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Nextpower, Inc. (NXT)

Q1 2027 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, everyone, and thank you for standing by. My name is Kevin and I will be your conference operator today. Today's call is being recorded. I would like to welcome everyone to Nextpower's First Quarter Fiscal Year 2027 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-Investor Relations, Nextpower, Inc.

Thank you and good afternoon, everyone. Welcome to Nextpower's First Quarter Fiscal Year 2027 Earnings Call. I'm Sarah Lee, Nextpower's Head of Investor Relations and I am 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 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 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 and thank you for joining us. We are very pleased by the company's performance and positioning as we report on the first quarter of our fiscal year. Nextpower delivered a strong quarter characterized by continued bookings momentum and backlog growth, operational discipline, and execution, and significant progress in the expansion of our technology platform. We achieved a record quarterly revenue of $935 million with adjusted EBITDA of $233 million. Backlog grew to over $5.5 billion, reflecting healthy customer demand and booking strength across both our core tracker business and our expanding portfolio of non-tracker products. On top of the $5.5 billion, Nextpower Energy Storage brings over $300 million of additional backlog. We demonstrated continued progress with our long-term strategy of solving customer problems and delivering tangible value and performance. For most of our history, this meant developing tracker products that help customers lower LCOE, accelerate installation, improve reliability, reduce risk and increase energy yield. That approach led to global market leadership in solar trackers.

According to Wood Mackenzie for 2025, Tracker Market Share, Nextpower was recognized as the number one solar tracker company in the US and globally for the 11th consecutive year, growing share to 55% in the US and 30% worldwide. By innovating tracker solutions that solve complex project challenges and improve financial outcomes, we have earned trust and repeat business from our global Tier 1 customer base and deployed our technology across projects totaling more than 160 gigawatts. Each project deepens our customer relationships and gives us greater insight into evolving needs of utility scale solar and storage customers. Those insights guide how we invest both organically and through disciplined M&A to enhance the value we can deliver to our customers.

Customers continue to ask us to do more as utility scale solar, storage, and critical power infrastructure projects become larger and more complex. With the acquisition of Prevalon which closed last Monday, we launched Nextpower Energy Storage. Prevalon brings us a proven team with an excellent track record across 6 gigawatt hours of turnkey storage solutions, spanning applications from dispatchable peaking power to data center stabilization, serving blue chip customers. Solar and storage are highly symbiotic technologies for electric grids, enabling low-cost energy and rapid capacity deployment for dispatchable firm power. Energy storage also represents a significant growth vector, an opportunity for Nextpower as it is projected to grow at 33% CAGR from 2025 to 2028.

Since our last call, we also announced the pending acquisition of the Zimmermann PV-Steel Group, a very well-respected company based in Germany with an excellent European footprint. Upon closing, Zimmerman is expected to expand Nextpower's offering with five new product lines, extending the company's reach into 15 additional countries, and creating cross-selling opportunities for Nextpower eBOS, power conditioning systems, and batteries. These transactions follow our customer-focused playbook, identify critical pain points, invest in differentiated technology, scale through Nextpower's global footprint and trust relationships, and reinvest to strengthen the platform. As we execute on this strategy, we believe we can improve customer outcomes, increase our project participation scope, strengthen Nextpower's competitive moat, and generate attractive long-term returns for shareholders.

I also want to proactively address questions around Tuesday's announcement by the FCC related to imported inverters. Nextpower launched a power electronics business to solve customer needs in inverters, which include better operating performance, stronger domestic manufacturing, enhanced cybersecurity, and support from an investment grade US company that has a strong product service culture. Our new inverter business satisfies these needs and helps to further derisk customers as we may see additional US government restrictions on overseas inverters.

We're pleased to announce today that our acquisition of the Apex inverter business has closed and that our product has achieved Underwriter's Laboratories UL 1741 SB Certification. We are further accelerating our US manufacturing build out across multiple locations. We expect deliveries to begin in early 2027 and plan to have over 10 gigawatts of US capacity online next summer. Our UL certified Apex inverter is designed to enhance cybersecurity using site level optical fiber communications and it's designed to meet all government requirements. Customer response to our inverter technology, manufacturing, cyber, domestic manufacturing and service plan has been very strong. We're doubling down on ramp plan for these essential products and services with the goal of having the highest availability operating inverters for solar and storage power plant owners. The current market environment represents a structural tailwind for our business. Global electricity demand continues to accelerate, driven by electrification, industrial growth, artificial intelligence, data centers and the need for more reliable and resilient power infrastructure.

Solar and storage are the fastest, lowest cost and proven ways to add new capacity. As this market moves forward toward terawatt scale annual deployment volumes, customers need partners that can deliver high performing, reliable energy infrastructure solutions at scale. We believe Nextpower is uniquely positioned to meet that demand. We will be hosting our second Capital Markets Day on November 16 at RE+ in Las Vegas, where we will provide an update to our 2030 outlook that will reflect a material acceleration due to our strong market momentum, recent strategic acquisitions and exemplary operational execution. We look forward to seeing many of you there.

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

Howard J. Wenger

President & Director, Nextpower, Inc.

Thank you, Dan. Q1 was another great quarter for Nextpower, marked by record revenue, strong customer bookings and backlog growth and operational execution. We continue to see a flight to quality in the market, an increasing validation of our platform and bundling strategy. Customers are choosing Nextpower because of our technology, execution, supply chain, bankability, and customer service. We believe these factors are propelling company growth and show up in our sales backlog and market share. We had another excellent bookings quarter with strong demand both in the US and international markets. Tracker sales drove sequential backlog growth to a new record high.

We are now also benefiting from meaningful sales and revenue contributions from non-tracker products, starting with eBOS, which serves as a proof point of how we are efficiently integrating and operationalizing acquisitions. We had record eBOS bookings in the quarter and the products segment is on track to contribute well over $100 million of revenue for the year. Our eBOS offering has strengthened further with the recent UL certification of our unique and differentiated NX PowerMerge solution. We have currently booked 850 megawatts of PowerMerge with deliveries expected to begin in the current quarter. Secondly, our foundations business is also growing with a 50% year-over-year increase in the quarter. Thirdly, our TrueCapture control system delivered record revenue and backlog in the quarter reinforcing Nextpower's industry-leading position.

We are also pleased to announce in the non-tracker category that the Apex inverter is now UL certified and is applicable for both solar and storage markets. This certification paves the way for broad commercialization in the US market, and we are highly focused on rapidly building out a scalable and flexible supply chain for these products.

Finally, we are very excited to add energy storage to the Nextpower platform. With the launch of Nextpower Energy Storage, we expand our ability to serve our solar customers with a broader set of integrated solutions, while expanding our customer base to include hyperscalers, standalone storage developers in a large range of utility customers.

Now, moving to markets and the demand picture. The US remains our best market globally. We are seeing continued positive demand signals as project pipelines are growing, getting permitted and reaching construction. We have very strong and trusted customer relationships in the US and this is helping us accelerate growth in our non-tracker business and puts us in great position for addressing the storage segment.

Internationally, we secured a tracker order for the largest solar plus storage project to date in Australia, a 721-megawatt project incorporating significant locally made steel content. We also continue to expand our global customer footprint in the quarter, taking our customer reach to over 50 countries. The acquisition of Zimmermann PV when closed, will extend our reach further with 15 additional countries. Zimmermann is a very well-respected brand with a fantastic team with more than 20 gigawatts of cumulative projects and well-established customer relationships across Europe. Importantly, the acquisition of Zimmermann will expand our ability to serve a much broader set of ground-mount solar applications with their product portfolio. For example, roughly half of Europe's ground-mount PV installations are fixed tilt at about 25 gigawatts per year, and Zimmermann brings deep expertise in fixed tilt and other structural solutions that we expect will significantly increase our addressable market.

Zimmerman's German Headquarters and strong market position there are key strategic elements for us, as Germany is projected by S&P to become Europe's largest solar market by 2030. Germany currently represents approximately 20% of Europe's ground-mount solar market, mostly deployed as fixed tilt systems. We also see meaningful energy storage opportunities across Europe, where installations are expected to grow rapidly. Over time, we believe that Zimmermann sales channels and customer base especially across Europe, can facilitate sell through for Nextpower product portfolio, including trackers, eBOS, power conversion storage and software.

Turning to project timing and pricing globally. Project timing generally remains manageable as is typical in utility scale solar, we continue to see some projects accelerate and others move to the right, and we manage those movements across a large and diverse portfolio of customers and geographies. Overall pricing continues to track the broader solar cost curve, and we continue to invest in R&D and scalable infrastructure to reduce costs while improving system performance. Our culture is to relentlessly serve customers and deliver maximum value at competitive cost and pricing.

In summary, our business fundamentals are strong and we are excited by the revenue and growth vectors we added with power conversion, energy storage, and eBOS solutions now in the mix. Demand is healthy, our backlog is large and continues to grow. Execution visibility is solid and we continue to strengthen our competitive position through innovation, customer focus, and operational excellence.

With that, I'll pass it on to Chuck.

Charles D. Boynton

Chief Financial Officer, Nextpower, Inc.

Thank you, Howard, and good afternoon, everyone. Overall, Q1 was another quarter of strong execution, with results that reflected healthy end market demand, disciplined execution, and continued investment in long-term growth. For the first quarter of fiscal 2027, revenue was $935 million, representing 8% year-over-year and 6% sequential growth. Q1 adjusted gross profit was $342 million, adjusted gross margin was 37%, and adjusted EBITDA was $233 million, representing an adjusted EBITDA margin of 25%. Q1 geographic revenue mix was approximately 83% US and 17% Rest of World. Our revenue mix remains predominantly solar tracker systems, but non-tracker products are becoming a more meaningful part of the business.

In Q1, we recognized revenue from TrueCapture, eBOS, foundations, robotic solutions, and other platform offerings. Non-tracker products represented approximately 14% of total revenue, reflecting continued customer adoption. Q1 saw a solid execution that exceeded our gross margin targets of the low-30s, benefiting from IEEPA tariff recoveries, higher relative US revenue contribution, strong TrueCapture revenue, partially offset by higher logistics costs. Adjusted operating expenses increased year-over-year as we expanded our platform and increased investment in research and development. This is consistent with the strategy we have discussed previously.

Turning to cash flow and the balance sheet. Our strong balance sheet, cash flow generation and ample liquidity remain competitive advantages. We closed the quarter with over $1.2 billion of total cash and cash equivalents with no debt. We generated $121 million of operating cash flow and a $105 million of adjusted free cash flow in the quarter. We operate a capital efficient business and remain focused on maintaining and improving our cash conversion cycle. Our investment grade credit rating speaks to the strength of our balance sheet and capital structure, and it remains important to customers, suppliers, and project financing partners.

Based on our Q1 performance, the strength and quality of our backlog and continued demand across our core and emerging product categories, we are updating our fiscal 2027 outlook. We now expect revenue in the range of $4.1 billion to $4.4 billion, adjusted EBITDA in the range of $870 million to $930 million, and adjusted diluted EPS in the range of $4.42 to $4.73. As previously communicated, our outlook includes planned investments of approximately $50 million related to growth initiatives, primarily the acceleration of our entry into the power conversion market.

I want to spend a minute on margins and returns. Our structural margin framework has not changed. We continue to expect gross margins in the low-30s and operating margins in the low-20s. Quarterly margins will fluctuate based on mix, tariff recoveries, ramping of new businesses, and the policy environment, but the long-term framework remains intact. As we integrate recent acquisitions and scale new product categories, we will see an impact to EBITDA and margin percentages. In many organic initiatives or acquisitions, certain costs will come ahead of revenue as we build engineering, manufacturing, go to market, and service capabilities. We are making these investments where we see strong customer pull, clear strategic fit, and attractive financial returns. eBOS is an early proof point. A little over a year after acquiring and launching that product line, we have delivered multiple quarters of record bookings, and revenue, and seeing strong attach rates. And as Howard pointed out earlier, remain on track to generate well over $100 million of revenue this year.

Prevalon is another example of our approach. A meaningful portion of the consideration is tied to future profit targets and management incentives that are aligned with cumulative profit. We are not relying on speculative upside or large unproven cost synergies to justify the transaction. We acquired proven deployments, real customer relationships, backlog, life cycle service capabilities, and a platform we believe can scale through Nextpower's customer relationships, engineering, supply chain discipline and execution model. As Nextpower scales, we believe investors should evaluate us on both absolute profit dollars as well as margin percentages. The objective is not to dilute returns to buy revenue. We are focused on sustaining structural margins on a larger revenue base while growing adjusted EBITDA dollars, free cash flow and return on invested capital over time.

Finally, on capital allocation, our priorities remain consistent. First, we continue to prioritize organic investment in new products and services. Second, we pursue disciplined M&A that strengthens our technology platform and creates customer value. Returning capital to shareholders remains the third pillar of our capital allocation framework, with our board approved $500 million share repurchase authorization. We have increased confidence in our ability to deliver sustained growth and profitability while continue doing to invest in innovation and long-term value creation.

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

QUESTION AND ANSWER SECTION

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

David Chow
Analyst, UBS Securities Asia Ltd.

Q

Hey, this is David Chow on for Jon Windham. Thanks for taking my question and congrats on the quarter. I know you mentioned the FCC inverter ban briefly. But I was just wondering, assuming you made the decision to accelerate investment in the inverter segment, prior to that announcement. Just wondering, how do you view or how do you kind of view the change in the scale of the opportunity for you in that product segment post the announcement or how incremental is that to kind of your long-term outlook for market share in inverters? Thank you.

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

A

Hi, David. Dan Shugar. Thanks for the question. So, we keep saying this and it's just very basic and so true. We asked customers, what are your greatest pain points? What do you need help with? And it comes back often inverter, power conditioning unit, those things. And so, we actually made a decision over two years ago to really launch a family of products in the inverter business to serve solar and power conditioning business, to serve energy storage. So, we have a tremendous amount of momentum on organic, internal product families. And then we also wanted to double down on that, and we did the acquisition of the Apex product line, and we couldn't be more pleased with that.

Let me be clear about what our objective is. Nextpower will deliver to the market the most available inverter and power conditioning products in the industry. That's our objective, and we will get that done. What that means is from an owner's standpoint, these systems are online, okay. When you look back after a year or five years, what have you. And it's not rocket science. I could take you to systems we did 20 years ago with really inverters, IGBTs, inverters that were still operational. So in order to do this, you need to have a great product, a great service model, spare parts, operational excellence, and the right kind of service culture. And we're going to do that.

So in response to, as we've been rolling this out, and pre-conditioning the market, we've seen very strong demand and feedback from our customer, which is why at our last earnings call we announced we're putting this incremental $50 million in, which is real money, and we've hired some of the best and the brightest organically, and then, we're extremely pleased to bring the Apex and Legacy Zigor technology team, led by Antonio Poveda and Jacob Marshall in the United States to the team. And so, what we're seeing is, customers also really valuing domestic production. They're valuing cybersecurity. This also addresses the FEOC concerns. We're going to have a portfolio of product and supply options for these segments or these applications available to the market, and it's also synergistic with the storage business that we announced completion of the acquisition last week.

David Chow
Analyst, UBS Securities Asia Ltd.
Q

Understood. Very clear. Thank you, I'll pass it on.

Operator: And 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, guys. Good afternoon. Thanks for taking the questions. I have two, so I'll just try to fit them both in here. One, there's been a number of M&A deals here, obviously, so would be curious Dan, Howard, if you guys have any comments you can make, early read on integration efforts, realization of synergy potential, anything you could quantify? I mean, it does sound like margins may be impacted negatively near term, but then should be back to normal by end of fiscal year end. And then related to that, just curious how your direct access visibility discussions, or however you would characterize it with hyperscaler and data center customers has evolved here with the more robust portfolio. And maybe how quickly you expect to realize some of the opportunities across that customer segment and then maybe in what product category specifically? Thanks, guys.

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

Sure. I'll take the first part, Brian related to the acquisitions and how the integration is going. Howard will take the second part related to the hyperscalers in that market segment. So first, we have a history of success with M&A. We did the Brightbox machine-learning acquisition 10 years or 11 years ago. That really helped us, developed our TrueCapture and NX Navigator suite of products, which has been an overwhelming success in use on many hundreds of power plants, extremely material to our financial results, but importantly to the customer projects.

Starting about three years ago, we did a number of smaller acquisitions. Those have been fully integrated. Those are more tuck-in technology acquisitions. We did Ojjo on the foundation with many gigawatts of that under fulfillment that's going great. What commentary technology on the foundation business that customers are really valuing. And some of the stuff is hard. You have to invest. It takes a few years to operationalize and be able to purely get to both volumetric scale, but also tune these businesses up where they're actually hitting the financial metrics you want. So that – I mean, that's going great. We've done a number of additional earlier stage businesses, and Chuck, in his earlier remarks mentioned, for example, our eBOS business, we closed that just about five quarters ago. We're at sort of $50 million or $100 million annualized run rate, which is double what that company did in the 30-year history. And we just announced our new UL listed product, PowerMerge, which brings the best of both schools of thought through electrical balance of systems to the market and we've seen great results there.

So, it really comes to putting your shoulder into these things, sweating the details, getting the best people to run these businesses, empowering them and then bringing those forward to customers where we're adding value. And I think our program is going extremely well. What's different about the Prevalon acquisition is that we have a very mature team, they had done about 38 projects with very good references from customers. I was just out at a large utility scale site last week with the team at 200-megawatt hour, 800-megawatt hour site that was brought online in under a year. The very sophisticated utility customer was extremely pleased with the performance. So there, we don't need to integrate those as much because that product line can run. And the last one in that M&A family, the large one that we announced last quarter was a definitive agreement to acquire Zimmermann in Germany, which is very well established, respected, stable revenue, cash flow generating company in Germany that we don't need to do the level of integration we have with the other businesses. So, that's how we thought about that program.

Howard, can you address the hyperscaler question?

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

A

Sure. So, hey, Brian. So we are serving hyperscalers, both indirectly and directly. And by indirectly, I mean we're working with IPP owner developers who have contracts with hyperscalers, and we're supplying equipment to them. Now that we have a full platform of solar and storage, we can offer much more value for both hyperscalers and our IPP developer partners, that's indirectly. And then directly, we are working with hyperscalers directly, one product that Prevalon, now Nextpower Storage, has, is hybrid OS. It's a power stabilizer that provides continuous power, can respond to data center demand fluctuations that are less than 10 milliseconds, really fast response. And working directly with hyperscalers and what they're doing on their side of the meter on those kinds of applications.

So, people ask, is hyperscaler market, and data center market, and demand market for electricity real. It's very real. We're seeing expanding pipelines to serve this market segment and closing business on that basis. So, we're really excited about that. I just wanted to add that today we announced the closing of the inverter acquisition we made, and power conditioning system acquisition. Dan noted that, that acquisition serves both solar and storage, so there's some synergy there. You asked about synergies, Brian and that's one of them. Taking that inverter power conversion technology from one company, importing it through our Nextpower Storage acquisition in Prevalon, so quite excited about that. Thank you.

Operator: And your next question comes from Mark Strouse with JPMorgan. Your line is open. Please go ahead.

Mark Strouse
Analyst, JPMorgan Securities LLC

Q

Great. Good afternoon. Thank you very much for taking our questions. I appreciate you guys, you're giving us the percentage of your revenue that's coming from the non-tracker business. Is there any other color that you can provide us though, as far as like the percentage of your tracker projects that are coming with other technologies, maybe kind of the average number of offerings or solutions per project, kind of what that looks in your bookings, and maybe how that's trended over the last couple of quarters. And then just a quick follow-up, if I can get it out there. Chuck, I just want to make sure the $50 million incremental investment in power conversion, is that in line with what you were talking about back in May when you announced the deal? Or is this incremental on top of that? And so, we should be thinking about $100 million now. Thank you.

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

A

Thanks, Mark. I'll go first. This is Chuck. No, it's the same $50 million. We're excited that the power conversion business closed today. And so that investment really started a little bit last quarter, but for the most part is kind of over the next four quarters, it's the same numbers though, non-incrementals what we announced in May.

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

A

Okay. This is Howard. Really pleased with the progress in putting in more products alongside our tracker platform, including foundations which grew 50% year-over-year in revenue for the quarter. And then our eBOS business, Dan mentioned it in his previous answer that that's really going extremely well, $100 million plus revenue run rate for the year, which is beginning to become, well it's a meaningful contribution to our annual revenue and growing. The attach rate on eBOS I think is particularly striking for us, and it's exceeding the overall attach rate that we noted in our remarks of 14%. So, we're really happy with the progress on eBOS, and everything so far points to an affirmation of our strategy which is to offer a fully-engineered solution entire bundle where we're wringing out cost and increasing yield. Just integrating our foundations with our trackers, we're able to reduce install time by 20%. Part of that, we eliminated all the fasteners between the foundation and the tracker. So, that's another proof point of what we can do to optimize system cost, and performance, and provide a better solution for our customers.

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

A

Thanks, Mark.

Mark Strouse
Analyst, JPMorgan Securities LLC

Q

Thank you.

Operator: And your next question comes from Phil 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. First one here is on your margin expansion. You highlighted in your quarter or in the Shareholder Letter that this was driven in part by TrueCapture and tariff recoveries. I was wondering if you could split that out and specifically call out how much TrueCapture benefited you guys there? And then ultimately, can you give us a more detailed update on TrueCapture? I know at the IPO, you guys were a little bit hesitant on that, but you've had some time now, a couple of few years here to ramp up that volume. So, I was wondering what percentage of your installed base has TrueCapture? And then as you book new business, what's the attach rate of TrueCapture there given the strong margins, it'd be great to understand what kind of impact TrueCapture is having? Thanks.

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

A

Yeah. Phil, it's Chuck. I'll go first on some of the details and how we can fill in on attach rates. So, TrueCapture historically was 2% of revenue. We're not giving the exact number, but it's gone higher. So, the overall revenue from TrueCapture has accelerated. We had a great quarter and it's tied to commissioning, so you'll see some quarters it goes up, some it may be in line, but we expect a very strong year for TrueCapture. Q1 was strong. But the real kind of overall beat on margins was we had pretty significant IEEPA recoveries, and there's still more that we'll get in Q2, and some beyond possibly, but that was a real benefit. And there was a bit of a headwind on freight that kind of offset that a bit. But I was looking, our guide overall was kind of low-20s operating margins and we delivered 25% and that overachievement was primarily tariff recoveries that offset a little bit by freight and logistics. Howard, do you want to talk about the attach rates?

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

A

Sure. First, I want to hum a few bars on TrueCapture, which we love and adore because it represents the best of what we do as a company. We've been working on it for about 10 years. It's really hard thing to do, which is to optimize the performance of every single row of trackers in a field, and there are thousands of tracker rows in every field, typically for the larger fields. And we operate each one independently to maximize yield and that's what TrueCapture does. And it does it in several different ways and we've proven it, third-party engineers who have proven it that it works, it's validated and we have many tens of gigawatts of TrueCapture installed with validated performance, and we are seeing increasing attach rate for it because over time, it becomes even more valuable, the more you have uneven terrain, and more difficult locations to install the power plant.

And so, operating the power plant in a reliable way that maximizes yield is becoming more challenging. But our TrueCapture control system does that. And so, we're not publishing attach rates, but I can tell you that it's going up. When we did the IPO, and did the road show, we said it was about 1% of revenue. Then we've given indication that it's 2% of revenue. All I can tell you in the quarter, it was higher than that. And so the attach rates are going up for that and it is important. Phil's very insightful question and much appreciated.

Philip Shen
Analyst, Roth Capital Partners LLC

Q

Thanks, Howard. Quick follow-up here. On bookings in the quarter, can you guys share what the mix was between the different products? I know the revenue you guys talked about, non-tracker was 14%. On the bookings, can you do the same? And then also on a go-forward basis, you guys have been pretty steady in this $1 billion per quarter kind of bookings level. Do you see potential for that to accelerate or should we continue to expect this $1 billion cadence? Thanks.

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

A

I'll take the first part to fill in the numbers and Howard can fill in more color. Yeah, we raised our backlog number from $5.25 billion to $5.5 billion over $5.5 billion. We also want to be clear that our Energy Storage business, which just closed in July, adds significantly more than $300 million on top of that backlog. We don't break out the details of the over $5.5 billion. But, Howard, do you want to add some color?

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

A

Well, I'll just say that I like how you frame the question, Phil and I'm going to affirm that we did book more than $1 billion well over for the quarter. We had a great bookings quarter and it is – was supported both by a strong US, and strong international sales, and strong sales coming from non-tracker business. But we're not breaking out precisely what the mix is, but directionally very meaningful contributions from the non-tracker part of the business.

Operator: And your next question comes from the line of Moses Sutton with BNP Paribas. Your line is open. Please go ahead. [Operator Instructions]

Moses Sutton
Analyst, BNP Paribas Securities Corp.

Q

Thanks for taking my question and congrats on beating well every quarter. So, 10 gigawatts of US inverter capacity. Good push, I don't know, it's 8% of 2028 revenue if you start selling that out. Is that the case? Is that sort of the directional view here? And similar to trackers, would you actually expect to have extra capacity in inverters on hand for like surge shipment needs? And I guess my second question, what other areas are you guys looking to conquer next? You're getting into power conversion. There could be medium voltage transformers, there could be commercial solar battery kits or integrators, just other areas that are on your mind. Thanks for taking the questions.

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

A

Yeah, thanks, Moses. The – I think what you've seen in the past is, we don't screw around when it comes to supply chain from a capacity, from an operational execution, from having raw materials, and our balance sheet certainly supports being able to accomplish all the above. So we're going to size the domestic production capacity in response to what the market needs are. I also want to just highlight that the Energy Storage business, the Prevalon business, they do work with third-party power conditioning. Manufacturers have great relationships there. We're going to keep respecting those relationships. On the power conditioning side with storage, the business unit can either use a inverter that we would make at the company or a third-party inverter as long as it's a high-quality product that's supported with on-time delivery and great service. So, that particular business unit will be free to find the best solution for the customer.

But for our internal program to build US inverter capacity, we are very pleased. We announced – we brought Rob Vinje in as our Chief Operating Officer. We have a long – and he is – his top priority is that. We have a long experience with Rob. I first met him 20 years ago with Howard. We were on the roof of the SunPower solar power cell line in Manila, in the Philippines. Rob scaled thousands of buildings with Amazon and is one of the top operational – well, he is the top operating person we know in the industry, period. And so we're very pleased to have him join the team in the last few months. And he's working with our existing team with some of the new folks that we've brought on through the acquisitions and we're adding some additional team members.

So we have the resources, we have the strategy, we have the capital, and we've listened to our customers. These inverters and power conditioners have been the Achilles heel of solar and battery, and those days are going to be over. We are going to address that issue and deliver the most reliable and available set of products, period. And our customers are begging us for this, and we're going to fulfill that. And I think it's hard, but I don't think it's rocket science. We're going to get it done.

So in terms of, we don't – we're not really thinking about what percentage of the revenue is it exactly. We're just focused on the business case. Ultimately, that product family is actually a higher margin business than our tracker business. And it will – if we deliver operational excellence there, which we will, we hope that it lands, and performs that at a higher margin. Part of our overall portfolio of products and services we're bringing to market. But what we're most focused on is meeting customer expectations with schedule, with product performance, commissioning, preconstruction, design support getting through the utility process and so forth, and then having both a very strong quality, and very strong reliability program of the company to be able to support that operational performance.

If we do all the above, the sales, the profitability of those units will then be a byproduct of us doing our job. And we think not only is this an important thing for our customers and Nextpower, but we think it's an important thing for the industry. And so we're going to really lean in on this and provide this portfolio to our customers.

Howard J. Wenger
President & Director, Nextpower, Inc.
A

And then on Part B, I'll just start and Dan, if you want to fill in, you are asking about M&A. As Dan noted, we formulated our platform strategy more than two years ago. We've really executed on it to evolve beyond the tracker to provide a full turnkey solution for both solar and storage. We have the major, major pieces in place now with the closing of the Prevalon deal for storage and the Apex, Zigor acquisition. But there is more to do. There is more to do and more possibilities there as you noted, Moses. But Dan, do you want to add to that?

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

Yeah. I mean, look, we're continuing to invest well over $100 million a year organically in our R&D and develop a suite of products there. Again, we're listening where order opportunities to the customers have to help them with their IRR on their power plant investments. If there's something we need to do, we'll take it on. If we can develop it organically, that's usually the best thing to do. If we need to do an M&A to accelerate time to market and bring additional experience into our company that we don't have as we did on the energy storage business, we'll do that. The only thing we are committed to is a fully informed decision and that is objective and delivers value to the customer and also shareholder value.

Howard J. Wenger
President & Director, Nextpower, Inc.
A

Thanks, Moses. Thanks for your questions.

Moses Sutton
Analyst, BNP Paribas Securities Corp.
Q

[indiscernible] (00:49:26). Thanks.

Operator: And your next question comes from the line of Dylan Nassano with Wolfe Research. Your line is open. Please go ahead.

Dylan Nassano
Analyst, Wolfe Research LLC
Q

Yeah, hi. Thanks for taking my question. So now that Prevalon is closed, I just was hoping we could get an update on, I guess, the self-procurement strategy there and specifically, I guess just the appetite around offering for US domestic product. And if I could just sneak one more in just on the guidance. I mean I see the bottom end of the range was raised. I am assuming visibility improved since our last update. Just any color on why not raise the top end here? Is there anything specifically that you're kind of being cautious on?

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

Yeah. Okay, I'll do the first half. So, the former Prevalon team, now Nextpower Energy Storage team has, as I mentioned, delivered approximately 38 projects to the market. I personally spoke to eight of the legacy customers, including a very large hyperscaler that the team is currently fulfilling a project over 1 gigawatt with, and that's going really well. They have a, I'll say a portfolio of supply options available to meet the customer's domestic content requirements, just as we do on the tracker side, and our other product side with our – one of the products at Nextpower. I haven't heard any customers, actually last week, we met with over 10 customers, speaking a lot about energy storage. Well, with every customer, we spoke about energy storage. And there, we didn't hear any requirements from them that we can't meet. And so, it's exciting that just as in solar, with solar panel factories being built out in the US, we're also seeing additional battery factories being built out in the US. And so, we have a good position today and we expect that to grow as the capacity grows and customer needs grow. Chuck can you take the second part.

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

A

Certainly. Dylan, we had a really strong Q1 and feel like we've got the wind at our backs and are set up for a great year. We did our Q4 earnings call in mid-May where we outlined our annual guidance. A month or so later, we announced the Prevalon transaction and materially raised top and bottom. And then here, we are a month-and-a-half or so later, raising the bottom end of the range. But we come in there with strong convictions. Why? What we see revenue increasing throughout the year, we noted in the Shareholder Letter that we'll see modest, sequential increases in revenue throughout the year. But importantly, we did not add an outlook for Zimmermann, the company in Germany that has a very strong business and strong profitability, strong cash flow. That's not in our outlook because we're not exactly sure on the timing of when that will close. Prevalon, we did because we had strong conviction on when that would close, and it was basically right on target. And so, we are set up for the back half of the year to have an increase likely tied to Zimmermann being closed. But I'd say it's just Q1. We just finished our first quarter. We saw three quarters to go. So, we want to be prudent with our overall outlook. Thank you, Dylan.

Operator: And your next question comes from the line of Christopher Souther with Truist. Your line is open. Please go ahead.

Christopher Souther
Analyst, Truist Securities, Inc.

Q

Hey, thanks so much for taking my question here. I'm curious, it was really helpful, you guys framing the inverter opportunity set. As we're looking at storage, are there any concrete numbers you can give around the gating factors there, be it sell, supply, be it some of the module capacity or containers that you could kind of talk through.

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

A

Yeah. Thanks, Christopher. First, I want to just pull back and compliment the team, the Nextpower Energy Storage team, the CEO of that, Tom Cornell; and Ben Hunnewell, the CFO; and the Chief Technology Officer, Alejandro for how they've really brought together a great set of products to the market. They have both a DC block and an AC block solution in the market, and so, it really addresses. There's 10 use cases in battery energy storage, and they address eight of them. And there's, we spoke about this power stabilizer application for data centers, something none of us were talking about a few years ago. And they're fulfilling one of the largest projects in the country with that.

So, we just closed last week, and we're out speaking with customers now. So, we'll certainly unpack this in much greater depth at our Capital Markets Day on November 16. But what I'll tell you is that I see no impediments to being at the company from either a supply, design, financing standpoint to be able to satisfy customer needs. The battery segment we put in the Shareholder Letter, latest data that we have is, it's growing at 33% CAGR through

2030 based on the latest forecast. And we're seeing it, a lot of our legacy – virtually all our legacy customers on the [indiscernible] (00:55:38), we're seeing a lot of pure play storage companies. We're seeing utilities go out for bid because it's a way to not only arbitrage power from the middle of the day to later in the evening or in the morning, but also it's a way to deal with limited transmission capacity on the electric transmission side.

If you analyze how little transmission is being built in the United States, I'm talking about electric transmission and sub-transmission from 115,000 volts through 500 kilowatts typically. It's very few circuit miles being built. There's a lot of load being added. And what the battery does is, it addresses both the ability to arbitrage power and supply local T&D support. And Howard and I wrote several, actually technical papers on this in 1990, 1991 using photovoltaics and energy storage for grid support. I wrote a paper with a former colleague called the Distributed Utility in 1991 that basically outlined a model for how distributed renewables but also storage would help support the grid. And now that battery is available at huge scale, extremely affordable, what we're seeing on is also batteries transitioning from five years ago these batteries for one hour typically, few years later, they were two hour. Now with this stuff coming out on the grid is four hours. Well, the customers we were speaking to last week, were seeing a lot of six hour and eight hour applications. And so, we think the batteries are really important for customers to connect loads to grid, but also highly synergistic with solar, which is why we're bullish on the long-term forecast for solar because the costs have come down so much, the only impediment is basically more duration and dispatchability, and the storage is solving that.

And actually, we just saw also an analysis that the Arizona Public Service put forward in a, I believe a regulatory proceeding looking at the what's called the ELCC, it's the effective load carrying capability and solar by itself was pretty low. Solar was sure to be very high kind of right up there with gas and so forth. And so, this storage is essential as we go forward and we see previously unimagined use cases for it as we go forward, and it really portends for solar.

I'll just, the final thing I'll note is, the first six months of this year to date, 90% or 91% of the power generation brought online in the United States even in this regulatory environment, 91% was solar and storage. And we could speak to you all day long about why solar is going to keep coming down on costs keep improving in availability and similarly with storage. So, we're very bullish on the prospects of these technologies to continue growing. Next question.

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

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

Hey, guys. Thanks for fitting me in. And I'll try to keep the time here. Just I know we focus a lot on the US, maybe could you talk internationally, tracker, non-tracker, the Saudi JV? And then because inverters have been such a focus on the call, could you just talk about the non-US strategy. I know you're going to produce in the US, but how you go to market there outside of Spain, I'm thinking more Asia there. So, a couple of different questions there, but thanks [indiscernible] (00:59:47).

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

Yeah, sure. First, I'll talk about NX Arabia, which we banged the gong in January of this year. They're off to a great start. We've booked business there through the JV. It's a structural change in how we report the financials there, we're not recognizing the revenue. So – but it's – but we are recognizing the profitability of the venture, and we do have a license there. So, it's good for the company and it allows us to get our technology there and be very competitive in that low-cost region. And so that's been a very good, we're very happy with the leadership there, and our partner in Abunayyan Holding Company, they're just an excellent partner for us in NX Arabia. And they're addressing many countries in the region, not just Saudi Arabia, but in MENA, Middle East North Africa, we're working closely with them there.

And then, as far as the international business, we talked about Zimmermann which is this very well-respected German company. They've been around for about 15 years, very well respected brand, great team, headquartered in Germany. To be honest, Nextpower doesn't have much footprint, and Germany historically has been very strong market in Europe, it's one or two over the last 10 years. We don't have a lot of footprint there because it's largely a fixed tilt market. And Zimmermann has a very clever, excellent fixed tilt system and a significant market share in Germany, and they're adding 15 countries to our 50-country market footprint. So, we're expanding our market. Much of that in Europe, which in totality is as big as the US business in terms of or as much as the US generating capacity, that's what we see in Europe. So in totality, it's a very significant, important market there. So with Zimmermann, and our expanded team in Madrid, and then we have others in from the Zigor, Apex acquisition for inverter there in Spain, so we've just greatly expanded our footprint in Europe and internationally. Thanks for the questions, Ben.

Daniel S. Shugar

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

Great. So this brings our call to a close. For those of you that didn't get a chance to answer a question, please join us on the call back and we'll unpack those. We'd like to thank our customers and partners for their continued trust, our employees around the world for their incredible work, and our shareholders for your confidence and support. We're really excited about these opportunities ahead and believe our market leadership expanding technology platform and outstanding team position us well for future and look forward to sharing more with you at our Capital Markets Day in November. Thanks for joining our call and have a great day.

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