NYSE:SEI Q4 2025 Earnings Call Transcript

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Operator | Conference Operator:

Good day and welcome to the Solaris Q4 2025 earnings teleconference and webcast. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on a touch-tone phone. To withdraw your question, please press star then two. Please note this event is being recorded. I would now like to turn the conference over to Yvonne Fletcher, Senior Vice President of Finance and Investor Relations. Please go ahead.

Yvonne Fletcher | Senior Vice President, Finance and Investor Relations:

Thank you, Operator. Good morning and welcome to the Solaris fourth quarter and full year 2025 earnings conference call. Joining us today are Chairman and Co-CEO Bill Zartler, our Co-CEO and Director Amanda Brock, our President, Kyle Ramachandran, and our CFO, Steve Thompson. Before we begin, I'd like to remind you of our standard cautionary remarks regarding the forward-looking nature of some of the statements that we will make today. Such forward-looking statements may include comments regarding future financial results and reflect a number of known and unknown risks. Please refer to our press release issued yesterday, along with other recent public filings with the Securities and Exchange Commission that outline those risks. We also encourage you to refer to our earnings supplement slide deck, which was published last night on the investor relations section of our website under events and presentations. I would like to point out that our earnings release in today's conference call will contain discussion of non-GAAP financial measures, which we believe can be useful in evaluating our performance. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP. Reconciliations to comparable gap measures are available in our earnings release, which is posted in the news section on our website. For more details on the company's earnings guidance, please refer to the earnings supplement slide deck published on our website. I'll now turn the call over to our chairman and co-CEO, Bill Lertler.

Bill Zartler | Chairman and Co-CEO:

Thank you, Yvonne, and thank you, everyone, for joining us this morning. 2025 marked a meaningful step forward for Solaris. we showed that we are successfully executing our strategy of growing and establishing a more diversified services and solutions business with accelerated earnings growth, improved long-term visibility, and multiple pathways for meaningful expansion. Through new products, services, and targeted investments, both organic and inorganic, we've strengthened our engineering, manufacturing, and operational capabilities. This has positioned us to deliver reliable, integrated power solutions to meet our customers' rapidly escalating needs. Coming out of 2025, we're serving a much wider customer base with active contracts and deployments now spanning multiple data centers, energy infrastructure, and diverse industrial and commercial end markets with generation, distribution, and full turnkey power. Our 2025 financial results highlight the success of our diversified strategy. Full-year 2025 revenue nearly doubled year-over-year to $622 million while adjusted EBITDA of $244 million more than doubled. Both of our power and logistics segments contributed meaningfully to these results. This is just the beginning of additional step change growth that we believe will accelerate through 26 and 27. Starting with our power solutions segment, which has become the primary growth engine for Solaris, power now accounts for roughly 70% of our earnings and is heading to 90% contribution as we've consistently grown the business, expanding our capabilities, the rapid demand growth for power, particularly to support data center compute needs. Our solutions have enabled customers to deploy power quickly and cost-effectively while delivering the operational reliability, high uptime, and efficiency they require, whether as an alternative or as a supplement to the grid. We've strategically positioned Solaris across the power lifecycle from molecule to electron. This integrated approach delivers true turnkey power for our customers. We can handle sourcing and delivery of clean natural gas at the right volumes of pressure, convert it through multiple generation sources, and manage the distribution, storage, and final delivery of electrons, all engineered as a cohesive system to meet the most complex and demanding load profiles. Our strategy has translated into commercial success with both existing and new customers. In 2025, we significantly expanded our partnership with our initial major data center customer. We finalized a 15-year joint venture and upsized the associated long-term power agreement for approximately 500 to 900 megawatts, providing greater visibility with substantial committed capacity for years ahead. We also acquired a specialty provider of voltage distribution and control equipment that has now been integrated into Solaris Power Solutions. This strategic acquisition has deepened our capabilities and accelerated market penetration, enabling us to deliver integrated equipment and engineered solutions to at least six different data centers across the U.S., as well as to numerous industrial and commercial sites. Building on our success, I'm excited to highlight a significant new long-term contracted customer, which further validates our strategy and reputation in the behind-the-meter power market. In early February, we announced a 10-year agreement with a five-year extension option to provide leading investment-grade global technology company with over 500 megawatts of power generation tailored to their compute needs. The initial 10-year term begins January 1, 2027, with energization targeted to be phased in at the beginning of the Q1 of 2027. This agreement validates our strategy of sourcing generation capacity in advance of a contract so that we can successfully deliver behind-the-meter power on aggressive timelines. We are actively working with this customer to deliver more services related to balance of plant equipment, such as full power control, storage and delivery infrastructure, engineering and site preparations. As we move forward, expanding our scope, we will deploy additional capital, which will provide Solaris with enhanced returns through the contracted period. We believe that we are well positioned to continue to work with this customer on behind-the-meter solutions to meet their growing compute needs. Underscoring the opportunity ahead, the four largest global technology companies have recently guided to combine capital expenditures exceeding $600 billion in 2026, focused primarily on data center infrastructure and computing. That's roughly a 70% increase from 2025 levels and nearly double the spending seen in 2024. With data center and compute power investments accelerating rapidly, Solaris is exceptionally well positioned to capitalize on the surging demand for reliable, scalable power. Our proven solutions enable us to partner effectively with leading technology companies who are contracting directly from behind the meter options to meet their urgent compute needs. I would also like to highlight the continued performance of our logistics solution segment, which is performing well and contributed over $80 million in free cash flow in 2025. In the fourth quarter, we saw activity levels for both the industry and Solaris increase, with Solaris success driven in part by increasing adoption of our top fill systems. Our top fill system utilization rate was in the mid-90% in the fourth quarter and now nearing 100% in the first quarter. This momentum is expected to carry through for the first half of 2026. supporting consistent utilization and margins while generating cash to fund our broader growth initiatives across the company. In summary, 2025 was a year of successful execution, which positioned Solaris for even greater success in 2026. We are extremely focused on delivering value for our customers and shareholders, and we're excited about 2026, which is already shaping up as another year of significant growth, new opportunities, continued execution, and results. With that, I'll turn it over to Amanda.

Amanda Brock | Co-CEO and Director:

Thank you, Bill, and thank you everyone for joining us this morning. We want to spend a few minutes sharing with you how we see our opportunities evolving in the power sector. 2025 was a year of rapid change and significant tailwinds for the company. Our customer base expanded and we grew our capabilities to meet our customers' increased demand for turnkey behind-the-meter power. We focused not only on building on our proven track record in generation, but also distribution offering a comprehensive power solution, which we refer to as molecule-to-electron. We're strategically building our capabilities through organic growth and targeted acquisitions like HVMV-LV, which Bill mentioned, which has already exceeded expectations since closing last summer. This brings in-house expertise to design, manufacture, refurbish, sell, and rent specialized control and distribution equipment, such as transformers, switchgear, e-houses. And this also deepens our engineering expertise across voltages and related applications. The result is broader reach to data centers, industrials, utilities, and beyond, delivering tailored power solutions regardless of source or setup. For example, Solaris is now providing equipment and engineering support to customers where grid connections are delayed due to utility equipment and interconnection challenges. This type of diversification creates real value and expands our opportunity set significantly beyond just generation. We will continue to look for opportunities like this to expand our capabilities as a comprehensive provider of critical power infrastructure. As we evaluate opportunities across the power spectrum, emissions controls is another area of focus where Solaris has invested both organically and inorganically to enhance our capabilities. We view being best in class in emissions management as essential to our own operations and customer priorities. Organically, we've drawn on our growing internal engineering and manufacturing teams to refine and customize Selective Catalytic Reduction, or SCR, designed for improved flexibility and mobility. Additionally, we recently made a small inorganic investment in an SCR manufacturer, bolstering our ability to further integrate these technologies. Our emissions control technologies are well aligned with the EPA's recent subpart KKKK-A, Quad K, amendments to the new source performance standards. These changes provide clarification and support for operating modular and mobile turbines in temporary applications for up to 24 months, bridging the gap before permanent behind the meter air permits or grid connections are secured. Combined with our vertical integration, In emissions controls, this gives us significantly greater flexibility to deliver fast, reliable, and compliant deployments for our customers. We're continuing to see strong regulatory tailwinds from ERCOT, whose recent push to batch large load studies for requests over 75 megawatts is a necessary step forward to clearing the estimated 230 gigawatt cube backlog fueled by data center demand. However, it also spotlights the growing delays and scrutiny facing grid-based projects. Our rapid deployment behind the meter solutions mitigate these challenges for technology companies attempting to quickly deploy compute capability. Starting a project in island mode fully behind the meter can avoid significant delays associated with connecting to the grid. The growing demand for power Combined with these regulatory tailwinds, our demonstrated track record of execution and our expanded capabilities have accelerated our ongoing discussions with multiple end users to deploy more capacity. We're in advanced negotiations to contract our remaining open capacity and are actively pursuing new capacity additions to support incremental opportunities. Simply put, We believe we have more demand than we have capacity and are actively exploring innovative ways to access new capacity to ensure we can meet the growing needs of all our existing and potential new partners. We are particularly encouraged by the accelerated pace of these opportunities and the credibility we have earned through nearly two years of successful at-scale operations, including the rapid commissioning of multiple large data centers. This proven foundation gives us a clear edge as we scale further and continue to grow in the coming years. With that, I will turn the call over to Kyle for a detailed financial review.

Kyle Ramachandran | President:

Thanks, Bill and Amanda, and good morning, everyone. Solaris' fourth quarter demonstrated solid execution in our power solution segment, as well as continued execution and strong free cash flow generation in our logistics solution segment. For the full year, Growth was tremendous across the Power Solutions platform, and we're excited to continue to grow this segment as well as the total company. 2025 was also a year in which we strategically positioned Solaris for growth from a financing perspective. We strengthened the balance sheet by using capital from two convertible bond issuances, established financing for our joint venture partnership with a key customer, and repaid our 2024 term loan. The combination of these activities has driven significant interest cost savings and financial flexibility for the company. As a result of these recent financings and the ongoing cash flow generation from the business, we are currently fully funded for all of our expected deliveries to reach 2,200 megawatts of power generation. We expect to have pro forma for all the scheduled equipment deliveries. This leaves our secured borrowing capacity outside of the JV completely available as an option to fund future growth outside of our planned deliveries. Our financial profile has also improved significantly with our recent commercial success. Adding a new investment-grade customer for a minimum 10-year term for over 500 megawatts adds significant visibility to our earnings and cash flow profile, providing additional financial flexibility. Turning now to a review of our fourth quarter results and our outlook for the next two quarters. During the fourth quarter, Solaris generated revenue of nearly $180 million and adjusted EBITDA of $69 million on a consolidated basis. Our adjusted EBITDA increased slightly from the prior quarter and nearly doubled as compared to the same quarter of 2024, driven by the acceleration of our power solution segment. During the quarter, logistic solutions benefited from an increase in completions activity, as well as a continued adoption of our top-fill solution, which more than offset a modest decline in power solutions due to a less favorable project mix and related timing impacts on costs. We generated revenue from approximately 780 megawatts of capacity during the fourth quarter, relatively flat with the prior quarter. Segment adjusted EBITDA from the power solutions segment was $53 million, a modest decrease from the third quarter due to costs associated with timing and mix impact. as owned generation units rotated off a utility resiliency project and into planned refurbishment before being redeployed under a long-term contract in the first quarter of 2026. This impact was more than offset by an increase in the continued selective use of third-party power generation capacity as activity continued to ramp at our second data center site, which also contributed to a lower margin base. We expect power segment adjusted EBITDA for the first quarter to increase by more than 20%, as both owned and third-party lease capacity generating revenue should increase. In our logistics segment, we averaged 93 fully utilized systems, an increase of 11% from the third quarter. Fourth quarter segment adjusted EBITDA was approximately $23 million. We expect our logistics segment adjusted EBITDA to remain relatively flat for the next two quarters. Netting these factors and considering corporate and other expenses, total adjusted EBITDA guidance for the first quarter is now $72 to $77 million, up from the prior guidance of $70 to $75 million, and a sequential increase in the fourth quarter. We are also introducing our second quarter, 2026, total adjusted EBITDA guidance of $76 to $84 million. Accounting for expected longer-term tenor expenses, on our fully delivered 2,200 megawatt generation capacity and our recent acquisition, we continue to expect pro forma total company earnings of over $600 million before considering any additional project scope or growth with our existing customers or new opportunities. Finally, I'd like to introduce and welcome Steve Tomset, who officially joined earlier this month as Solaris' new Chief Financial Officer. Steve brings a strong record as a financial executive with deep expertise in capital markets, building and leading high-performance finance and accounting teams, and guiding companies through periods of significant transformation and growth. Many members of our management team, board, employees, and investors have worked with Steve before, and we are confident he will exemplify the Solaris culture and deliver substantial value to the company. I am excited to continue as president of the company and will be able to allocate increased focus on our strategic priorities of advancing our overall growth strategy strengthening operations, and driving long-term value for our stakeholders. With that, we'd now be happy to take your questions.

Operator | Conference Operator:

We will now begin the question and answer session. Please limit yourself to one question and one follow-up. To ask a question, you may press star then one on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw the question, please press star then 2. At this time, we will pause momentarily to assemble our roster. Our first question will come from David Arcaro with Morgan Stanley. Please go ahead.

David Arcaro | Analyst, Morgan Stanley:

Oh, hi. Thanks so much. Good morning. Good morning, Dave. You know, congratulations on the new customer announcement here, but I do have to ask, where do negotiations stand with additional customers now to allocate your remaining capacity, if you could elaborate on that, and what potential timing might be possible?

Bill Zartler | Chairman and Co-CEO:

Well, we're in very active dialogue, and I think it keys up the discussion. We really have the history and operating philosophy of focusing on announcing deals when they're completed and done. The pipeline is extremely active. We have lots of paper flying back and forth with multiple customers, but our goal is to deliver to the public and to our shareholders signed and completed contracts that have a lot of meat in them. So the dialogue is active, and we feel very confident that we've got plenty more demand and supply, as Amanda referred to, and that we'll be seeing things unfold in due time.

Amanda Brock | Co-CEO and Director:

David, these are not discussions. We were very, you know, deliberate in our wording. These are active negotiations. So, we expect to have, you know, good news here in the near future.

David Arcaro | Analyst, Morgan Stanley:

Okay, excellent. Understood. That makes sense. Then I was curious, you know, you had mentioned, increasing scope here that you are seeing opportunities for. I'm wondering if you could just maybe characterize how much of a value uplift you could realize, you know, relative to maybe like the EBITDA stream and the baseline power offering, if you're starting to consider those things like balance of plant emissions control, et cetera. And wondering if that could apply to your current contracted fleet as well. Are there kind of almost upsell opportunities there?

Bill Zartler | Chairman and Co-CEO:

Yeah, I think that the notion of adding additional distribution equipment and battery systems to the offering is real. I think with the current customer that with the most recent announcement, the intent is to build out that system and deliver a full turnkey power service. So as that develops, we continue to believe return on capital is the way we look at that and that return on incremental capital will be there. And I think the range is anywhere between 20 and 50%. how far upstream to the gas handling it goes and how far downstream to the actual distribution and transformation of the power goes.

David Arcaro | Analyst, Morgan Stanley:

Got it. Okay. Thank you so much.

Operator | Conference Operator:

Our next question comes from Derek Whitfield with Texas Capital. Please go ahead.

Derek Whitfield | Analyst, Texas Capital:

Good morning all and thanks for your time and also congrats on your recent hyperscaler contract. Perhaps, Amanda, in your prepared remarks, you noted you're in advanced negotiations to contract your remaining open capacity and are actively pursuing new capacity additions to support incremental opportunities. Regarding the new capacity, are you attempting to solve for new capacity in 2027 or early 2028? And then secondly, is that really to expand with your current customers or is it really to add a third hyperscaler to the opportunity set?

Amanda Brock | Co-CEO and Director:

Thanks for the question, Derek. And yes, capacity is something we've been talking about for a long time. We made it very clear that the 2.2 gigawatts was not where we were going to stop. We also, as you know, have talked about through all of our acquisitions, got a lot of domain knowledge through MER and HV in terms of where there is additional capacity. We are looking and have line of sight for additional capacity in 27 and 28, and this capacity will be for additional opportunities. We have enough capacity for the opportunities that we have signed up for at this time, even though we also expect that to expand over time.

Derek Whitfield | Analyst, Texas Capital:

Terrific. And then maybe, Amanda, just staying with you, on EPA's recent Quad K amendment, it seems like a very positive development for your business and speed to market. How should we think about its practical impact for what you're facing today? And while I understand permits aren't your issue per se, there has been some noise or concerns around the Mississippi operation. So I guess in your view, A, What's your view on the business impact with Quad K Amendment? And then secondly, how are you thinking about what's taking place right now in Mississippi and if that will likely take the same direction that Memphis did?

Amanda Brock | Co-CEO and Director:

So Quad K is a clarification and further sort of enabling certainty. So it comes up as a regulatory tailwind. We see this as something that we expected to come through. We were very pleased to see the 24 months So expanding the temporary ability to be there from 12 to 24, that is certainly something that very much favors the behind-the-meter options and alternatives that we offer, particularly in an environment in which speed to compute is incredibly important. So this is great for us, having this clarification. In terms of Mississippi, we really don't comment on that. And moving on to another question, where you refer to our responsibility from a permit perspective. I will say that we track that very carefully, and there are circumstances in which we are in discussions where we will, at certain locations, work with our customers as it relates to ensuring that the appropriate permits are there. Customers are increasingly asking us to take on additional scope. We are talking about this as molecule to electron. In Bill's remarks, he referred to doing more on the gas side. And obviously, as part of that, we may be doing more on the permitting side. So Quad K, great tailwinds for us.

Derek Whitfield | Analyst, Texas Capital:

Great update. Thanks.

Operator | Conference Operator:

Our next question comes from Bobby Brooks with Northland. Please go ahead.

Keaton Shokey | Analyst (on behalf of Bobby Brooks), Northland:

Hi. Good morning. This is Keaton Shokey on for Bobby. Other companies have been providing or planning to provide behind-the-meter power, have come out with or announced targets on where their fleet capacity will grow to. For example, they might be at 100 megawatts today with another 300 megawatts ordered, but they've talked about getting to a full gigawatt. Yes, can you hear me? Alfred, can you hear us? Yeah, can you hear me? Can you hear me?

Operator | Conference Operator:

I'm able to hear everyone.

Keaton Shokey | Analyst (on behalf of Bobby Brooks), Northland:

Can you hear me?

Operator | Conference Operator:

Yes.

Keaton Shokey | Analyst (on behalf of Bobby Brooks), Northland:

Okay.

Operator | Conference Operator:

Operator, can you hear us? Yes, I'm able to hear you.

spk00:

Really, you shut down?

Keaton Shokey | Analyst (on behalf of Bobby Brooks), Northland:

What are your thoughts on those targets? We can't hear anything.

spk00:

They're saying they

Operator | Conference Operator:

Pardon me, ladies and gentlemen. It appears the speakers have lost connection. Please stand by while we reconnect them.

Derek Whitfield | Analyst, Texas Capital:

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spk09:

Thank you for standing by.

Operator | Conference Operator:

We will now proceed with the Q&A session. Our next question comes from Bobby Brooks with Northland. Please go ahead.

Bill Zartler | Chairman and Co-CEO:

No, it's Keaton. Keaton, are you there? Sorry, we lost all communications, but we're back. Can you hear us?

Keaton Shokey | Analyst (on behalf of Bobby Brooks), Northland:

Yes, I can hear you. Thank you.

Bill Zartler | Chairman and Co-CEO:

All right, so please repeat your question. Thank you.

Keaton Shokey | Analyst (on behalf of Bobby Brooks), Northland:

Yes. Other companies providing or planning to provide behind the meter power have come out and announced targets to where their capacity will grow to. For example, they might be at 100 megawatts today with another 300 megawatts ordered because they've talked about getting to a full gigawatt by 2030. What are your thoughts on that, firstly? And then secondly, could you discuss maybe how you think about your capacity evolving through the end of the decade?

Bill Zartler | Chairman and Co-CEO:

That's a good question. I mean, I think I alluded to it a little bit earlier. I mean, the pipeline of opportunities is just giant. And, you know, would we have come out when we bought MER two years ago and said we'd be at two gigs now? We didn't do that, but we did it. So I think our philosophy on how we operate is communicate to our shareholders when we have deals across the finish line and not spike the ball too early. But the pipeline of opportunities and the opportunities that is very large. I'm very confident that we will have more than we have today in a couple of years. And if you look forward, it continues to grow. There's a lot of tailwinds both in how power should work in this country for these large loads and what the right mechanical setup is for that generation behind the meter. And I think we'll play a significant role in how this evolves with our how to position this, how to position it within the greater power infrastructure and ecosystem to enable it to be there for the development of data centers as well as trying not to impact consumer pricing in a negative way.

Kyle Ramachandran | President:

Yeah, and just to follow up, and we alluded to the note on the call around the hyperscalers capital spending, but this is a massive investment cycle, and we've got really attractive opportunities to build infrastructure to support their underlying investments at rates of returns that are very attractive to us under long-term contracts. And to the last point Bill made there, clearly last night in the State of the Union, affordability with respect to energy prices broadly is paramount to the administration as well as to the consumer. And I think what's very clear here is what we're offering is both economically attractive relative to the long-term costs of adding additional power onto the grid. And secondly, from a time-to-power perspective, it's a really valuable strategic opportunity for our customers to have in their quiver.

Keaton Shokey | Analyst (on behalf of Bobby Brooks), Northland:

Great. Thank you for that very helpful additional color. And then secondly, for another follow-up, it was great to see the 500 megawatts come off the board with an investigative technology leader. What I was curious to hear was if you could provide any further color around how the deal came to fruition and the associated timeline of that deal.

Bill Zartler | Chairman and Co-CEO:

Well, I mean, every deal, every transaction has its own life cycle. I think we've been in communication with most of the major customers for the past six months to a year, and they evolved, their needs have evolved, and the recognition of where they need, you know, kind of takes a while. These are big decisions. So at the end of the day, you know, the contract tender length requires a high level of approval within a very large organization. So we're nimble and quick and we'll go at the pace at which our customers can go and need the power. So, you know, they, I would on average say that the industry would agree they're taking slightly longer to put together than anyone might've expected, but they're happening and deals are closing.

Kyle Ramachandran | President:

And we've been, you know, at this, strategy in operation for roughly two years, and I would say the first year was certainly in stealth mode, and more and more of the sort of track record that we've developed is being well understood by the other participants in this market, and so that has just been a process for that track record to get unfolded, and I think that's really resonating with customers.

Bill Zartler | Chairman and Co-CEO:

Yeah, and philosophically, our notion of under-promising and over-delivering, both from a delivery of information to the street as well as from an operational perspective. Our operational capabilities and engineering capabilities and execution capabilities have informatically improved as we've built that out over the last year. So that gives us a lot more confidence on how we build out the balance of plan and how we deploy the equipment.

Amanda Brock | Co-CEO and Director:

Keaton, to be a little specific, we do make the comment that these conversations are accelerating as people are looking at sites, as people are getting comfortable in island and mode. you know, complex deals, but we've been dealing directly with the hyperscalers themselves, which is an advantage, and these deals and the timelines are accelerating.

Keaton Shokey | Analyst (on behalf of Bobby Brooks), Northland:

Great. Great to hear. I'll return to the queue. Thank you.

Operator | Conference Operator:

Our next question comes from Derek Todhazer with Piper Sandler. Please go ahead.

Derek Todhazer | Analyst, Piper Sandler:

Hey, good morning, everybody. Just wanted to go back to the capacity expansion commentary. Obviously, I know you need more than the 2.2 gigawatts than you have today, but maybe on the funding side, just how should we think about the funding mechanisms that are available to you? You obviously noted that you freed up your secured borrowing capacity, but just thinking about as you progress towards 3 gigawatts, 4 gigawatts, wherever that target may migrate over time, maybe just help us understand further as far as what funding we can expect as we continue to push the capacity targets higher.

Kyle Ramachandran | President:

Yeah, I think we really cleaned up the balance sheet quite well at the end of last year and added significant liquidity into the system. That liquidity is already proving to be very advantageous from a strategic execution standpoint. We did that last year, obviously, with a couple of convertible bonds. As the maturity in the contract profile continues to grow and the notion of potentially multiple investment-grade counterparties. I really think the secured financing options for the business, both in the bank market as well as the sort of term debt market, are ample. Bringing in Stephen has been a huge help with that regard. Stephen's got extensive experience in getting out, getting rated, getting notes issued on behalf of companies. And that bandwidth is critical for us as we look at the long-term opportunities for us to finance the business. So I think, you know, as we look at it going forward, we've got really attractive cost of capital options relative to where we've been over the last couple of years.

spk09:

John? That's just going to accrete to the bottom line.

Derek Todhazer | Analyst, Piper Sandler:

Got it. Okay. No, that's great. I appreciate the color. And then maybe thinking about the integrated power solution, you've talked about molecule to electron. Just thinking about how you optimize your turnkey solution with the grid longer term. Obviously, we're behind the meter. We're island power today. But maybe longer term, how do you think about it potentially integrating with the grid longer just say as we move further into the 2030s, just how do you see your turnkey solution evolving as an integrated strategy and optimization with the grid over a longer period of time?

Bill Zartler | Chairman and Co-CEO:

Well, we certainly believe that that will be potentially excess power ability at times to move back into the grid, complicated interconnection agreements and all that stuff. Mechanically, we have supported the grid in many ways with our equipment before, so we know how to form to the grid and perform all that. It's a matter of working closely with the utility and the regulators to ensure that what we can provide from the interconnection agreement. What we focus on today, however, is getting that power up and running at speed. The timing for those agreements is not fast, but over time, we do think it may evolve that direction.

Derek Todhazer | Analyst, Piper Sandler:

Great. Appreciate all the color. We'll turn it back.

Operator | Conference Operator:

The next question will come from Scott Gruber with Citigroup. Please go ahead.

Scott Gruber | Analyst, Citigroup:

Yes, good morning. Good morning, Scott. Good morning. I'll let go there. Congrats on the latest contract. So how do you think about getting back into the queue for additional equipment? Do you wait to contract the additional 400 megawatts? Do you get in the queue soon? And what are your thoughts on diversifying your supplier base, just as backlogs fill across the supplier base?

Kyle Ramachandran | President:

I think we've been pretty clear from the beginning that as capacity gets contracted, we will be back obtaining more capacity in multiple different options in that regard. So to your point, there's multiple OEMs. We have to date been tied pretty closely to one OEM. They've been a great partner. We'll continue to work with them. But we're obviously looking at other options. There are other new product lines coming into the market that look quite similar to the sort of workhorse asset that we've got in our generation fleet. And so we're evaluating all those options. And clearly, while we were working in conjunction with our new customer, we were also working supply chain. So this isn't like a standing start. We've had these conversations warm for quite some time. And those dialogues are very healthy. I think we've demonstrated to be a very good customer to suppliers paying on time, doing what we say we will do, and generally being pretty cooperative with that whole mix. So we are being consistent with what Bill mentioned of doing what we say. And so with respect to more capacity, that's more of the same. And so we are actively analyzing those opportunities and expect to be able to provide updates in due course.

Scott Gruber | Analyst, Citigroup:

I appreciate that. It was nice to see the 1Q EBITDA bump. And 2Q grows, but it's a little bit more slowly than expectations across the street, and maybe the street was just a bit ahead of itself. But, you know, logistics, that segment is looking better. So can you just walk us through the kind of megawatts deployed, you know, across 1Q and into 2Q and Is there any uncertainty around the deployment schedule, you know, at Colossus 2 into 2Q, or are you just embedding, you know, some conservatism until you get better line of sight?

Kyle Ramachandran | President:

Well, I mean, I think generally as we look at providing guidance, we always try to embed some level of conservatism, rational and reasonable, but some level of conservatism. I mean, when it comes to the timing of equipment getting deployed, most of that is out of our control. That's obviously subject to the OEMs. And if you look at how we even shaped sort of the capital guidance for the fourth quarter relative to what happened, we assumed in the guidance that we would be receiving installment invoices ahead of when we actually did. And so some of this is a function of the supply chain and where they sit with their processes. We feel very good about the Colossus II project with respect to the total 900 megawatts that will be deployed there. The exact prescriptive timing week-to-week, month-to-month, quarter-to-quarter is going to be somewhat in flux depending on OEM deliveries. It's a massive project that's being built in real time, and so there's lots of civil work that needs to take place there as well. So there's lots of puts and takes that are outside of our control, quite frankly, and so that's driving maybe somewhat of the guidance, but I don't think it has any impact whatsoever with respect to the run rate as we look at it.

Scott Gruber | Analyst, Citigroup:

I appreciate the color. Thank you.

Kyle Ramachandran | President:

And we're still on track for Q1 of next year to be at the full 900 megawatts that cost us. And then just, you know, finally, we have been able to use, and to Amanda's point, with respect to some of the new regulatory analysis, an ability to put more power out there on a temporary basis to allow the customer to ramp their demand potentially ahead of when the permanent power comes into play.

Scott Gruber | Analyst, Citigroup:

Oh, that's a great color. Thanks, Kyle. Turn it back.

Operator | Conference Operator:

Our next question comes from Steven Gengaro with Stifel. Please go ahead.

Steven Gengaro | Analyst, Stifel:

Thanks, and good morning, everybody. I think, too, for me, the first, and I'm not sure how much color you can add, but when you talk about discussions that are out there for that, for, I guess, roughly incremental 400 megawatts Are we talking about discussions that are in the gigawatt range where you have multiple conversations going on, or are they more sort of isolated discussions with specific customers? Is there any way to think about and kind of quantify sort of the near-term demand for that power?

Bill Zartler | Chairman and Co-CEO:

Steven, I think the discussions are as widely varied as we need 100 megawatts to we need two to three gigawatts, and how does that roll out over the course of 20, seven, eight, nine kind of timeframe, and it's with multiple customers or single customers. So the opportunity set, as Amanda mentioned, is significant. It's large. I think where we will focus on is closing with one or two customers in that 400 megawatt kind of range.

Amanda Brock | Co-CEO and Director:

What happens in these negotiations, which, like we said, are negotiations, not discussions, is we will maybe start with the 400 megawatts, but because of how electrification has phased in, we will then add over time.

Steven Gengaro | Analyst, Stifel:

Okay. That's helpful. Thank you. And the other question is, When you think about the price of power, and I know like when you were first deploying assets and because you're basically at the customer site, your cost of power was pretty close to grid power. And it feels like grid power or even at or below grid power. But as we have these kind of conversations about rising electricity costs over time, How do you price the power? Are you able to take advantage or at least leverage the fact that power prices are likely rising over the next decade when you're signing these longer-term contracts? How is that discussion going?

Bill Zartler | Chairman and Co-CEO:

I think customers intuitively understand this and how the shape of our curve. We're really focused on return on capital, focused on protecting our costs with COLA. We're, in most cases, not buying the gas. The customers are buying their gas, so We're not at risk for that part of the expense going up, but we do see, you know, maintenance and all the regular costs that can increase over time. But I think this is a, you know, you can lock it up now and just like you might with a big power, you could do a capacity deal with some variable, which is what we're seeing both on this kind of behind the meter scale as well as co-located scale and protect and hedge for the next, you know, 10 to 20 years. Okay.

Steven Gengaro | Analyst, Stifel:

Great. Thanks for the additional color.

Operator | Conference Operator:

Our next question comes from Michael Dudas with Vertical Research. Please go ahead.

Scott Gruber | Analyst, Citigroup:

Good morning, everyone.

Michael Dudas | Analyst, Vertical Research:

Good morning. As you indicated in your prepared remarks, and certainly as we've seen in the market, you know, demand seems to be much greater than supply capacity. How is that evolving relative to the moat that you're creating, given the momentum you've put together over the past couple of years? And how does that impact relative to what you want to do in the uplift to the other services to provide for your integration? You know, is the acquisition market or the opportunities there, are there quickly enough for you to, you know, generate the value from that just to really solidify your solutions profile?

Bill Zartler | Chairman and Co-CEO:

Yeah, I mean, I think, number one, this is a very big market. We will not be alone in developing power for this industry, right? The numbers are staggering. So our moat and our offering is one of experience, of operations, of knowledge, of ensuring as reliable power as possible at attractive pricing. As we build out our offering, the more our capital we can put to work and the more services we offer that we can get paid for is valuable, and I think valuable to the customer in that what we're doing ultimately is just ensuring that they get the power where they need it, when they need it, at the right voltage and type, and that will give us the amount of runway that this business needs to continue to grow very rapidly over the next several years. Excellent. Thanks, Bill.

Operator | Conference Operator:

Our next question comes from Jeff LeBlanc with TPH. Please go ahead.

Jeff LeBlanc | Analyst, TPH:

Good morning, Bill and Amanda. Thank you for taking my question. Good morning. In SLS, you're guiding the flat EBITDA on a sequential basis while the pressure pumpers are flagging the Winterstorm firm as having a sizable impact on Q1 profitability. Can you expand upon how your Reynolds business is insulating SEI from these types of disruptions? Thank you.

Bill Zartler | Chairman and Co-CEO:

Well, we did see some downtime during the storm. So what we also see is additional growth in the business that's offsetting that. So I think we're growing maybe faster than the current pressure pumping market is just in terms of touch. The top fill offering and the savings that it offers for some of these large frack jobs is real. And so we continue to see demand there. And we're virtually sold out, as I mentioned on the call, without equipment. So in the storm.

Jeff LeBlanc | Analyst, TPH:

Thank you very much. I'll hand the call back to the operator.

Operator | Conference Operator:

Our next question comes from Don Crist with Johnson Rice. Please go ahead.

Don Crist | Analyst, Johnson Rice:

Good morning, guys. Hope you all are doing well this morning. One macro question for me, as you're having these discussions, given all the state of the world right now with energy prices and the consumer facing kind of aspects of that. How many of your discussions are 100% behind the meter versus kind of a hybrid approach with, you know, grid versus, you know, behind the meter? Is it more, is it shifting more to where you're going to be a standalone island power plant for the life of the data center? Or is it still kind of a hybrid approach?

Bill Zartler | Chairman and Co-CEO:

I think there's still a bit of a hybrid. It's probably weighted toward behind the meter for the life of the plant, although we're having discussions with a few customers around having a mobile kit that they may rent for the next 10 years that we set up in advance of grid connections that they hope to get there over some period of time. And so the mobile nature and the service of being able to set up power quickly, the tailwinds with the Quad K regulations, which is allowing some of that to happen on a temporary basis, One is the pure behind-the-meter that may end up being co-located over time, or we can go in and are looking for long-term contracts to be a bridge provider, which would mean that we may sit on sites between one and two years, but we have a contract with that customer for multiple years beyond that to move from site to site as they recognize that connections are slow. and they're building out locations maybe faster than the grid can connect to them, and they need a solution like that to complement their rapid growth.

Amanda Brock | Co-CEO and Director:

Don, we are seeing, you know, as we said, there's acceleration of discussions. The tailwinds here, one, greater tenor on contracts. We always like to see that. Two, people in the last quarter, customers and end users, getting very comfortable that they can be in fully islanded mode successfully, reliably for a 10-plus-year contract. So it's all of the above, but definitely a tailwind toward people getting comfortable that maybe they don't have to connect to the grid. And we think that, you know, last night stated the union address with the ratepayer protection pledge. These discussions will continue to gain traction.

Don Crist | Analyst, Johnson Rice:

Okay. Yeah, that makes a lot of sense. And just one further one for me, obviously the fourth quarter had some maintenance issues – or not issues, but maintenance costs that were elevated as you had to kind of update your equipment. But how do we look at it going forward, you know, as you – add a whole lot more new equipment? Is that maintenance schedule kind of de minimis going forward, or do you have another wave of stuff coming through in the next 12 to 15 months or so that need to go through that process?

Kyle Ramachandran | President:

Yeah, Don, I think the color on the fourth quarter was around some equipment coming off of a utility project that was relatively short-term in nature, and we're doing some modifications to that equipment to get it ready for a long-term contract to serve a microgrid in the in West Texas area. So that was sort of, I'd say, more of a kind of a one-off in nature. As we've talked about historically, this equipment has an overhaul cycle, which is episodic relative to the number of hours run in the engines. And on average, they're roughly 30,000-hour overhaul cycles. So it's every four-ish kind of year timeframe, depending on the fired hours per day or per year for those engines. So, yeah, we're obviously in a period here where we're not seeing significant maintenance capital. Over time, that will be running through the business, and that's several years out from now. And then the other thing in the fourth quarter was we did secure some additional third-party equipment to meet an accelerated ramp schedule for one of our larger projects. And so we pulled that in a little bit ahead of when the equipment was deployed onto site, and so that was just some additional cost that was transitory nature in the fourth quarter.

Don Crist | Analyst, Johnson Rice:

I appreciate all the color. Thanks, guys. Turn it back.

Operator | Conference Operator:

This concludes our question and answer session. I would like to turn the conference back over to Bill Zartler for any closing remarks.

Bill Zartler | Chairman and Co-CEO:

Thank you all for joining us today. We're excited about the strong momentum we've built in all aspects of our business in 2025. and the significant opportunities ahead. It's rewarding to see our team grow and deliver real value in this fast-evolving market. And to make a big thank you to our dedicated employees, our trusted customers, and valued supplier partners. Your commitment makes it all possible. Thank you.

Operator | Conference Operator:

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.