NYSE:NPWR Q1 2026 Earnings Call Transcript

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Conference Operator | Operator:

Greetings and welcome to the NetPower, Inc. First Quarter 2026 Earnings Call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone requires operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Bryce Mendez, Director of Investor Relations. You may begin.

Bryce Mendez | Director of Investor Relations:

Thank you. Good morning, everyone, and welcome to NetPower's first quarter 2026 earnings conference call. With me on the call today, we have our Chief Executive Officer, Danny Rice, our President and Chief Operating Officer, Mark Horsman, and our Chief Financial Officer, Lee Schumann. Yesterday, we issued our earnings release for the first quarter, ended March 31st, 2026. along with an updated investor presentation. Both are available on our investor relations website at ir.netpower.com. During today's call, our remarks will include forward-looking statements. Actual results may differ materially from those stated or implied by forward-looking statements due to risks and uncertainties associated with our business, which are discussed in our SEC filings. We assume no obligation to update any forward-looking statements. With that, I'll turn the call over to Danny Rice, NetPower's Chief Executive Officer.

Danny Rice | Chief Executive Officer:

Danny Rice Thank you, Bryce, and good morning, everyone. I'm here today with Mark Horstman, our President and Chief Operating Officer, and Lee Schumann, who recently joined us as our new Chief Financial Officer. Lee brings a strong track record in energy project finance, and we're glad to have him on board for this pivotal period in our company's history. Let me tee things up for Mark and Lee with some comments on the macro, and then we'll open the line for questions. Demand for power continues to grow, and I think everyone at this point understands the primary source of new power generation for the foreseeable future will come from natural gas powered equipment. The availability, the reliability, and scalability is unmatched. The thing that's different with AI versus other forms of load is the cost of power is very inconsequential to AI economics. That's mostly because the cost of power is only 10% of the total cost of AI. The lion's share of the cost are the GPUs, the networking costs, and data center shell. AI has become a race and will be decided by speed and scale, governed by availability of power, not the cost of power. Power projects, they've evolved quickly from waiting on the grid to now pursuing behind-the-meter power now. Generation mixes have evolved from large-frame turbines to hundreds of reciprocating engines strung together to get the same gross power output. Heat rate, overnight cost, and geography, they've all become far less important. In this market, speed, scale, and community acceptance matter most of all. Fortunately, the U.S. energy industry, particularly the one that revolves around natural gas, is ready to meet this demand. We are part of that ecosystem with a very specific mission to transform natural gas into the lowest cost form of clean, firm power. Clean power is moving down the list in terms of importance, but that's not to say if clean, reliable power was available in the same timeline in scale as the unabated options, there's a good chance it should be selected. So that's where we find ourselves today. We've put ourselves in an excellent position to deliver a clean, firm solution that can deliver first power this decade at a compelling price point with a pathway to under $100 a megawatt hour. This can be achieved in West Texas, where there's abundant low-cost gas and power generation and sufficient storage capacity are captured CO2 by pairing it with enhanced solar recovery. This proven

application can underwrite the development of over 10 gigawatts of clean firm power generation for less than $100 a megawatt hour. Trying to do this elsewhere would be 20 to 30% higher cost of power, but the greatest cost would be longer timelines, greater risks, and less scale. What it will come down to for us is if we can deliver at speed and scale to attract demand today, and is the market willing to accept EOR as a viable pathway for carbon capture? The importance of energy availability is no more pronounced than it is today. As I just mentioned, we need as much natural gas for power generation as we can. Fortunately, we're in a great spot there. But separately, the global energy shock caused by the Iran war has cast a spotlight on the importance of energy security for natural gas and oil. The U.S., as the largest producer of both commodities, is mostly insulated from this supply shock so far. However, the situation has become an important lesson to people that the oil ecosystem isn't contained to just gasoline for cars. It's jet fuel. It's plastics. It's fertilizer. all irreplaceable at the scale and cost the world needs. So if modern civilization and quality of life is indispensable, then so too is oil, which sort of leads me back to the mousetrap that we're designing. We're designing a circular energy ecosystem that leverages the two most important energy sources we have on this planet, utilizing low-cost, reliable natural gas to produce reliable, low-cost power at massive scale, and using technology, to capture nearly all of its produced CO2 and then using this CO2 to help produce oil that wouldn't otherwise be recoverable. What stays behind in the reservoir forever is our captured CO2. We think that's the right solution for what the U.S. needs for the foreseeable future, more natural gas power generation, more domestic oil production, lower emissions overall. On the life cycle emissions point, our third party validated life cycle emissions analysis calculation or LCA, is estimated at roughly 210 grams of CO2 equivalent per kilowatt hour, which compares extremely favorably versus an unabated combined cycle of around 440 grams of CO2 equivalent per kilowatt hour in coal at north of 900 grams per kilowatt hour. So if improving the environment is important to you, this product checks that box. We'll continue our public push and campaign to move the buyer ecosystem toward our vision of clean firm power. The good news is we expect to have answers to this in the coming months. As Mark will talk about in a second, we've done everything we can from an engineering and technology standpoint to design a de-risk clean firm power solution. Before we move forward with committing any substantial amounts of capital to securing additional equipment, we need to ensure the customer demand is not just there, but is committed to our projects. So we're going through this process right now with our strategic advisor to help determine which prospective customers are aligned with our timeline and our vision. I can tell you, not everyone wants to be associated with oil production, and that's okay. But if no one wants to be associated with EOR, even in spite of the environmental and social benefits that come from this ecosystem we're creating, it's better that we learn that before we commit any additional capital to it. The projects we're advancing help make the world a better, cleaner, and safer place. But market acceptance, we think, will come down to three things. First, are we doing it fast enough? Speed really matters in this market. Second, are we doing it big enough? Scale also really matters in this market. And third, is it clean enough? And more poignantly, are customers aligned with our energy ecosystem of using natural gas to create clean from power and using the CO2 to produce more oil to help support the quality of life of modern society? To us, it's a no-brainer. But again, we're not the customer. We're only the creator of these solutions. So in the background, we're advancing detailed engineering and project financing, understanding they come together at the finish line with the commercial offtake. We're progressing all three simultaneously. So with that, I'll turn it over to Mark to update you on the great progress we've made bringing the solution to the doorstep of FID and commercialization. Mark?

Mark Horsman | President and Chief Operating Officer:

Thank you, Danny. Good morning, everyone. I want to walk through three areas this morning. The commercial offtake structure, project execution for Permian Phase 1, and an update on our progress with our key technology partner, Entropy. Let me start with offtake, turning to slide five. We have engaged a strategic advisor to lead the formal offtake process for Project Permian phase one. The offtake agreement is the gating condition for project financing, and it is the primary commercial proof point that a durable market exists for our clean power product. This slide shows commercial structure we have designed around NetPower's deployment offering. The flexibility here is deliberate. The first deployment is 80 megawatts. grid-connected

via Encore and ERCOT, pursuing a fixed-price long-term PPA as the offtake structure and CO2 sequestration through Oxy's EOR infrastructure. The second and third deployments introduce optionality, either continued grid delivery or behind-the-meter co-location at a larger scale. All three phases use Oxy EOR infrastructure for sequestration. Slide six shows the full picture of what we're building and the timeline to get there. Project Permian Phase 1 is the commercial deployment of the clean power product. 80 megawatts net output, greater than 90% CO2 capture, sited on leased acreage from Oxy near Midland, Texas. We continue to target FID in the second half of 2026 with commercial operation in early 2029. Project pairs a natural gas combined cycle configuration with entropy's post-combustion carbon capture technology. Power delivery is grid connected at 80 megawatts. CO2 is 100% offtake to Oxy under indicative terms, which are advancing towards definitive agreement. As mentioned, this site has the potential to scale to 800 megawatts, 10 units on the same acreage, which is a meaningful part of the commercial story we are telling to offtakers who want volume certainty over time. On the gas supply front, we're targeting an MOU with a major supplier in Q2 with definitive agreements negotiations to follow. On procurement and long-league equipment, we're executing a methodical release program running in parallel with our off-take and financing work streams. The Siemens RPS gas turbine packages, approximately $77 million, is contracted and represents the first executed equipment commitment. The switchyard and Gentile line and generator transfer are targeted for the June timeframe. HRSGs, steam turbine generator, and air-cooled condenser are targeted for July. and most likely PCC equipment, absorber towers and amine regen systems follows in the August through September window. Finally, I want to highlight our product breakdown structure work underlying all of this. We have defined eight to 10 equipment packages plus 10 to 20 discrete skids. This is the foundation of our repeatable clean power product design once, order and build many. Every decision we make on this project reduces non-recurring engineering costs for future deployments. Turning to slide seven, a few updates on our entropy relationship and the technology foundation beneath it. The joint development agreement with entropy is the most critical near-term corporate deliverable. The JDA governs the commercial terms under which NetPower will license and commercialize entropy's amine-based PCC solvent technology for U.S. power generation through 2032 on an exclusive basis. Entropy can commit up to 49% equity contributions for future deployments. beginning with Project Permian Phase 1. We are aligned on the commercial structure and intend to finalize this agreement in Q2. Entropy has a proven track record. Glacier Phase 1 has been running for more than three years, demonstrating capture from gas compressors at a commercial scale. Glacier Phase 2 is expected to come online in Q2 2026. This is at the same site, but expands with more compressors and integrates a gas turbine with CCS at commercial scale scale, capturing 160,000 tons per annum. When that comes online, it further validates the core technology integration that Project Permian is being built on. This is a significant de-risking event for our project and for the offtake conversation. Project Permian is the next direct scale-up of the PCC tech. Two 35 megawatt turbines, 380,000 tons per year of CO2 capture, PRL 8 to 9. This is not a novel configuration. It is a disciplined scaling of a demonstrated design and technology. With that, I'll turn it over to Lee for the financial update.

Lee Schumann | Chief Financial Officer:

Thank you, Mark, and good morning, everyone. I'll keep this brief. I'm pleased to be on my first quarterly call as NetPower CFO. I look forward to getting to know many of you over the coming quarters. I spent the better part of 25 years developing, financing, and restructuring power infrastructure, thermal, renewable, distributed, across a range of structures and market cycles. In total, I've been involved in power transactions valued north of $10 billion. Most recently, I led power financing at Javelin Global Commodities. Before that, I was CFO at Wattbridge Energy. where we raised just over $2 billion to develop a 2.4 gigawatt portfolio of natural gas peaking plants in Texas. Prior to that, I held roles at Merit, which later became Genon, and was subsequently acquired by NRG, developing, financing, optimizing, restructuring, and selling power assets domestically and internationally. I've also worked with startup renewable developers to successfully develop projects and execute bankable deals in a very different framework, from larger, more established organizations. This is important context because net power situation is one I recognize. An asset with potential for contractible cash flows, proven underlying technology, and a capital structure that needs to be built from the ground up. That's

the work I know how to do, and it's why I'm excited to step into this role. Additionally, based on my experience with NetPower over the last month, it is clear to me that the team has the expertise and the drive to do the hard work to deliver on Project Permian and beyond. Turning to our financials, we ended the first quarter with approximately $319 million in cash and cash equivalents and no debt. We incurred a few one-time costs associated with pausing the oxycombustion program, and we expect go-forward spend to be more for the PCC program. Our G&A burn is fairly low, roughly 8 to 9 million per quarter, giving us fairly long runway to reach FID. We expect the spend to ramp up in the coming months as we release critical long leads to maintain our project schedule. As Danny mentioned in his remarks, We remain prudent in committing capital to this first project. Positive indications for the first project and future projects will give us confidence to risk release long lead items and potentially secure additional equipment. On project economics, the TIC target remains in the $475 million to $575 million range. On the financing side, We're targeting an equity investment from net power in the 125 million to 175 million range with the balance of capital coming in the form of debt and equity participation from entropy. We have the capital on the balance sheet to fund that today and sufficient dry powder to begin working on the next phases of the first project or the next project elsewhere in West Texas. As Danny mentioned, The commercial offtake process is the most consequential near-term event. A target of 100 per megawatt hour or better supports project bankability and an appropriate return profile. This price point is markedly below other clean firm options, which is in part due to EOR application and access to low-cost natural gas. I look forward to providing more updates in quarters to come. Let's open the line for questions.

Conference Operator | Operator:

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 if you would like to remove your question from the queue. for participants using speaker equipment and may be necessary to pick up your handset before pressing the star keys. Once again, if you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your question from the queue. One moment while we poll for questions. Your first question comes from the line of Ryan Levine from city. Please go ahead. Excuse me, Mr. Ryan Levine, your line might be muted.

Ryan Levine | Analyst, Citi:

Oh, thank you. Um, thanks for taking my question. Ian mentioned 8 to 9 million hours of burn before somebody's long lead time items would be procured. What milestones would be needed to procure those long lead time items? Any color around how that burn rate would evolve as you progress through different development milestones?

Danny Rice | Chief Executive Officer:

Hello? Hey, Ryan. Hey, Ryan. I'll turn it over to Mark to answer. Go for it, Mark.

Mark Horsman | President and Chief Operating Officer:

Can you guys hear me? Yes, we can hear you. All right, excellent. Sorry about that. I have mute issues as well, Ryan. Hey, Ryan, Mark Horseman. Predominantly around the long lead equipment, it's really referring back to what Danny mentioned in his opening comments. You know, through the off-take process that we have ongoing right now, we need to see significant pallet activity in alignment with potential off-takers that would support the next step in releasing those long lead or pre-FID purchase orders. And from that standpoint on, our team is actively working with our potential APC and GCs on further detailing our construction

schedule. As you can imagine, the lead times that we're seeing on certain equipment is moving around based on the activity in the marketplace. So it's really a month-to-month look at what equipment we need to release as we continue to keep pulse with those vendors in order to maintain that first half 2029 COD schedule. But the first and foremost, call it evidence information that we're looking for is really that, again, is there a market there for the clean power? Is there a path forward? for our product on the expansion, you know, from the 80 megawatts to something larger at the project site.

Ryan Levine | Analyst, Citi:

And then assuming you're able to achieve commercial interest to advance at least that component of the development cycle, when you're, in terms of regulatory approvals, would this have to go through their cop batch study process or how are you looking around the, regulatory elements to achieve commerciality.

Mark Horsman | President and Chief Operating Officer:

From the standpoint of deploying the first 80 megawatts, we're going through our air permitting process now, which looks like, based on our recent discussions and meetings with the Texas Permitting Office, Looks like that we would have an air permit towards the second half of this year. So that proceeds quite well. The remaining permits that we would need in order to bring the project through commercial operation are planned and we see very little risk on those moving forward. So from that perspective, Everything seems to be moving along. Obviously, we stay close to it as we evolve because this is the first time this technology is going through the permitting process. But thus far, between interaction, between entropy ourselves and the Texas Environmental Commission, everything seems to be quite aligned and call it permitting levels are within the acceptable limits.

Ryan Levine | Analyst, Citi:

And then last question for me, in terms of the equity check from NetPower to fund the project, there is cited a range. Have those commercial turns been negotiated or what are the factors that would lead to where you'd fall in that range?

Danny Rice | Chief Executive Officer:

Yeah, Ryan, this is Danny. I think the range is really a function of what the rest of the capital stack looks like. You know, as Mark sort of mentioned in his remarks, You know, with the JV, with entropy, total participation rights alongside us for 49% of the equity. There's certainly flexibility on both sides as to what each respective party's equity check is going to look like. Really, the balance of the plan is going to be financed with debt in some form or fashion. And I think that's one of the things that Lee and I will really be figuring out over the next couple months. sort of in parallel with the offtake processes is, you know, is the financing going to be in the form of equipment financing or is it going to be more in standard sort of project financing that's sort of underpinned by the contracted cash flows of the project? So the commercial process that we're going through is really going to be very instructive in terms of what forms of credit is going to be available to this facility. And so I think a combination of the form of credit and the entropy participation is sort of what gets us back to that 125 to 175 range. And even at the high end of that range, the 175, we're sitting here with a little over 300 million of cash equivalents on the balance sheet today. So we'll have pretty sufficient dry powder to get working on um either the next phase of this specific project or um you know assuming obviously the commercial demand is there um an additional project uh elsewhere within the permian basin great thank you yep thanks ryan there are no additional questions at this time

Conference Operator | Operator:

I would like to turn the floor back over to Danny Rice, CEO for Closing Commons.

Danny Rice | Chief Executive Officer:

Yeah. Thanks, everyone, for the time this morning. And, Ryan, thanks for the questions. Yeah. I mean, we're at an interesting moment for net power. The macro environment has continued to move in our direction. Power demand is accelerating. The case for clean farm power, it is still there. There's just no other solutions being deployed. And our solution in West Texas is as well positioned as it's ever been. We've done the hard work on the technology and the engineering side. And what's in front of us now is the commercial process, which I think is the right place for us to be. So we feel good about where we are. The offtake process is active. The entropy JDA is closed. The equipment program is moving and Lee's already adding real value on assisting me on the financial architecture. So none of these work streams are waiting on each other. They're sort of advancing in parallel and they'll come together at FID. But, you know, as I sort of mentioned in the comments, we'll be measured in how we commit capital, but we're genuinely optimistic about what the next few months will show us. And we expect to have meaningful updates to share with you all. And we look forward to having those conversations. So thanks again for your interest in NetPower and have a great day.

Conference Operator | Operator:

Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. You may disconnect your lines and have a wonderful day.