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Nextpower, Inc. (NXT)

Q4 2026 Earnings Call

CORPORATE PARTICIPANTS

Sarah Lee

Head-Investor Relations, Nextpower, Inc.

Daniel S. Shugar

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

Howard J. Wenger

President & Director, Nextpower, Inc.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

OTHER PARTICIPANTS

Brian Lee

Analyst, Goldman Sachs & Co. LLC

Christine Cho

Analyst, Barclays Capital, Inc.

Philip Shen

Analyst, ROTH Capital Partners LLC

Benjamin Joseph Kallo

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

Dushyant Ailani

Analyst, Jefferies LLC

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Chris Dendrinis

Analyst, RBC Capital Markets LLC

Sean Milligan

Analyst, Needham & Co. LLC

Gordon Lee Johnson

Analyst, GLJ Research LLC

Maheep Mandloi

Analyst, Mizuho Securities USA LLC

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 Fourth 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 Fourth 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 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 website 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 website.

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

Daniel S. Shugar

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

Good afternoon, everyone, and thank you for joining us. We're pleased to report a strong finish to fiscal year 2026 and recap what has been a defining year for Nextpower. We delivered solid financial performance across the business, including 20% revenue growth year-over-year, strong profitability and record backlog of over \$5.25 billion. Demand remains healthy and we continue to see strong bookings momentum supported by a flight to quality across our customer base.

Let me lay out a few key themes you will hear during today's call. First, our core tracker business continues to strengthen and perform at industry leading levels. Second, we're seeing clear traction from our platform strategy with increasing adoption of our expanded product portfolio. Third, we're continuing to invest in innovation, both organically and through targeted acquisitions to build a more integrated power plant technology platform.

Let's start with our core business, where we continue to win in the market. We saw one of the highest booking quarters in our history, and we exited the year with record backlog, as we continue to lead the global solar market. We continue to increase our backlog, while growing revenue and profit. Our global footprint and flexible supply chain position us well to capture the underlying market demand and mitigate fluid policy dynamics in any one region. According to the International Energy Agency, global electricity demand is forecast to grow 3.6% per year until 2030, compared to 2.9% per year for the prior decade. This translates to around 5,400 terawatt hours of incremental electricity needs over the next five years, a structurally increasing demand driven by data centers, electrification, and industrial growth. This is creating an unprecedented need for new generation capacity. And solar, particularly when paired with storage, is documented to be one of the most scalable and cost effective solutions to meet that demand.

According to Rystad Energy, solar power is predicted to account for over 60% of new generation capacity brought online globally between 2025 and 2030 or around 3,000 gigawatts AC. By virtue of our market leadership, Nextpower is very well-positioned to help meet this demand. Second, we're seeing clear traction from our platform strategy. Customers have been asking us to offer additional products and services beyond trackers to simplify procurement, accelerate installation speed, and improve system performance and long-term reliability. We're building our platform to meet that demand, and we believe integration across the power plant is becoming a key differentiator. Howard will provide more detail on how our strategy is translating into customer adoption and bookings activity. We believe these trends will continue to support long-term growth across our markets.

Third, we're continuing to expand our platform capabilities. As we've disclosed previously, we've been investing in the development of power conversion solutions, which we view as a critical component of integrated power plant architecture. We're now delivering on our complete solar platform and on our everything but the panel strategy,

while also addressing the storage and data center demand all in one go. Our internally developed technology is very unique with a design intended to enable higher operating efficiency and reliability, coupled with enhanced ease of maintenance. We plan to manufacture these products in the United States as we expect domestic content and very strong cybersecurity to be important differentiators in the power conversion market.

While we're completing internal development of our next-gen power conditioning technology, we're expanding our product portfolio and accelerating time to market through an agreement announced today to acquire key power conversion product lines that are ready to ship and a planned US manufacturing footprint that can also serve as a launching pad for our internally-developed products. We think that this acquisition, which is subject to foreign direct investment approval by the Spanish government and other customary closing conditions, has similar attributes to our eBOS acquisition of Bentek last summer, with solid core technology and expertise that Nextpower can quickly propel to meaningful scale across our market footprint.

We see power conversion as an increasingly critical layer of this system, optimizing solar power plant yield, enabling integration with battery storage, and delivering power quality management and buffering capabilities that are increasingly important for data center applications. We are intentionally leaning into investments to support this next phase of growth. While this will modestly impact near-term profitability, we expect these investments to drive accelerated growth beginning next year. We're increasingly confident to exceed our previously disclosed 2030 revenue outlook. Overall, we're very pleased with our performance in fiscal 2026 and progress we're making against our strategic plan. We believe the company is well-positioned for continued growth, supported by strong backlog, increasing customer adoption of our platform and ongoing investment in innovation.

With that, I'll turn over to Howard and walk through our commercial performance and product innovation in more detail.

Howard J. Wenger

President & Director, Nextpower, Inc.

Thank you, Dan. We are really pleased with how we finished the quarter and the year. Starting with sales and bookings, this was one of our strongest quarters today, contributing to a record year in bookings and backlog. We continue to have good diversity across customers, products and regions with 79% of FY 2026 bookings in the US and 21% from Rest of World regions. In the US, we continue to see strong demand across the country, supported by a flight to quality and what we believe is our superior technology platform. Internationally, Europe was a highlight with record fiscal year bookings. The global pipeline continues to grow and we are seeing more and more countries becoming increasingly active with solar deployment.

In particular, Europe, Middle East, India, Africa, and Australia continue to strengthen. As we look ahead, demand remains healthy across our markets and overall pipeline visibility remains strong. Our customers are telling us consistently that their pipelines are moving forward overall, as most projects continue to advance through permitting, financing, and construction. Project timing continues to remain manageable on a portfolio basis, with most project delivery schedules not deviating materially. Some projects do accelerate and others push out. This pattern is consistent with what we've seen historically. The quality of our bookings and backlog remains very high, providing excellent visibility into project timing and execution. It is important to note, our bookings and backlog are based solely on firm orders and contracts. We do not include awards or late stage negotiations in our backlog or bookings numbers.

Moving on to pricing, we had a modest gain in our overall ASP year-on-year due in part to higher attach rates of non-tracker products and services in the US as we rolled out our expanded product portfolio. Individual product pricing like trackers continue to align with the broader solar cost reduction curve, which is a healthy dynamic that

drives ongoing solar power demand growth. We continue to invest in R&D and scaling initiatives to reduce costs. For example, just in the past year, we reduced installation time by 20% for our flagship NX Horizon tracker, according to a third-party engineering study. We are also driving down lifetime cost of ownership by increasing performance and reliability. For example, we released the next-generation of our tracker control system, including TrueCapture, which leads the industry in system performance gains.

As discussed in November at Capital Markets Day, our strategy is to offer a complete solar technology platform, which includes everything, but the panel. Customers are increasingly looking for more integrated solutions to simplify project procurement, design and execution, reduce risk and improve overall system performance. Our platform is designed to meet this demand and we believe integration across the power plant is becoming a key differentiator for Nextpower. One example is the ramp of our innovative tracker-plus-foundation products, which are already being deployed at a multi-gigawatt scale with annualized bookings run rate now exceeding \$100 million.

The NX Horizon and NX Earth Truss foundation systems enable our trackers to be installed across all soil conditions with better quality and reduce install time and cost. The integration of our eBOS offerings is also being well received. Recall, we purchased BenteK about one year ago and already our eBOS business is accelerating with record bookings in this past quarter and over 40% bookings growth year-on-year for this business.

A few other highlights for the quarter are worth mentioning. First, we received initial purchase orders for our new NX PowerMerge eBOS solution. PowerMerge enables Nextpower to now offer both trunk bus and combiner box eBOS solutions, which together comprise the vast majority of utility scale systems. This provides a powerful platform to expand eBOS sales. Second, we signed another multi-year gigawatt-scale steel module frame agreement with Jinko Solar for US manufactured steel frames. Steel module frames are simply a better engineered solution than traditional aluminum frames and are particularly well suited for robotic installation. And third, we are seeing early success in bundled deployments with projects incorporating multiple elements of our platform.

Demand also remains strong for our core product set, which includes trackers that handle more complex terrain in extreme weather environments. We surpassed 50 gigawatts of cumulative sales of our terrain following tracker called XTR and over 30 gigawatts of our NX Hail Pro tracker solutions. Just over the last fiscal year, our Hail Pro trackers conducted 4,605 hail stows with 57 events experiencing hail of up to 3 inches in diameter and a 99.99% module survival rate. We also recognized record TrueCapture revenue in FY 2026. These products continue to differentiate us and are driving incremental value.

Finally, we are very excited about the announced definitive agreement to acquire power conversion products along with the excellent team and supply capability. As Dan noted, this versatile platform can be used for solar, storage, and data center applications. The central inverter system has a rating of 4.5 MVA for solar applications and 5.2 MVA for storage and data center use cases. The units are currently in UL and IEC certification testing, which is expected to be completed by next quarter. We have already signed a conditional letter of intent with a key customer for over 100 megawatts of power conversion products and expect this business to generate revenue in the current fiscal year.

In summary, we had an excellent quarter and year, and we enter our new fiscal year with momentum. We are well positioned to achieve our FY 2027 outlook, supported by strong backlog, great customer partnerships, and our expanded product platform.

With that, I'll turn it over to Chuck.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

Thank you, Howard, and good afternoon, everyone. First, I'll walk through our financial results for the fourth quarter and fiscal 2026. For the fourth quarter, revenue was \$881 million, down 3% sequentially, but above our expectations, due to continued strength in North America, which included strong execution in our TrueCapture business. It's important to note this was the first quarter with our new JV in the Middle East. As you know, we are not consolidating the JV and as expected, this reduced our reported revenue by approximately 300 basis points. For the full fiscal year, revenue increased 20% to approximately \$3.56 billion. We finished the year well above our initial plan. This was primarily due to a very strong US market and a continuing leadership position in the global solar tracker market.

Gross margins overachieved in Q4, primarily due to tariff recovery, record TrueCapture, and US revenue concentration, partially offset by elevated freight and logistics costs, particularly related to disruptions in the Middle East. Adjusted EBITDA for the fourth quarter was \$202 million and 23% margin. This was above our expectations driven by higher gross margins, offset by growth and investments in OpEx, primarily R&D and infrastructure. For the full year, adjusted EBITDA was \$854 million, well above our initial plan and our updated plan for Q4.

Cash generation continues to be a hallmark of Nextpower. We generated a \$154 million of adjusted free cash flow in the quarter, and \$514 million for the full fiscal year, also above our plan for the year and the quarter. We ended the quarter with approximately \$1.1 billion in cash and cash equivalents and no debt. And we achieved an investment grade credit rating during the year. Now I want to discuss our plan for fiscal year 2027. Given our strong bookings position, we are increasing the targets that we outlined at Capital Markets Day, six months ago, to revenue in the range of \$3.8 billion to \$4.1 billion, and adjusted EBITDA in the range of \$825 million to \$900 million.

On the revenue side, we expect a geographic mix in the US, in the high 70s, and the Rest of the World in the low 20s. For fiscal 2027, we expect more than 40% growth in our non-tracker business, bringing total non-tracker revenue to approximately 15% of total revenue. In addition for Q1, we see revenue growth in the low single-digits sequentially. We expect gross margins to continue to be in the low 30s, including elevated freight and logistics costs, particularly related to disruptions in the Middle East. As a reminder, our capital allocation strategy is to first prioritize organic investments. Second, we pursue disciplined M&A that strengthens our platform and creates customer value. And third, we return capital to shareholders.

During the year, we initiated share repurchase activity under our \$500 million authorization, adding a complementary lever to return capital to shareholders. As Dan mentioned, we are leaning into investment in certain new platform initiatives, including our accelerated expansion into the power conversion market. Consistent with our capital allocation strategy of balancing internal innovation with targeted M&A, we plan to invest approximately \$130 million to accelerate our power conversion business with \$50 million of incremental COGS and OpEx, and up to \$80 million in the asset purchase agreement. We believe this strategy will yield a very strong return on invested capital as we accelerate the ramp of this business and drive incremental revenue and gross margins in fiscal year 2028.

We continue to target adjusted EBITDA margins in the low 20% range. In the near-term, we expect operating expenses to be elevated as we invest in platform expansion with OpEx in the range of approximately 10.5% to 11.5% of revenue. As we scale the business, we expect to drive operating leverage and return to our long-term target of 8% to 9%. We expect capital expenditures to be in the range of \$75 million to \$100 million, and adjusted free cash flow in the range of \$450 million to \$500 million. Capital investments are targeted to growth and scale

initiatives, specifically for foundations, frames, power conversion and our ERP transformation. Overall, we believe the business is well-positioned to deliver continued growth and profitability, supported by strong backlog, disciplined execution, and ongoing investment in our platform.

With that, we're happy to take your questions.

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] Please stand by as we compile the Q&A roster. And your first question comes from Brian Lee with Goldman Sachs. Your line is open. Please go ahead.

Brian Lee

Analyst, Goldman Sachs & Co. LLC

Q

Hey, everyone. Thanks for taking the questions. Appreciate the time. Maybe first one just, all the color, Chuck, around the guidance for 2027, super helpful. Given the growth in non-tracker sales expected for 2027, it kind of implies growth in tracker is about high single-digit percent year-on-year. One is that, is that about the right ballpark we should be thinking? And then two, how should we think about this in the context of US versus non-US growth in trackers? Where are you expecting growth to be most robust, especially given the strong year in the US, in 2026? And then I had a quick follow-up.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

Great. Thank you, Brian. I'll take the first part and Howard can talk about the international markets. That's right, as we outlined at Capital Markets Day, we basically said, we expect to grow with or faster than the industry in the tracker side, and this year is a great example. We started the year off looking at roughly 10% revenue growth and finished at around 20%. Here's the beginning of the year, beginning of our fiscal 2027 year, and we see a really strong tracker market overall. Bookings and backlog are record levels. And so, we feel really good about where the tracker market is going, but we're really excited about the 40-plus-percent growth in non-tracker. But here it's beginning of the year, so we want to be a bit cautious, but we're feeling very optimistic.

And then, Howard, the second part, this year we expect kind of low – high 70% US concentration and your views on international.

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Hey, Brian. So, the global market is really quite strong when you look at it in totality. The US had outperformed, frankly, in the last year, a lot of tailwinds, very strong demand driven by, of course, electricity demand in general, the high cost of energy. We've had a global disruption with fossil fuel and the conflict in the Middle East. So, we continue to see very strong pipeline and order book for the US. And then, internationally, Europe had a record year sales, and we're very bullish on Europe and other parts of the world. Australia, India, Middle East also been some – a few delays on projects, but we're also seeing quite a bit of demand in our pipeline in the Middle East.

So, yeah, we're very – as we enter the year, we feel very good about the outlook for FY 2027. It's bolstered by our backlog, our position in the market, our differentiated offering. And now with inverter, we've got the complete power plant platform, and we're going to be increasing our non-tracker business going forward.

Daniel S. Shugar

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

A

Brian, I would also that we said in prepared remarks, we're not consolidating the Middle East. So, as you look at the tracker business year-over-year, you have three quarters that included our Middle East business, and next year, we are not consolidating this. So, while the tracker revenue growth, on a pro forma basis, would be quite a bit higher. Thank you. Second part, Brian.

Brian Lee

Analyst, Goldman Sachs & Co. LLC

Q

Yeah, that's super helpful color. Appreciate it. Maybe for Dan, congrats on the Zigor deal. I think you said during your prepared remarks, Dan, that it will accelerate the fiscal 2030 targets from last Capital Markets Day. Can you kind of quantify – I know you said at the time, 10% of revenue and \$530 million of sales for electrical. Can you kind of quantify how much this does impact the electrical strategy first laid out at the Analyst Day last year? Thank you.

Daniel S. Shugar

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

A

Yeah, thanks, Brian. Our core business is expanding and with this latest acquisition and launch into the inverter and power conversion business and acceleration of that, we definitely anticipate our 2030 target to come up. We're planning a Capital Markets Day later this year and we'll provide greater granularity on those targets at that time.

Operator: Thank you. Your next question comes from the line of Christine Cho with Barclays. Your line is open. Please go ahead. [Operator Instructions]

Christine Cho

Analyst, Barclays Capital, Inc.

Q

Hello? Thank you for taking my question. For the power conversion, when should we expect deliveries and how should we – and when should we expect to start seeing in bookings? And you talk about how these products are needed for optimizing solar plant yield, power quality for data centers, and then enabling integration with battery storage. I don't know if you think about it separately, but would you be able to sort of force rank them by size of opportunity as well?

Daniel S. Shugar

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

A

Hi, Christine, this is Dan. I'll take this. Feel free to add if I miss anything, Howard. We expect bookings for this in the near term, Christine, and some small revenue later this fiscal year ramping as quickly, but prudently as possible, as we go forward and build US capacity and support customer needs. Howard?

Howard J. Wenger

President & Director, Nextpower, Inc.

A

I think you covered it, Dan. I would just add that, as we noted in our remarks, the power conversion system that we acquired is currently going through UL and IEC testing, is pretty much all the way through testing and we have a conditional order for over 100 megawatts with a leading IPP. And so, just to – we feel very confident in recognizing revenue this fiscal year from the power conversion business.

Daniel S. Shugar

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

A

Yeah. And Christine, in terms of ranking the data centers, the battery and the solar, we'll provide more color on that at the Capital Markets Day.

Christine Cho

Analyst, Barclays Capital, Inc.

Q

Okay. And then, you talk about, like on the solar side, how – the everything but the module strategy. Could you do something like everything but the battery on the storage side? How should we think about that and what would that entail besides the converter product?

Daniel S. Shugar

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

A

Yeah. So, what we can tell you what we're doing now is we've made a significant advancement in this power conversion area that supports battery energy storage. The organic inverter we're developing also is very well-suited for batteries. So, yeah, just for batteries with power conversion. And that's what we're prepared to talk about, to speak about today. There's we – but the growth in that sector we see is very strong.

Christine Cho

Analyst, Barclays Capital, Inc.

Q

Thank you.

Operator: And your next question comes from the line of Philip Shen with ROTH Capital Partners. Your line is open. Please go ahead.

Philip Shen

Analyst, ROTH Capital Partners LLC

Q

Hey, guys. Thanks for taking my questions. Wanted to start off with bookings. We're calculating roughly \$1 billion-plus of bookings for the quarter. You guys have had this really nice run rate for a while now. Do you anticipate this sustaining for the coming quarters or could it accelerate? And I think you guys said the geo mix was kind of roughly 80/20. I wasn't sure if that was for backlog or for the bookings. So, if you could give some color there, that'd be fantastic. Thanks.

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Hey, Phil, this is Howard. So, the answer is we anticipate growing our bookings this fiscal year. So, continued growth. And also with respect to the 80/20, that was with respect to bookings. Sorry, if there's an echo, we're investing in that. So, that is relative to bookings, the 79%, 21% Rest of World.

Philip Shen

Analyst, ROTH Capital Partners LLC

Q

Great. Thanks, Howard. And then, you guys have done a very good job of gaining share in recent years. A number of your large customers are even sourcing you guys 100%. That said, I think some of these guys may be working on diversifying their tracker vendors. What are your thoughts on this? How do you manage this, especially as you guys try to expand horizontally and provide more adjacent offerings?

Daniel S. Shugar

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

A

Yeah. Thanks, Phil. We focus on customers by providing a mountain of value by hyper-focusing on operational excellence, on-time delivery. Our customer satisfaction, our Net Promoter Scores have never been higher. And we're also focused on delivering significantly lower levelized cost of energy as measured by more energy, more gigawatt hours per gigawatt delivered for our systems through a variety of engineering, product features, and reliability of our products performing. Our fantastic bookings quarter, last quarter, which was a new record for the company and the steady growth of backlog is – quantifies that we went public two years and a quarter ago. At that time our backlog was \$2.1 billion. Today it's over \$5.25 billion. So, our numbers speak for themselves. But we're not going to compromise on quality, reliability or safety to win incremental accounts or projects.

So, we're really focused on very high quality systems that are demonstrating phenomenal performance in extreme weather conditions that are outperforming in terms of how much energy they produce and having a customer experience that delivers very high satisfaction. And we believe we earn – we need to keep earning customer trust and projects and our results have underscored that outcome. Thank you.

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

Benjamin Joseph Kallo

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

Q

Hey, guys, congrats on the results. Just more on power electronics. Internally you're developing your product, you made this acquisition. Is the acquisition more about geography or technology or expanding the breadth? And who do you see as your competitors now, so you guys are, evolving very rapidly? That's my only question. Thanks, guys.

Daniel S. Shugar

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

A

Hey, Ben, this is Dan. This was really around time to market and the platform that we acquired is also complementary to our organic platform. What we're really focused, we've spoken to many customers about this and we've looked at a wide variety of inverter technologies. We've been doing this a long time. Back in the early 1990s, in a prior company, we introduced the first IGBT inverter in the industry that was used in the solar industry. And what customers want, they really want reliability, it's essential. It's the single – improving the reliability is the single greatest opportunity for these solar power plants and battery plants to have higher availability, produce more energy, and lower the LCOE.

And we are going to relentlessly focus on delivering that. This acquisition accelerates our time to market. It does give us a larger footprint. Initially, we're going to be focused on the United States, but the platform supports global applications. Additionally, the platform supports new projects for solar and batteries, which are typically 1,500 volts, but it's designed to be able to be manufactured, Philip, to 2,000 volts. Additionally, it's proven to be able to be used for repower applications, both at 600 volts and 1,000 volts, as power plants age, there are growing needs for repowering.

So, regardless of the application that we're serving, what we want to provide is the same exemplary customer experience for our dependability, reliability, customer service performance in this area that includes providing things like spare parts, service agreements, and so forth, partnering with the industry and using our existing staff

to help. And we look forward to contributing to the industry and helping our customers achieve higher performance of their fleets.

Operator: Your next question comes from the line of Dushyant Ailani with Jefferies. Your line is open. Please go ahead. [Operator Instructions]

Dushyant Ailani

Analyst, Jefferies LLC

Hey guys, can you hear me?

Q

Daniel S. Shugar

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

Yes.

A

Dushyant Ailani

Analyst, Jefferies LLC

Yeah. Perfect. Thanks for taking my question. Maybe the first one, I wanted to – I know that you guys said that you're not – your delays are similar to historical delays. But maybe if you can talk about – if you're hearing anything on the tax equity front, from your customers, are they seeing any potential delays because of the FEOC or anything to that extent? And then I have a follow-up.

Q

Howard J. Wenger

President & Director, Nextpower, Inc.

Thanks. Thanks for the question. So, this is Howard. On the first part of your question, we are able to manage our financial profile very well because we have a portfolio of projects and customers. And by and large they execute to plan because we work with EPCs and owners. There's a schedule. Most of the time they're executing to a pre-agreed plan with us to deliver our product to their job sites. That's the core, makes up the bulk of our revenue each and every quarter. Then we have some projects that can push out and some of that can come in, accelerate in. So on balance, because of this portfolio approach, we are able to hit our numbers and operate the company in a very stable way, and in a way that enables growth as well.

A

Now, the second part of your question had to do, and that's basically – that's a historical profile for the company. We're not seeing an extraordinary number of projects that are accelerating or pushing out, maybe some increases, but it's modest, okay, on that level. As far as tax equity goes, we've pulsed customers. We're not seeing this being a bottleneck for the industry at this time. And there are many reasons for this, that can include Safe Harbor, it can include whether or not they're 48E or not, on the tax credit front. And so, and we're just not seeing these impacts. We've seen some rumors of impacts, but not seeing that for the company.

Dushyant Ailani

Analyst, Jefferies LLC

Understood. Thank you. And then my follow-up is just on the backlog. Could you maybe talk about either to the extent you can on the composition of how much is bundled and how much is not? And maybe just some qualitative discussion around that piece, please?

Q

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Sure. We're in the early. First, I want to backup for a second and emphasize what Dan was talking about on power conversion. Now that we have power conversion, that's really the final piece to our entire solar power plant platform, everything, but the panel. And the other thing that's amazing about it or we're very excited about is that it's a gateway to storage and the data centers, now that we've got power conversion. So, this is a significant event that we announced today, and we're very happy about that. We're doing it, as Dan said, to deliver customer value and amount of value. Okay. And what that means is by bundling to your question, which means, okay, the tracker is still the core. Now we have eBOS connected to foundations, steel frames that improve module reliability and speed of install, and now power conversion, we can deliver a unified, optimized, engineered – fully engineered integrated system, hardware and software by one very bankable company that's investment grade.

We think that's unique, differentiating, lowers cost, delivers higher performance, and we are beginning to see orders for that, not power conversion, but we have orders for multiple things. We have multiple orders that have trackers, foundations, eBOS, robotic inspection, TrueCapture, other elements that are fully bundled to the customer for one project. We'll be giving more color as we increase these types of sales in the future. Thanks for the question.

Dushyant Ailani

Analyst, Jefferies LLC

Thank you.

Q

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

Thank you. Good afternoon. So, this Zigor/Apex acquisition gives you an entry, as you noted, into the data center market. I guess conceptually, should we view this as a one-off deal or kind of the first in a series of moves to build out a broader data center power infrastructure platform. I guess how do you think about the opportunity set here beyond just inverters and data centers?

Q

Daniel S. Shugar

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

Sure. Thanks, Praneeth. Well, just to contextualize, many of the projects that we've supported over the last five years, the data center is an off-taker. Okay. So, it's not a new concept that we're supporting data centers with these large power plants. This does provide many new exciting vectors for us to participate in the data center area specifically. Obviously, if solar is part of that, the supply of the data center, whether it's remote or co-located, now there's a significant additional element for the inverter to have value as part of that project. Additionally, we can now be supporting a battery. As Howard mentioned, it's a completely new revenue area for us to support that.

A

And then, there's a lot of ways these loads are being supported. Their traditional grid connection, where there's a solar and/or battery in a remote location. There are applications where there's a main utility transformer. However, if the data center is requiring a lot of very fast ramping of power, there could be voltage collapse on that side of the data center. And so, you need to support that with local resources. And it turns out, there's a lot of talk about gas, but gas is too slow to support many of those applications. These are measured – those needs are measured in milliseconds, not seconds and minutes, where gas could perform.

You could think of the difference, for example, in acceleration between an internal combustion car and an EV. And so, there is the opportunity for batteries to deliver much faster response rate to support even a grid connected system on the customer side of the main transformer. So, there's many different applications, many ways to support these that are being fulfilled. And this technology platform is quite scalable and allows us to rightsize and provide the right technology for our partner supporting these applications.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Got it. That's helpful. And maybe just switching gears on the Saudi JV. Can you comment on, I guess, recent booking activity and whether the geopolitical tensions, the war in the Middle East has had any impact on customer demand?

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Sure. I'll start and then Dan will finish. This is Howard. So, we're really happy with launching the JV. We did so in January, as you know. It's just been a few months. We're already off to a very good start there. We have leadership in place and very pleased to be working with our JV partner in the market. We brought Nextpower to the JV and over 2 gigawatts worth of orders to jumpstart the JV. And so, that's been a good thing. And the JV already has received good news about upcoming awards for it. There's been – obviously, there's a conflict happening in the region. And Dan will actually talk about in his remarks how that's creating actually more tailwinds in a way for demand for energy independence and solar power.

Daniel S. Shugar

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

A

Yeah. I'll start with last week, I was on vacation in Hawaii with my parents – not my parents, excuse me, my family. And while normal people would be hanging out at the beach, while I was sitting there, I was thinking about, gee, we've been able to get Hawaii from the time we did early solar projects from 95% oil that was burned for power down to 65%. Okay, that's progress, but there's still burning oil. I did the math. How much is it? So, since the latest Iran war, oil price went up. How much is that costing little Hawaii? It's about \$400 million a year, by my calculations, that they're going to have to spend for oil for power generation.

Okay. So, that's going to – that will increase the need for renewable power and renewables are mostly solar in Hawaii and some wind. Okay, what about globally? So, since the war, about 20% of global supplies of liquefied natural gas have been impacted because of the Strait of Hormuz constraints. And so, we've seen LNG go up 30% to 50% for Europe and Asia. It's incredible tailwind for the global economics of renewables and solar in particular, because solar is the fastest way to install and the lowest cost in most markets. So, we really think there's a structural reset, huge long-term tailwind that has been introduced, and it doesn't look like these things are going to reset right away.

I believe the largest liquefied natural gas facility in the world, or certainly one of them, was in Qatar, got hit by missiles from Iran, and it's projected to take three to five years to come back online. And there's other constraints there, but it's not a flip of a switch. So, I think the fundamentals for solar have been structurally – there's a new structural tailwind that didn't exist before the war.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Got it. Thank you.

Operator: And your next question comes from the line of Chris Dendrinios with RBC Capital Markets. Your line is open. Please go ahead.

Chris Dendrinios

Analyst, RBC Capital Markets LLC

Yeah, good afternoon, and thanks for taking the question. I guess maybe just sticking on the topic of oil here. Can you speak to how much that might be impacting your freight cost and shipping costs here? Thanks.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

Certainly. Thank you, Chris. It did have a minor impact in Q4, it was not a full-quarter impact, and we have baked that into our outlook. So, I won't comment on the exact number, but it's relatively small on the grand scheme of things for us because of our superior diversified global supply chain. As you'll recall, Chris, we've localized manufacturing around the world. And thus, while we have an impact, it's much more muted than it would have been if we're shipping around the world from a single location. So, it is an impact that's built into our outlook. And the second part, Chris.

Chris Dendrinios

Analyst, RBC Capital Markets LLC

That was kind of just the main crux of it, how that was weighing on margins for the year.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

Right.

Chris Dendrinios

Analyst, RBC Capital Markets LLC

But I guess maybe on the second part of the question here, just the tariff piece of the equation and how you're thinking about that going through the year? And I think you might have mentioned there was, I think, a recovery during the quarter, if you could speak to the impact of that? Thanks.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

Yeah, I won't go into it in detail because as you know, it's a very fluid situation. But we did have some recoveries in Q4. These were effectively with customers. And as you know, we treat our customers like partners and work with them on the tariff impact. And so, there were some recoveries in Q4. They'll likely be more throughout this year, and but we won't comment on the details. Thank you.

Chris Dendrinios

Analyst, RBC Capital Markets LLC

Got it. Thanks.

Operator: And your next question comes from Sean Milligan with Needham and Company. Your line is open. Please go ahead.

Sean Milligan

Analyst, Needham & Co. LLC

Q

Hi, guys. Thanks for taking the question. I was hoping on the power conversion side to get some clarity. So, does the acquisition today increase the TAM that you outlined at the Capital Markets Day last year? And then is there a way for us to think about when you say a 100 megawatt order, like what that kind of equates to in revenue? And then, just like how we would think about [ph] cents (00:51:15) per watt basis in solar foundations? And sort of how can we convert that to, on the power conversion side? Thank you.

Howard J. Wenger

President & Director, Nextpower, Inc.

A

So, on the TAM side of the equation, it doesn't change the TAM, it accelerates our ability to go get the TAM, that's for sure. And it's also one of the things that we haven't talked too much about is how it's complementary with our ongoing organic inverter development effort, which we did talk about at Capital Markets Day, very complementary technologies that can work together and the teams can work together, amplify what each other is doing. So, we're excited about that. As far as ASP, we're not talking about that at this time. But on the 100 megawatt order, it's not going to be a material impact to our financials in FY 2027. Chuck, did you have anything you want to add?

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

No. Well said, Howard.

Sean Milligan

Analyst, Needham & Co. LLC

Q

Okay. And then, when you move past FY 2027, like this product would be incremental to margins. Is there any kind of – I know in the slide deck at the Capital Markets Day, you had sort of a directional graphic. But is there any way you can quantify maybe how margin on this product look for the core tracker business?

Howard J. Wenger

President & Director, Nextpower, Inc.

A

Well, we think in general, long-term, this will have higher margins than core tracker because there's a significant amount of embedded IP in our next-gen inverter. Now, it will take a while to ramp to that because as you know, for the early life cycle with smaller unit volumes, you don't have the economy of scale. Just like in our other businesses, when they start off, they have a lower margin profile and as you mature, you get to kind of a full margin profile. And so, this acceleration will drive very small revenue this year, as Dan mentioned, at the tail end of this year, it will – we expect to generate revenue and profit next year. And then the real acceleration will be kind of, 2028 and beyond, where we'll be accelerating what we've already outlined at Capital Markets Day.

Sean Milligan

Analyst, Needham & Co. LLC

Q

Great. Thank you, guys.

Operator: Thank you. Your next question comes from Gordon Johnson with GLJ. Your line is open. Please go ahead.

Gordon Lee Johnson

Analyst, GLJ Research LLC

Hey, guys, can you hear me?

Q

Daniel S. Shugar

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

Yes.

A

Howard J. Wenger

President & Director, Nextpower, Inc.

Yes.

A

Gordon Lee Johnson

Analyst, GLJ Research LLC

Hey, thanks for taking the questions. So, you've talked about hyperscalar and data center driven demand for several quarters. Can you size for us even directionally, what percentage of your fiscal year 2026 bookings or backlog is tied to projects directly serving hyperscalar load growth, whether co-located or grid connected? And what was that mix assumed to be in fiscal year 2027? And then I have a follow-up.

Q

Howard J. Wenger

President & Director, Nextpower, Inc.

Okay. So, this is Howard. It's material to our financials because we're very close with owner developer customers. We have visibility into their pipelines. We talk to them about their end customers. Although they're very quite – they can be quite secretive about specifics, which is understandable. And so, it's a material part of our business. We're not disclosing the percentage or anything like that. But we see it as an increasing slice of the US pie in particular.

A

Gordon Lee Johnson

Analyst, GLJ Research LLC

Okay, that's helpful. And then, I'm a bit old school. I care about free cash flow and your free cash flow this quarter, 20% above consensus and pretty significant growth quarter-over-quarter. You ended the year with \$1.1 billion in cash, no debt, \$500 million buyback authorization. And given your investment grade rating, what's the case for not being more aggressive on repurchases here and how should we think about the relative claim of the TRA payments, which were \$27 million in fiscal 2026 on an annual free cash flow basis over the next several years? Thanks. Thanks for the questions.

Q

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

Yeah, thank you, Gordon. I think the TRA, I don't think it's built into our outlook, and I'm not going to comment on that specifically. We are very proud of our cash generation. It is truly a fortress balance sheet. And this is a really good company that has really strong EBITDA to free cash flow conversion. We significantly overperformed our own expectations in Q4. We have a bit more muted outlook for 2027 given the strong performance in Q4. But I would say we're pleased with the \$500 million authorization of the board to do buybacks. And we have a plan in place and you'll see in our statement of cash flows, there were some minor repurchases this quarter, and we'll see how the plan operates throughout the next year.

A

Daniel S. Shugar

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

A

Yeah, I'd like to just pile on and actually give a shout out to our CFO, Chuck Boynton. And I appreciate your question, Kevin (sic) [Gordon], because Chuck has brought in with his fantastic team in FP&A and Treasury, and our controller, and the other folks in finance, a real discipline around and real focus on cash flow. We're old school too. And so, when we think about investments, we were looking on return on invested capital. When we think about businesses we're going to acquire, we're looking – we look at EBITDA, but we're looking more at cash flow. When we think about large opportunities with customers, we're looking at payment terms and liabilities.

And I think what you'll find is in the industry, our performance on cash flow is exemplary. And so, that didn't happen by accident. So, Chuck's brought that with his team, a lot of focus on that. And we look at it in every aspect of our business, and it's another way that we're trying to differentiate ourselves. And one of the results was our investment grade rating that we achieved last year. Thank you for that question.

Operator: And your last question comes from Maheep Mandloi with Mizuho. Your line is open. Please go ahead.

Maheep Mandloi

Analyst, Mizuho Securities USA LLC

Q

Hey, thanks for the question. Sorry, if I missed it. But can you clarify like what the capacity expansion in the Arizona power conversion factory would look like? And what capacity do you expect there? And [indiscernible] (00:58:21) UL certifications pending [indiscernible] (00:58:25) available supply over there. Thanks.

Daniel S. Shugar

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

A

Hey, Maheep, sorry, we couldn't really understand. Could you run that for us again, please?

Maheep Mandloi

Analyst, Mizuho Securities USA LLC

Q

Yeah, just first question on the power conversion manufacturing capacity. How much should we expect on an ongoing basis next year? And are you waiting for any UL certifications?

Daniel S. Shugar

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

A

Okay. Thank you. Thank you. I'll speak to that. The product family that we're – that we just acquired is in advanced stages of certification. We have passed all the tests that have been conducted at this time and anticipate those to be coming in the near-term. And with respect to capacity, we want to be in a position of being able to support multiple gigawatts of demand next year. And we – I think what you'll find is when we take on – when Nextpower takes on supply chain, we push that very seriously and we're going to build as fast as we prudently can, but we're not going to sacrifice reliability or quality. So, that's the constraint, is that, it's not space or cash flow, it's around how fast can we prudently scale this business to deliver the reliable performance that our customers expect? Howard?

Howard J. Wenger

President & Director, Nextpower, Inc.

A

I'll just add that we as part of the acquisition of assets, we have a supply agreement that is currently at 1 gigawatt per year capacity. It can ramp quite easily to 3 gigawatts per year. And we are committed to US manufacturing. Thank you.

Operator: This concludes our time for questions. I will now turn the call back to Dan for closing remarks.

Daniel S. Shugar

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

I'd like to thank folks that dialed into this call, investors. I'd really like to thank our customers, our suppliers, and especially our dedicated team. The companies we've acquired have been – it's been a fantastic year. We've accomplished everything we set out to do. In many cases, we've exceeded those targets. There's a recap on our Shareholder Letter that's available on the shareholder page of our homepage. I invite you all to download it. Thank you for your questions and we look forward to seeing you at the next earnings call and our Capital Markets Day.

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