



KNF
LISTED
NYSE

Knife River Corporation NYSE:KNF

3Q 2025 Earnings Call Transcripts

Tuesday, November 4, 2025 11:00 AM EST
S&P Global Market Intelligence Estimates

Table of Contents

| | | |
|---------------------|-------|---|
| Call Participants | | 3 |
| Presentation | | 4 |
| Question and Answer | | 8 |

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

Ivan Yi
Wolfe Research, LLC

Kathryn Ingram Thompson
Thompson Research Group, LLC

Trey Grooms
Stephens Inc., Research Division

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Knife River Corporation's third quarter results conference call. [Operator Instructions]. This call is being recorded on Tuesday, November 4, 2025.

I would now like to turn the conference over to Nathan Ring. Please go ahead.

Nathan W. Ring *VP & CFO*

Thank you, and welcome to everyone joining us for the Knife River Corporation Third 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 operational and financial expectations. Actual results may differ materially from those projected in today's forward-looking statements.

For further detail, please refer to today's earnings release and the risk factors disclosed in our most recent filings with the SEC, which are available on our website and the SEC website. Except as required by law, we undertake no obligation 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 measure in today's earnings release and investor presentation. These materials are also available on our website.

Brian will begin today's call with an overview of our third quarter 2025 results, followed by a segment recap and an update on our competitive EDGE plan. Following his remarks, I will provide a product line summary, a capital update and a review of our 2025 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. Good morning, everyone, and thank you for joining us. The third quarter is typically our most profitable, and we're pleased to report record financial results. Our revenue of \$1.2 billion and adjusted EBITDA of \$273 million were all-time quarterly highs, thanks to strong contributions from our recent acquisitions. M&A is a core component of our competitive EDGE strategy to drive long-term value.

Another pillar of our EDGE plan is to optimize prices and control costs. I'd like to thank our Knife River team members for making important strides in this area during the quarter. Their efforts helped us grow adjusted EBITDA margin to 22.7% for the quarter. And equally impressive, we also improved gross margins across our aggregate, ready-mix and asphalt product lines.

We did all this while facing headwinds that we didn't have last year, including wet weather, a sluggish Oregon economy and less asphalt paving across our segments. Delivering improved results in adverse conditions points to the fundamental strength of our business. Even without the addition of Strata Corporation, which is our largest acquisition ever, our third quarter revenue and adjusted EBITDA would have been records.

Looking ahead, we're excited about our future. We're still in the early innings of our self-help initiatives, and we certainly expect the organic business to continue to grow as we fully implement dynamic pricing and operational improvements. We also continue to pursue strategic acquisitions, and our team currently has multiple deals in the pipeline.

We have record third quarter backlog with more pull-through of higher-margin asphalt paving materials than we did last year. And our states continue to invest in public infrastructure at record levels. All in all, we expect the combination of our EDGE strategy and market fundamentals will continue to allow us to achieve profitable growth for our shareholders.

As we look more closely at our third quarter results, I'll start with an update on Oregon. We don't typically provide financial results for an individual state, but there's been a lot of attention on Oregon, so I wanted to follow up with some additional detail. During the quarter, I'm pleased to say we saw year-over-year improvements in the state. As previously reported, this market was down in the first

half of the year. And during that time, we moved quickly to right-size our team and reposition our crews to where the work is. We continue to optimize pricing to control costs, and we benefited from the financial contributions of recent acquisitions.

In addition, we began to see aggregate volumes improve as third-party sales resumed on several jobs that have been delayed earlier in the year. Finally, our current contracting services backlog in Oregon is approximately 90% of where it was last year at this time. These factors led to third quarter financial results in Oregon, that were higher than last year, suggesting the headwinds are beginning to calm.

In addition, the recent passing of a 10-year \$4.3 billion transportation funding package helped provide additional [clarity] in Oregon. One of the long-term fixed lawmakers originally proposed, we expect the bill at a minimum will help maintain current funding levels and improve upcoming bid schedules at the local agencies. Half of the funding is earmarked for cities and counties for the types of projects we most often perform. The other half of the new revenue stream will be added to Oregon's DOT budget. Total funding for the next biennium is now projected to be \$6.1 billion, slightly below the record \$6.2 billion from the previous 2-year cycle.

Given the new funding, our improving aggregate sales, management's commitment to keeping costs in check and ongoing contributions from M&A, we expect the stabilization to continue and currently anticipate overall 2026 results in Oregon will be similar to this year.

Switching from Oregon to Mountain, this segment remains one of the fastest-growing areas in our footprint, and we continue to enjoy record backlog here. However, third quarter results were impacted by less asphalt paving, related to project timing, type of work, competitive bid dynamics, and delays caused by weather and project phasing. We experienced more scheduling delays this year than last year.

The overall decrease in asphalt paving in the segment not only impacted contracting services, but also had a ripple effect through hot mix asphalt, aggregates, and the utilization of our equipment pool. Fortunately, this work remains in our backlog, and we continue to add paving tonnage for next year. DOT budgets are strong, backlog is at record levels, and we've added capacity in an effort to capture even more work heading into 2026.

Continuing with our segments recap, let me move to the West. Since I already touched on Oregon, I'll focus on California, Hawaii and Alaska. In these states, we saw healthy demand with pricing discipline and strong execution driving our results. We had increased ready-mix volumes and pricing in California where we added capacity, and improved delivery efficiency. We also had higher contracting revenue margin in California, where we continue to see strong public agency demand. In Hawaii and Alaska, we had increased aggregate and ready-mix volumes, and we stand to benefit in both states from some large impact projects that are just beginning construction. With the stabilization in Oregon, we are optimistic about continued growth in the West in 2026.

In the Central segment, our results were supported by the integration of Strata, which contributed to volume and margin improvement. Third quarter revenue and EBITDA were up substantially, and EBITDA margin was 23%, an all-time record. The strong quarter in Central could have been even better if not for the rain. The wet weather we reported in the second quarter continued into third, particularly in July and September, which delayed projects and negatively impacted operating conditions.

Still, we achieved a record quarter and are excited about the year ahead. Backlog in this segment is up 83% year-over-year, driven primarily by an increase in Texas. We are seeing strong commercial and public work opportunities in our Texas footprint, and our teams there have secured major highway projects in the College Station area.

In North Dakota, we are also set up favorably for 2026 with new infrastructure funding driving bidding opportunities and supporting the Knife River and Strata combined operations. The North Dakota state DOT intends to bid about \$750 million of construction work in 2026, which is more than twice the \$345 million they put out for bid in 2025. Throughout the Central segment, our markets appear poised for growth and our expanded teams are working closely together.

And finally, at Energy Services, the segment delivered a strong quarter with revenue up 34% and EBITDA up 18%, primarily due to the acquisition of Albina Asphalt, and the new polymer modified liquid asphalt plant in South Dakota. The segment continues to benefit from vertical integration and disciplined bidding, and is on track to have another solid year. While 2025 has had its share of challenges, we continue to focus on our EDGE strategy and the opportunities we have to improve our performance and finish the year strong.

As mentioned, EDGE includes acquisition growth, which contributed to our improved results for the quarter. M&A will remain an integral part of our strategy, and our corporate development team continues to add quality opportunities to the pipeline. We are focused on aggregates-led margin-accretive targets in our mid-sized high-growth markets. But M&A is just one component of EDGE.

During the quarter, our process improvement teams, and field personnel were also hard at work, implementing efficiencies across our operations. At the same time, our sales teams continue to emphasize our dynamic pricing model, helping to better capture the full value of our products. These tandem efforts resulted in third quarter improvements to our aggregates, ready-mix and asphalt gross margin. While we're improving our processes, we are also improving our safety performance.

I'm proud of the advancements our team continues to make on the I Choose Safety program. We believe a safe and engaged team is vital to our success. Combined, we expect each of the ongoing efforts in our competitive EDGE plan will help drive consistent EBITDA growth and enable us to achieve our long-term goal of 20% adjusted EBITDA margin.

Before I turn the call over to Nathan, I'd like to take just a moment to reinforce our track record of meeting our goals. In our 30-year history, we have had 4 distinct periods. The first was to build scale. The second was to enhance our vertical integration and generate industry-leading return on invested capital. The third was to position Knife River to become an independent publicly traded company. And the fourth is where we are today, implementing our competitive EDGE strategy in an effort to grow EBITDA, and improve margins. We accomplished our goals in each of the first 3 phases, and we are on track to meet our EDGE goals as well.

Over the past 3 years, on a trailing 12-month basis, we have grown revenue by 22%, adjusted EBITDA by 56% and adjusted EBITDA margin by 320 basis points. EDGE is working and the fundamentals of our business are only getting stronger. All this gives me great confidence that our dedicated team members will continue delivering profitable growth and create long-term value for our shareholders.

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

Nathan W. Ring
VP & CFO

Thank you, Brian. As we take a closer look at our financial results, you'll see that it was also a positive turning point in the year for our materials product lines. In particular, aggregates, ready-mix, and asphalt saw margin improvement over the third quarter last year.

In aggregates, prices increased 8% and margins improved 50 basis points. As we mentioned last quarter, we anticipated that the early season pre-production work and our team's ongoing efforts to create operating efficiencies would begin to produce improved financial results. We're taking these efficiencies and scaling them. As we assess our operations, we believe the upside in margins for aggregates provides one of the most compelling opportunities for earnings growth. Volumes also increased in the quarter, thanks to contributions from Strata, as well as Alaska and Hawaii.

Looking at the full year, we expect volumes to be flat as a result of the increased rainfall and less paving work performed earlier in the year. We anticipate that pricing will remain strong, and increase high single-digits for the full year.

Switching to ready-mix, we had one of our best quarters ever. We had price increases of almost 6%, volumes were up 16% and margins improved 160 basis points over third quarter last year. Much of the improvement comes from our dynamic pricing model, along with operating efficiencies at the batch plants and product delivery. Volumes were up mainly due to the addition of Strata's 24 ready-mix plants, and also because of increased commercial work in Alaska, California and Hawaii. We expect full year volumes to be up by low double-digits and pricing to increase mid-single digits.

The asphalt product line was directly impacted by less paving work in contracting services. Almost 70% of asphalt volumes are sold internally, and internal sales were down approximately 7% for the quarter. Prices were also down compared to last year, directly related to lower liquid asphalt input costs. Despite the lower volumes and pricing, we have been able to manage our cost structure and slightly improve margins over third quarter of last year. For the full year, we expect volumes and pricing to be down by low single-digits.

In contracting services, the revenue and gross profit declines were largely related to less paving work for the quarter. Our contracting services margin was also down due to slightly lower at margin available on the backlog work we performed, fewer project bonus opportunities because of the type of work, and delays in job site challenges from adverse weather.

Looking ahead, our backlog is 32% higher than last year with significantly more paving work secured, and we are also seeing additional paving jobs in the upcoming bid schedule from what we did at this time last year. Even though the expected margin in our backlog is slightly lower year-over-year, we expect this will be more than offset by the anticipated benefit of additional volumes of upstream higher-margin materials.

Moving to SG&A, the increase over third quarter last year is primarily related to overhead that came with acquisitions we have made in the last 12 months. Although costs are higher year-over-year, they are coming in lower than we had forecast, partly due to the

benefit of higher gains recognized on the sale of assets and lower payroll incentives. As we look forward, we anticipate that fourth quarter SG&A will be higher than last year by mid-single digits, plus increases from the recent acquisitions.

As we look at our balance sheet, we ended the quarter with a net leverage position of 2.6x and \$457 million of borrowing capacity on the revolver. For capital deployment, we have invested \$664 million on growth initiatives through the third quarter, including acquisitions, aggregates expansion, and greenfield projects. For the remainder of 2025, we expect to spend approximately \$32 million on organic growth projects.

For maintenance and improvement, we continue to expect capital expenditures to be between 5% and 7% of revenue for the full year. Our balance sheet remains strong with available financial capacity for future acquisitions and new organic growth opportunities, which will be incremental to our outlined capital program.

As we consider the full year, we are narrowing our financial guidance. Our updated guide is based on normal weather, economic and operating conditions for the remainder of the year, and includes consolidated revenue between \$3.1 billion and \$3.15 billion, and adjusted EBITDA between \$475 million and \$500 million. Our teams have done an excellent job managing through the challenges we faced this year, and the third quarter results proved that the fundamentals of our operations are strong. Our EDGE strategy is working. The markets we operate in have solid public funding. Our PIT Crew initiatives are producing financial results, and we believe Knife River is well positioned to deliver long-term value to our shareholders for years to come.

I would now like to open the call for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Brent Thielman from D.A. Davidson.

Brent Edward Thielman

D.A. Davidson & Co., Research Division

Maybe just, Brian on, I guess, a shorter term question, just kind of backing into the math for the fourth quarter with the revised guidance here implies decent year-on-year growth in EBITDA. Just wanted to maybe get a little more context of what you're seeing on the ground right now that kind of gives you confidence in that year-on-year growth range? I know there's been challenges through the year, and delays and pushouts with weather, but any more context there would be helpful?

Brian R. Gray

CEO, President & Director

No, I appreciate that, Brent. And so, yes 3 factors really. The Oregon stabilization and their ability to actually produce more profit for the third quarter, that momentum will continue. That stabilization in Oregon will continue. A few of those jobs we talked about earlier in the year that were delayed have resumed construction, and so, that is part of the fourth quarter guide.

The other thing is our record backlog, and the additional paving that we have in our backlog with favorable weather, and I would say that we had a good October as far as weather. And so, we obviously have 2 more months left, that begins to change on us. But if we get a couple more weeks of good weather, that gives us confidence we can get that work done.

And so really, it's the turn, the stabilization in Oregon, the strong backlog that we've got that has additional pull-through of those higher-margin asphalt paving materials and then normal weather, and we had a good month in October.

Brent Edward Thielman

D.A. Davidson & Co., Research Division

Got it. And then, I appreciate all the detail on kind of what's going on in Oregon. I guess, Brian, the -- I think you said you anticipated results would be similar in 2026 to what you should see this year. What are you looking for over the next several months that might dictate maybe something more than stable, maybe possibly some sort of rebound in Oregon next year? Just curious kind of the things you're looking at that might drive that?

Brian R. Gray

CEO, President & Director

Yes. I'm real pleased, Brent, with the management's reaction and quickly rightsizing to the new level of work there, repositioning crews within the state where we're busier, and there's pockets within Oregon that are still healthy. Obviously, the Portland market is the large driver of our volumes.

And so, we're still looking for some additional market stability in there. I think the trade talks that are going on has an impact on that Portland economy with the imports, and along with some of the larger employers in the state that are impacted by tariffs. And so, I think looking for some stability there. The governor needs to sign, which we fully anticipate will happen, the transportation bill.

We need to see the bid lettings come out that, that 50% is going to the counties and cities that we expect will benefit us. We're heading into our busier time of the year as far as bidding. So, looking for some stability there. So there's still, I mean -- I think there's a lot of positive signs in Oregon over the last 90 days. And I think we want to see that momentum continue into next year. And then when we get to February, we'll give better guide. But at this point in time with what we see, we feel comfortable that Oregon [is] [stabilized] and the results next year in 2026 should be flat with this year.

Brent Edward Thielman

D.A. Davidson & Co., Research Division

Okay. Just last one on Strata, realize that conditions have been sort of atrocious in that region, probably tough to get to that \$45 million bogey for this year. But maybe kind of what's under the hood that you're seeing, that you really like about that business? And as we think about a year where we don't have some of these challenges from weather is \$45 million sort of contribution to EBITDA from that business is still very, very reasonable to you?

Brian R. Gray
CEO, President & Director

Yes. Brent, we're very pleased with what we've seen, extremely pleased with the integration that our team and their teams are coming together as one. You look at the DOT budget in North Dakota, more than double than what we had this year, and we are well positioned to take advantage of that.

You look at our ready-mix results for this quarter, and Strata is a large contributor to that success. And so they absolutely are performing as we had modeled, as we anticipated, with the one exception that you mentioned was a very wet summer for those days.

But other than weather, they absolutely are on track, both to capture the synergies that we modeled. The volumes are in line with what we modeled, and it's really performing very well, and we're excited about next year with the North Dakota bid letting schedule coming up.

Operator

Your next question comes from the line of Kathryn Thompson from Thompson Research Group.

Kathryn Ingram Thompson
Thompson Research Group, LLC

I just want to dig a little bit more into backlogs, had a nice increase, very solid contribution from public, as is typical. But could you give a little bit more color in 2 different buckets; one, the type of projects, really more color specifically on contracting? And then the type of product, the asphalt type jobs and what this means for margins overall on a go-forward basis?

Brian R. Gray
CEO, President & Director

Yes, let me start with the margins in our backlog. Nathan mentioned that we have slightly lower margins. And I'll start by saying that we -- I'm very proud of our teams, and we have industry-leading margins to begin with. And I know that the margins that we have in our backlog, that come from our pull-through of the downstream materials. So, when we're doing asphalt paving, and we have a lot of asphalt paving in our backlog, Kathryn, I'll talk about that next.

But that more than offsets those margins in aggregates, those margins in asphalt. That's not part of contracting services, those margins more than offset the slight decline that we have in our backlog margins. So, if you look at it from an enterprise level, from a consolidated level, our backlog has more gross profit in it than it has in the past, even with the slightly lower margins in contracting services, more than offset by the benefits we get of higher volumes of asphalt paving, because of that pull-through of the higher-margin material.

So, Nathan also mentioned that we have significantly more asphalt paving in our backlog. And we did not secure the amount of work that we had anticipated for this year. And we also didn't perform it, partly because of weather, partly because of delays. The good news is that backlog, I mean, is still -- that work is still in our backlog. And so we have significantly more asphalt paving with those higher-margin pull-through that will benefit the asphalt, the liquid asphalt, the equipment pool, the aggregates business line.

So just to put it in perspective, the Mountain region today -- I'm sorry, at the end of September, so end of the quarter, has 23% more backlog of asphalt paving than we performed all of this year in the Mountain region. So that's one data point to kind of give you some context in our backlog.

The Central region, we obviously picked up some very large jobs. Their backlog is up 83% in the Central region. And they have more than 2 times the amount of asphalt paving in their backlog that they'll perform next year than they had in their backlog 1 year ago. And so that's just 2 data points to kind of reemphasize the amount of substantially more asphalt paving that we have in that backlog. So the slightly lower margins does not concern me at all because of the strong benefit that we'll receive from the downstream higher-margin material.

So -- and the last point I'd make is we're really just entering the busiest time of the year for us as it relates to bidding. And so, we have 32% more backlog than we did 1 year ago, and we're heading into the heart of our bidding season with some strong DOT budgets, most of them at record or near record levels. And so I really like the position that we're in right now, Kathryn, as it relates to our backlog.

Kathryn Ingram Thompson
Thompson Research Group, LLC

Okay. Great. And then, if you were to look at -- once again, just kind of a follow-on with that backlog. How do you feel about your backlog, the mix of your backlog today versus, say, 1 year ago? I mean, are you kind of with that balance, what are some differences in type of mix that you're seeing today? And if not 1 year ago, even 6 months ago, is there anything changing in terms of that mix overall?

Brian R. Gray
CEO, President & Director

Yes. I think the change is what I've mentioned is, we have a lot more of that higher margin pull-through of materials in our backlog. The other thing that's changed is we've added some larger jobs over the last couple of quarters. And so our burn rate has changed over 1 year ago. And so, we typically burn about 90% of our backlog off in 12 months. And so, with the larger amount of backlog we have, some of those larger jobs are multiyear jobs. And so that burn rate now is at 77%.

But if you do the math, I mean, we still have an 11% increase in expected revenue in our backlog, even with that lower burn rate. And so stronger revenue projections with a larger percentage of that work being directed towards asphalt paving, which does benefit our downstream materials in asphalt and aggregates.

Operator

Your next question comes from the line of Trey Grooms from Stephens.

Trey Grooms
Stephens Inc., Research Division

So I guess starting off, asphalt paving in Mountain, seeing some challenges there. Sorry if you touched on this, but you mentioned the competitive bid dynamics. Has that intensified in this market? Is this something that's expected to continue? And then also, is this isolated to the region? Or are you seeing it kind of creeping into other markets? Or how widespread is it?

Brian R. Gray
CEO, President & Director

Yes. Great question, Trey. And I would just -- I would say that you know our business is very local. It's a really regional business. And so the same headwinds that we face this year, whether that's timing of work, type of work, phasing of work, weather, our lack of asphalt paving, our local competitors would be in the same boat. And so, yes, that has slightly changed the bid dynamics in the bid room. We've obviously secured our fair share of work, having backlog that's still up 32% with more asphalt paving.

But we didn't do the asphalt paving that we had anticipated and hoped for this year in the Mountain region. And then weather is certainly impacted us in the Central region. Specific to the Mountain region, we talked about this on the last call. I mean there's just -- it's really a type of work that was being let out. It's the timing of the work that's getting built, and the kind of the phasing of those large, heavy civil interstate jobs that started off with a lot of [dirt] work that has paving in it, and we have a lot of that paving on our books.

And frankly, we thought some of that work was going to go. There was one job even in Idaho that had 70,000 tons of paving on it, that we thought would go this summer, that's gotten pushed a little bit into the fourth quarter depending on weather and then into next year. The location of work was not necessarily right in our core markets in the Montana area, we talked about that last time. The type of work, again, the DOTs, they rotate the dollars between bridges, heavy civil, asphalt paving. And so, I think this is a temporary problem challenge that we faced in Montana and frankly, in pieces of Idaho and Wyoming, so that Mountain region.

The good news is that Mountain region, it has record backlog. I mean it has \$100 million of more backlog than it had 1 year ago, and it's still one of our faster-growing regions. And so I'm not concerned about the future of that. but we certainly lacked asphalt paving to keep our crews and really to keep the asphalt plant and aggregate plants busy. We didn't have that this summer, and it's more related to timing type of work than it is a structural issue.

In the bid room, we're dynamic. I mean we can move quickly, and we've made those adjustments. But the market dynamics as far as new competition, has not changed much. And our margins being slightly lower, again, are more than offset with the benefit of the higher pull-through of materials. So not structural, nothing that we can't adapt to and any kind of major problems going forward.

Trey Grooms
Stephens Inc., Research Division

Yes. Okay. That's helpful. And then on the ready-mix business, your margins there are up nicely year-over-year. I'm sure there's some benefits from acquisition and whatnot. But as we're thinking about the ready-mix business looking -- kind of going forward, what's your thoughts around kind of the puts and takes on price cost as you look at that? I mean asphalt is kind of -- it's facing its headwinds, which we've talked about, but ready-mix seems to be performing pretty well given the tough operating environment that's out there?

Brian R. Gray
CEO, President & Director

If you look at our margins of 20% for the quarter, those are going to be industry-leading margins. So very proud of the work that our teams are doing. Our PIT Crews and our dynamic pricings have a lot to do with that success. So obviously, Strata is a large contributor to that. But even without Strata, we had very good numbers in our ready-mix business units. So we do see that momentum carrying into next year.

Our dynamic pricing model is being embraced both -- internally, and our customers have received that modeling well. As long as we're providing the value of the materials through quality and customer service, they will pay the prices that we are asking for, our dynamic pricing. And you couple that with dispatch efficiencies, some new KPIs, and dashboards we're putting in place to help us manage our costs. You look at the purchasing power we have in our regional markets for our input costs. I think I like the position that we're in for ready-mix going forward with prices exceeding costs.

Trey Grooms
Stephens Inc., Research Division

If I could just sneak one more in there. Aggregates pricing very, very good. There's been, I guess -- several of your larger competitors have been in the market kind of commenting on high-level expectations for aggregates around pricing and volume. Just given the markets you're in, is there anything that maybe you could give us just from a maybe high-level standpoint around how to think about pricing or volume or anything around your aggregates business looking into next year?

Brian R. Gray
CEO, President & Director

Yes. I would say, I've mentioned on previous calls, that we think that with our commercial excellence and dynamic pricing model, that mid-single digits for aggregate pricing is something that's sustainable. We've enjoyed high single-digit price increases this year, and that has a lot to do with the acquisition of Strata and their pricing cost structure up in that market with the rail. Keep in mind, our average selling price includes delivery and freight. And so the addition of Strata pushed that up to high single-digits this year. But Trey, our legacy operations are continuing to perform at mid-single digits, and we do feel like that is sustainable going forward.

The volumes, that's been a little bit of a different story this year. The addition of Strata has given us positive volume growth for the quarter, but our legacy operations are still down, and that is primarily due to, again the 2 factors, the less asphalt paving and the pull-through that, that brings and then the weather. And so you look at the DOT budgets, you look at our backlog going forward, I look forward to providing specific guidance on volume during the next quarter's call.

Operator

Your next question comes from the line of Garik Shmois from Loop Capital.

Brian R. Gray
CEO, President & Director

You there, Garik?

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Hi. Can you hear me?

Brian R. Gray
CEO, President & Director

Yes, we can hear you now.

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Sorry.

Brian R. Gray
CEO, President & Director

You're a little bit [indiscernible]. You're a little bit -- we can't hear you -- understand you, Garik. Sorry.

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Okay. Sorry. Okay.

Brian R. Gray
CEO, President & Director

We got either [Technical Difficulty].

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Apologies. I wanted to ask on the fourth quarter guidance. What's going to have to happen for you to hit the upper end or lower end of the guidance range?

Brian R. Gray
CEO, President & Director

Yes. I would say that we've based our midpoint on normal weather plus the successful weather that we had, favorable weather for October. And so, weather in November and December in our footprint 1 or 2 weeks can take us, swing us to the high end or the low end of that. And so weather is a big factor on that. I think the continuation of the Oregon stabilizing, and that work that third-party private work continuing into the fourth quarter would be -- would help us. And we saw that in October, and we anticipate that will continue in November and December.

We've got some projects. I mean, with the backlog, we have a lot of work to go perform this year. And so, I think it really does come down to weather. We've got some larger impact projects. We're currently providing a lot of stone on the project down in Southern California called Pier G, the P209 project in Honolulu at Pearl Harbor. That was supposed to begin pouring concrete to that dry dock facility in the third quarter, and it got pushed to the fourth quarter. We're still not in full production on that.

And so that right now could -- if they get going and actually exceed their production rates, that would push us to the high end. If it continues to be slow to get going, that could be on the low end. So there's a few things there. Nathan, did I forget anything that you would want to add?

Nathan W. Ring
VP & CFO

Give it all [indiscernible].

Brian R. Gray
CEO, President & Director

I mean, I think I got most of those, Garik.

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Okay. That's helpful. Follow-up question is just on some of the private construction projects. You had earlier in the year spoken to non-residential delays in particular. You sound a little bit more positive on that based on your prepared remarks. Just want to confirm that and if you could speak to some of those projects that are trying to come back?

Brian R. Gray
CEO, President & Director

Yes. There was close to a dozen projects that we had secured purchase orders, actually had begun construction on some of them early in the year. I mean this was back in January, February, then were delayed. And -- so we've talked a lot about that kind of in the first

quarter, second quarter and now here we are in the third quarter. A few of those projects resumed construction. And so I think there's a good slide in our deck that shows that our aggregate volumes in Oregon year-over-year were down 3%.

And if you look at that in the prior quarters, we were down 25% -- 26% quarter-over-quarter last -- in the second quarter. In the first quarter, year-over-year, we were down 26% also. And for the third quarter, we're only down 2%. And so, we have seen that begin to stabilize the quarter-over-quarter comps. I mean, some of those headwinds, we were starting to feel those a little bit starting about this time last year, frankly, in the fourth quarter.

And so, that kind of gives me confidence that aggregate volumes are beginning to stabilize, and that we will continue some of that work on that private work. And specifically, our large market that drives most of the volume for aggregates is in Portland, Oregon, and we have a very strong market position. And we are seeing some of that work resume construction.

Operator

Your next question is from the line of Ian Zaffino from Oppenheimer.

Ian Alton Zaffino

Oppenheimer & Co. Inc., Research Division

On Oregon, can you maybe tell us what the pricing that you realized in the past quarter? Just trying to understand this because it's -- to me, it's always been viewed, I guess, as an optimized area, which I would imagine the pricing would be more optimized, but maybe kind of give us a little bit of color on that?

And then also on the funding package, right, the funding package is 1/3 of what it should have been. So does that then mean just given kind of your near-term guidance that we would see like a faster roll-off of that business? Or was just the business supposed to be up so much with a \$12 billion package, and now it's just kind of, like you said, flattish, give or take, versus previously?

Brian R. Gray

CEO, President & Director

Yes. I'll start with that one. So -- and I'll let Nathan talk about the pricing in Oregon. We don't provide specific pricing results and guidance by state, obviously, but there's certainly momentum, and a lot of positive things that come from our dynamic pricing that was really born in that region. And so good news there. As far as the Oregon -- and that's a 10-year bill. And it's substantially less than what the legislature wanted. It's substantially less than what is needed to maintain the current level of repair in Oregon, which is not great.

And so to start making progress. I mean, they need a lot of funding -- additional funding each year going into that. So yes, it's substantially less. Really, you take ODOT gets half of that gas tax. The other half of that \$4.3 billion. So over 10 years, and you start doing the math, it's \$430 million. If you just did it evenly, it's not always exactly even.

Half that goes to the states, and the other half goes to the cities and counties. The half that goes to the cities and counties, we expect that will benefit us beginning next year. Those are real jobs, real benefits in small communities, midsized markets that we operate in throughout the entire state. And those are those \$2 million to \$5 million overlay type of projects, some small bridge repairs that are \$2 million to \$5 million, that is really our bread and butter. We do a lot of that work in a lot of our states, frankly. So that will have an immediate impact to us next year, not as much as we had hoped with a larger bill at \$12.1 billion, but meaningful, that will help us out.

The other half of that revenue stream going to ODOT, I frankly don't see that improving the construction that much. It really is without it, they would have had to lay off hundreds of DOT workers that really are maintaining the roads, plowing the snow. So, I would say I would look at the \$4.3 billion as a stop gap at the state level. And will require the legislature and the governor and the taxpayers to continue having the conversation as how do we add more dollars to the budget through another transportation bill in order to start making progress on the deferred maintenance that's been happening in Oregon for years.

The roads -- I live there. And I can tell you, they need fixed. And I'm driving on a lot of very old bridges that are well past their design life. And so the Oregonians, we need to fix this problem. So with that, I'll just turn it over to Nathan to talk about pricing real quick.

Nathan W. Ring

VP & CFO

Good to hear from you. On the pricing, first, just as Brian said, I mean, we don't necessarily give the pricing for any particular market. But maybe to help you understand how the markets are performing. So, Brian talked a moment ago about some of the key markets that

are impacting volumes year-over-year. If you look at those markets, they are seeing pricing improvement over last year. And if you look at Oregon overall, including both the larger key markets like you mentioned in the Portland area, but even the other ones, you'll see that Oregon overall is up in its pricing. So an indication that, that dynamic pricing model is working even in those markets where you may see downward volumes.

Ian Alton Zaffino

Oppenheimer & Co. Inc., Research Division

Okay. And then maybe just touch on M&A. As you look kind of at the landscape over the next 12 months, what type of M&A activity do you think we'd see from you guys? And where would it be? I mean, would it be infills? Would it be new markets? Any other kind of color on what you're thinking about as far as future M&A?

Nathan W. Ring

VP & CFO

Yes. I would say I'll start with the -- looking just for a second in the rearview mirror, and the success that we've had at integrating the acquisitions that we've done when we restarted our program. I really could not be happier with the due diligence process that's being done at the local regional level that then feeds into our integration. And that playbook has worked well for us and gives me good confidence going into next year in that there are more opportunities.

Our business -- our corporate development team, I talked about a robust pipeline. And there are ample opportunities in the markets we're currently in. Our #1 priority is to continue to infill our existing markets, but also look at markets that are adjacent to our current states. We're going to be focused on the higher-margin materials-led type of companies, specifically aggregates. We continue to like the mid-sized high-growth markets that we're in.

And I would just tell you that with the addition of Strata, we've been talking about seasonality in the first quarter and second quarter, that I want to level out that seasonality and look at some of the states that we're currently in, in the southern part of our footprint, along with states that we're not currently in, in the southern part of our footprint. So I think our strategy has been pretty consistent and clear from when we first laid out our capital deployment strategy, and very happy to report that there are ample opportunities that continue to come our way. All the deals we've done so far have been negotiated deals. They've all been with multiples that have been very attractive and kind of meet our disciplined modeling criteria.

And so I would say that the future is going to look a lot like the past. If you look at the step-up this year that we spent in SG&A, it was primarily to support our M&A activity. That \$20 million step-up in SG&A was primarily for M&A, and we project that same dollar amount to continue forward into future years. So I think that would kind of give you an indication of what we're looking at as far as the amount of capital deployment and number of deals we're looking at.

Operator

[Operator Instructions] The next question comes from the line of Ivan Yi from Wolfe Research.

Ivan Yi

Wolfe Research, LLC

First, can you discuss what were organic aggregate volumes and pricing in [3Q-ex], any acquisitions?

Brian R. Gray

CEO, President & Director

Yes. I would say -- so on the pricing, we -- on the aggregate specifically, and that's where I'll kind of focus on, that's the largest piece of the -- what we all talk about. Our pricing continues to be at that high single with the addition of Strata. Our legacy operations would be in mid-single. And I think that's a sustainable look ahead. We like that mid-single, and we enjoy that in most of the markets that we're in right now.

On the volume, we show for the quarter that we were up 4%. I would say that if you look at legacy operations, because of the headwinds related to the lack of asphalt paving, weather, and the Oregon headwinds that we faced in the first half of this year, we are down, and we continue to be down with those legacy operations. I think you offset that even by looking at our backlog, and the local DOT budgets. That gives me a good hope that, that's beginning to turn at the legacy operations. And just with some normal weather, I think our -- you've seen our aggregate business lines performing much better from a volume standpoint.

Ivan Yi

Wolfe Research, LLC

Great. That's helpful. And also, we appreciate that you're breaking out the Oregon volumes by quarter. Any insight into 4Q at all? Have you reached an inflection here given the nice improvement we saw in 3Q?

Brian R. Gray
CEO, President & Director

Yes. I think that, when we say that Oregon has stabilized, I'm certainly looking at what happened in October, and what we project continuing to move forward. As I look at and provide a little bit of a look ahead into 2026, and having flat, that we do feel good about where we're at in Oregon. Really, this comes down to the -- how quick our team was able to navigate these headwinds, and change kind of where crews were stationed and moving equipment around, rightsizing the team and the crews, being creative, and finding work that maybe we would traditionally not bid if we had strong DOT budgets.

We had an acquisition in July that performed better than we actually had even modeled for. And so that's good, strong momentum. It's a nice well paving company in Central Oregon. Central Oregon is one of the hottest spots within Oregon. So yes, there's a number of things that we like that's going on in Oregon, that gives us confidence to talk about the stability that, that state is now enjoying, and then kind of look ahead into '24 or '26.

Operator

There are no further questions at this time. So I'd like to turn the call back to Mr. Brian Gray for closing comments. Sir, please go ahead.

Brian R. Gray
CEO, President & Director

I just want to thank you all again for joining us today. Just equally importantly, I want to thank our team for delivering record results in the third quarter. Our EDGE plan is working. The fundamentals of our business are strong, and we believe we are well positioned for long-term success. We appreciate your continued interest and support. And with that, we'll turn the call back over to the operator.

Operator

Thank you, sir. Ladies and gentlemen, this concludes today's conference call. Thank you very much for your participation. You may now disconnect.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. **THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION.** In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2025 S&P Global Market Intelligence.