# NYSE:AMRC Q2 2025 Earnings Call Transcript

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## Demi | Operator:

Thank you for standing by. At this time, I would like to welcome everyone to a Maresco Inc. second quarter 2025 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star, followed by the number one on your telephone keypad. If you would like to redraw your question, again, press the star one. Thank you. I would now like to turn the conference over to Leila Dilan. Please go ahead.

## Leila Dilan | Moderator, Investor Relations:

Thank you, Demi, and good afternoon, everyone. We appreciate you joining us for today's call. Our speakers on the call today will be George Sakolaris, MRESCO's Chairman and Chief Executive Officer, and Mark Shipler, Chief Financial Officer. In addition, Nicole Bulgarino, President of Federal and Utility Infrastructure, and Josh Barabo, our Chief Investment Officer, will be available during Q&A to help answer questions. Before I turn the call over to George, I would like to make a brief statement regarding forward-looking remarks. Today's earnings materials contain forward-looking statements, including statements regarding our expectations. All forward-looking statements are subject to risks and uncertainties. Please refer to today's earnings materials, the safe harbor language on slide two of our supplemental information, and our SEC filings for a discussion of the major risk factors that could cause our actual results to differ from those in our forward-looking statements. In addition, we use several non-GAAP measures when presenting our financial results. We have included the reconciliations of these measures and additional information in our supplemental slides that were posted to our website. Please note that all comparisons that we will be discussing today are on a year-over-year basis unless otherwise noted. I will now turn the call over to George. George?

## George Sakolaris | Chairman and Chief Executive Officer:

Thank you, Lila, and good afternoon, everyone. We are very pleased to report that MRESCO delivered another quarter of strong financial and operational performance, building upon the momentum generated from our first quarter. Second quarter revenue and adjusted EBITDA grew 8 and 24% respectively, coupled with very strong earnings per share growth. The MRESCO team continued to focus on profitable execution, leveraging our large project backlog and achieving higher profit margin growth than top-line growth. In addition to the contracts awarded in our traditional core business, we also captured significant emerging opportunities to provide energy infrastructure solutions to a number of rapidly growing sectors in both the U.S. and Europe. We believe demand for our diverse portfolio of energy solutions is being driven by the increasing demand for electricity, significant increases in utility rates, and growing grid instability. While we continue to execute on our traditional energy efficiency and renewable energy projects, We are very pleased to see an even broader need for comprehensive energy infrastructure and microgrid solutions. The increase in global electricity prices continues to be top of mind for many of our clients, along with reliability of supply. So I wanted to make some quick comments on that topic. with prices projected to outpace overall inflation for many years to come. We believe this trend will be a meaningful catalyst for our continued growth. Higher power prices drive customer demand for both our core energy efficiency solutions and our integrated on-site generation offerings. This dynamic creates better economics and faster project paybacks for our customers. Diversification has been the foundation of our business model and positions us to take great advantage of the growth opportunities ahead. This comes in three key areas. First, our customer base. We are well diversified across a very broad range of public and private customers. Our expertise and focus on energy infrastructure solutions has enabled us to grow our business with both domestic and international utilities and independent power producers, which now account for over 20% of our total project backlog. We are also pursuing large and exciting opportunities with the CNI market, which we believe offers tremendous growth potential. CNI now represents over 10% of our total project backlog, and we anticipate continued growth in this segment. Second, our technology portfolio. We offer a complete suite of energy efficiency, storage, and generation solutions. Currently, almost half of our total project backlog is comprised of energy infrastructure solutions, including natural gas turbines and engines, cogeneration equipment, hydroelectric, and other power generation technologies, as well as battery energy storage systems and microgrid offerings. And finally, in our geographic reach, We cover the U.S., Canada, the U.K., and many key growth markets in continental Europe. Driven by our continued expansion, Europe now accounts for approximately 20% of our total project backlog. And we see this as a good balance to the changing policies and regulations in the United States. In short, MRSCO continues to demonstrate the diversification is not just a hedge, it's our strategic advantage. And as we prepare for this growth, we continue to stay ahead of the curve by investing in our most important asset, our human capital. Ameresco is well known for hiring and developing industry expertise in cutting-edge technologies well in advance of full commercial potential. Years ago, we demonstrated this with our investments in battery storage, renewable natural gas, and microgrids. Those investments have yielded incredible returns, as Maresco became a go-to provider for these solutions, and they now account for a material part of our business. We are again looking ahead to technologies such as Small Modular Reactors recently hired an executive to focus on developing exciting partnerships in this area of huge potential. We are also investing in our continued European expansion with the hire of a new executive to manage the growing opportunities across continental Europe. Before I turn the call over to Mark, I wanted to cover the policy and regulatory changes in D.C. and their impact on Maresco. At this point, we are pleased to have seen an improved business environment with the federal government compared to the beginning of the year. Not only do we continue to execute on our many federal contracts, but we are also engaged in exciting new opportunities that leverage secure federal land for critical energy infrastructure projects. Along those lines, the White House recently announced an executive order aimed at accelerating the construction of data centers by removing some of the regulatory hurdles, primarily at the permitting level. Importantly, the order also opens the potential for federal land to be used for these sites. We are continuing to evaluate the one big, beautiful bill, and it's expected to impact on our business, especially as additional details from the bill are worked out. At this time, however, we do not believe the bill will have a significant impact on our business. Now, I would like to turn the call over to Mark to provide additional commentary on our excellent results and outlook. Mark?

## Mark Shipler | Chief Financial Officer:

Thank you, George, and good afternoon, everyone. I'll echo George's excitement around another solid quarter. We continue to deliver strong financial results with second quarter revenue growing 8 percent and adjusted EBITDA growing 24 percent, supported by consistent execution, steady backlog conversion, and expanding contributions from Europe and our energy asset portfolio. Revenue in the quarter exceeded our expectations and reflects broad-based contributions across our business lines. Our project's revenue grew 8%, reflecting strength across our geography and customer base, with a notably strong performance from our European-based joint venture with CINEL. Europe continues to be an exciting growth market for us and is an important component of our revenue diversification strategy. Energy asset revenue grew 18%. driven largely by the growth of assets and operations compared to last year, with our base of operating assets now standing at almost 750 megawatts. Our recurring O&M revenue maintained steady growth as we continued to win more long-term O&M business. While revenue from our other line of business declined due to the divestiture of our AEG business at the end of 2024, the remaining businesses within our other revenue segment continued to experience growth. Gross margin of 15.5% for the quarter was in line with our expectations and reflected solid improvement, both sequentially and year over year. Net income attributable to common shareholders was $12.9 million, or $0.24 per share, with non-GAAP EPS of $0.27, adjusted primarily for certain costs for restructuring activities related to our Canadian operations. Net income and EPS were positively impacted by $4.3 million in non-cash mark-to-market gains on certain unhedged derivatives and $3 million in foreign exchange translation gains. Excluding the impact of these factors, our earnings per share still grew by approximately 30% compared to last year. Adjusted EBITDA increased 24% to $56.1 million, with an adjusted EBITDA margin of nearly 12%. with this strong performance reflecting the contributions from our revenue growth, improved gross margins, and strong operating leverage. Our visibility of future revenues remains outstanding, and we believe the demand for a diverse portfolio of solutions remains strong. We continue to achieve substantial growth in our total project backlog, which increased 16% to a record $5.1 billion, the first time Amoresco has exceeded this milestone. We added over $550 million of new project awards during the quarter, and as importantly, we continued to convert a significant amount of our awarded backlog into contracts, driving our contracted project backlog up 46% to $2.4 billion. Including the backlog from our recurring O&M and operating energy assets portfolio, our total revenue visibility now stands at almost $10 billion. Turning to our balance sheet and cash flows, We ended the quarter with approximately $82 million in cash, with total corporate debt of $294 million. Our debt-to-EBITDA leverage ratio under our senior secured facility was 3.4 and remains below the covenant level of 3.5. We continued to fuel our energy asset pipeline through the use of innovative financing solutions. During the quarter, the company raised approximately $170 million in new project financing proceeds including a $78 million note issuance, which we are using to finance an energy storage asset currently under construction. The note purchase agreement also includes an uncommitted private shelf facility to support the development of future solar and battery energy assets. Our cash generation continued to be positive, with adjusted cash flows from operations of approximately $50 million. This included the successful sale of approximately $71 million in investment tax credits generated from three of our R&G projects. Our eight-quarter rolling average adjusted cash from operations was approximately $47 million. I want to briefly discuss an update we have made to our non-GAAP adjusted cash flows from operations metric. Historically, we classified the proceeds resulting from the sale of transferable ITCs as operating activities in our GAAP statement of cash flows. In 2025, to better align with current accounting interpretations, we are now classifying these proceeds as investing activities. We are adding these proceeds back to adjusted cash from operations because we believe it enhances comparability with prior periods and better reflects the economic substance of these transactions. I also wanted to quickly touch on an item that you will see in our second quarter 10Q. Battery supplier Powen recently filed for bankruptcy under Chapter 11. Amoresco has a claim of approximately $27 million against Powen related to agreements signed beginning in 2022. We are actively monitoring the proceedings, which are in the early stages, and assessing any potential exposure. But importantly, this event will not impact the execution of any of our projects or energy assets. Now let me spend a minute on our 2025 guidance. While we continue to evaluate the industry changes brought about by the one big beautiful bill, we do not expect that these changes will have a material impact on Amoresco in the short term. And with our strong first half results and excellent forward visibility, we are pleased to reaffirm our guidance ranges for 2025. Now I'd like to turn the call back over to George for closing comments.

## George Sakolaris | Chairman and Chief Executive Officer:

Thank you, Mark. The entire MRSQ team continues its excellent execution, delivering strong results. Over 25 years, we have built a unique energy solutions company which has evolved into the resilient business you see today and is well positioned to serve the dynamic market opportunities of the future. In closing, I would like to once again thank Thank our employees, customers, and stockholders for their continued support.

## Company Representative | Company Representative:

Operator, we would like to open the call to questions.

### Demi | Operator:

Question and answer session. If you have dialed in and would like to ask a question, please press star 1 on your telephone keypad to raise your hand and join the queue. If you would like to redraw your question, simply press star 1 again.

### Operator | Operator:

And your first question comes from the line of Noah Key with Oppenheimer.

### Demi | Operator:

Your line is open.

### Noah Key | Analyst, Oppenheimer & Co.:

Hey, good afternoon. Thanks for taking the questions and great to see the business momentum. I'd like to start with asking about cash generation, kind of in the back half here. There are always some puts and takes around, I know, project financing, but just want to understand how you think about where we may end the year from a net leverage perspective and some of the things that you're watching for and we should be watching for related to finishing up some large projects and any incremental financing.

### Josh Barabo | Chief Investment Officer:

Sure. Josh? Thanks, Noah. This is Josh. So we're not putting out a leverage forecast. guidance or leverage target. I think we've said that we feel comfortable where we are now. Our lenders do as well, as evidenced by the refi and the extension that we did back in January. But as EBITDA begins to grow or continues to grow in the second half of the year, and as you pointed out, as we collect things from projects, larger projects are outstanding. We have a lot of project financing still financed, still planned. we think we probably should get probably below that level. But again, if something comes up where we need a little bit more work and capital to work on an interesting project or something else happens, it might be a little different than that. But either way, we feel very comfortable where we are from a leverage perspective.

### Noah Key | Analyst, Oppenheimer & Co.:

Thank you. I want to ask a little bit about the contracted backlog. I think a a trend now for several quarters has been the accelerating conversion to contracted backlog. It was up again, you know, very substantially. Can you talk a little bit about the driving factors there, maybe some of the factors that are helping the increasing conversion? And then also talk a little bit about the margin profile here, whether these could potentially be, you know, comparable to or better than, you know, the margins on the mix that's converting now.

### George Sakolaris | Chairman and Chief Executive Officer:

Yeah, well, because the services that we are in and the expanded offerings from the infrastructure upgrades, and there is more demand out there in the market, so you see people moving from the awarded category to the contracted category. That's why our contracted category. projects backlog now year over year is 46%, which is unprecedented, but great position to be in. And that's why we feel pretty good where we are for the end of the year numbers. As far as the margin, and Mark can comment to this a little bit more, but we are very pleased to see a slight uptick trend on the projects. And even in Europe, we started early on, In order to establish a good footprint there, we had some lower margin projects, but we established great credibility in the marketplace. And even there, we have established guidelines that we will not take projects below certain margins. And we still continue to be very successful in getting projects. I don't know if you want to add something.

### Mark Shipler | Chief Financial Officer:

Yeah, no, that's great. You know, I think, no, you know, we feel really good about the quality of gross margins in the project backlog. As George said, we've even seen a bit of an uptick. I think the diversity in that backlog helps to create a little bit of a stabilizer, but we're encouraged to see that they're actually trending slightly up. So that's been great. George mentioned the margins on the projects where we're seeing a lot of growth in Europe. And again, we're really pleased to see those margins heading in the right direction. So, yeah, I think, you know, the margins themselves, it's a reflection not only of the way we execute on our projects, but we also have taken a more disciplined approach to how we screen projects. And we're obviously, you know, continuing to focus on developing projects that have better gross margins.

### Noah Key | Analyst, Oppenheimer & Co.:

Yep. Yep. That's great to hear. I just got to ask one more as a tack-on to this. You know, you highlighted the improving permitting environment for data center infrastructure and I think we'd all love to understand a little bit more how you see this playing out for Amoresco. You know, talk a little bit about your exposure in data center, what may be the backlog, what may be in the pipeline, and what this means to you.

### George Sakolaris | Chairman and Chief Executive Officer:

Nicole has been spearheading that particular effort, so I will let Nicole take this question.

### Nicole Bulgarino | President of Federal and Utility Infrastructure:

Sure. We've been working with a variety of players in the data center space, from data center developers, end users for data centers, commercial developers, and our role in this is certainly focused on the energy center for these data centers. You can be well aware of the power shortage across the country, and especially for this new AI load that's presenting itself. we're well-positioned to be able to provide services for the energy supply, similar to what we do for the federal government. So we've got several projects that we're working on, and a lot of them are in the early stages and different types of projects or different sizes of projects, and we're excited about the opportunity for Amarasko.

### Unknown Analyst | Analyst:

I'll follow up offline about that, but excited to hear it. Thanks so much.

### Operator | Operator:

Great.

### Demi | Operator:

Your next question comes from the line of George Genaricas with Canaccord Genety. Your line is open.

### George Genaricas | Analyst, Canaccord Genuity:

Hey, everyone. Good afternoon, and thank you for taking my questions. Hey, George. I'd like to ask about equipment supply and, you know, as it relates to either natural gas turbines or cell battery cells. How is that potentially impacting your growth trajectory over the next couple few quarters to years?

### George Sakolaris | Chairman and Chief Executive Officer:

I mean, it's tight, especially on transformers. Electrical equipment is pretty tight. On gas turbines, I think, you know, much, much longer timelines. But some of the gas engines, though, reciprocating engines and so on, the timeline is not as long. and we have much better availability. But some of the clients that we work with, they already have some of the gas turbines in order, and they just want us to basically implement the project, provide the turnkey installation of the project. Transformers, and again, even the transformers, they are bifurcated. The large ones, the really large ones, you know, we're talking long, long delivery schedules, a couple of years, and if you can get them. Where the smaller ones, which they are more suited for the smaller projects that we do, you know, the distributed generation projects, the 510s, to 15 megawatts and so on, and sometimes we have to double up the transformers to get the smaller size. But somehow, someway, we're getting to the other side, and we have been successful so far. We don't see any particular delays on projects that we have in the implementation schedule right now over the next six to 12 months.

### George Genaricas | Analyst, Canaccord Genuity:

Thank you. And maybe as a follow-up, given the success you've had in Europe, can you just sort of talk about your strategy there to potentially beef-up operations? Are there additional acquisitions you're looking at on the continent? Thank you.

### George Sakolaris | Chairman and Chief Executive Officer:

Also the above. You know, the person we hired, a great, very seasoned executive. He worked for various American companies. So it's very good from that perspective, especially public companies. And his mission is to start hiring people, and he already has hired. I think at least one has got a couple more to hire. But our strategy will be organic growth, and we have done very, very well so far. especially the markets that we picked up like Greece, Italy, Spain, and some of the Balkans like Romania and so on. We have a very, very good track record. And then the other thing that's emerging a lot that they haven't done much, whether it's Greece, Italy, or Germany, battery storage. They are in the very, very early stages of battery storage. So I think you will see us making a concerted effort to build up or develop a great reputation in Europe, as we did over here, on battery storage as well as the solar, of course. And acquisitions, we're always looking for good opportunities. If they present themselves, we will do it. But right now, the organic expansion that we have underway, it's working very, very well.

### Demi | Operator:

Next question comes from the line of Stephen Gengaro with Stifel. Your line is open.

### Stephen Gengaro | Analyst, Stifel:

Thanks. Hi, everybody. I think, too, for me, if I could start, when we're thinking about the deployment of energy assets, can you talk about how we should think about the back half of the year and sort of energy asset deliveries and kind of where you think the energy assets, deployed assets look at the year end?

### Josh Barabo | Chief Investment Officer:

yeah jess sure hey steve so uh we got it i think 100 to 120 megawatts uh that's still our guidance uh it seems that that would be a little bit light given how we've how many assets we've put in service the first two quarters but um the next two will be pretty chunky um mark indicated that we've got a battery asset that we just financed that's in construction it's actually very late stages of construction um and we had the press release about the lee county r g facility which went COD in July, so that was not in the June numbers. So we still feel really good about that number, the 100 to 120. Does that answer the whole question, or did you have a question about the pipeline as well?

### Stephen Gengaro | Analyst, Stifel:

No, that was helpful in just kind of how you – and I imagine there was no change to the guide as far as the deployed assets figure. That was what I was getting at there. Okay. The other quick question I have, I think it's a follow-up on one of the earlier questions. You talked about, in the last quarter, the success you have in Europe on the project side from an order flow perspective. And I believe that the margin profile in Europe was a little bit lighter. And I'm just curious how that's evolving and if you think we've got to ultimately get to parity there as operations scale up in Europe.

### George Sakolaris | Chairman and Chief Executive Officer:

We started out, like you indicated, the margins were lower, but now the projects we have signed, let's say, the last six months and going forward, the margins are considerably higher than when we started out with. When we established the reputation there, then we established the guidelines, and we brought in the talent in our group. So the organic growth, the people that we have developing projects are doing excellent, excellent jobs. I mean, there's no shortage of responding to requests for proposals. But our effort, and that's why it's a good counterbalance to what's going on in the United States, that we will put special focus in Europe, especially in what I call high-growth areas on the continental Europe, and to grow that particular unit there. to a good size. And basically, the strategy that we will use is not different than what we did in the United States. Start organically, and when we find a good position, we take it in and grow from there. Because especially when you go to a new country, you've got to learn their culture and so on and so forth. But sometimes you're going to be inspired by a very small company. It helps you get the ground running. And the people that we have, that we have as partners, they know Romania very well because they worked there before. They know Italy very well, and they know Spain very well. And, of course, Greece because they are from Greece. So it has worked out very, very well with this particular team up with Sunil.

### Stephen Gengaro | Analyst, Stifel:

Great. Thanks. And if I could just ask one other quick one. Have you had any proposals or looked at? battery storage that's not lithium ion and things that are more domestically sourced. And I'm thinking of one in particular, but has there been any progress outside of that as far as opportunities on a more U.S. manufactured product in the U.S. market?

### George Sakolaris | Chairman and Chief Executive Officer:

Yeah, we have. Just because he's working on the financing, you might as well talk about it.

### Josh Barabo | Chief Investment Officer:

We have, and it was maybe two years ago that we had a pilot project up in Canada with a non-lithium technology. And so we got a little bit of experience with it back then, and we're in active discussions with similar types of technologies and similar vendors for projects in the future as well with some pretty large industrial CNI customers.

### Stephen Gengaro | Analyst, Stifel:

Great. Thanks. Appreciate the color.

### Operator | Operator:

Next question comes from the line of Ryan Fingst with B. Riley.

### Demi | Operator:

Your line is open.

### Ryan Fingst | Analyst, B. Riley Securities:

Thanks for taking my questions. Not sure if Michael's on, but how are you thinking about the R&D business broadly following the legislation and the EPA's recent proposed rule for cellulosic biofuel requirements over the next couple of years here?

### George Sakolaris | Chairman and Chief Executive Officer:

I mean, we still feel very, very good about the RNG business, and we continue to be very excited about it, especially with the ITC being able to monetize it. And it's important to note that 10 plans that we plan to put in service over the next two to three years, we already have a safe harbor in order to be able to, by the end of last year, 24, in order to get the ITC from them. And then on the RVO, the way they established it recently, I think it very much matches the growth of the industry and that's why the the ring prices they have not moved that much and uh so we're excited about it and uh i think that we started early but we did the first plan back in uh 2003 and we learned a lot and here we are

### Mark Shipler | Chief Financial Officer:

Yeah, and the 45Z also, you know, creates another opportunity. We were really encouraged to see that extended, you know, as part of the big, beautiful bill. So, you know, once we get clarity on that, I think that's going to be, you know, another great opportunity for us with the RNG.

### Ryan Fingst | Analyst, B. Riley Securities:

Appreciate that, guys. And then, George, you mentioned the SMR opportunity, understanding it's very early days there, but Could you talk about the partnership you announced with Terrestrial Energy and what Amoresco's role might look like in potential projects there?

### Unknown | Unknown:

Terrestrial.

### Leila Dilan | Moderator, Investor Relations:

The SMR technology?

### George Sakolaris | Chairman and Chief Executive Officer:

I will let you see. Nicole has been running that particular effort, so Nicole can talk about it.

### Nicole Bulgarino | President of Federal and Utility Infrastructure:

Yes, this is part of our next generation project. firm energy potential. And one of the things with Terrestrial, we've been following their technology and working on part of a bridge solution, especially for the data center energy, as we believe that in the later years they'll be able to provide a more answer to firm clean energy potential for these customers. So this is, I mean, it's still a few years out. However, these projects take a while to get off the ground, large energy projects in general. So the collaboration needs to start now to be able to start getting us that and go through all the steps that we need to get there.

### Unknown Analyst | Analyst:

Great.

### Unknown | Unknown:

Appreciate it, guys. I'll turn it back.

### Demi | Operator:

Next question comes from the line of Ben Calo with Beard. Your line is open.

### Ben Calo | Analyst, Beard Research:

Hey, thank you, guys. Congratulations on the results. Following up to George's question, question earlier about the type of turbine cells. I heard the turbine and the equipment piece, but just on the battery side, do you have any thoughts in being able to get batteries? I saw that in your own assets pipeline that also increased the percentage of batteries. So I'm just I'm wondering with the new rules, the tariffs, as well as a foreign entity of concern, if you're still able to, in the bankruptcy of someone like Powell, if you're still able to get batteries is my first question. Thank you.

## George Sakolaris | Chairman and Chief Executive Officer:

Yeah, we can get the batteries, especially in the United States. But the broader question, I think Nicole can answer it because she knows the mix of the various particular assets that we are working on.

## Company Representative | Company Representative:

Nicole?

## Nicole Bulgarino | President of Federal and Utility Infrastructure:

Yes, and I'm sorry, the first part of that is just you're asking if there is potential supply, the timeline on that. You were breaking up for the very first part of the question.

## Ben Calo | Analyst, Beard Research:

Yeah, sorry, just more on being able to, you know, with tariffs and potentially impacting battery supply in the U.S. and then also around, you know, being able to get the ITC with foreign entity of concerns. You know, people have suppliers that are foreign entity of concerns. If that's disrupting at all, you know, not this year, but out year type of supply chain for you guys.

## Nicole Bulgarino | President of Federal and Utility Infrastructure:

Sure. I think it's more, I mean, first we're closely monitoring what is going to come out related to the foreign entity and seeing how that impacts us. The first focus is really the ones that we have in construction right now that are being delivered still within this calendar year. And we haven't had, you know, issues on the ones that are currently in construction. And then just being strategic about the planning of the ones that we're starting ahead. You know, we're confident that, you know, the with the different battery suppliers that we're using now that there will be supply for those and working through to see how we need to have adjustments for tariffs, like through our contracts with customers, making sure that the tariff adjustment language is in there on our contracts as well to protect us from different price impacts that we can't capture at this point. And then just making sure that we're keeping that active in those contracts and on timing at this point. we're still, you know, the short outlook that we have is still trending in the right direction for us on timing and, you know, being able to protect through existing contract price adjustments. Does that answer your question?

## Ben Calo | Analyst, Beard Research:

Yes, thank you. And then just on the bill, the reconciliation bill, you know, creating a shorter timeline in some areas and longer timelines in other areas. Could you just talk about the tightness of engineering construction, the engineering construction market, and that should be a positive benefit on margin, which you guys have already said margin is trending in the right direction. Could you also talk about how you can shift between the different areas of your diversification? So meaning like if you're going to do less mix and solar, can you move those employees more to energy efficiency or into another area? Maybe just talk about your ability to move your own employee force into the most lucrative areas.

### Unknown Analyst | Analyst:

Thank you.

### Mark Shipler | Chief Financial Officer:

Yeah, you know, so certainly on the point about maybe pivoting from solar, you know, we are already proactively with some of that team that was developing more on the solar side, pivoting to more on the battery storage. So, you know, we can certainly do it there. You know, I think within the projects business, Nicole, you might be able to speak to that a little bit more. But, you know, again, I don't think we're seeing as much impact there, so we'll need to shift as much with respect to, you know, to the labor resources there.

### George Sakolaris | Chairman and Chief Executive Officer:

But, I mean, so far... We have been able to execute and execute very well, even though whether it's material supplies or labor constraints and so on. I cannot say that we have a particular project being delayed because of any shortages.

### Unknown Analyst | Analyst:

And that's why the numbers indicate they are what they are. Yes. Thank you very much. Thank you.

### Operator | Operator:

Next question comes from the line of Eric Stein with Craig Halyard.

### Demi | Operator:

Your line is open.

### Eric Stein | Analyst, Craig-Hallum Capital Group:

Hi, everyone. Hi, Eric. Hey. Hey, so maybe we could just touch on the federal business. I know, you know, if we go back to earlier in the year, you'd called out the three projects, then, you know, fast forward a quarter, and two of them, you know, kind of were back to normal, and one, I think, was being re-scoped. You clearly sound more optimistic about it, but it doesn't sound like you're necessarily ready to sound the all-clear. So, I mean, curious, would you agree with that characterization? And if so, I mean, what do you kind of need to see to where you think, you know what, that everything that was going on in late January and February was kind of noise, but in actuality, the business is kind of where it would have ended up all along?

### George Sakolaris | Chairman and Chief Executive Officer:

Basically, I let Nicole answer it, put more color to it, but we are very pleased where we are. You know, like I said, with... The federal government is moving much, much better than it was at the beginning of the year, and we're pretty much, I think, we are at the level that we were under the previous administration, and probably a little bit better because of the larger projects and the data centers developing in the federal basis and so on. Nicole, you want to add a little bit more to it?

## Nicole Bulgarino | President of Federal and Utility Infrastructure:

Yeah, I think that's right, George, and I think just to add to that, like we said earlier in the year, our value proposition of energy savings, especially in our energy savings performance contracting for the federal government, provides bipartisan value in that it's giving infrastructure upgrades at these military bases, at GSA buildings, and We are working through, even with the GSA projects that we mentioned back earlier this year, and just rescoping some of those that may have had, for example, a solar looking at, have been replacing with natural gas solutions. But the value that's still, is still inherently there in those contracts. So, I think we're, you know, still, as new people come in with this administration, there's always an education that has to go, has to happen, and that advocacy and but certainly in a much better place than we were in January as they learn and become more familiar with about these types of projects and the value they provide.

## Eric Stein | Analyst, Craig-Hallum Capital Group:

Got it and then I guess in the context of early in the year re-scoping you know many including me kind of took that as maybe less content but it doesn't sound like that's the case it might just be as you said just changing some of the characteristics of the project itself, not necessarily the value to Amoresco.

## Nicole Bulgarino | President of Federal and Utility Infrastructure:

That's correct. Right. That's exactly right. We're trying to – I guess the buddy's still not there for the federal government, so it's still a very unique tool that can be used, and it's just how you're using it and what the scope actually will be.

## Eric Stein | Analyst, Craig-Hallum Capital Group:

Yeah, got it. Okay. Thank you for that. And maybe last one for me, just – When you think about just high-level second half of the year, whether it's based on, you mentioned some assets coming online, the R&G plant, which will start to impact third quarter, project backlog. I mean, any thoughts on kind of linearity of third quarter and fourth quarter relative to each other?

## Mark Shipler | Chief Financial Officer:

Yeah. Yeah. Hey, Eric, this is Mark. Yeah. I mean, I think, you know, with respect to the revenue, I'd probably expect Q4 to be a bit heavier than Q3. You know, I think we've been, you know, with the strong execution, certainly in the first half, we've been able to execute a little bit faster on some projects. And we certainly saw that again in Q2 as we were able to pull some revenue ahead from Q3.

## Unknown | Unknown:

So I would, you know, I would expect Q4 to be a bit heavier than Q3 just from a shaping standpoint.

## Eric Stein | Analyst, Craig-Hallum Capital Group:

Okay, got it. But then, I mean, obviously continued energy asset growth, especially since you are bringing on, well, the RNG plant, which that'll start to impact third quarter.

## Unknown | Unknown:

Yeah, I mean, you know, remember, those plants take a little bit of time to ramp up, so we'll start to see some of that, but probably not as much of an impact in Q3. It'll start to, you know, to really hit its stride in Q4 and beyond.

## Demi | Operator:

Next question comes from the line of Joseph Osha with Guggenheim. Your line is open.

## Joseph Osha | Analyst, Guggenheim:

Thank you. Hello, everybody. I wanted to return a little bit to the line of questioning on storage. Obviously, we're waiting for some resolution, but we do know it's going to be pretty hard to claim an ITC if you're using Chinese cells because of the fiat issues. So I'm just wondering if you know, in your conversations with your customers is, you know, it's the intention basically to tell them they have to eat that cost or are there real plans to source sales from the U.S. or what? I'm just trying to get a sense of what's happening here because, you know, we do have some decent level of understanding into what the challenges are going to be here.

## Josh Barabo | Chief Investment Officer:

Hey, Joe, this is Josh. I'll take the first stab. So you're right. There was, I think, a line of questioning about domestic supply, and we are investigating that from new suppliers as well as existing. One of the larger suppliers here in the U.S. is working on a domestic solution. You can probably figure out who it might be. So we are exploring domestic solutions. We have other places where our customers can absorb some costs. So it's really just a mix. I think we're going to do as much as we can to safe harbor responsibly projects that can start construction this year, of course, and in guidance of what that really means from Treasury. And then where we can get domestic supply, we'll explore that, and where we can share or even pass on the full price increase to customers that are a little bit less price sensitive, we'll do that as well. It's not really a one-size-fits-all because all of our projects are so different. Yeah.

## Joseph Osha | Analyst, Guggenheim:

And thanks for that, Josh. And I guess that latter point is the most interesting one. You are in such a strong position here and people need storage. So it sounds like in some cases there are situations where are you saying you're simply just going to take Chinese sales and tell your customers, you know, deal with it? Is that part of the solution here?

## Josh Barabo | Chief Investment Officer:

I don't think from a customer service perspective, we'd ever say deal with it. I think everything's a negotiation and we have good relations with our customers. And I think if there are levers to pull on price, but maybe we can add value somewhere else or they can extend a contractor. I mean, there's a hundred different things we can negotiate with customers in every deal. But that is one potential possibility, especially if it's time-sensitive. If we can get, let's call it Chinese cells quicker, they might be willing to pay for that speed versus waiting for something domestic, right? Everything is a little bit different. But it's all very, we'll call it cordial, professional. I don't think we're taking any position with our customers, take it, leave it, deal with it, anything like that. They are active negotiations, and we're in good standing with all the customers.

### George Sakolaris | Chairman and Chief Executive Officer:

And follow up on that, we have a couple of customers that if this happens, this is the price.

### Company Representative | Company Representative:

And if that happens, this is the price. So it's a back and forth.

### Unknown Analyst | Analyst:

Excellent. Thank you. Now, thank you very much, guys. Thank you. Thanks, Joe.

### Operator | Operator:

Next question comes from the line of Craig Scheer with Tuhi Brothers.

### Demi | Operator:

Your line is open.

### Craig Scheer | Analyst, Tuhi Brothers:

Good afternoon. Thanks for taking the question. So I understand the big beautiful bill is not impacting near-term guidance. So I guess a two-part initial question. Do you see this potentially having a moderating influence on U.S. growth and in light of the European, I mean like over multiple years, And with the strength in Europe, could you envision the geographic mix kind of moving over time more towards a 50-50 rather than, you know, a third or so?

### George Sakolaris | Chairman and Chief Executive Officer:

Look, the Europe, you know, is 20% of the backlog right now, and most likely it's going to grow much faster than the United States, no question about it. But the market in the United States, because of the energy prices, the electric rates going up as they are doing, for the next several years. And the resiliency issues associated, especially with some of the commercial and industrial customers, what we've seen in the market, they are concerned about reliability. So we have several heavy industrial customers that are looking for battery storage combined with solar or some kind of a cogeneration. So the market in the United States has expanded. And

### Company Representative | Company Representative:

That's why we feel very good where we are.

### Craig Scheer | Analyst, Tuhi Brothers:

Great. And then I just wanted to dig a little more into the timing of SMR deployments and maybe your ideal size project there, both domestically and internationally. And do you see Amoresco's role more of a supportive function, like transitional generation till the modular nuclear comes online? Or could you ultimately get into some APC work around actual SMR infrastructure?

### George Sakolaris | Chairman and Chief Executive Officer:

I mean, we have been drawn into the actual infrastructure, and this is nothing new. I mean, if you go back to the Savannah River project, that was a $200 million infrastructure project, a cogeneration project with a wood chip factory there as well as a wood-burning facility with fluoridized boilers and so on. Many of the projects we've been doing with the federal government, they involve cogeneration, turbines, engines. And if you look at the renewable natural gas plants, it's about $300 million projects. Each one of them, they are more complex than anything else anybody can do. But I think that the best projects for us will be the one to two, maybe $300 million projects. and especially on the battery size or the turbine or the engine size projects. And we will probably, on those projects, be the EPC contractor.

### Unknown Analyst | Analyst:

Great. Thank you.

### Demi | Operator:

Seeing no further questions at this time, that concludes our question and answer session and today's conference call. Thank you all for joining. You may now disconnect.

### Leila Dilan | Moderator, Investor Relations:

Please wait. The conference will begin shortly.