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CORPORATE PARTICIPANTS

Callie A. Tomasso, Vice President Investor Relations & Corporate Communications
Daniel S. Peyovich, President and Chief Executive Officer
H. Andrew DeFerrari, Senior Vice President and Chief Financial Officer

OTHER PARTICIPANTS
Richard Choe, Analyst, JP Morgan Securities LLC
Frank G. Louthan, Analyst, Raymond James & Associates, Inc.
Manish A. Somaiya, Analyst, Cantor Fitzgerald & Co.
Eric Luebchow, Analyst, Wells Fargo Securities LLC
Adam Robert Thalhimer, Analyst, Thompson Davis & Company, Inc.
Michael J. Funk, Analyst, BofA Securities, Inc.
Steven Fisher, Analyst, UBS Securities LLC
Liam Burke, Analyst, B. Riley Securities, Inc.
Michael S. Dudas, Analyst, Vertical Research Partners LLC
Michael Stratoti, Analyst, Guggenheim Securities LLC

MANAGEMENT DISCUSSION

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

Thank you, Operator, and good morning, everyone. Welcome to Dycom's fiscal 2027 second-quarter results conference call. Joining me today are Dan Peyovich, our President & Chief Executive Officer, and Drew DeFerrari, our Chief Financial Officer.

Earlier this morning, we released our fiscal 2027 second quarter results, along with certain outlook information. The press release and accompanying materials are available in the Investor Relations section of our website, including the "Outlook Expectations Summary" document which provides additional outlook metrics beyond what will be discussed on today's call.

These materials, which we will discuss during today's call, include forward-looking statements, made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Our discussion and these statements reflect our expectations, assumptions, and beliefs regarding future events and are subject to risks and uncertainties that could cause actual results to differ materially. A detailed discussion of these risks and uncertainties is included in our filings with the SEC. Forward-looking statements are made as of today's date, and we undertake no obligation to update them.

Additionally, we will reference certain non-GAAP financial measures during today's call. Explanations of these measures and reconciliations to the most directly comparable GAAP measures can be found in our press release and accompanying materials.

With that, I will turn the call over to Dan Peyovich.

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

Thank you, Callie. Good morning, everyone and thank you for joining us.

Our strong results reinforce the power of our strategy as a leader in digital and critical infrastructure. We delivered: record organic first half revenue; increased profitability; and continued above-market growth. We also secured significant new awards, supporting continued confidence in our growth trajectory.

Across our portfolio, Dycom brings together the national reach, local knowledge and skilled workforce required to execute end-to-end work safely, reliably and at the pace our customers demand. They recognize the unmatched certainty we bring to their most strategic and complex builds, allowing us to win quality work at returns that reflect our high level of service. This combination of scale, local expertise and operational focus differentiates Dycom as an essential partner.

Our leadership is readily apparent in our Q2 results. We achieved record quarterly revenue at $2.01 billion, growing 45.6% year-over-year and 16.7% organically.

Total Adjusted EBITDA of $315.5 million grew 54% year-over-year, exceeding the high-end of our outlook and representing 15.7% of revenues. This performance reflects the continued strength of our revenue and quality of our backlog. Adjusted EPS of $5.29 grew 45% year-over-year, also exceeding the high end of our outlook and demonstrating our commitment and ability to deliver attractive returns for shareholders as our platform scales.

Demand across our portfolio remains robust. We see heightened activity across fiber-to-the-home, long-haul, data center interconnects, and data center electrical and structured cabling systems. Customer demand on all these fronts is just as strong, and in many cases stronger than a quarter ago. This generational deployment of infrastructure is projected to go well into the next decade, and we have line of sight to, and are in discussions on, builds many years out. Dycom continues to be well positioned to capitalize on the growth drivers across our enterprise.

Shifting to segment performance. In Communications, fiber-to-the-home increased nearly 60% in the first half of this year compared to the first half of the prior year. We are clearly differentiating ourselves in this market and continue to receive awards that further expand our reach.

Concurrently, cloud migration, AI workloads, and data center growth are driving unprecedented demand for long-haul fiber corridors and high-strand interconnects as evidenced by the wave of major nationwide builds announced publicly, each validating, and even expanding, the $20 billion addressable market we identified more than a year ago. Having entered this market early, we have a significant operational head start, an expanding backlog, and clear line-of-sight toward marked acceleration in overall industry activity in calendar 2027. Dycom is well positioned to benefit from this massive investment cycle as hyperscalers, cloud providers and carriers scale their infrastructure.

On BEAD, we recognized revenue this quarter for field engineering in the Northeast. We continue to expect nominal engineering work through the back half of this year, with construction starting in earnest next year.

In service and maintenance, we continue to execute across our broad and growing footprint, providing a large base of recurring revenues while uniquely positioning Dycom for builds across other demand drivers.

Finally, our wireless equipment replacement program remains on track for a fiscal 2028 completion. Overall, this program has performed above expectations, providing outstanding returns on our wireless acquisition. It is not uncommon for large-scale deployment schedules to adapt over time, and we now anticipate approximately $150 million of wireless revenues to shift from the second half of this fiscal year into fiscal 2028. Importantly, overall program scope and backlog are unchanged. Dycom remains well positioned to support ongoing service and maintenance needs and to capitalize on future wireless densification and upgrade opportunities.

Moving to the Building Systems segment, Power Solutions delivered another quarter of substantial growth. The strategic fit of this business is clearly reflected in its performance, contributing to an exceptional segment margin of 24.5% for the quarter, well above its historical average. With data center demand as strong as ever, we remain focused on scaling the critical workforce required to execute on significant builds in the DMV region.

We also officially welcomed National Technology Integrators into the Dycom family during the quarter. Integration is progressing smoothly and we are already benefiting from the expanded reach and customer diversification they bring. Demand for inside plant structured cabling is very strong, and we are well positioned to leverage our collective footprint, including active cross-selling opportunities with Power Solutions and our Communications operating companies.

We finished the quarter with record total backlog of $12.2 billion, representing a total book-to-bill of 1.2x and 1.1x on an organic basis. This quarter we secured additional awards for long-haul and data center interconnects, bringing total contracted backlog for long-haul, middle-mile, and inside-the-fence fiber to over $1 billion. With hundreds of millions of dollars of work already performed, we are highly confident in our positioning to drive sustained growth across this burgeoning opportunity set.

Our robust, diversified backlog underpins our confidence in this year’s performance and our ability to generate sustained, long-term growth.

Reflecting strong execution, the wireless deferral, and the addition of National Technology Integrators, we are raising our full-year outlook to a range of $7.48 billion to $7.66 billion. At the midpoint, this represents 36.5% total revenue growth and 11.3% organic growth year-over-year.

Moving to strategy, we continue to make progress on our key priorities:

First, Talent and Workforce Development. Our workforce is Dycom’s primary growth engine, and we are on an intentional journey to continuously improve how we support our people. As part of these broader efforts, we recently introduced key benefit enhancements across our operations, with further initiatives ahead to ensure Dycom remains the employer of choice. Our strategy is yielding results as we continue to grow our teams across the country. Central to this commitment is investing in the skills and safety of our people and construction is well underway on our new flagship training facility in Georgia, which is on track for an opening in the first half of calendar 2027.

Second, Expansion of Building Systems. Power Solutions integration continues to progress, and the strength of the business is visible in both its revenue and margin growth. We are incredibly pleased with this performance, which clearly shows Dycom’s ability to attract, integrate, and grow quality businesses.

This is also clear with National Technology Integrators, whose initial contributions have exceeded expectations. As integration continues, we are confident in our combined ability to further enhance the business and capitalize on the opportunity set.

As Dycom continues to diversify, we see opportunities to expand into other geographies and markets through additional M&A; a path we are actively pursuing. We believe that our culture and proven track record position us well for continued success.

Third, Margin Expansion continued this quarter with Adjusted EBITDA margin reaching 15.7%, an 81 basis point improvement over the prior year.

In Communications, reduced operating leverage stemming from the shift in wireless, combined with the investments to ramp across customer fiber infrastructure programs is expected to result in slight pressure on Adjusted EBITDA margins year-over-year.

The benefits of our diversification strategy are clearly taking hold, highlighted by exceptional margins from our Building Systems segment which we expect to range from the high-teens to low-twenties.

Across all operations, we remain disciplined in managing our backlog and execution to maintain and grow what we believe are industry leading margins in each segment, while investing in both technology and training to drive long-term operating leverage.

Fourth, Cash Flow Enhancement. We continued to show rigorous working capital discipline, with DSOs coming in at 101 days, a 7-day improvement year-over-year. Fundamental enhancements across our business have transformed our cash flow profile over the past year. Operating cash flow and free cash flow both expanded in the quarter, with trailing twelve-month free cash flow increasing nearly 200% compared to the prior-year period.

In summary, Dycom is effectively capitalizing on unprecedented demand and positioning our business for continued growth and diversification. We are executing: with massive growth in fiber-to-the-home revenues; strong delivery and growing backlog of long-haul, middle-mile and inside-the-fence fiber; increasing consolidated Adjusted EBITDA margins; and disciplined investments to ensure Dycom remains a leader in digital and critical infrastructure and a relentless partner for our customers.

Our success is made possible by our skilled workforce, nearly 21,000 strong, who bring excellence every day to the customers and communities we serve nationwide. I want to personally thank each of them for their dedication, for distinguishing our family of companies, and for continuously raising the bar.

I am incredibly proud of our team and the value we are delivering for our customers and shareholders as we pursue our vision to be the people connecting America.

I'll now pass the call to Drew to go deeper into our results and outlook.

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

Thanks Dan and good morning, everyone. We delivered strong topline and Adjusted EBITDA growth and margin expansion while also investing in our future growth.

Q2 total contract revenues of $2.01 billion grew 45.6% over Q2 of last year. This reflects the strength of relationships and continued diversification across our customer base. Organic revenue of the Communications segment grew 16.7% and Building Systems grew significantly. Building Systems represented approximately 20% of total revenue for the quarter.

Consolidated Adjusted EBITDA of $315.5 million increased 53.5% over Q2-26 reflecting exceptional performance in a high demand environment. Consolidated Adjusted Net income was $160.7 million and Adjusted Diluted EPS was $5.29 per share, an increase of 45.3% over Q2-26. These results are adjusted to exclude the amortization of intangible assets.

Moving to the results of our business segments.

Communications revenue was $1.608 billion and grew 16.7% organically, driven by robust fiber-to-the-home programs, increased long-haul and middle-mile fiber infrastructure builds, and growing maintenance and operations services.

Adjusted EBITDA for Communications of $218.3 million increased approximately $12.8 million compared to Q2-26 reflecting overall growth in revenue. Adjusted EBITDA margin for Communications of 13.6% of segment revenue decreased approximately 134 basis points reflecting higher investments to scale our operations, impacts on segment operating leverage from wireless projects deferred into next year, and approximately 35 bps of cost pressure in the segment from higher fuel prices year-over-year.

Building Systems revenue of $397.5 million exceeded our expectations as we continue to experience rapid growth in this segment. We completed the acquisition of National Technology Integrators during the quarter and are pleased to welcome our new team members to Dycom. The acquired business performed well and contributed approximately $22.9 million of revenue during the quarter.

Adjusted EBITDA for the Building Systems segment was $97.2 million or 24.5% of segment revenue as our businesses performed exceptionally well. During the quarter, we had favorable changes in cost estimates on projects and scope of services that drove the outperformance on margins in addition to operating leverage benefits.

Total backlog at the end of Q2 was $12.2 billion, including $10.98 billion of Communications backlog and $1.26 billion of Building Systems backlog. Backlog expected to be completed in the next 12 months is $6.47 billion, including $5.36 billion from Communications and $1.11 billion from Building Systems.

Strong cash flows remains a primary focus area and we generated $103.7 million of operating cash flow during the quarter. The combined DSOs of accounts receivable and contract assets net were 101 days, a reduction of 7 days year-over-year.

We ended the quarter with cash and equivalents of $340.1 million, total liquidity of over $1.086 billion, and pro forma net leverage of approximately 2.3x Adjusted EBITDA, providing us with financial flexibility for continued strategic growth and investment.

This week our Board of Directors approved a new $150 million authorization for share repurchases through February 2028. This authorization replaces the remaining amount from our prior authorization.

We have clear momentum across our business and demand remains strong as we look ahead. We are updating our outlook for the full year and now expect total contract revenues to range from $7.48 billion to $7.66 billion. This revised outlook is an increase of approximately $55 million at the midpoint compared to our prior range of expectations.

For the Communications segment, we now expect contract revenues ranging from $5.90 billion to $6.01 billion reflecting the deferral of approximately $150 million of wireless revenues into fiscal 2028 compared to our prior expectation.

For the Building Systems segment, we are increasing our outlook and we now expect contract revenues ranging from $1.58 billion to $1.65 billion, including the addition of approximately $90 million of acquired revenues from National Technology Integrators in the second half of the fiscal year.

We continue to expect an increase in consolidated Adjusted EBITDA margin for fiscal 2027 compared to last year.

For Communications, we expect Adjusted EBITDA margin to decline slightly compared to last year, reflecting investments to scale our operations, impacts on segment operating leverage from wireless projects deferred into next year, and cost pressure from fuel prices. For Building Systems, we expect Adjusted EBITDA margin in the high-teens to low-twenties as a percentage of segment revenue, as we capitalize on a strong opportunity set and benefit from increased operating leverage in the segment.

On a consolidated basis for Q3, we expect total contract revenues of $1.90 billion to $1.98 billion, Adjusted EBITDA of $281 million to $302 million, and Adjusted Diluted EPS of $4.33 to $4.79 per share, excluding the impact of intangible amortization expense.

With a strong first half of the year completed and momentum across the business, we are confident in our ability to execute our strategy as we pursue the significant and growing opportunities ahead.

Operator, this concludes our prepared remarks. You may now open the call for questions.

QUESTION AND ANSWER SECTION

Operator

Thank you. At this time, we will conduct the question-and-answer session. [Operator Instructions] And our first question will come from Richard Choe from JPMorgan. Your line is open.

Richard Choe
Analyst, JP Morgan Securities LLC

Hi. I just wanted to get a little clarification on the wireless revenue pushout, kind of what led to that, and how confident do you feel on that revenue coming through next year? And then, along with that, how much of the first half of a contribution was wireless, so we can get a better sense of what the non-wireless growth is doing through the year?

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

Good morning, Richard. Yeah, I want to be really clear about the wireless program. This is a program that we outlined in detail several years ago, a four-year program. And if you recall that first year, we did have quite a bit of accelerations in the first year. So, it's not abnormal for these programs to move and shift a little bit over time.

But what we're talking about here with $150 million is a deferral next year. We have line of sight to the projects. In fact, there's a little bit of scope being added. We can see all that out in front of us. So, a ton confidence that that's going to continue. And we look at it as, listen, we've already got significant organic growth this year, significant organic growth this quarter, so having another $150 million pushed to next year is just a positive thing for Dycom.

Richard Choe
Analyst, JP Morgan Securities LLC

Got it. And then, can you talk a little bit about the core wireless business? Like what are the projects, or what has the project cadence has been like? And then, on top of that, how much is the split between new projects and maintenance, and what are you seeing there?

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

The large majority is the equipment replacements that we've been talking about, so this large four-year program. We did talk – as you remember, we talked about that decelerating this year and then decelerating again next year. With the deferral...Oh, on wireline side, excuse me. If you can ask the question again, sorry, Richard, on the wireline.

Richard Choe
Analyst, JP Morgan Securities LLC

Yeah, sorry. On the wireline side, I just wanted to get a sense of what projects you're seeing. Has there been a ramp or slowdown, because there's been some uncertainty about fiber builds, and then maybe a split of new projects versus maintenance?

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

Absolutely. First, I'll talk about what differentiates Dycom. So, recall that about half of our overall Communications business is service and maintenance. That continues to grow, although not at the same pace. Our fiber-to-the- home, 60% growth year-over-year in the first half for revenues. And again, if you recall, last year, we talked about passing millions of homes, a reminder that passings and revenues don't directly correlate, but you're talking about significant growth and really a very large presence for Dycom across the space.

What that means, though, is we are accelerating across many programs all over the country, and that's really what you see in the margin and the margin outlook, right. We need to make sure that we're investing to continue to grow into these programs, certainly on the fiber-to-the-home and that's very evident. It does take investment, right. We're looking multiple years out, making sure that we can stay in front of our customers and having those conversations with them to ensure that we have the workforce of tomorrow and that we're feeding into that.

We talked a little bit in the prepared remarks about where we are now in the long-haul. I want to be really specific there because, I think this is an important point. The $20 billion that we framed out over a year ago, that is fiber in the ground to ultimately connect data centers nationwide. We talked about it as long-haul, middle-mile, and inside-the-fence fiber. When we talk about hundreds of millions of dollars of work in place, because we've been working on it for almost a couple of years now, and we talk about over $1 billion in backlog, we're not talking about data center-related work. We're talking about pure fiber that ultimately going to connect data centers.

So, I think, that's a really important point. I think it positions us extremely well, because remember, that $20 billion is back half-loaded towards the end of the decade. So, it positions us extremely well here at the outset. So, we're already very active there, continue to add to that space. And, I think, that really when you look at it all, this is where Dycom is differentiating.

Richard Choe
Analyst, JP Morgan Securities LLC

Okay. Thank you.

Operator

Thank you. Our next question will come from Frank Louthan from Raymond James & Associates. Your line is open.

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

Great. Thank you. Reading into the deferral in the wireless business, is that customer doing anything else in the year? Will they increase some spending in some other areas? And then, on the long-haul fiber, when we've seen recent announcements from NVIDIA with Zayo and Verizon and so forth, can you talk about how – the nature of those projects? Are those in the backlog? Are you going to be involved? When do we start to see some pickups there? And have you gotten any new customers lately on the long-haul side? Thanks.

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

Good morning, Frank. On the deferral, first of all, just to be clear one more time, right, that's the same equipment replacement program we're talking about. It's the same overall timing. So it's just simply a shift from this year to next year. So, we still feel really good about that and the added potential revenue there on wireless. On the wireline side for that same customer and, I think, this really goes to all of our customers and another really important point, all of them reinforced their fiber-to-the-home spend, they reinforced their build programs this quarter. We feel very confident in that. Again, you can see it in our results. So, I wouldn't talk about necessarily increased spending, but everybody continues to be on track and on target, and you can see Dycom capitalizing on it.

On the long-haul, it is highly diversified and, I think that's a really important point. If you look at the hundreds of millions that we've done to-date, if you look at the billion dollars that we have, that's not one program, that's not one customer. We really look at diversification. There's very small programs in there and there's very large programs. They vary across customers and they vary across geography.

Operator

Thank you. Our next question will come from Manish Somaiya from Cantor Fitzgerald. Your line is open.

Manish A. Somaiya
Analyst, Cantor Fitzgerald & Co.

Good morning, Dan and Drew. I was hoping...

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

Good morning.

Manish A. Somaiya
Analyst, Cantor Fitzgerald & Co.

...to get reconciliation on the margin – year-over-year margin shortfall. I think, Drew, you mentioned fuel investments and revenue deferrals. Can you help us understand how impact and margin shift out from all those different factors?

Manish A. Somaiya
Analyst, Cantor Fitzgerald & Co.

Manish, you're breaking up a little bit. We think that you're asking about the Comms margin and kind of what made up the difference there?

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

Yeah, I'll jump in there. As I commented in my prepared remarks, the fuel impact was about 35 basis points in the quarter year-over-year. And then, the other two items, as Dan mentioned, were enhancing benefits, investing in our workforce. And so, there's some cost there that we're happy to invest. And then, also with the deferral on the wireless work, that's had some impact on the operating leverage as well.

Manish A. Somaiya
Analyst, Cantor Fitzgerald & Co.

Just going back to the $150 million wireless deferral into fiscal 2028, that's one customer, and I'm just trying to understand what drove the timing shift? Is it equipment availability or just allocation of work? And maybe, if you can just help us understand, if it is equipment, what kind of equipment are we talking about?

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

Thanks, Manish. We don't like to get too detailed in talking about the individual programs. This wireless program is something that we outlined several years ago. One, I would just reiterate, we did an acquisition in the wireless space to help lean us into this program. That performed exceptionally well. The returns and this overall program size have been far more than we anticipated when we began that. So, it is performing exceptionally well. We do have line of sight to the individual builds by line items.

So, we have a ton of confidence in how it's going to play out. And as I said in the prepared remarks, just like all of our work, it is not uncommon for these programs to adjust over time and when the actual spend is going to be. Really important to note that the overall spend, if anything, has only gone up. It's not going down. We have a ton of confidence in that continuing to deliver. So, nothing atypical in how any of our programs play out over time.

Manish A. Somaiya
Analyst, Cantor Fitzgerald & Co.

And just lastly, Dan, on Building Systems, obviously, margins were exceptional, 24.5%. When you announced Power Solutions, you talked about margins in the mid- to high-teens, then we sort of brought it down to mid-teens because of investments. Now, we've massively outperformed, and now, we're saying, going forward, high-teens to low-20s. So, I'm just trying to understand how we should think about normalized bridge as we kind of look out to fiscal 2028, 2029 from our standpoint?

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

Yeah. I think it's an excellent point to make. Dycom's commitment is about long-term returns, right. If you think about M&A, we're looking at finding quality businesses that have performed well that we know, when we combine forces together, when we help them lean into the future, and when we make those kind of investments that we made and we were very clear about, that we're opening up really kind of shifting into another year. So, these are above the margins that they had performing coming into the business, and we feel very confident in them going forward.

I would relate it really to the same thing that we're talking about on the Communications margins, right. We see a period of time where we were capitalizing incredibly well. And I'll say it again, 60% growth year-over-year on an already very robust fiber-to-the-home build program. We really believe that we're out in front overall on the long- haul, middle-mile. And as we look towards the future, our ability to capitalize there requires that we continue to invest.

And so, our strategy has to adapt over time and make sure that we're investing today for tomorrow's growth. We're investing today for tomorrow's returns. That's exactly what we did with Power Solutions. We will continue to do the same thing with National Technology Integrators. And, I think, what you're seeing in that 24.5% is really just proof that those investments are really strengthening the overall business.

Manish A. Somaiya
Analyst, Cantor Fitzgerald & Co.

Thank you.

Operator

Thank you. Our next question will come from Eric Luebchow from Wells Fargo. Your line is open.

Eric Luebchow
Analyst, Wells Fargo Securities LLC

Ah, great. Thanks for taking the question. Dan, I wanted to dig into the 60% fiber-to-the-home revenue growth you talked about first half of the year. Obviously, really impressive. But, I think, the guide implies at least organic growth does decel a little bit in the second half of the year. So, maybe, you can touch on whether the outperformance first half of the year, is there any type of timing benefit or pull forward of activity that you might have expected in the second half of the year? Or do you think this is largely just a reflection of Dycom taking share in the market where you're doing work that maybe your competitors weren't able to get done?

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

I've used this phrase before, Eric. So, I'll use it again. Complexity favors Dycom. These programs are incredibly complex to get going. They're incredibly complex to get ramped up. You have all the permitting components. You have planning components. You have obviously getting our workforce on that side of the business, it's 17,000 people or so in crews that are less than three people all across the country. These are incredibly heavy lifts.

And, I think, what you see is, Dycom really differentiating in our ability to execute and deliver that. You see that in our backlog, right. Very strong backlog again after an incredible quarter of backlog growth last quarter. And then you see it in our execution. The deceleration is really just, we're stacking these from the ground up, right. We're building it project by project, piece by piece. It's not always perfectly linear. But as we look out into the future, we still see significant opportunities for continued growth. And you see that in the organic growth, even in the guide for the year.

Eric Luebchow
Analyst, Wells Fargo Securities LLC

Great. Just one follow-up for me on the Building Systems segment. There's been a lot of press recently around data center moratoriums, increasing backlash against data center construction more broadly in the country. So, wondering if you've seen any signs of that in the DMV market, or any signs that could potentially slow some of your builds? And then, how does that kind of NIMBYism aspect, that type of risk inform how you're thinking about new market expansion as you look to move beyond just the DMV region?

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

Yeah. With the incredible demand there, there are issues being worked through that everybody certainly sees just about every day in newspapers today. I think from where we are having conversations, from where we are on the ground and in the field, the demand continues to be significant, continues to only grow, if anything, and we're in incredible position. You certainly see that in the performance of Power Solutions this year. You can already see it in the performance of National Technology Integrators as we bring them into the business.

We're getting to have those conversations about projects that are not just happening today, but are happening many, many years out. Those partnerships built over decades, really, we think, differentiate where we're at. We have a ton of confidence in our ability to continue to grow there. And then, as we do look to other markets and other opportunities for acquisitions, of course, that's something that we're keeping top of mind. And again, we're just – we believe that we're in a good position to be able to really see a lot more than what people might be reading in the headlines.

Eric Luebchow
Analyst, Wells Fargo Securities LLC

Alright. Thanks, Dan.

Operator

Thank you. Our next question will come from Adam Thalhimer from Thompson Davis. Your line is open.

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

Hey, good morning, guys.

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

Good morning.

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

I guess, I'm still wondering, how would you characterize the core wireline business? And maybe, you can just comment generally on trends in the various fiber programs.

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

How I would characterize it for Dycom is that we are executing. We are executing incredibly well, and you can see that again, not only in the performance and the growth across programs, but you also see it in the backlog, and our focus on high-quality backlog and the right kind of margins for the returns on the level of execution that we have in the field. So, I would say, if you look at fiber-to-the-home, I talked about that extensively. I think we're incredibly well positioned to continue to be a leader there, and that's a program that we see continuing to go and grow many years out as a reminder. And then, really everything that we laid out about the long-haul and middle-mile, and this is the first time we've given a little bit more insight into how we're approaching it. But that $20 billion we talked about over a year ago, Adam, really is taking shape.

Our customers are talking about it quite a bit, reaffirming that that $20 billion is out there. And even though it's back half weighted, we're already incredibly well positioned, both from a backlog and performance perspective. So, all-in-all, I would say, if you think about wireline on the Communications side, Dycom is incredibly well positioned, and that's because of our strategy and our discipline to-date.

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

And those, the long-haul and the middle-mile fiber opportunities, maybe you can help us think about how to size those, and think about when that might come into backlog?

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

Yeah. It would be tough to give an outlook on when they come into backlog, certainly around execution and timing of signing contracts and whatnot. That $20 billion, remember, is back half-loaded. We do think that number has grown and extended over time and something that we're tracking closely. Not prepared to give any more color from where we are today.

But what we really wanted to show again is Dycom's ability to capitalize there, our ability to execute. And as I said earlier, we're doing this across customers. We're doing it across programs. This isn't a singular bet. And Dycom, I would say, has more experience in this space. This work is highly complex and, we believe, that's going to differentiate us, just like it did on fiber-to-the-home.

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

Thanks, Dan.

Operator

Thank you. And our next question comes from Michael Funk from Bank of America. Your line is open.

Michael J. Funk
Analyst, BofA Securities, Inc.

Yeah, great. Thank you for the questions. Three quick ones, if I can. So, tower companies noted during the quarter slower activity from one wireless customer, which they attributed to recent headcount reduction, not necessarily reduction in program overall. So, wondering if that was the same customer that you're calling out here with the deferral, or maybe I'm making a connection that isn't there.
Second, you mentioned BEAD funding coming through engineering revenue in 2026, contributing more in 2027. Any more help on thinking about the ramp in that revenue in 2027 would be helpful.

And then final questions on long-haul, middle-mile fiber. Have you seen any shift in the economics or competitive pricing for those contracts in the last couple of months?

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

Thanks, Michael. Yeah, not sure on the correlation on the tower companies. Again, the way I would frame that is ton of confidence in the remainder of that program, and it's still on track overall with what we outlined, just simply a deferral from this year to next year.

On the BEAD side, pleased that we have some engineering work in place and that we're going to continue that. These are much smaller amounts if you look at Dycom's total backlog or total revenue for the year. But it does continue to position us well as that program gets to a place to really start building construction next year in our calendar – excuse me, our fiscal 2028, calendar 2027. We originally outlined that at about $17 billion TAM. We'll kind of see how that comes in. There are some puts and takes. Where is the $22 billion going to end up? You do have some subgrantees, changes that are happening. So, we'll see how that all plays out, but we have a ton of confidence in incremental and upside opportunity overall for Dycom's portfolio.

And then, on the long-haul, again, this is really complex work that a lot of people have not performed where Dycom has really been out in front. So, we have a ton of confidence in what we're putting into our backlog as being quality backlog. We will see how it plays out with competitive dynamics over time.

Michael J. Funk
Analyst, BofA Securities, Inc.

Great. Thank you, guys.

Operator

Thank you. Our next question will come from Steven Fisher from UBS. Your line is open.

Steven Fisher
Analyst, UBS Securities LLC

Thanks. Good morning. Just wanted to follow up about the Communications segment growth rate and maybe thinking about it for next year in light of kind of the exit rate and the first half comps in mind. And, I guess, bear with me on some of the numbers here, and maybe, you're going to say it's still too early to comment. But it seems like we are going to be at a low-single digit growth rate in the second half of this year.

So, if we were to hit, let's say, double-digit growth for next year, you'd have to add around $600 million of revenues for next year. You're taking $150 million out of this year, adding it to next year, so you'd need around $450 million. Is long-haul and middle-mile at a scale of ramp yet to add that, or is the combination of BEAD and fiber-to-the-home, can that get you there in light of the tough comps that you have in the first half of the year? Or is just double-digit growth in Comms too high an aspiration to think about for next year?

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

Good morning, Steve. So, you are right in what you said that it's a little too early to get ahead of giving you an outlook for next year. But I will comment on some of those programs because, I think, it's important and it really goes to what we talked about with the Comms margins. Right now is the time where we need to continue to invest. We have fiber-to-the-home that has grown significantly. As we've talked about, that has a lot of growth left in those programs for years out. So, we continue to see that going at a very rapid pace and our customers reaffirm that.

I talked a little bit about BEAD, so that's a lot of upside for next year, and we're having a lot of really good quality conversations. So, we're preparing for that opportunity. And then, you're going to start seeing the long-haul work ramping up over time, and you see that in our backlog, you see that in our performance to-date. As all those come together, you're talking about massive pressure on the industry when it comes around the skilled workforce and, I think, that's where we differentiate, right. We have around 17,000 people on the Communications side that are out there every day. That really differentiates us in our ability to be ahead of this.

There is a lot of training that has to happen if you're going to do long-haul fiber splicing. There is a lot of training on how you deploy fiber-to-the-home and program manage that properly. We're well ahead of that curve, and that's where we're making investments to stay there. So, we see a lot of growth opportunity in the future, and we'll be excited to talk about it as we get closer to next year.

Steven Fisher
Analyst, UBS Securities LLC

That's very helpful. And then, I guess, just to follow up on some elements of what you just were talking about there in terms of the margin pressures in Comms this year. The scaling cost there, was that more than you actually expected you might spend in the quarter? I'm just trying to gauge how you're factoring that into some of your thinking for the next couple of quarters? And then, on the fuel side, just can you remind us about the process for recovering that, if you can, or does that need to just sort of reset next year? And when you get easier comps on that, it'll kind of work its way through. If you could just help on some of those Comms margin elements? Thanks.

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

Yeah. First, we believe we have industry-leading margins in our Communications segment. We're very pleased with the returns we're getting there. So, I think that's a really important starting point. As we invest, looking forward, we want to be a relentless partner to our customers. When they come to us with large aspirations about ramping fiber-to-the-home work, or ramping – or building more long-haul work, we're going to be there to deliver and execute on that. As those programs do that, it takes a little bit to get that learning curve down to get that program going. So, we're making investments on that side.

And then, as Drew talked about, we're making investments with our workforce. We want to make sure that we maintain our status as the employer of choice in our space. So, we're doing all that together to stay ahead of it overall. And then, just – sorry, I was thinking on your first question, Steve, do remember on the back half that we have Q4 seasonality, and we're always going to take a prudent approach to that. We had very favorable Q4, Q1 last year, but, of course, there's no guarantee that that could happen again.

Steven Fisher
Analyst, UBS Securities LLC

Thanks a lot, Dan. Appreciate it.

Operator

Thank you. Our next question comes from Liam Burke from B. Riley Securities. Your line is open.

Liam Burke
Analyst, B. Riley Securities, Inc.

Yes, thank you. Good morning, Dan. Good morning, Drew.

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

Good morning.

Liam Burke
Analyst, B. Riley Securities, Inc.

Dan, on the Building Systems side, you've had strong organic growth, good margin expansion. Do you anticipate having a craft shortage in that area and having to reinvest at the expense of margin in the future? Or are you comfortable scaling that business?

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

We are comfortable scaling that business, and that's really where you see the margin raise in the high-teens to low-20s as we go forward. Electricians – and this is going to be no surprise to anybody, electricians are still in short demand. And even with our performance and our growth, there are still projects that we are turning away, because it takes a while to get those resources ramped up and trained. So, we feel really good about our growth prospects going forward. But absolutely, that industry continues to be constrained as we look down the road.

Liam Burke
Analyst, B. Riley Securities, Inc.

Great. And then, you were talking about visibility on the longer term on your fiber projects. You took a margin hit, or will take a margin hit on Communications in the second half of the year. Do you have similar visibility on returning to positive operating leverage on that side of the business as we get past the initial investment in craft labor?

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

Yeah. It's an ongoing thing, right. It's something that we're always testing with the market, testing certainly as we look internally and think about our strategy. Those investments are not always linear. Drew and I talked in our prepared remarks about furthering our benefits for our workforce. It's really important right now that we stay ahead of the massive demand in the Communications segment.

So, again, I want to bring everybody back up to the top of, you we have outstanding margins in our Communications segment what we believe are industry leading. We're very pleased with that return. Are we always working to continue to grow it? Absolutely. But we feel really good about our positioning as we stand here today, our ability to continue to grow in that space, and move ourselves into additional markets and additional customers.

Liam Burke
Analyst, B. Riley Securities, Inc.

Great. Thank you, Dan.

Operator

Thank you. Our next question will come from Joseph Osha from Guggenheim Securities. Your line is open.

Michael Stratoti
Analyst, Guggenheim Securities LLC

Hey, thanks for taking the question. This is Mike Stratoti on for Joe. Just on NTI, you mentioned that the initial contributions have been exceeding your expectations. Just curious if you could dive into this more. Is it smoother than expected integration? Are you seeing new cross-selling opportunities with Power Solutions? Is it stronger- than-expected demand? Something like that. Thanks.

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

It really goes into the profile, Mike, of the businesses that we look for. This is another very strong management team, a very strong and proven business with very strong customer relationships. So, similar to Power Solutions, we're leaning in, we're making investments. It was great to see them have a very strong performance in the approximate months that they were part of our business this quarter. And you see a strong outlook in the overall margin profile for the Building Systems segment.

We absolutely are seeing cross-sell. That's something that, quite frankly, we were having conversations about even before the acquisition closed, the opportunities out there from the prior relationships with Power Solutions. So, we feel good about that. And as I said in my prepared remarks, we also feel good on the outlook of looking to continue to grow our footprint through future M&A opportunities in the Building Systems segment.

Michael Stratoti
Analyst, Guggenheim Securities LLC

Great. Thank you.

Operator

Thank you. [Operator Instructions] And our next question will come from Michael Dudas from Vertical Research Partners. Your line is open.

Michael S. Dudas
Analyst, Vertical Research Partners LLC

Yes. Good morning, Callie, Drew, Dan.

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

Good morning.

Michael S. Dudas Analyst
Vertical Research Partners LLC

Maybe this is for Drew. Maybe you could share with us your thoughts on second half operating and free cash flow dynamics relative to pretty good recovery here in Q2? And encouraged about the board reauthorizing another share tranche for share repurchase. Dan, how are you thinking about allocation second half into next year, mentioning all the tremendous demand and growth opportunities in your – and maybe a little color on your active M&A pipeline? And it will – I've assumed share repurchase, given the way the shares have corrected to would be part of this calculus going forward. Thank you.

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

Mike, thanks for the question. Really appreciate the observation there. So, yeah, over the past 12 months, we've had north of $700 million worth of operating income – or operating cash flow. Very pleased with that. Pleased with the result this quarter of over $103 million. As we think of the rest of the year, we do still have that seasonality that comes into the business on the cash flow side, so we do have expectations around that. Pleased that net leverage on a pro forma basis is in the 2.3 times area. As we talked about, when we acquired Power Solutions last December, we talked about bringing that down throughout the year, over 12- to 18-month period to get back in that 2x area. We're on our way there.

And then, as far as capital allocation, really no changes there from a priority perspective. We're investing in organic growth. We've talked about all the opportunities that we have ahead of us there. Nice to see the organic growth this quarter and what we see ahead, followed by M&A. Pleased that we've closed on the National Technology Integrators acquisition in the quarter and then pleased that we re-upped the authorization around the share repurchases over the next 18 months that we'll continue to evaluate and look at that on an opportunistic basis. So, no change on the capital allocation priorities.

Michael S. Dudas Analyst
Vertical Research Partners LLC

Thank you, Drew.

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

Thank you.

Operator

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

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

Thank you for joining us today. What we believe the takeaway is, is that Dycom is executing incredibly well across our platform. We're excited about the opportunities in front of us, and I want to thank all of the men and women working across the country to continue to deliver and raise the bar for our customers. And with that, we will see you all next quarter.

Operator

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