

Everus Construction Group: The Final Approval Gate

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Topic: Corporate Strategy, Capital Allocation, Risk Management

Industry: Construction & Engineering

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Audience: MBA students and working professionals

Decision owner: MDU Resources Group, Inc. board of directors

Decision date / information cutoff: 12 September 2024, inclusive

Decision scope: Whether to give final approval to the proposed distribution of Everus, defer or modify it, or terminate the separation process

Case version: Draft v1, 3 October 2026

This is an author-created classroom decision exercise using public disclosures. It does not claim that MDU's board had an open private debate on 12 September or that the board met that day. Use only information available by the stated cutoff.

A decision still required

On 12 September 2024, Everus Construction Group, Inc. filed a registration statement with the Securities and Exchange Commission. Its attached information statement was labeled preliminary and subject to completion. Everus was still a wholly owned subsidiary of MDU Resources Group. The filing set out a proposed separation intended to qualify as generally tax-free, subject to stated conditions; it did not establish that the transaction was complete or that its terms were final. [P1]; [P2], cover and printed pp. 1-5, 4-5.

The plan called for MDU to distribute all outstanding Everus shares pro rata: one Everus share for every four MDU shares. The draft did not yet state the record date or distribution date. Distribution required final MDU board approval as well as satisfaction or waiver of listed conditions. Until completion, MDU retained discretion to change the terms or stop the transaction. MDU stockholders would not vote; eligible holders would receive shares automatically if the distribution went forward. [P2], printed pp. 1-5, 15-16 and 33; SEC lines 64-79, 170-175, 188-225, 894-896.

But the board had already told investors where it stood. In the preliminary statement, MDU said its board had concluded that separation's potential benefits outweighed its disadvantages. The board reported considering a sale and judged it less favorable, citing the potential after-tax benefit of a sale compared with possible appreciation in MDU stock after separation. No bid, sale valuation, tax comparison or internal dissent was disclosed. [P2], printed pp. 44-45; lines 1194-1198.

Decision question: At this hypothetical final-approval gate, should MDU's board proceed with the proposed distribution subject to its conditions, defer or modify the separation, or terminate it?

Assignment: Prepare a two-page memo to the MDU board. Choose a path, address the strongest case against it, and identify what evidence or conditions would change your view. If

you recommend a delay, specify a review horizon as a classroom assumption. Do not assume an undisclosed sale offer, internal debate, or project valuation. No NPV calculation is supported by the public information in this case.

Two businesses under one parent

Before the proposed separation, Everus Construction was MDU's construction services business. MDU's remaining portfolio included regulated utilities and pipeline operations. MDU announced the separation as a way to create a "pure-play" regulated energy delivery company alongside Everus. These are the company's descriptions and rationale, not proven outcomes. [P3], Item 1, "Construction Services," printed p. 19; [P2], cover, lines 9-11; [P5], lines 11-12.

Everus provided specialty contracting services across most of the United States through two operating segments. Electrical & Mechanical (E&M) built and maintained electrical and communication wiring, fire suppression, and mechanical piping and services. Transmission & Distribution (T&D) worked on overhead and underground electric, gas and communication infrastructure and transportation lighting, and supplied transmission-line construction tools. The business served commercial, industrial, institutional, service, renewables, utility and transportation markets. [P2], printed pp. 65-76; SEC lines 1685-1708.

MDU's stated reasons for separation included greater focus, more tailored capital allocation and capital structures, clearer performance incentives and distinct investment choices for shareholders. The statement also identified counterweights: a loss of portfolio diversification and purchasing scale, additional standalone functions and costs, management distraction and uncertainty about the combined value of MDU and Everus shares. These are the company's stated hypotheses and risks, not proven results. [P2], printed pp. 20-23 and 44-45; lines 900-915, 1171-1190.

The businesses' operating results offered mixed context. In FY2023, construction revenue was \$2.854 billion, net income was \$137.2 million and company-defined EBITDA was \$222.6 million. E&M generated about 74% of revenue and a 6.3% segment operating margin; T&D generated about 26% and a 10.0% margin. EBITDA is a non-GAAP measure, not cash flow. [P2], revenue and business context, printed pp. 65-67, lines 1698-1705; net income, lines 2220-2236; segment margins, lines 2393-2397; EBITDA definition, lines 2442-2448, and reconciliation, lines 2468-2478.

For the six months ended 30 June 2024, consolidated operating revenue was \$1.329 billion, down 11.5% year over year. E&M revenue declined 18.8%; T&D revenue rose 14.6%. MDU's Q2 release reported record construction-services quarterly earnings of \$39.0 million and a record \$2.40 billion backlog at June 30, compared with \$1.94 billion a year earlier. Management attributed partial offset of lower E&M workloads to higher T&D and data-center workloads and said project timing affected E&M. These are reported results and management's explanation; they do not establish durable demand, margins or future cash conversion. [P2], printed p. 92; lines 2307-2328; [P4], lines 81-90.

What would change with separation?

The filing estimated costs of operating Everus as a standalone public company. Management described the figures as estimates based on MDU's 2024 corporate budget and an employee/function assessment. The estimates were not independent valuations or realized post-separation costs. [P2], printed pp. 62-64; lines 1621-1636.

Exhibit 1. Management's estimated standalone cost changes

USD millions; historical periods. Estimates are not outcomes.

Period	Estimated dis-synergies	Recurring portion	One-time portion	Estimated synergies, all recurring
FY2023	\$39.723	\$35.574	\$4.149	\$1.024
Six months ended 30 June 2024	\$17.787	\$17.787	-	\$0.512

Source: [P2], printed pp. 62-64; lines 1621-1636 and 1650-1669. Figures are converted from source USD thousands. "Dis-synergies" and "synergies" are management's labels. Periods differ; the table does not calculate net value or annualize the six-month amount.

The preliminary statement also showed historical and illustrative pro forma capitalization as of 30 June 2024. It warned that the pro forma figures assume the proposed transactions and are not necessarily indicative of actual or future capitalization. [P2], printed pp. 52-56; lines 1307-1312.

Exhibit 2. Historical and proposed pro forma capitalization

USD millions as of 30 June 2024; pro forma assumes the contemplated separation and related transactions.

Caption	Historical Everus Construction carve-out	Illustrative Everus pro forma
Cash, cash equivalents and restricted cash	\$0.322	\$59.142
Related-party notes payable	\$200.456	-
Long-term debt	-	\$335.800
Total debt	\$200.456	\$335.800

Source: [P2], printed pp. 52-53; lines 1307-1325. Figures are converted from source USD thousands. Cash includes restricted cash; do not treat the full balance as freely available. Do not subtract cash from debt to infer net debt or distributable proceeds. The filing separately anticipated up to \$525 million of credit capacity-\$300 million in term loans and a \$225 million revolver-and expected \$40 million to be outstanding at distribution based on projected working-capital needs. Those were expectations, not final funded amounts or facility availability. [P2], printed pp. 15-16 and 54-56; lines 280-282 and 1334-1376.

The conditions list included SEC effectiveness of the registration statement, delivery of the information statement, IRS and tax-advisor opinions, satisfactory solvency opinions, asset and liability transfers, required filings, transaction agreements, NYSE listing approval, contemplated debt financing, no legal restraint and no event that MDU's board judged made the transaction inadvisable. MDU could waive conditions in its sole discretion. The filing said an IRS private-letter ruling had been applied for, but did not provide a complete status checklist for every condition. [P2], printed pp. 4-5 and 48-50; lines 188-222, 249-250 and 1263-1286.

Paths before the board

Path	What it would mean	Strategic question
Proceed subject to conditions	Give final approval to the proposed 100% distribution at the stated 1-for-4 ratio. Distribution still cannot occur unless formal conditions are satisfied or waived.	Are focus and independent capital allocation worth the estimated added standalone costs and reduced diversification? What must be satisfied before distribution?
Defer or modify	Delay final approval or adjust the proposed terms while the conditions are resolved. Any review horizon or requested evidence in a student recommendation is a classroom proposal, not a disclosed MDU plan.	Which specific uncertainty could change the decision, and what evidence would be worth waiting for? What is the cost of delay?
Terminate and retain, or reconsider alternatives	Use MDU's right to stop the separation; reopening a sale is possible as a classroom recommendation, but no offer or valuation is disclosed.	Does preserving shared functions, scale and diversification outweigh a separate identity? What would have to be known to compare a sale credibly?

The first path matched MDU's publicly stated preference. The other paths remain useful classroom challenges because final approval had not yet occurred and the filing reserved the right to change or stop the plan. Students should not treat sale as a priced alternative or assume that a delay can recover a particular amount. [P2], lines 895-896 and 1194-1198.

Questions for the board memo

1. What is the strongest strategic case for a separate Everus and the strongest case for retaining construction within MDU?
2. How much weight should the board put on management's standalone-cost estimates relative to its focus and capital-allocation rationale?
3. What evidence or safeguards should the board want before giving final approval? Which formal conditions must then be satisfied or waived before distribution? What would justify deferring the approval decision? State any review horizon as your assumption.
4. If the board proceeds, what should it monitor after separation? If it delays or terminates, what would make that choice reversible?

Sources and conventions

P1. Everus Construction Group, Form 10-12B, filed 12 September 2024, SEC accession [0001628280-24-040236](#). Filing identity and date.

P2. P1, Exhibit 99.1, preliminary information statement dated 12 September 2024, [SEC document](#). Transaction mechanics and conditions, printed pp. 1-5, 15-17 and 33; rationale and risks, pp. 20-50; capitalization, pp. 52-56; cost estimates, pp. 62-64; company/segment context, pp. 65-76; historical and interim financial data, pp. 82-92. Key locators include lines 9-11, 170-175, 188-225, 894-896, 1194-1198, 1698-1705, 2220-2236, 2393-2397, 2442-2448 and 2468-2478.

P3. MDU Resources, 2023 Form 10-K, filed 22 February 2024, [SEC filing](#). Construction Services description, Item 1, printed p. 19.

P4. MDU Resources, Q2 2024 earnings release, Exhibit 99.1, filed 8 August 2024, [SEC release](#). Construction Services results and management commentary, lines 81-90.

P5. MDU Resources, 2 November 2023 Form 8-K, Exhibit 99.1, [SEC release](#). Initial announcement and company-stated pure-play rationale, lines 11-12.

All dollar values are U.S. dollars. Financial figures and company statements are labeled by period and attribution. Calculations and assumed timing are not introduced as company guidance. The September 12 information set excludes later approvals, completion and standalone results.