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Nextracker, Inc. (NXT)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, everyone, and thank you for standing by. My name is Nicole, and I will be your conference operator today. Today's call is being recorded. I would like to welcome everyone to Nextracker's Second Quarter Fiscal Year 2026 Earnings Call. After the speakers remarks, there will be a Q&A session. [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 of Investor Relations, Nextracker, Inc.

Thank you, and good afternoon, everyone. Welcome to Nextracker's Second Quarter Fiscal Year 2026 Earnings Call. I am Sarah Lee, Nextracker'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.nextracker.com. This information is subject to change and we undertake no obligation to update any forward-looking statements as a result of new information,

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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, Nextracker, Inc.

Good afternoon, and thank you for joining us. We're very pleased to report another quarter of strong execution. Before we cover the company's performance, I'd like to remind everyone we will be hosting our inaugural Capital Markets Day at our headquarters in Fremont on November 12th. We look forward to welcoming many of you as we explain the details of our long-term strategy, platform expansion and growth opportunities. Given that after Howard, Chuck, and I provide our prepared remarks on the quarter, we will hold a more limited Q&A today.

Now turning to our performance. We delivered yet another solid quarter, reflecting the team's continued focus on innovation, long-term customer partnerships and execution. In Q2, revenue grew 42% year-over-year to $905 million, and adjusted EBITDA increased 29% to $224 million. For the first half of fiscal 2026, revenue was up 31% year-over-year to $1.77 billion, a record first half for the company.

Over the past year, we've significantly expanded our technology platform from foundations and electrical balance of system solutions to AI and robotics, and our suite of complementary products and services is gaining traction. Last week, we announced a multiyear agreement with a leading US solar panel manufacturer for voltaic gigawatt volumes of our advanced module frame technology, a deal valued at over $75 million. This agreement provides tangible value to customers. It significantly increases domestic content of solar panels, which supports eligibility for tax credits. Our advanced frame technology also improves durability of solar panels for more reliable long-term performance for owners and can facilitate faster installation during the construction phase.

We also launched NX PowerMerge in September, our new electrical balance of system trunk bus product and achieved record eBOS bookings in Q2, the highest quarterly sales in Bentek's 40-year history. We saw other products gaining traction as well. We booked our first fully integrated NX Earth Truss Foundation, which reduced parts count over an order of magnitude. And we saw strong adoption of our NX Vantage fire identification system, which employs AI-based visual analysis. Together, these product lines broaden the capability of our platform, connecting the tracker, electrical and digital systems into one cohesive solution that maximizes project value for our customers and enables us to capture increased wallet share. We are scaling these innovations across our high-volume tracker footprint with over 150 gigawatts shipped to-date, translating measured R&D and M&A investments into meaningful revenue and profit.

Internationally, we continue to expand our market presence and partnerships. Today, we announced we entered into an agreement to form Nextracker Arabia, a joint venture with Abunayyan Holding, expanding our manufacturing footprint and commercial presence across the Middle East and North Africa. Nextracker has a strong legacy of reliable performance in Saudi Arabia, starting with KSA's first utility scale installation. The 405-megawatt Sakaka Solar Park, where our system has demonstrated exemplary reliability. The JV will localize production, strengthen regional supply chains, and advance Saudi Arabia's clean energy goals under Vision 2030.

Looking at the broader picture, we continue to benefit from powerful structural tailwinds, including increasing electricity demand, a flight to quality and very solid long-term customer relationships. Our strategy is clear, through a combination of internal innovation, targeted acquisitions, and world-class operational execution, we're building a compelling integrated technology platform that delivers the lowest cost, most reliable solutions to meet

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our customers' needs. Chuck will walk through our updated FY 2026 outlook shortly, but we're confident in our ability to deliver sustained profitability and cash generation while scaling our platform globally.

And finally, before turning the call over to Howard to review some of the highlights from the quarter, I want to thank our customers for their continued partnership and trust in our employees for their passion in driving innovation and customer satisfaction.

Howard J. Wenger

President & Director, Nextracker, Inc.

Thanks, Dan. We continue to see strong global demand for our products and services growing backlog to over $5 billion at quarter end. It has been gratifying to see continued sales gains and customer traction with our emerging solar technology platform. In Q2, we had record bookings for eBOS and foundations, a record number of new customers and contracts added for robotic inspection, in fire detection services. And we recently announced a new multi-gigawatt agreement for advanced module frames.

The speed of adoption of these additional products and services is very encouraging and a testament to our market footprint and capability to scale quickly. We also had record quarterly bookings for TrueCapture and our Navigator control system, underscoring the value in energy yield enhancement and plant performance and control.

Our strategy is to build a cohesive platform by harmonizing these new products and services with our industry leading NX Horizon tracker system. This approach will deliver superior economics and reliability, improved installation efficiency and excellent customer experience. In fact, we are seeing many project orders now with multiple Nextracker products and services, not just the tracker. At Capital Markets Day, we'll go into the details of our solar technology platform.

Now let's move to regional demand. In the US, bookings and revenue were up significantly year-over-year, with revenue up 49%. We have benefited from a flight to quality and an ongoing shift toward domestically manufactured systems. Outside of the US, internationally, we highlight Europe in the quarter, which has emerged as a top market for the company. Coming off the strongest year ever for Nextracker in FY 2025, we see the markets in Europe broadening and gaining momentum, delivering record sales in Q2. We are also excited by our new KSA joint venture to address the growing MENA region.

Turning to project timing, cost and pricing. Project timing remains stable and manageable on a portfolio basis, consistent with previous quarters, with some projects accelerating and others pushing out. Our deep backlog and broad project portfolio provide excellent visibility and reduce uncertainty. Pricing continues to track the broader solar cost curve, and we continue to invest in R&D and scalable infrastructure to drive cost out.

Our company culture is to relentlessly serve our customers and deliver the most value at competitive cost and pricing. This innovation in customer-centric approach is working as evidenced by increased market share and sustained earnings. We always work very closely with our customers, including managing US tariff impacts. The tariffs are substantial, as we all know, but impacts are mitigated by our domestic supply chain, with over 25 partner manufacturing facilities producing US components an ability to deliver 100% domestic content to US Treasury guidelines.

In parallel, some of our customers have told us they have successfully increased their power purchase agreement pricing both in the near-term and beyond the tax credit horizon. This helps buffer some solar supply chain cost impacts and can help bridge the industry going forward as government policy changes get implemented.

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

With that, I'll hand it over to Chuck to walk through the financials in more detail.

Charles D. Boynton

Chief Financial Officer, Nextracker, Inc.

Thanks, Howard, and good afternoon, everyone. We again delivered strong financial and operational performance this quarter. Q2 revenue was $905 million and adjusted EBITDA was $224 million, representing a 25% EBITDA margin. Year-to-date, we've generated approximately $1.8 billion in revenue, up 31% from last year, and $438 million in adjusted EBITDA demonstrating continued execution across all aspects of the business. Adjusted free cash flow was $171 million for the quarter and $241 million year-to-date. We remain highly capital efficient and our cash generation continues to support investment in growth and innovation. We closed the quarter with $845 million in cash, no debt, and total liquidity of nearly $1.8 billion, including our recently renewed $1 billion unsecured revolving credit facility with investment grade terms. This balance sheet strength provides us with significant flexibility to fund future expansion and strategic investments.

Turning to profitability, Q2 gross margins and operating margins remain strong, reflecting benefits of 45X manufacturing credits, solid cost management, and a favorable regional mix. We continue to see tariff related headwinds of approximately 300 bps in Q2, up 200 bps over Q1. Our geographic mix, diversified supply chain, domestic manufacturing footprint and disciplined execution have helped offset those impacts. Looking ahead, we are raising our full year FY 2026 outlook. We now expect revenue between $3.275 billion and $3.475 billion. Adjusted EBITDA between $775 million and $815 million, and adjusted diluted EPS in the range of $4.04 to $4.25 per share.

For the second half of the year, we expect modest margin impact due to Section 232 tariffs and a higher percentage of international projects. Based on project schedules, we expect the second half revenue to be slightly more weighted toward Q4. In addition, we expect gross margins to continue to be in the low-30s and operating margins in the low-20s. Our outlook assumes the current US policy environment remains intact and permitting processes and timelines will remain consistent with historical levels. Overall, we feel confident in our ability to deliver sustained growth and profitability while continuing to invest in innovation and long-term value creation. We continue to execute at a high level while maintaining strong margins and cash flow and strengthening our balance sheet. We believe our strategy, team and platform uniquely position us to deliver long-term shareholder value.

With that, we'll move to Q&A. Operator?

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QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Mark Strouse with JPMorgan. Your line is open. Please go ahead.

Mark Strouse
Analyst, JPMorgan Securities LLC

Q

Yes, good afternoon. Thank you very much for taking our questions. So, Dan, I think being the first quarter that you guys are reporting since the One Big Beautiful Bill, but also safe harbor being updated. Just curious for your take, don't want to steal thunder from the Analyst Day here in a few weeks, but kind of how you're thinking about industry growth through the next several years, let's call through the end of the decade. I think when you first IPO-ed, you were quoting some industry sources for some pretty significant growth. Just curious with everything that's kind of changed between now and then, how you're thinking about that going forward. Thank you.

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

A

Yeah. Thanks, Mark. We feel the fundamentals for solar are very strong. We've spoken to our customers. And in the US, customers have safe harbored immense amounts of projects and gigawatts. Orders are continuing, the fundamentals overseas are strong, as evidenced by our sustained bookings and backlog. What's interesting is, as the industry moves forward, how the economics of solar stack up when tax credits are gone, down the road. Way back about six or seven years ago, Nextracker did the largest solar project in the Western Hemisphere at the time, it was a project in Mexico, we did for Enel called Villanueva. we did with our partner – EPC partner, SOLV. And there were no cash credits down there. That was an all-source solicitation. And that project stood on its own economics for – the bill tax credits in North America.

So since then, solar panels have gotten a lot more efficient, the power of the panels has roughly doubled since that project happened. Inverters more efficient, the Nextracker platforms have – are increasing yield. And so, many of our customers share our view that the industry can stand on its own without tax credits and be economically viable in most of the US, most of the world. While this has happened, this year, what we've seen is also significant escalations in the cost of fossil power generating equipment, our CapEx and we've seen a lot of volatility on fuel pricing and things like that. So, we're confident in the long-term prospects for our industry, for solar. And we feel great about our current position with record backlog today at over $5 billion.

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

Brian Lee
Analyst, Goldman Sachs & Co. LLC

Q

Hey, everyone. Good afternoon. Thanks for taking the questions. Kudos on the nice execution here. I guess, just one question I would have around the cadence for this year. I know, you don't necessarily control the project timing. But first half of the fiscal year has been really strong, evident in the numbers here. So, it is a bit of a different seasonal cadence. Can you maybe give us some sense as, is this pull forward ahead of policy changes in the US or are there other factors driving the project timelines this year versus historical?

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And then I'll just throw one in there, I don't know if I'll get an answer, but given the evolving mix of business and you stated, Dan, record bookings in eBOS. Can you guys provide any kind of rough thoughts around the bookings mix, tracker, non-tracker, US, non-US? I'll take a stab at that one. Thank you, guys.

Charles D. Boynton
Chief Financial Officer, Nextracker, Inc.

A

Great. Thanks, Brian. I'll take part one, and Howard will take part two. So, we had a really, really strong first half of the year. Kudos to our operations team on incredibly strong delivery. Our on-time delivery is stellar and our customers really enjoy how we operate. As you know, we look at our business on an annual/multi-year basis and you can't just look at one quarter and say that's a trend. Having said that, we have raised our outlook now both Q1 and in Q2, so we are seeing strength in the year. As you know, one quarter out, the trucks are scheduled, deliveries are scheduled, and so we feel really good about where Q3 is landing. We did note in the prepared remarks and in the shareholder letter that you'll see, Q4 is a bigger quarter than Q3.

And so, I think overall, we feel good about where the year is landing and we'll see how strong Q4 will come in if it's going to be bigger, we'll let you know next quarter, but right now we feel really good with the pace and cadence of the business this year. It's a little smoother, quite frankly, than last year and the year before. So, we do think that as we grow and scale, it is becoming a little more linear.

Howard, do you want to take the second part?

Howard J. Wenger
President & Director, Nextracker, Inc.

A

Sure. So, you asked about eBOS and the mix of non-tracker and tracker and then sort of a regional look. So, kind of a multi-part question there. Thank you. We have a strategy of building out a platform that has our tracker at the core and we're executing to that both with organic investment in R&D and new products within the company and also inorganic through M&A. We've executed a number of M&A – a number of acquisitions as we've announced, one of them you asked about is the eBOS. We acquired Bentek, and in the first full quarter that they were with us, we achieved record bookings and that's over a 40-year history of that company. So that gives you a sense of our market presence and platform and ability to scale these acquisitions. We're really happy with the start there. We also had record bookings in our advanced foundations business, also through acquisition and internal R&D combined, and we had a record, we purchased OnSight, which is a robotic inspection company, had a record number of new customers, signed in the quarter and contracts there as well.

So, we're really happy with the non-tracker part of the business. At the upcoming capital markets day, we'll get into how these, the tracker, non-tracker business, and we'll give a lot more detail on how they fit and how they're going to grow and what the percentages are, et cetera, there. So please come for that day on November 12th. And I'll just say that we're from a US and non-US mix perspective, the US has really had a very strong run and we expect that to continue. And meanwhile, as we noted, revenue was up 49% year-on-year in the US, okay, quarter-on-quarter or year-on-year for the quarter. Meanwhile, the International business keeps growing and so we're very pleased with how the strength of our global bookings status is. And now we're over $5 billion on backlog. Thanks for the question.

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

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Philip Shen
Analyst, ROTH Capital Partners LLC

Q

Hey, guys. Thanks for taking my questions. First one is on bookings, your bookings and book-to-bill have been consistently impressive. With the expansion of your technology platform, our check suggests that your customers who already spend a large chunk of their wallet with you are open to spending yet more. Can you talk about how bookings could continue to trend in the coming quarters, especially with the increased number of product offerings?

And my second question here is on the poly 232. I think in your shareholder letter you talk about the steel and aluminum 232 impacting your back half margins. But on the poly 232, which is potentially going to be announced in the next few weeks. How are you and your customers prepared for a potentially high Section 232 tariff that may have a limited quota level for the different segments of the value chain? Thanks, guys.

Howard J. Wenger
President & Director, Nextracker, Inc.

A

I'll take the first part, Phil. And Dan will take the second part. So, yeah, another very good quarter for us on sales. Very strong demand is still there. For us, we think there's a flight to quality and that our customers want to – for us to do more. And so, that's what we're doing. We're responding to customer demand and we're unlocking a lot of synergies between the tracker and other elements of what we're selling, as evidenced by record bookings and particularly for foundations, which we're very pleased about. Another quarter of increased backlog, so you can infer from that, that monotonically increasing backlog is a good thing. And so, we are going to get into it, in a lot more detail at Capital Markets Day on how these different products and services and solutions integrate together and how customers are responding to that. Thanks for the question part A, Phil, and Dan will take the next one.

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

A

Hey, Phil, so with respect to 232, as it relates to poly, so we don't buy poly wafer cells. I will say, though, last week we toured a major new 5 gigawatt module manufacturing facility at the pleasure of meeting some executives from Corning, which has really stepped up to increase their production in the United States of polysilicon and other stuff. And so, the – we're just very gratified to see the significant build out of capacity in the United States. But we're not in a position to really comment on, how all that's going to play out with respect to raw materials for our customers. I will say, though, that with respect to tariffs, that was part of the logic in us doing our – launching our steel frame business, okay. So, this has just been very well received in the market. The fundamental reason we first started looking at this and Nextracker has been involved in advanced module, for instance, we founded the company, we came up if you look at almost every solar panel today, the features in those frames that were Nextracker DNA. Okay. So, we've done a lot of engineering and research on that. The legacy frame have been aluminum and aluminum was, okay, on solar panels for small. But today solar panels are huge, and you have this floppy module problem where the aluminum is not strong enough.

Well, our frame designs that we have, both our next-gen frames are amazing, acquisition we did with Origami with their frame design, addressed those issues by providing more rigidity to the solar panel which provide longer-term, we believe greater durability of the performance of the solar panel as well as facilitate attachments of those panels to reduce installation, time and labor. What it also does though, is address the supply chain issue. And essentially, we can manufacture these frames in the United States using US supplied steel, we're already doing this, it's happening. We have capacity on the ground and this allows our customers to have a better position with – it can allow them to have a better position with respect to tax credits and also increase the content of the product.

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So, we're doing our part, which is to further increase domestic manufacturing of many of the aspects of the solar power system. And the stream thing will help get that done. Thanks for the question. Next question, please.

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

Praneeth Satish
Analyst, Wells Fargo Securities LLC

Q

Thanks. Good afternoon. Maybe just kind of digging into the T1 Energy partnership that you announced a few weeks ago. Are you viewing this as maybe a blueprint for future deals with other US solar manufacturers? And if so, how far along are those discussions? Could we see more deals this year? Or do you view the T1 deal as kind of more of a one-off or more kind of an exclusive pilot?

And then maybe just kind of longer-term on the product side for steel frames, you mentioned some of the benefits. But, is there an opportunity to maybe design or develop a new tracker product that better integrates the steel frame designs and enhances the overall performance?

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

A

Yeah. Thanks, Praneeth. On question number one, we see the need as universal for solar panels. These panels, the physical area has significantly increased in these panels. And the need to provide more mechanical stability and functionality in these panels applies really to everyone. And so, we've had a very positive reaction to the launch of our advanced module frame business at the major trade show of the year, RE+, which was last month and in the run-up to the T1 transaction you mentioned and afterwards. So, we see this as a great win for everyone, really owners, the IPPs that are operating these plants want to see longer-term durability. The module industry wants to be able to source competitive domestic product and increase their US content. And EPCs want more durable solar panels to handle and to ship in, in the installation phase.

Now, the next thing that's possible is – hey, can we co-optimize the frame with the tracker system? And the answer is yes. In another part of our shareholder letter, we commented on how – we just launched our Integrated Earth Truss product in the foundation space and there's recent analogy here. With that product, we were able to reduce the parts count by an order of magnitude. So, if you look at the existing foundation and the new foundation, we're able to engineer a lot of these parts out. The analogy with the frame you can think about an automobile, old cars, they had a very strong automobile frame, okay. And then the panels were just sort of hung on the car, the side panels. And then you came out with these like unibody cars where the – it's a co-optimized structural element that has to survive dynamic forces. And the same thing is true with the solar panel in the tracker. So, there's a lot of opportunities to co-optimize these products and to really serve the industry, both for frames that work with Nextracker as well as other support systems. We're very excited about this product family and it's been very well received in the market. Next question, please.

Operator: Your next question comes from the line of Sean Milligan with Needham. Your line is open. Please go ahead.

Sean Milligan
Analyst, Needham & Company

Q

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...taking my question, great quarter. I was curious, on the international side, you mentioned a lot of markets and so was interesting to see what your comments are around tracker uptake in those markets. If you just go back a couple of years, how much additional share have trackers taken in those markets have grown to and just kind of where you see that heading over time?

Howard J. Wenger
President & Director, Nextracker, Inc.

A

Yeah, this is Howard. Yeah, trackers, there's no question, trackers are the predominant structure for utility scale solar projects and also larger DG, distributed generation projects have gone to trackers. And just the energy yield has gone up over time with innovation. We've been able to, back 20 years ago, for example, even a place like Germany, Southern Germany, a tracker gain was about – over fixed tilt 12%. You fast forward to today, 20 years later, because a lot of the innovations that Nextracker has implemented, we're now at 18% to 20% gain over a fixed tilt in the same region. So, there's just sort of this very important drive for energy yield, lower cost that's happening with scale that's a virtuous cycle that's allowed trackers to become the dominant platform.

And that's in just about every region of the world. The only place that we're seeing some fixed tilt is like super – like incredibly – like on a mountain side. These niche applications that are incredibly difficult. It might be appropriate for fixed tilt. Thanks for the question.

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

Dimple Gosai
Analyst, BofA Securities, Inc.

Q

Good evening. Appreciate the opportunity to ask a question here. Team, you mentioned or you called out expansion in the Middle East through Nextracker Arabia JV. Can you help quantify the level of investment in Saudi Arabia JV? Is there any local manufacturing planned or in place? And then further to that, what kind of revenue contribution and manufacturing footprint you expect by 2027, right, like maybe give us a sense of pricing or margins in those regions compared to the US, please.

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

A

Yes. Hey, Dimple, Dan here. I'll provide a bit of context and ask Howard to provide more color on the market, and Chuck to go deeper on the numbers. We're extremely excited to be launching Nextracker Arabia. As noted earlier, we have a long legacy, seven years ago, we did the first utility scale project in Saudi Arabia with the 400 megawatts Sakaka project. We've exported from Saudi Arabia many times from manufacturing capacity that we've set up there. The market is growing very fast in Saudi Arabia. It's one of the top growing markets in the world. And what's really key is to work with the right partner. And we couldn't be more pleased than to be partnering with Abunayyan, one of the most respected participants in the water, energy, and infrastructure industries with 75 years of experience.

And local content matters. So, you asked, are we increasing capacity? Yes. There's actually a factory. Typically, we work with other partners to run factories. In this case, we actually stood up a Nextracker factory in Saudi Arabia. And Chuck is going to comment on how we're dealing with that in a moment. And that facility shipping finished goods, we have multi-gigawatt orders, we're fulfilling right now, and a long history with delivering well over 6 gigawatts across the region. Now, that region is very challenging, environmentally with extreme temperature, wind, sand, dust. And our systems have really stood up well with exemplary performance,

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differentiated reliability and higher energy yield. Now, the way we've structured this particular business arrangement in Nextracker Arabia is, it's a joint venture, there's a technology licensing component, and we're not going to consolidate.

Chuck our first – I'm sorry, Howard, can you speak a little more about the market and the regions we serve and then Chuck comment a bit more on the financial aspects?

Howard J. Wenger
President & Director, Nextracker, Inc.

A

Sure, Dan. So, first of all, before I get to the market, I just want to say that we couldn't be more pleased, as Dan mentioned, because finding the right partner is non-trivial. We found the right partner, and we believe they found the right partner too, in Abunayyan Holding. And just the culture fit is there, first and foremost to make a joint venture work you have to speak the same language, be on the same page, and be highly complementary and synergistic, which we are. They're going to bring the market. We're going to bring the technology. Together we're going to go and win. And so, we feel very good about the plan that we've developed together and to execute.

And we're going to hit the ground running with projects that we've already secured in the region that will go into the joint venture. And as far as the market goes, it's not just Saudi Arabia, I want to make that clear, which is a very strong market, okay. They have a 2030 Vision that they're executing on. They need to install 20 gigawatts per year there to execute to that Vision in Saudi KSA. But the joint venture also covers the MENA region, Middle East, North Africa, and there's some very strong markets within that region that we can go and conquer together. So, very exciting. And with that, I'll hand it over to Chuck.

Charles D. Boynton
Chief Financial Officer, Nextracker, Inc.

A

Thanks, Howard. Dimple, the – you know, Abunayyan is really a blue-chip company, it's the kind of partner that a US, and specifically Silicon Valley technology company would want to partner with. We spent a lot of time with them working on this transaction and they are really incredibly sharp, astute people, great partners. As Dan mentioned, this is going to be a roughly 50/50 JV that we do not plan to consolidate. And it really fits with our kind of asset light model, kind of high-ROIC. And given that the JV will have factories and operations, we think it's better overall for our financials that way. And then, on the revenue side, we will have a license fee and be able to sell our technology. And then we think this will be a really good business for years to come. I won't comment specifically on 2027. But as Howard mentioned, the aspirations in that market are incredibly strong and we're really excited about the future.

Operator: Your next question comes from the line of Corinne Blanchard with Deutsche Bank. Your line is open. Please go ahead.

Corinne Blanchard
Analyst, Deutsche Bank Securities, Inc.

Q

Good afternoon. Thank you for taking my question. Maybe the first one, can you talk about TrueCapture? I think you mentioned it makes up 2% of the quarterly revenues. So maybe high level if you can talk about the expected contributions for 2026? And then maybe a quick regional market update for trackers would be great? Thank you.

Charles D. Boynton
Chief Financial Officer, Nextracker, Inc.

A

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I'll take the first part, Corinne. TrueCapture as we mentioned last quarter, TrueCapture rev rec is really tied to commissioning of systems and it's been around 2% of revenue last quarter. We said it did dip a little bit because of just the timing of commissionings. And as predicted, it rebounded to a really strong quarter of around 2% recognized this quarter. Howard, do you want to take the second part?

Howard J. Wenger
President & Director, Nextracker, Inc.

A

I'll just say that adoption continues to increase. So, we did the IPO back two-and-a-half years ago, almost three years, we were at about 1%.So, the adoption of our TrueCapture software continues and we keep adding features and capability and the energy yield keeps going up. So, it's more and more compelling with a very strong backlog for TrueCapture. Thank you.

Operator: Your final question comes from the line of Ben Kallo with Baird. Your line is open. Please go ahead.

Benjamin Joseph Kallo
Analyst, Robert W. Baird & Co., Inc.

Q

Hey, thanks for fitting me in, guys. My question was just about, you guys made several acquisitions, made half a dozen. And just thinking about your appetite going forward, and then also how we think about – how you feed the different acquisitions with capital, whether that's R&D or other source or other types of capital going forward. How you allocate that and how we should think about that in numbers as we go forward to next year, as we grow each of those business and integrate them?

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

A

Thanks, Ben. I'll take the first part. This is Dan. Chuck will take the second. So first, we view the new product services we do holistically, meaning that we look to internally generated on products and services as well as acquisitions that we can do. We are very close customers and really just ask them like what are your pain points like how is it going like where are you having issues? Where do you see these opportunities for greater yield? And we factor that into our – also complement that with our own thinking and experience about, how to get more profitability out of these systems or and help drive lower LCOE and so forth.

So, we've significantly increased our internal R&D budget. We've roughly tripled in the last two to three years to roughly $100 million today. And then with respect to acquisitions, we try to have a very objective on evaluation of what we can do in the market and needs in the market. I'll give you a case study, which is our advanced module frame activity. As I mentioned, Nextracker's worked on that for many years. We – there's features in almost every module frame that's sold today that has our DNA there. We have – we really saw we needed to really help control that to provide value to the module companies, EPCs and owners. And so, we had an internal program for the last few years to develop the next generation advanced module frame. But we were also supporting a third-party, Origami Solar, that had developed a beautiful universal frame which has the same sort of fit and function as traditional aluminum frames. So, we really evaluated on an objective basis that they needed – they taken the company as far as they could, they needed sort of an exit. And so, we evaluated that and thought, hey, we like what we're doing internally, but this helps our speed to market, and it provides an initial, immediate customer need and that team provided incredible engineering and other merits to complement our internal effort. So, we – it's really a, how we think about things in terms of solving customer needs that brings that forward.

And in terms of capital allocation, can you speak to that, Chuck?

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Charles D. Boynton

Chief Financial Officer, Nextracker, Inc.

A

Yeah. Certainly. And Ben, anyway your questions was on funding these post-close. We do have a very experienced M&A team in the company, both sourcing and integration, and we are really, really intentional with not making the mistake of killing the company you've acquired by not investing in it. We actually buy the company, we have an investment case, and we stick to our guns, we're playing the long game then we're not looking at the short-term results. So, we're heavily investing in things like R&D and marketing and sales. To ensure success, we've built out a really capable team to manage these investments, and I'm really proud of the work and it's really bearing fruit, you can tell, and I think so, we're excited about the investments that we're making. We're not going to slow down and we appreciate that.

Dan, you want close?

Daniel S. Shugar

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

A

Yeah, I do want to just say on these new businesses, we're growing. It takes time to operationalize these and get the leverage of scale with it drops through into like significant margin. And so, we feel great about the portfolio as we've brought in the foundations, I mentioned we just launched this integrated product which reduces the part count significantly lowers the costs. We love the margin profile of as we optimize products, how they contribute to the overall company. And so, both with the organic and the new businesses we're bringing in, we look forward to unpacking those in our Capital Market Day upcoming. Thank you all for joining. We look forward to welcoming you either in person or on our Capital Markets Day on November 12th.

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

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