NYSE:AMRC Q3 2026 Earnings Call Transcript

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Bella | Conference Operator:

Hello, and thank you for standing by. My name is Bella, and I will be your conference operator today. At this time, I would like to welcome everyone to Q3 2026 Summer Resto, Inc. 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, then the number one To withdraw your question, press star 1 again. I would now like to turn the conference over to Leila Dillon, Chief Marketing Officer. You may begin.

Leila Dillon | Chief Marketing Officer:

Thank you, Bella, and good afternoon, everyone. We appreciate you joining us for today's call. Our speakers on the call today will be George Sakellaris, Amoresco's chairman and chief executive officer, Nicole Bulgarino, co-president of Amoresco, and Josh Baribeau, chief investment officer. In addition, Julie Bradshaw, vice president of finance and interim public financial officer, will also 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 used 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 Sakellaris | Chairman and Chief Executive Officer:

George? Thank you, Leila, and good afternoon, everyone. Our strong momentum continued in the third quarter with excellent execution and financial performance across all of our business lines. We also had Another great quora of new business activity, which contributed significantly to our multi-year project backlog. Importantly, we saw strong contract conversion during the quora, with $737 million of awards converting into contracted backlog, one of the highest amounts in the company's history. And we have seen this new business development momentum continue into the fourth quora, In specific markets, we saw projects move through our sales cycle at a faster pace than we have historically experienced. This was driven by the tremendous need to upgrade the new existing buildings and public energy infrastructure, coupled with the pressing need for new power generation. Emoresco is uniquely positioned to address these customer needs through our decades of experience delivering Energy Savings, and Diverse On-Site Power Solutions. As I mentioned, all three of our major business lines experienced excellent growth during the third quarter. Our projects business demonstrated strong results from our two core market pillars, buildings and public energy infrastructure and power infrastructure. Our buildings and public energy infrastructure pillar continue to show solid results across the markets we serve, anchored by the continued strength of our federal business. Customers across markets and geographies are facing spiking energy costs, as well as the need to pay for decades of deferred maintenance. Making our budget-neutral and sustainable solutions A perfect way to solve both problems. We also continue to expand our offerings within this pillar beyond our core energy

efficiency offerings, making us a one-stop shop for a broad range of energy infrastructure solutions for our partners. And the power infrastructure pillar of our business is uniquely positioned to address the rapidly growing need for reliable and flexible power. Our diverse portfolio of generation solutions can provide critical backup power to utilities as well as behind the mirror on-site power for commercial and industrial customers seeking to fuel growth and ensure continuity of operations. This is an increasingly important growth opportunity for us, particularly as power constraints intensify and customers look for solutions that can be deployed quickly and tailored to their specific needs. We are seeing this momentum across geographies from large-scale infrastructure projects in Canada, Euro-licensed solutions such as natural gas turbines and battery energy storage to the continuous growth of renewables with our Sunel joint venture in Europe. I'm very pleased to see that our two recurring revenue businesses Energy Assets, and O&M continued to grow and have become a material component of Maresco's overall business. We believe these two businesses will continue to provide excellent growth to our long-term recurring revenue and profits. Together, our three major business lines provide Maresco with great diversification of end markets, customers, and solutions. We expect this to drive our long-term growth and also give us tremendous business resilience. And finally, I want to take a minute to talk about the election results from last week. One message came through clearly. Rising energy costs and affordability are top of mind across the country. We believe Maresco is exceptionally well-positioned in this environment. Our budget-neutral, built-in and public energy infrastructure solutions help customers modernize aging facilities, improve efficiency, resiliency, and reduce energy costs without requiring significant upfront capital. At the same time, our power and infrastructure solutions are helping address the growing need for reliable and cost-effective power. Together, These capabilities directly address many of the energy challenges facing our customers today, and we believe this environment will continue to create meaningful opportunities for our business. Now, I would like to turn the call over to Nicole to provide additional details on the success that we are seeing in our business development activities. Nicole?

Nicole Bulgarino | Co-President:

Thank you, George, and good afternoon, everyone. I want to start off by focusing on our business development successes, which support our expectation for continued revenue growth in the coming years. New project awards of $875 million marked one of the company's strongest quarters for awards on record. Awarded backlog reached over $4.5 billion, over 70% higher than it was at this time last year. This highlights the great momentum we are seeing in our business driven by the confluence of positive industry catalysts. Our federal business saw record growth coming from large energy efficiency and infrastructure projects with both the military and civilian agencies. We also continue to see strong demand in the C&I sector where the need for power and resiliency drove activity in this increasingly important end market. Together, our federal, C&I, and European projects accounted for approximately $675 million, or over 75% of our new awards during this quarter, reflecting the important diversification within our backlog. We also added approximately $200 million to our awarded backlog related to our data center projects. This is due to scope expansion as the development of these projects progressed. We continue to pursue new data center opportunities that benefit from on-site power solutions. Our offering is differentiated in that we build the power on-site, placing no additional strain on the grid or on the electricity prices in the community. Our solutions also minimize the use of the municipal water supply and bring benefits to the communities. As we look to the future, we intend to maintain our approach to strategically select the best fit industry partners and capitalize on the use of our existing federal land. You may have seen our recent announcement with the Army to develop on-site nuclear power generation projects that will be designed to enhance mission readiness and resilience while providing clean power to the greater grid. We believe nuclear technologies have the potential to play a significant role in the future for clean, firm power. We are actively working with several nuclear technology companies to develop an integrated solution for our customers, and we just signed our first EPC contract for the balance of plant work for a microreactor project. With the growth in our backlog, I want to highlight contract conversions, where we delivered exceptional execution this quarter. Contract conversions accelerated across several of our key end markets, including federal, Canada, and Europe. driven by strong relationships and repeat business from our existing customers. A great example of this is the U.S. Department of Veterans Affairs,

where we are currently engaged in multiple infrastructure improvement projects at facilities across several states. Thanks to the team's hard work this quarter, our total backlog, awarded and contracted, has grown to nearly 7.2 billion, up almost 40% from this time last year. giving us revenue visibility for many years to come. I'll now turn the call over to Josh to cover our strong Q3 financial performance in more detail. Josh?

Josh Baribeau | Chief Investment Officer:

Thank you, Nicole, and good afternoon, everyone. Before I cover our Q3 results, I want to briefly walk through an accounting change and a change in our non-GAAP methodology that impacted how we present our results and forward guidance. First, in the third quarter, we completed a further accounting evaluation of the Neogenics transaction. In conjunction with external accounting partners, we determined that HLBV accounting is the more appropriate way to reflect this joint venture in our financials. HLBV allocates income or loss based on what each partner would receive if the joint venture were liquidated at book value at each reporting date. This method is commonly used in tax equity and complex partnership structures. Importantly, this change does not affect the underlying economics, cash flows, or operations of our business. Because HLBV results can vary meaningfully from quarter to quarter, our non-GAAP EPS and adjusted EBITDA now reflect 100% of the operating results of our consolidated joint ventures, Neogenics Fuels, and Amoresco Sunel Energy, to make period-to-period comparisons easier. Our ownership of the joint ventures does not change. We continue to own 70% of Neogenics and 51% of the Sunel JV. To maintain transparency within our results, we have included net income and adjusted EBITDA for each JV in our press release. Neogenics results are reflected in our renewable fuel segment, which is substantially all of Neogenics. Turning to our great quarterly results, total revenue increased 10% to $580 million, reflecting strong execution across our three major business lines, as well as excellent business development activity. Project revenue increased 9% to $446 million with particular strength from Federal, CNI, and our Sunel JV. Our energy asset business had another strong quarter as we continued to benefit from the expansion of our portfolio of owned operating assets with revenue growing 21% to $75 million. Our operating energy asset base stands at 827 megawatts with another 500 megawatts in development. Revenue of assets is consolidated, but the megawatt figures reflect Amoresco's 70% ownership in the Neogenix JV. We also continue to add O&M contracts, driving revenue growth for this business by 20% to $37 million. Our O&M backlog now exceeds $1.5 billion, supporting what we expect to provide many years of recurring profitable revenue visibility. Gross margin expanded to 18.7% with meaningful improvement on both a sequential and year-over-year basis. Margin improvement was driven by a combination of favorable business mix and strong execution. During the quarter, we made a change to the useful life assumptions of our energy assets, extending it to 30 years from 20 years previously, bringing us more in line with industry averages. This change reduced the depreciation expense related to our energy assets beginning in Q3 and going forward. Largely offsetting this reduction in Q3 was an increase in depreciation from our planned adoption of tax-based accounting for transferable investment tax credits, which I'll touch upon in a moment. Net income attributable to common shareholders was $31.9 million, or 59 cents per diluted share, while non-GAAP EPS was 88 cents. Earnings for the quarter included a large tax benefit related to our planned adoption of a tax-based accounting policy. We believe this better aligns the earnings benefit of investment tax credits with the period in which they are generated, rather than allocating the benefit over the life of the related assets. The retrospective application of this tax accounting policy is reflected in our year-to-date results as well as the 2025 recast comparisons. Adjusted EBITDA increased to $92 million and represents the full consolidation of our JVs as previously discussed. For ease of comparisons with your prior models, without this full consolidation, non-GAAP EPS and Q3 would have been $0.60 per share, and adjusted EBITDA would have been $78 million. We have provided supplemental quarterly details for all of 2025 and 2026, reflecting the retrospective application of our new tax-based accounting policy, as well as the full consolidation of our JV results in our press release. Turning to our balance sheet. Unrestricted cash was $129 million with total corporate debt $380 million. Our corporate leverage was 2.9 times comfortably below our three and a half covenant. During the quarter, we secured $106 million of new financing commitments, which should give us additional financial flexibility to fund our expected growth, support our working capital needs, and scale our energy asset portfolio in a disciplined way.

As detailed in our press release, we're providing Q4 guidance and updating our full year 2026 guidance. These updates reflect the accounting changes I discussed as well as the inclusion of 100% of the operating results of our consolidated joint ventures in our non-GAAP EPS and adjusted EBITDA presentations. Our guidance only reflects these changes and does not reflect a change in our operational outlook. Our full year adjusted EBITDA and non-GAAP EPS guidance would have otherwise been unchanged. Now I'd like to turn the call back to George for closing comments.

George Sakellaris | Chairman and Chief Executive Officer:

Thank you, Josh. As you have heard, this was a strong quarter of execution driving excellent financial performance and significant new business activity. That momentum has continued into the fourth quarter, positioning us to cap off a tremendous year of execution and development activity. With our growing backlog and the strength of our recurring revenue businesses, We believe we are well positioned to deliver continued profitable growth in 27 and beyond. We look forward to connecting with many of you at upcoming meetings, conferences, and events. In closing, I want to once again thank our employees, customers, and stockholders for their continued support and confidence in Amoresco. Operator, we would like to open the call to questions now.

Bella | Conference Operator:

At this time, I would like to remind everyone, in order to ask a question, press star, then the number one on your telephone keypad. We will pause for just a moment to compile the Q&A roster. Your first question comes from the line of Manish Samaya with cancer. Your line is now open. Please go ahead.

Manish Samaya | Analyst, Canaccord Genuity:

Yes, hi. Good afternoon. Good evening. It's Kanter. Of course, I think you know that already. Congrats on backlog conversion on margins. I guess, George, you must be pretty thrilled with how things panned out in the quarter. But I just wanted to go back to the moment on the post-election synopsis and Perhaps George, if you can just help us understand as to what you're seeing on the data center side, which is I think everybody's question at this point. How are customers reacting? Have you heard from any of the regulatory bodies or customers as far as shifting timelines? Maybe if you can just help us understand as to what's happening, you know, what's been sort of the initial reaction, and how are you sort of planning for the weeks and months ahead?

George Sakellaris | Chairman and Chief Executive Officer:

Thank you, and good question. I will add some color, make some comments, and then I will let Nicole or the data center add a little bit more color. But overall, the election is a positive for us. You know, you've got to think of what I said before, that... Our basic bread and butter business is energy efficiency and the budget-neutral solutions that we provide to the customers. And I think the election showed that affordability and energy costs, the escalation, is a prime concern. And I think we have a very, very good solution. And the fact that we had the change. In Congress, some key government ships across the country, I think overall it's going to help us. And as far as the data centers are concerned, I think Nicole will have good color, but I think the targets that we have chosen and the projects that we are working on, especially since 50% of our data centers are in federal land, It will be easier to permit. And ultimately, I think the value proposition for those sites that we have control of which five of them, I think it's going to be good for us and what's going on in the industry. Nicole, you might want to add something.

Nicole Bulgarino | Co-President:

Sure. Yeah, I mean, we remain confident and really excited about our backlog with data center customers. I mean, as I said in the script, That differentiates our solutions is that they are on-site power. They're islanded in some cases even. So if you look at what's come out against data centers and power is exactly that. They don't want it to be grid impacting and they certainly don't want it impacting electricity costs. So by doing what we're doing, we're aligned very well with what everyone's been talking about for the past couple of months. And the elections now that they're over, that does clear up this pause that we have been under, you know, waiting to see what's going to happen in anticipation. So now that we're moving forward, we have a diverse pipeline, as George mentioned, on federal lands and also commercial lands with different types of end-user tenants. so we're very excited about that but they are large power plant projects and just with anything these projects have to go through the development process and so we will work through challenges as they come but we at this point are very much think that our solution is in line with what the overall landscape is calling for right now.

Manish Samaya | Analyst, Canaccord Genuity:

And Nicole if I can just add one more data center question I think I saw 200 million data center award in the quarter I think that was an expansion of an existing project. Maybe if you can just help us have some more color as to what changed in terms of customer commitment, project design or capacity to support that additional scope. And then just kind of moving away from data center perhaps if George can also speak to the federal and Europe award momentum. Obviously, we did see some significant awards on that front in 3Q. I think what would be helpful is to understand the pace and the conversion visibility into 2027. Thank you so much.

Nicole Bulgarino | Co-President:

Sure, and both great questions. The first one on the 200 million expansion, this is really as our project development is maturing, we are able to firm the kind of capacity, the type of generation that we are utilizing, and just match it with the data center load. So we're just seeing increase in some of the megawatts to meet that design. So that's where that's come from. In addressing your question on the federal movement, we had a lot of contracts convert, particularly with the VA that we mentioned in the script. Large infrastructure projects that support those energy efficiency and also much needed infrastructure, mechanical, electrical upgrades throughout the VA hospitals. Similarly, we had other agency as well, the Coast Guard's another one that we were able to convert this one and another Army site as well. So we had great momentum. Again, having that existing relationship with the customer that we've been working for for many years already certainly helps in those conversions.

George Sakellaris | Chairman and Chief Executive Officer:

One of the comments that I had earlier on my script was I was particularly pleased with the broad distribution of the conversion of the awards to contracts representing like the CNI, the federal government, some of the smaller utilities or cooperatives. and so on. And of course, Europe. We're getting great, great traction over there, especially with funds that they are investing in solar installations. And it's getting to be a very, very good business. And the other thing that's happening on the CNI, you know, because the demand of electricity is so large and they're beginning to be concerned about reliable power in order to expand their business. And that's why for the first time, for a long time, we've seen a great, great traction in that market. And those contracts, they move faster because the need is there. And then they want to expand. And what's happening with bringing industries back into the United States, it's accelerating that demand.

Manish Samaya | Analyst, Canaccord Genuity:

Thank you. Thank you, Nicole and George. Congrats again.

George Sakellaris | Chairman and Chief Executive Officer:

Thank you very much.

Bella | Conference Operator:

Our next question comes from the line of Craig Irwin with Roth Capital Partners. Please go ahead.

Andrew | Analyst, Roth Capital Partners (for Craig Irwin):

Hey, guys. It's Andrew on for Craig, and congrats on the strong momentum. So first question for me, as the O&M contract-based scales, we've been seeing revenue increase, but we also saw some pretty solid improvement and profitability this quarter. So can you just talk about how much that reflects greater operating leverage versus contract mixed and kind of what's a sustainable margin level?

George Sakellaris | Chairman and Chief Executive Officer:

Yeah, that sounds great. And I will take care of the first one because I'm very, very pleased with the progress we see on the O&M. Right now, we are approaching four gigawatts of solar, O&M and batteries. And of course, That is going to grow tremendously. In addition to that, the federal government business, you get more contracts, you get more O&M there. And now as we get into the data center, and let's say we built a couple of these power plants down the road, and some of the O&M contracts that I see coming along with those, they are very, very, very good. So I'm very excited about that part of our business. And of course, It doesn't require that much capital in order to expand that business to the assets that we own. And you want to add a little bit more color?

Josh Baribeau | Chief Investment Officer:

Sure. On the margins specifically, if you're referring just to O&M, so O&M margins last two quarters did step up very nicely. I think we addressed it last time talking about some price increases we were able to push through that we actually have been planning on for quite some time. So that had driven some of the price increases. But O&M can be somewhat variable. I don't Thank you for joining us. It's a little bit above our guidance. The guidance range was 17% to 18%, which is potentially a little conservative for the year. But it certainly is up meaningfully from last year. And that has been driven by some energy assets being placed in service, but also a strategic move that we've talked about to drive higher margin projects through the business. We've been doing that in Europe. We've been doing that in the U.S. regions, etc. As all the positive things George and Nicole talked about, people need the solutions now. and it creates a lot of value, so we're able to get a little bit extra margin on those and a couple of pickups.

Nicole Bulgarino | Co-President:

Yeah, and we also had great application this quarter, so that helps. We're able to have margin pickups on closing out projects.

Andrew | Analyst, Roth Capital Partners (for Craig Irwin):

Understood. I really appreciate the detail there. And just a second one for Neil. I love a question. You touched upon it in the opening remarks, but can you just give a little more color on how Neogenics is progressing, you know, how the operating plants are performing and any progress on the development pipeline would be great.

Josh Baribeau | Chief Investment Officer:

Yeah, so Neogenics is, we're very happy with that transaction. It was, we think, game changing for us in terms of how we monetize our assets and how we're able to fund the growth of our assets, both in this segment and potentially others. I think there were some issues outside of our control since the closing of the transaction. in terms of availability of the power plants, like I said, largely outside of our control. But in terms of the pipeline, in terms of business development, in terms of Hazi's commitment, everything remains exactly as we modeled.

George Sakellaris | Chairman and Chief Executive Officer:

Yeah, it's been excellent partnership with those people. And a couple of the plants, one of them was transformer blew up, and that's more than six weeks outage there. And then the other one, Woodland, we had another development on the plant, which has been both, by the way, have been fixed now.

Andrew | Analyst, Roth Capital Partners (for Craig Irwin):

Great. Really appreciate the call.

Bella | Conference Operator:

Your next question comes from the line of Eric Stein with Craig Hellum. Please go ahead.

Eric Stine | Analyst, Craig-Hallum:

Hey, everyone. Maybe if we could go back to the data center topics that you mentioned, the 200 million expansion. I know that last quarter in your backlog you had five contracts and you've given, I think it was one and a half billion combined, and you've given a total of what you thought that those could become if expansion happened. So just curious, you know, what you're seeing in the additional projects that you've got in your backlog and then just in terms of other prospects that are out there that you're chasing. I mean, are you, is this something to expect kind of a move to larger projects?

Nicole Bulgarino | Co-President:

Yeah, so first to answer that first part of the question, I mean, this expansion was specific to one project. And again, it really came, the reason that we were adding more capacity was really just fitting it to the customer's needs of what their data center built out is. We certainly anticipate, as we said in the last earnings call, that we expect to continue to be refined as we have, as we continue to develop them. at this point you know we've been working through the development process and as we go through that it's our it's our the way that we've been approaching all large projects and just making sure that we're doing it as the development matures I think you know just Based on where we are now, I mean, the AI is continuing to, the market's continuing to grow, and we're also going to see more and more push to behind-meter on-site solutions. So I think certainly there'll be more opportunities for us to continue to grow this pipeline, not only with the ones

that we have in awarded backlog, but more to come as well, especially the more after the election.

Eric Stine | Analyst, Craig-Hallum:

Yep. No, that's very helpful. Maybe then, just in terms of the project conversion, obviously, great. You mentioned federal and you mentioned Europe. But also, I mean, a lot of the reasons that you talked about, I mean, those have been reasons, you know, that's kind of been the market backdrop for some time. So I'm just curious if there was anything, you know, that maybe was a specific driver in the corridor, or was this just a case of, hey, you just happen to have a number of projects that were closed? and, you know, they all or a high percentage of them reached the finish line.

George Sakellaris | Chairman and Chief Executive Officer:

I think combined. I mean, there were many projects that we have done there at Homework and they were ready to sign and the customers, because of the need, they accelerated. But there were some projects, especially in Europe, that from the award to the executed contract, it's considerably shorter and what it has been. And then the CNI customers, they have much shorter time span. A couple of the co-ops, some of the contracts, they moved much faster than we had contemplated. So that's why I'm very pleased. It was across the board. And I think, you know, we all focus a lot on data centers and what that has to do to our business. but the side effect of the high demand for electricity or the shortage of power supply is many what I call co-ops, smaller utilities, larger industrial commercial customers that they never talked to us before about backup power or whatever the case might be. Now they are doing it and that's why a good part of our backlog now it's with that space, that particular market segment and we feel very good and that's and that's why we feel good about our business model, the diversification that we have on the various types of markets and customers and solutions we provide.

Eric Stine | Analyst, Craig-Hallum:

Okay, and then this one, just real quick. I mean, this came out, I don't know, a month or so ago and it's probably, you know, very few details, but the project fortress talking about each project each military site needing to generate its own power and operate separate of the grid. I mean, that would seem to fit quite nicely with what your core capabilities are. Curious if there's anything there that's just down the road.

Nicole Bulgarino | Co-President:

I think that's down the road, but it certainly is one of the objectives. I mean, resiliency, reliability have been objectives of the federal government for quite some time, and now just This push because of the extreme grid right now is even going to accelerate that even more. So we are seeing more. And again, not just to have on-site generation, but also to have more energy efficiency that's reducing load as well. So that works very well for us because they're complementary with each other on those objectives.

Eric Stine | Analyst, Craig-Hallum:

Okay, thank you.

Bella | Conference Operator:

Your next question comes up from the line of Ryan Fink with B Raleigh Securities. Please go ahead.

Ryan Fink | Analyst, B. Riley Securities:

Hey guys, thanks for taking the questions. Maybe another follow-up on the data center side. Of the five projects in awarded backlogs, how many are you likely to move to contracted in the next day, 12, 18, 24 months. Or if you prefer to stay away from timing commentary, could you just remind us what some of the milestones are, you know, that these projects are waiting on before you feel comfortable moving them to contracted backlogs?

Nicole Bulgarino | Co-President:

Well, we're, yes. I mean, I think we're 12 to 18 months for those five projects is on target. So what we're seeing in that, and each one has a little bit different of a story, but permitting is one. Finalizing contracts with customers and locking in equipment are the three major milestones that we're working on each one of them for.

Ryan Fink | Analyst, B. Riley Securities:

Got it. Thanks, Nicole. And then could you talk more about and more broadly with the nuclear component. How should we think about next steps there and who will ultimately be taking on the first of a kind risk on the nuclear phases?

Nicole Bulgarino | Co-President:

Sure. I mean, that's a good question. The first of a kind is separate from the two Army sites that we released about. That's a separate project and we are partnered with a microreactor partner who will assume the risk of the nuclear side of that. Our role in that is just the balance of plants to build around it, the building concrete generator connecting the generation, so what we do all the time. But we're excited about the Army announcement because this really moves just the strategy to something real and where we're actually now seeing the feature for nuclear. And so on these two sites that came from the Army, , and Aberdeen in Maryland. These give us the opportunity to have multiple phases. So we're early in the development of this. We have to go through permitting. We have to go through design scope. We have to go through several other negotiations with the Army to make these end up being something. However, we're doing it in phases, where we can have early wins and then go for the longer stretch with various nuclear technologies, from microreactors which has a shorter time on the permitting to SMR technology. So on both of these we have a combination of battery storage and also even clean technology like fuel cells and then leading to the phase two with the nuclear solutions.

Bella | Conference Operator:

But it's really great to see the Army.

Nicole Bulgarino | Co-President:

Yeah, and it's just great to see the Army supporting that because that is a key objective with them with having nuclear solutions.

Ryan Fink | Analyst, B. Riley Securities:

Thanks, Nicole.

Bella | Conference Operator:

The next question comes up from the line of Stephen Vingaro with Stifel. Please go ahead.

Stephen Gengaro | Analyst, Stifel:

Thanks. Good afternoon, everybody. I think two for me. One, can you talk a little bit about sort of the supply chain and some of the inflationary pressures that are out there and how that's mitigated by how the contracts are structured?

Nicole Bulgarino | Co-President:

Sure. I mean, I think supply chain is interesting. I mean, it depends on which market we're talking about. But I think one will definitely see an uptick in supply chain with some of the data centers that were previously connected to the grid or had some other equipment that now have too much equipment that will become to the secondary market. I think overall for us though I mean this is the supply chain has been you know a challenge for years now and so we are we have a large network of distributors for distributors for both electrical equipment for generation equipment so we're able to move quickly and and have flexibility in them how we can design these systems but ultimately too I mean our contracts that we're you know that we're working on will have protections in them and and really work with it to be able to protect against tariffs, to protect against change in cost. Just because you have seen such an uptick, I mean, just in the past 12 months, 30, 40% increase on some of this electrical equipment. Just insane, insane increases in there. So I think for us, it's something that we've been working with on each contract and make sure that we're protected. But also just to see, it still doesn't take away So there's not really a choice but to move forward with it.

Stephen Gengaro | Analyst, Stifel:

Thanks. And then the follow-up to that is we've seen several companies where they'll get, you know, obviously the cash requirements to order, especially power gen equipment, are pretty high. Is that something your customers will help fund or is that something that will be sort of funded by you? Good question.

Nicole Bulgarino | Co-President:

Yeah, that's a great question. So our business model does not go out and buy equipment. We made that very clear to our customers. So we're seeing we certainly are relying on them to make that commitment because that also signals that they're ready to move forward and have a project. So yeah. That's the way that we've been moving on our projects and certainly not to spend equipment procurements ourselves.

Stephen Gengaro | Analyst, Stifel:

Great. Thank you. It's been a big topic, so I appreciate the comments. Thanks. Sure.

George Sakellaris | Chairman and Chief Executive Officer:

Thank you.

Bella | Conference Operator:

Your next question comes from the line of Ben Calio with Baird. Please go ahead.

Ben Kallo | Analyst, Baird:

Hey, thanks for taking my question. And Nicole, maybe just following up on some of your earlier comments just about different technologies. I know it's very early in some of these states adopting rules around data centers, but have you seen any shift? Whether it's from a simple cycle turbine to a fuel cell or a simple cycle turbine to a reciprocating engine or anything that you're seeing in shifts because of the pushback or not in my backyard. I have a follow-up.

Nicole Bulgarino | Co-President:

I think that's a great question, and there's two different answers. Thank you. Thank you. Campuses, I wouldn't be surprised to see that there'll be solar and battery storage as part of the solution overall once the base speed to power project is implemented. But I think now it's still kind of the same mix because you need that speed to power and reciprocating engines and fuel cells are the quickest way to get there.

Ben Kallo | Analyst, Baird:

Got it. And George, I think in your prepared remarks you mentioned the Thank you for joining us.

George Sakellaris | Chairman and Chief Executive Officer:

and states across the board, and then commercial industrial customers. And the other thing that's happening, aging infrastructures. Basically, the fact that we can take the energy savings, securitize them, and then we get the new boilers, new chillers, sometimes new windows, we upgrade bathrooms, we do many, many upgrades to the customer facilities. Nicole, you might want to add something.

Nicole Bulgarino | Co-President:

No, I think it's both. I mean, higher energy prices combined with just inefficient age infrastructure. And so, you know, being able to replace it with latest technology, but also lower maintenance equipment. You know, we're seeing that just in simpler boiler replacements, controls, and all of that, you know, certainly has lending to that increase in energy efficiency. But it's all driving, driven from higher costs.

George Sakellaris | Chairman and Chief Executive Officer:

I mean, look at the technologies. On the water mirrors, you know, now you get the All-American Water Mirror in Britain. That has become a great, great business line for us across the United States. It started down in Texas, and now it's all over the streetlights. I keep going on and on, and that's why we feel very good about the diversification that we have in our business model. And 60 to 70 percent of our business still comes from what I call bread and butter.

Ben Kallo | Analyst, Baird:

If I may, just on that added controls and technology, are you seeing customers willing now to enter into virtual power plants or demand response programs more?

Nicole Bulgarino | Co-President:

I think certainly on demand response programs, just because of time of use rates and the peak capacity, and that's even going higher and higher every year. So I think that's a big part of these projects that we're seeing is on the controls to reduce peak power.

George Sakellaris | Chairman and Chief Executive Officer:

And the other one, speaking of the controllers, the All-American Buildings and so on, you know, very sophisticated. And we have bought three little companies on built-in controllers and excellent, excellent performance. And we're looking to grow that particular aspect of our business because it has great, great market traction out there. Great. Thank you, Gus.

Bella | Conference Operator:

Again, if you would like to ask a question, press star 1 on your telephone keypad. Your next question and last question comes from the line of Moses Sutton with BNP Paribas. Your line is now open. Please go ahead.

Moses Sutton | Analyst, BNP Paribas:

Hi, thanks for squeezing me in. And very helpful updates on the 1.7 billion data center. Have any of these data centers reached full permits and they're just waiting on other matters? So maybe they're waiting on the resits, turbines, fuel cells, etc. And then for those that actually don't have the equipment yet, do they typically have slots and pricing locked in? I just want to get a sense on where those two sides seem to be the things that would lead towards conversion into a contracted backlog. Thanks again for taking my question.

Nicole Bulgarino | Co-President:

I mean, I'd say our permitting is very close on a few of them, especially our federal site where we don't have some of the other local permits that are required at some of the commercial sites. On the equipment, either we have reserved or we are indicating our schedule and cost based on when we finally lock that in. So there is ability to adjust that.

Moses Sutton | Analyst, BNP Paribas:

Great, great. Thanks. And then maybe some quick hit ones as follow-up on the data center side. You've mentioned Arizona and Texas before. Is it fair to say it's weighted toward any of those states? Is Texas the biggest among them? And are these more so bridge sites, the power use for the customer, or are they in more islanded situations for longer term?

Nicole Bulgarino | Co-President:

Thanks. Second, island in case, longer term is what we're providing on these projects. So they'll be behind meter. Potentially could have the ability to connect to grid later, but now they're islanded energy plants. And then on the first question.

Josh Baribeau | Chief Investment Officer:

It is more heavily weighted toward Texas. Sorry, towards Arizona. But we have, I think, four or five or six different states right now in an opportunity set of about 10 states. Five of which are currently in the awarded backlog and five that are moving through the motions. But there's not a heavy concentration in Texas. But as Nicole pointed out, even the ones that are fully behind the meter.

Moses Sutton | Analyst, BNP Paribas:

Got it, got it. Super, super helpful. And I guess one last on, I think Josh, you'd noted to me in the past on one of the solar ones, there was actually a project with an oversized ratio four or five times capacity to run, you know, behind the meter solar as the primary generation source. Is that still in the mix there or is this really all Research Turbines, Fuel Cells, et cetera. And thanks again for taking the time.

Josh Baribeau | Chief Investment Officer:

Yeah, so I don't think it was ever four to five. It might have been like 2X or something like that, but this is the one that we announced last year. But I think that's been re-scoped a little bit in California, right?

Nicole Bulgarino | Co-President:

It's now all fuel cell, just making, you know, aligning with federal goals of having gas pollution on the federal side.

Moses Sutton | Analyst, BNP Paribas:

Brilliant. Thank you so much for squeezing me in. Okay.

Bella | Conference Operator:

That concludes our Q&A session. Thank you all for joining. You may now disconnect. Everyone have a great day.