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Nextpower, Inc. (NXT)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, everyone, and thank you for standing by. My name is Kevin and I will be your conference operator today. Today's call is being recorded. I would like to welcome everyone to Nextpower's Third Quarter Fiscal Year 2026 Earnings Call. After the speakers' remarks, there will be a Q&A session. If you would like to ask a question, please raise your hand. [Operator Instructions]

At this time for opening remarks, I would like to pass the call over to Ms. Sarah Lee, Head of Investor Relations. Sarah, you may begin.

Sarah Lee

Head-Investor Relations, Nextpower, Inc.

Thank you and good afternoon, everyone. Welcome to Nextpower's third quarter fiscal year 2026 earnings call. I'm Sarah Lee, Nextpower's Head of Investor Relations, and I'm joined by Dan Shugar, our CEO and Founder; Howard Wenger, our President; and Chuck Boynton, our CFO. As a reminder, there will be a replay of this call posted on the IR website along with the earnings press release and shareholder letter.

Today's call contains statements regarding our business, financial performance and operations, including our business and our industry that may be considered forward-looking statements, and such statements involve risks and uncertainties that may cause actual results to differ materially from our expectations. Those statements are based on our current beliefs, assumptions and expectations and speak only as of the current date.

For more information on those risks and uncertainties, please review our earnings press release, shareholder letter and our SEC filings, including our most recently filed Quarterly Report Form 10-Q and Annual Report on Form 10-K, which are available on our IR webpage at investors.nextpower.com. This information is subject to change, and we undertake no obligation to update any forward-looking statements as a result of new information, future events or changes in our expectations. Please note, we will provide GAAP and non-GAAP measures on today's call. The full non-GAAP to GAAP reconciliations can be found in the appendix to the press release and the shareholder letter, as well as the financial section of the IR webpage.

And now, I will turn the call over to our CEO and Founder, Dan.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextpower, Inc.

Good afternoon and thank you for joining us. Nextpower delivered another strong quarter characterized by solid operational discipline and execution, increased backlog, and continuing focus on customers and innovation. This call represents an important milestone for the company, being the first quarterly earnings report under our new Nextpower brand.

At our Capital Markets Day last November, we outlined our strategic evolution, started several years ago from a pure-play tracking system supplier to an end-to-end solar technology platform. We followed that with a technology and market symposium where we engaged directly with customers to showcase our expanding portfolio of value-enhancing products and services that we are building around our core tracker business, including our road map to incorporate power conversion solutions for utility-scale solar and battery energy storage. Customer response to this strategy has been very positive, and Howard will share more detail on how this is translating into customer adoption.

We recently completed the formation of Nextpower Arabia, our joint venture with Abunayyan Holding in the Middle East. The JV is already off to a strong start and will supply 2.25 gigawatts of advanced tracking systems to one of the world's largest utility scale solar projects. With the launch of Nextpower Arabia, we're focused on building local operations, manufacturing capability and long-term partnerships that support the kingdom's energy ambitions.

Together with Abunayyan Holdings, we are advancing the localization of renewable energy technologies, strengthening supply chains and creating the foundation to locally manufacture and support up to 12 gigawatts of solar capacity annually, with the potential to create thousands of jobs over time. Saudi Arabia and the surrounding GCC sit at the center of one of the most dynamic energy transitions in the world. Rapid growth in electricity demand driven by economic transformation, megaprojects, and the expansion of AI and digital infrastructure calls for solutions that can scale quickly, reliably, and efficiently.

Solar energy is uniquely positioned to meet that demand. As the lowest cost and most scalable power generation technology available today, solar is playing a central role in the energy future of Saudi Arabia and the broader MENA region.

Let's turn to our financial performance. We delivered robust financial results across all key metrics. Q3 revenue grew 34% year-on-year to \$909 million, and adjusted EBITDA increased 15% to \$214 million. Fiscal year-to-date revenue increased 32% year-over-year to \$2.68 billion. We generated solid cash flow and further strengthened our balance sheet. We also became the first pure-play solar product company to achieve a formal investment grade rating, reinforcing confidence that Nextpower can stand behind projects for decades, supporting financing,

warranties, service and asset performance over the full lifecycle of these solar generation infrastructure projects. Discerning power plant owners greatly value Nextpower's financial strength.

Based on our performance and the visibility we have across our business, we are raising our fiscal 2026 financial outlook, which Chuck will discuss in more detail. Finally, I would like to thank our customers for their continued trust and partnership and our employees for their commitment to innovation and execution. We remain focused on scaling our technology platform and creating long-term value for shareholders.

I'll now turn the call over to Howard to provide more color on the quarter.

Howard J. Wenger

President & Director, Nextpower, Inc.

Thank you, Dan. During the quarter, we saw continued strong customer bookings, which drove further backlog growth. We also continued to innovate and release important hardware and software to the market. And we had another strong quarter of financial performance enabled by our global operations team. We manage our business on an annual and multiyear basis, which is consistent with the nature of the utility scale solar power industry, with large-scale projects spanning multiple quarters in multiple geographies. We are increasing our outlook for the remainder of the year based on the strength and diversity of our backlog, a continued flight to quality that favors Nextpower, and the deep capability and commitment of our global team.

Turning now to regional demand. In the US, bookings were up and revenue increased 63% year-over-year, reflecting Nextpower's technology and customer experience advantage for what we call a flight to quality. There also continues to be an increasing demand shift for domestically manufactured systems, which we are able to meet with our robust, domestic supply chain and favorable lead times.

US project and demand creation continues with developers generally reporting their ability to move projects forward through to final permitting and financing, and they are doing so across multiple years of completion, providing extended visibility. Encouragingly, several customer projects sited on federal lands that have been on hold have begun to move forward as well. Demand for our core tracker technology remains strong, as reflected in sustained customer adoption of the NX Horizon Hail Pro tracker.

During calendar year 2025, our systems executed 2,170 hail stows worldwide, with our customers reporting a less than 0.007% module breakage rate. This is very good news and supports our innovation thesis. Our expanding technology platform is now gaining traction for both tracker and non-tracker offerings, with an increasing and more diverse mix in our order book. For example, this quarter, we booked a 552 megawatt order, incorporating a technology bundle on a single project, including our NX Horizon Hail Pro tracker, eBOS manufactured in the US, our NX Earth Truss foundation system, and our TrueCapture control system.

Moving to the international market. Europe again stood out with record quarterly bookings and expansion into two new countries. We are also excited about the formation of our new JV company, Nextpower Arabia, to serve growing demand across the MENA region. Saudi Arabia alone has ambitions to install 130 gigawatts of renewable energy by 2030.

We also introduced our NX Earth Truss foundation solution overseas, marking a positive step in the international expansion of our technology platform. As Dan noted, we announced plans at our Capital Markets Day to extend our platform to include power conversion solutions. This project remains on track with customer pilots planned for calendar year 2026.

Turning now to project timing and pricing. Project timing remains stable and manageable on a portfolio basis, consistent with previous quarters, with some projects accelerating and others pushing out. On balance, Q3 saw modest net pull-in. Pricing continues to track the broader solar cost curve, and we continue to invest in R&D and scalable infrastructure to reduce cost, while improving system performance. Our culture is to relentlessly serve our customers and deliver maximum value at competitive cost and pricing.

In summary, our business fundamentals remain strong. Demand is healthy, our backlog is large and growing, project timing and execution visibility is solid, and we continue to strengthen our competitive position through innovation, customer focus, and operational excellence.

With that, I'll turn the call over to Chuck.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

Thank you, Howard. Good afternoon everyone. Overall, Q3 was another quarter of strong execution with results that reflected both healthy end market demand and continued discipline across the business. For our fiscal 2026 third quarter, revenue was \$909 million and adjusted EBITDA was \$214 million, representing an adjusted EBITDA margin of 23%. On a year-to-date basis, adjusted EBITDA increased 22% year-over-year, demonstrating the durability of our margin profile even as we navigate tariffs and invest in growth initiatives.

We generated GAAP net income of \$435 million year-to-date, underscoring the high-quality earnings power of the business. 81% of Q3 revenue came from the US with 19% from rest of world markets. Year-to-date, our revenue mix was 75% US and 25% rest of world. This geographic balance gives us both scale and diversification, while allowing us to maximize investment returns and prioritize disciplined execution.

Turning now to cash flow. We generated \$123 million of operating cash flow in the quarter and \$391 million year-to-date. Capital expenditures remained modest, resulting in adjusted free cash flow of \$119 million in Q3 and \$360 million year-to-date. This level of cash generation reflects strong underlying profitability, disciplined working capital management, and the capital-efficient nature of our business. Importantly, it gives us significant flexibility to invest in growth, while maintaining robust liquidity.

Our balance sheet remains a core competitive advantage. We exited the quarter with \$953 million of cash and cash equivalents and no debt. We also recently achieved a formal investment grade credit rating, which we view as a meaningful external validation of our cash predictability, disciplined financial management, and a durable business model. This milestone is important to our customers and suppliers, while also enhancing our financial flexibility.

Our capital allocation priorities remain unchanged. First, we continue to prioritize organic investment and new products and services; second, disciplined M&A that strengthens our technology platform and creates customer value; third, return of capital to shareholders. Today, we are announcing that the board authorized a share repurchase program of up to \$500 million over three years. This program reflects our confidence in the long-term outlook of the business and our ability to generate durable cash flows while maintaining flexibility to invest for growth. Investments in organic growth and M&A continue to be our top priorities followed by share repurchases.

Moving on to tariffs. As expected, tariffs continued to have an impact on margins, particularly on a year-over-year basis. This quarter, the tariff impact was \$44 million, up from \$33 million last quarter. This increase was due to the partial impact in Q2 given the effective date of the new tariffs was August 15. Our diversified and increasingly

localized supply chain, combined with pricing discipline and operational execution, has allowed us to manage these impacts efficiently.

We currently work with over 25 US partner manufacturing facilities, and Nextpower was the first to deliver 100% domestic content trackers under US Treasury guidelines, and we're seeing increased customer adoption of these solutions to mitigate tariff exposure. We also continue to work very closely with our customers to manage tariff-related impacts across multiple projects. Looking ahead, we expect tariff-related margin pressure to remain manageable and largely consistent with our prior expectations.

Finally, based on our performance through the first three quarters, the strength and the quality of our backlog and continued demand across our core markets, we are increasing our financial outlook for fiscal year 2026. We now expect revenue between \$3.425 billion and \$3.5 billion, adjusted EBITDA between \$810 million and \$830 million, and adjusted diluted EPs in the range of \$4.26 to \$4.36. We continue to expect gross margins to be in the low-30s and operating margins in the low-20s. The current outlook for next year indicates another year of solid growth. Our outlook assumes that current US policy environment remains intact and permitting processes and timelines will remain consistent with historical levels.

Overall, we feel confident in our ability to deliver sustained growth and profitability while continuing to invest in innovation and long-term value creation. We continue to execute at a high level while maintaining strong margins and cash flows. We believe our strategy, team and platform uniquely position us to deliver long-term shareholder value.

Thank you. And with that, we'll take your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. Please limit yourself to one question and one follow-up. [Operator Instructions] Your first question comes from the line of Philip Shen with ROTH. Your line is open. Please go ahead.

Philip Shen

Analyst, ROTH Capital Partners LLC

Q

Hey, guys. Thanks for taking my questions. Great job on the quarter. Wanted to check in with you on bookings in the quarter and book-to-bill specifically. I know you guys talked about record backlog and backlog being greater than \$5 billion. But I want to understand if your bookings cleared \$1 billion in F Q3. And then if you can share some color on the revenue for F Q3, what was the mix for the US business of tracker versus non-tracker and then how might you expect that to trend in the coming quarters or years? Thanks.

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Hey, Phil. This is Howard Wenger. Thanks for your questions. So, yeah, we're really pleased with the quarter, with everything that we executed, the name change, the Capital Markets Day coming, being prepared for that and the customer day and the announcement of our JV. So with all of that, we continue to execute the business really well. Bookings were strong, revenue, the financials. As far as bookings to your question, we did have growth in our backlog. It is a new record. We're not giving specific numbers but suffice it to say that it was one of our

stronger quarters that we've had in some time. And we're really pleased with that. It was a little bit weighted to the United States just to give you some color.

And as far as tracker and non-tracker on the revenue mix, the non-tracker business is starting to have an impact. And what we're seeing is a little more mix on the US from that because we're rolling out the non-tracker part of our platform first in the United States. I'm talking about foundations, eBOS, robotic inspection and other – and software and services are more focused on the US market first. And that is having some impact on bookings and revenue and the mix weighting there towards the US. Thanks for your question.

Philip Shen

Analyst, ROTH Capital Partners LLC

Q

Great. Thanks. Hey, Howard, quickly, just can you clarify, you said one of the stronger quarters that you've had in some time. Does that mean for booking specifically with that this quarter was one of the stronger bookings quarters in a long time, or does that mean just your quarter overall?

Howard J. Wenger

President & Director, Nextpower, Inc.

A

I was speaking particularly to the bookings. When you look at contribution to our backlog, Phil.

Philip Shen

Analyst, ROTH Capital Partners LLC

Q

Great. So that would suggest that it was at least \$1 billion. Is that fair?

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Really appreciate the question, Phil, and your persistence.

Philip Shen

Analyst, ROTH Capital Partners LLC

Q

Thanks, Howard. I'll pass...

Howard J. Wenger

President & Director, Nextpower, Inc.

A

We'll leave it right there. Thank you so much.

Operator: And your next question comes from the line of Praneeth Satish with Wells Fargo. Your line is open. Please go ahead.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Thanks and congrats on the quarter. Maybe if you could just provide a little bit more detail on the permit freeze. You mentioned that some of the projects on federal lands are still moving forward. I guess, are you seeing any slowdown at the front of the funnel for projects that would be targeting 2028 in-service days that require permits this year? Or are you saying that, so far, developers have been able to kind of manage around some of these constraints? Just any clarity there would be helpful.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextpower, Inc.

A

Hey, Praneeth. Dan Shugar here. We are speaking specifically about several projects that are on federal lands that are now moving forward. Well, in total number, those are small percentage of the projects that we're working on. It was great to see that those move forward.

And so, Howard, do you want to take the second part of that question?

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Sure. So we're in close touch with developer owners and EPC partners both. But on the developer owner side, what we're seeing and hearing is their project portfolios are moving forward. Now, some are completely not on public lands, public and federal lands. In fact, a number of many developers that way they have very little exposure to public lands and, consequently, they're less impacted. But what we are reporting on is both favorable velocity of projects through to the permit phase, both on the public lands and on private lands. And that includes areas where there are a federal nexus.

And just generally speaking, in the US, we're very pleased with the broadening pipeline that we have and growing pipeline of opportunities. And so developers are navigating. They're very safe harbored. They have a lot of visibility into the future and it's really quite positive.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Good to hear. Thank you.

Operator: And your next question comes from Dimple Gosai of Bank of America. Your line is open. Please go ahead.

Dimple Gosai

Analyst, BofA Securities, Inc.

Q

Well done on a very nice quarter. And good evening, gents. This quarter, you noted record bookings and rising bundled attach. So could you give us a sense of what the attach rate is for TrueCapture, eBOS, Earth Truss robotics? Any sense and color there would be helpful. And then also give us a sense of just the gross margin uplift for a typical bundle versus tracker only, especially given that you're seeing some more traction on that side. Thank you.

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Sure. So, this is Howard. I'll take the first part. And, Chuck, if you want to talk about gross margin, I can also do that. But on the attached side, first of all, we have both a inorganic and organic approach to innovation and filling out our platform. So we're developing new tech internally, but we're also making acquisitions as you know. Some of those acquisitions are fairly recent. For example, the eBOS acquisition we made, which is significant, occurred in May of 20 25. So it's been, what is that like, eight months.

So using eBOS as an example, what we're seeing is, by far, the pipeline is expanding exponentially in terms of opportunities because of our sales platform. And we're beginning to see more and more bookings and sales and

revenue come through that particular channel. We're not giving specific attach numbers at this time. But suffice it to say, we're seeing some very significant projects.

The one we highlighted, as an example, is a 552 megawatt project where we have our trackers, foundations, eBOS and TrueCapture all bundled together. So we'll be talking more and more about that as our pipeline matures for these other products and services that are, what we call, non-tracker but fill out the platform and complement the tracker.

As to financials and margin, do you want to weigh in on that, Chuck?

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

Certainly. Thanks, Dimple. We don't break out in detail the non-tracker/tracker revenue splits. Really today, it's all about scaling the technology and the go-to-market. In general, they're roughly at the corporate average. Of course, some are higher software. As you know, Dimple, it's quite a bit higher and other ones are kind of around the corporate average. But I would just think of it from a modeling standpoint as roughly consistent with the guidance and the outlook that we provided.

Dimple Gosai

Analyst, BofA Securities, Inc.

Q

Thank you.

Operator: Your next question comes from Brian Lee of Goldman Sachs. Your line is open. Please go ahead.

Brian Lee

Analyst, Goldman Sachs & Co. LLC

Q

Hey, guys. Good afternoon. Thanks for taking the questions and kudos on the solid execution. The first question I had was, given the higher base of revenue and profit here for fiscal 2026, is there any update on the view for fiscal 2027 that you provided at the Analyst Day last November? Or maybe just how should we think about flow through into next year given the stronger results here?

And then the follow-up would just be on some of the accounting here with the IRA credit, they're down despite higher US mix. Curious, I mean that does mean ex-IRA gross margins are higher here than the past couple of quarters. But is that timing-related or is there something with respect to sharing of credits and pricing that's impacting that dynamic of US sales higher but IRA credits down? Thanks, guys.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

Yeah. The IRA credits are roughly in line with the prior quarter, Brian. What you're seeing effectively is the blending of the tariff impact. And as I mentioned in the prepared remarks, the tariff impact went from \$33 million last quarter to \$44 million this quarter. And that's really just because you have a full quarter impact of the overall tariffs.

As it relates to our outlook for next year, we just provided our outlook just a couple of months ago at our Capital Markets Day, so we're not updating or changing that. But I'll just say, with the strength of the business, we feel really good going into next year. And we're set up for a strong Q4 and feel really good about going into next year with a great backlog.

Operator: And your next question comes from Mark Strouse of JPMorgan. Your line is open. Please go ahead. Mark, your line is open. You may have to unmute.

Mark Strouse

Analyst, JPMorgan Securities LLC

Q

Sorry about that. Thanks for taking our questions. Great to see the 2.25 gig Nextracker Arabia (sic) [Nextpower Arabia] order. I know we've talked about in the past kind of the longer-term targets from KSA and whatnot. But just kind of curious, just looking out over the next, whatever, 12, 18, 24 months, kind of what a reasonable expectation might be? Can we expect to see similar gigawatt scale orders coming through from that JV? And then I have a quick follow-up. Thank you.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextpower, Inc.

A

Hey, Mark. Dan Shugar here. We just came back from spending a lot of time in Abu Dhabi and Dubai and Saudi Arabia. And that market is really strong in terms of the amount of solar that's happening there. I mean, not just in those countries but the region, very strong. We're seeing very strong double-digit gigawatt growth happening. Very ambitious targets that are being set and executed upon with multiple public solicitations from some of the largest energy participants in the region. There's national targets and there's targets at utilities. Really big stuff happening.

For example, in UAE, so the largest market is Saudi Arabia. And UAE is also a very strong market. There's a project called the Round-the-Clock project, it's very interesting, 5 gigawatt of solar single project with a tremendous amount of battery. It's either 19 or 29 gigawatt hours. I can't remember at this instant. But that enables 24/7 renewable power, solar power to be served to the region. That's really quite an interesting project. And we're seeing – but it exemplifies the ambitious scale of what's happening there. And I think it also provides a little bit of context for how cost-effective solar is. Because obviously, there's a tremendous amount of oil and gas there. Solar is the lowest cost way to generate power even though all those natural resources are there.

And so, we're excited to be a participant in the region. We were the first – we did the first utility scale power plant in the region, the 400 megawatts Sakaka project in Saudi Arabia seven years ago, which has performed with exemplary reliability. And there's a strong flight to quality performance there. We personally visited one of our projects that was in the field. It was outperforming. It was operating at about 105% of expectation, the whole system. And so, the customers are really pleased with that. So, yeah, we're very excited about being there. Thank you. Next question, please.

Mark Strouse

Analyst, JPMorgan Securities LLC

Q

Okay. Thanks. If I can ask you a quick follow-up to Chuck, I think I know the answer to this. But since it's the first time you guys are issuing a buyback authorization, I just want to check just how you're planning to approach that. Is there a base level of buyback activity you're looking to do each quarter or is it just completely random, completely opportunistic? Thank you.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

Yeah. It'll be a structured program, Mark. But again, since we're kind of first time in the market, we're going to kind of go slow and cautious out of the gates because, again, it's new to us. And so, we'll develop our program more formally. But the goal would be for it to be a more of a formalized program versus just opportunistic.

Operator: And your next question comes from Julien Dumoulin-Smith of Jefferies. Your line is open. Please go ahead. Your line is open. [Operator Instructions]

Dushyant Ailani

Analyst, Jefferies LLC

Q

Hi. This is Dushyant here for Julien. How are you, guys? I just had a quick few questions on the Saudi JV. Maybe if you could share a little bit more about the timing of it? And how does the margin cadence look like? Just how can we think about it kind of flowing through all the time, the 2.25 gigawatts?

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextpower, Inc.

A

I'll start with the timing and then, Chuck, if you want to weigh in on the second part. So, the JV has been launched and we closed it a few weeks ago. It's operational. The 2.25 gigawatt project that we announced, we're already delivering on that project this quarter materially. And we had an existing factory in Riyadh. That's continued to produce. We have a new factory under construction at Jeddah. We visited that factory last week. It looks fantastic. It's quite large scale. Additionally, we're continuing to work with some of our legacy supply partners, and we're extremely pleased to be partnered with Abunayyan Holdings (sic) [Abunayyan Holding]. Fantastic organization. And we're set up and operating.

Chuck, second, part two.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

Yeah. So the way that I think about this is, as Dan mentioned, Abunayyan is a blue-chip company. It's the kind of company that a great Silicon Valley company want to partner with. And so we're really proud to partner with them. As we mentioned in the past, it's structured as roughly a 50/50 JV. It's not quite. We will not consolidate. And that is on purpose. Because effectively, it fits well with our high ROIC, capital-light model.

And so, what you'll see is when the JV sells projects, we effectively will generate revenue by selling some technology into the JV. There'll be a revenue, a royalty and then, of course, our share of the JV profits. So, we'll provide a little more color next quarter as we do our kind of 2028 outlook or guidance or 2027 outlook and guidance. So I'll say stay tuned. But we're really excited about this opportunity and we think Abunayyan is going to be a great partner.

Dushyant Ailani

Analyst, Jefferies LLC

Q

fAwesome. Thank you, guys. And then just one quick follow-up, when you talk about the power conversion, could you just talk a little bit about how that – how your conversations with customers are evolving there? What does that look like? Are they more focused on Bess versus solar, and how does the competitive landscape look like for power conversion?

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextpower, Inc.

A

I'll speak to that. Howard and I've been in this business since the 1980s. And power conversion has been the opportunity for greatest operational performance of solar batteries over that – for that whole time, okay? And why are we launching this category? Well, it's because it's not easy. Let's start with that. And we take it very seriously. We're doing it because there's opportunity to deliver higher efficiency, higher reliability and availability, safer and better service of that product category. We have a lot of experience here at the company with our technical team and our leadership team in this area, and we're factoring in user requirements to be able to achieve higher plant availability.

The number one item on a Pareto to improve the operating fleets around the world is to have better reliability performance of this particular category. So that's why we're doing it. And we're approaching it where we're not cutting corners, but yet developing a product that's competitive and has local manufacturing attributes. We're starting in the United States. We have operating alpha units. We showed our skid of these, this particular solution in the field at our Capital Markets Day. We're looking forward to fulfilling some initial beta projects with customers this year and then scaling the business responsibly after that. Thank you. Next question, please.

Operator: And your next question comes from Vikram Bagri of Citi. Your line is open. Please go ahead.

Vikram Bagri

Analyst, Citigroup Global Markets, Inc.

Q

Good evening, everyone. I wanted to ask a housekeeping question first and then I have a follow-up. You mentioned the non-tracker margins are comparable to corporate average. At the Analyst Day, the margins for non-tracker were indicated to be about 6%. So are you saying those margins are tracking higher, the EBITDA margin expected to the Analyst Day? And what changed between Analyst Day and now?

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

Yeah. Nothing has changed. I was talking gross margins, not EBITDA margins. And effectively, because it's a fairly small base, it doesn't really change the overall profile. But I'd point out a big part of the non-tracker revenue is software. And that's way, way above the corporate average. The other ones are smaller. And therefore, the way to think about it in the short term is kind of blending with the corporate average. It's not going to change a whole lot. Over time, what we outlined at our Capital Markets Day is still intact. Thank you.

Vikram Bagri

Analyst, Citigroup Global Markets, Inc.

Q

Thanks, Chuck. And as a follow-up, you mentioned in your prepared comments IG rating is important for customers. Can you highlight in which regions is it important? Does it play an important role in Saudi? And if there is a way to quantify how many customers consider it as important like how much of an edge does it provide to you relative to your competition? Thank you.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

Yeah. So, investment grade rating is important to all customers and suppliers, some different. Internationally, it makes a big difference. If you're working with a large developer or owner, they care deeply about the credit profile of their counterparty, whether it's a customer or a supplier. And so while it may not matter as much to you,

financial community, it matters a lot to our customers, really a testament to how well the company's managed and the disciplined approach that we take to operating our business.

Dan, do you want anything?

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextpower, Inc.

A

Yeah. What I would add is that if you look at a number of markets, let's just talk about the United States, if you went back 5 or 10 years ago, there were a lot of developers that were then flipping projects. Today, some of that occurs. But most of those type of organizations have evolved into also operators, owners of systems, independent power producers. Also, we've seen a huge growth in utility ownership of solar. And folks are really concerned about the long-term operation, really optimizing the risk-adjusted, levelized cost of energy. And that's really important.

We're in the Middle East. I mentioned a few weeks ago there's a huge system there, not with Nextpower, that's being completely dismantled and rebuilt due to, let's just say, performance issues. And we, folks, want to be, not be pennywise and pound foolish. So we're really seeing long-term ability to support the development, finance, supply, operation, spare parts, warranty reserve, over the life of the project really be a much more important attribute as the industry has matured and gone to long-term, risk-adjusted, levelized cost of energy optimization.

Vikram Bagri

Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Operator: And your next question comes from Ben Kallo of Baird. Your line is open. Please go ahead.

Benjamin Joseph Kallo

Analyst, Robert W. Baird & Co., Inc.

Q

Hey, guys. Congrats on the results. Two questions, maybe bigger picture, number one, with all the emphasis on bring your own power, has that showed up in your discussions or in orders? And maybe just talk to that. And then the second question, energy storage volumes are very large at least, any way that you guys are thinking about addressing that market or working with that market? And thanks, guys.

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Hey, Ben. This is Howard. So I'll start and then Dan will finish. So on the bring your own power, there's absolutely an amazing dynamic that's happening in not only the United States, but around the world with respect to AI electrification, which includes electric vehicles, the data centers that powers everything that we do, robotics.

The energy requirement for chips is just going up and up. So what's happening, what you're seeing in this country, which spills over to other countries as some of the larger hyperscalers are getting more and more involved, you've seen some announcements directly in making sure that the power is there for their expansion and their requirements. So there's no question that the bring your own power is part of the equation. There's no question that we're seeing that in our opportunity base.

And with respect to storage, I'll just start and Dan will finish. There's this great symbiotic relationship between solar and storage. And it's the fastest thing that can be deployed to market. We've seen that in the United States

alone, over 80% of the new electrical capacity this year. Well, from January of 2025 to November of 2025, over 80% was solar and storage. And companies are reporting, large developer owners are reporting that they span both fossil and renewables, and over 80% of their portfolios are solar and storage. So it's a logical extension for Nextpower to offer this solar power platform that extends into storage. And our power conversion system is something that can be used for in the storage category. Dan?

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextpower, Inc.

A

Yeah. Thanks, Ben. When we've heard this bring your own power, there can be two definitions of that, okay? Definition one can be, install electric-generating capacity at some point in the grid that is then contractually generating a certain amount of gigawatt hours that flow through to grid to an end use. Definition number two could be onsite power where the power is right there at the load, which reduces or potentially eliminates the need to be connected to the grid, okay? Almost all of what's happened and happening and discussed is the first definition. There are some cases in the second thing. So let's just speak to the first thing for a minute.

That's been happening for more than five years. A huge amount of our projects with our customers are for serving those applications, hyperscalers, data centers that are buying the energy to support through the wires to support their operations. So people have been bringing their own power that's increasing, but it's not necessarily co-located at the actual facility. We have seen some projects co-located at the actual facility on the customer side of the meter.

I do think we'll see some more of that, but customers generally want the grid. And they can supply their own energy through the grid. The grid is a very reliable thing. It's kind of a battery, if you will. And then what happens on the customer side of the meter is backup power and uninterruptible power supply. So I'd say, it's been happening for quite a while. And we're going to see increased pull as large, concentrated loads with data centers increases.

With respect to Nextpower serving battery storage as well as solar, our inverter platform, power conditioning system, the fundamental architecture can definitely support both. It was conceived that way. We're continuing to evolve it. There are some differences as it goes to final prioritization for how – in software and some of the applications for how those systems interface. But the fundamental platform can apply to both and that's how we introduced at Capital Markets Day and showed folks in the field.

Benjamin Joseph Kallo

Analyst, Robert W. Baird & Co., Inc.

Q

Thank you, guys.

Operator: And your next question comes from Jon Windham with UBS. Your line is open. Please go ahead.

Jon Windham

Analyst, UBS Securities LLC

Q

Hey, perfect. Perfect timing to bring me on. Because I have a follow-up question. So, Dan, you've been in the industry a long time. You've been a leader of it. I'd love to get your thoughts on the potential impact from greater availability of storage in the United States. Obviously, Ford had a very big announcement, converting some of their what was supposed to be EV batteries into stationary storage. Stellantis and GM could potentially do the same thing. Just your thoughts on the potential impact of solar demand if we're sort of go to a market that's awash in batteries.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextpower, Inc.

A

We think it's fabulous to build capacity of making battery cells, packs, containers in the United States and other major markets, fantastic development. There's been a lot of tailwind to stationary storage that's come from electric vehicle demand and manufacturing scale-up. And then in the case of a few of the companies you mentioned, repurposing some of that capacity to stationary storage. We think it's awesome.

And we think, as Howard mentioned, solar and storage go together, kind of like bass guitar and drums go together. And so what they do is they're quite complementary. And the other thing is, it's just been amazing to see over the last five years. Storage five years ago was predominantly one-hour storage. Then you saw two-hour storage. Now, we're seeing four-hour storage. We have some customers with projects that are six or eight-hour storage. I mentioned the project in the United Arab Emirates. That's 24-hour storage. I mean, it's mind-boggling.

So what we've seen happen in storage is the same thing that happened in photovoltaic cells where there is this cost reduction from the production learning curve effect where every time the cumulative production doubled, cost dropped about 20%. And with this exponential growth in storage, you're seeing a commensurate reduction in the cost that allows more hours and allows solar to be more and more ubiquitous as it gets – as the deployments continue. So we're very excited about the manufacturing buildout, and we think that'll be a very good thing for the industry.

Jon Windham

Analyst, UBS Securities LLC

Q

Thank you.

Operator: And your next question comes from Dylan Nassano of Wolfe. Your line is open. Please go ahead. Your line is open. You may have to unmute.

Dylan Nassano

Analyst, Wolfe Research LLC

Q

Yeah. Sorry about that. Good afternoon. Thanks for taking my question. I think early in the call you mentioned there was a little bit of pull forward in the quarter. And then, obviously, you raised the guidance for the year. So I guess I just wanted to check on that kind of within the context of the preliminary fiscal 2027 guidance that you gave on the Capital Markets Day.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

Yeah. So like we mentioned before, we're not updating or changing our fiscal 2027 outlook from Capital Markets data which was just a couple of months ago. And as it relates to Q3, it was incredibly strong quarter. When our customers would like us to accelerate schedules, we can. It was an overall a very, very strong quarter, we raised the year and Q3 was incredibly strong on the heels of customers wanting more product earlier.

Howard, do you want to add anything else?

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Well, I'll just say that we're very close contact with our customers. Some want acceleration, some want to slow down because of particular situation of sight or timing. And we are just really working to meet the schedules of our customers and have exceptional on-time delivery, which we do have. In this particular quarter, there was a net acceleration.

We have a portfolio of projects. We manage on an annual basis, as we've said. And so, you can see revenue going from one quarter to the next. But the year looks really good. The next quarter, we've talked about Q4, you got that. Q1 FY 2027 looks very strong and up into the right. So, yeah, we're very pleased with our backlog and it really gives us visibility to manage the company on an annual basis. Thank you so much.

Daniel S. Shugar

Chief Executive Officer, Founder & Director, Nextpower, Inc.

Okay. Hey, we really appreciate everyone dialing in. Thank you for those that participated on our Capital Markets Day. And this concludes this quarter's earnings call.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

Thank you.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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