

NYSE:GWH Q3 2025 Earnings Call Transcript

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Operator | Conference Operator:

Ladies and gentlemen, thank you for standing by. At this time, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, you will need to press the star one on your push button phone. I would like to turn the conference over to Mary Horn. Please proceed.

Mary Horn | Director of Investor Relations:

Welcome to ESS's third quarter fiscal year 2025 financial results conference call. Joining me on the call today from ESS are Kelly Goodman, interim CEO, and Kate Sudolnyk, interim CFO. Following management's prepared remarks, we will hold a Q&A session. Earlier today, ESS released financial results for the third quarter of 2025. The earnings release is available in the investor relations section of the company's website. As a reminder, the information presented today will include forward-looking statements, including, without limitation, statements about our growth prospects, partnerships, energy-based product, financial performance, capital raising, including under our ATM program, and strategy for 2025 and beyond, and the impact of regulatory and legislative developments. The forward-looking statements are also subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those projected or implied during this call. In particular, those described in our risk factors set forth in more detail in our most recent periodic filings filed with the Securities and Exchange Commission, as well as the current uncertainty and unpredictability in our business, challenges with raising capital, issues with our partnerships, the markets, the economy, the current geopolitical situation, and the development and launch of the energy base. You should not rely on our forward-looking statements as predictions of future events. All forward-looking statements that we make on this call today are based on assumptions and beliefs as of the date hereof, and we disclaim any obligation to update any forward-looking statements except as required by law. During the call, we will also present certain financial information on a non-GAAP basis. Management believes that non-GAAP financial measures taken in conjunction with U.S. GAAP financial measures provide useful information for both management and investors by excluding certain items that are not indicative of our core operating results. Management uses non-GAAP measures internally to understand, manage, and evaluate our business and make operating decisions. Reconciliations between U.S. GAAP and non-GAAP results are presented within our earnings relief. With that, I will turn the call over to Kelly.

Kelly Goodman | Interim CEO:

Thank you, Mary, and good afternoon, everyone. Before we dive into the quarterly results, I want to take a moment to reaffirm who we are as a company and the value we deliver. ESS is a technology leader in long-duration energy storage. Our Iron Flow battery platform delivers safe, sustainable, non-flammable storage capable of 10 or more hours of discharge. Built with abundant U.S.-sourced materials, iron, salt, and water, our systems are designed to cycle over 20,000 times without capacity fade. That combination of durability, safety, and sustainability positions ESS to meet a critical market need as data centers expand, electrification accelerates, and utilities seek reliable, clean power upscale. Short duration and lithium ion technology simply cannot fill that gap cost-effectively or sustainably. We have built strong relationships with Tier 1 customers, including SB Energy, Honeywell, Portland General Electric, Sacramento Municipal Utility District, and most recently, Salt River Project. These partnerships validate our technology and highlight its readiness for real-world deployment giving ESS a strong foundation as we move from development into

execution. The third quarter was an important continuation of the strategic plan we have been executing throughout 2025. We advanced key customer programs, strengthened our capital position, and laid the foundation for the delivery of our first energy-based system. Most notably, we announced a 50-megawatt-hour energy-based pilot project with Salt River Projects, or SRP, one of the nation's leading utilities and a recognized innovator in long-duration storage. This project represents the first commercial-scale deployment of our next-generation energy-based platform and is a powerful validation of our technology and our teams. Shortly after the SRP announcement, we completed a \$40 million financing with Yorkville Advisors. That transaction reinforced our balance sheet and gave us the flexibility to move forward with confidence as we prepare for manufacturing and delivery in the next 18 months. Since closing that transaction, we have already repaid \$15 million of the original \$30 million drawn to date. For additional capital to support execution, we are launching a \$75 million at-the-market equity program with a syndicate including Yorkville, BMO, Canaccord, Needham, and Stiefel. This is intended to provide efficient access to capital to support growth and execution as needed. As I step back and look at where we are, the progress this year has been clear and deliberate. We started 2025 with a focus on strengthening our leadership team and tightening our cost base. From there, we aligned our organization around the energy base, a product designed and manufactured in America to meet the growing need for 10 plus hour storage. Today, we are executing with customers who understand that long duration storage is essential to a decarbonized and resilient grid. We are particularly encouraged by the strength of our commercial pipeline. Since launching the energy base earlier this year, 100% of our active opportunities are centered on this platform, with RFP activity and proposal volume continuing to increase. These engagements are larger in scale, longer in duration, and more strategically aligned with the needs of major utilities, data center developers, and industrial customers. Looking forward, our focus over the next 18 months is on execution, building, delivering, and validating performance in the field. We are continuing to drive operational discipline, scale manufacturing capability, and demonstrate to customers that our technology delivers safe sustainable, long-duration energy storage at competitive cost. Finally, I am pleased to share that we plan to host an Investor Day in early 2026, where we will provide an in-depth look at our progress, the energy-based program, and our roadmap into 2026 and beyond. With that, I will turn it over to Kate for the financial update.

Kate Sudolnyk | Interim CFO:

Thank you, Kelly, and good afternoon, everyone. Unless otherwise noted, all figures I'll reference are on a non-GAAP basis and reconciliations can be found in our earnings release. For the third quarter of 2025, we reported revenue of \$200,000 compared to \$2.4 million in the second quarter. The year-to-date trend reflects our ongoing transition from energy warehouse and energy center deliveries to the energy-based platform, which will become the foundation of our commercial activity going forward. Gap cost of revenues totaled \$4.9 million, while operating expenses were \$5.1 million, consistent with our commitment to disciplined cost control. Net loss for the quarter was \$10.4 million, or 73 cents per share. We ended the quarter with cash, cash equivalents, and short-term investments of \$3.5 million, which, as a reminder, does not include the \$30 million of proceeds from the Yorkville financing, which closed after quarter end. These funds provide a solid runway to continue advancing manufacturing readiness and support early project execution. As Kelly noted, we are launching a \$75 million at the market program, which we view as an additional tool, not a requirement for accessing capital. With the funding we secured earlier this quarter, we have the flexibility to time any use of the ATM strategically based on market conditions and our progress toward key milestones. Together with continued cost control, this positions us to execute from a position of strength. Operationally, we continue to focus our resources on productization of the energy base, vendor optimization, and supply chain readiness for 2026 delivery. At the same time, we remain highly selective in spending, aligning every dollar to programs that directly support execution, delivery, or validation in the field. In summary, Q3 was another step forward in strengthening our financial and operational foundation. We have greater visibility, improved efficiency, and growing customer momentum, all key ingredients as we prepare for our next phase of growth. With that, I'll hand it back to Kelly for closing remarks.

Kelly Goodman | Interim CEO:

Thank you, Kate. To close, ESS's priorities remain clear. One, deliver on customer commitments starting with SRP and our early energy-based programs. Two, execute with discipline, controlling costs, scaling responsibly, and ensuring operational excellence. Three, convert momentum into long-term growth, validating performance and building durable relationships with leading utilities and developers. We are proud of what the ESS team has achieved this year. The pieces we have put into place, technology, capital, customers, and people are setting the stage for the next chapter of growth and value creation. Thank you for your continued support. And with that, we will open the line for questions.

Operator | Conference Operator:

Thank you. At this time, I would like to remind everyone in order to ask a question, press star and then the number one on your telephone keypad. We'll pause for just a quick moment to compile the Q&A roster. We have a question from Justin Clare of Roth Capital Partners. Your line is now open.

Justin Clare | Analyst, Roth Capital Partners:

Hi, thanks for the time. So first, I wanted to start out with the energy-based product here. I was wondering if you could just talk about the scale of the projects that you're currently pursuing with the energy base and what kind of durations your customers might be looking for? And then also just in recent RFPs, could you talk about the technologies that you're most frequently competing against? Is this lithium ion potentially, or is it primarily alternative long duration technologies that you're seeing?

Kelly Goodman | Interim CEO:

Sure. Thanks, Justin. This is Kelly. So to answer your questions in order, as far as scale, our strategy over the next couple years is to deliver projects similar in size to SRP, which is a 5 megawatt, 50-watt, megawatt-hour project, but projects that have a significant follow-on opportunity in the next couple years. So by that, I mean, you know, 100 megawatt or 200 megawatt project opportunities. As far as duration, Our current energy-based offering is a 10-hour duration. By 2029, we're targeting having a 16-hour battery. So that's sort of the duration we plan to offer in the later years. As far as RFPs and technologies, I would divide those into two buckets. We're seeing more and more RFPs that are specifically targeting long duration, like SRP. And by that, I mean technologies that offer more than 10 hours. So in those RFPs, we're competing against technologies that can actually offer more than what you see in the normal four-hour space. In other RFPs that are sort of storage agnostic, we are competing against lithium, other competitors that offer four-hour storage, but we're really pleased by what we're seeing as an emerging trend and recognition that longer duration, 10 plus hours will be needed.

Justin Clare | Analyst, Roth Capital Partners:

Got it. Okay. Appreciate that. Thanks. And then I guess just following up for the RFPs that you are pursuing here, can you talk about the types of customers that are issuing these? So these utilities, IPPs, or are you participating in RFPs, you know, directly with data centers, whether it's behind the meter or front of the meter approach?

Kelly Goodman | Interim CEO:

Sure. So in the RFP space, I would say the customers are either utilities or they are IPPs acting on behalf of the utility. We are not engaged in RFPs behind the meter, but rather, you know, for data centers and other customer hyperscalers like that, those are bilateral conversations.

Justin Clare | Analyst, Roth Capital Partners:

Got it. Got it. Okay. And then just on the balance sheet here, so you've obviously raised a decent amount of capital and so wondering if you could just talk a little bit more about the use of proceeds for that capital in the near term and then just thinking about your liquidity needs, you know, how much runway does that capital provide you and how are you thinking about liquidity ahead?

Kate Sudolnyk | Interim CFO:

Yeah, Justin, this is Kate. I'll take that one. I'm happy to give some more details as a lot has definitely changed in the last few weeks since the end of the quarter. As of today, we have roughly \$30 million in cash on hand, and we still do have the ability to draw the remaining \$10 million from Yorkville's promissory note at our discretion. So together with that and the new ATM program that we announced today, I think we feel we have significant flexibility to manage liquidity sort of on our terms as we need it over the coming months and quarters. You know, over the past 11 months, we've taken a lot of deliberate steps to streamline the company. We're really focused now, rather than on survival, which has been kind of our focus, on execution and really driving towards delivering on the SRP project, pursuing new opportunities, and as I mentioned, just really executing on those on those milestones as we move forward.

Justin Clare | Analyst, Roth Capital Partners:

Okay, appreciate it. Thank you.

Operator | Conference Operator:

Thank you. That seems like all the questions we have, so I'll pass it back over to the ESS team for any closing or further remarks.

Kelly Goodman | Interim CEO:

Yeah, thanks for that. This is Kelly. Just wanted to say thank you. Thank you for joining. Thank you for the support and look forward to what's ahead of us.

Operator | Conference Operator:

Thank you. That will conclude today's call. Thank you for your participation. You may now disconnect your line.