NASDAQ:FCEL Q2 2025 Earnings Call Transcript

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Tiffany | Conference Operator:

Hello, and thank you for standing by. My name is Tiffany, and I will be your conference operator today. At this time, I would like to welcome everyone to the Fuel Cell Energy second quarter of fiscal 2025 financial results conference call. All lines have been placed on a listen-only mode. After the speaker's remarks, there will be a question and answer session with instructions for participation provided at that time. Thank you. I would now like to turn the call over to Tom Gelston. Tom, please go ahead.

Tom Gelston | Vice President, Investor Relations:

Thank you, and good morning, everyone, and thank you for joining us on the call today. As a reminder, this call is being recorded. This morning, Fuel Cell Energy released our financial results for the second quarter of fiscal year 2025, and our earnings press release is available in the investor section of our website at www.fuelcellenergy.com. Consistent with our practice, in addition to this call and our earnings press release, We have posted a slide presentation on our website. This webcast is being recorded and will be available for replay on our website approximately two hours after we conclude the call. Before we begin, please note that some of the information that you will hear or be provided with today will consist of forward-looking statements within the meaning of the Securities and Exchange Act of 1934. Such statements express our expectations, beliefs, and intentions regarding the future and include without limitation statements with respect to our anticipated financial results, our plans and expectations regarding the continuing development, commercialization, and financing of our fuel cell technology, and our business plans and strategies. Our actual future results could differ materially from those described in or implied by such forward-looking statements because of a number of risks and uncertainties. More information regarding such risks and uncertainties is available in the safe harbor statement in the slide presentation and in our filings with the Securities and Exchange Commission, particularly the risk factor section of our most recently filed annual report on Form 10-K, and any subsequently filed quarterly reports on Form 10-Q. During the course of this call, we will be discussing certain non-GAAP financial measures, and we refer you to our website and to our earnings press release and the appendix of the slide presentation for the reconciliation of those measures to GAAP financial measures. Our earnings press release and a copy of today's webcast presentation are available on our website under the Investors tab. For our call today, I'm joined by Jason Few, Fuel Cell Energy's President and Chief Executive Officer, and Mike Bishop, Fuel Cell Energy's Executive Vice President, Chief Financial Officer, and Treasurer. Following our prepared remarks, we will be available to take your questions and be joined by other members of the leadership team. I'll now hand the call over to Jason for opening remarks. Jason?

Jason Few | President and Chief Executive Officer:

Thank you, Tom, and good morning, everyone. Thank you for joining us on our call today. Along with our earnings announcement this morning, Fuel Cell Energy announced a restructuring plan that prioritizes sales of our molten carbonate platforms. Additionally, as a part of this effort, we are taking meaningful steps to right-size our business, manage expenses, and position ourselves to take advantage of near-term opportunities. Altogether, we believe this strategy will accelerate the timeline toward expected future profitability. We believe that this restructuring plan will sharpen and accelerate our path to positive cash flow and growth. We are intensifying our focus on our carbonate platform while reducing overhead, working to optimize our supply chain, and focusing on driving efficiency. At the same time, we will strategically preserve

the platform's long-term flexibility with the goal of unlocking further opportunities such as carbon capture. Regarding our solid oxide platform, Our exclusive focus will remain on validating and demonstrating our electrolysis technology at the U.S. Department of Energy's Idaho National Laboratory. We are pausing broader solid oxide R&D immediately reducing costs and intensifying our investment in proven customer ready solutions. We are focused on delivering future ready power today. We believe that a successful targeted demonstration at Idaho National Laboratory will position us strategically to capitalize as the hydrogen economy expands, highlighting our highly efficient and differentiated electrolysis platform. Under our restructuring plan, we will recalibrate our Torrington manufacturing facility production schedule to align with contracted demand rather than forecasted demand, which without continued growth in our closed order book would result in a decrease in our annualized production rate. We believe that our discipline demand driven approach will position us for sustainable profitability and growth in the future while maximizing efficiency and delivering measurable value. With our enhanced focus on our core technologies, specifically the manufacture and sell of our carbonate platforms and the growing demand for distributed power generation in the US, Asia, and Europe, we are targeting the future achievement a positive adjusted EBITDA once our torrenting manufacturing facility reaches an annualized production rate of 100 megawatts per year. However, as of April 30, 2025, the facility operated at an annualized production rate of approximately 31 megawatts. The bottom line, we are taking decisive actions to streamline our cost structure, seize the opportunities directly in front of us, and deliver meaningful results. We're building a stronger, more focused company, and we look forward to sharing our continued progress updates in the quarters ahead. While restructuring is never easy, we believe that prioritizing sales of our proven carbonate platform and scaling back R&D investments is the right move to drive the company toward profitability. What remains unchanged is our purpose. Fuel cell energy is steadfast in our commitment to enabling a world powered by clean energy. Our core value proposition is rooted in energy integration, seamlessly combining fuel cell solutions with other generation technologies. This allows commercial, industrial, and utility customers to integrate our platforms without overhauling operations or taking on the business interruption risk of intermittent power sources. Leveraging clean, abundant natural gas and biogas, our solutions help customers operate with greater reliability, efficiency, and affordability while reducing emissions, preserving air quality, and maintaining continuity in the products and services they deliver. So what does our opportunity set look like? Let's start with one of the most powerful and durable tailwinds we have, growing global demand for power. global power demand remains strong. Around the world, electricity demand is rising fast, straining existing grid infrastructure and exposing the limitations of traditional power sources and the grid's centralized architecture. This isn't a temporary surge. It's a long-term megatrend, and it directly reinforces the relevance of our technology and strategy. The explosion of AI The rapid build-out of data centers and the intensifying focus on carbon management and air quality are reshaping the global energy landscape. These trends are not political. They are structural. They will continue across administrations and market cycles. They are here to stay. Just to frame the magnitude, in the U.S. alone, data centers are projected to require more than 600 terawatt hours of electricity annually by 2030. That's a 22% compounded annual growth rate over the next five years. We believe the momentum behind these shifts is undeniable, and it's hard for us to imagine a future where fuel cell energy is not part of the solution. This is exactly the type of demand environment we are built for and why our focus on our core carbonate platform is so well aligned with the market opportunities in front of us. Second, dedicated power partners. We believe we have taken a major step forward in unlocking market access through our new dedicated power partners or DPP strategic partnership. DPP is the result of a strategic partnership with Diversified Energy Company and Tessiac Corp and it is purpose-built to accelerate the deployment of our carbonate fuel cell for use in data centers and other large-scale commercial and industrial applications. What makes this partnership so compelling is its potential ability to address one of the key constraints in our industry, available, reliable, and affordable fuel supply. By leveraging natural gas and coal mine methane sourced by Diversified, we expect to gain access to stable fuel in strategically important markets at favorable price spreads that improve project economics. This is a smart, high-leverage solution that we expect will help us scale faster, deliver more value to customers, and open up entirely new market territory. I'll go into more detail on DPP in a later slide, but the early indicators are strong, and we are excited about its potential to be a meaningful growth engine for fuel cell energy. Our strategic partnerships continue to drive commercial traction. Our collaboration with ExxonMobil and Carbon Capture at the Rotterdam Manufacturing Complex is

progressing well and positions us to expand this technology to new customers and partners. We're also advancing commercialization of our solid oxide electrolyzer through key partnerships with Malaysia Marine and Heavy Engineering and Idaho National Laboratory. These partnerships are essential. allowing us to push innovation forward while managing capital responsibly. Together, we believe they're laying the groundwork for fuel cell energy's next wave of growth. Fourth, we remain committed to disciplined cost management and maintaining a strong balance sheet. Our losses narrowed in the second quarter of fiscal year 2025 compared to the second quarter of fiscal year 2024. Clear evidence that our financial discipline is taking hold. With the actions announced today, we expect to reduce our operating expenses by 30% on an annualized basis, compared to operating expenses incurred in fiscal year 2024. We believe we're moving in the right direction. And with continued focus and execution, we're positioning fuel cell energy for sustained profitability in the future. Moving to slide six. Our powerhouse business strategy remains the foundation of everything we do. As I do each quarter, I want to show how our latest actions align with our strategy. The first pillar, focus, continues to be priority number one. The restructuring we've announced reflects that commitment. A more focused feel-so energy is a more competitive and successful feel-so energy. At the same time, we are building scale. We recently welcomed Mike Hill as our new chief commercial officer. Mike brings deep experience in sustainable integrated energy systems and a strong understanding of the evolving demand of data centers and a central market for our growth going forward. And while we focus in scale, we continue to innovate. Our commitment to next generation solutions, including carbon capture and solid oxide electrolysis remains strong. The technologies represent our future, and we will continue to focus on advancing them toward commercial readiness. Dedicated power partners is one of our answers to the energy market's biggest challenge. Record demand and limited grid availability. By combining FieldSo Energy's proven technology, Diversified Energy's coal mine methane and natural gas fuel supply, and TESIAC's project execution expertise, We expect to unlock faster, more reliable power right where it is needed. We believe Dedicated Power Partners is built to win. A strategic partnership formed with the purpose of accelerating time to power and customer revenues, creating jobs, lowering price risk, delivering cost-competitive clean energy, maximizing incentives, and cutting emissions. This is real energy integration in action, and we will be ready to deliver. As we innovate for tomorrow, we're also built to deliver today. The truth is simple. Hydrocarbons still power the world, and it will for the foreseeable future. That's not a challenge for us. It's a strength. Our platforms operate on natural gas and biofuels, abundant, cost-effective fuels that align with today's market realities. Natural gas remains over 40% of the U.S. energy mix and continues to rise globally. driven by demand for distributed energy, energy security, and grid resilience. This resurgence is a powerful tailwind for our business. Our technology doesn't combust natural gas. It transforms it through reforming. It's all chemistry. We use it as feedstock to generate clean, reliable baseload power for emission-critical sectors like utilities, automotive, industrial, and wastewater treatment, while targeting data centers as a major opportunity for future growth. This is energy integration at work, delivering practical, immediate solutions. On slide nine, I would like to underscore the competitive advantage that natural gas provides our business. Natural gas is not the problem. How it is used is. Our platform transforms that reality into competitive advantage. As I just mentioned in discussing the prior slide, at Fuel Cell Energy, we don't combust natural gas. We convert it electrochemically, which is cleaner, more efficient, and with significantly lower emissions than traditional combustion-based generation. The non-combustion process captures more energy per molecule, minimizing pollutants, and enables valuable byproducts like high-grade heat and contaminant removal. It reduces flaring, lowers the environmental footprint, and delivers reliable baseload power at scale. This is what differentiates us. Natural gas is a strategic asset, and in our hands, it becomes a bridge to a lower carbon, cleaner air future without requiring society or industry to change how they operate. Our technology is ready now. It aligns with today's energy system, meets today's needs, and supports our strategy for future profitable growth. It positions us not only as innovators, but as real-world problem solvers with a product that works in the world as it is. In conclusion, today we announced bold steps to refocus and strengthen our business. We sharpened our strategy around commercially ready innovation and near-term market needs. We created what we believe to be a more direct and executable path to future profitability. Fioso Energy is built for the now, positioned for what's next, and committed to delivering cleaner power without compromise. With that, I'd like to turn the call over to our CFO, Mike Bishop.

Mike Bishop | Executive Vice President, Chief Financial Officer and Treasurer:

Thank you, Jason. I would like to begin by adding some detail on our global restructuring plan, which involves our operations in the US, Canada, and Germany. This restructuring is intended to further reduce operating costs, realign resources toward advancing our core carbonate technologies, and protect our competitive position amid slower than expected investments in advanced alternative energy technology. This restructuring plan, which was announced today, builds upon our November 2024 restructuring action. Through this restructuring, we aim to reduce our operating expenses by 30% on an annualized basis compared to operating expenses incurred in fiscal year 2024. Key actions under our new restructuring plan include a global workforce reduction, a significant reduction of discretionary overhead spending, recalibration of the Torrington production schedule to align with contracted demand, deferral of certain compensation and benefit obligations, the cessation of the majority of development efforts with respect to our solid oxide technology, and other targeted cost savings measures. These steps reflect our commitment to strategic discipline and focus, with the goal of ensuring we continue to advance our most commercially available technology while preserving the long-term optionality of our broader platform innovations. With our enhanced focus on our core technologies, specifically the manufacturing and scale of our carbonate platforms and the growing demand for distributed power generation in the U.S., Asia, and Europe, we are targeting the future achievement of positive adjusted EBITDA once our Torrington, Connecticut manufacturing facility reaches an annualized production rate of 100 megawatts per year. As of April 30, 2025, the facility was operating at an annualized production rate of approximately 31 megawatts, and our annualized production rate may decrease in the near term as part of our restructuring plans. As a reminder, the maximum annualized capacity is 100 megawatts per year at the Torrington facility's current configuration. The Torrington facility is sized to accommodate annualized production capacity of up to 200 megawatts a year with additional capacity investment in machinery, equipment, tooling, labor, and inventory. Now turning to the results for the quarter starting on slide 11. In the second quarter of fiscal year 2025, we reported total revenues of 37.4 million compared to 22.4 million in the comparable prior year quarter. We reported a loss from operations in the quarter of 35.8 million compared to 41.4 million in the second quarter of fiscal year 2024. The net loss attributable to common stockholders in the quarter was 38.8 million compared to a net loss to common stockholders of 32.9 million in the second quarter of fiscal year 2024. The resulting net loss per share attributable to common stockholders in the second quarter of fiscal year 2025 was $1.79 compared to $2.18 in the second quarter of fiscal year 2024. The net loss per common share for the three months ended April 30th, 2025 benefited from the higher number of weighted average shares outstanding due to share issuances since April 30, 2024. Adjusted EBITDA totaled negative $19.3 million in the second quarter of fiscal year 2025 compared to adjusted EBITDA of negative $26.5 million in the second quarter of fiscal year 2024. As of April 30, 2025, the company had a cash, restricted cash, cash equivalents, and short-term investment position of $240 million. Next, on slide 12, you will see additional details on our financial performance and backlog. In the graph on the left-hand side, revenue is broken down by category. Product revenues were $13 million compared to no product revenues recognized for the comparable prior year period. Service agreement revenues increased to $8.1 million from $1.4 million. The increase in service agreement revenues during the three months ended April 30, 2025 was primarily driven by revenue recognized from module exchanges under the company's long-term service agreement with United Illuminating. There were three module exchanges, one of which was fulfilled with a used module during the three months ended April 30, 2025. During the comparable prior year period, there were no module exchanges. Generation revenue decreased to $12.1 million from $14.1 million, with the decrease primarily driven by lower power output resulting from maintenance activities during the three months ended April 30, 2025. Advanced technology contract revenues decreased to 4.1 million from 6.9 million. Looking at the right-hand side of the slide, I will walk through the changes in gross loss and operating expenses. Gross loss for the second quarter of fiscal year 2025 totaled 9.4 million compared to a gross loss of 7.1 million in the comparable prior year quarter. The increase in gross loss for the second quarter of fiscal year 2025 was primarily related to reduced gross margin on advanced technology contract revenues and service agreement revenues during the second quarter of fiscal year 2025, partially offset by decreased gross loss from generation revenues. The decreased gross loss from generation revenues was primarily the result of a reduction in the expense construction costs related to the Toyota project, which were $0.2 million in the

second quarter of fiscal year 2025, compared to $2.6 million in the second quarter of fiscal year 2024. During the quarter, we continued to make strong progress on our goal of reducing costs. Operating expenses for the second quarter of fiscal year 2025 decreased to $26.4 million from $34.3 million in the second quarter of fiscal year 2024. Administrative and selling expenses decreased to $16.5 million during the second quarter of fiscal year 2025 from $17.7 million during the second quarter of fiscal year 2024 primarily due to lower compensation expense as a result of the restructuring actions taken in the fall of 2024. Research and development expenses decreased to $9.9 million in the second quarter of fiscal year 2025 compared to $16.6 million in the second quarter of fiscal year 2024. The decrease was primarily due to lower spending on our commercial development efforts related to our solid oxide power generation and electrolysis platforms and carbon separation and carbon recovery solutions, as well as a shift in engineering resource allocation towards supporting funded advanced technology activities. On the bottom right of the slide, you will see that backlog increased by approximately 18.7% to 1.26 billion compared to 1.06 billion as of April 30th, 2024, in part as a result of the Long-Term Service Agreement, or LTSA, entered into with GGE during the third quarter of fiscal year 2024. Backlog for the GGE LTSA has been allocated between product backlog and service backlog. Product backlog is being and will continue to be recognized as revenue as the company completes commissioning of the replacement modules. Under the GGE LTSA, commissioning of the first six 1.4 megawatt replacement fuel cell modules was completed in the fourth quarter of fiscal year 2024, and commissioning of the next four replacement fuel cell modules was completed in the second quarter of fiscal year 2025. An additional 16 1.4 megawatt replacement fuel cell modules are expected to be commissioned radically throughout the remainder of fiscal year 2025, and the remaining 16 1.4 megawatt replacement fuel cell modules are expected to be commissioned in fiscal year 2026. Service backlog is being and will continue to be recognized as revenue as the company performs service at the GGE site over the term of the GGE LTSA. Backlog also increased compared to the corresponding prior year period as a result of entering into a 20-year power purchase agreement for the 7.4 megawatt fuel cell power plant that the company will build in Hartford, Connecticut. This power purchase agreement has added approximately $167.4 million into backlog. Slide 13 is an update on our liquidity position. As I mentioned earlier, as of April 30th, 2025, we had cash, restricted cash, cash equivalents, and short-term investments of $240 million. During the three months ended April 30th, 2025, approximately 1.6 million shares of the company's common stock were sold under the company's amended open market sale agreement at an average sale price of $5 per share, resulting in net proceeds to the company of approximately $7.7 million. In closing, we are taking deliberate and proactive steps to maintain a strong and flexible balance sheet while continuing to sharpen our focus on cost discipline and the execution of a growth strategy centered on our carbonate platform. We believe our carbonate technology is well positioned to meet the demands of the evolving energy integration and the accelerating need for distributed power generation, both through our established channels and the new dedicated Power Partners strategic partnership with Diversified Energy and Tessiac. We remain focused on driving financial performance while enabling long-term scalable growth. I will now turn the call over to the operator to begin Q&A.

Tiffany | Conference Operator:

At this time, if you would like to ask a question, press star, then the number one on your telephone keypad. To withdraw your question, simply press star one again. We will pause for just a moment to compile the Q&A roster. Your first question comes from George Gianarikas with Canaccord Genuity. Please go ahead.

George Gianarikas | Analyst, Canaccord Genuity:

Hi, good morning, everyone. Thank you for taking my questions. You know, I'm confident that these weren't easy actions to take with the restructuring. Maybe first question is around DPP. If you could just sort of talk a little bit about any tangible, excuse me, momentum you have there in procuring customers and orders. Thank you.

Jason Few | President and Chief Executive Officer:

George, good morning. Thank you for joining the call, and thank you for your question and also your presentation. you know, comments about our team members and the restructuring. With respect to DPP, we have a very focused effort around bringing to data center customers as our primary target a combination of fuel provided by diversified energy, fuel cell power generation provided by us, and financing brought together through TESIAC. We have a number of conversations that are active today that we are pursuing across the areas in Northern Virginia and Kentucky that we talked about in our earlier press releases. And we feel pretty positive about the momentum that we're building there to start to see that partnership turn into some transactions where we're delivering fuel and power to data center customers.

George Gianarikas | Analyst, Canaccord Genuity:

Thank you. Just as a follow-up, I'm sure this isn't an easy question to answer, but you mentioned getting to EBITDA neutral would imply 100 megawatt production. I'm curious as to any sort of line of sight you can give us there, any thoughts around when we can sort of maybe expect that to happen. Thank you.

Mike Bishop | Executive Vice President, Chief Financial Officer and Treasurer:

Good morning, George. This is Mike. So yes, as part of our disclosures today, we did confirm that with the lower cost structure of the business, the company is comfortable saying that we can achieve adjusted EBITDA positive when we get the factory in the 100 megawatt range. And as a reminder, as I said in my remarks, today we have capacity of 100 megawatts in Torrington and We don't need to spend any additional capital to get to 100 megawatt. It's really ramping at the pace of order flow. We also have the footprint to get that capacity up to 200 megawatts with some additional expenditures, primarily around capital equipment. So your question as far as the timing to get there, the timing is really going to be paced by flow of orders, right? And as Jason talked about, we see a tremendous opportunity right now in the U.S. around distributed generation in general, as well as the large data center opportunity.

George Gianarikas | Analyst, Canaccord Genuity:

Thank you.

Tiffany | Conference Operator:

Your next question comes from Jeff Osborne with TD Cohen. Please go ahead.

Jeff Osborne | Analyst, TD Cohen:

Thank you. Maybe just to follow up on George's question, I guess sort of pre-COVID, And years before, Mike, the task or target around EBITDA break-even was more driven by what the size of the generation portfolio was. And so I'm just curious what the assumptions are to hit that or why the manufacturing side of the business is more the driver of profitability relative to generation getting to 80 megawatts or 100 megawatts, whatever the math ends up being. Sure, Jeff, and good question.

Mike Bishop | Executive Vice President, Chief Financial Officer and Treasurer:

So as we look at the overall financial model, certainly the contribution from the generation portfolio is part of it. And when you look at the contribution from generation today, for example, in this quarter, you're in the $3.5 to $4 million range when you take out depreciation, right? So that is a contributor. And on an annualized basis, that's obviously four times the number that I just said. But as we look at the opportunities here going forward, we are not banking on increasing that generation portfolio. We see this as a product and service business, right? And by being able to sell product into DPP and then And broadly beyond that, and you can look at the Korean market as an opportunity there as well, broadly beyond that, we'll have service on those units. So we're really keying the target around just getting up to a stated volume, but also recognizing that the overall financial model does have contributions, not only from generation, but around advanced technology, which has been a profitable part of the business for us as well.

Jeff Osborne | Analyst, TD Cohen:

That's helpful. Maybe just the last follow-up question on my side is just, I think the price of gas turbines has tripled here over the past 18 to 24 months. And so as we look at future bookings for you folks for data center applications, Would you anticipate that the ASPs would be similar to what you saw in Korea in recent orders? I'm just curious, as we make our models to eventually get you to 100 megawatts, whenever that comes in the future, is what you've seen in the past five years around pricing and cost, is that similar or any major changes on either input or output?

Jason Few | President and Chief Executive Officer:

Yeah, Jeff, we see the increasing cost there as well as the timeline to get gas turbines as an opportunity for us as one of the tailwinds because of our ability to deliver and really meet the requirement around time to power. So we don't see significant changes in our pricing to customers as a result of the demand that's being driven by the growth in electricity demand. We actually see it as an opportunity, and we intend to work really hard to exploit that opportunity.

Jeff Osborne | Analyst, TD Cohen:

Makes sense. I appreciate the details. Thank you.

Tiffany | Conference Operator:

Again, if you would like to ask a question, press star 1 on your telephone keypad. Your next question comes from Noel Parks with TUI Brothers. Please go ahead.

Noel Parks | Analyst, TUI Brothers:

Hi. Good morning. I was just wondering about the very broad power generation opportunity for support of AI and data centers. Could you just maybe characterize a bit what sort of customers you're talking to that are maybe moving the fastest, showing the most urgency, and if you have a sense of whether any particular type or region of customer is going to be most instrumental in possibly getting you up to closer to the 100 megawatt manufacturing level at Torrington.

Jason Few | President and Chief Executive Officer:

Noel, thank you for the question. So just a couple of comments. First, I would say that our entire opportunity as we see it as a company is not just solely around data centers, right? If you look at our Korean opportunity as an example, and if you look at our, you know, just pure grid resilience and reliability like the project we talked about, last quarter in Hartford to deliver distributed power generation that's going to act as a resource on the grid. So we see the ability to get to the 100 megawatts being a combination of opportunities. But specifically to your question on data centers, we see the data center segment is somewhat fragmented, right? You've got developers that might fall into the traditional real estate kind of category. You've got hyperscalers, so when you think about the big players like Meadows and Googles and Amazons of the world, and then you have developers that are building out large-scale data center projects. We're in conversations across the board with those customers, and I would add another segment to that that we're in conversations with, and this really ties to the relationship we have with Diversify, just as an example. There's also a number of players that we're in conversations with that are on the gas distribution side that are also looking to bring solutions to their customers because they've got gas. They need power generation solutions to consume that gas. And so there are opportunities there that we are also pursuing with those customers. So we are We're on a multi-frontal attack, if you will, with respect to data centers. And we think that, you know, to your question about who's going to go first, you know, this is the traditional way to think about the model. They're all trying to secure offtake agreements to get those data centers up and running. And what we really like about our position, I like to think about it as, you know, kind of first power block in, if you will. right, to get those data centers up and running in those 20 to 50 megawatt type blocks, and we think that's where we have a real opportunity to excel, and we're excited about it.

Noel Parks | Analyst, TUI Brothers:

Great. And when you mentioned the gas distribution side and those customers looking to bring opportunities to their customers, are you Are those something you anticipate would be structured ultimately long as a long-term PPA type agreement or more sort of just a supply volume agreement? I guess I'm just trying to get a sense of just what those might look like kind of with that extra party in the middle.

Mike Bishop | Executive Vice President, Chief Financial Officer and Treasurer:

Sure. And that's a really good question, Nolan. Good morning. This is Mike. Thank you for that. So, again, the way we look at DPP is a partnership that Fuel Cell will be selling into, right? As I mentioned earlier, we're going to be selling product into that partnership, diversified, obviously selling fuel into the partnership. And then the go-to-market for DPP is putting forth power purchase agreements in front of in front of customers. And of course, there could be, depending on the end customer, there could ultimately just be a sale of the project coming out of PPP, out of DPP. But DPP will be doing the development and also sourcing the financing. And with a platform like this that's going to be growing, our expectation is you're able to source financing at a reasonable cost of capital that will enable the growth and provide back, again, to fuel cell energy orders for product and service. So that's how we think about it. There will generally be a power purchase agreement coming out of DPP to the end user, right? But optionality there, depending on the client, whether that asset stays in DPP long-term and DPP just finances it or it gets sold to that client.

Jason Few | President and Chief Executive Officer:

And Noel, maybe just to add a little bit to that, when you look at project opportunities that fall outside of that construct, our focus is going to be delivering these projects as energy as a service. And so for us, what is key there is doing projects with investment-grade counterparties to make sure that we're able to develop these projects and then deliver these projects to another financial holder who is willing to contract for those long-term, high-quality revenues associated with those projects. And in line with that, we will have long-term

service agreements that run coterminous with those agreements, and that's where you'll start to see, as well for us, having those predictable long-term revenues that you see in our generation portfolio today, which are on balance sheets, shifting more to a service-focused model as opposed to an on-balance sheet generation model. Great.

Noel Parks | Analyst, TUI Brothers:

Thanks for the extra detail. Thank you.

Tiffany | Conference Operator:

There are no further questions at this time. I will now turn the call back over to Jason Few for closing remarks.

Jason Few | President and Chief Executive Officer:

Tiffany, thank you. And thank you all for listening in today. I hope you come away from the call with a clearer understanding of the steps Fuel Cell Energy has taken to position ourselves for success. Discipline execution, leveraging our proven carbonate platform, energy growth tailwinds, the modular speed advantage that we have, first power block in, and structural cost reductions to shorten our pathway to adjusted EBITDA positives. I look forward to sharing more progress updates next quarter. Thank you all for joining the call, and I hope you all have a wonderful weekend. Thank you.

Tiffany | Conference Operator:

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.