NYSE:GWH Q1 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good afternoon and welcome to the ESS Tech First Quarter 2026 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, ESS may make statements relating to its future financial performance, anticipated growth strategies, and trends in its business. These may include statements regarding ESS's future financial metrics, potential future orders, ESS's potential pipeline, ESS's potential market opportunity, ESS's ability to achieve future goals, ESS's timing of launching manufacturing and manufacturing capacity, the future potential of ESS's technology, and the timing of manufacturing and delivery for Project New Horizon. These statements constitute forward-looking statements within the meaning of federal securities laws and are based on management's current expectations and beliefs concerning future developments. These forward-looking statements involve a number of risks, uncertainties, and assumptions, including but not limited to barriers ESS faces in producing its energy storage products, ESS's projects being in the early stages of commercialization, aspects of its technology not having been fully field tested, ESS's inability to develop its business and effectively commercialize its energy storage products, ESS's dependence on third-party suppliers, delays in manufacturing operations, ESS's ability to control its costs and achieve its cost reduction strategy, ESS's history of losses, ESS's ability to raise capital in the near future, and other risks and uncertainties described more fully in the company's filings with the U.S. Securities and Exchange Commission. Actual results may differ materially from those expressed in or implied by the forward-looking statements made on this call. Except as required by law, ESS undertakes no obligation to update or revise any forward-looking statements. In today's discussion, the company will reference adjusted EBITDA, a non-GAAP financial measure. A reconciliation of adjusted EBITDA to the most directly comparable GAAP measure is provided in the presentation accompanying this call and in our earnings release. A press release detailing these results was issued earlier today and is available in the investor relations section of the company's website at investors.essinc.com. Hosting today's call are Drew Buckley, Chief Executive Officer, and Kate Suhodolnik, Chief Financial Officer. I would now like to turn the call over to Drew Buckley. Please go ahead, sir.

Drew Buckley | Chief Executive Officer:

Thank you, Operator, and good afternoon, everyone. Welcome to ESS Tech's first quarter 2026 earnings conference call. We appreciate you joining us today. On today's call, I will provide a corporate overview, walk through our first quarter operational updates, and discuss the real-world technology validation we achieved during the quarter. Kate Sue Adalnick, our Chief Financial Officer, will then take you through our financial results for the quarter and our cash and financing position. I will then return with a closing summary before opening the call for your questions. ESS is a leading manufacturer of long-duration iron flow energy storage solutions. Our flagship energy-based product delivers 10- to 22-hour long-duration energy storage systems designed for 24-7 renewable power applications where lithium ion is too costly, unsafe, or inefficient. Our iron flow technology stores energy using iron, salt, and water with a chemistry that is inherently safe, durable, and U.S. sourced, providing a true alternative to lithium ion. Our open architecture, non-containerized design, is purpose-built for utility scale and large industrial and infrastructure projects. and we have scaled manufacturing capacity in place today to support deployment. Importantly, we have built a tier one pipeline anchored by flagship projects with Salt River Project, Google, and the US Air Force Research Laboratory through Concurrent Technologies Corporation, which I'll discuss in more detail on the next slide. The first quarter and subsequent period to date reflected meaningful progress across our three core priorities, commercial momentum, technology validation, and strengthening our balance sheet as we continue to

execute on the operational reset we initiated coming into 2026. On the technology validation front, our iron flow technology was independently validated at Burbank Water and Power and successfully commissioned at Turlock Irrigation District during the quarter, both of which I will discuss in more detail on the next slide. In addition, we signed a letter of intent for strategic partnerships with LSIM Energy, pioneer in non-flammable high-performance sodium ion batteries to jointly develop next-generation battery solutions designed to address use cases traditionally served by lithium ion systems, but without the inherent thermal one-way risks associated with lithium chemistries. This solution does not require complex HVAC systems. It demonstrates high round-trip efficiency, employs fast charge and discharge capabilities, and offers a simpler, safer deployment profile for customers seeking superior stationary storage solutions. Importantly, this partnership marks ESS's entry into the short and medium duration battery energy storage segment, a market historically dominated by lithium ion and meaningfully expands the company's addressable market beyond its established position in long duration storage. While iron flow remains foundational to our long duration strategy, this partnership introduces a complementary chemistry that enables ESS to address short and medium duration applications, effectively extending our solution set across the full zero to 24 hour storage spectrum. Together, ESS and Alsem aim to deliver alternatives to lithium ion systems without the inherent thermal runway risks, offer high round trip efficiency, fast charge and discharge capabilities, and simplified system design that reduces the need for complex HVAC infrastructure. This strategic expansion positions ESS to compete across a significantly broader range of stationary storage applications and meaningfully increases the company's total addressable market. Also in the first quarter, we acquired the intellectual property and assets of Volt Storage, a pioneer in iron-salt battery technology. This transaction added Volt Storage's patents, technical development work, and key personnel to ESS's existing platform, meaningfully strengthening our intellectual property bits. On the commercial front, we appointed Randy Selesky, who brings more than 25 years of experience and deep ties in the energy storage industry as our Chief Commercial Officer, where he is leading our global commercial strategy, sales, marketing, product management, and business development initiatives. We announced our Project New Horizon collaboration framework with Salt River Project and Google for a 5-megawatt, 50-megawatt-hour pilot deploying ESS's energy-based technology at SRP's Crawford Crossing Energy and Research Center in Florence, Arizona. Manufacturing for Project New Horizon is expected to begin in 2026 with delivery targeted for December 2027, and the pilot will sell capacity to SRP under a 10-year energy storage agreement. This is a landmark project for ESS, pairing a leading public power utility with one of the world's largest hyperscale customers, validating both the commercial appetite for long-duration iron flow storage and the role of our energy base in supporting 24-7 carbon-free electricity. We were also awarded a $9.9 million contract with Concurrent Technologies Corporation and the United States Air Force Research Laboratory, for a large capacity energy storage system of up to 27 megawatt hours to support the US. This contract underscores the strategic value of ESS's domestically manufactured non-flammable iron flow technology in mission critical defense and remote infrastructure applications. On governance and leadership, we announced the appointments of myself as Chief Executive Officer, Kelly Goodman as Chief Strategy Officer, and General Counsel, and Kate Suladolnyk as Chief Financial Officer. This leadership reset continues to focus on governance, execution, and financial discipline. From a balance sheet perspective, in January, we closed a $15 million registered direct offering at $1.75 per share, priced at a premium to the prior day's closing. This financing supports general corporate purposes and working capital and provides an important runway as we execute against our commercialization priorities. We ended the first quarter with $15.5 million in unrestricted cash and cash equivalents and $6 million in short-term investments for a total of $21.5 million in liquidity. Finally, we are engaging with International Investor Relations Specialist, MZ Group, to lead a comprehensive strategic IR and financial communications program across all key markets. This slide highlights two important technology validation milestones we achieved this quarter, both of which provide independent real-world support for the iron flow chemistry that underpins our commercial energy-based product. The American Public Power Association, or APPA, working with Burbank Water and Power, completed a 21-month utility demonstration of our iron battery system under APPA's Demonstration of Energy and Efficiency Developments, or DEED, program. The system was installed, energized, and operated for 21 months, co-located with a solar resource. The final report concluded that ESS's iron flow battery technology works as intended and that there is a clear use case for this battery technology and the utility's overall energy storage strategy. Importantly, the report

validated our non-flammable iron saltwater chemistry, our domestic manufacturing approach, and the projected long operating life of our systems. We also successfully commissioned two ESS iron flow battery systems at Turlock Irrigation District, or TID, in California's Central Valley. This deployment is particularly distinctive because it features an innovative solar over canal configuration that pairs renewable generation with long duration storage and supports TID's water conservation objectives by reducing evaporation from active irrigation canals. It also demonstrates the suitability of iron flow technology in a reliability critical infrastructure use case. As noted at the bottom of the slide, these developments are demonstration projects, but they represent independent third-party validation of the iron flow chemistry that underpins our commercial energy-based products. Taken together with APPA report and the Project New Horizon framework, these reinforce our conviction that long-duration iron flow energy storage is ready to scale as a meaningful complement and alternative to lithium ions. I'd like to now turn to our technology roadmap, which we created to help visualize not only the progress that ESS has made so far, but the progress that we intend to make in the near future. This slide illustrates the path from our field-tested Iron Flow Foundation to delivery of the 5 megawatt, 50 megawatt-hour Project New Horizon system for Salt River Project at the end of 2027. Each milestone on this timeline represents a deliberate step in scaling our technology from validated demonstration into commercial deployment at utility scale. ESS deployments at commissioned sites through 2025 generated more than two gigawatt hours of transacted energy, providing extensive real-world data on the durability and operating profile of our iron flow chemistry. Building on that base, we launched our next generation energy-based architecture at the end of 2025 and, as I mentioned earlier, acquired the intellectual property and assets of Volt Storage in February of 2026, further strengthening our iron-salt battery technology platform. Where we sit today in the first quarter of 2026 marks an important inflection point. Our full-scale energy-based components have met the performance specifications required for the Salt River project pilot. This is a critical engineering milestone and underpins the timeline for the remainder of the program. Looking ahead, we plan to commission a 200-kilowatt energy-based system at our Wilsonville, Oregon facility by the third quarter to validate full system performance. In the first half of 2027, we expect to deliver our first 800-kilowatt, 10-hour client system ahead of delivery of the 5-megawatt, 50-megawatt-hour project New Horizons system to SRP at the end of 2027. Drew Nicholas, M.D.: : Taken together this roadmap reflects a clear milestone driven path from our field tested foundation to commercial delivery at utility scale with each step building on the last and demonstrating consistent execution on our commercialization strategy. Drew Nicholas, M.D.: : With that I will turn the call over to Kate to walk through our financial results.

Kate Suhodolnik | Chief Financial Officer:

Kate Elswit- Thank you drew and good afternoon everyone. Our first quarter financial results reflect the continued cost discipline and operational reset that we have been undertaking for the past several months. Revenue for the first quarter of 2026 was $128,000 compared with $599,000 in the prior year period due to fewer deliveries of equipment to customers. This is consistent with our expectations given our transition to the energy-based product offering. Below the revenue line, our cost discipline drove meaningful year-over-year improvement. Cost of revenue decreased $1.6 million or 18% to $7.2 million compared with $8.7 million in the prior year period, reflecting fewer deliveries of equipment to customers given our transition to the energy-based product offering. Total operating expenses decreased $3.3 million or 33% to $6.7 million compared with $10 million in the prior year period. The decrease was primarily driven by a $1.7 million reduction in sales and marketing expenses and a $1.7 million reduction in general and administrative expenses, reflecting the continued cost-saving actions we have taken as part of our operational reset. Net loss for the first quarter of 2026 was $15.9 million compared to $18 million in the prior year period, an improvement of $2.1 million or 12%. Adjusted EBITDA improved by 4.7 million, or 31%, to a loss of 10.3 million compared with a loss of 15 million in the prior year period, consistent with the operating expense and net loss trends I just described. I will walk through the full reconciliation of GAAP net loss to adjusted EBITDA on the next slide. We define adjusted EBITDA as net loss before interest, stock-based compensation, depreciation and amortization, gain or loss on reevaluation of common stock warrant liabilities, financing costs, and other income or expense items that we believe are not indicative of our ongoing business

operations. As I noted on the prior slide, GAAP net loss improved by 2.1 million year-over-year, and adjusted EBITDA improved by 4.7 million, or 31%, to a loss of 10.3 million from a loss of 15 million in the prior year period, consistent with the broader cost discipline reflected across the income statement. The full line item reconciliation is shown on this slide and in the financial tables included in our earnings press release. We ended the first quarter of 2026 with $15.5 million in unrestricted cash and cash equivalents and $6 million in short-term investments for a total of $21.5 million compared with $22 million as of December 31, 2025. Including other liquid assets, total cash and liquid asset position at quarter end was $21.6 million compared with $22.1 million at year end 2025. Net cash used in operating activities for the first quarter of 2026 was $13.5 million compared with $18.2 million in the prior year period. As we have discussed, our $15 million registered direct offering supports general corporate purposes and working capital, and we remain focused on the strategic allocation of capital as we advance our operational and commercialization priorities. Across the business, we remain focused on expense control, liquidity, and maintaining financial flexibility as we support the company through its transition and commercialization efforts. With that, I will turn the call back over to Drew for closing remarks.

Drew Buckley | Chief Executive Officer:

Thank you, Kate. I want to summarize the key areas where we've made meaningful progress this quarter and where we are focused going forward. On commercial momentum and pipeline, we announced the Project New Horizon collaboration with Salt River Project and Google for a 5-megawatt, 50-megawatt-hour pilot, deploying our energy-based technology with manufacturing expected to begin in 2026 and delivery targeted for December 2027. We secured a $9.9 million contract for a large-capacity energy storage system to support a U.S. operations station, and we signed a letter of intent for a strategic partnership with Alsem Energy to develop next-generation battery solutions. We also improved our financial performance and balance sheet. Net loss improved 12% to $15.9 million in Q1 2026, compared with $18 million in Q1 2025. as total operating expenses decreased 33% to $6.7 million, compared with $10 million in Q1 2025. Adjusted EBITDA loss improved 31% year-over-year to $10.3 million, consistent with the cost discipline reflected across the rest of the income statement. We also strengthened our team in technology. Iron Flow technology was independently validated at Burbank Water and Power and successfully commissioned at Turlock Irrigation District. We acquired Bolt Storage's intellectual property and assets and appointed Randy Selesky as Chief Commercial Officer. We announced our new leadership team, myself as CEO, Kate as CFO, and Kelly Goodman as Chief Strategy Officer and General Counsel. Taken together, these accomplishments better position ESS to convert growing demand for safe, long-duration, American-made energy storage into meaningful commercial progress. We remain focused on execution, capital discipline, and scalable commercial opportunities as we advance into the company's next phase. And we look forward to updating you on our continuing progress. Over the next 18 months, investors should watch several important de-risking milestones across our roadmap, including new commercial wins, pilot systems that generate data on performance and commercial viability and scale, progress on our 200 kilowatt and 800 kilowatt development path, and continued execution toward the SRP project targeted for 2027. As those milestones are achieved, we believe there may also be an opportunity to host an analyst day alongside a future pilot data release to provide the investment community with a deeper look at our technology, our roadmap, and our long-term market data. With a strengthened balance sheet, a refreshed leadership team, and over 500 megawatts of scaled manufacturing capacity in place to support our recent commercial wins, We are focused on executing and converting our pipeline into revenue. With that, I will turn the call back to the operator to begin the Q&A session.

Operator | Conference Operator:

We will now begin the question and answer session. If you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, press star one again. Please pick up your handset when asking a question. If you are muted locally, please remember to unmute your device. Please stand by while we compile our roster. There are no further questions at this time. I will now turn the call back to Drew Buckley for closing remarks.

Drew Buckley | Chief Executive Officer:

Thank you, Operator, and thank you everyone who joined us today. We appreciate your continued interest and support of ESS. As a reminder, our Investor Relations team is available to schedule one-on-one calls and to answer any follow-up questions you may have. You can reach out to Chris Tyson at MZGroup at gwh at mzgroup.us. We look forward to updating you on our continued progress next quarter and hope to see some of you at the upcoming Sudoti MicroCab Conference, which we will be attending on May 20th. Thank you again all and have a great afternoon.