yankton operations providing infill development in the rapidly growing Sioux Falls market area.

Our acquisition pipeline is active. And we are looking at several potential deals with a focus on aggregates and materials lead operations and midsize high-growth markets. We continue to add resources to our corporate development team. And we have line of sight opportunities to grow in each of our existing operating segments and product lines.

And finally, our second E in EDGE is excellence which is our relentless drive to be the best at everything we do. I mentioned that we partnered with a corporate sales training consultant, hired a sales training manager and formed a new PIT Crew to help us become best-in-class at commercial excellence.

We also launched a training workshop for our dispatch teams of February, with a focus on excellent customer service while reducing our delivery costs. And we continue to focus on efforts to keep improving our safety performance. As a people-first company the safety and well-being of our team is paramount and we are intent on becoming best-in-class.

Each of our segments is committed to these EDGE initiatives and our operations teams have led the way in implementing them. I am very pleased with the progress we have made and I'll now provide a quick recap of each segment's performance for the quarter.

As a quick reminder, in the fourth quarter last year, we realigned our reportable segments to better support our operational strategies. The Liquid Asphalt business from the Pacific segment is now reported in Energy Services.

In addition, the North Central and South operations both now report as a, new Central segments. Starting in the Pacific segment we were able to get into the field earlier and more frequently in California than we were last year which contributed to a 19% increase in revenue.

EBITDA for the segment decreased \$800,000 year-over-year, largely related to the timing of expenses for repair and maintenance. Looking ahead, we anticipate continued strength in the public works, residential and warehouse markets in Northern California to positively impact the segment along with strong military spending in Hawaii and Alaska.

In the Northwest segment, we achieved record first quarter revenue and EBITDA. The segment had improved gross margins and contracting services and aggregates, both driven by agg-related pricing initiatives and solid execution of early season construction work.

The outlook in the Portland metro area remains strong for aggregates related in part to investments from the CHIPS Act and increased residential spending. The segment's pre-stress Concrete division also has a lot of work in the pipeline for 2024 and the Northwest is poised for another solid year.

In our Mountain segment we had a similar start to last year's record year, however, EBITDA was down \$2.3 million, largely related to the absence of asset sales from the first quarter of 2023 that totaled about \$2 million, and reflects an earlier start to the construction season particularly in our Idaho and Montana markets.

We have good backlog in the segment including 4 airport projects in Montana and one in Wyoming that total approximately \$60 million. Demand in the Boise, Bozeman markets is strong and this region remains one of the fastest growing and desirable places to live in the country.

The Central segment had improved revenue on increased pricing across all 4 product lines. The segment recognized a normal seasonal loss in the quarter as less construction activity is typically completed in the first quarter in these northern markets.

This was partially offset by the strong aggregates margins in Texas, driven by increased pricing and continued production improvements at our Honey Creek Quarry. Aggregate demand in Texas remains strong and the Texas bidding schedule has its busiest month coming up.

We secured a 30,000 cubic yard concrete project at Texas A&M University and there continues to be good material supply opportunities in our Texas footprint. Our North Central markets have secured more backlog this year compared to the same time last year and we continue to see good bidding opportunities.

And finally, the Energy Services segment delivered solid revenue growth in this quarter. As a reminder this is our Liquid Asphalt business, which includes operations in California, Iowa, Nebraska, South Dakota, Texas and Wyoming. The segment benefited during the quarter from strong demand in the California and Texas markets and revenue improvement was largely related to product mix and the timing of sales.

As noted during our year-end call this business segment has good visibility in its input costs and sales contracts with customers. Therefore, we provided specific guidance for 2024. Based on current sales contracts and the cost of inventory, we are reaffirming guidance of \$50 million to \$60 million for the Energy Services segment.

In summary, we are in a good position as we head into the heart of the construction season. Our winter maintenance activities were largely completed by the end of the first quarter and we were able to get in the field earlier than last year. Federal, state and local funding for infrastructure development continues to provide tailwinds for our contracting services business and the pull through of our higher margin construction materials.

Our backlog is up from last year with higher expected margins and we continue to see momentum on our materials pricing. We are 100% committed to our Competitive EDGE plan and we will continue to invest in our business where we believe we can achieve the best returns with a focus on aggregates and materials lead, vertically integrated companies in our mid-sized high-growth markets.

Lastly before I turn the call over to Nathan for his remarks, I'd like to thank our entire Knife River team for all their efforts in the quarter, helping to position us for what we believe will be another good year. I'm very grateful for our team and look forward to what is ahead the next 3 quarters.

Nathan will provide more detail on our first quarter performance and touch on our guidance for 2024. Nathan?

Nathan W. Ring
VP & CFO

Thank you, Brian, and good morning everyone. I'll begin my remarks with a review of our performance for the quarter, followed by an update on our liquidity position and capital allocation priorities and then conclude by revisiting our 2024 guidance.

As Brian mentioned, our first quarter generally contributes a smaller portion of our consolidated full year results. To put that into perspective, over the last 5 years from 2019 through 2023, our first quarter revenue provided an average of 12% of our annual results. And while we experienced record first quarter revenue in 2024, it only reflects an estimated 12% of our 2024 revenue at the midpoint of guidance.

Similarly at the product line level, our first quarter revenues represent a relatively low percentage of our total annual revenues based on the last 3 years, first quarter aggregate revenue accounts for 16% of annual, revenue ready-mix 17% and asphalt just 4% of total revenue. Despite this being a nominal quarter relative to the full year, we have been actively preparing for the construction season and we are encouraged by the improvements made this quarter on our EDGE initiatives, particularly those related to pricing of materials, bidding margins in backlog and investment in growth projects.

We continue to see traction with our pricing initiatives in the quarter with the average selling price for aggregates up 15% and ready-mix up 9%. Asphalt pricing was down slightly from last year, reflecting a reduction in input costs but we continue to see margin improvement.

Our contracting services backlog of \$959.5 million was higher than the prior year and increased by nearly \$423 million during the quarter, up from the approximately \$255 million we captured during the same period last year. It also includes higher expected margins as we continue our disciplined bidding strategy of prioritizing gross margin over the volume of projects.

Additionally about 85% of our backlog is related to public projects with an average duration of less than 12 months and \$2 million project size that generally represents lower risk work. In many cases this work also provides for the opportunity to supply internal materials to the jobs, supporting our vertically integrated model.

On a consolidated basis, revenue was up 7% from the same period last year. However, adjusted EBITDA was lower by \$4 million. As Brian highlighted these results reflect expenses incurred earlier in the year as we were able to ramp up, our pre-construction activities sooner than we were able to do in 2023.

We believe the higher expenses in the quarter including repair and maintenance expenses that increased by \$8.6 million from the prior period are timing related and will be in line with the prior year on an annualized basis. We also had a full quarter of standalone costs related to our separation from MDU Resources that we didn't have in 2023, which had an impact of \$6.4 million of which \$1.5 million is onetime.

All-in-all our business is well-positioned heading into the busier second quarter along with the strength of our markets, we are also in a healthy financial position to capitalize on growth opportunities. One of the core components of our EDGE Strategy is financial discipline that includes maintaining a strong balance sheet, as well as a disciplined approach to capital allocation.

We continued to improve our cash flow from operations and ended the quarter with \$128 million of available cash, compared to \$7.2 million at the same time last year. We also ended the quarter with \$329 million of available capacity on our revolving credit facility. Furthermore, we ended the quarter with a net leverage position of 1.3 times adjusted EBITDA, compared to our long-term target of 2.5 times.

We believe our strong cash generation together with our nearly \$460 million of liquidity and net leverage position situate us to reinvest within our existing operations as well as pursue strategic acquisitions. Brian mentioned some of the organic investments we made in the quarter. And then on April 3rd, we acquired a small ready-mix operation.

Our corporate development pipeline remains active and we intend to stay disciplined in our approach to capital allocation, ensuring that we pursue high-quality assets that support our growth strategy, return on invested capital and margin improvement.

As we look ahead to the 2024 construction season. We are optimistic about our markets and our Competitive EDGE strategy. Today we are reaffirming financial guidance for the full year 2024. Our guidance is based on normal weather, economic and operating conditions and continues to include the following assumption. We anticipate average selling prices for our product lines to improve mid to high-single digits, while volumes are expected to be flat to down low-single digits when compared to 2023.

In addition to the consolidated guidance, we are also reaffirming EBITDA guidance specific to the Geographic and Energy Services segments. For the full year 2024, we are reaffirming the following financial guidance. Consolidated revenue between \$2.75 billion and \$2.95 billion, consolidated adjusted EBITDA between \$425 million and \$475 million, which is comprised of these 2 components.

First, adjusted EBITDA of our Geographic Segments including corporate services between \$375 million and \$415 million. And second, at Energy Services, adjusted EBITDA between \$50 million to \$60 million and lastly, we expect total capital expenditures between 5% and 7% of revenue excluding any potential future acquisitions.

We have the momentum to build on our record results from 2023, supported by our EDGE initiatives and infrastructure funding tailwinds. As we move into the busier construction months, we are excited about what we see ahead.

With that I'd like to open the call for question.

Question and Answer

Operator

[Operator Instructions] And your first question will be from Brent Thielman of D.A. Davidson.

Brent Edward Thielman
D.A. Davidson & Co., Research Division

I guess first question Brian or Nathan, the margin profile embedded in the backlogs here relative to last year. Any way to quantify that or characterize that further as we think about the impact to the business going forward?

Brian R. Gray
CEO, President & Director

Hey, Brent. This is Brian. So yes, I'd look at that really on an annualized basis. You can look at our year-end, how we finished last year. And I think that would be a good indication. I mean I think we've mentioned that we have a backlog that's similar to last year the same period of time and we've stated it at higher margins.

We've performed very well in the fourth quarter and this quarter, in the first quarter in contracting services. And so it is at higher margins. But I would look at that on an annualized basis. There's a lot of noise that goes on in the fourth quarter and the first quarter with relatively small volumes compared to the whole year. So I definitely would just kind of point you to the direction of how we ended last year for contracting services.

Brent Edward Thielman
D.A. Davidson & Co., Research Division

Okay. And then your aggregates average selling price saw pretty significant improvement this quarter and I guess Brian I'm just wondering how you would attribute that to the discipline some of the initiatives internally that you've been imposing versus kind of overall industry price increases we're seeing in the market today?

Brian R. Gray
CEO, President & Director

Yes, we're very pleased and excited with the momentum we've got going into this year Brent, where we did a lot of work last year and beginning to rollout what we call Dynamic Pricing. As you recall, we honored all of our prices last year from the traditional way of pricing. Since then, we've done a lot of additional training. We've put a lot of new tools in place, dashboards that really help us analyze at that transactional level by customer level, which products, which customers are providing the best margins and opportunities to optimize pricing. So we're in the early innings again, rolling out that Dynamic Pricing.

In the first quarter, we're pleased with that momentum on aggregates and ready-mix in particular with our pricing initiatives. Keep in mind, as Nathan mentioned, our first quarter is small and it's about 12% of our total revenue and so some small fluctuations in product mix can actually have an impact on those percentages both on the volume side and on the pricing side. So I think you've got to put it into perspective. We still see momentum going into this year in our pricing and there is a lot of self-help related to our EDGE initiatives and the training that we're doing on Dynamic Pricing and the rollout of the whole commercial excellence initiative. And so we stand to our mid to high single digit price increases for the full year.

Brent Edward Thielman
D.A. Davidson & Co., Research Division

Okay. Maybe just last one. I was a little surprised to see some of the variability in volumes across the different product lines. I know this is one of those quarters where I don't want to read too much into it. Aggregates down 13, ready-mix down 6, but your asphalt volumes are up quite a bit. Any way to parse out what may be driving that? Or is that just specific to some of the seasonality that you saw across the business?

Brian R. Gray
CEO, President & Director

Yes. I think our total revenue and asphalt for the first quarter typically is like 4% of our annualized revenues. So again, small tonnages, Brent, can have a pretty big impact on volumes in particular in asphalt paving this time of year. And so we were up -- we

were busy paving in southern Oregon and Northern California. We certainly had some opportunities to do some paving in Texas and so we were predominately shut down in a lot of our markets for asphalt paving and contracting services this time of year in the northern markets. But we've certainly got out in the field earlier in California, we had a strong backlog and continue to have good backlog in Oregon.

So, the states that we could work in, we did do some work - more this year than we did last year. But again to put that into perspective both on the aggregates being down and the asphalt being way up, on such small volumes, they just have large percentage variances during that first quarter for us.

Operator

Next question will be from Garik Shmois of Loop Capital.

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Congrats on the quarter. I wanted to ask about some of the repair and maintenance expenses that you saw in the first quarter, it sounds like some of them were pulled forward. Is there any way to quantify how much was pulled forward into first? And I'm assuming that it's coming at the benefit of the second quarter?

Brian R. Gray
CEO, President & Director

Yes, that's right Garik. And so I'll let Nathan answer the specifics on that. But again we had that favorable weather in the last year. So, our crews are out working a little longer than we traditionally would and we would normally begin that winter maintenance in the fourth quarter.

Because we had favorable weather in the first quarter, it really looks like maybe I'll get back to work a little bit earlier than we traditionally would in the second quarter. We did condense and compact that maintenance -- that winter maintenance into the first quarter.

So, I'll let Nathan just answer to give you some specific on the dollar amounts there.

Nathan W. Ring
VP & CFO

Yes, Garik, good morning. We did talk a little bit about the maintenance and also training - getting the folks ready and then mobilization. Of those 3 categories, as I noted in the prepared remarks, the maintenance is a larger piece of that, \$8.6 million variance year-over-year.

Your question is how much of that do we see is pulled through in the first quarter here that will benefit the future growth? I would say pretty much all of what we see is benefiting the second and third quarter. So, that \$8.6 million with maybe some minor differences would be a tailwind for us going into the remainder of the year.

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Okay, that's great. Also -- thanks for the information regarding the seasonal contribution of your businesses. Is there anything that you're seeing right now that would imply anything other than a seasonal ramp the rest of the way?

Brian R. Gray
CEO, President & Director

No, I think I mean we've got the backlog to go out and work. We've got the crews back to work, trained. We've got inventory. So, I think we're well-prepared to hit the ground running in the second quarter.

There can be some seasonal impacts in the second quarter as we begin to work in some of those northern states. But right now, I would say that we're very well-prepared. Plants are where they need to be. We put some new plants and some sites that traditionally might be on the road traveling. I am think of some portable plants and fixed them in commercial sites. And so I think right now everything that we see with the backlog that we've got, pricing momentum that we've got that we're going to gear for a solid year again Garik.

Garik Simha Shmois

Loop Capital Markets LLC, Research Division

Okay, great. And just lastly just wanted to follow up on Brent's question on aggregates pricing. Is there any way to parse out how much mix whether product or geographic mix benefited? Obviously, it's a seasonally slow quarter, I don't want to read too much into it but it was a fairly impressive year-over-year improvement, would I be reading too much into there could be potential upside to your aggregates pricing guidance. Just anything to kind of call out in the first quarter that might have been a bit more unusual than the underlying pricing in aggregate?

Brian R. Gray
CEO, President & Director

Yes, I mean I'll just give you one example. So, our volumes were up -- I'm sorry volumes were down by a little over 400,000 tons and 200,000 of those tons were from -- there was a pit run project that we had last year in Idaho. And as you know our pit run is basically raw material sold at a lower price. And so just that alone -- that one job with the volumes we're talking about can have a pretty significant impact both on our volumes being down by 13% and yet our prices are up by 15%.

And so as we look at it on an annualized basis, we still feel very committed and strong that our aggregate volumes should be flat to slightly down, maybe a low single-digits and that our pricing should be in that mid to high single-digits. So, that's one example.

I mean there's other examples. There was a project that last year in Hawaii, we're doing some contract crushing again at a lower selling price. And this year, we don't have it. That was to the tune of about 130,000 tons, so that would impact the timing of projects.

I mean it's not that large. We're not concerned that those jobs are going away. They're just impact jobs that you have one quarter versus the other quarter. And in the first quarter, those can have more significant swings as a percentage of the total. So, those are 2 examples that led to the higher 15% improvement in pricing and the lower volumes down by 13%.

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Okay, that's great color. Appreciate it. And I guess I'll stop there and pass it on.

Operator

[Operator Instructions] And your next question will be from Ian Zaffino at Oppenheimer.

Ian Alton Zaffino
Oppenheimer & Co. Inc., Research Division

I wanted to ask on the pricing outlook, how much of your book have you moved to call it, dynamic pricing versus annual or some annual letters? And how are you thinking about that inside your guidance for the up pricing?

Brian R. Gray
CEO, President & Director

We've talked about that -- rolling out Dynamic Pricing, it's a process and you don't do it overnight. You don't do it one quarter and frankly, you don't do it in one year. And so we are in the process of implementing that throughout all of our segments, all of our regions. We're in the process of continuing to do training, continue to roll out tools to assist our sales teams to provide that commercial excellence to optimize pricing and implement that dynamic pricing.

Frankly, in some of our markets we're still hiring the sales professionals to help us implement that that dynamic pricing, which as you know, is we're asking our customers for all their projects, they call and we would quote those materials just in time to take into consideration our current cost structure, look at our current backlog, look at the proximity of that job to our locations and optimize pricing. And so, that process, I mean there's some training done with our customers.

And so, we are in the early phases of that. It's been built into our guidance when we gave our guidance in February. So we can know where we're at in the process. We certainly had some good traction last year that led to our hitting our adjusted EBITDA goals 2 years earlier. And so commercial excellence, dynamic pricing and certainly was a part of that. But we are in the early innings of that rollout. So that is baked into our guidance.

Ian Alton Zaffino
Oppenheimer & Co. Inc., Research Division

Okay. Understood. And then, can you maybe talk about the acquisition environment for rock at the moment aggregates and whatever multiples you're seeing and what should we expect here, because there's been organic growth and then you did a ready-mix deal. But how are we thinking about just in general multiples and sort of where they've gone and the likelihood of seeing something sometime in the next quarter?

Brian R. Gray
CEO, President & Director

Yes. No, we're really excited about the growth opportunities this year at Knife River both the organic growth and we're certainly adding reserves. Strategic reserve increases next to our existing sites as part of our organic growth but with M&A, we have an active pipeline. And we certainly have bolstered our corporate development team and continue to add resources in that area and tell you that Management and our Board, all of us are very focused on those opportunities.

And there are a lot of them that we're working on and many of those are pure-play aggregate sites, pure-play aggregate locations and businesses that are existing right now in the markets that we serve. We certainly are very focused in those markets that we can continue to bolt-on and tuck-in operations that have those immediate synergies within the region that we're operating in today. We're looking adjacent to the regions that we operate in but we are absolutely committed to growing our product line in aggregates and those opportunities are out there.

As far as multiples, we've talked in the past that we operate in a unique part of the United States where we don't have a lot of overlap with our national peers. And we have strong market positions in a lot of those states and we are the logical and preferred acquirer in those states. And so, many of those opportunities that we've done out of those 85 acquisitions that we've done, many of them fall in that \$30 million to \$40 million range, which a lot of times are not brokered but negotiated deals, and so we continue.

Our pipeline is full of those opportunities along with the opportunities that are being brokered some larger platform businesses that are absolutely aggregates based and Knife River's in the hunt on those projects. We will be competitive on those projects. We'll stay disciplined to our strategy and that is to grow margins and maintain our industry-leading return on invested capital and continue to look at a balanced portfolio that supports our vertical integration and aggregates lead strategy. And so, those options are out there. Ian, those multiples can range literally from a 5 to a 20. I mean there's no one answer for that. It really is every deal is different. Every deal has its own financial or strategic justification and so, each deal is different.

Operator

[Operator Instructions] And at this time, we have no other questions registered. Please proceed with closing remarks.

Brian R. Gray
CEO, President & Director

Again, thank you for joining us today. Our business is fundamentally strong, and we feel we are poised to take advantage of our momentum. We have a strong backlog of work and a talented team to go perform it. I'm looking forward to what we have ahead of us as we head into the construction season. We are focused on working safely, continually improving our margins and delivering long-term profitable growth for our investors. We appreciate the interest and support, and we'll now turn the call back over to the operator. Thank you.

Operator

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. At this time, we ask that you please disconnect your lines. Enjoy the rest of your day.

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