Bowman Consulting Group Ltd. NasdaqGM:BWMN

Earnings Call

Friday, March 10, 2023 2:00 PM GMT

Call Participants

EXECUTIVES

Bruce J. Labovitz
Executive VP & Chief Financial Officer

Gary P. Bowman
President, CEO & Chairman

ANALYSTS

Alexander John Rygiel
B. Riley Securities, Inc., Research Division

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

Presentation

Operator

Good morning. My name is Adam, and I will be your conference operator today. At this time, I would like to welcome everyone to the Bowman Consulting Group Fourth Quarter and Full Year 2022 Conference Call. [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 obliged 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 in the company's earnings press release and the 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 published research analysts throughout the call. Attendees on the webcast may post questions to management's answer on the call or in subsequent communications, but there will be no live Q&A from the webcast attendees. Replays of this call will be available on the company's investor website. Mr. Bowman, you may begin your prepared remarks.

Gary P. Bowman
President, CEO & Chairman

Thank you. Good morning, and thank you for joining us today.

I'm pleased to welcome everyone to our 2022 year-end earnings call, especially welcome all and Bowman employees and employee shareholders whose dedication and hard work produces the successful results that we're reporting on this morning. Ownership is a critical element of our employee engagement proposition and our commitment to that value is reflected in our unique and exceptional culture.

As Bruce and I will outline this morning, 2022, our first full year as a public company, was active and eventful time at Bowman. We increased both gross and net revenue by 74% and more than doubled our adjusted EBITDA. Diligent execution of our strategic growth plans enable us to lever scale, thus increasing our adjusted EBITDA margin by over 200 basis points. During 2022, we closed on 8 acquisitions, bringing our post-IPO total to 17. We now have close to 1,700 employees in nearly 70 locations across the U.S. and in Mexico. We've grown revenue in the firms that we acquired in 2021 by an average of 20%, while retaining well over 90% of the professional staff in place at closing. Our 2022 acquisitions are growing in a similar manner, and we're looking to report comparable progress on those as they get a year under their belt to become fully integrated into Bowman.

The past year saw significant advances in diversifying the sources of our revenue, including geographic expansion as well as reducing the concentration of building infrastructure revenue and increasing the contribution from transportation. The inroads we made during 2022 have created a resilient foundation from which to continue building.

Now I'm going to turn the call over to Bruce to expand on the financial results we reported last night, after which I'll return for a few closing comments on our markets and other recent developments. Bruce?

Bruce J. Labovitz
Executive VP & Chief Financial Officer

Great. Thanks, Gary. It's been a year of explosive growth, multiple integrations and accelerated reporting requirements. I want to start out my comments today by acknowledging the dedicated efforts of our accounting, IT, HR and audit teams for their tireless efforts.

Gross revenue for Q4 was $75.6 million, which represents a $33.7 million or 80% increase over Q4 last year, including organic growth of approximately 30%. It also represents a 6% increase over Q3 2022. Most of the year-over-year increase came from building infrastructure and transportation, which accounted for $27.8 million of the increase, split relatively equally between the 2 markets, with transportation increasing $14.2 million and building infrastructure increasing $13.6 million.

Transportation represented 24% of Q4 gross revenue, up from 10% last year. Net service billing also referred to as net revenue was $66.2 million, which represents a 75% increase over Q4 last year, including organic growth of 24%. As a reminder, net revenue represents the revenue generated from our internal workforce.

For the year, gross revenue was $261.7 million, which represents a $111.7 million or 74% increase over last year, including organic growth of approximately 31%. Most of the year-over-year increase came from building infrastructure, which accounted for $65.2 million of the increase, while at the same time, building infrastructure decreased as a percentage of gross revenue to roughly 65% from a little over 70% in 2021.

Transportation revenue increased by 171% or $28.3 million and power and utilities revenue increased 45% or $10.1 million. These increases are in line with our strategic initiatives to diversify our revenue sources. Net service billing was $235.2 million, which represents a 74% increase over last year, including organic growth of 26%.

Gross margin for the year increased 130 basis points to 51.6% on gross revenue, while at the same time, our net to gross ratio remained flat at around 90%. Gross margin in the low 50s is what we would expect given our current mix of markets, services and subcontractor engagement.

Selling, general and administrative as a percentage of gross revenue decreased modestly to 45% compared to 46% in the prior year. Gross profit grew roughly 79% year-over-year and SG&A, net of noncash stock comp, grew roughly 54% year-over-year, which led to operating margin expansion and demonstrates the positive operating leverage in our business model.

Adjusted EBITDA for the fourth quarter was $9.4 million, an increase of $5.9 million or 169% as compared to the fourth quarter of 2021. Adjusted EBITDA margin net was 14.2% as compared to 9.4% a year before. For the full year, adjusted EBITDA was $34 million, an increase of $17.5 million or 106% as compared to 2021. Adjusted EBITDA margin net for the year increased 230 basis points to 14.5% as compared to 12.2% for 2021. This improvement is in line with our commitment to shareholders to deliver margin expansion over time through scale, diversification and service mix. As we've said, it won't always be a straight line, but we believe we're well positioned to meet our previously stated goal of a high teens adjusted EBITDA margin during our first 5 years as a public company.

For Q4 and the full year, residential building infrastructure revenue represented 23% and 28%, respectively. Broken down a bit further, for-sale residential real estate revenue represented 9.6% and 11.5%, respectively. For both the fourth quarter and the full year, commercial building infrastructure represented the largest percentage of our revenue at approximately 29% in both periods.

We estimate that slightly over 80% of our organic growth for the year was derived from increased workload and improved utilization with the balance coming from increased pricing power. This equates to approximately 5% inflation in pricing, which is consistent with wage inflation across the general economy. I think it's important to keep in mind that we are not generating revenue from the same mix of clients, projects and services between the periods, so direct pricing comparisons are not necessarily applicable and should be evaluated accordingly.

From time to time, I get questions about the composition of our noncash stock compensation expense. Keep in mind that for GAAP, all long-term stock grants are valued on the date of grant and ratably expensed over the vesting term of the award. Total noncash stock compensation expense for 2022 was $15.4 million, of which $8.1 million was residual GAAP expense related to grants made prior to and in connection with our IPO; $900,000 was for retention grants made in connection with acquisitions; $1.6 million relates to our employee stock purchase program from which we receive sales proceeds; and $4.7 million was associated with post-IPO issued long-term incentive programs.

The future GAAP expense for unvested awards outstanding on December 31 was $22.2 million, of which $12.8 million is the remaining expense of pre-IPO grants. On December 31, there were approximately 2.3 million unvested shares outstanding, of which 1.9 million were restricted stock grant shares that are included in the outstanding share count in the equity section of the balance sheet and 447,000 shares of preferred stock units, the vesting of which is subject to realization of targeted total shareholders' return over the next 5 years.

The balance sheet remains strong and well positioned to support growth. As of December 31, we had over $13 million of cash on hand and all of our $50 million revolver at our disposal. Our net debt of $34 million, including notes and capital lease obligations, was around 1x trailing adjusted EBITDA and substantially less than 1x guided forward adjusted EBITDA. As was the case when we reported Q3 results, our existing debt is generally fixed rate and not subject to interest rate volatility.

In connection with our year-end financial statements, we adopted reporting the new lease accounting standards, which resulted in gross up of the balance sheet for right-of-use assets and operating lease obligations. There's nothing new here. It's just a new change in the way we're accounting for these obligations.

Recent changes to the capitalization rules associated with R&D expense resulted in additional tax-related gross-ups. By code, certain at-risk engineering services, for example, fixed price contracts, qualify as a research and development expense and therefore, qualify for R&D tax credits. Under the new rules, the timing of the deduction of these and other newly qualified R&D expenses have changed. To be clear, the rule change does not impact the tax expense, just the timing of deductibility. As such, there is no P&L impact to this rule change. Remember, cash tax and book tax are different in their timing. You can see the GAAP impact of this rule change on our balance sheet and in our statement of cash flows through increased deferred tax accounts and accrued liabilities. I'll just reiterate, this tax rule change is a timing issue related to the recording of deductions. Don't be confused by the statement of cash flows. We did not write an $18 million check to the IRS.

With respect to our equity capital, all activity running through treasury stock is associated with shares withheld from employees to cover taxes in connection with large stock vesting events. We have not purchased any shares under the buyback program that our Board authorized last November. During 2022, we generated nearly $31 million of cash flow from operations before changes in working capital and just over $9 million after including a nearly $14 million increase in accounts receivable. We used $18 million of cash for acquisitions and $10.5 million for debt service, of which $6 million was essentially CapEx spending.

On December 31, we had $243 million of backlog, which was comprised of roughly 50% building infrastructure, 31% transportation, 14% power and utilities and 5% emerging markets, including water resources, mining and energy. We estimate that at any given time, approximately 85% to 90% of our backlog will turn within a 12-month period, meaning nearly $200 million of 2023 revenue was already booked at the beginning of the year.

During our November call, we initiated 2023 guidance at USD270 million to USD290 million of net revenue and USD42 million to USD48 million of adjusted EBITDA. At the midpoint, this represents 21% net revenue growth and 32% adjusted EBITDA growth. Since we last reported in November, we closed on one acquisition H2H Geoscience. Today, we are increasing and narrowing our net revenue guidance to USD280 million to USD295 million and increasing adjusted EBITDA guidance to USD43 million to USD49 million. As always, this does not include any future acquisitions.

I'll close by letting you know that our 10-K should be on file with the SEC early next week. And I'm now going to turn the call back over to Gary.

Gary P. Bowman
President, CEO & Chairman

Thank you, Bruce.

I am pleased to report that demand for our services remains strong. We generated healthy new order volume in 2022, which led to a book-to-burn ratio of substantially greater than 1 and backlog growth of 46% for the year. By the end of the year, we started to see tangible momentum from the 2021 Infrastructure Bill as it relates to transportation spending throughout the country. Recently announced wins with the Pennsylvania Turnpike Authority and the Massachusetts Bay Transportation Authority in addition to bookings from the Illinois Tollway Authority, IDOT, Florida DOT, Penn DOT and other transportation agencies, while not all directly related to IIJA funding, collectively reflect the uptick in activity we are experiencing in transportation.

We're also excited to have designed and introduced an innovative corridor management service to one of our state DOT customers or first of its kind transportation management implementation for them. As a corridor manager, we optimize limited agency staff resources by providing coordination of multiple contracts, consultants and contractors all working on a portion of a designated transportation corridor. We are now cross-selling this approach and believe we will benefit from a broadening demand for this type of approach to transportation project coordination.

With respect to our energy transition services, 2 weeks ago, we announced about $3 million of new renewable energy orders since our acquisition of SEI in November. So far, in the first quarter, energy-related orders, including power and utility Services represent nearly 20% of our total new orders. This is all indicative of the strong momentum that will continue to boost our position in energy-related markets.

Extreme weather events and aging pipelines continue to advance the demand for utility resilience and facility fortification services. During the first quarter, we booked a meaningful amount of underground and commitments with existing clients, and we're looking to cross-sell that business aggressively into new geographies this year. Our gas pipeline replacement, mapping and remediation work in Arizona, Ohio, Illinois and elsewhere continues to show promise for sustained growth. Given all this activity, we believe this is going to be a breakout year for our power, energy and renewable services business.

The building infrastructure market continues to grow despite concerns over macroeconomic and monetary policy headwinds. On the commercial front, we are encouraged by one of our long-standing big box customers, that's beginning 2 ground-up projects with us for the first time in over 5 years. In January, Amazon announced publicly that it plans to invest $35 billion in data centers in Virginia alone by 2040. This investment will have a meaningful multiplier effect on many markets we serve, not to mention we have a strong foothold in the Virginia data center market.

While we see pockets of softening in the for-sale residential market, we remain confident in the sustainability of our residential infrastructure planning and inventory creation practice. Serving the residential market does not require uniquely dedicated talent resources. In fact, most of our designers, planners and engineers are able to move seamlessly between serving residential, commercial and municipal customers. As these markets ebb and flow, oftentimes countercyclically, we continue to deploy our labor resources efficiently.

We remain committed to the execution of our strategic growth plan that we outlined back in 2021 with the connection of our IPO. We continue to maintain a disciplined approach to a healthy mix of organic and acquisitive growth within a well-defined fairway, affording us the ability to leverage our work sharing culture and maximizing our utilization. Through a significant and long-standing commitment to technology investment that facilitates an always available and anywhere, anytime production platform, we optimized our hiring and alignment with customer needs, independent of geographic limitations. We believe that work-sharing, which facilitates increased collaboration, broadened adoption of best practices and an intensified drive for cross-selling of revenue synergy has been and will continue to be a key ingredient in Bowman'[s long-term success.

Regarding M&A, we remain extremely active with a large pipeline of opportunities. Since our last conference call, as Bruce noted, we closed on the acquisition of H2H Geoscience. During 2022, we added significant depth in both services and markets through acquisitions, including transportation, marine and waterfront engineering, underwater survey, reality capture, 3D modeling and LIDAR mapping, municipal planning, hydrologic and geologic consulting, solar infrastructure design, stockpile inventory management and aggregates mining. We expect to continue being acquisitive this year, employing a similar capital allocation strategy for acquisition, and we endeavor to outpace last year's acquired annualized revenue at closing of roughly $60 million. I look forward to reporting on new closings during our Q1 call.

In conclusion, 2022 was a rewarding and remarkable year for our company as together, we successfully executed on our strategic growth plan and continue to deliver the high quality of work that our clients demand. As Bruce said, the path to achievement of our objectives is not a straight line. But as we look ahead, we have tremendous confidence in our ability to deliver this year as well as over the long term.

As always, I want to thank the entire Bowman team for their commitment and hard work that resulted in record revenue and earnings performance over the past year. Their dedication and efforts are certainly key to our ongoing growth and success. Operator, now let's open the call to questions.

Question and Answer

Operator

[Operator Instructions] And our first question today comes from Brent Thielman from D.A. Davidson.

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

Bruce, I realized this is imperfect, but if I just take the deals you've completed and sort of run rate those contributions through 2023, it looks like the top end guidance implies something like low double-digit organic growth. I guess, would you agree with that just sort of early expectations for organic next year? Okay.

Bruce J. Labovitz
Executive VP & Chief Financial Officer

Yes, that's the way we model growth. Yes.

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

Okay. And then the interest, the 20% annualized growth for 2021 acquisition is notable. I know you're playing in some good markets. But to what do you attribute that to revenue synergies and also your ability to sort of support these businesses with call it kind of recruiting talent growth. And then Gary, when you look at the 8 deals you've done in 2022, what's your expectation for those businesses when you look at what you've been able to do with the '21 transactions?

Gary P. Bowman
President, CEO & Chairman

Brent, you kind of answered the question. They're really very successful and organic growth of the acquired companies is due to revenue synergies. We've been very successful in recognizing top line synergies from our acquired companies and very successful in integrating the companies. It's always challenging. But as we look back on the success of our integration, it's something to be quite proud of. Looking to those we acquired in 2022, I'd say we're looking at the same type of growth. We bring in a mix of some that are performing outstanding out of the gates and some we work with diligently to sort of bring them up to our performance standards. So we're looking at good top line growth and even better contribution to margin.

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

Okay. Appreciate that, Gary. Just on the M&A strategy, I guess, on the one hand, you have some pretty strong sort of underlying end markets presumably that's also benefiting some of your acquisition targets. On the other hand, the financing environment is dramatically changing. Maybe as a hindrance to their growth ambitions stand-alone. I guess I'd just be curious in your discussions with targets, how might any of that be influencing them? And also maybe what you're willing to pay this year compared to that kind of average less than 7x multiple you paid in '22.

Gary P. Bowman
President, CEO & Chairman

That's an interesting question, Brent. With the targets we're talking to, we're not hearing the challenging environment, bringing them to the table. So what we're looking at is similar multiples moving forward in the near term to what we've been paying. As we look toward larger firms, those multiples are a lot more likely to go up than down, but we don't see that environment I say a pricing environment or a multiple of EBITDA for acquisition targets. We don't see it moving as a result of economic environment.

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

Okay. I appreciate that. And then last one, I'll get back in queue. I imagine as you're growing, liquidity is expanding maybe the size of targets is as well. Could you just talk about maybe what the top end of potential targets in terms of revenue might look like and as your appetite for larger transactions, higher now that you've had so much success here in the last 18 months.

Gary P. Bowman
President, CEO & Chairman

The appetite is higher. It's a continuum. It continues to always get higher of the targets that are out there that were, I'll say, seriously engaged with, I'd say, USD30 million to USD40 million, if I put like a guardrail on the top end, where I would see us doing a deal, it could be $50 million or hair north of $50 million, certainly well south of $100 million. But I sort have a lot of numbers there, but I think it gives you some sense of the neighborhood.

Bruce J. Labovitz
Executive VP & Chief Financial Officer

I think it's sort of in our mindset, that's the outlier. The median would be more in line with the high end of the mean that we've been doing lately. So the median is probably the 5 to 15s right, with potentially something that gooses the total for the year. But we're not going to do again what we did last year and put out a target number for that, just to say that our ambition is to grow that this year over last year.

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

Understood. Well, congrats on a really impressive year. I'll get back in queue.

Operator

The next question comes from Alex Rygiel from B. Riley.

Alexander John Rygiel
B. Riley Securities, Inc., Research Division

Great quarter, a great year. as your stock's appreciated real nicely here. I suspect you could be more interested in using shares as part of your future acquisition consideration. So maybe you could talk about that and exactly how that might play into consideration?

Gary P. Bowman
President, CEO & Chairman

Certainly, every deal we do, Alex, we start with a general formula. We said we have about 1/3, 1/3, 1/3 between cash, stock and notes and certainly a more valuable stock that would require, would impact dilution. Less is more appealing to us to use in acquisitions. So it certainly has influenced our thinking more. So it was like when the stock was lower, we were less and we're more inclined to try to stay away from it. Is there still issues every deal with sellers needing cash for taxes and us wanting to have a mechanism for holdback, which is what the notes afford us the ability to do. So I don't think you're going to see a dramatic change. No. Never say never.

Bruce J. Labovitz
Executive VP & Chief Financial Officer

Our stock is notably more attractive to targets today than it was 8 months ago. So our targets are, I'd just say, much more receptive. Thank you, word I'm looking for, to using our stock as consideration. In fact, sometimes we have beat them away a little bit. There's enough stock guidance.

Alexander John Rygiel
B. Riley Securities, Inc., Research Division

Fair enough. And then more broadly speaking, can you talk about the opportunity to improve EBITDA margins and maybe quantify it or a list a few of the bigger contributors to margin expansion going forward.?

Bruce J. Labovitz
Executive VP & Chief Financial Officer

Yes. So as we talked about from the beginning here, we have a North Star getting into the high teens on adjusted EBITDA margin over the course of the first 5 years. It's a process. The single biggest lever in my mind, is scale and creating a slope of growth of revenue that exceeds the slope of growth of overhead. And that divergence creates margin expansion. Over time, I think it's fair to say there are probably some technology services that can be introduced that can add some gross margin, but we're not necessarily looking at some sort of transformational change in the dynamic of how we generate revenue. So I think there's sort of the 2 prime drivers would be operating scale and some technology introduced into the efficiency of how we deliver revenue.

Alexander John Rygiel
B. Riley Securities, Inc., Research Division

That's helpful. And then lastly, we've had a unique economy over the last couple of years, and there's been a fair amount of what I'd just call general pricing power out there in the marketplace for a lot of different services and products. Can you talk about how the economy over the last 2 years, how you benefited from kind of that pricing power and how you see the market playing out over the next year or so and how you could benefit from that sort of pricing power?

Gary P. Bowman
President, CEO & Chairman

Things do run in cycles. And clearly, the pandemic threw something that is different in a general cycle that we've seen, we were coming up on 2 years of being public. I'd say during the first 18 months of that, we had probably as strong pricing power as we've seen, as I've seen during my time in business. And as things got softer in the second half and fourth quarter of last year, some of that has, I would just say, returned to normal amount of pricing power. So looking forward this year, we'll have a little bit less pricing power in the market than we've had in the first 12 to 18 months of being public. But it's not taking a flip where we all of a sudden have got to start giving the work away to come in. Nowhere near like that.

Bruce J. Labovitz
Executive VP & Chief Financial Officer

Generally speaking, in our industry pricing and cost of labor move in tandem, it's not a commodity service and not a commodity input. So it doesn't reprice every day. It's a gradual change. There's a shortage of supply of firms that can do the work. But there's also an economic rationale cap to how much you can charge for something. It's not for-sale housing where a house price goes up irrationally overnight. We're still working with agencies and developers and business enterprises that have to rationalize their returns. So what it's done is we have been able to win a lot more work and take market share, I'd say more than we've been able to just sort of grab pricing.

Operator

We have a follow-up from Brent Thielman from D.A. Davidson.

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

Bruce, you talked about some things or, I guess, technology capabilities that could be accretive to the gross margins. I just wanted to clear, are the 3 sort of most recent acquisition sort of examples of those types of transactions out there, technical capabilities, things that are accretive to you from a gross margin perspective?

Bruce J. Labovitz

Executive VP & Chief Financial Officer

Yes. So one of those first is being spatial acuity and the acquisition and for the record, not necessarily entirely new to us. I mean we've got a very advanced geospatial group here. This was augmenting and adding some capabilities to us. It wasn't the brand-new line of service. We've talked about the impact of geospatial on what we do being similar to the impact of CAD on what we do over a period of time and how it can sort of change some of those dynamics. So yes, some of the underwater scanning capabilities, some of the the advancements in 3D imaging and modeling. I think when you think about them as things that leverage people's utilization, those are the kinds of technologies. And I would add to that, the recent addition within the organization of a focus on digital through the addition of, we announced new position of Chief Digital Officer, meant to assess the ability to monetize the data that we have and have collected and sometimes is sort of ancillary asset to what the work we do and how can we find ways to capitalize on data management for clients and empower the data that we have to be more beneficial. So you'll see that as a revenue stream that could have higher margin.

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

That's helpful. And then when you look at the acquisition pipeline, is it skewed more towards these types of transactions? Or maybe where are the areas you're really focused on?

Gary P. Bowman
President, CEO & Chairman

It is a broad mix, but certainly, transportation is a focus, energy-related services are focus. But I would say that the guardrails around our fairway remain in place as they always have been. But the energy services and transportation are particular focuses with Ryan, our Chief Digital Officer, coming on, we're more open-minded than we would be before to something that could optimize digital advances.

Bruce J. Labovitz
Executive VP & Chief Financial Officer

But not looking to invest in technology per se to be a technologist right into the utilization of more so than the creation of...

Gary P. Bowman
President, CEO & Chairman

Bringing our Chief Digital Officer on board has not signaled any change to our strategy.

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

Okay. And just one on the backlog. It occurs to me just looking at some of your announcements, you've had some fairly sizable awards, Energy services contract, the Pennsylvania Turnpike, Massachusetts Bay Authority awards all look fairly significant. Would you anticipate sort of a meaningful uptick in backlog here in the first quarter?

Bruce J. Labovitz
Executive VP & Chief Financial Officer

Keep in mind, we're also growing at the same time. So generation of backlog and consumption of backlog happen concurrently. So I don't know that I would guide you towards thinking there's going to be some hockey stick in backlog because obviously, you've got to sell to eat, right? But we can expect to continue to see a book to burn of greater than 1, which indicates that we'd be selling more than we're delivering.

Gary P. Bowman
President, CEO & Chairman

And I'd also note, a lot of these really large projects are extended over a long period of time. We are fairly conservative in what we report into backlog. So it's -- I think we have maybe a standard of 18 months or so, 18 or 24 months of forward visibility as opposed to booking 4 or 5 years into backlog. And if the contract is a master services commitment, but it has work orders that get issued underneath it, we don't book backlog until we receive the work orders themselves. So a program that would be $30 million over 3 years that comes in chunks of $2 million at a time, the backlog is only accreted as the chunks of $2 million come in orders.

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

Right. Okay. Last one. Sorry, guys. But if I look at that $243 million in backlog relative to guidance, some estimate around gross. I mean, it looks like that would cover what 70% of your guidance. Is that sort of fair?

Bruce J. Labovitz
Executive VP & Chief Financial Officer

Do my quick math on that. Yes, that sounds about right, which is 8 months Yes, probably. Which is... I did it in numbers not percentages, but yes, that's the right percentage.

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

I think of it in months... That's healthy.

Bruce J. Labovitz
Executive VP & Chief Financial Officer

Yes.

Operator

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

Gary P. Bowman
President, CEO & Chairman

Thanks, operator, and thanks, everyone, for participating and listening. Thanks, Alex and Brent, for thoughtful questions. And thanks everyone who continues to show faith in us by investing in us.

Bruce J. Labovitz
Executive VP & Chief Financial Officer

We'll talk to you again in early May.

Gary P. Bowman
President, CEO & Chairman

Take care. Bye-bye.

Operator
This concludes today's call. Thank you very much for your attendance. You may now disconnect your lines.