

# SNOWCAP

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## **Sterling Infrastructure, Inc. (NASDAQ: STRL)**

*A regional excavation contractor dressed up as an AI infrastructure play.*

**We are short Sterling Infrastructure, a poster child for the AI bubble in public markets. Data center exposure appears exaggerated. Backlog growth is not supported by contract win data pulled from a third-party publication. Worse, margins appear grossly inflated through abnormal accounting revisions, corroborating overstated DC exposure. Sterling's valuation is so exuberant that it now looks expensive even compared to AI darlings.**

Sterling Infrastructure Inc. ("Sterling" or the "Company") is not a data center infrastructure company. It owns a collection of regional contractors that specialize in site preparation and excavation services – clearing and grading land before foundations are laid.

In 2022, Sterling rebranded one of its segments as "E-Infrastructure" and began positioning itself to investors as a "picks-and-shovels" play on the AI boom. Smart move as its stock has increased nearly twenty-fold since then, outperforming even marquee AI beneficiaries like NVIDIA.

Management has promoted this message heavily. In its most recent earnings call, management used the term "data center" 14 times. Three years ago, it was barely mentioned.

We think this narrative is a mirage. Subsidiary contract data pulled from Engineering News-Record ("ENR") - a construction industry publication - combined with a detailed review of Sterling's underlying projects, and forensic accounting analysis, leads us to believe Sterling has materially overstated the scale of its data center business, has inflated margins through aggressive accounting, and is dramatically overvalued.

We see 60–80% downside from current levels.

**1. Exaggerated Data Center Exposure.** Management is coy in its disclosures, but their implication is unmistakable: data centers make up the bulk of Sterling’s E-Infrastructure business, and the remainder consists of other high-margin “mission critical”<sup>1</sup> customers like chip fabrication plants and “next-generation” manufacturing.

**a. In-depth Review of Underlying Projects Pulled from Subsidiary Websites Suggests Number of Data Center Projects Exaggerated by 5x.** In a recent earnings call, management indicated that Sterling has worked on *at least* “**100 or so data centers**”. We undertook a thorough review of hundreds of individual projects showcased on the websites of Sterling’s subsidiaries. In total, we counted just **18 data center projects** undertaken since 2020 - a fraction of the figure implied by management<sup>2</sup>. We believe the showcased projects are likely exhaustive because we cross referenced them with projects referenced on Sterling’s social media pages and in state planning filings (where available). Even using generous assumptions, we struggle to reconcile the size and quantum of these projects with Sterling’s purported data center revenues.

**b. Recent Subsidiary Disclosures in ENR Show Almost Half of E-Infrastructure Revenue is from Low-Margin Warehouses.** We uncovered recently published data from Sterling’s flagship subsidiaries Plateau Excavation (“Plateau”) and Petillo Companies (“Petillo”) (together responsible for 90% of Sterling’s E-Infrastructure revenues<sup>3</sup>), which reveals that **40% of their revenues in FY24 are from generic warehouses**. This is alarming because **warehouses typically earn much lower margins** than data centers and other mission critical projects<sup>4</sup>. Management’s claim that the “vast majority” of E-Infrastructure revenues are *mission critical* appears to be nonsense.

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<sup>1</sup> Sterling defines mission critical customers as data centers, next generation manufacturing, and semiconductor fabrication – [Q3 2025 Presentation](#).

<sup>2</sup> “Candidly, after you do 100 or so data centers, you just get a hell of a lot better at it” – Sterling CEO, Q4 2024 Earnings Call.

<sup>3</sup> As of FY24.

<sup>4</sup> Industry sources indicate 15% gross margins are more typical for regular warehouse site prep work.

- c. **Petillo: #2 E-Infrastructure Subsidiary Completed Just 1 Data Center Project.** Most strikingly, the second largest subsidiary in Sterling’s E-infrastructure segment<sup>5</sup> - Petillo - appears to have completed just one data center project since it was acquired in 2021. Petillo is one of Sterling’s trophy subsidiaries, that it apparently has almost no data center exposure is a huge red flag in our view.
- d. **Project Sizes Have Shrunk by 50%, Crushing Margin Expansion Narrative.** By our calculation, the average size of data center projects disclosed by Sterling’s subsidiaries has halved in recent years<sup>6</sup>. This is a head scratcher as Sterling’s primary explanation for its margins expanding is that project sizes are growing. If project sizes are shrinking, does that imply the margin story unravels?

**2. Phantom Backlog: Subsidiary Data Undermines the Growth Story.** Sterling’s E-Infrastructure revenues have been stagnant. Instead, the growth narrative hinges on its reported backlog—which has supposedly grown at a 40% CAGR over three years. Management explicitly attributes this to new contract wins outpacing revenues – a sign of a healthy demand pipeline<sup>7</sup>.

- a. **New Contract Wins Are Declining, Not Accelerating.** New contract wins self-reported by Sterling’s subsidiaries to ENR contradict this narrative. They show that **contract wins at Plateau and Petillo declined 10% in FY24** – the most recent year for which data is available, shattering Sterling’s claim that data center demand is accelerating.
- b. **We Cannot Reconcile 75% of Sterling’s Claimed Backlog Growth with New Contract Wins.** Using the ENR disclosures, we calculate that cumulative new contract wins have eclipsed revenues by just \$159m since year end 2021; **barely 25% of Sterling’s \$600m of E-Infrastructure backlog** growth over the same period. With

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<sup>5</sup> Excludes CEC, which was acquired in September 2025.

<sup>6</sup> By our calculation, disclosed data center projects on Sterling’s subsidiary websites since the beginning of 2024, are nearly 50% smaller on average (in terms of cubic yards) than historical projects.

<sup>7</sup> “It was really impressive for them to grow total backlog with the burn rates that they have. But some of that is new projects. And the way to look at it is if we didn't get new projects and we just shifted from future phase to backlog, our total would have decreased, right? So we not only shifted future phase to backlog, but we won enough new projects to offset that burn rate and grow that total backlog.” – Sterling CEO, Q3 2025 Earnings Call

data indicating contract wins are below reported figures, we believe that stated backlog growth is not the indicator of healthy project wins purported and may even be overstated.

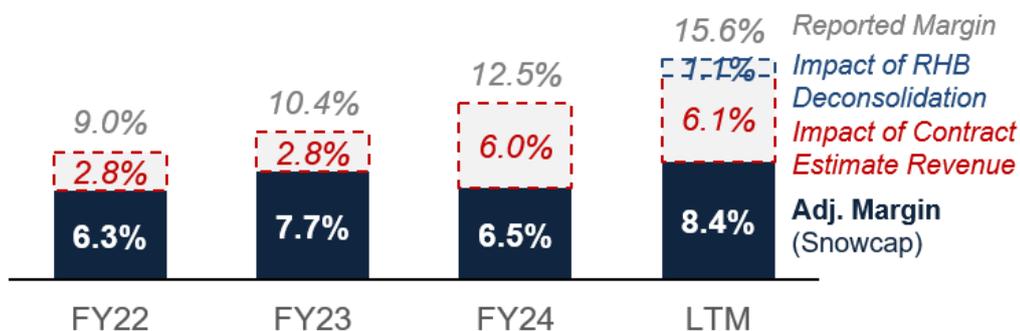
### Backlog Growth Delta

\$m	FY22-24
Petillo + Plateau (90% of e-infrastructure revenues)	
Cululative new contract wins (ENR)	2,673
(-) Cumulative revenue	2,513
Implied backlog growth	159
Reported e-infrastructure backlog growth	600
$\Delta$	(441)

Source: ENR, Company Filings

- 3. Inflated Margins; 45% of EBIT from Abnormal Accounting Revisions.** Even if one were to accept Sterling’s data center narrative at face value, the Company’s reported margins seem at best unsustainable, and at worst, inflated.

### Adjusted Operating Margin Bridge % - Snowcap



Source: Company Filings. Adjustments are Snowcap’s own.

- a. Impossible 31% Segment Gross Margins.** If we assume Sterling earns approximately 10–15% gross margins on its non-data-center work - consistent with industry norms - the implied margins on its purported data center projects would need to exceed 45% to reconcile with reported segment profitability. Industry peers we spoke with told us that even in the current environment, 20%-30% gross margins are typical for data center

projects<sup>8</sup>. One competitor openly expressed skepticism about Sterling’s margins, describing them as “*probably not sustainable*”<sup>9</sup>.

**b. Subjective Accounting Revisions on Future Profitability Estimates Drive ~45% of Reported EBIT.** We unmask Sterling’s abnormal margins. Buried deep in its financials, footnotes reveal that ~7% of Sterling’s revenues are from “changes to contract estimates”. These are essentially an accounting assumption about the *expected* profitability of *future* work and are flagged by Sterling’s auditor as a key area of uncertainty. Yet their impact on Sterling’s margins is staggering. By our calculation, **these revisions drove 45-48% of Sterling’s EBIT in FY24 and 9M25**. Not only are the revisions way out of sync with peers, they also represent a substantial and uncharacteristic uptick from previous periods. Best case, these revisions reflect abnormal contract profitability that is not sustainable. Worst case, they reflect aggressive recognition of revenues that could reverse.

**c. Revolving Door in the CFO Suite.** Particularly troubling, given the extraordinary degree of discretion embedded in Sterling’s accounting, is the instability in the CFO role. Since May 2024, the Company has seen two CFO departures in quick succession — the most recent lasting less than a year. The Company was forced to bring back its retired predecessor on an interim basis before appointing a permanent replacement in July 2025 — Sterling’s third CFO in under 18 months.

**4. Illusory Cash Flow.** Investors have likely taken comfort in Sterling’s cash flow, viewing it as validation of the margin story. This is a mistake. Since 2022, Sterling’s cash flow has benefited from a cumulative one-time benefit of \$550 million from advance billings – which seem abnormally high vs peers. Strip these out and Sterling’s cash conversion collapses to just 40% in 9M25.

**a. Adjusted Cash Conversion Shatters Sterling’s Comparison to Specialty Peers.**

This is also critical because sell-side analysts use Sterling’s higher cash conversion as

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<sup>8</sup> “Three years ago, I would tell you that the 25-30% [data center] project was kind of an anomaly. They happened, but now we’re seeing that I would say eight out of 10 [data center] projects are probably over 20%, 25% [gross margins]”. – Sterling competitor

<sup>9</sup> “As for why [Sterling’s] margins are going up, my gut feel would be that at 27% it’s probably not sustainable” – Sterling Competitor

crucial justification for valuing it in line with specialty peers - which trade at much higher multiples.

5. **Eye-Watering Valuation.** In the past year, Sterling has undergone a dramatic multiple re-rating. The stock now trades at ~23x NTM EV/EBITDA, well above traditional contractor peers such as Granite Construction ([NYSE:GVA](#)) and approaching valuations typically reserved for specialty service providers like Quanta Services ([NYSE:PWR](#)), which enjoy durable competitive advantages, proprietary technical expertise, and meaningful barriers to entry across its end markets.

Sterling possesses none of these attributes. Even if investors believe Sterling's margins are sustainable, **a re-rating in line with civil contractor peers implies 60% downside to its stock price.** We see even further downside should Sterling's margins normalize in line with industry peers.

- a. **Even Against Other AI Darlings, Sterling's Stock Looks Expensive.** If we apply an industry average multiple to Sterling's non-E-Infrastructure earnings, Sterling's E-Infrastructure business is trading at nearly ~29x NTM EV/EBITDA. This is a substantial premium to AI darling NVIDIA ([NASDAQ:NVDA](#)) and on par with Vertiv ([NYSE:VRT](#)) - a pure play data center infrastructure business with vastly superior EBITDA growth prospects.

Ultimately, we believe Sterling is a regional contractor dressed up in an AI veneer, trading at a valuation that assumes it is something it is not. The stock is acutely vulnerable as the narrative fades and fundamentals reassert themselves.

# Sterling Infrastructure

NASDAQ:STRL

**SHORT**

February 2026

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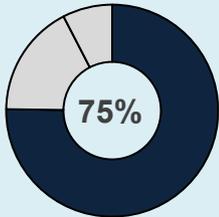
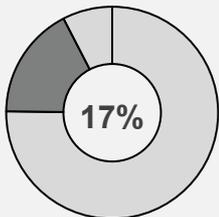
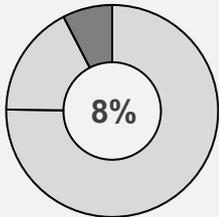
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# Executive Summary

Background and Context	<ul style="list-style-type: none"> <li>• Sterling Infrastructure Inc. (“Sterling” or “the Company”) owns a collection of regional contractors that specialize in site preparation and excavation services.</li> <li>• In 2022, Sterling rebranded one of its segments as “E-Infrastructure” and has since positioned itself to investors as a “picks-and-shovels” play on the AI boom.</li> </ul>
<b>1</b> Data Center Exposure is Modest and Looks Exaggerated	<ul style="list-style-type: none"> <li>• Subsidiary project data suggests Sterling has worked on just 18 data center projects since 2020—not the “100 or so” implied by management.</li> <li>• #2 E-infrastructure subsidiary <i>Petillo</i> appears to have worked on just 1 data center project.</li> <li>• ENR data suggests 40% of E-Infrastructure revenue is from warehouses, which are typically lower margin. This contradicts managements claim that the “vast majority” of E-Infrastructure customers are mission critical.</li> </ul>
<b>2</b> Backlog Growth Unsupported by New Contract Wins	<ul style="list-style-type: none"> <li>• E-infrastructure revenues have been bizarrely stagnant. Instead, Sterling’s growth narrative hinges almost entirely on its backlog, which has supposedly grown at a 40% CAGR.</li> <li>• Self-reported new contract win data recently published by ENR shows new wins at subsidiaries responsible for ~90% of E-Infrastructure revenue are in decline.</li> <li>• Cumulative new contract wins explain just \$159m of \$600m in claimed backlog growth since 2021. We cannot reconcile the remaining 75%.</li> </ul>
<b>3</b> Margins Unsustainable at Best, Inflated at Worst	<ul style="list-style-type: none"> <li>• Reported 31% E-infrastructure gross margins are roughly double those of specialty peers.</li> <li>• ~45% of EBIT since 2023 has been driven by subjective accounting revisions which relate to the profitability of <i>future</i> work. These are flagged by Sterling’s auditor as an area of uncertainty and look abnormally high compared to peers.</li> <li>• Since May 2024, the Company has seen two CFO departures in quick succession.</li> </ul>
<b>4</b> Illusory Cash Flow	<ul style="list-style-type: none"> <li>• Operating cash flow has been propped up by a one-time benefit from advance payments, which look abnormally high.</li> <li>• Strip these out and cash conversion collapses to ~40% of EBITDA in 9M25. This shatters a key justification used by the sell-side to value Sterling at a specialty peer multiple.</li> </ul>
<b>5</b> Expensive Even vs AI Darlings	<ul style="list-style-type: none"> <li>• At ~23x EV/EBITDA, backing out non-E-Infrastructure earnings implies the E-Infrastructure business trades at nearly 29x—richer than NVIDIA , and on par with Vertiv – which is a pure play data center infrastructure business that has far superior EBITDA growth.</li> </ul>

# Intro to Sterling Infrastructure

# Sterling Infrastructure is not a data center infrastructure company. It owns a **collection of regional contractors**

Segment	% EBIT	Operating Margin %	Key Subsidiaries		
			Company	Acquired	Consideration
<b>“E-Infrastructure”</b> <i>Site selection, preparation and excavation for data centers, manufacturing facilities, distribution centers and warehouses.</i>	 <p>75%</p>	<p><b>25.6%</b></p>	CEC	2025	\$505m
			Petillo	2022	\$197m
			Plateau	2019	\$428m
			RLW <sup>(1)</sup>	Legacy	-
<b>Transportation</b> <i>Heavy civil construction and infrastructure projects for highways, roads, bridges, airports, ports and rail.</i>	 <p>17%</p>	<p>14.3%</p>	Banicki Construction	Legacy	-
			Texas Sterling Construction	Legacy	-
			RHB (50%)	2012	-
<b>Building</b> <i>Residential and commercial concrete foundations for family homes / parking structures.</i>	 <p>8%</p>	<p>10.6%</p>	Professional Plumbers	2023	\$50m
			Tealstone	2017	\$85m

Source: Company Filings. Financials reflect Q3 2025 results. % EBIT reflects each segments contribution to Segment Operating Income (pre Corporate G&A). (1). Pro Forma basis. RLW results are reported across both E-Infrastructure and Transportation segments. Snowcap calculate that RLW made a \$92.7m contribution to Sterling’s E-Infrastructure revenues in 2024 based on ENR disclosures.

# Sterling’s key “E-Infrastructure” segment specialises in site preparation and excavation services



## Sterling E-Infra Segment

 43% Revenues

**PLATEAU**  
A STERLING COMPANY



PETILLO  
COMPANIES



### CLEARING

Removing vegetation, topsoil, debris



### EXCAVATING & GRADING

- Cut/fill operations to reach design elevations
- Compact soil



### UNDERGROUND UTILITIES

- Trenching for storm, sewer, water, fire lines
- Installing duct banks for electrical & fiber pathways



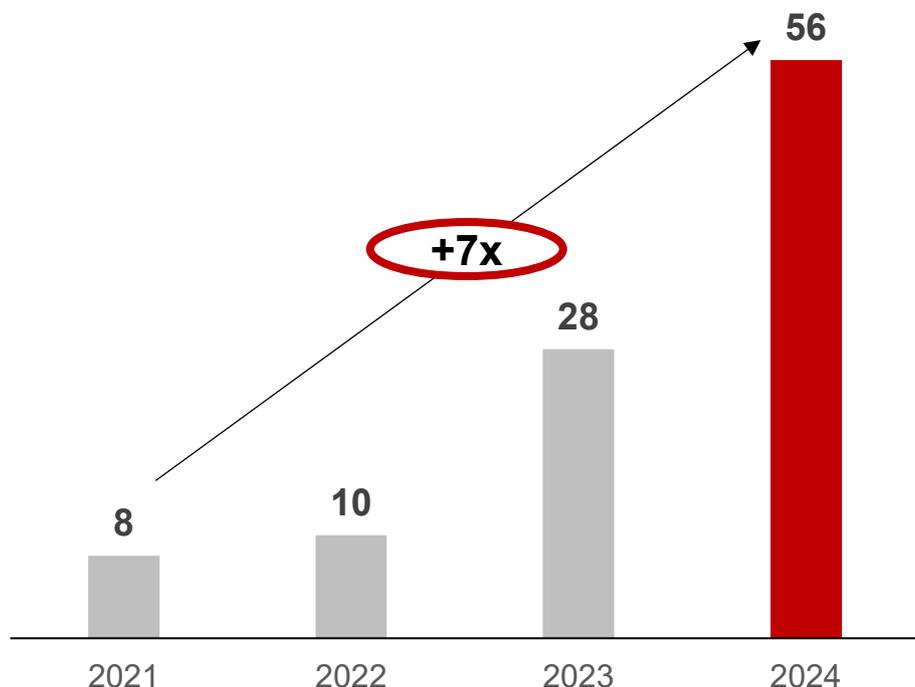
Source: Company Filings.

(1). Note Sterling expanded into Electrical Services via its acquisition of CEC in 2025.

# Following a name change in 2022, Sterling has rebranded itself as a “picks-and-shovels” play on the AI boom

- In 2022, Sterling changed its name from “Sterling Construction” to “Sterling Infrastructure”. This coincided with Sterling rebranding its “E-Infrastructure” reporting segment.

## # of times ‘Data Center’ Mentioned by Sterling Management on Earnings Calls



### INVESTOR'S BUSINESS DAILY®

IBD 50 Stocks: **Data Center** Leader Sterling Boasts Relative Strength In Volatile Market

### yahoo! finance

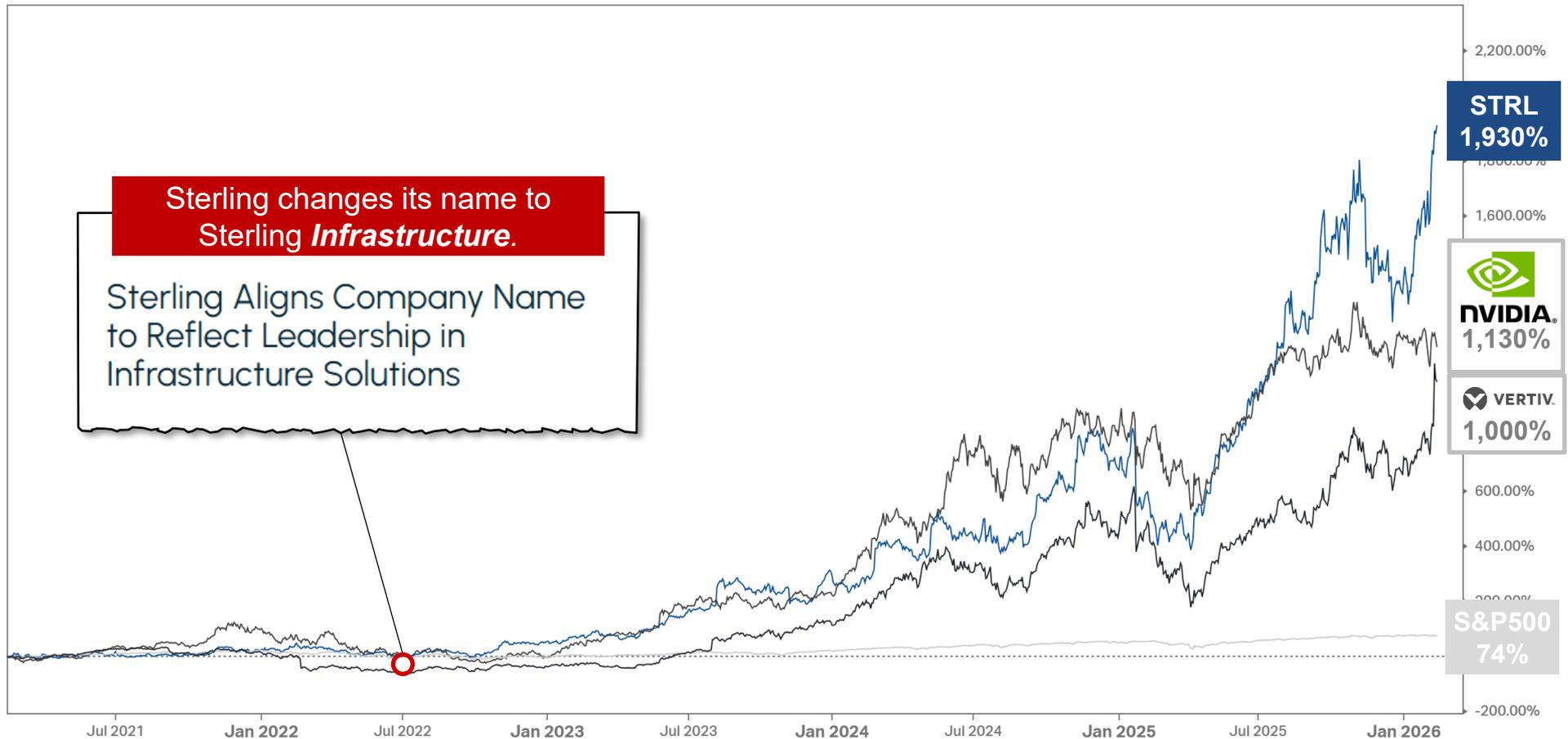
Will Sterling's 125% **Data Centre** Growth Extend Into 2026?

### Seeking Alpha<sup>α</sup>

**Sterling Infrastructure Is An Attractive Picks-And-Shovels AI Play**

# The move paid off. Sterling's share price has nearly 20x'd - outperforming AI darlings like NVIDIA

## 5 Year Total Return (%)

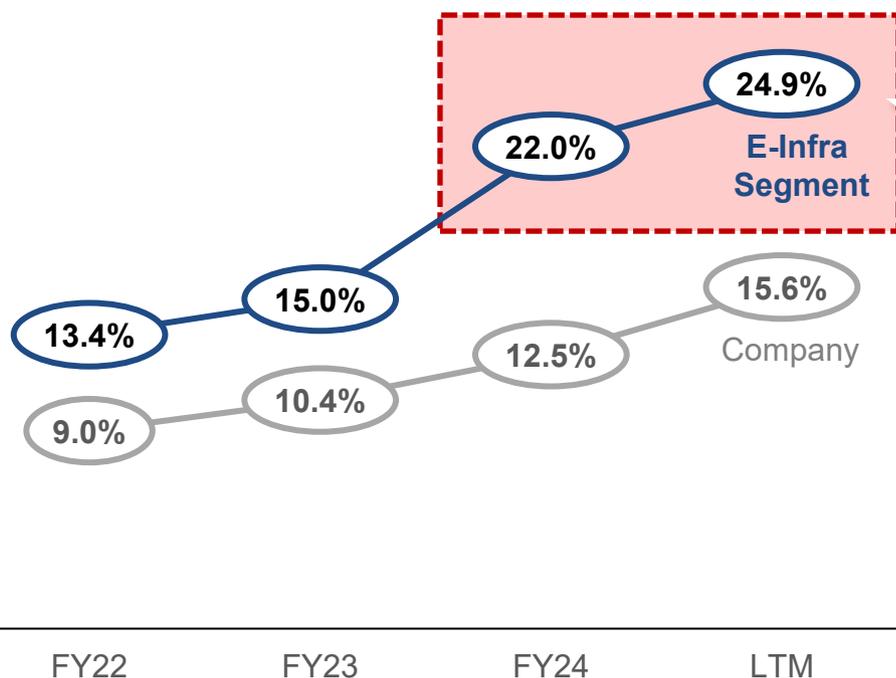


Source: Market data as of 18/02/26 from Koyfin.

# Sterling claims that a growing number of **data center customers** have driven a **step change improvement** in its margins

- Since 2023, Sterling has reported a **~1,000bps expansion** in the operating margin of its E-Infra segment.
- On earnings calls, Sterling repeatedly tells investors that its expanding E-Infrastructure margin has been caused by a higher mix of mission critical projects, including data centers.

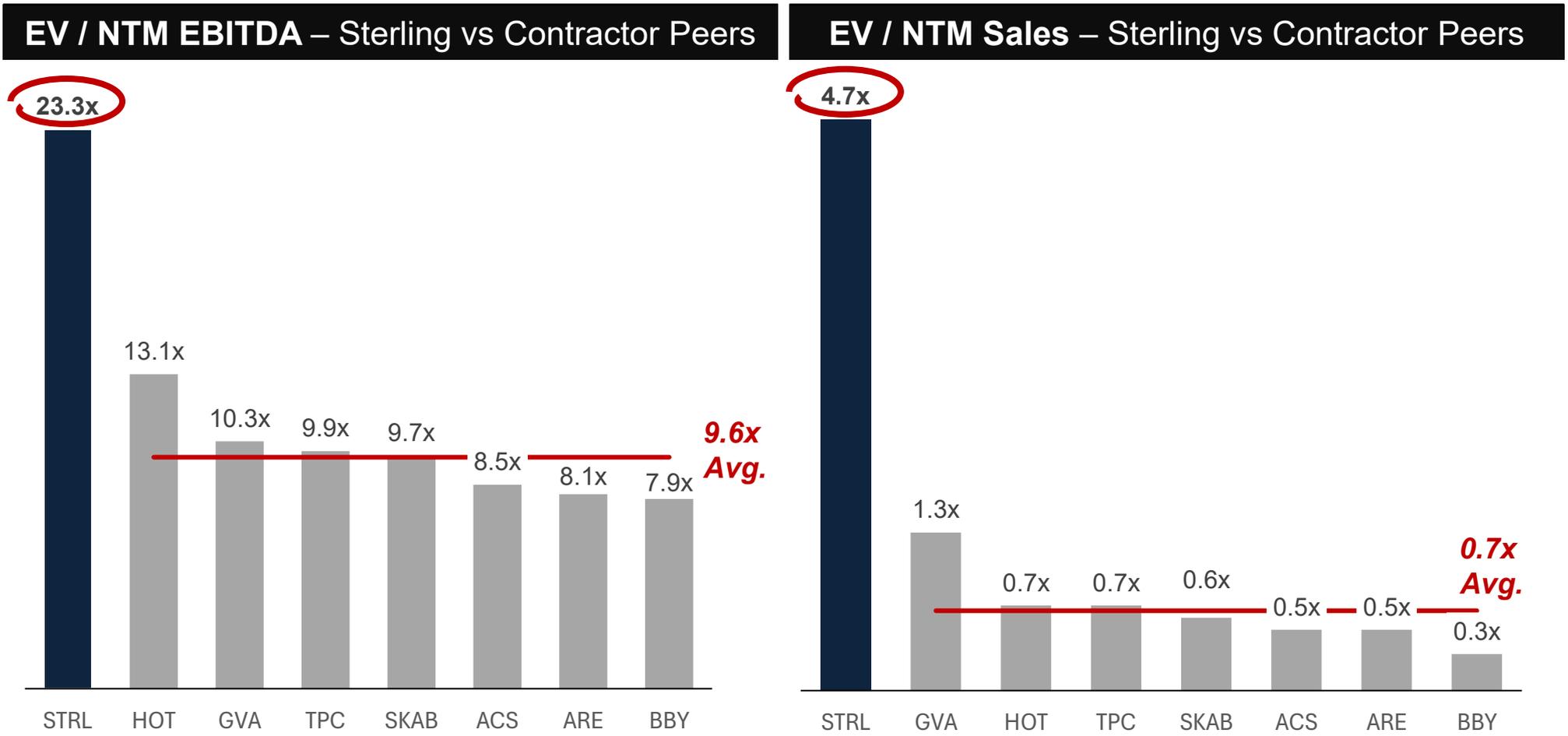
## Sterling Reported Operating Margins



“Adjusted operating margins for the **legacy E-Infrastructure Site Development** business were **28.4%**...driven by our **continued shift towards large mission-critical projects, including data centers.**”

Sterling Earnings Call, Q3-25

# Sterling's stock has re-rated aggressively and now trades at a huge premium to civil contractor peers



Source: Market data as of 18/02/26 from Koyfin.

# 1. Exaggerated Data Center Exposure

Sterling leads investors to believe that data centers make up the bulk of its E-Infrastructure revenues, and that it has worked on “100 or so” data centers

#### Q4'24 Earnings

“Mission-critical work now represents the vast majority of our E-Infrastructure backlog, **including data center work at over 60%.**”

#### Q4'24 Earnings

“If anything, we've probably seen a slight tick up in pricing, but we're really able to leverage this stuff and candidly, **after you do 100 or so data centers, you just get a hell of a lot better at it, too.**”

#### Q3'25 Earnings

“Well, if you take a look at it, \$3 billion of the \$4 billion [backlog and future phases] is in E-Infrastructure. And the **highest percentage of that is going to be data center**, which would probably be **75% or 80%** of that piece there.”

# We undertook a detailed review of hundreds of individual projects listed on the websites of Sterling's subsidiaries

**PLATEAU**  
A STERLING COMPANY

WHO WE ARE   WHAT WE DO   PROJECTS   CAREERS   BLOG   CONTACT US

### Project Filters

**SERVICE TYPE**

- Mission Critical (15)
- Distribution (11)
- Specialty (11)
- Regional (9)
- Industrial (7)

[See 2 more](#)

**LOCATION**

- Southeast (41)
- Midwest (3)
- Mid-Atlantic (1)



**Lithia Springs Data Center**

[VIEW DETAILS](#)



**Rockhouse Data Center**

[VIEW DETAILS](#)



**Stafford, Virginia Mission Critical Project**

[VIEW DETAILS](#)



**Hampton Data Center**

[VIEW DETAILS](#)



**Covington Mission Critical Project**

[VIEW DETAILS](#)



**MAL Mission Critical Project Phase 1**

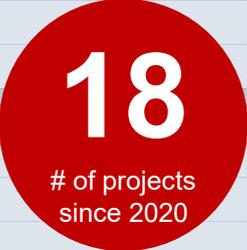
[VIEW DETAILS](#)

# Sterling appears to have worked on just a handful of data center projects, many of which it completed years ago

- Based on a review of the project listings on Sterling's E-Infrastructure subsidiaries' websites (Plateau, Petillo, and RLW), we identified just 18 data center projects. A significant number of these are projects from before 2023.

## Sterling's Data Center Projects 2020-25

#	Project	Subsidiary	Client	State	Start Date
1.	<a href="#">Meta Data Center, Social Circle</a>	Plateau	Meta	GA	<a href="#">2018 (Phase I) 2021 (Phase II)</a>
2.	<a href="#">QTS Data Center, Atlanta</a>	Plateau	QTS	GA	<a href="#">2019</a>
3.	<a href="#">Meta Data Center, Gallatin</a>	Plateau	Meta	TN	<a href="#">2020</a>
4.	<a href="#">Meta Data Center, Huntsville</a>	Plateau	Meta	AL	<a href="#">2022 (Phase II)</a>
5.	<a href="#">Amazon Data Center, Aldie</a>	Plateau	Amazon	VA	<a href="#">2022</a>
6.	<a href="#">Meta Data Centre, Kuna</a>	RLW	Meta	ID	<a href="#">2022</a>
7.	<a href="#">Edged Data Center, Atlanta</a>	Plateau	Edged Energy	GA	<a href="#">2023</a>
8.	<a href="#">QTS Data Center Fayetteville</a>	Plateau	QTS	GA	<a href="#">2023</a>
9.	<a href="#">QTS Data Center, Aurora</a>	RLW	QTS	CO	2023
10.	<a href="#">Meta Data Center, Montgomery</a>	Plateau	Meta	AL	<a href="#">2024</a>
11.	<a href="#">Switch Data Center, Cartersville</a>	Plateau	SWITCH	GA	<a href="#">2024</a>
12.	<a href="#">Amazon Data Center I, Lithia Springs</a>	Plateau	Amazon	GA	2025
13.	<a href="#">Amazon Data Center II, Lithia Springs</a>	Plateau	Amazon	GA	2025
14.	<a href="#">Meta Data Center, Cheyenne</a>	RLW	Meta	WY	<a href="#">2024</a>
15.	<a href="#">STACK Data Center, Stafford</a>	Plateau	STACK	VA	<a href="#">2025</a>
16.	<a href="#">Data Center, Hampton</a>	Plateau	Southeast Property	GA	<a href="#">2025</a>
17.	<a href="#">Data Center, Covington</a>	Plateau	Universal Planning LLC	GA	<a href="#">2025</a>
18.	<a href="#">Data Center, Maryland</a>	Petillo	Quantum	MD	<a href="#">2025</a>



18

# of projects  
since 2020

# Key “E-Infrastructure” subsidiary *Petillo* appears to have worked on just 1 data center project

- Sterling acquired Petillo in 2022 for ~\$200m, claiming that it was complementary to Plateau as it was focused on the same end markets, including data centers.
- Yet as of November 2025, we can only find evidence of Petillo ever having worked on one data center project. The vast majority of Petillo’s projects appear to be generic warehouse developments.

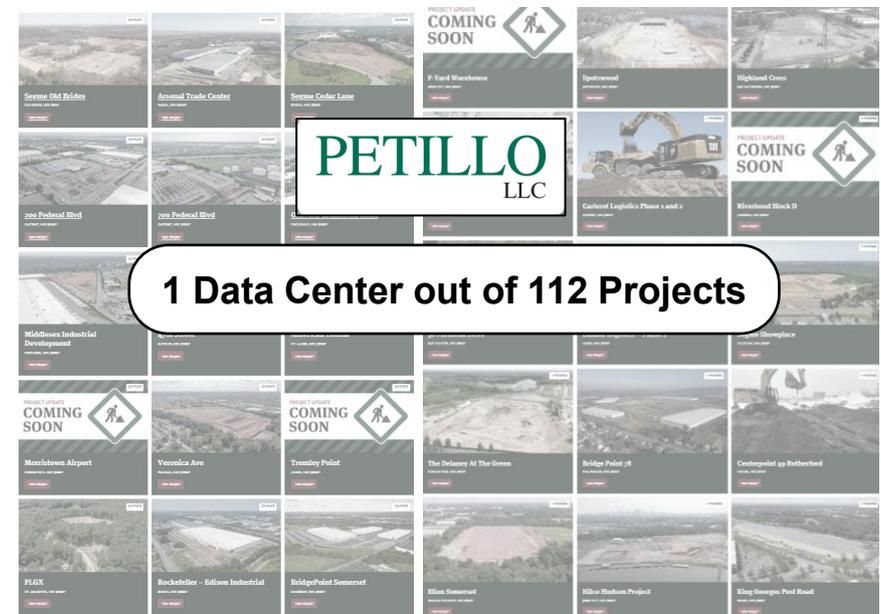
At the time of acquisition, **Sterling said Petillo was “focused on data centers”**

## Special M&A Call – Jan 2022

“Petillo is a specialty site development company up in the Northeast **focused with the same end markets that we do with Plateau**, whether that's e-commerce, **data centers**, large sports facilities, et cetera.”

“But their [Petillo] average [project] size is about \$10 million of project. That has more than doubled in size over the last 2 years, I would say, going back and looking at it. And **they're continuing to move further and further into these mega projects that are the \$35 million to \$50-plus million projects that we're doing for the big data centers and big warehouses”**

Yet we can only find evidence of Petillo having worked on one data center project



# Even using generous assumptions, we estimate data center projects have contributed less than **20% of Sterling's E-Infra revenues since 2020**

- Even if we generously assume that Sterling has earned \$20 per cubic yard moved, and \$40 per cubic yard blasted, we estimate these data center projects have contributed a combined \$780m of revenue since 2020, which is less than 20% of Sterling's E-Infrastructure revenues in this time.
- For context, multiple sources quote a range of \$6 - \$15 per cubic yard moved for data center projects (see appendix), which suggests that our revenue assumptions are particularly generous.
- For further context, Sterling's subsidiary *Plateau* disclosed that its flagship [Gallatin Data Center](#) project cost \$135m – which appears consistent with our revenue assumptions per cubic yard. Note the Gallatin project cost included storm sewer installation, trench blasting and onsite rock blasting, all of which suggest that it should be at the upper end of the project cost range.

## Cumulative Data Center Revenue Estimate FY20-9M25

	Cubic Yards	\$ per Cubic Yard (Snowcap assu.)	Estimated revenue (\$m)
Earth <b>Moved</b>	25,717,137	20.0	514.3
Earth <b>Blasted</b>	6,843,862	40.0	273.8
Total estimated revenue contribution from data centers			788.1
% of E-infra revenues (FY20-9M25)			17.5%

**17%**  
Est. % of E-  
Infra revenues  
since 2020

# Self-reported data by Sterling’s key subsidiaries to ENR suggests lower-margin warehouse work makes up ~40% of E-Infra revenues

- Self-reported data to ENR (Engineering News-Record) shows that in FY24, 40% of revenues for *Plateau* and *Petillo* were from “general buildings”. **This seemingly contradicts management’s claim that the “vast majority” of E-Infrastructure revenues are from mission critical customers.**

**ENR THE TOP 600**

FIRM	FIRM TYPE	2024 REVENUE (\$ MIL)		MARKETS (% OF 2024 REVENUE)								
		TOTAL REVENUE	NEW CONTRACTS	GENERAL BUILDING	MANUFACTURING	POWER	WATER SUPPLY	SEWER / WASTE	INDUS. / PETROLEUM	TRANSPORTATION	HAZARDOUS WASTE	TELECOM
PLATEAU EXCAVATION INC., Kennesaw, Ga.	X	602.1	742.6	20	30	0	0	0	0	0	0	50
PETILLO COS., Flanders, N.J.	U/X	228.9	154.6	92	0	0	0	0	0	0	0	8

\$m	FY24		
	Revenue	% General Buildings	General Building Revenue
Plateau	602.1	20%	120.4
Petillo	228.9	92%	210.6
<b>Total</b>	<b>831.0</b>	<b>40%</b>	<b>331.0</b>

**General Building** as a category includes commercial buildings, offices, stores, educational facilities, government buildings, hospitals, medical facilities, hotels, apartments, housing, etc.

Note: Plateau and Petillo together accounted for 90% of Sterling’s E-Infrastructure revenues in FY24

# Sterling's projects appear heavily concentrated geographically despite management claims to be expanding footprint

Sterling management claim they are getting "pulled into new geographies" by data center customers:

## Special M&A Call – Jan 2022

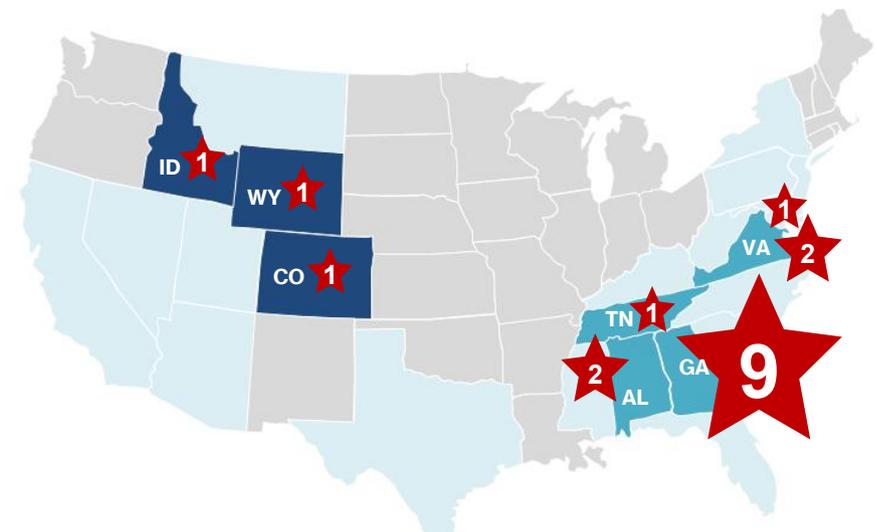
"We've recently talked and throughout last year talked many times about **our customers continuing to try to pull us into other geographies** and other footprints. This expands us into those footprints with capabilities immediately."

## Q4'24 Earnings

"we continue to get more and more pressure from our customers, which is a good thing, to **expand further and further with our geographic footprint**"

50% of Sterling's disclosed data center projects are in one state! - Georgia

## ★ # of data center projects by state



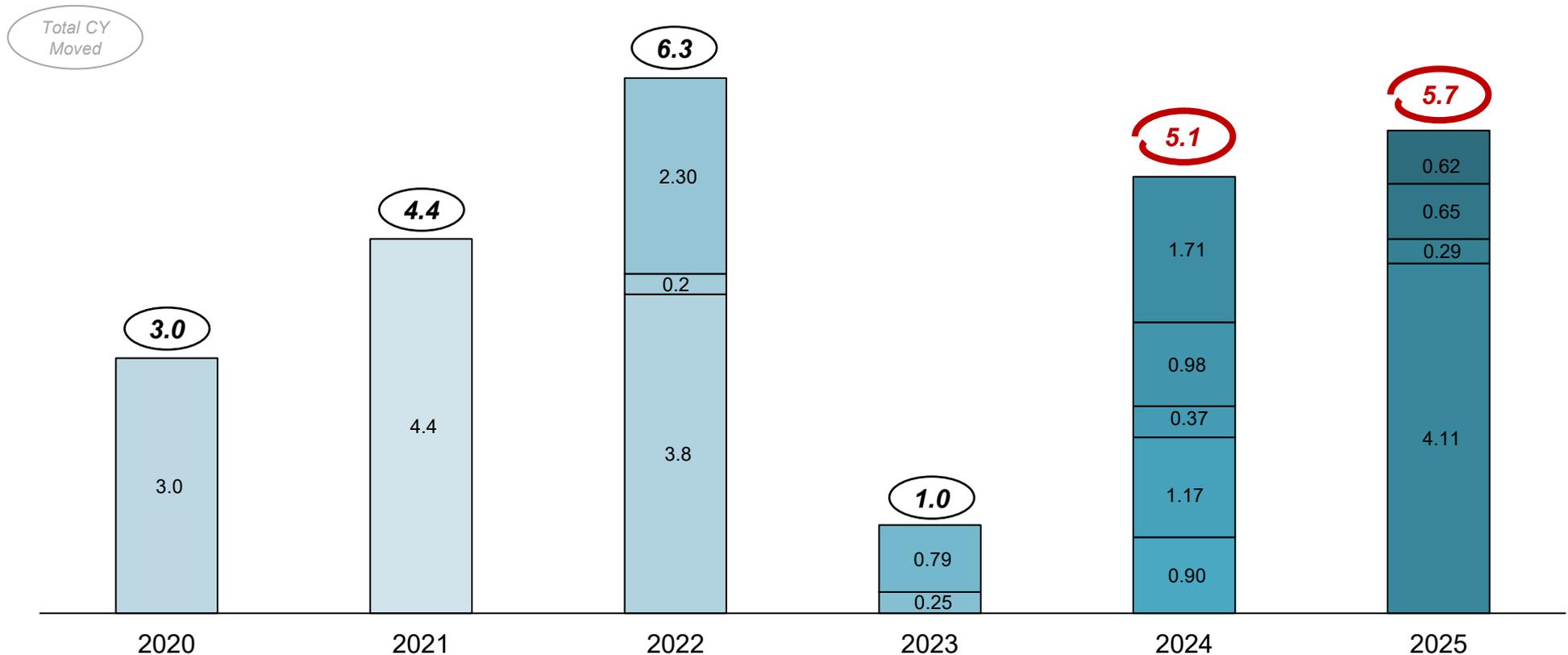
Regional construction businesses usually trade at a discount due to heightened exposure to local regulation and economic risk

# Disclosed data center projects on Sterling’s subsidiary websites **do not support the growth narrative**

- Examining Sterling’s data center projects by size (measured in cubic yards of dirt moved), Sterling’s data center activity appears to have stayed relatively flat since its acquisition of Plateau in 2019.

## Sterling Data Center Projects by Year and Earth Moved

**Listed Projects by Start Date - Millions of Cubic Yards Moved**



Sources: Plateau Excavation, RLW, Petillo, Data Center Dynamics. Note: number does not include CY blasted. Project Start Date estimated based on available disclosures – see appendix.

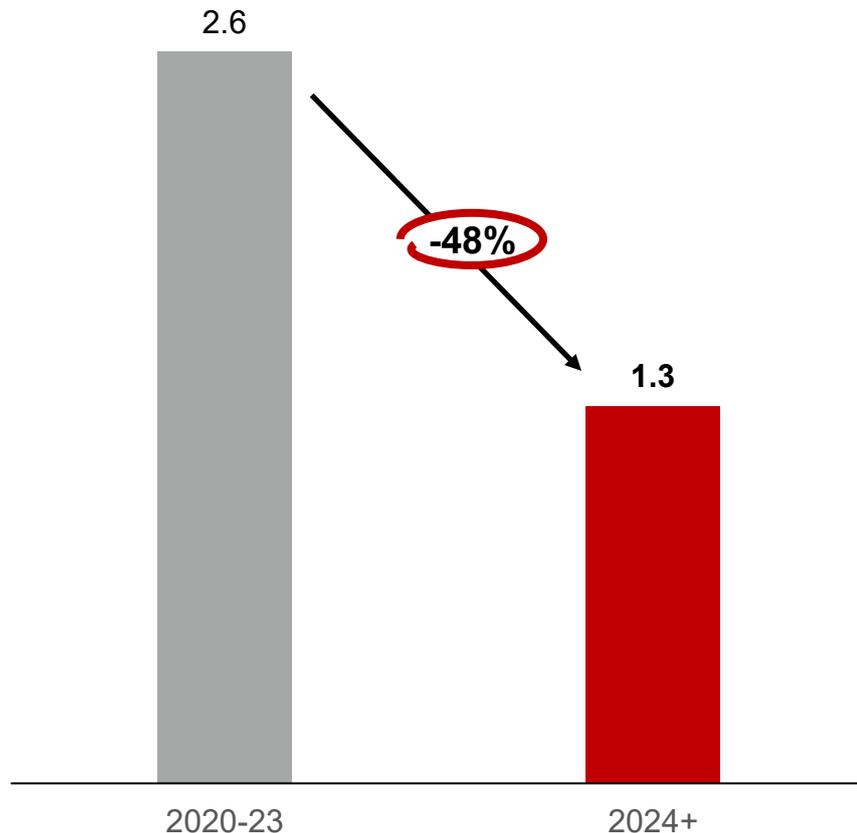
(1) Size of Meta Cheyenne estimated by Snowcap based on comparable Meta projects completed by Sterling. See appendix for details.

# Sterling's data center project sizes appear to be shrinking

- Management claim that operating margins on these projects are driven by project size, yet despite Snowcap diligence showing data center project work to be reducing in size, operating margins are increasing further.

## Average Data Center Project Size

Millions of CY Moved/Blasted



Sterling Data Center Projects	Start Date	CY Moved/Blasted	Average
<u>Meta Data Center, Social Circle</u>	<u>2018 (Phase I)</u>	4,730,000	Pre 2024 <b>2.56m</b>
	<u>2021 (Phase II)</u>		
<u>QTS Data Center, Atlanta</u>	<u>2019</u>	300,000	
<u>Meta Data Center, Gallatin</u>	<u>2020</u>	5,000,000	
<u>Meta Data Center, Huntsville</u>	<u>2022 (Phase II)</u>	5,450,000	
<u>Amazon Data Center, Aldie</u>	<u>2022</u>	360,000	
<u>Meta Data Centre, Kuna</u>	<u>2022</u>	3,600,000	2024-25 <b>1.34m</b>
<u>Edged Data Center, Atlanta</u>	<u>2023</u>	271,175	
<u>QTS Data Center Fayetteville</u>	<u>2023</u>	785,791	
<u>Meta Data Center, Montgomery</u>	<u>2024</u>	895,000	
<u>Switch Data Center, Cartersville</u>	<u>2024</u>	1,209,270	
<u>Amazon Data Center I, Lithia Springs</u>		406,020	
<u>Amazon Data Center II, Lithia Springs</u>	<u>2025</u>	1,110,760	
<u>Meta Data Center, Cheyenne</u>	<u>2024</u>	2,666,667	
<u>STACK Data Center, Stafford</u>	<u>2025</u>	4,112,559	
<u>Data Center, Hampton</u>	<u>2025</u>	317,420	
<u>Data Center, Covington</u>	<u>2025</u>	722,780	
<u>Data Center, Maryland</u>	<u>2025</u>	623,557	

Note: QTS Aurora not included as no sitework completed (i.e. CY moved)

CY moved estimated for Meta Cheyenne using comparable total project costs from Meta website

# ...Contradicting Sterling's key explanation for its margin expansion

Sterling repeatedly state that Data Center projects are growing in size

## Q2'24 Earnings

"there are some really crazy concepts out there for some really big mega projects that would be **5 to 10x bigger** than any data center we've done...**the size and scope keeps getting bigger.**"

## Q4'24 Earnings

"there are drawings of our projects on the drawing board, I should say, of **mega data centers that are exponentially bigger than anything we're building today**...Those would be **greater opportunities and better margin.**"

## Q2'24 Earnings

Q. "the data centers that you're seeing today, **are they larger than the data centers of 12, 18, 24 months ago?**"

A. "Yes. The trend continues".

## Q4'24 Earnings

"The opportunities we are seeing in our E-Infrastructure business are **unprecedented.** Both **the number and size of projects continue to increase**"

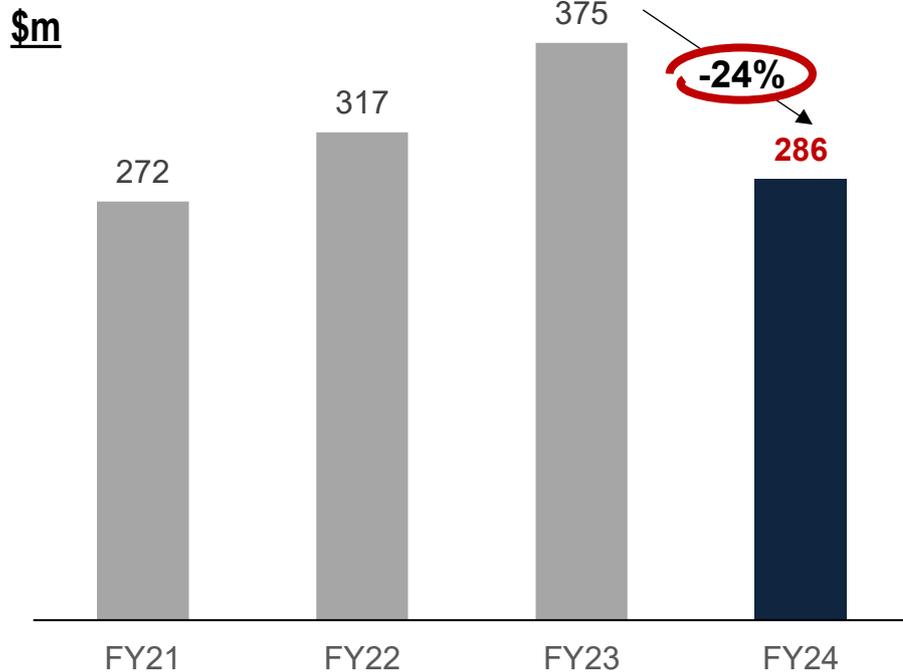
## Q3'25 Earnings

"we talk about data centers getting bigger. But I will tell you that **every piece of mission-critical jobs are getting bigger in size**"

# This is corroborated by revenue from Sterling’s largest E-Infrastructure customers, which has fallen

- The combined revenue for Sterling’s top four customers fell c.24% in FY24, with an average revenue of c.\$70m per customer.
- **We struggle to reconcile this with Sterling’s claims of experiencing booming demand for increasingly large-scale data center projects.**

## Revenue of Four Largest E-Infra Customers



Top 4 E-Infra Customer Revenue	FY21	FY22	FY23	FY24
E-Infrastructure Revenue (\$m)	468.8	905.3	937.4	923.7
(x) Top Four Customer Concentration (%)	58%	35%	40%	31%
<b>Revenue from Four Largest E-Infra Customers (\$m)</b>	<b>271.9</b>	<b>316.8</b>	<b>375.0</b>	<b>286.4</b>
Δ		16.5%	18.3%	<b>-23.6%</b>

# Management's Freudian slip?

“On the data center activity, we still see **data center** activity extremely strong, if anything, picking up more as we see more speculative **warehouses** coming online, data centers. Yes, I'm sorry. I said **warehouses** -- speculative **data centers** coming online to offset. What we believe is happening is the demand is outpacing the big guy's capital budgets and planning budgets. So what they're doing is speculative **warehouses** are coming online.

They're leasing those spaces and have kind of a lease buy program in place. So we're seeing strong activity from the majors, but also from the speculative [ piece, ] which are a little bit smaller **warehouses** in general, but still very good **data centers**. I keep saying warehouses. I need one more coffee this morning.”

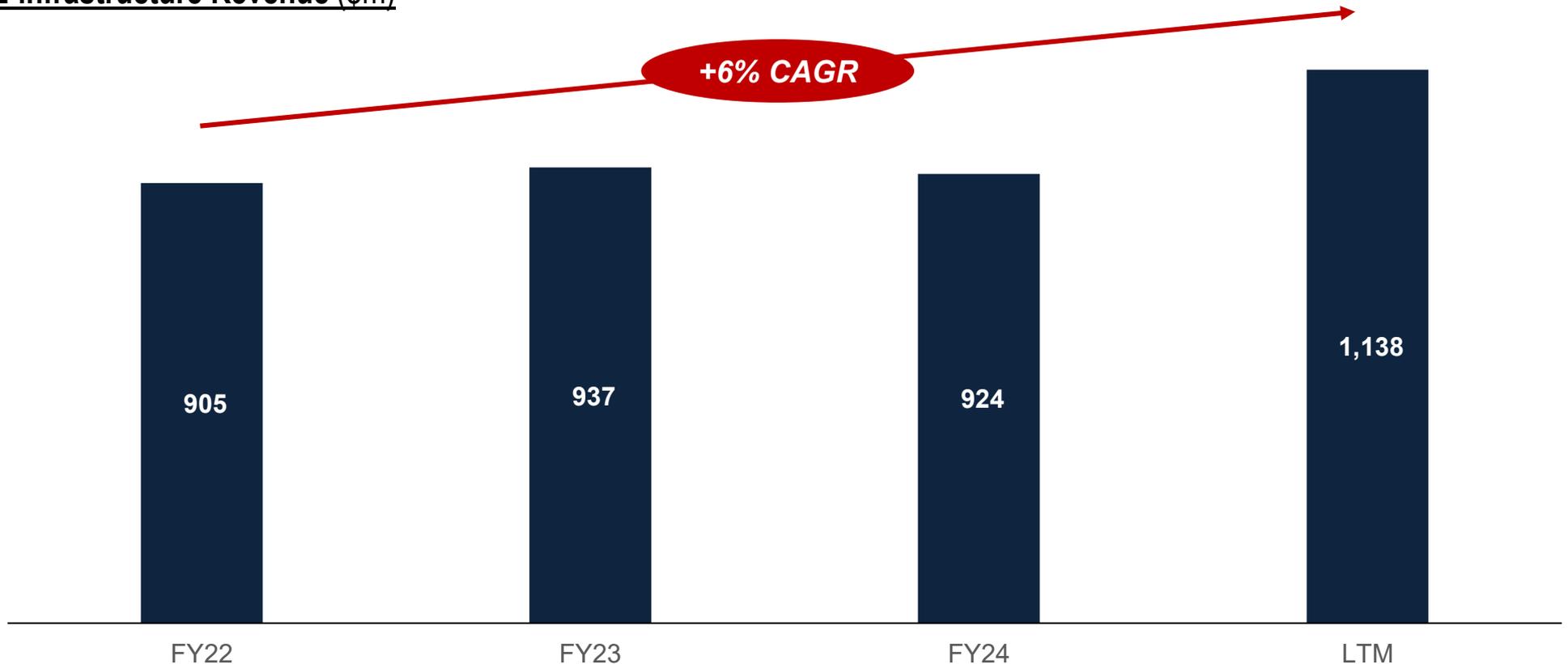
-Sterling CEO, Q2 2023 Earnings Call

## **2. Phantom Backlog: Contract Win Data Undermines Growth Story**

# Sterling's E-Infrastructure revenues have been largely stagnant since it acquired Petillo in 2022

## E-Infrastructure Organic Revenue Growth

E-infrastructure Revenue (\$m)



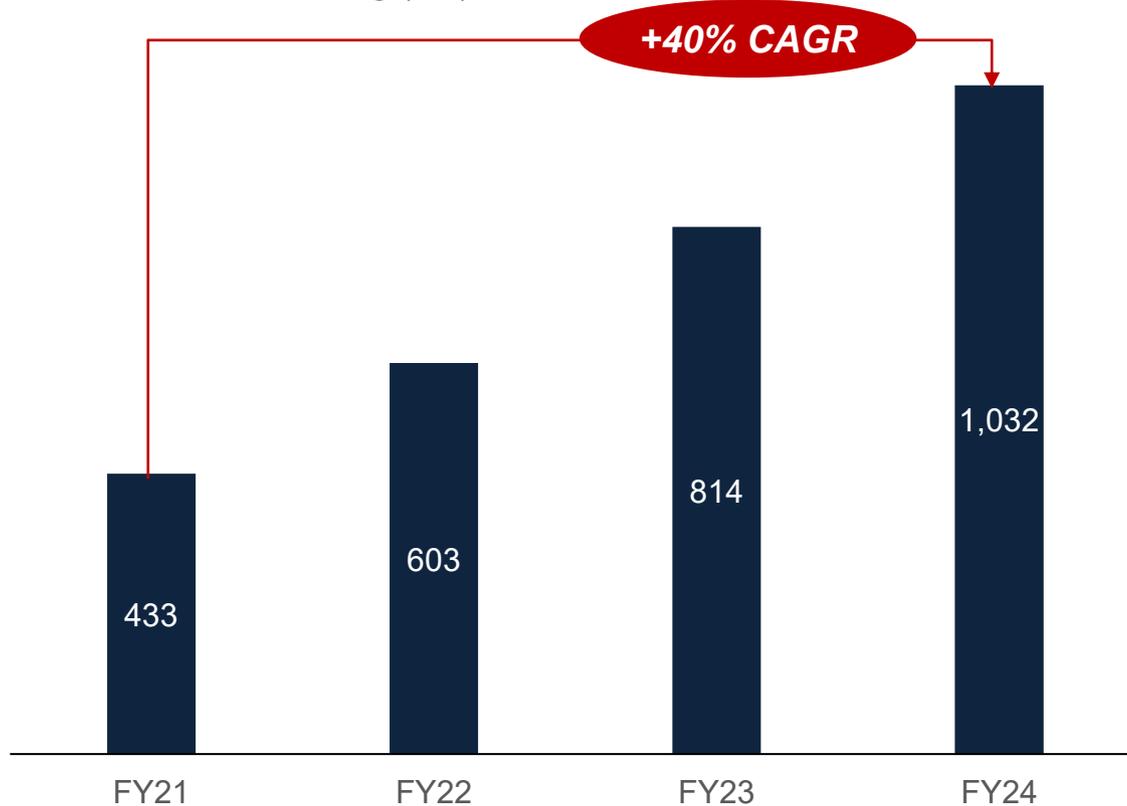
Sources: Company Filings

Note: LTM revenue adjusted to exclude \$41.4m revenue from CEC acquisition

# Sterling's growth narrative instead hinges entirely on its E-Infrastructure backlog, which has supposedly grown rapidly

## Claimed E-Infrastructure Backlog Growth

E-Infrastructure Backlog (\$m)



“It was really impressive for [the E-Infrastructure business] to grow total backlog with the burn rates that they have...we won enough new projects to offset that burn rate and grow that total backlog.

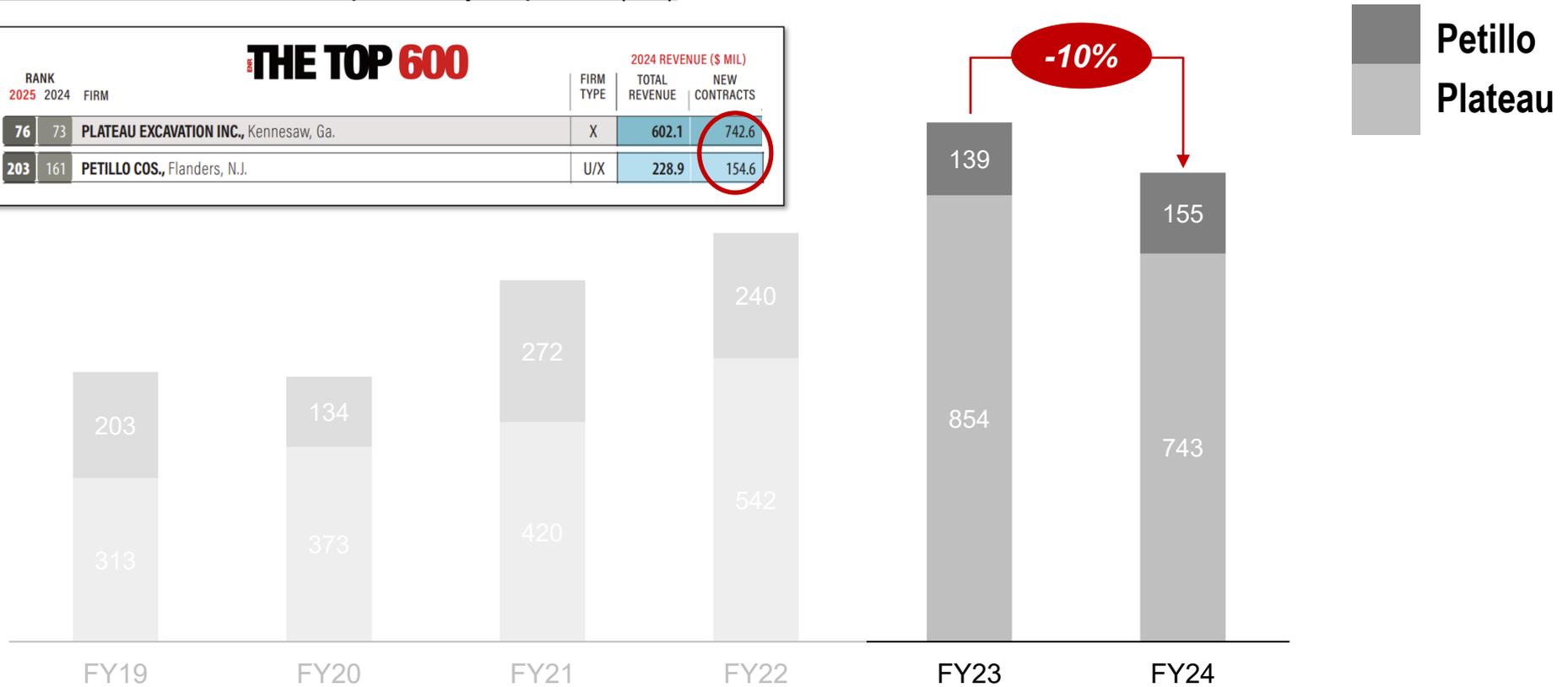
*Sterling's CEO*

# Independent data reported by *ENR* shows new contract wins at Sterling's E-Infrastructure subsidiaries are *in decline*

## New Contract Wins (\$m) – Key E-Infrastructure Subsidiaries (Source: ENR)

### New Contract Wins – Independently Reported (\$m)

RANK		FIRM	FIRM TYPE	2024 REVENUE (\$ MIL)	
2025	2024			TOTAL REVENUE	NEW CONTRACTS
76	73	PLATEAU EXCAVATION INC., Kennesaw, Ga.	X	602.1	742.6
203	161	PETILLO COS., Flanders, N.J.	U/X	228.9	154.6



Source: ENR "The Top 600 Specialty Contractors 2026"  
 Note does not include data for RLW (~10% of revenues for Sterling's E-infrastructure segment)

# New contract wins reported by *ENR* have barely exceeded revenues in recent years, implying modest backlog growth

## New Contract Wins vs Revenue (\$m) – Plateau and Petillo

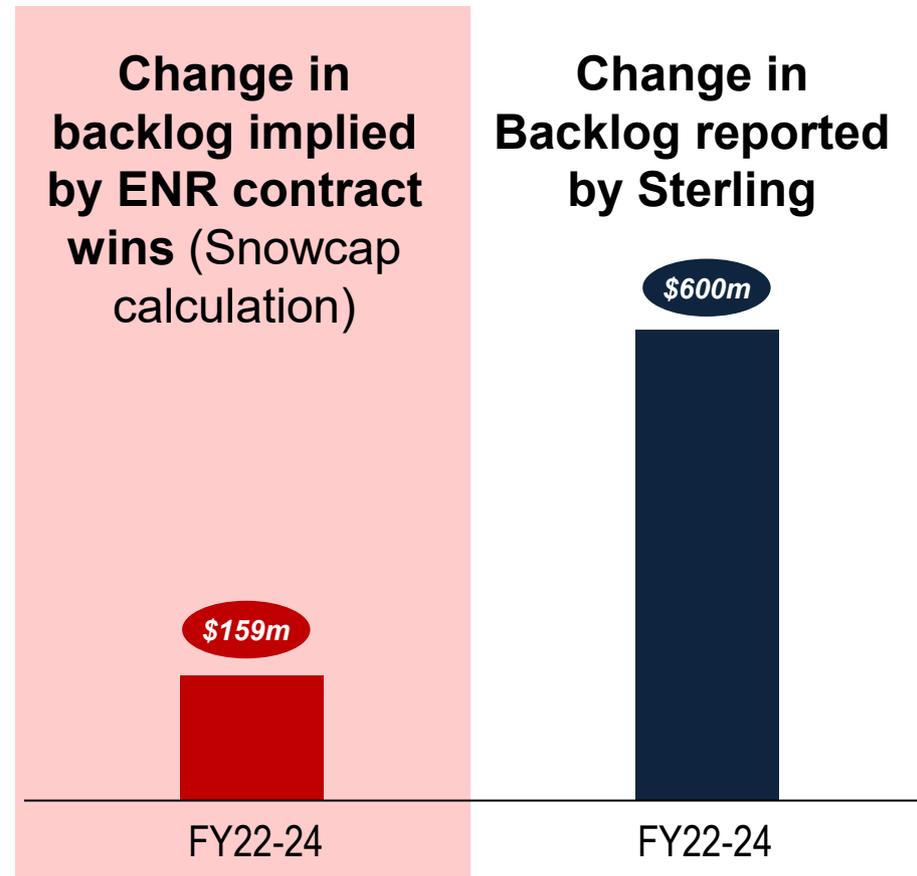


Source: Company filings, ENR. New contract wins are combined Petillo and Plateau as reported by ENR. See appendix for breakdown between Plateau and Petillo.

Note: does not include data for RLW (~10% of revenues for Sterling’s E-infrastructure segment).

# 74% of Sterling's claimed E-Infrastructure backlog is unexplained in our view

## Implied Change in Backlog (\$m) – Snowcap calculation



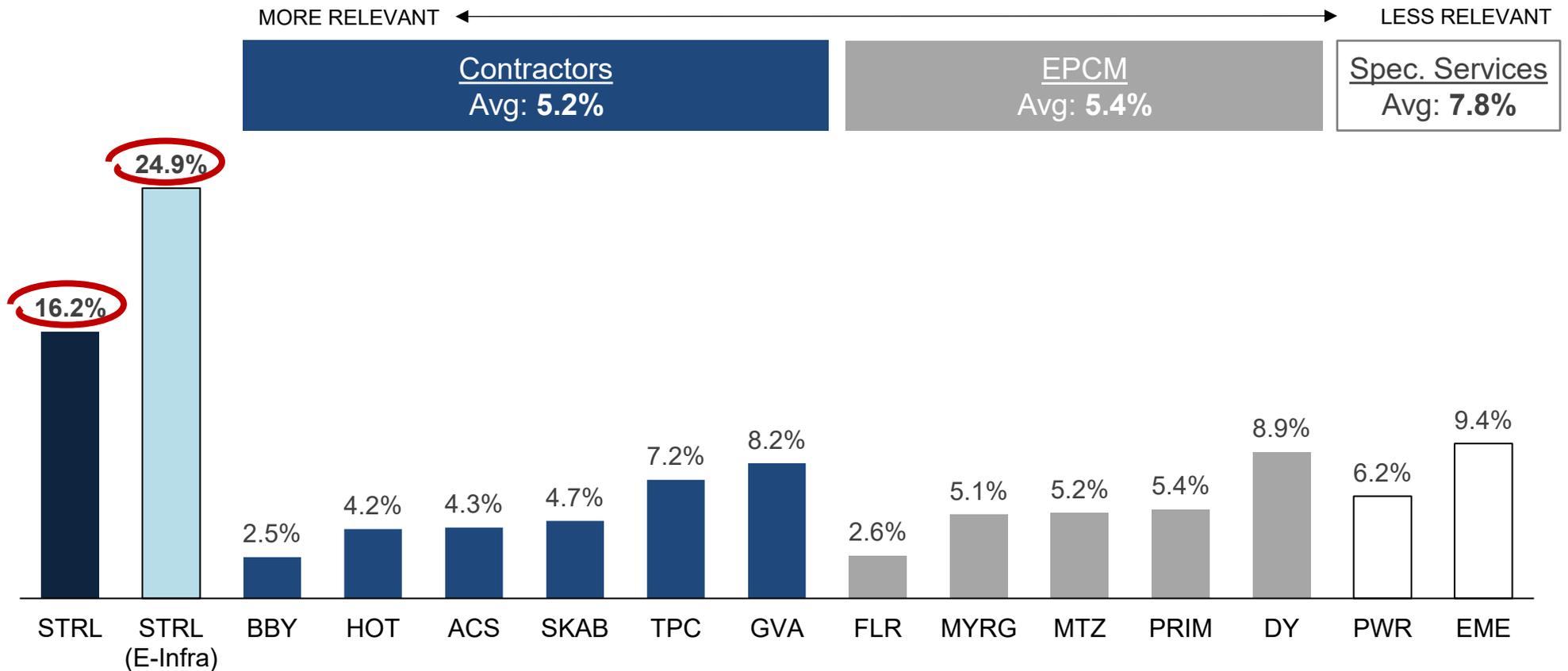
Source: Company filings, ENR. New contract wins are combined Petillo and Plateau as reported by ENR.  
Note: does not include data for RLW (~10% of revenues for Sterling's E-infrastructure segment)

### **3. Abnormal Margins, Aggressive Accounting**

# Sterling's reported margins appear abnormally high versus all industry peers

- For LTM Sep-25, Sterling reported a consolidated operating margin of 16.2%, nearly 3x higher than the typical margins achieved by other listed contractors.
- Sterling's abnormal margins are driven by its E-Infrastructure segment that reported a margin of 24.9%. Even specialist service providers are only expected to achieve operating margins of ~10%.

## EBIT Margin (NTM) – Sterling vs Peers



Sources: NTM Consensus numbers as per Koyfin as of 12/02/2026. \$STRL E-Infra margin LTM reported.

# By our estimation, Sterling’s results imply it is earning **45%+ gross margins from its data center projects**

- If we assume that Sterling is earning gross margins of 15% on its non-data center projects within its E-Infrastructure division, Sterling’s results imply it achieved almost 50% gross margin on its data center projects.

## Sterling Implied Data Center Gross Margins – Snowcap Calc.

\$ Millions	FY24
E-Infra Revenue	923.7
(x) Non-DC Proportion of E-Infra Revenues	60.0%
Non-DC E-Infra Revenue	554.2
(x) Gross Margin on Non-DC Projects	15.0%
<b>Estimated Non-DC Gross Profit</b>	<b>83.1</b>
E-Infra Gross Profit	254.8
(-) Estimated Non-DC Gross Profit	(83.1)
<b>Estimated Data Center Gross Profit</b>	<b>171.6</b>
(/) Data Center Revenue	369.5
<b>Implied Data Center Gross Margin</b>	<b>46.5%</b>

“take a little bit of step back on the **Amazon type warehouse** and that's just a normal developer. You're probably back into the **10 to 15% [gross] margin** on those type of things.”

*Sterling Competitor*

## Multiple competitors say - even in the current environment - **20-30% margins are more typical for data centers, and cast doubt over the sustainability of Sterling's margins**

“As for why their margins are going up, my gut would be that **at 27% it's probably not sustainable**” ~ *Expert 1*

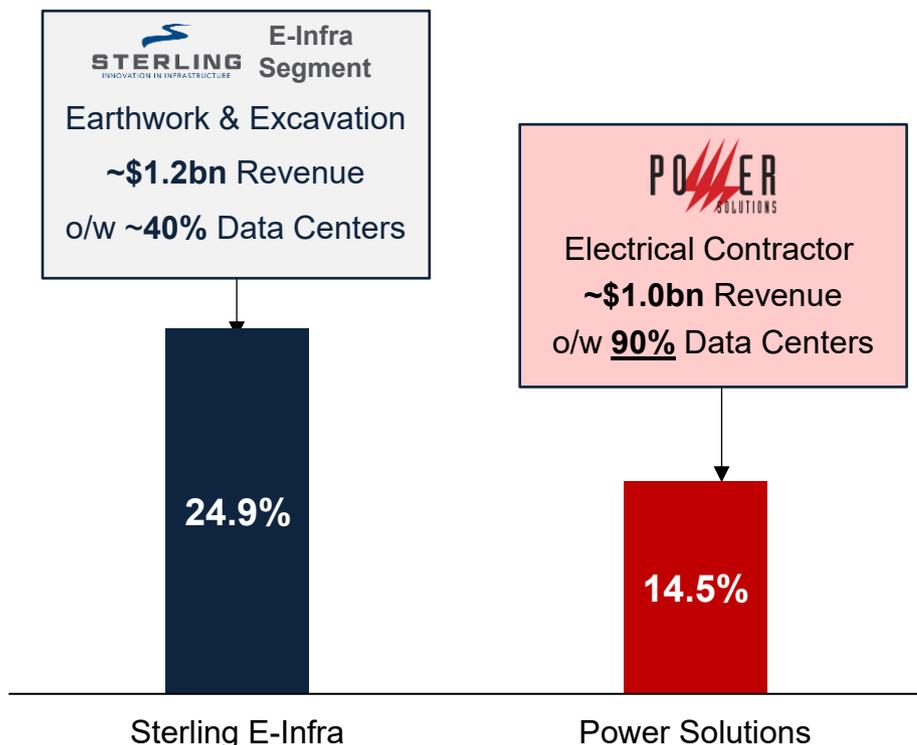
“I think if I talk about general markup across the heavy civil construction industry as a whole, 10%, 12% markup [9-11% gross margin]. **When you get into the data center world, there's such a shortage right now of contractors that you're probably going to be in the [29% gross margin] range**” ~ *Expert 2*

“My guess is they [Sterling] probably have had some jobs with some fat margins and they had some really good production. **But 27% [operating margin], to do that day in, day out, that's really good if they can maintain that.** Our margins this year are a little bit inflated, but that inflation is really because we had projects that were, call it, in the middle of the project last year. This year, they're coming in through. Basically, the production's been there. We've been able to see that production drop to the bottom line. Additional gross margin was created because of that.” ~ *Expert 1*

# For context, highly specialized data-center contractors report only mid-teen operating margins

- In November 2025, Dycom (NYSE:DY) announced it was acquiring Power Solutions - a US electrical contractor with 90% of its existing revenues relating to data center projects. Dycom reported that Power Solutions achieves “mid-to-high teens” EBITDA margins.
- Given Power Solution’s (i) comparable size, (ii) considerably larger exposure to data centers, and (iii) more specialist capability, we struggle to understand how Sterling’s E-Infrastructure segment could achieve margins ~1,000 basis points higher.

## EBIT Margin (%) – Sterling’s E-Infra Segment vs Dycom’s Power Solutions



### \$DY M&A Presentation

Power Solutions has consistently delivered **Adjusted EBITDA margins in the mid-to-high teens**; this level of profitability is expected to be sustained in CY2026

### \$DY Earnings Call

“**over 90% of their revenue year after year comes from data centers** with repeat customers and end users. They differentiate in their ability to scale and deliver the highest level of service in a highly complex technical space”

# Sterling's reported revenue hinges on management estimates of future project costs

- Sterling uses the cost-to-cost method for recognizing revenue, where revenue is reported based on the proportion of costs incurred to date compared to total estimated project costs.
- Because this method relies on management's estimates of total project costs and progress, it involves significant judgement – allowing Sterling to increase reported margins early if they optimistically revise future cost or efficiency assumptions.

## Critical audit matter

### *Revenue recognition over time*

As described further in Note 2 to the consolidated financial statements, revenues derived from certain contracts in the Transportation Solutions, E-infrastructure Solutions, and Building Solutions segments are recognized as the performance obligations are satisfied over time. The Company uses a ratio of project costs incurred to estimated total costs for each contract to recognize revenue. Under the cost-to-cost measure, the determination of progress towards completion requires management to prepare estimates of the costs to complete. We identified revenue recognized over time to be a critical audit matter.

The principal consideration for our determination that revenue recognized over time is a critical audit matter is that auditing management's estimate of the progress toward completion of its projects was complex and subjective. Considerable auditor judgment was required to evaluate management's determination of the forecasted costs to complete its contracts as future results may vary significantly from past estimates due to changes in facts and circumstances.

Our audit procedures related to revenue recognized over time included the following, among others.

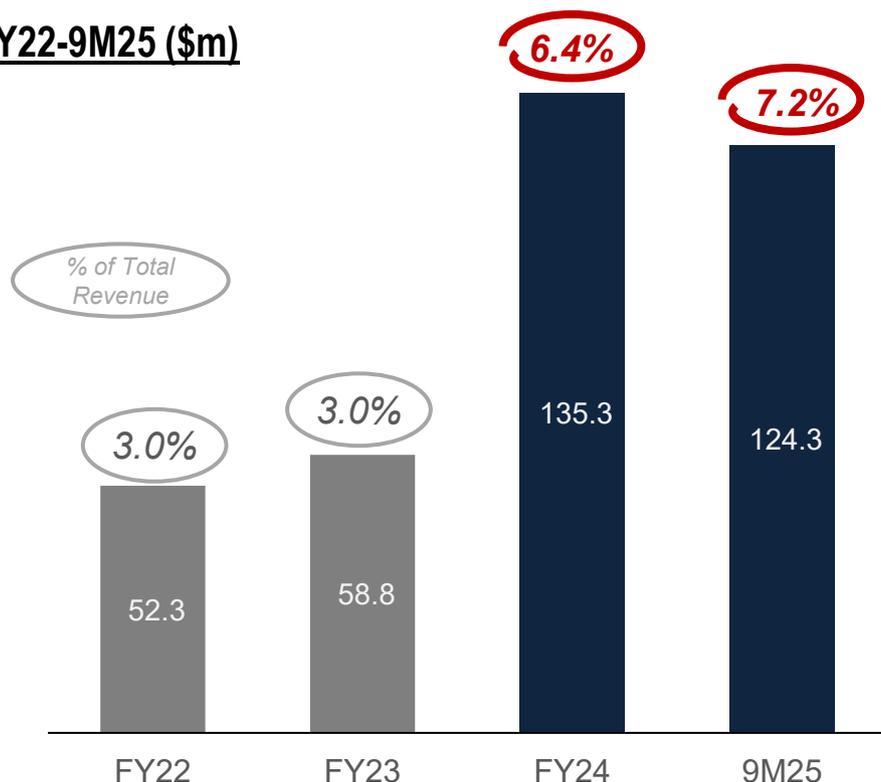
- We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's internal controls related to the initial and ongoing monitoring of changes in the contract cost-to-cost estimates.
- For a selection of contracts, we tested the Company's cost-to-cost estimates by evaluating the appropriate application of the cost-to-cost method, testing the significant assumptions used to develop the estimated cost to complete and testing the completeness and accuracy of the underlying data.

# 7% of Sterling's recent revenue has come from changes to contract profitability estimates

- Sterling recognizes revenue using estimates of total project costs and margins. When these estimates change, Sterling's accounting allows it to immediately adjust current-period revenue to reflect the updated expected profit. As these rely on management judgment, Sterling could theoretically inflate revenue by making overly optimistic assumptions about future costs or productivity.
- **Since 2023, Sterling has booked ~\$260m of revenue (7% of total) from such contract estimate revisions.**

## Sterling Adjusted Operating Margin – Snowcap Calc.

FY22-9M25 (\$m)



Q3'25 10Q

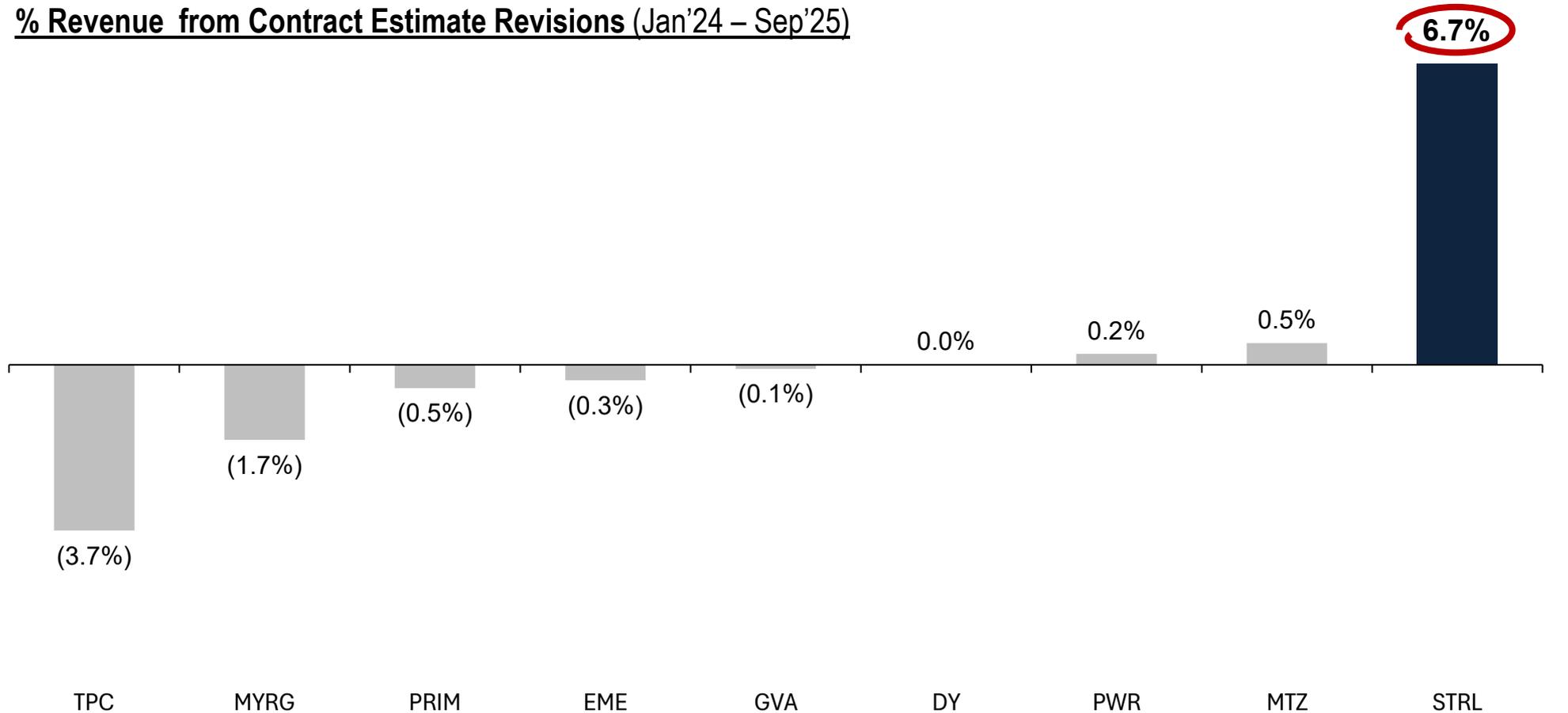
### Contract Estimates

Accounting for long-term contracts and programs involves the use of various techniques to estimate total contract revenue and costs. For long-term contracts, the Company estimates the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognizes such profit over the life of the contract. Contract estimates are based on various assumptions to project the outcome of future events that often span several years. These assumptions include labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials and the performance of subcontractors. Changes in job performance, job conditions and estimated profitability, including those changes arising from contract penalty provisions and final contract settlements, may result in changes in revenue and are recognized in the period in which the changes are determined. Changes in contract estimates on performance obligations satisfied or partially satisfied in previous periods resulted in net revenue increases of \$51,851 and \$124,333 for the three and nine months ended September 30, 2025, respectively, and net revenue increases of \$46,890 and \$99,241 for the three and nine months ended September 30, 2024, respectively.

# Sterling's contract estimate revisions far exceed those booked by peers

## Peer comparison of contract estimate revision accounting

% Revenue from Contract Estimate Revisions (Jan'24 – Sep'25)



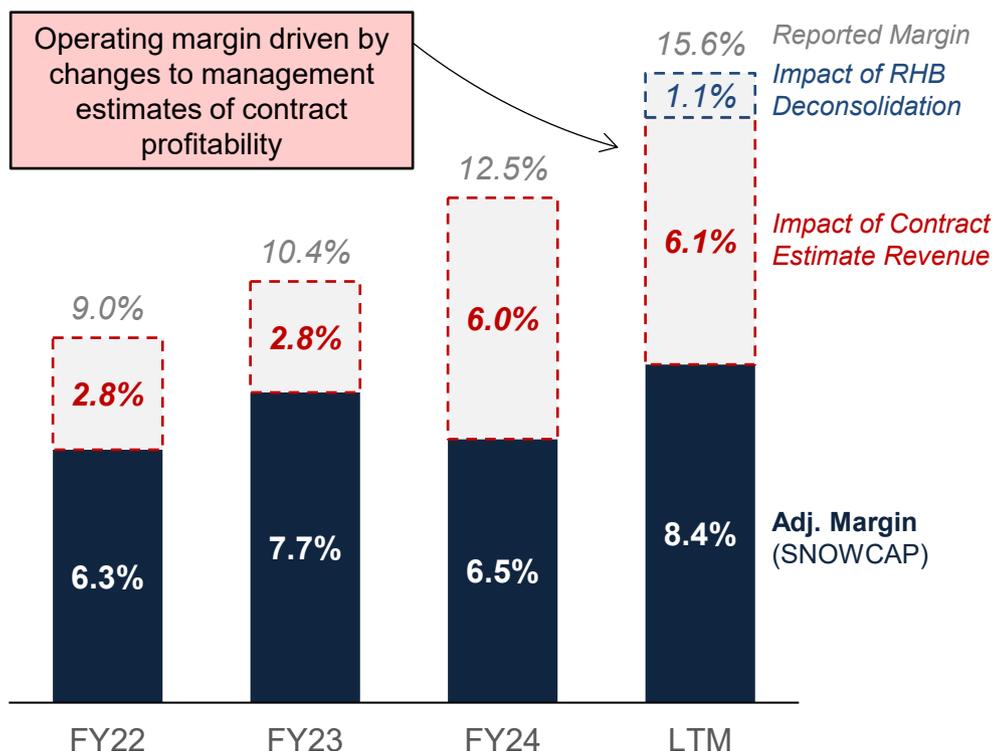
Note: Fluor & European Peers excluded due to different revenue recognition methods  
 Source: Company Filings

# These contract revisions have made up 40-50% of Sterling's operating profits in recent periods

- As revenue from contract estimate revisions has no associated costs, it flows directly to operating profit.
- Without the benefit of management's substantial contract estimate revisions, Sterling's reported margin would have been **40-50% lower across the last 24 months**. Furthermore, underlying margins actually **deteriorated** during FY24 vs FY23, contradicting management's narrative.

## Sterling Adjusted Operating Margin – Snowcap Calc.

### FY22-LTM (%)



\$ Millions	FY22	FY23	FY24	LTM
Revenue (Reported)	1,769	1,972	2,116	2,233
Adj. for RHB Consolidation	-	-	-	168.3
Adj. for Contract Estimate Revenue	(52.3)	(58.8)	(135.3)	(160.4)
<b>Adjusted Revenue (Snowcap)</b>	<b>1,717</b>	<b>1,913</b>	<b>1,980</b>	<b>2,241</b>
Operating Profit (Reported)	159.9	205.8	264.6	348.2
Adj. for RHB Consolidation	-	-	-	-
Adj. for Contract Estimate Revenue	(52.3)	(58.8)	(135.3)	(160.4)
<b>Adjusted Operating Profit (Snowcap)</b>	<b>107.6</b>	<b>147.0</b>	<b>129.3</b>	<b>187.8</b>
Margin (Reported)	9.0%	10.4%	12.5%	15.6%
Adj. for RHB Consolidation	-	-	-	-1.1%
Adj. for Contract Estimate Revenue	-2.8%	-2.8%	-6.0%	-6.1%
<b>Adjusted Margin (Snowcap)</b>	<b>6.3%</b>	<b>7.7%</b>	<b>6.5%</b>	<b>8.4%</b>

Source: Snowcap analysis using Company Filings.

LTM numbers exclude Other Operating Income of \$11.1m

# Revolving door: 3 CFOs in 2 years

- In February 2024, Sterling announced the planned retirement of its CFO Ronald Ballsmeide, who had served as the Company's Chief Financial Officer and Chief Accounting Officer since 2015. 3 months later, Sterling announced that Ballschmeide would be replaced by Sharon Villaverde, who joined following a 6-year stint as Chief Accounting Officer at Dycom Industries.
- Just 11 months later in March 2025, Sterling announced that Villaverde was leaving her role to pursue other opportunities. Sterling's prior CFO Ballschmeide stepped back in as Interim CFO. Villaverde's own LinkedIn seemingly contradicts the Company narrative that she left to pursue other opportunities.

## Sterling's CFO Turnover Timeline

**May 2024**

Sterling Announces Planned 2024 Executive Transitions – Sharon Villaverde Appointed Chief Financial Officer and Chief Accounting Officer

**March 2025**

**Sterling Infrastructure Launches Search for CFO as Villaverde Departs**

WSJ · Mar 14 21:01

## Former CFO's LinkedIn



**Vice President, Chief Accounting Officer**

United States Steel Corporation

Sep 2025 - Present · 3 mos

Pittsburgh, Pennsylvania, United States · On-site



**Finance and Accounting Consultant**

Self-employed · Self-employed

Jun 2025 - Sep 2025 · 4 mos

Greater Houston

effective March 14th. Mr. Ballschmiede assumes this position following the departure of Sharon Villaverde to pursue other opportunities. Mr. Ballschmiede served as



**Sterling Infrastructure, Inc.**

Full-time · 1 yr 1 mo

On-site



**Vice President and Chief Financial Officer**

May 2024 - Mar 2025 · 11 mos

Greater Houston

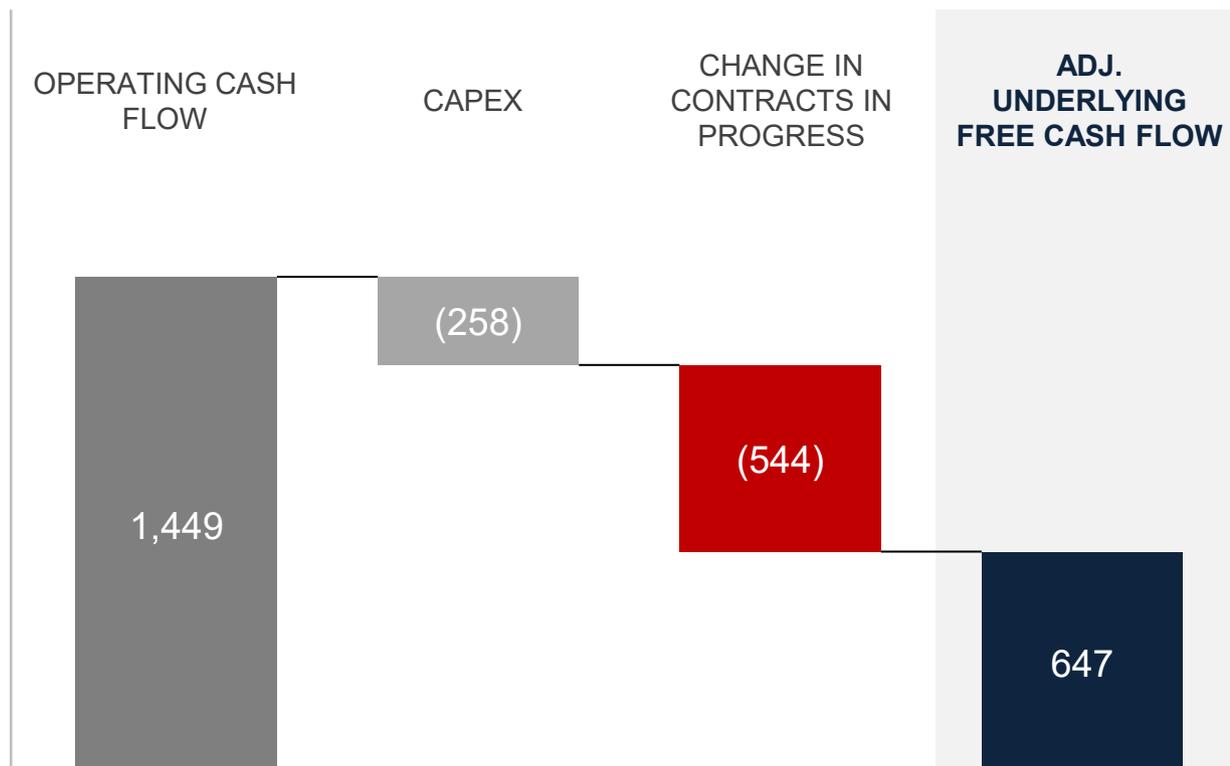
## 4. Illusory Cash Flow

# Since 2022, Sterling's cash flow has been propped up by ~\$550m of advance payments

- Since FY22, Sterling's operating cash flow has been propped up by ~\$550m of advance customer payments, as reflected by the Company's ballooning contract liabilities balance.

## Sterling's Adjusted Underlying Cash Flow (Snowcap Calc.)

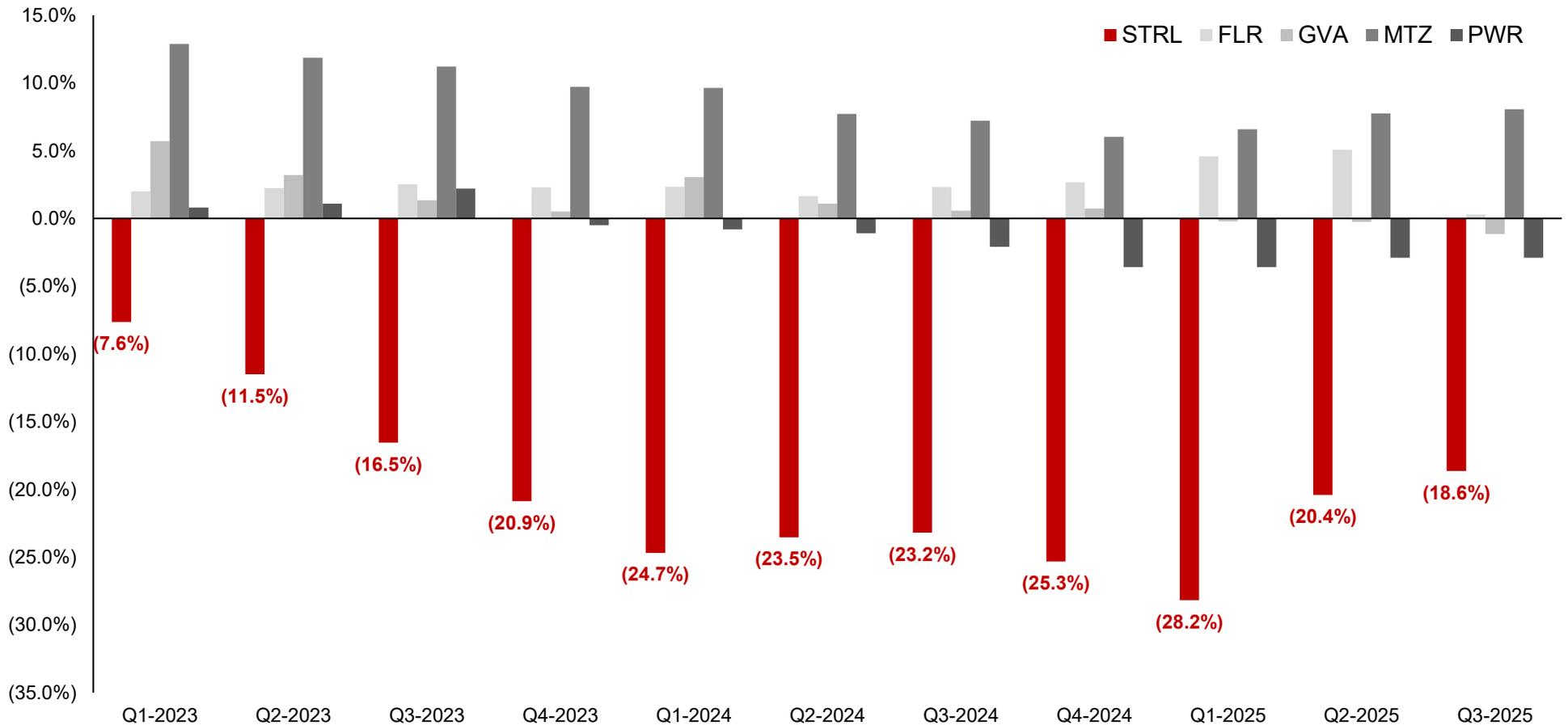
### FY22-9M25 Cumulative (\$m)



\$ millions	FY22-9M25 Cumulative
Adj. Underlying Free Cash Flow	647
(/) Revenue	7,592
<b>Cash Margins (%)</b>	<b>8.5%</b>

# These advance payments appear abnormally high, and may indicate aggressive billing

**Net Contract Liability / LQA Revenue – STRL vs Peers**

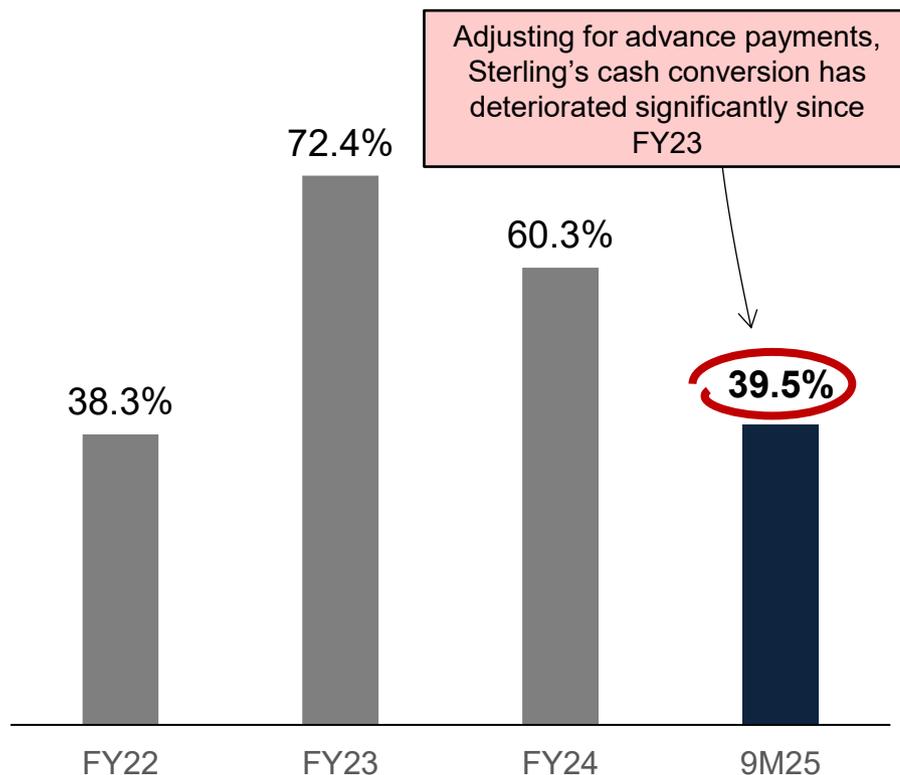


Source: Company Filings

# Stripping out the cash windfall from these advanced payments, **Sterling's underlying cash conversion looks weak, and deteriorating**

- After adjusting for advance payments, we estimate that Sterling's underlying cash margins have been just 10-12% since FY23, and most alarmingly appear to be falling.

## Adjusted Free Cash Flow Conversion (Snowcap)



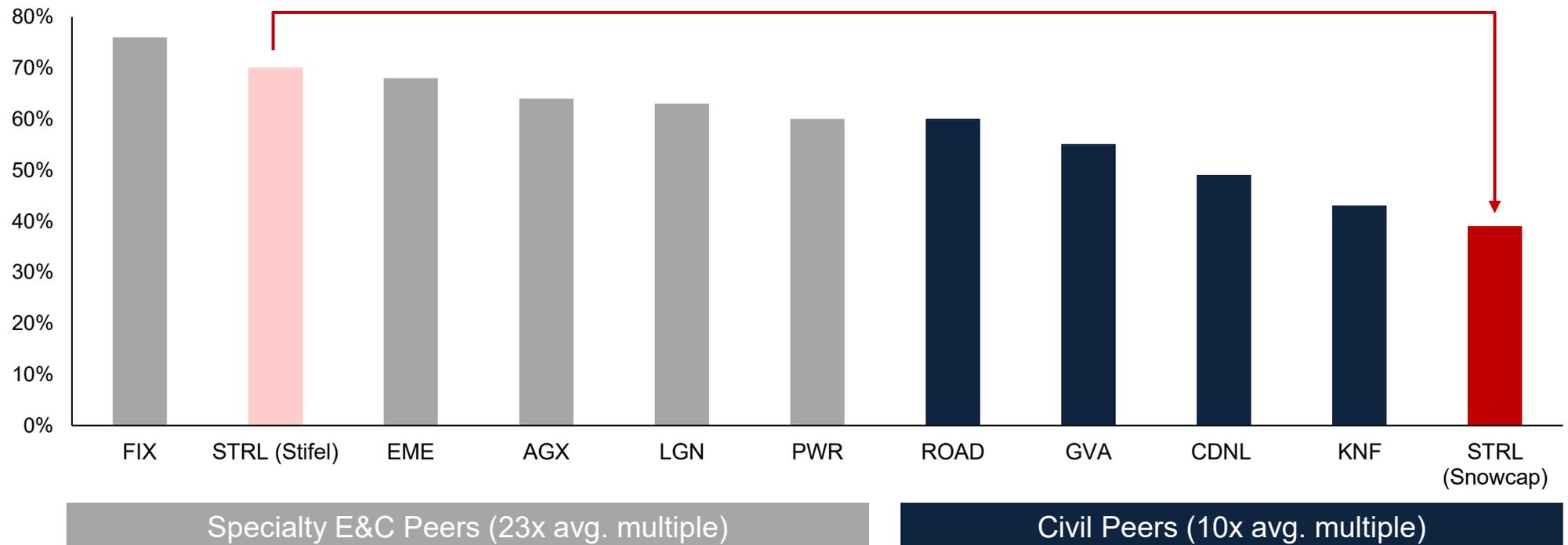
<i>\$millions</i>	FY22	FY23	FY24	9M25
CFO	219.1	478.6	497.1	253.9
(-) Capex	(60.9)	(65.0)	(81.0)	(50.9)
<b>Free Cash Flow</b>	<b>158.2</b>	<b>413.6</b>	<b>416.2</b>	<b>203.0</b>
Deduct: Δ in Contracts in Progress	(77.7)	(226.1)	(194.3)	(46.4)
(-) Receivable from Affiliate	-	-	25.8	(25.8)
<b>Underlying Cash Flow (Snowcap)</b>	<b>80.5</b>	<b>187.6</b>	<b>247.6</b>	<b>130.9</b>
<b>% Margin</b>	<b>4.6%</b>	<b>9.5%</b>	<b>11.7%</b>	<b>7.5%</b>
<b>EBITDA Conversion</b>	<b>38.3%</b>	<b>72.4%</b>	<b>60.3%</b>	<b>39.5%</b>

# This is critical, because **sell-side analysts use Sterling's higher cash conversion as justification for valuing it in line with specialty peers**

"STRL's FCF conversion as a percentage of EBITDA is forecasted to be in the mid-60% range. While the type of work STRL conducts is similar to other civil peers, the FCF conversion profile is more similar to specialty E&C peers"

## FCF Conversion % EBITDA

STIFEL



## 5. Eye-Watering Valuation

# Sterling's valuation multiple has aggressively re-rated in the past 12 months

- In June 2022, Sterling changed its name from Sterling Construction to Sterling Infrastructure to supposedly “better reflect the company’s position as an industry leader specializing in E-Infrastructure”.
- Since then, the market has re-rated Sterling’s EV/EBITDA multiple, from being valued in line with contractor peers to now being valued as a specialty services provider.

## EV / NTM EBITDA – STRL vs GVA vs PWR

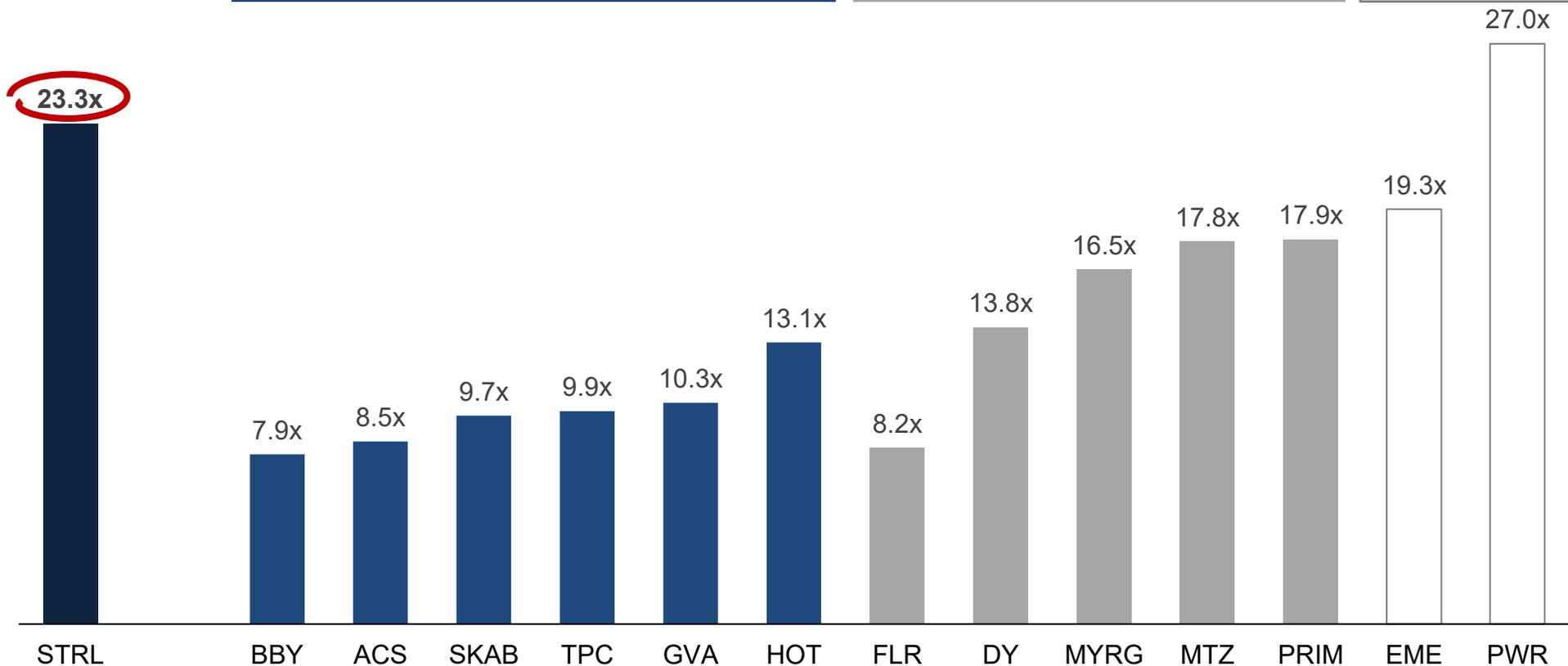
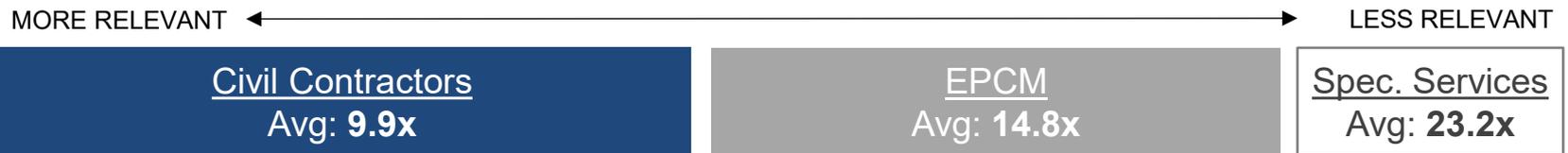


Source: Market data as of 18/02/26 from Koyfin

<https://www.strlco.com/news/sterling-aligns-company-name-to-reflect-leadership-in-infrastructure-solutions/>

# Today, the market values Sterling in line with specialty services providers like Quanta

## EV / NTM EBITDA – Sterling vs Peers



Source: Market data as of 18/02/26 from Koyfin.

# But unlike Quanta, Sterling lacks specialty engineering or value-add capabilities

- Sterling fundamentally lacks the engineering, technical or service capabilities of more specialized peers.
- We believe the market’s fundamental mischaracterisation of Sterling’s business has been perpetuated by a lack of sell side coverage – covered by just 3 sell-side analysts prior to the start of 2026.

	CIVIL CONTRACTORS							EPCM					SPEC. SERVICES	
	STRL	BBY	ACS	SKAB	TPC	GVA	HOT	FLR	DY	MYRG	MTZ	PRIM	EME	PWR
Site Prep. / Excavation	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✗	✗
Concrete / Slabs	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✗	✗
Road / Heavy Civil	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✓	✗	✗
Water / Wastewater	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✓	✓	✓
Transport / Infra	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✓	✗	✓	✗
T&D	✗	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓
Utilities / Pipelines	✗	✓	✗	✗	✗	✗	✗	✓	✓	✓	✓	✗	✓	✓
MEP / Industrial	✓	✓	✗	✗	✗	✗	✓	✓	✗	✗	✗	✓	✓	✗
Renewables	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓
Power Gen.	✗	✗	✗	✗	✗	✗	✗	✓	✗	✗	✓	✓	✓	✓

LESS SPECIALIZED

↑

↓

MORE SPECIALIZED

# To the contrary, competitors describe Sterling's jobs as about “about the simplest work you can have”

“If you can get on the job, **these are not technically challenging jobs.** We're usually building large building pads. **It's about the simplest earthwork that you can have.**”

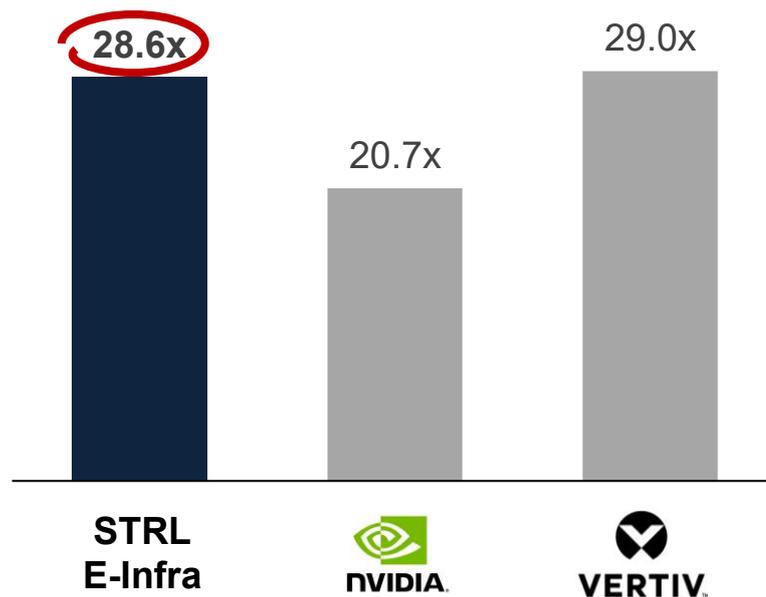
“a **data center project is probably one of the least technically complex works that we do.** When you compare it to widening a freeway or building some other type of manufacturing facility, there's usually nothing else out there. You have, for the most part, free rein of the site early on when you're doing all the earthworks. **They're not extremely challenging jobs**”

“every other contractor out there in the US wants to have a bigger piece of this as well. We've had some success with growing that part of the business [data centers]. I don't want to negate that, but **almost everybody that I talk to, including entities that you wouldn't even necessarily think of as contractors, we're talking fiber optic companies, suppliers, vendors, everybody wants a piece of this,** and they want as big a piece as they can get.”

# Sterling's E-Infra segment is more expensive than AI darlings Nvidia and Vertiv. Both have much higher data center exposure and revenue growth

## Sterling Valuation vs Marquee AI Beneficiaries

### EV / NTM EBITDA



% Revenue from Data Centers

50%

88%

75%

3Yr Revenue CAGR

6%

69%

17%

## Implied Valuation: Sterling's E-Infra Segment

### Implied Valuation - Sterling E-Infrastructure Segment

	\$m
NTM EBITDA (Consensus)	558.9
(-) Non E-Infra EBITDA (Snowcap Estimate)	(158.0)
<b>NTM E-Infra EBITDA</b>	<b>400.8</b>

\$STRL Enterprise Value 13,030.0

(-) Non E-Infra EV @ 10x EBITDA (1,580.2)

**Implied EV of E-Infra Segment 11,449.8**

(/) NTM E-Infra EBITDA 400.8

**Implied EV/EBITDA Multiple of E-Infra Segment 28.6x**

# Even taking Sterling's margins at face value, a re-rating in line with contractor peers implies 60% downside

- We see further downside if margins normalize in line with peers.

Valuation	Base	Downside
<i>\$m unless otherwise stated</i>	<i>Consensus Margins</i>	<i>Normalized Margins</i>
Revenue (NTM Consensus)	2,760	2,760
(x) EBITDA Margin	20.2%	12.0%
EBITDA	559	331
(x) Multiple (Contractor peers avg.)	9.9x	9.9x
TEV	5,533	3,279
(-) Net Debt	(52.8)	(52.8)
(-) Net Contract Liabilities adj.		(513.5)
<b>Market Cap</b>	<b>5,480</b>	<b>2,713</b>
(/) S/O	30.7	30.7
<b>Share price</b>	<b>\$178.4</b>	<b>\$88.3</b>
Current Price	421.2	421.2
<b>Downside</b>	<b>-58%</b>	<b>-79%</b>

# Appendix

# Contract Estimate Accounting Explained (1/2)

## Illustrative Example - \$100m Fixed Price Contract @ 20% Gross Margin

Fixed Price 2-Year Contract		Year 1	Year 2	Total
A \$100m Contract Value		Estimate	Estimate	Estimate
<u>Cost Forecast</u>				
<b>Cost Schedule</b>		<b>\$40m</b>	<b>\$40m</b>	<b>\$80m</b>
B	% Completion (Costs ÷ Total Estimated Costs)	50%	50%	100%
<u>Income Statement</u>				
A x B	Revenue Recognised (Contract Value x % Completion)	\$50m	\$50m	\$100m
	Costs	(\$40m)	(\$40m)	(\$80m)
	<b>Gross Profit</b>	<b>\$10m</b>	<b>\$10m</b>	<b>\$20m</b>
	<b>Margin</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>

1 At the start of any project, management make cost forecasts that determine how much revenue and profit is booked as the project progresses

# Contract Estimate Accounting Explained (2/2)

## Illustrative Example - \$100m Fixed Price Contract @ 20% Gross Margin

Fixed Price 2-Year Contract	Year 1	Year 2	Total	
A \$100m Contract Value	Actual	Estimate	Estimate	
<b>Cost Forecast</b>				
<i>Cost Schedule</i>	\$40m	<b>Revised Cost Estimate</b> \$30m	\$70m	2 At the end of year 1, management make a downwards revision to their <u>estimate</u> of remaining project costs.
B % Completion (Costs ÷ Total Estimated Costs)	57%	43%	100%	3 This impacts the cost-to-cost method for recognising revenue, because now a larger proportion of total <u>forecast</u> costs has been incurred.
<b>Income Statement</b>				
A x B Revenue Recognised (Contract Value x % Completion)	\$57m	\$43m	\$100m	4 \$7m of additional revenue is booked in the period from contract estimate revisions.
Costs	(\$40m)	(\$30m)	(\$70m)	
<b>Gross Profit</b>	\$17m	\$13m	\$30m	5 Reported gross profit increases by \$7m (+70%)
<b>Margin</b>	30%	30%	30%	

# Sterling subsidiary was sued on flagship Meta data center project

- In 2022, Sterling subsidiary Plateau was sued for allegedly disposing of dirt from excavation without the required permits on Meta's flagship Huntsville data center project. Plateau had been subcontracted by lead contractor Holder to perform grading and site preparation activities on the project.
- Plateau reached a settlement with the plaintiff in 2024.

## BACKGROUND

Plaintiffs filed this action on July 7, 2022, seeking damages and injunctive relief for alleged violations of the Clean Water Act ("CWA") and Georgia law against Meta Platforms, Inc. ("Meta"), Holder Construction Company, Plateau Excavation, Inc., the Alif Defendants, and Bruce.<sup>4</sup> Plaintiffs' claims arise out of an agreement between the Alif Defendants and Bruce to transport excavated red clay from the Meta project site in Newton County, Georgia to Bruce's Property in Morgan County, Georgia.<sup>5</sup> Plaintiffs allege the dumping occurred without the legally required permits or adequate erosion and sedimentation controls, which ultimately resulted in "red clay-impacted discharge of storm water" into Rawlings Branch, the Gunn's pond, and the Jenkins' pond.<sup>6</sup>



Plaintiffs contend the "primary purpose of Plateau and Alif

was to dispose of the red clay waste from the Facebook project on the Bruce property as

cheaply as possible,"<sup>51</sup> and the red clay "had minimal or no bona-fide agricultural value

# Cost Estimate Assumptions for Data Center Projects

<b>EARTH MOVING</b>	<b>Source</b>	<b>Low Cost Estimate (per CY moved)</b>	<b>High Cost Estimate (per CY moved)</b>	<b>Average</b>
	<a href="#">TestFit</a>	\$6.0	\$15.0	\$10.5
	<a href="#">Kitching&amp;Co</a>	\$7.0	\$12.5	\$9.75
	<a href="#">SitePrep</a>	\$2.5	\$15.0	\$8.75
	<a href="#">BuckTown</a>	\$2.5	\$15.0	\$8.75
	<b>Snowcap Assumption</b>			<b>\$20.0</b>
<b>BLASTING</b>	<b>Source</b>	<b>Low Cost Estimate (per CY blasted)</b>	<b>High Cost Estimate (per CY blasted)</b>	<b>Average</b>
	<a href="#">BuzzRock</a>	\$15.0	\$40.0	\$27.5
	<b>Snowcap Assumption</b>			<b>\$40.0</b>

# New contract growth calculation

	FY22	FY23	FY24	FY22-'24
<b>New Contracts</b>				
Plateau	542.2	854.4	742.6	2,139.2
Petillo	239.7	139.0	154.6	533.3
<b>Total</b>	<b>781.9</b>	<b>993.4</b>	<b>897.2</b>	<b>2,672.5</b>
<b>Revenue</b>				
Plateau	551.3	576.2	602.1	1,729.6
Petillo	288.8	265.8	228.9	783.5
<b>Total</b>	<b>840.1</b>	<b>842.0</b>	<b>831.0</b>	<b>2,513.1</b>
<b>Δ New Contracts (-) Revenue</b>	<b>(58.2)</b>	<b>151.4</b>	<b>66.2</b>	<b>159.4</b>

# Reported margins are further boosted by deconsolidation of transportation subsidiary

- RHB's was deconsolidated on a technicality allowing Sterling to now report their 50% stake as a one-line item in "other operating income" instead. Deconsolidation removes the associated revenue and costs from RHB and consequently, operating income flows directly to operating profit.
- This inflates operating margin as operating income increases yet revenue and costs remain the same.
- Without the benefit of deconsolidation, Sterling's operating margins would have been *lower* despite operating income remaining the same.

## Operating Margin (9M'25)

Snowcap Analysis using Company Filings

	Nine Months	
(\$ in millions, except per share data)	2025	
Revenues <sup>(1)</sup>	\$1,734.4	\$168.3m of RHB revenue no longer consolidated within revenue
Gross Profit	408.2	
G&A Expense	(106.2)	
Intangible Amortization	(15.1)	
Acquisition Related Costs	(8.0)	
Earn-out expense	(4.0)	
Other Operating Income (Expense), Net	11.1	<b>BUT</b> \$11.1m of RHB margin income still included within operating income
Operating Income	285.9	

# Data center projects by cubic yards moved

Sterling Data Center Projects	Client	State	Start Date	CY Moved	CY Blasted	Reported Cost (\$m)
<u>Meta Data Center, Social Circle</u>	Meta	GA	<u>2018 (Phase I) 2021 (Phase II)</u>	4,400,000	330,000	
<u>QTS Data Center, Atlanta</u>	QTS	GA	<u>2019</u>	300,000	-	
<u>Meta Data Center, Gallatin</u>	Meta	TN	<u>2020</u>	3,000,000	2,000,000	135 <sup>1</sup>
<u>Meta Data Center, Huntsville</u>	Meta	AL	<u>2022 (Phase II)</u>	3,750,000	1,700,000	
<u>Amazon Data Center, Aldie</u>	Amazon	VA	<u>2022</u>	240,000	120,000	
<u>Meta Data Centre, Kuna</u>	Meta	ID	<u>2022</u>	2,300,000	1,300,000	
<u>Edged Data Center, Atlanta</u>	Edged Energy	GA	<u>2023</u>	250,175	21,000	
<u>QTS Data Center Fayetteville</u>	QTS	GA	<u>2023</u>	785,791	-	
<u>QTS Data Center, Aurora</u>	QTS	CO	<u>2023</u>	-	-	
<u>Meta Data Center, Montgomery</u>	Meta	AL	<u>2024</u>	895,000	-	
<u>Switch Data Center, Cartersville</u>	SWITCH	GA	<u>2024</u>	1,174,070	35,200	
<u>Amazon Data Center I, Lithia Springs</u>	Amazon	GA	<u>2024</u>	365,820	40,200	
<u>Amazon Data Center II, Lithia Springs</u>	Amazon	GA	<u>2024</u>	983,765	126,995	
<u>Meta Data Center, Cheyenne</u>	Meta	WY	<u>2024</u>	1,600,000 <sup>2</sup>	1,066,667 <sup>2</sup>	
<u>STACK Data Center, Stafford</u>	STACK	VA	<u>2025</u>	4,112,559	-	
<u>Data Center, Hampton</u>	Southeast Property	GA	<u>2025</u>	285,920	31,500	
<u>Data Center, Covington</u>	Universal Planning LLC	GA	<u>2025</u>	650,480	72,300	
<u>Data Center, Maryland</u>	Quantum	MD	<u>2025</u>	623,557	-	
				<b>25,717,137</b>	<b>6,843,862</b>	

Sources: Plateau Excavation, RLW, Petillo Data Center Dynamics

Note: (1) Meta Gallatin \$135m cost as reported by Plateau Excavation. (2) Meta Cheyenne CY moved/blasted numbers are not disclosed. We made a rough estimate by applying \$ cost per CY for Meta Gallatin to Meta Cheyenne's disclosed project value. All other CY numbers as reported by Plateau. Estimated Value Assumptions: CY Moved = \$20 per cubic yard, CY Blasted = \$40 per cubic yard