

12-Aug-2022

Bowman Consulting Group Ltd. (BWMN)

Q2 2022 Earnings Call

CORPORATE PARTICIPANTS

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

OTHER PARTICIPANTS

Brent Thielman

Analyst, D.A. Davidson & Co.

Alex Rygiel

Analyst, B. Riley Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Lydia and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Bowman Consulting Group Second Quarter 2022 Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

Please note that many of the comments made today are considered forward-looking statements under Federal Securities Laws. As described in the company's filings with the SEC, these statements are subject to numerous risks and uncertainties that could cause future results to differ from those expressed, and the company is not obligated to publicly update or revise these forward-looking statements. In addition on today's call, the company will discuss certain non-GAAP financial information such as Adjusted EBITDA and Net Service Billing.

You can find this information together with the reconciliations to the most directly comparable GAAP information, the company's earnings press release and 8-K filed with the SEC and on the company's Investor website at investors.bowman.com.

Management will deliver prepared remarks, after which they will be taking live questions from public research analysts. Throughout the call, attendees on the webcast may pose questions for management to answer on the call or in subsequent communications, but there will be no live Q&A from the webcast attendees. Replays of the call will be available on the company's Investor website. Mr. Bowman, you may begin your prepared remarks.

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

Thank you, Lydia, and welcome, everyone to the Bowman Consulting Group second quarter 2022 Earnings Call. I'm Gary Bowman, the Chairman and CEO of Bowman. Joined this morning by Bruce Labovitz, our Chief Financial Officer.

Before we get started, I'd like to welcome – extend the welcome to everyone from PDC and Fabre Engineering, our two most recent acquisitions. The talented professionals joining us from Southern California and Florida Panhandle, to expand our reach, add to our client network, and add to our depth of talent. We're excited to have these transactions complete and we've already realized some significant cross-selling successes with both of these firms.

In addition, I'd like to thank all the members of the Bowman team, who worked tirelessly delivering the exceptional growth that we've been experiencing. Our people focus their efforts on delivering value to our clients and supporting each other by sharing work and cross-selling, and by creating an inclusive culture that we're all proud of.

As outlined in our press release last night, the second quarter of 2022 picked up where the first quarter left off with continued strong growth and record results. Our net revenue in the quarter put us on the pace of over \$200 million a year for the first time. We continued to deliver on our strategy of driving both organic and acquisitive growth with an organic net revenue growth rate of roughly 30% year-over-year. Looking to the second half of the year, we're confident in the likelihood of continued growth, even in light of potentially challenging economic conditions.

The mix of our business, we believe, insulates us from any meaningful impacts from rising interest rates and volatile energy prices. As such, and in connection with our ongoing acquisition program, we are raising our guidance for the full year.

Now I'm going to turn the call over to Bruce, who will discuss our financial results in detail. Then I'll return to talk a little bit about our markets and our M&A program. Bruce, go ahead.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

Great. Thank you, Gary. Welcome, everybody. We're pleased to be here today talking about another record quarter. It's hard to believe that we're finally at a point where we are now comparing two quarters, both of which were where we operated as a public company.

Gross revenue for the second quarter increased \$25.9 million to \$62.4 million or 71%. Year-over-year organic gross revenue was 27%. Net revenue for the quarter increased \$23.9 million to \$56.4 million or 74%. Year-over-year organic growth for net revenue was 32%. It's important to note that this is true organic growth and the volume of work billed, not simply the impact of increased pricing.

We saw growth in orders and net revenue across all our markets, resulting from the implementation of our growth plan, which focuses on cross-selling to existing customers throughout our national offices, creating revenue synergies from acquisitions and focusing our efforts on increasing our work with existing clients and winning new assignments.

Adjusted EBITDA for the second quarter increased \$3.4 million or 81% to \$7.6 million as compared to the year ago period. This represents an Adjusted EBITDA margin net of 13.4%, which is up 50 basis points as compared to last year. You can find the reconciliation for non-GAAP metrics in our press release.

Gross revenue for the six months ended June 30 increased \$46.6 million to \$114.9 million or 68%. Year-over-year organic growth of gross revenue was 31%. Net revenue for the six months ended June 30 increased \$42.8 million

to \$104.1 million or 70%. Year-over-year organic growth for net revenue was 34%. In our business, it is a positive when the growth of net revenue outpaces the growth of gross revenue.

Adjusted EBITDA for the six months ended June 30 increased \$6.7 million or 81% to \$15 million. This represents an Adjusted EBITDA margin net of 14.4%, which is up 90 basis points compared to last year. Gross margin for the second quarter was 50%, virtually identical to the same period last year. Overhead for the quarter was 45% of gross revenue as compared to 47% in the prior year, which is a positive trend that illustrates our operating leverage through the efficiency of scale.

Gross revenue for the second quarter was comprised of roughly 68% building infrastructure, 15% transportation, 13% power and utilities, and 4% what we refer to as other emerging markets, which includes water resources, mining and other energy transition services.

Diving a bit deeper into the building infrastructure market, we note that roughly 44% of the 68% of gross revenue that was building infrastructure was residential in nature, including for sale housing, multifamily housing and mixed-use developments. Of that 44% that was residential in nature, 49% related to for sale homebuilding activities. As such for residential services, for sale residential services represented approximately 15% of total gross revenue for the quarter.

Gross revenue for the six months ended June 30 comprised of roughly 71% building infrastructure, 12% transportation, 13% power and utilities, and 4% other emerging markets. Again, diving a bit deeper into the building infrastructure market for the six months, we note that likewise, roughly 44% of the 71% of gross revenue that was building infrastructure was residential in nature, of which 49% was related to for sale homebuilding activities. As such, again for sale residential services represented approximately 15% of total gross revenue for the six months.

We think it's important to highlight this because there seems to be a sense in the marketplace that we are highly dependent on for sale residential homebuilding type activities and that a downturn in that market could have a substantial drag on our future results. While it is a meaningful component of our overall business, it is not over-weighted in its potential impact to our future results.

Our balance sheet remains strong with net debt of approximately \$6 million and a net leverage ratio well below 1. Our CapEx remained consistent at roughly 3.7% of gross revenue for the six months, with our CapEx spending funded through our capital lease facilities, all of which have plenty of available capacity remaining.

Inclusive of a nearly \$10 million change in net working capital adjustment, principally comprised of increased accounts receivable as a result of rapid organic growth, we generated in excess of \$4 million of cash from operating activities during the six months ended June 30. We ended the quarter with nearly \$26 million in cash and our full \$25 million of availability under our revolving credit facility.

We recently received preliminary approval from BofA to increase the credit facility to \$50 million and have received expressions of interest from other sources of nonbank debt capital to provide unsecured debt facilities as needed. At this time, we're confident that we have sufficient access to capital to continue executing on our strategic growth plans well into next year without raising any additional equity capital. That does not mean we will not continue to use our equity as a component of consideration in acquisitions. But to be clear, at this point in time, we do not anticipate a public market equity raise in the foreseeable future.

With respect to equity, on June 30, 2022, we had roughly 13,264,000 shares outstanding. There have been no meaningful additional equity issuances since the end of the quarter. In July, in connection with the PDC acquisition, we issued a convertible note with up to 285,000 unregistered shares subject to conversion at \$14 per share over two years. Upon conversion, the shares would have a six-month holding period. None have been converted as of today.

Our backlog on June 30 was \$205.6 million. This is an increase of \$38.6 million, or 23% as compared to December 31, 2021, and an increase of \$82 million, or 66% as compared to June 30, 2021. Backlog is comprised of roughly 53% building infrastructure, 30% transportation, 15% power and utilities, and 2% other emerging markets. Consistent with gross revenue, approximately 13% of our June 30 gross backlog relates to for sale residential housing.

As Gary mentioned, we're increasing our fiscal year 2022 guidance for Net Service Billing to a range of \$202 million to \$220 million with Adjusted EBITDA in the range of \$29 million to \$33 million. This increase from previously issued guidance of \$185 million to \$200 million and \$25 million to \$29 million is the result of both recent acquisitions and expected continuation of organic growth.

Keep in mind, our guidance only includes acquisitions that have been completed as of the day the guidance is issued. Future acquisitions could have an accretive impact to our forecast. The integration of our acquisitions into our systems is an ongoing process, which generally takes between three and six months to complete for each acquisition.

Our dedicated integration team and our corporate accounting group are doing a great job bringing all of these different systems, processes, cultures and organizations together into one unified platform. I want to say a particular thank you to those folks for all their hard work.

I'll now turn the call back over to Gary.

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

Thanks, Bruce. Let me turn my attention now to our business, the state of our markets, and the status of our strategic growth plan and the vision for the future of our business. And I'll start by addressing the macro environment that we're working in. The demand for infrastructure investment is as strong as it's ever been during my 40 years in this business, both public and private sector clients are competing for the services of firms like ours. What we're experiencing is a convergence of a growing market in which there is more business to be had and growth within our business that's clearly taking market share from competition.

While some of the markets we serve are reactive to interest rates, none are driven solely by changes in rates. It's important to remember that in historical context, rates there are still substantially lower than they've been during other periods of inflation, and aggressive Federal Reserve tightening. The mix of markets in submarkets that we serve provides a buffer against economic cyclicity.

While we all hear the same rhetoric about economic conditions and forecasts, these indications seem to run contrary to the resolute confidence our clients are showing in their businesses and their willingness to spend on infrastructure investment, which is made clear to us by the continued robust demand for our services across all sectors. Our bookings of new orders which we refer to as our sales continue to grow month in, and month out, with a book-to-burn ratio well in excess of 1.

We're acutely attuned to any signals of macroeconomic headwinds that may adversely affect our business. And to date, we've yet to experience any systemic slowdown in demand for our services.

We're beginning to see the early stages of dollars flowing from the Transportation Infrastructure Bill and the recent reconciliation, legislation that earmarks money for investment in energy transition has already sparked conversations with both current and new clients about future projects.

Our strategic growth plan has two primary components, organic growth and acquisitive growth. While these are two distinct avenues of growth they overlap in many areas. As we evaluate potential acquisitions, our primary objectives are to identify cultures that are consistent with our businesses that are in attractive markets and geographies and that provide opportunity for value creation through revenue synergies.

While there's a deep market for the kinds of companies that we're willing to buy at the valuations we are willing to pay, the tricky part is integrating these companies, not simply from an operations point of view but from the mindset of cross-selling and revenue synergies. With close to 70 offices around the country, we have a tremendous opportunity to grow revenue by cross-selling our services to existing clients of acquired firms as well as increasing our share of our current clients' work nationally.

We've begun integrating our transportation practices with demands practice and have begun cross-selling our clients with additional capabilities related to traffic studies. We've successfully landed large projects on the Gulf Coast with Fabre and have been able to penetrate and building services assignments through our new MEP practices.

From our 1519 acquisition, we've expanded our survey services to oil and gas providers throughout Texas and beyond. We've grown our revenue through acquired firms such that in less than a year we have in the aggregate picked up over a half a turn on purchase price.

With 12 acquisitions completed in the last 18 months, we've created a platform from which we can deliver almost any civil engineering service to each of the markets we serve. We've learned some great assignments recently that have resulted in the acquisitions that we've closed and the skillsets they brought to us, the technical resources that we've added.

Our vision for this company is to continue to build on the depth of experience and breadth assurances that we can offer to the markets we concentrate on. We're focusing these efforts, especially on energy transition, power and utilities and transportation infrastructure markets. Our M&A pipeline is as deep as it's ever been with plenty of opportunity within our target valuation range. Year-to-date, we've acquired approximately \$50 million of net revenue at an average multiple of under 6 times estimated 2022, Adjusted EBITDA.

We expect to continue to be acquisitive throughout the second half of the year, but will likely maintain a lower risk profile with respect to acquisition size until things settle down in the overall economy. We will continue to look for companies to diversify our portfolio of experiences and opportunities and extend additional revenue synergies and cross-selling opportunities.

Again, thanks to everyone, in Bowman for working hard every day, exceeding expectations of our clients and creating value for our communities and our investors, and for cultivating a culture that makes Bowman a great place to build a career.

I'll now turn the call back over to the operator for the question-and-answer session. Thanks.

QUESTION AND ANSWER SECTION

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

Brent Thielman

Analyst, D.A. Davidson & Co.

Q

Hey. Great. Thanks, Gary, Bruce, good morning.

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

A

Morning, Brent.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

Good morning, Brent.

Brent Thielman

Analyst, D.A. Davidson & Co.

Q

I was curious – yeah, first off, I was just curious if there's a way to think about the contribution to organic growth from sort of more billable hours versus higher billings per hour. I think you've made a comment in the prepared remarks and I was curious about that.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

I'm not sure there's specifically a way to answer that, the way you've asked it except that the – I think the comment in the prepared remarks was that the organic growth is not simply a function of the same workforce at the same utilization rate at higher billing rates. It is a function of an increased head count working at slightly higher utilization rates for more clients.

Brent Thielman

Analyst, D.A. Davidson & Co.

Q

Okay. Okay. Thanks, Bruce. And then it looks like the non-housing piece of the buildings infrastructure sort of vertical is – continues to grow really well. Maybe you could just talk about some areas that have been really strong for you in that side of the business.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

Yeah. Sort of commercial and municipal.

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

A

Yeah. Both of those markets are very robust. So all the government markets we're in are, I guess, fully recovered from COVID. So they're spending at very healthy paces pursuing new projects at healthy paces. And the

commercial and retail developers, I say developers are end clients are more often than not the actual retail chains. And they're very aggressive in their expansion. So that's very healthy.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

So specific submarkets that you see data centers within building infrastructure has been extremely strong. Schools and other educational-type facilities have been very strong. We've seen industrial, commercial has been strong. We work with Amazon, for instance, on their HQ2 project in the D.C. area. That's JPG really – and that's a strong market. That type of work. So, all of those areas have been positively impacted.

Brent Thielman

Analyst, D.A. Davidson & Co.

Q

Okay. And then in March, you'd laid out sort of these plans to be able to acquire \$75 million or more in annualized, I guess, Net Service Billings, you're up to looks like over \$40 million now. How robust are the discussions today, kind of how is this evolving the economic climate impacting those discussions? Is it working against achieving that target? Is it helping the pipeline? Just be curious about that.

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

A

The pipeline is robust. And we certainly don't sense any change, I'd say, in the sentiment of the seller and their expectations haven't changed. Their expectations are the same. But the market is still as robust as it's been. I'd say we really like these smaller acquisitions because there's not a lot of integration involved. But we're finally getting a lot of – we're getting a lot of synergy bang for our buck. So, I know we were talking about a higher I think maybe we said I think maybe we set an average size of \$10 million. They're not going to average \$10 million this year. But if we don't hit \$75 million, we'll be close to it this year. So look, the marketplace is as robust and the pipeline is robust as it's ever been, Brent.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

But I think it's important to also remember. So \$75 million was the aspirational, it is not incorporated into guidance in any way necessarily. So we don't include an acquisition unless it's closed. So yeah, we still would like to continue to be acquisitive if it's \$68 million or \$75 million or \$50 million, we'll continue...

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

A

Or \$85 million.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

Yeah. We'll continue to update guidance as we are successful in that strategy. But a downside on that number wouldn't affect guidance, Brent.

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

A

I think the bottom line is the market the market and the environment is just where we expected and hoped it would be at this time of the year.

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

Q

Okay. And then, others in the engineering space have started to talk about the transportation end market increase in either the direct or sort of indirect result of the increased infrastructure funding. Are you seeing that in your bid activities now?

Gary P. Bowman*Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.*

A

We're seeing some of it up in Illinois. And with McMahan, I know some of their clients are seeing some activity. So, yeah, we are starting to say projects hitting the street that are as a result from the Transportation Bill.

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

Q

Okay. Thanks, guys. I'll get back in queue.

Gary P. Bowman*Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.*

A

Thanks, Brent.

Operator: Your next question comes from the line of Alex Rygiel of B. Riley Securities.

Your line is open.

Alex Rygiel*Analyst, B. Riley Securities, Inc.*

Q

Thank you. Good morning, gentlemen. Very nice quarter. A couple of quick questions here.

Gary P. Bowman*Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.*

A

Thank you, Alex.

Alex Rygiel*Analyst, B. Riley Securities, Inc.*

Q

Bruce, coming back to that – Bruce, kind of back to that first question as it related to organic revenue growth, obviously, again, a lot of different components kind of building into that 34% growth year-over-year. I guess the question here, is there a way to kind of simply think about how much of it is due to improved pricing versus organic volume versus synergistic volume?

Bruce J. Labovitz*Chief Financial Officer, Bowman Consulting Group Ltd.*

A

Not without it kind of being a bit of a lag because it's very hard to look at price – we're not like a hotel room that's sort of year-over-year what's the price or day-over-day? If I had to try to disaggregate that number into the kind of form you've asked, Alex, I'd say 80% of that is really just organic growth in work that we're being asked to do from clients that we have or clients that we are acquiring not through acquisition, right?

There's – I think another component as well is 10% of that would be sort of synergistic, maybe 20% – kind of somewhere between that 10% and 20% of, okay, cross-selling and synergy. But I kind of think of those first two as one big suit together where we're generating more work from non-acquisitive sources. I mean, our head count is growing not just because of acquisition, but because of increased volume of work to be done. Yeah, there is some value accretion that's occurring right? Because of the shortage of supply of people like us in the market to do work, but we're not just the same head count, doing the same utilization, generating more revenue.

Alex Rygiel

Analyst, B. Riley Securities, Inc.

Q

I would – that's helpful. And then as it relates to your backlog, what end markets do you think are expanding the fastest organically right now?

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

Probably transportation and power and utilities out of our...

Alex Rygiel

Analyst, B. Riley Securities, Inc.

Q

Yeah.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

...backlog and then growing – so I'd call those the nominally fastest growing. Percentage fastest growing might be the energy transition business, but it is not necessarily having the same bang for buck kind of impact that the other two are having. But it sounds sort of out of favor to say, but building infrastructure is continuing to grow organically. We monitor homebuilding, we monitor the commercial developers, we monitor everybody. You listen to the Hortons and to the Lennars, and they're talking about not slowing down their investment in inventory.

They may be slowing their starts a bit, but they're not abating their demand for a lot inventory. They might be shifting it off their balance sheet to a private developer's balance sheet, looking for more finished lot acquisition as opposed to direct acquisition, but that's still in the aggregate demand for our service unchanged or increasing. So we feel pretty good about the three primaries. Water is growing fast just by virtue of it being a resource that is becoming more scarce in certain parts of the geographies that we serve.

Alex Rygiel

Analyst, B. Riley Securities, Inc.

Q

And then lastly, as it relates to your guidance, the low end of your revenue guidance of \$205 million would suggest that the back half of the year, sort of declines from 2Q, is that your typical seasonality that you expect or you're being conservative or do you see something in the marketplace that would suggest kind of a slowdown from the pace in Q2?

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

So we generally do see just a slightly lighter Q4. The holidays – I mean, we're a people business people take vacations, you can only bill hours that people are working. So we generally, through that Thanksgiving to New Year's period can be a little bit slower for us. Not always. I think, Alex, it's probably just more we all turn the news

on every morning. We all hear what's going on. We want to be in a position where we're not being dismissive to the potential for slow down. So that's our low end. But I think that we gave a range because we feel that the low end is just that and are more optimistic that there could be a higher end as well.

Alex Rygiel

Analyst, B. Riley Securities, Inc.

Q

Very helpful. Thank you very much.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

Thanks, Alex.

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

A

Thanks.

Operator: [Operator Instructions] We have a follow-up question from Alex Rygiel of B. Riley Securities. Your line is open.

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

A

Welcome back.

Alex Rygiel

Analyst, B. Riley Securities, Inc.

Q

Thanks. One last question. Yeah thanks. You've made a number of acquisitions so far. You have a number of acquisitions planned going forward. Can you just touch upon sort of how systems integration is going, how back office integration is going, some of the successes or some of the competitions that you've had, and how your platforms kind of established for layering on having another kind of couple of years of active M&A?

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

Yeah. So, yeah, integration is one of the most challenging parts. And there's really two components to it. And I can address the systems side of it, the cultural side of it, it's just equally as challenging. But we have a great team of people that work every day to get the cultural and orientation kind of integration going.

System side, Alex, we have a really strong back end process here. We've got strong ERP in place. Going public, that was something we knew was going to be part of our life. And it was something that was well-vetted ahead of time that we had the capability to implement this plan. It is absolutely challenging. It has cost us head count, meaning we've had to add people. It's a challenge. We bring on systems that range from shoeboxes and notes to QuickBooks to the same kind of ERP systems that we have. But they're all good companies with good organizations and good knowledge of their businesses.

And so we go through a process. And first couple of months, the first things we do is integrate what we consider to be critical processes, such as cash management and revenue recognition. Then we work towards fully integrating our billing processes and creating visibility uniformly in one platform to all of our data. It's probably the

most challenging part of the first couple of months of any integration is getting your arms around all of the data so that I can present it in a way to our leadership team that's meaningful to them.

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

A

Right. And I'll speak to what Bruce is talking to you about the cultural part. And that project, it's a lot more than just when you buy a Bowman hat and a wallet card with our cultural values. We concentrate tremendous amount on inculcating from the word-go, a culture of cross-selling. And that has been tremendously successful. It's really exceeded our expectations.

We've actually begun here in the past several weeks to start to quantify that. And it's something that's a little bit grey area to quantify it. But as we start counting it up, it's kind of mind blowing. But I don't know if we can come up with a KPI on that or not, but we're...

[indiscernible] (32:17)

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

A

...a wallet card is also a business card. We do all that stuff, but I think that's how we'll focus on today.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

Yeah. One thing I'll just strip close out with it, I do not anticipate there being any substantial requirement for big CapEx spending to support the back end of all of this integration, it's people, where we've got all the systems and capacities in place sort of from ERP point of view to keep going.

Alex Rygiel

Analyst, B. Riley Securities, Inc.

Q

Very helpful. Thank you.

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

Okay.

Operator: And finally, we have a follow-up from Brent Thielman of D.A. Davidson. Your line is open.

Brent Thielman

Analyst, D.A. Davidson & Co.

Q

Hey. Thanks. Hey, Bruce, what is your cash flow expectations for the second half?

Bruce J. Labovitz

Chief Financial Officer, Bowman Consulting Group Ltd.

A

Yeah, I think similar to what we're seeing in the first half, we are continuing to invest cash generation in growth. So when we make acquisitions, the acquisitions provide working capital as part of the consideration, kind of the conditions of acquisitions. And our organic growth continues to consume cash flow. But I think we're now kind of

on a trajectory for the second half of the year that will probably mimic the first half of the year, if not improve it just slightly.

Brent Thielman

Analyst, D.A. Davidson & Co.



Okay. Thank you.

Operator: There are no further questions at this time. Mr. Bowman, I turn the call back over to you.

Gary P. Bowman

Chairman, President, Chief Executive Officer & Founder, Bowman Consulting Group Ltd.

Thanks, Lydia. Again, just to wrap up, we're very happy to be on the call this morning. We reported such a great quarter. We want to thank everybody for spending time with us this morning. Certainly thank all of our investors for the faith that they put in us. And we're committed to continuing to create value here. Good morning to everyone. Thank you.

Operator: This concludes today's conference call. You may now disconnect.

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