

# CONSTRUCTION SERVICES PRIMER

Data provided as of 09/30/2022



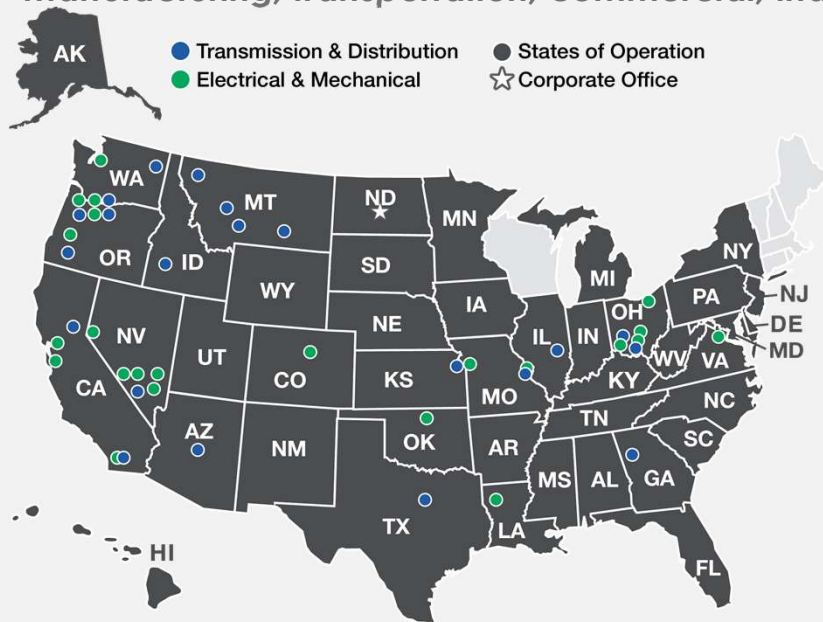
 **MDU RESOURCES**  
GROUP, INC.

Building a Strong America®

**MDU**  
**LISTED**  
**NYSE**

# WHO IS CONSTRUCTION SERVICES?

MDU Construction Services Group, Inc. provides a full spectrum of construction solutions through its electrical and mechanical and transmission and distribution specialty contracting services. These services are provided to utility, manufacturing, transportation, commercial, industrial, institutional, renewable, and governmental customers.



62 Office locations across the United States

6  
Transmission & Distribution  
Construction Companies

10  
Electrical & Mechanical  
Construction Companies

9,100+  
Skilled Employees at Peak

43  
States of Operation

**MDU Construction Services Group is providing market-leading services across the country**

**#5** 2022 EC&M Top 50 Electrical Contractors List

**#12** Top specialty contractor in the nation, according to Engineering News Record

## CONSTRUCTION SERVICES STRATEGY

### **Go & Grow**

Prioritizing organic growth, supplemented with M&A

- Focusing on geographic expansion in areas where we can provide similar or complementary services
- Building a diverse portfolio of brands that share our culture of safety and excellence
- Completed over 25 acquisitions since 1997

### **Cost and Margins**

Continuously seeking strong margin projects while managing risk

- Secure selective large projects, leveraging relationships with national customers

### **Our People and their Safety**

Attracting, developing, rewarding and retaining a superior workforce

- We provide industry-leading safe and healthy work environments and continuously improve operational performance
- Our ability to attract and retain specialized labor is a key differentiating factor for construction services

# MARKET LEADER

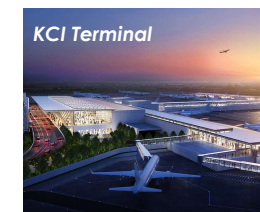


*Leading local presence in Transmission & Distribution and Electrical & Mechanical specialty contracting*

- Local brands showcasing national strength across Transmission & Distribution and Electrical & Mechanical contracting
- Trusted brand and reputation; working on high-value projects for the government and the largest U.S. companies across utilities, manufacturing, industrials, transportation, e-commerce and data infrastructure
- Continued growth through organic expansion as well as mergers and acquisitions

## High-Value Projects

## Local Brands, National Strength



# CONSTRUCTION SERVICES

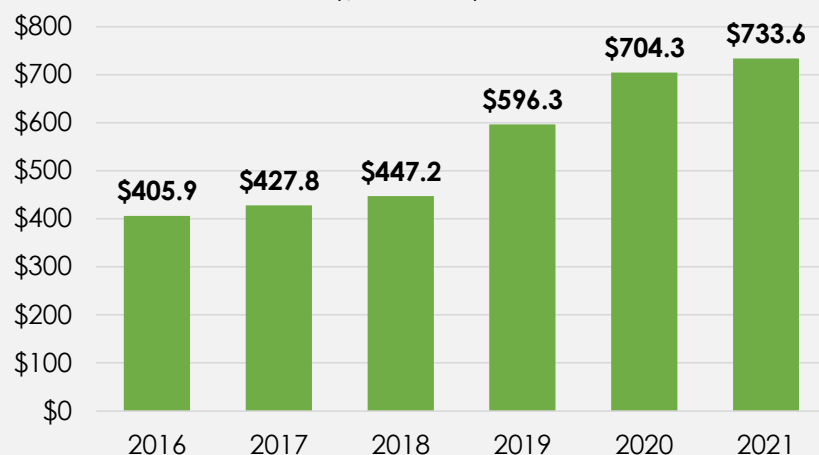
- Reported earnings of \$28.0 million in 3Q 2022
  - Electrical and mechanical workloads increased 70%.
  - Workloads were favorably impacted by progress on large hospitality, data center, and renewable projects.
- All-time record quarterly revenue of \$737.0 million, compared to \$514.8 million in 2021.
- All-time record backlog of \$2.00 billion, 57% higher than Q3 2021 backlog of \$1.27 billion.



# TRANSMISSION & DISTRIBUTION

## T&D Revenue

(\$ in millions)

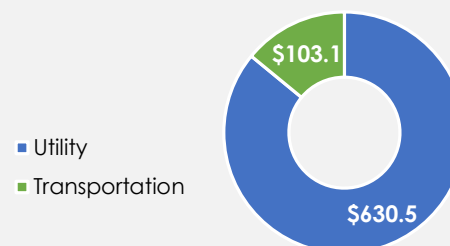


■ T&D Revenue

\*Revenue as presented includes intersegment revenue

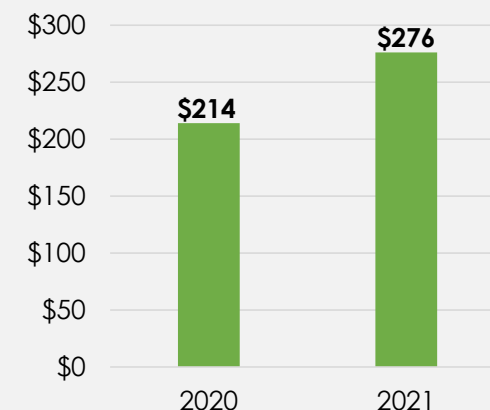
T&D provides a full spectrum of construction services from transmission, distribution and substation work, to the manufacturing, selling and renting of overhead and underground line-stringing equipment and tools for the power line and communication industries.

## 2021 Revenue by Business Line



■ Utility  
■ Transportation

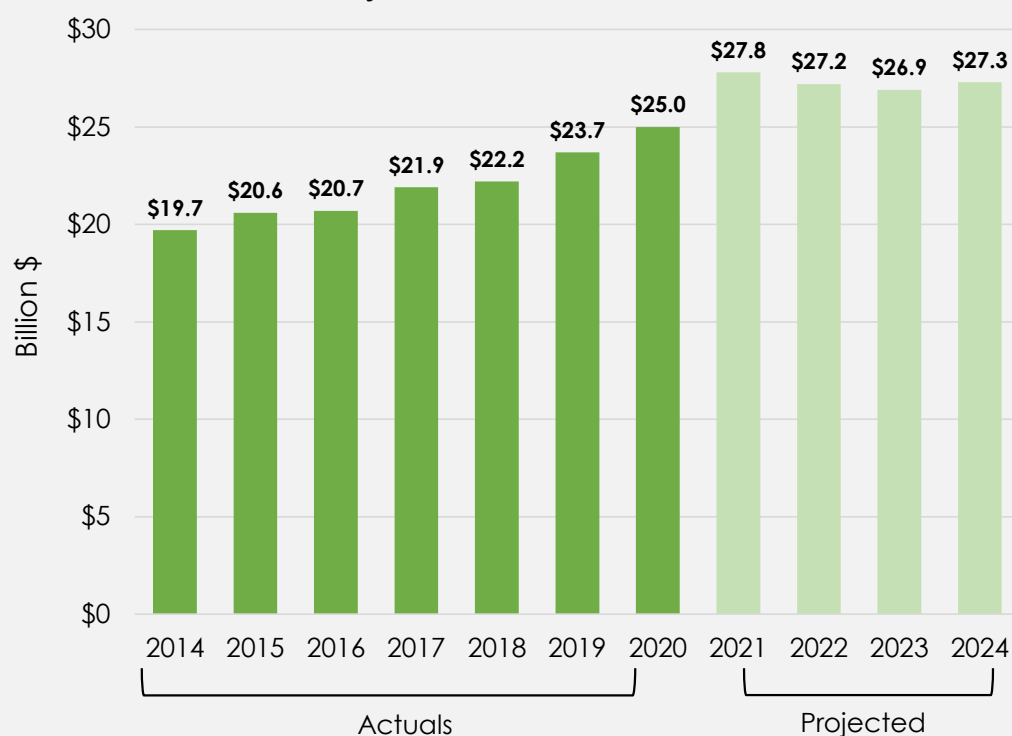
## Backlog (\$ in Millions)





# TRANSMISSION & DISTRIBUTION OUTLOOK

Actual & Projected Transmission Investment <sup>1</sup>



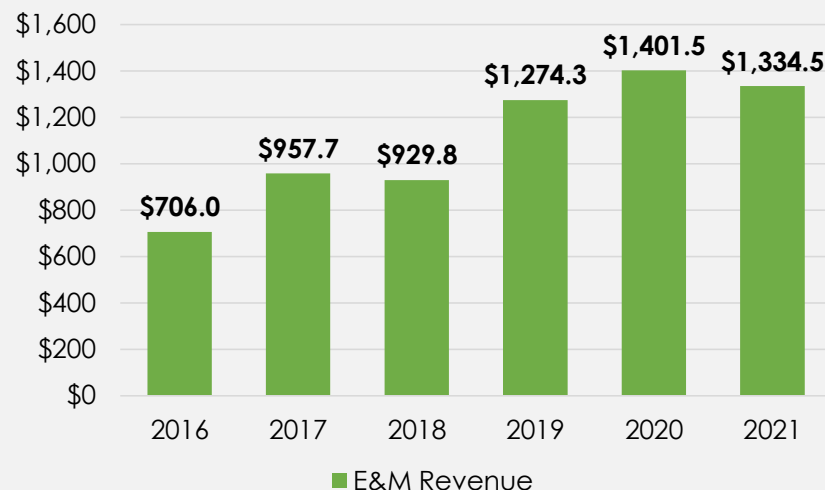
The Infrastructure, Investment & Jobs Act (IIJA) proposes to invest \$65 billion for upgrades to the country's electric and grid infrastructure, the most significant investment in American history.

1. Edison Electric Institute Business Analytics Group, December 2021

# ELECTRICAL & MECHANICAL CONSTRUCTION

## E&M Revenue

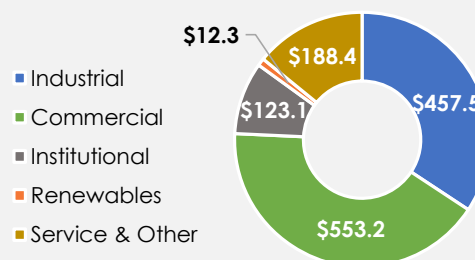
(\$ in millions)



\*Revenue as presented includes intersegment revenue

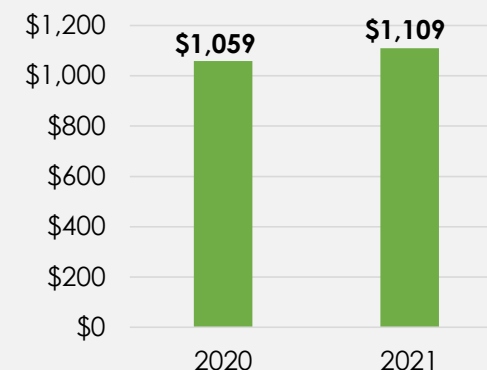
E&M companies have deep experience in a wide variety of work across the country and are a leading manufacturer of electrical control systems. E&M teams have installed more than 1,000 renewable projects. These companies also provide turnkey solutions, including emergency services and maintenance.

## 2021 Revenue by Business Line



## Backlog

(\$ in Millions)





# E&M CONSTRUCTION OUTLOOK

*Dodge Construction & Analytics believes total construction spending will increase 6% to \$946 billion, with commercial construction seeing the largest increase in sales for 2022, up 12% to \$143 billion.*

Dodge 2022 Construction Outlook Forecast (\$ Billions)				
Category	2021	YOY % change	2022	YOY % change
Total Construction	\$893	12	\$946	6
Institutional	\$136	5	\$145	6
Commercial	\$128	15	\$143	12
Educational	\$62	0	\$67.5	9
Warehouse	\$46.7	36	\$52.8	13
Office	\$45.3	4	\$49.7	10
Health Care	\$30.1	8	\$32.9	9
Manufacturing	\$22.7	46	\$22.6	0
Retail	\$13.6	10	\$15.5	14
Hotels	\$7.1	-18	\$8.8	24
Data Center	\$7.6	17	\$7.7	2
<b>Source:</b> Dodge Data & Analytics				

The Infrastructure, Investment & Jobs Act (IIJA) proposes billions of dollars in investment for transportation systems, our nation's airports, electrical vehicle infrastructure and multiple other industries where Construction Services excels.

## EXPERIENCED IN RENEWABLES

*Dedicated to providing renewable, environmentally friendly and energy-efficient solutions that meet the nation's rising demand for sustainable energy*

### New Growth Platforms

- Rapidly growing services across electric vehicle charging, wind generation and energy storage
- Industry leader in comprehensive turnkey services

Planning and Cost Analysis

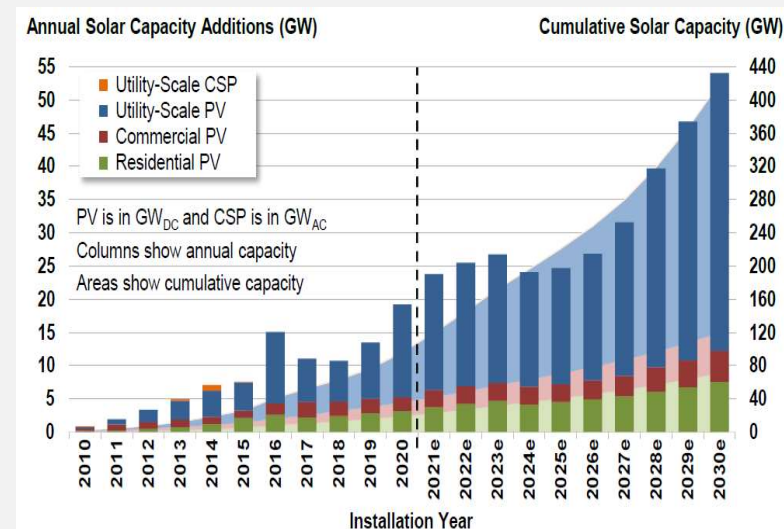
Engineering and Design

Procurement and Construction

Installation and Maintenance

### Focus on Solar

- Increasing focus on solar projects with 600+ megawatts of solar PV systems installed
- Significant growth in solar demand: expected to be 17% of 2035 global energy consumption<sup>1</sup>
- Well-positioned to succeed amidst an accelerated renewable energy transition and favorable governmental policy trend









Source: Wood/Mackenzie/SEIA Solar Market Insight Reports, Berkeley Lab

<sup>1</sup>. Source: [Avenston Energy Forecast](#).

## MULTIPLE HIGH-GROWTH OPPORTUNITIES

*Infrastructure spending gap creates multiple levers for long-term growth*

2020-2029 Infrastructure Systems <sup>1</sup>		Funding Gap
	Surface Transportation	\$1,205
	Electricity	\$197
	Airports	\$111
	Rail	\$10
Total		\$1,523

2018-2023 Cloud and Colocation CapEx Spending <sup>2</sup>		2023 CapEx Spend	2018-2023 CAGR
	Physical Infrastructure	~\$29	8.5%
	Land and Building	~\$11	12.7%
Total		~\$40	9.6%

1. ASCE's 2021 Infrastructure Report Card. Dollars in billions, based on 2019 dollars.

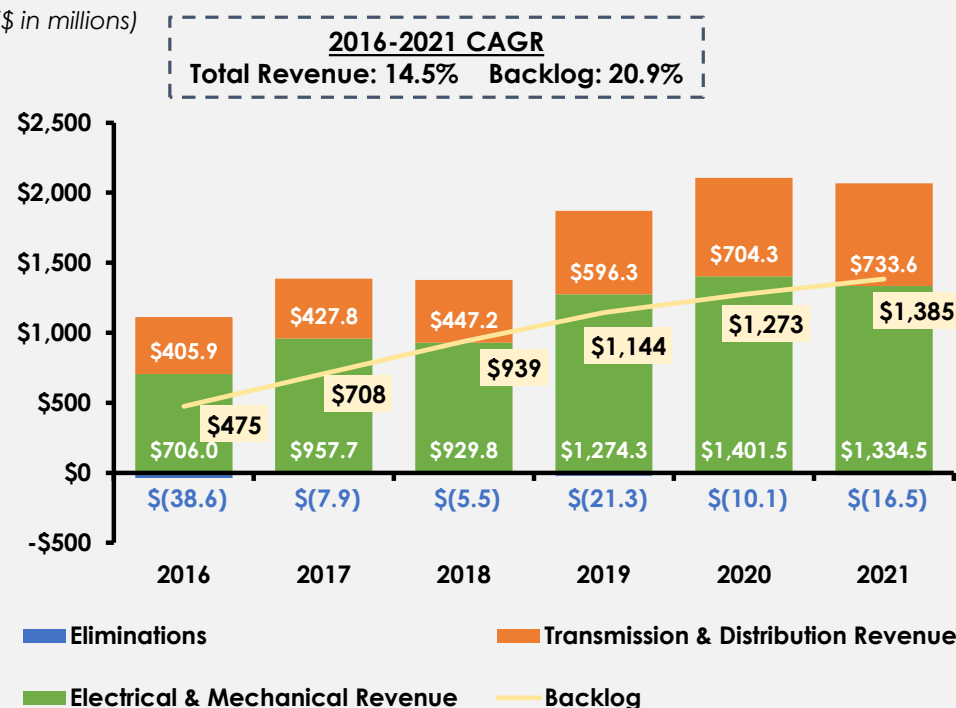
2. Omdia Cloud and Colocation Data Center Capex Market Tracker. Dollars in billions.

- >\$1.5 trillion spending gap in U.S. infrastructure drives large opportunity for MDU Construction Services
- Focusing on high-growth, essential markets: energy infrastructure, hospitality, healthcare, manufacturing, transportation and industrial
- Steadily increasing market share, including two projects in the Top 50 project spotlight
- Continuous process and operation excellence improvements

# REVENUE AND BACKLOG

## Segment Revenue and Backlog

(\$ in millions)



## Revenue

- Mid-teens compound annual growth rate since 2016
- Healthy backlog balance and bid activity
- Focusing on high-growth areas such as technology, hospitality and industrial services, aiming to reduce cyclicalities and drive long-term sustainable growth
- Utilities and general contractors represent the largest customer base

## Backlog

- Backlog has grown at a robust ~21% CAGR since 2016
- ~80% of backlog is converted within 12 months
- New contract awards drive backlog growth

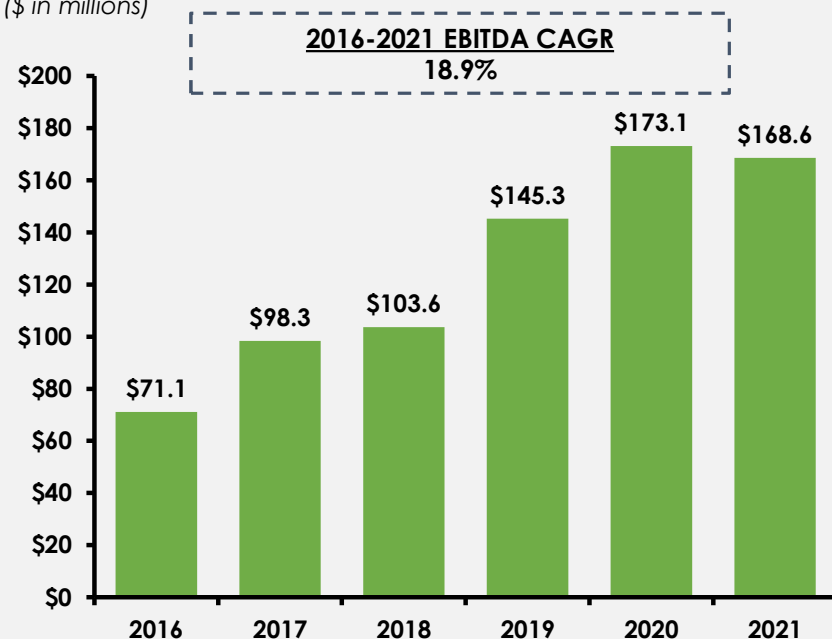
Backlog and revenue figures as of December 31<sup>st</sup> in each period.

## EBITDA

*Significant EBITDA growth as a result of our disciplined growth strategy*

### Segment EBITDA

(\$ in millions)



- Robust EBITDA growth since 2016
- EBITDA driven by organic growth and margin expansion
  - Supported by contribution from acquisitions
- Focused on expanding margins through high-growth, high-margin projects and continued cost control

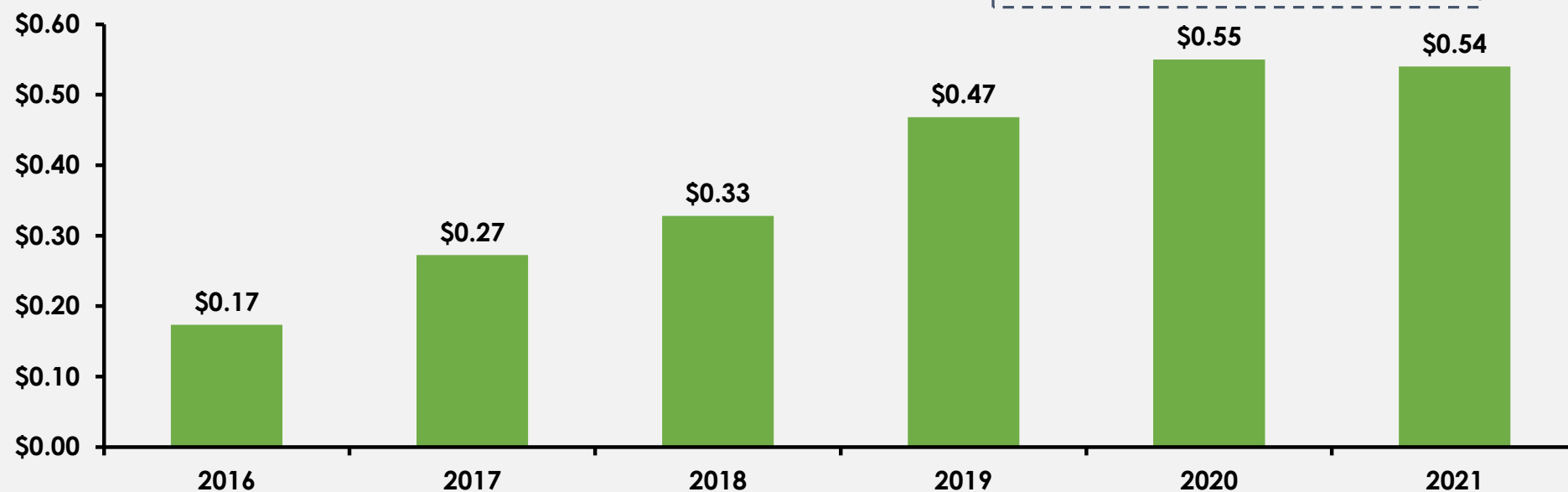
EBITDA is considered a non-GAAP financial measure.

## EARNINGS PER SHARE

*Strong double-digit EPS growth since 2016*

### Segment EPS

(\$ per share)



# SAFETY, COMMUNITY, EMPLOYEES & EXCELLENCE

*The well-being of our employees, customers and communities is at the core of everything we do*



## Safety First

- Provide an industry-leading safe and healthy work environment

## Employee Satisfaction

- Attract, develop, appropriately train, reward and retain a superior workforce

## Customer Satisfaction

- Dedicate ourselves to understanding and fulfilling our customers' needs, becoming the preferred provider for the services we provide

## Financial Success

- Enhance total shareholder value by improving earnings and returns on invested capital while delivering the best construction value for our customers





# APPENDIX



# RECONCILIATION OF EBITDA

(\$ in millions)

	For the year ended December 31					
	2016	2017	2018	2019	2020	2021
Income from Continuing Ops.	\$33.9	\$53.3	\$64.3	\$93.0	\$109.7	\$109.4
<b>Adjustments:</b>						
Interest Expense	\$4.1	\$3.7	\$3.6	\$5.3	\$4.1	\$3.5
Income Taxes	\$17.8	\$25.6	\$20.0	\$30.0	\$35.8	\$35.4
Depreciation, Depletion & Amort.	\$15.3	\$15.7	\$15.7	\$17.0	\$23.5	\$20.3
<b>EBITDA<sup>1</sup></b>	<b>\$71.1</b>	<b>\$98.3</b>	<b>\$103.6</b>	<b>\$145.3</b>	<b>\$173.1</b>	<b>\$168.6</b>

1. Note: EBITDA is considered a non-GAAP financial measure.