NYSE:GWH Q4 2025 Earnings Call Transcript

Generated on 6/10/2026

Operator | Conference Operator:

Good afternoon and welcome to the ESS Tech fourth quarter and full year 2025 financial results conference call. All lines have been placed on a listen-only mode and the floor will be open for your questions following the presentation. During today's call, we may make statements relating to our goals and objectives for future operations, financial and business trends, business prospects, future financial metrics, statements relating to timing for project new horizons manufacturing and delivery, potential future orders from customers, potential future partnerships, our future manufacturing capacity and management's expectations for future performance that constitute forward-looking statements under federal securities laws. Any such forward-looking statements reflect management expectations based upon currently available information and are not guarantees of future performance and involve certain risks and uncertainties that are more fully described in our SEC filings. Our actual results, performance, or achievements may differ materially from those expressed in or implied by such forward-looking statements. We undertake no obligation to update or revise any forward-looking statements to reflect events or developments after the date of this call. On this call, we will also discuss financial measures derived from our financial statements that are not determined in accordance with US GAAP, including adjusted EBITDA, A reconciliation of each of the non-GAAP measures discussed on this call to the most directly comparable GAAP measure is presented in our earnings release and investor presentation posted on our website today. A press release detailing these results was issued this afternoon and is available in the investor relations section of our company's website, investors.essinc.com. Hosting today's call will be ESS's Chief Executive Officer, Drew Buckley, and Chief Financial Officer, Kate Suhodelnik. With that, I'll turn the call over to Mr. Buckley.

Drew Buckley | Chief Executive Officer:

Thank you, operator, and good afternoon, everyone. Today, we'll walk through four areas, a company overview, our FY25 operational updates, our pipeline and go-forward strategy, and a financial review from Kate. Let's get started. ESS is a leading manufacturer of long-duration iron flow energy storage solutions, traded on the New York Stock Exchange under the ticker GWH. Founded in 2011 with a mission to accelerate decarbonization safely and sustainably, ESS's iron flow technology uses iron, salt, and water, some of the most abundant and easy to source materials on earth, to store energy in a way that is safe, sustainable, and built to last. Our flagship product is the Energy Base, a 10 to 22 hour long duration energy storage system designed for applications where lithium ion is too costly, too short in duration, or simply not safe enough. The Energy Base is a non-containerized and open architecture system purpose-built for utility scale grids, hyperscaler data centers, industrial microgrids, and defense installations. Unlike lithium ion, our iron flow technology is designed to deliver unlimited cycling with zero capacity degradation over a 25-year life. All of our products are manufactured right here in Wilsonville, Oregon, with over 98% domestic content, making ESS one of the only American-made, American-sourced, long-duration storage solutions available today. We have scaled manufacturing capacity in place and a Tier 1 pipeline that includes Salt River Project, or SRP, Google, and the US Air Force. 2025 was a year of deliberate transformation. The headline is straightforward. ESS has executed on restructuring, made meaningful commercial progress, and significantly strengthened our balance sheet. Let me walk through the key milestones. On the commercial side, we were awarded a $9.9 million contract from Concurrent Technologies Corporation and the U.S. Air Force Research Laboratory for a long-duration energy storage system to be deployed at U.S. Clear Space Force Station in Alaska. This is a landmark win. It demonstrates that American-made iron flow storage is ready for mission-critical defense applications. We also announced Project New Horizon, a 5-megawatt, 50-megawatt hour system to be installed at SRP's Copper Crossing Energy and Research Center in Florence, Arizona. Google has been confirmed as an off-taker and will provide cost-sharing and multi-year operational testing. Manufacturing is expected to begin this year in 2026, with delivery targeted for December 2027. This is a transformational partnership, a major Southwest utility backed by one of the world's largest energy loads with significant sustainability and resiliency goals. On the leadership front, we made important changes. Kelly Goodman transitioned to the role of Chief Strategy Officer and General Counsel, and Kate Suhodelnik was appointed as our permanent CFO. In February of 2026, we acquired the intellectual property and assets of Bolt Storage, a pioneer in iron salt battery technology. This acquisition deepens our technological moat and adds meaningful patent coverage in the long-duration iron flow space, in addition to highly valued human capital. Volt Storage gives us a further platform to continue building the strength of our leadership team. We appointed Randall Selesky, former Chief Commercial Officer of Volt Storage, as our new Chief Commercial Officer. Chief Operating Officer Gigas Trivedi will be departing ESS. We want to thank Mr. Trivedi for his contributions during his tenure, including his leadership during our strategic pivot to energy base, and we wish him well in his future endeavors. Brian Lesecki, our current Chief Information Officer, will serve as interim chief operating officer while we conduct a formal search process. On the balance sheet, we closed a $40 million financing transaction with Yorkville Advisors, launched an ATM equity offering program, raising approximately $8.6 million in gross proceeds, and to date have repaid approximately $28.5 million, or 95% of the first $30 million tranche under the Yorkville Promissory Note. In January 2026, we closed a $15 million registered direct offering priced at a premium to the market, and as of March 1st, we have drawn the second $10 million tranche under the Yorkville Promissory Note. We continue to see a large and growing long-duration energy storage market opportunity. Demand from AI data centers alone is projected to increase 165% by 2030, and the grid will need to deploy 8 terawatt hours of long-duration storage by 2040 to meet clean energy targets. We have the right team in place and the right technology to execute on our near and midterm objectives. With that, I'll turn it over to Kate to walk through the financials.

Kate Suhodelnik | Chief Financial Officer:

Thank you, Drew. I'm pleased to be speaking with you today as ESS's CFO. Revenue for the full year 2025 was $1.6 million, down from $6.3 million in 2024. As Drew noted, this reflects the deliberate transition away from legacy product lines, the energy warehouse and energy center, as we refocus on the energy base. Revenue recognized during the year included deliveries of legacy units primarily to related parties, engineering services, and extended warranty revenue, partially offset by the wind down of active contracts for legacy business activities in connection with the shift to the energy base product offering. Gross loss for the year was 27.7 million, an improvement of 39% compared to a loss of 45.4 million in 2024. Total operating expenses decreased 33% year-over-year to $29.7 million, down from $44.4 million. This reduction reflects the organizational reset we undertook. Research and development expenses declined $3.5 million, sales and marketing declined $5.3 million, and G&A declined $5.9 million as we reduced personnel costs and streamlined operations. We made the smallest cut to R&D to prioritize investment in our product development. Net loss for the full year was 63.4 million compared to 86.2 million in 2024, an improvement of 26%. Adjusted EBITDA improved 38% year-over-year to a loss of 44.3 million from a loss of 71.3 million in 2024. The trajectory here is clear. Costs are coming down meaningfully, and as revenue ramps with the energy base in 2027 and beyond, we believe we are on the path to positive EBITDA. Compared with the prior year, we significantly improved adjusted EBITDA by $27 million. That improvement reflects the significant cost reduction work being done across every line of the business. The quality of those reductions is important. They are structural, not temporary, and they carry forward directly into the energy-based cost profile. Turning to the balance sheet and liquidity. As of December 31, 2025, we had $14.5 million in unrestricted cash and cash equivalents and $7.5 million in other liquid assets for a combined liquidity position of $22 million. Accounts receivable was essentially zero and inventory was $0.1 million, consistent with the wind-down of legacy product lines. Subsequent to year-end, in January 2026, we closed a $15 million registered direct offering priced at a premium to the market. During 2025, we completed the $40 million Yorkville financing, receiving $30 million immediately and drawing on the second $10 million tranche in February 2026. We raised approximately $8.6 million through our ATM and have repaid approximately $28.5

million, or 95% of the first $30 million tranche under the Yorkville promissory note as of March 1st, 2026. We will continue strengthening the balance sheet and managing expenses so that we can execute our strategic priorities over the near and long term. With that, I'll turn the call back over to Drew.

Drew Buckley | Chief Executive Officer:

Thank you, Kate. Let me leave you with three takeaways from today's call. First, our commercial momentum is real and building. Google is confirmed as an off-taker on Project New Horizon, and the $9.9 million CTC and Air Force contract is underway. These are not promises. They are signed agreements with sophisticated counterparties. Second, our financial performance is improving across key metrics. Adjusted EBITDA improved 38% year over year, while operating expenses were down 33%. The organizational reset we undertook in 2025 is showing up in the numbers, and those savings are structural. Third, the team and technology are in place to execute. We have a permanent CEO, a permanent CFO, a new chief commercial officer with deep iron flow experience, and several other experienced senior employees joining the team. and a strengthened IP portfolio following the board storage acquisition. The energy base is the right product for the market, and we are ready to deliver. We look forward to updating you on our progress. And with that, we will now open for questions. Operator?

Operator | Conference Operator:

Thank you. We will now begin the question and answer session. If you would like to ask a question, please press star followed by one on your telephone keypad. If for any reason at all you would like to remove that question, please press star followed by two. Again, to ask a question, please press star 1. The first question comes from Justin Clair with Roth Capital Partners. You may proceed.

Justin Clair | Analyst, Roth Capital Partners:

Hi. Good afternoon. Thanks for taking our questions. So I wanted to first start off here. I was looking in the press release. It indicates that you're anticipating delivery for kind of the three key projects that you have to start in 2027. So just considering the timeline, how should we think about the outlook for the ramp up in revenues associated with those projects? Could we see any revenue in 2026? Or is it more likely a contribution in 2027? And then just should we anticipate any legacy unit sales in 2026?

Drew Buckley | Chief Executive Officer:

Hey, Justin, it's true. Thanks for the question. Yeah, so our focus for 2026 will be commercializing the new product, the energy base, so that we can deliver for tier one customers that have signed up to take delivery in 27 and 28. Those customers alone represent revenues and megawatts installed that are multiples higher than the company's achieved on a cumulative basis since listing in 2021. So it's a really big deal for us, and we're really excited about it. The pipeline, to look at that for a second, it remains quite exciting. But we're going to take a pragmatic approach in 2026 to ensure that when we start shipping energy base, it's a product of the highest quality. So I would expect 2027 and 2028 when you see most of those revenues to come in.

Justin Clair | Analyst, Roth Capital Partners:

Gotcha. Okay. That's helpful. And just on the Salt River project, wondering if you provide an update on how you're thinking about the ownership structure there. Are you intending to retain ownership of that project? And then I think there's a 10-year energy storage agreement there. So, you know, I think the completion date is December 2027. So then would we anticipate, you know, recurring revenues starting in the 2028 timeframe for that one?

Drew Buckley | Chief Executive Officer:

Yeah, I think we're still in the planning phase for that and deciding how we want to. So the agreement in and of itself is a PPA agreement for 10 years, like you said. I think, you know, we're exploring avenues on how we want to complete that project overall from a sort of financial and structural perspective. So we've got a few ideas, nothing that I can update you on concrete for now. But as it stands, the contract is a 10-year PPA. So we would start recognizing revenues in 2028 on that. And we're looking at, you know, potential different options that we can take to make it more of an equipment sale versus just a PPA. But more we can update on you with that, you know, as we get closer.

Justin Clair | Analyst, Roth Capital Partners:

Got it. Okay. Okay. And then associated with that project, how should we think about the potential for, you know, follow-on deployments? Would we need to see kind of the completion of the pilot project along with some operational data before you might see a follow-on? Or is there potential for something to move faster than that?

Drew Buckley | Chief Executive Officer:

Yeah, so there's a follow-on potential project with SRP of a much larger size. I can't comment on their, the way that they're going to go about, you know, the RFP and the entire process for that. But our hope is to have that project operational and have some really good data by the middle of 2028 and to have the data, you know, good data by the middle of 2028 to be clear to put it in in the end of 2027 as of right now. And we think that's a good timeline to have it open for any follow-on opportunities. And again, that goes back to the idea of focusing on the pilot right now, making sure that we execute well and the technology and the product is of the highest quality to set ourselves up for success for this pilot. And then we think the future opportunities around that are really significant. And so what I could say is that with that execution, we think we'll be in a good spot to be in the process for that follow-on project.

Justin Clair | Analyst, Roth Capital Partners:

Got it. Okay. And then so maybe just one more here, shifting gears. Sure. To, you know, the liquidity. I wonder if you just speak to plans to potentially repay the second tranche of the promissory notes or plans to use the ATM or contemplate an additional capital raise here. How do you feel about the balance sheet and the strategy going forward?

Drew Buckley | Chief Executive Officer:

Yeah, absolutely. Our financial runway, it's significantly improved since our last conference call in November. The funds we've raised put the balance sheet in a much healthier position here. And we do have further capital needs, to your point, to support our plans in 2027 and beyond. But with the current cash we have on the balance sheet, there's no real rush. And we're trying to be much more thoughtful and strategic about how we're thinking about raising capital into the future. As you mentioned, we do have the ATM in place. But I wouldn't say that we're looking to tap that immediately. What we want to do overall is be very thoughtful and, you know, strategic about how we access capital into the future. And we feel like we have a pretty good handle on things and a good runway for now.

Justin Clair | Analyst, Roth Capital Partners:

Okay.

Drew Buckley | Chief Executive Officer:

I appreciate it. I'll pass it on. Thanks, Justin.

Operator | Conference Operator:

Thank you. As a quick reminder, if you'd like to ask a question, please press star 1 on your telephone keypad. There are no other questions registered at this time, so I'll pass it back over to Drew Buckley for any additional remarks.

Drew Buckley | Chief Executive Officer:

Thanks, Operator, and thank you all for joining us today. We're building something important at ESS, technology that the world genuinely needs, manufactured in America, with a team that is focused and fully aligned on execution. The commercial wins we've already seen in early 2026 give me confidence in what this year will bring. And we look forward to sharing more on our developing story at the upcoming 38th Annual Roth Conference on March 22nd to 24th in Dana Point, California. And if we were unable to address any of your questions today, please reach out to Chris Tyson at MZ Group. His contact details are on the back of today's presentation, and he will be happy to follow up. Thank you.

Operator | Conference Operator:

This concludes today's conference call. Thank you for your participation. You may now disconnect your line.