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Nextpower, Inc. (NXT)

Acquisition of Prevalon Energy LLC by Nextpower, Inc. Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome to Nextpower's investor conference call to discuss today's announcement that Nextpower has entered into a definitive agreement to acquire Prevalon Energy. Today's call is being webcast live, and a replay will be available on the Investor Relations section of Nextpower's website. The press release and accompanying investor presentation are also available on the Investor Relations website.

I will now turn the call over to Ms. Sarah Lee, Head of Investor Relations.

Sarah Lee

Head-Investor Relations, Nextpower, Inc.

Thank you. Before we begin, I would like to remind everyone that today's remarks will include forward-looking statements, including statements regarding the proposed acquisition of Prevalon Energy, the expected timing and completion of the transaction, the anticipated benefits of the acquisition, expected strategic, operational and financial impacts, integration plans, market opportunities, customer demand, product capabilities, and other expectations regarding future performance.

These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied. These risks include, among others, the possibility that the transaction may not close on the expected timeline or at all, the failure to obtain required approvals or satisfy closing conditions, integrated risks, market and customer demand, supply chain and execution risks, and other risks described in Nextpower's filings with the SEC.

We may also discuss non-GAAP financial measures. Reconciliations to the most directly comparable GAAP measures, where applicable, are included in today's materials or in our SEC filings. We undertake no obligation to update forward-looking statements, except as required by law.

With that, I'll turn the call over to Dan, Founder and CEO of Nextpower.

Daniel S. Shugar

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

Thank you, all, for joining us on this important day for Nextpower. We announced that we have entered into a definitive agreement to acquire Prevalon Energy, a leading provider of utility-scale battery energy storage systems, abbreviated as BESS, energy management software, advanced controls, and lifecycle services. Subject to customary closing conditions, including regulatory approval, this acquisition will put us immediately in the BESS and AI data center power supply business by virtue of Prevalon's technology, backlog, and team capabilities. This transaction represents the logical and significant next step in our evolution.

Since 2013, we've built Nextpower with the objective of providing our customers with intelligent, reliable, high-performing energy infrastructure that can be deployed at scale. We've done that in solar by combining hardware, software controls, engineering, and services into an integrated platform that improves execution, energy yield, long-term reliability, and customer returns.

Our customers are operating in a power environment that is changing very quickly. Electricity demand is accelerating due to AI, data centers, electrification, industrial growth, and grid modernization. Power systems are becoming more dynamic, distributed, and operationally complex. There's been a tremendous build-out of solar in many electric grids, and BESS is a valuable tool to shift solar supply in the evening hours. That's why storage is now essential for many customers and markets we serve.

BESS is becoming a critical part of how power plants, data centers, industrial facilities, and grids are designed and operated. Customers need infrastructure that can generate, store, convert, and deliver electricity reliably at scale, with the flexibility to respond to changing power, demand, and deliver power when it's needed. They also need partners with the engineering depth, operating experience, balance sheet, and long-term commitment to support critical infrastructure over decades. We project the global demand for BESS outside China could represent an opportunity of up to \$35 billion in 2030, with the US alone representing nearly \$15 billion. That is the strategic context for today's announcement.

Prevalon offers a proven utility-scale energy storage platform with an experienced, trusted team in utility, connected, and salt-powered mission-critical applications. Prevalon has over 6 gigawatt hours deployed and contracted globally, with a project base across utilities, independent power producers, developers, and AI data centers. Its platform includes integrated BESS, power electronics, controls, and an energy management software and lifecycle services supported by long-term service agreements. We believe Nextpower can accelerate Prevalon's growth by combining these capabilities with our deep customer relationships, experienced engineering, lab capabilities, supply chain discipline, proven execution model, and investment-grade financial capability.

Prevalon's capabilities are highly complementary to Nextpower's. This is a natural platform expansion, driven by customers' growing needs for reliable, flexible, and dispatchable power infrastructure. First, upon closing the acquisition, we'll extend our market-leading solar technology platform into large-scale BESS, power controls, energy management software, and lifecycle services. This will enable Nextpower to offer our customers complete firm power solutions.

Second, it will broaden the markets we serve. We expect the combination to strengthen our position across solar plus storage, standalone storage, AI data center power supply, distributed energy systems, and other applications where flexible and dispatchable power is becoming essential.

Third, it will deepen our value proposition to customers. Our customers want infrastructure partners that can help them solve the full system challenge, not just one component. Together, Nextpower and Prevalon can help customers design, deploy, and operate increasingly complex power systems with greater reliability, resiliency, and long-term performance.

Finally, it will accelerate our strategic evolution. This transaction builds on the investments we've already made across electrical systems, power conversion, automation, robotics, and software. It will move us further toward our long-term vision of being at the heart of the next-generation electricity infrastructure.

A key driver behind this transaction is Prevalon's technology. Prevalon's platform is available in both DC and AC blocks and is designed to deliver a high-density modular BESS for utility-scale applications. This system is factory assembled and pre-tested, which helps reduce field complexity, improve project certainty, and accelerate installation and commissioning.

Prevalon's insightOS operating system provides the control layer for storage and hybrid power applications. It is designed to support real-time visibility, coordinated system control, and secure operations across complex power environments.

And for AI data centers specifically, Prevalon's Hybrid Power Stabilizer addresses a challenge that's becoming increasingly important: rapid AI-driven load swings. AI workloads can create power volatility that traditional architectures were not designed to manage. Prevalon's solution provides active power control, not simply backup power by responding in real time, stabilizing voltage and frequency, and supporting continuous operations across grid-connected, hybrid, and standalone environments. That distinction matters. Prevalon's Hybrid Power Stabilizer is already delivering for 1.3 gigawatts of hyperscaler power infrastructure applications. The team is working with industry leaders to support rapid deployment of grid-connected and self-powered AI data centers.

For mission-critical facilities, power quality and uptime are not simply cost issues. They are operating imperatives. The ability to integrate battery systems controls, power conversion, and software into a unified architecture is increasingly important as customers design data centers and industrial facilities that function more like power plants than traditional buildings. We believe Prevalon brings differentiated expertise in exactly these areas.

Equally important, Prevalon's team shares Nextpower's focus on quality, reliability, customer success, and execution discipline. This is a business built around complex, reliable, long-lifetime infrastructure, consistent with Nextpower's product and business culture.

For customers, we believe this combination will mean access to a broader set of integrated energy solutions from a reliable investment-grade counterparty with deep expertise in power generation, power management, and long-term infrastructure support. For Nextpower, we believe it will meaningfully expand our addressable market, strengthens our customer relevance, and positions us to the center of the fast-growing segments of the electricity infrastructure market.

I'll make one final point. We will not lose focus on our core solar business. Solar remains central to Nextpower's strategy and customer value proposition. What this acquisition will do is extend our platform around core by

adding storage controls, software, and lifecycle services with a high-performing mature team that shares our customer-centric values.

I'll now turn over to Chuck, our Chief Financial Officer, to walk through the transaction terms and financial framework.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

Thanks, Dan. Turning to the transaction terms and financial framework. We have entered into a definitive agreement to acquire Prevalon for total consideration of up to \$365 million. This includes approximately \$150 million of initial cash consideration, \$50 million of Nextpower's stock, and up to \$165 million of contingent cash consideration tied to profit targets over four years. Please note we expect the transaction to close with over \$75 million of cash and cash equivalents.

In connection with the transaction, Nextpower will make inducement grants under a management incentive plan in the form of performance stock units to Prevalon's owner managers valued at up to \$100 million with vesting tied to four years of cumulative profit of Prevalon and up to \$35 million in restricted stock units for existing and new employees. The transaction is expected to close near the end of our fiscal Q1, subject to regulatory approvals, including antitrust review and customary closing conditions.

In connection with the transaction, we are updating our fiscal year 2027 outlook to reflect the anticipated contribution from Prevalon following close. Subject to closing, we expect fiscal year revenue of – 2027 revenue of approximately \$4 billion to \$4.4 billion compared with our prior outlook of \$3.8 billion to \$4.1 billion. We also expect fiscal 2027 adjusted EBITDA to be between \$845 million to \$930 million compared to our prior outlook of \$825 million to \$900 million.

This updated outlook reflects our current view of Prevalon's expected revenue and profit contribution after the anticipated closing date, as well as the timing of contracted project activity and customer deployment schedules. We will continue to provide updates through our regular financial reporting cadence.

As we discussed in our most recent earnings conference call, we have increasing confidence in our ability to exceed our previously disclosed 2030 revenue outlook. In fact, this transaction is incremental to our 2030 targets. We expect to provide a more comprehensive update at our Capital Markets Day later this year.

Prevalon operates a lean model with OpEx in the mid-single digits. We expect operating margins this year in the low double-digit range, with the opportunity to expand to mid-teens or higher over time as data center activity scales, and lifecycle services, supply chain discipline, and execution efficiency contribute to mix and margin improvement. Prevalon is expected to add capabilities in large-scale battery energy storage systems, energy management software, advanced controls, and lifecycle services. The company has an installed base and contracted project activity across utility, storage, and data center-related applications. Prevalon's backlog meets a similar high bar to Nextpower. We expect backlog as of the closing date to be significantly above \$300 million.

Before moving on, I want to be clear about how we are approaching this transaction. We are not underwriting this transaction in speculative upside. We are acquiring a business with proven deployments, real customer relationships, lifecycle service capabilities, and a pipeline aligned with markets where we are already seeing significant customer demand. This transaction is consistent with our capital allocation model. It's expected to be funded through a combination of cash and Nextpower equity, and we believe this structure allows us to preserve

financial flexibility, provide significant management incentives and retention, aligning long-term interests in the future growth of the combined company.

We are not assuming that value creation depends on large unproven cost synergies. The strategic rationale is primarily about expanding our customer offerings, broadening our addressable market, and leveraging Prevalon's storage and controls capabilities across Nextpower's customer relationships, engineering platform, supply chain discipline, and execution model.

So, the financial lens is straightforward. This is an accretive transaction with a strategic platform expansion, structured with balance sheet discipline, and focused on long-term profitable growth. Our integration approach will also be focused and disciplined. First, we will prioritize customer continuity and project execution. These are critical infrastructure projects, and execution reliability will be our first priority. Second, we'll focus on retaining and supporting Prevalon's technical, commercial, and operational talent. This team brings deep domain expertise in storage, software controls, and service.

Third, we will work to bring the combined capabilities of Nextpower and Prevalon to customers where we see the strongest strategic fit, including solar plus storage, AI data center power infrastructure, and standalone BESS deployments. We believe there are meaningful opportunities over time to leverage Nextpower's global customer relationships, execution platform, and supply chain capabilities. We will provide additional updates, as appropriate, after closing.

With that, I'll turn it back to Dan.

Daniel S. Shugar

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

To close, I want to reinforce three key messages from today's announcement. First, this transaction is strategic expansion of Nextpower's platform. We are extending our solar power technology platform to incorporate a broader set of integrated energy infrastructure solutions, encompassing power generation, conversion, storage, control, and software.

Second, Prevalon will bring proven products and capabilities in markets where demand for reliability, resiliency, and dispatchable power is increasing rapidly. Its experience across utility-scale storage, microgrids, grid services, and mission-critical applications is directly aligned with where we see growing customer needs.

Finally, the combination will strengthen our ability to serve customers over the long-term. Our customers are building infrastructure that must perform reliably for decades. They need partners that can deliver integrated systems, manage complexity, and stand behind that performance. We are excited about the opportunity ahead, and we look forward to welcoming the Prevalon team to Nextpower following the close of the transaction.

Operator, we're ready to take questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Moses Sutton with BNP Paribas. Your line is open. Please go ahead. A reminder that you may need to unmute locally.

Moses Sutton

Analyst, BNP Paribas Securities Corp.

Q

There we go. Hopefully, you're hearing me now. Exciting stuff. Thanks for taking my question. How are you first intending to optimize supply chain? This is like one of the tried-and-true things you're always doing. You did it for trackers. You do it for other products now. There's a lot of assembly within country. Is there a domestic content element here that you're going to sort of work through? Does that work through 50/50 in the JV? So, just really anything first on supply chain optimization and how that's going to sort of help, both on a margin standpoint and how you're going to use that to go to the market.

And then on the go-to-market approach, should we think of this as you cross-sell through EPC like you do with PV? Or given the nature of storage, is this much more you go to your – a lot of these developer and site owners that you have relationships with already and ongoing relationships, you can cross-sell into past plants and into new ones or is it like both of them? How do we think of how you use that go to market from all the leverage you have, especially in the US market already? So, two things there on go to market and on supply chain. Thanks again.

Daniel S. Shugar

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

A

Moses, Dan here. Thanks for your question. First, we stand on a foundation of success with our prior acquisitions of really helping them drive down costs through supply chain execution and also just our financial position can help the margin position of these companies. This company has a mature team, but they have limited staff. We are well-staffed with supply chain in 13 global offices.

And with respect to domestic content, there's a variety of needs from customers regarding the degree of domestic content we're doing, for example, with our trackers, a spectrum all the way up to 100% of domestic content. Prevalon is in a position to support customer needs on those domestic content, and we're here to help them and where we can be constructive, whether it's in sourcing, longer-term procurement, being able to have the financial resources, more buying power; in some cases, some of the suppliers, we already have legacy relationships with. So, we're really excited and believe we'll be able to be constructive to improve their margin by lower COGS cost.

With respect to go to market, first of all, I directly spoke to five of their customers to just understand how well has the company performed in the design phase, in the modeling phase, in the pre-construction support, in the factory acceptance test, in the delivery phase, commissioning, and long-term operation. And they have great scores from these customers. That really made a difference for us on this particular opportunity. We were looking very broadly across the storage space for a long time.

What's great is that, actually, there's some overlap between our existing customers and theirs, but there's a lot of complementary customers they will bring – Prevalon will bring to Nextpower and Nextpower will bring to Prevalon. Many of our legacy solar-only customers started doing storage heavily three to five years ago, and most of those are not currently Prevalon customers. Conversely, Prevalon has some direct relationships with utilities that we

weren't speaking to at with hyperscalers, Tier 1 hyperscalers that we were not speaking to, and with pure-play battery storage developers.

So, the team is quite mature, competent, and self-sufficient. And what's different about this acquisition from the approximately 10 that we've already completed is those other 10 generally were earlier stage, so we did full integration. In this case, our business model is to Prevalon will continue operating as a wholly owned subsidiary. And so, then, we can make referrals and vice versa. And we're really – it's early days. We need for this to close and then see how we can be most constructive. But we really see this as a one plus one equals a lot more than two, Moses. Thanks for your question.

Moses Sutton

Analyst, BNP Paribas Securities Corp.

Super helpful. I'll pass on to peers. Thank you.

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. Maybe I'll start on the guidance. So, the revenue guidance was increased \$250 million; EBITDA \$25 million. I guess first question, is that a half year contribution from the Prevalon deal or is there a little bit more there since it closes in fiscal Q2? And then how should we think about the long-term margin profile here? It's about 10%, but longer term, sounds like you can get that margin higher. And do you think it can approach your corporate average over time?

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

Great. Thank you, Praneeth. Chuck here. So, yeah, we're thinking this is basically three quarters of a year in our updated outlook. It's very early days, but what we've outlooked is already in backlog. So, basically, their backlog is well north of \$300 million. That's what we expect it to land at the end of Q1, and the timing could be a little bit different. So, the year is covered in backlog. It could be higher. Margins could be better. We want to be prudent given it's early in the year. And then, margins could be better over time. We expect them to improve to mid-teens, maybe higher.

It's very analogous to the early days of solar, where margins were more compressed because the systems cost more. As we layer in additional technology, software, inverters, other things, I would expect it to be higher. Could it be higher than trackers long term? Hard to say. But right now, we see in the short term and intermediate term improving margins and a better business. Thank you, Praneeth.

Daniel S. Shugar

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

Hey, I'd like to just add an additional. I agree with everything you said, Chuck. I just want to add one additional strategic element on the margin side. Where you add value, a lot of value is on the power electronics, and this acquisition is highly synergistic with our inverter and power conditioning system acquisition that we announced a few weeks ago.

And we're really going to lean into technology there, both on the hardware, the software, and the controls side. And we're going to use our labs and our phenomenal team to complement the excellent engineering talent that's at Prevalon to further deliver value for customers in terms of how these systems interact with the grid. There's a lot of white space here, and the more margin – or excuse me, the more value we contribute, the more margin you can generate in that. Thank you, Praneeth.

Next question, please.

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

Brian Lee

Analyst, Goldman Sachs & Co. LLC

Q

Hey, guys. Good afternoon. Congrats on the deal here. I had a couple questions. Just maybe, first off, on the – is there a recurring revenue portion of this? I know you mentioned the LTSAs. Is there an attach rate and margin profile for that business? And then specifically on hyperscalers, are there contracts, whether in pipeline or backlog? Maybe just can you speak to the visibility into the potential there and maybe even what kind of we should think in terms of the dollar content opportunity for, let's say, a typical 1-gigawatt data center if we're trying to size it?

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

Yeah. Certainly. Brian, I'll take the first part. Dan can take the second. Yes, there is a recurring element via LTSA. There's opportunities as well for additional services. We don't want to go into too much detail there today, but there is an element of recurring revenue that we're excited about.

Daniel S. Shugar

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

A

Hey, Brian. How are you? Yes is the answer to your question. Prevalon is currently fulfilling a Tier 1 hyperscaler AI data center, and they have capability, which is very complicated stuff, and they're doing it. And so, they have backlog. And when we talk about – when we speak about backlog in the context of Prevalon, it's the same standard that we speak about backlog with legacy Nextpower. We're talking about a fully executed legal agreement with a deposit, with liquidated damages if the company doesn't deliver or the customer doesn't take.

So, these are enduring contracts. I personally spoke with customers in this category, and it's very exciting stuff that's really at the forefront. What's so cool about this thing is you think about batteries as, oh, we've seen a huge growth in solar and wind, which are intermittent resources, okay? So, we think about these, and there's been a lot like a solar developed in the middle of the day, so, you think about like arbitrage to shift into the evening peak. So, that's all true, and that's kind of a use case.

But – so, the batteries really help renewables, but the batteries also help traditional power stuff. So, if you – and this is something I've – I'm an electrical engineer. I've spent a lot of time trying to understand this, been educated by the Prevalon team and industry experts. So, the existing grid can't handle some of these AI data center loads, which like are very fast in consuming power and also going offline. It's measured in tens of milliseconds.

And so, if you put a traditional rotating machine at the customer facility, it might be on the customer side of the large utility transformer or if you try to operate that facility, run by the rotating machine, you can actually damage

the machine because of the nature of the transient loads. The batteries are much more responsive and able to help.

And so, it's very exciting because the battery systems with the correct control technologies can basically support both renewables and traditional power as we look forward to seeing these loads expand in the grid.

Next question, please.

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

Philip Shen

Analyst, ROTH Capital Partners LLC

Q

Hey, Dan, Chuck, congrats on the acquisition. Was wondering if you could elaborate more on how much more business Prevalon can win with the combination with you guys. What were the – I mean, I know you can't give win rates and so forth, but is there a fair amount of business that they weren't able to win because they weren't of your size and didn't have your capabilities? But with this combination, and combine that with your service-first mentality, I've already been in touch with one of your customers, and they love the idea of this acquisition. And so, just wanted to see how this one plus one equals three in a more – if you can qualify or quantify that in more words or in more detail, that would be fantastic. Thanks.

Daniel S. Shugar

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

A

Hey, Phil. Great question, as always. So, as we always roll, we went out and spoke to a lot of customers about our potential launch into the battery business. The sentiment was overwhelmingly positive, favorable, as we've had many customers asking us to do more, and energy storage was right up there. And the energy storage pairs really well with the power conversion in that category also.

So, the – for all intents and purposes, the Prevalon business model is really not supply constrained, and the – team – the company was only a few years old after spinning out from Mitsubishi. And it's very impressive what they did, which is really a testament to the quality of the team, with very little liquidity. And so, we really feel that given our investment-grade rating, given our global footprint with 12 or 13 global offices or legacy trusted relationships, and then the help we can provide with some supply chain, engineering, back office and things that they need. And the TAM is growing so quickly in this market. We're very optimistic about the ability of the Prevalon business to grow, and we're there to support them every step of the way.

Philip Shen

Analyst, ROTH Capital Partners LLC

Q

Great. Thanks, Dan.

Operator: And your next question comes from Chris Dendrinis with RBC. Your line is open. Please go ahead. A reminder that you may need to unmute locally.

Chris Dendrinis

Analyst, RBC Capital Markets LLC

Q

Hey, can you all hear me?

Daniel S. Shugar*Chief Executive Officer, Founder & Director, Nextpower, Inc.*

Yes.

A

Chris Dendrinis*Analyst, RBC Capital Markets LLC*

Great. Maybe just to follow up on that last comment about not being supply chain constrained. And I guess the question is can you speak to the overall manufacturing capacity that you have today and then how you're approaching that kind of going forward, if there's any additional bottlenecks or things that need to change for you to rapidly scale? Thanks.

Q

Daniel S. Shugar*Chief Executive Officer, Founder & Director, Nextpower, Inc.*

Sure. Thanks, Chris. At a high level, Prevalon follows the same supply chain strategy that Nextpower does. Prevalon's a technology company, like Apple. And what they've really focused on is working with component suppliers and leading manufacturers that can meet their quality specification, engineering, commissioning, long-term reliability to make their proprietary products and a variety of factories to meet end customer needs with respect to domestic content or technical factors and so forth. So, they have a surprisingly sophisticated supply chain developed given the relatively young nature of the company.

A

And so, we can definitely help that. But the strategies are similar, and the approach will enable us to globally scale to meet customer needs where – and the supply chain that you've seen with Nextpower, what – we developed a sort of hybrid strategy in supply chain where, starting about six years ago, in major markets like the US, Brazil, India, and so forth, we developed local supply chain that did most of what was needed, in some cases, 100% if required, or those markets could also export to other markets. And we've imported to the US, we've exported from the US, same with Brazil and India and Saudi Arabia.

And so, their supply chain model is very analogous with ours. And our team has already been coordinating with theirs that once this transaction closes, we're going to hit the ground running to help them manufacture cost-effective, reliable products in the regions that are optimized for customer needs to maximize margin. Thank you.

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

Vikram Bagri*Analyst, Citigroup Global Markets, Inc.*

Good evening, everyone. Maybe I'm asking this question a little too soon, but can you talk a bit more about the terms of contingent payment to give us a flavor of what is expected from the business over the next [ph] four (35:59) years? The contingent payment itself is as big as the initial acquisition price. I imagine some of that, as you pointed out, is to retain the talent with deep knowledge in the space and in the technology.

Q

And then as a housekeeping, is Prevalon an approved supplier to any of the hyperscalers? Have they done loop testing with any of the larger players in the space? Is any of the backlog that you disclosed tied to behind-the-meter hyperscaler projects? Thank you.

Charles D. Boynton*Chief Financial Officer, Nextpower, Inc.*

A

Yeah. Thank you, Vikram. I'll take the first part. Dan can take the second. So, this is structured with a pretty heavy earn-out over four years, and it's done that way because we see very significant growth at pretty much any level across the earn-out spectrum. It's highly accretive to us. And so, it's really a shared model where the owners share in the benefits of high growth, and the company benefits with well more than half of the overall economics longer term over the next four years.

And so, we do well, the management team does well, and we see very, very strong growth over this four-year horizon tied to the tailwinds that Dan mentioned earlier. And so, overall, it is less upfront and more over time, but it's a shared model for mutual success.

Daniel S. Shugar

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

A

And with respect to your backlog comment, again to Nextpower's backlog standard, which is the gold standard, we diligenced Prevalon's backlog. Their largest single project that they're fulfilling today is a Tier 1 hyperscaler AI data center. I personally spoke to the customer and heard good things across the board. Prevalon passed the factory acceptance test on the first try, which is really good. The standards were very high. And so, it all checked out. And there's – you see it in the news, but there's a lot of need for this stuff because customers are desperate to bring power online, but to do an old-school stiff grid to support these wildly varying loads.

In fact, the hyperscaler I spoke to told me that you could literally have 400 megawatts of load coming up within five seconds. Like, you can't support that with a generator. You can see it, I think I mentioned on the last earnings call, if you're in an automobile off the line, 0 to 60, an electric car just is much faster than internal combustion car. And so, it's much more responsive. And so, the same is true.

So, these battery systems can be dispatched on a period of tens of milliseconds. There's no way a throttle and an old-school generator can do that. And so, this is a really high-value application, too. So, it's something we want to support the Prevalon team in going further evolving that. Thanks for your question.

Operator: And your next question comes from Dushyant Ailani with Jefferies. [Operator Instructions] Your line is open.

Dushyant Ailani

Analyst, Jefferies LLC

Q

Hey, guys. Can you hear me?

Daniel S. Shugar

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

A

Yes.

Dushyant Ailani

Analyst, Jefferies LLC

Q

Oh, perfect. Yeah. Thanks for taking my question. Maybe just one on – could you just talk to us a little bit about the competitive landscape of Prevalon? How do they compare? How does their offering compare versus peers? Also, we expect to see some supply coming online. So, how do you think that that kind of impacts Prevalon's strategy to go get in the market?

Daniel S. Shugar*Chief Executive Officer, Founder & Director, Nextpower, Inc.*

A

Okay. I'll take this. So, first off, the supply coming on, that's great, okay? The supply you hear coming online is mostly like batteries, but I'd be a little careful because not all batteries are created equal. You need prismatic cells and things I don't know that much about. But it takes a while to wring out the sort of quality and performance metrics. This is a very uncompromising space to make a battery that performs reliably. But more supply is good, okay?

And we did a very deep competitive landscape survey. We actually hired a third-party consulting firm. As we – first of all, I just want to back up. We take M&A very, very seriously, and our track record of our M&A producing earnings and differentiated technical advantage is very strong. The first acquisition we did was a machine-learning company 10 years ago that complemented our internal staff. And from that, we were able to develop our TrueCapture software. And, Chuck, what have we said that the earnings profile of that business is?

Charles D. Boynton*Chief Financial Officer, Nextpower, Inc.*

A

Well, the margins are north of 90%, and it's about 2% of our revenue. It's turned into a very, very great franchise.

Daniel S. Shugar*Chief Executive Officer, Founder & Director, Nextpower, Inc.*

A

Okay. So, that's – we don't – we're not cavalier when it comes to M&A. This is a big deal for us, and every deal has to work. So, as part of that, we retained an excellent third-party company that did a survey. They reached out to 100 customers. We spoke to 70 customers, this third-party company did.

And we asked them about things that matter in the space: safety; on-time delivery; online availability, how much are these systems actually available after they're delivered; the ability of the company, the battery company to support the engineering; the business ethics of the company and things like that. And then we analyzed those results. We also looked at a third-party report that spoke about – it did assessments in arrears about how many – how well these systems have stayed online historically. And across these metrics, the Prevalon team scored very well. So, we feel really good about that.

And was there another part to this question? Okay. So...

Dushyant Ailani*Analyst, Jefferies LLC*

Q

No. And then I...

Daniel S. Shugar*Chief Executive Officer, Founder & Director, Nextpower, Inc.*

A

Yeah. Go ahead.

Dushyant Ailani*Analyst, Jefferies LLC*

Q

Yeah. I guess – and then I had one more follow-up. Just on that \$200 million backlog, could you just tell us how that converts or over what time period that converts to revenue? I think you mentioned it does cover the full year, but maybe beyond that, too, or how do you think about that?

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

A

It is. We're not going into great detail today, but it's well north of \$300 million. It fully covers this year and into following years, and we expect that backlog number to grow over this year.

Dushyant Ailani

Analyst, Jefferies LLC

Q

Got it. Thank you, guys.

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.

To close, I want to reinforce three key messages from today's announcement. First, everyone, thank you for joining us on short notice. We appreciate that. Okay. This transaction is a strategic expansion of our platform strategy. We're extending out our solar power technology to incorporate a broader set of integrated energy infrastructure solutions, encompassing power generation, conversion, storage, control, and software.

Second, Prevalon will bring proven products and capabilities into markets where demand for reliability, resiliency, and dispatchable power is increasing rapidly, and its experience in utility-scale storage, microgrids, grid services, and mission-critical applications is directly aligned with where we see growing customer needs.

Finally, the combination will strengthen our ability to serve customers over the long-term. Our customers are building infrastructure that must perform reliably for decades, and they need partners that can deliver integrated systems, manage complexity, and stand beyond that performance. We're really excited about the opportunity ahead. We look forward to welcoming Prevalon to Nextpower and following the close of the transaction. Thank you.

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