NYSE:SEI Q1 2026 Earnings Call Transcript

Generated on 6/10/2026

Operator | Conference Operator:

Hi, and welcome to the Solaris Quarter 1, 2026 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 your telephone keypad. To withdraw your question, please press star, then two. Please note this event is being recorded. I would now like to turn the conference to Yvonne Fletcher, Senior Vice President of Finance and Investor Relations. Please go ahead.

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

Thank you, Operator. Good morning and welcome to the Solaris First Quarter 2026 Earnings Conference Call. Joining us today are our 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 that some of the statements we will make today are forward-looking 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. I would like to point out that our earnings release in today's conference call will contain discussion of non-GAAP financial measures. 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 GAAP measures are available in our earnings release, which is posted in the new section on our website. Additionally, we 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'll now turn the call over to our chairman and co-CEO, Bill Zartler.

Bill Zartler | Chairman and Co-CEO:

Thank you, Yvonne, and thank you, everyone, for joining us this morning. Solaris is off to an exceptional start in 2026. We are consistently executing across our current operations, successfully advancing our long-term growth strategy and growing our long-term business base. In power, we added two significant long-term contracts with two investment-grade global technology companies for over a gigawatt of contracted power generation capacity and, importantly, associated balance of plant equipment. We also closed two strategic transactions, which expanded our generation capacity over 40% to 3.1 gigawatts. We are now operating, constructing, and in the design and planning stage for multiple large behind-the-meter power projects for three distinct large technology companies for several different data centers. Building on our proven capabilities, this progress continues to confirm Solaris' strategy and leading project expertise. We also see a clear path to significantly grow our business further. While we focus on near-term execution, we are concurrently expanding our contracted power services scope to support the future growth of our high-quality customer base. We also continue to have active discussions for new projects with both current and new customers. We expect these diversifying and expanding relationships to result in meaningful incremental returns for Solaris. As we've now shown repeatedly, we will secure expansion generation capacity once we have visibility and confidence in contracting incremental capacity on a long-term basis. While we've seen that negotiating these initial complex commercial contracts can take an extended period of time to close, we are encouraged by the numerous additional growth opportunities we see with our current customers, as well as a general alignment toward a more standard contractual arrangement. We anticipated going forward that these additional opportunities will be more streamlined to contract. The broader power market continues to reinforce and support our strategy. The tailwinds we've been describing over the past several quarters remain the same, and several have strengthened. Grid interconnection delays have continued to expand, which, given the market's focus on speed to compute, has accelerated adoption of long-term behind-the-meter power solutions. Electricity affordability for residential grid customers remains at the forefront of every politician and community leader's minds. which reinforces the need for bring-your-own-power solutions like ours, and in some cases, is even essential to many communities. There is no question that behind-the-meter power solutions will play a significant role in the long-term powering of data centers and other large industrial power loads. Solaris' proven ability to deploy rapidly and compliantly, fully behind the meter, in island mode if needed, with the optionality of providing a cost-effective reliability-enhancing complement to the grid, continues to be a real differentiator. Our progress is a result of a power strategy that's not only working, but accelerating our growth, executed by a seasoned team that knows how to deliver. We've been clear about our power strategy, build a diversified, integrated power services and equipment company that can deliver what the market and our customers need, delivering turnkey solutions from the molecule to the electron, while also ensuring that our earnings stream is growing at attractive returns with improving long-term visibility. With approximately 3.1 gigawatts of secured power generation capacity, a growing exceptional customer base, and our demonstrated capability to deliver comprehensive behind-the-meter solutions to the industry where access to power is recognized as a key differentiator, we are well-positioned to see continued growth from here. With that, I'll turn it over to Kyle to walk through our commercial progress and strategic acquisition initiatives.

Kyle Ramachandran | President:

Thank you, Bill, and good morning, everyone. As Bill pointed out, we've had incredible commercial success over the past couple of months. We now have over two gigawatts of power generation under long-term contracts with three different leading technology companies. Over half of that capacity was contracted in just the last two months with contract terms that have extended to 10 to 15 years. We announced our most recent long-term contract last night directly with an investment grade global technology company in which we will provide over 600 megawatts of generation with balance of plant for an initial 10-year term with an option to extend for an additional five years. We expect energization under this contract to begin ramping in late 2026. This most recent contract is in addition to the over 500 megawatt contract we announced in early February and the 900 megawatt state-wide joint venture that is currently under development. These customers selected Solaris as a trusted long-term partner because of our proven capabilities and the team we've built both organically and inorganically. We have a history of reliable execution demonstrated across multiple app-scale deployments, and these partnerships reinforce our reputation as a leader in this rapidly growing market. As Amanda will describe, these relationships are also expanding in scope well beyond generation, which further deepens our integration with customers and enhances the return profile of our contracted base over time. We've also continued to move decisively on the supply side to address the challenge we've been direct about. Demand for our solutions continues to outpace our committed and on-order capacity. On March 16th, we closed two highly strategic transactions, which together add approximately 900 megawatts of new natural gas fuel turbine capacity. The first was the acquisition of Genco Power Solutions, which will contribute 400 megawatts of incremental capacity between 2026 and 2028. including approximately 100 megawatts of currently operated and contracted capacity. The second was the purchase of 30 turbine delivery slots, providing approximately 500 megawatts of incremental capacity between early 2027 and 2029. Securing these near-term deliveries puts us in a position to serve customers on the accelerated timelines that they need. Both acquisitions also importantly meaningfully diversify our equipment supplier base as we develop relationships with multiple OEMs. As we grow toward and beyond 3,100 megawatts, working with multiple OEMs increases our operational flexibility, reduces exposure to any single supply chain, and gives us more options to configure capacity for varying customer needs. Outside of power, our logistics solution segment continues to perform well, Both our execution and demand for our services remained strong during the first quarter, and this momentum continues in the second quarter. Demand for our top-fill equipment now exceeds our deployable supply, and our forward-looking calendar is also equally tight. This business line continues to generate tremendous cash that we are reinvesting into the company. In summary, Q1 2026 was a quarter of successful execution, commercially, operationally, and financially. Our results, combined with our continued strategic efforts, building and diversifying our capabilities, positions Solaris extremely well for further growth through the remainder of 2026 and beyond. With that, I'll turn it over to Amanda.

Amanda Brock | Co-CEO and Director:

Thank you, Bill and Kyle. Good morning, all. So building on our significant momentum, we want to share with you more about how we are anticipating market needs and leading with new initiatives. We're clearly delivering on our strategy to date, but as important as how we're innovating and looking to the longer term and evolving our business. Last quarter, we publicly announced our molecule to electron approach in response to a growing market need. Large technology companies are building out compute infrastructure at a speed and scale that creates many challenges, one of the most significant of which is power infrastructure. This includes not only generation capacity, but the power-related distribution, conditioning, storage, and management capabilities, as well as the equipment needed to supply fuel and minimize emissions. It became clear that our customers increasingly value a turnkey and rapidly deployable solution. Anticipating this need for a turnkey solution, we've added additional skills and strength to our core team with deep domain knowledge in these areas of expertise, as well as making initial key bolt-on acquisitions like Solaris Power Distribution Services. With these enhanced capabilities, we're in a unique position to deliver more than just generation in a time and capital-efficient manner, but we're adding significant value with enhanced project returns. Our most recent 600-plus megawatt agreement announced last night confirms our strategy and approach, which includes greater project scope, covering balance of plant and additional services in addition to generation. We will be developing and operating last mile gas delivery as well as natural gas fuel generation assets and the associated distribution storage and balance of plant infrastructure. This contract's broader scope means more capital deployed per site, closer integration with the customer's infrastructure, and depending on the capabilities we deliver, enhance returns over the contracted period. It also means that contractual relationships become more difficult to replicate and are more durable over time. We now have the capability to deploy at a speed and reliability level that the grid and traditional procurement channels will have difficulty matching. The demand for a turnkey integrated power solution extends well beyond the single agreement. Examples of our growing platform include, one, we're in advanced negotiations on adding enhanced scope as well as increased generation capacity to the long-term power contract we recently signed in February. We found that as customers evaluate specific sites and infrastructure requirements, the size and scope of our relationship and what we will be responsible for delivering to a project is growing. We are currently delivering balanced plant equipment and services at multiple existing data center and compute sites where we don't provide the generation, and even where the generation source may be the grid. We believe this increased traction is a result of our distribution capabilities and proprietary approach to power and power management. Three, while this is not part of our core offerings, we are being approached to provide consulting services to projects facing power challenges. These are customers to whom we may not provide power, but they come to us because of our technical depth which is now recognized across the market. And lastly, four, we are very excited that we've recently been asked by one of our large technology customers to participate in a pilot research program related to their development of mobile distributed compute where we are helping to design and provide expertise for balance of plant, and which could also eventually include generation. These are just several examples of opportunities that are incremental to our contractor generation base, and each one is enabled by the capabilities we've assembled over the past two years. The engineering, project management, and manufacturing teams that we've grown organically, and the distribution and control expertise we've acquired and continue to build on. Our team remains hard at work identifying and continuing to develop proprietary equipment, software, processes, and services to enhance the rapid deployment and functionality of our offering and the long-term solutions we can provide to the industry. So as we look forward, expect us to continue to innovate, investing in, and growing our capabilities. The broader our capabilities set, the more we can do for our customers, and the more deeply embedded we become in their infrastructure, and the better returns we will earn under long-term contracts. And the market need for power is not going away. This is the exciting long-term value proposition for Solaris, and we are confident in our ability to execute and continue to grow. I'll now turn the call over to Steve for a financial review.

Steve Thompson | Chief Financial Officer:

Thank you, Bill, Amanda, and Kyle. Good morning, everyone. I'll begin with a review of our first quarter 2026 results. We generated revenue of $196 million and adjusted EBITDA of $84 million in the first quarter, coming in 22% higher sequentially and 79% higher year over year. These results reflect the operational momentum Bill and team described, and it's a strong foundation years. In power solutions, we operated more than 900 megawatts during the quarter, and adjusted EBITDA increased more than 30% sequentially to $72 million, driven by growth in revenue from both owned assets and third-party leased capacity. In logistics, we averaged 104 fully utilized systems, and segment-adjusted EBITDA was approximately $23 million, a 2% increase over the fourth quarter of 2025. Turning to our updated earnings guidance, For the second quarter, we're increasing total adjusted EBITDA guidance by 10% to $83 to $93 million, reflecting our confidence in near-term execution. We're providing initial third quarter guidance of $80 to $95 million, which reflects shifting power from temporary to permanent at the Stateline JV project and deliveries of new equipment in the second half of 2026 that are contracted and will begin earning revenue January 1, 2027. Looking beyond the next couple of quarters, the over 2 gigawatts of contract capacity we have in place provide line of sight into earnings and cash flow for the next 10 to 15 years. We are confident that we will see our contract capacity ramp as incremental opportunities are finalized. In our presentation, we lay out a scenario where total company adjusted EBITDA pro forma for all 3,100 megawatts delivered and operating could well exceed $1 billion annually. As the scope expansion opportunity that Amanda described continues to materialize, we see upsides to that amount. To put it in more concrete terms, any incremental capital we deploy for additional assets per site would be underwritten at returns consistent with our existing framework. That incremental deployment would layer directly into the baseline EBITDA I just described. This visibility into significant earnings growth from leading investment-grade customers credit capacity, and the balance sheet going forward. In March, we closed a $300 million credit facility, which we subsequently upsized to allow up to $200 million in additional borrowings, giving us meaningful near-term liquidity. With more than $1 billion of additional identified capital to be deployed in 2026 and 2027, we are evaluating funding alternatives which would allow us to execute our growth plan in an accretive manner and expect to provide further updates in the very near future. As we look forward, we are positioning Solaris to capitalize on an unprecedented power growth opportunity, a contracted earnings profile that continues to improve, a customer base making decade-long commitments, and an expanding scope of opportunities. I'm excited to be part of the team here, and I'm looking forward to helping the team execute on these plans. With that, we'd be happy to take your questions.

Operator | Conference Operator:

We will now begin the question and answer session. To ask a question, you may press star then 1 on your telephone keypad. If you are 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 your question, please press star then 2. Please limit yourself to only one question and one follow-up. At this time, we'll pause momentarily to assemble our roster. The first question comes from David Arcuro with Morgan Stanley. Please go ahead.

David Arcuro | Analyst, Morgan Stanley:

Oh, hi. Good morning. Thanks so much. Morgan. Well, congratulations on another contract here. I was wondering, you know, I guess the time to contracting seems to accelerate it in terms of your activity, I guess. I'm wondering if that's what you're seeing as the turnaround time. to securing new customers gotten more urgent? You know, how have those discussions changed in terms of the speed of execution?

Bill Zartler | Chairman and Co-CEO:

Well, these have been banking for a while now, so they've taken a long time to get across the finish line to start with. Obviously, you know, when they're closed, it feels really good to have them done. And I think to the point we made on that is once you've agreed to general standard terms, I mean, this is an industry that this wasn't a conscious decision for them to want to do this. So, you know, walking through that and working closely with them to come up with a way that's a win-win for both has really been important. And, you know, it takes a while to get there. And once you're there, it kind of makes the evolution and growth of the relationship even easier and better going forward.

David Arcuro | Analyst, Morgan Stanley:

Yeah, got it. Now that makes sense. And, you know, I was also curious – On the balance of plant business model, from here I'm wondering, do you plan to pursue that as a separate offering, or do you aim to, in most cases, combine it with generation? And I'm curious if you could touch on maybe how much you've deployed in terms of the balance of plant, the consulting services that you've mentioned in terms of that offering.

Bill Zartler | Chairman and Co-CEO:

We're not going to get into numbers, but we see opportunities where we are using our expertise around balanced plants to put that to work where we're not doing generation. And I think that plays into the ability to handle multiple sources of generation as that evolves. Right now, our focus has been on the gas turbine supply of generation capacity, and we're integrating the mix of that. I think going forward, as we mentioned in the call, they're looking for a turnkey solution. And us providing everything from gas through the delivery of the electron into the building at the right voltage in the right way, whether it's a DC or an AC in the building, all of that is something that we can put into the mix and handle all that. So I think it will be a mixture. I think our ideal location would be where we do it all and manage the whole pod. And I think that does drive kind of capital per megawatt up and driving us per megawatt that we're delivering. And so it is a mixture. I think we're seeing all of it, and we'll continue to perform all of it.

Amanda Brock | Co-CEO and Director:

David, what we're excited about is in the conversations that we've had and the contracts that we have closed to date, during those negotiations, as people understood what our capability was, their desire for that turnkey solution and increasing what they wanted us to deliver to the project was meaningful. And in the conversations that we are still having for future opportunities, we are seeing that same trend. As Bill said, turnkey solution, we want you to do more. And we certainly have proven that we can deploy quickly, that we can generate the power needed. And beyond that now, with the capabilities we've assembled, we do see that as a trend. But as Bill said, we have the ability to do more. Just generation, the ability to do it all, or in the cases that we've also laid out, the ability to just do projects where it's just distribution and doesn't include generation. It's a great platform for us to be offering.

David Arcuro | Analyst, Morgan Stanley:

Yep, absolutely. Great. That's helpful. Thanks so much.

Operator | Conference Operator:

The next question comes from Derek Pottaiser with Piper Sandler. Please go ahead.

Derek Pottaiser | Analyst, Piper Sandler:

Hey, good morning. I just want to expand on David's question. You talked about the general alignment towards a more standard contractual arrangement, more streamlined to contract. Could you just provide maybe some further detail on these comments, and how we should think about you getting these power contracts over the finish line more efficiently moving forward?

Bill Zartler | Chairman and Co-CEO:

Well, there's a lot of devil in detail in contracts, and we have built our businesses over the last 30 years around ensuring that we develop the right risk profile for us and the right delivery for the customer. And there's a lot of work that goes into that on both sides to ensure that both sides get what they need. I can say with assuredness that we have signed contracts that we believe don't have company ending liabilities in them. And I think they're very acceptable as we've fought hard for those positions and our customers have fought hard for other sides of that. But I think we've developed a standard I mean, when you're developing new kind of lines of businesses and they don't really have a standard contract developed for the industry, and we saw this in the water side, we saw this in the sand silo business, that we're forging new ground and developing the right contractual underpinning really does establish us as a leader and builds a relationship with the customers on what the profile of this business should look like for all.

Kyle Ramachandran | President:

And I think one addition to that is through this process, I think we've really established tremendous trust. Our track record provides obviously credibility internally in these organizations that we've been there, done that in terms of providing this kind of resiliency. So I think not only have the terms come to a point where we've got a good form to move forward, but there's also over the course of those discussions, we've really established ourselves internally in organizations that don't have necessarily a, a long track record of doing these types of applications to support their compute needs. And so this is new ground for them, but I think we've demonstrated the credibility that's required to get them comfortable.

Amanda Brock | Co-CEO and Director:

It's been helpful to refer to the uptime that we have had at projects where we're operating, and it makes it easier as a consequence to negotiate your uptime requirements in new contracts. You can actually point to actual operations.

Derek Pottaiser | Analyst, Piper Sandler:

Right, right. That's very helpful. So just looking at your megawatts, counting them up between the three hyperscaler contracts, some are still in the energy patch. It seems like you had about a gigawatt of available capacity. How should we think about that as you deploy those remaining megawatts, whether that's expanding your current contract scope with one of the three customers or potentially going after customer number four?

Bill Zartler | Chairman and Co-CEO:

I think it's going to be maybe a combination of all of the above.

Derek Pottaiser | Analyst, Piper Sandler:

That's great. Thank you very much. Turn it back.

Operator | Conference Operator:

The next question comes from Dave Anderson with Barclays. Please go ahead.

Dave Anderson | Analyst, Barclays:

Hi, good morning. Just coming back to the balance of plant side of your business. How much of that two gigawatts plus you have under contract includes balance of plant? And previously you've talked about a potential 20% to 50% uplift from EBITDA from balance of plant. Looks like you're assuming in the presentation kind of the low end of that guy. So how do you get to the high end? Does it fluctuate depending on the capabilities delivered? Does it increase over time if you add storage? Just some more color on how that potentially works over the life of the contract. Thank you.

Kyle Ramachandran | President:

Yeah, I think the 20 to 50% is still the right way to think about it. And you're correct. What we've alluded to in the updated numbers is, I'll say I'm at the lower end of that. And I think that speaks to the conservative nature of how we provide guidance. What we are articulating here is what is actually under contract signed to date. And what we have in the slide deck as well is an outline of another $800 to $1 billion of additional capex that we have very good line of sight of that getting contracted at $160 to $200 million of incremental EBITDA. So we haven't put it in as the, I think it's $875 to $925. It's sort of the outlook, if you will, that is excluded from that. But what we're articulating there is we don't have anything signed on that expansion beyond the current piece. but very good line of sight, just like we've done it on the generation side. So you're right in terms of backing into the lower end of the range based on what has been signed in the last couple of weeks, but we feel very good about the visibility that we have to expand that beyond that lower end of the range based on the visibility that we have. And yes, the final point is different customers have different needs and different approaches in terms of how they want to capitalize this as well. And so some of the customers, like in the state line instance, we're only doing generation. And as we look at the other two contracts, there's some shaping depending on the location and the customers as to what they want. But to be very clear, the generation itself requires all the balance of plant to make it all work. So we're either buying it capitalizing it and embedding it in the rate or the customer is doing it. And so it just depends on kind of what their framework looks like. The last two contracts include balance of plant.

Dave Anderson | Analyst, Barclays:

Okay. Great. Thank you, Amanda. And if I could also just ask a non-power question, maybe give a little love to the side of the business. We don't hear a lot about outlook has obviously changed quite a bit now in the next 12 months. We hear a lot of talk about North America E&Ps picking up, oil prices structurally higher. How are you thinking about this business now strategically? Is this something you want to grow into? Are you considering divesting it? Or is this just kind of a nice cash flow stream that should really build over the next coming quarters and potentially years?

Bill Zartler | Chairman and Co-CEO:

Thank you. Right now, it's a great business. It doesn't feel like time to monetize it. We continue to see customer growth and wins in that business. And the market in North America, as you mentioned, feels like we're on a bit of a an upswing. It may not be a rapid upswing, which is actually the better kind of slow roll into growing our production in North America is better than the spiky reactions. And so I think that the capital that's there in our customer base is very strong. And I think at this point, it's a great business for us to hold on to and evaluate as we go along. The cash is irreplaceable in a lot of ways today. And so we're enjoying that. And I think there's surprisingly been a significant number of engineering and operational synergies across the business lines that are underappreciated. The notion that we are extremely quick to solve problems on the oil field side of it, extremely quick to be able to mobilize and demode, all of those embedded skill sets and engineering talents have applied very, very well into the into the turbine industry as we and customers expect speed and want speed and speed wins and speed's important. That's something that really ports over from the oil field side of this very, very well in the culture and in the team.

Operator | Conference Operator:

The 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. My first question Certainly congrats to you guys on your commercial success to date. It seems that your execution and balance of plant expertise is increasingly driving success for you. Maybe focusing on balance of plant, how should we think about how that could further evolve from the standpoint of your competitive offering beyond the typical transformer, switchgears, cables, etc.? ?

Bill Zartler | Chairman and Co-CEO:

Well, I think it evolves a little bit on the life cycle potentially. I mean, obviously with the growing installed base of smaller turbines, the repair and maintenance function that we grow alongside of this is really important. And we're working hard to develop our own protocols and our own internal skills and capabilities to ensure that, you know, as these things, you know, they're going to have mechanical, they're mechanical things. And that means somebody's going to have to repair them from time to time. And so as we build up that skillset, fine training. Labor is a challenge. Building up our own labor training force across the board is really going to be an important element to how we grow. You know, from a balance of plant perspective, I think we have at this point, we're not going into the building and that's not an area where we will play, but everything from the building to ensuring that the gas is delivered and even if we need to and get a return on, you know, build small pipes into the into the facility for making sure that the gas is delivered in the way we need it, and then all the pressure control systems on top of that. So it's a pretty diverse offering, and we're thinking about the life cycle of this business as well, knowing that you're building something that's here going to be there for 10 to 15 to 20 years. You need to be able to take care of it.

Derek Whitfield | Analyst, Texas Capital:

Great, and as my follow-up, and this is maybe for Amanda, regarding the pilot research program with one of your clients for the development of mobile distributed computers, Could you speak to how this came together and potentially the upside from this development as you see it today?

Amanda Brock | Co-CEO and Director:

Yeah. We've obviously been working with that particular technology company. And when you become embedded in a company and they understand what your capabilities are, different teams get introduced to you. And that's exactly what happened here. We were introduced to another team that understood that we had distribution and design capabilities They asked us to look at a particular design they had for modular compute. We looked at it. We came up with some changes. It was an aha moment for them. And they said, great, could you please work with us on this project? So it's really a function of being embedded with a customer. We keep using that word. But once you are working with the customer and they see your capabilities and you get great attraction across the various departments and teams in that customer's company.

Operator | Conference Operator:

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

Bobby Brooks | Analyst, Northland Capital Markets:

Hey, good morning, guys. Thank you for taking my question. I was just curious first to hear on the customer conversations, just over the past nine months, have more potential customers entered the discussion or have the discussions just progressed to negotiations over that time from mostly the same group of folks that you were talking to, say, nine months ago?

Bill Zartler | Chairman and Co-CEO:

I think that there are more customers really figuring out that the behind-the-meter strategy is going to be a very important part of their power supply for their data use. And so I think we have seen more direct customers. We've tried to focus on the end user. They're faced with quite an array of decisions on where to go put their data center and who to have build that part of it. And we've tried to be supportive of the ultimate end customer and focus on We'll put the power where you think you need it, when you need it, and allow that dynamic to be ruled. And it's been quite a dynamic. The big data users have had selection challenges in terms of where you put these data centers and the pushback from the public environment as well as the drive to provide your power with this has really led them to the final conclusion that we've kind of seen is that

Bobby Brooks | Analyst, Northland Capital Markets:

sites really appreciate that and and it was awesome seeing you secure another 900 megawatts in the quarter and some of those were buying cues in the slot right and so my question is do you see more opportunities to do that i ask that because it's my understanding there's a decent amount of what i'll call speculators in the queue of turbine backlogs that thought they could just kind of buy turbines and be a mini sei but they're now realizing that how much technical expertise is needed on the service side and that customers aren't interested in someone just dropping gen sets off without any of the service capabilities or the balance of plant power stuff that you've been touching on earlier. So I think there's more opportunities for you to buy those delivery slots that are more near term, but maybe I'm off base. So I just was curious to hear your thoughts.

Bill Zartler | Chairman and Co-CEO:

Well, Bobby, you're hired as a sales guy. And that's exactly what, I mean, I think the notion that, you know, you can get in queue and, and, and buy all this stuff and be prepared to go put it to work as a powered land guy or as a data center developer. It's not that simple. And developing and proving and running a couple of sites now and developing how this goes really will matter. And I think that cleaning out, if you will, of the queue, I mean, that's exactly what we did in one case. And in some cases, it's not necessarily the fault of the person that bought the engines. They may have ended up with some sort of idea that you could put this in an area that the local folks were not going to let you put a data center. So, you know, we've seen some backlash publicly about where the data centers can go and where they can't go. And so, some of that is turning, you know, power back on the market. And, yes, we're positioned to be able to take that power on and put it to work in the time frames. And so, I think that that really goes to ensuring that we have all the balance of plant stuff with it, right? As Kyle mentioned, the generators, just the generator, you've got to have all the other kit with it, and that kit has some lead times and some expertise associated with it as well. So, you know, ensuring that what we ultimately deliver is a power electron to a data center requires a lot more than just a generation, and I think we're prepared to take advantage of that and then scoop up opportunistically where we see things coming up earlier in the queue that the customers are very interested in.

Kyle Ramachandran | President:

And the real blue sky there is, as we've alluded to this morning, we are now partnered with three of the major leaders in this field. That puts us in a position to put that incremental capacity to work very quickly with groups that we're already working with.

Operator | Conference Operator:

Our next question comes from Patrick Lett with Stiefel. Please go ahead.

Patrick Lett | Analyst, Stifel:

Hey, good morning. It's Pat. I'm for Steven Jigaro. Thanks for taking the questions. Shifting to more near-term here, when we think about the third quarter gut, is there any color you can give about the power deployments there and makes the third-party assets and then any insights into deployment ramp into 4Q?

Bill Zartler | Chairman and Co-CEO:

Well, I'll make a couple comments. One, we're building this business for 2030, 2029, and the quarterly ramp up here has been a pretty – steady and measured rate with a lot of mixed dynamics over the course of the last year, and I think we're going to continue to see that over the next several quarters as we ramp up. I think our, you know, where expectations of the third quarter are, I think that the market may have gotten a little exuberant about how quick things are rolling out. I think we're measured in our approach and have been generally conservative, but, you know, our long-term targets are there. The timing at which stuff gets put together, whether it's in You know, the first month and a quarter or the last month and a quarter swings the numbers still more meaningful than it should. As we grow into it, it won't. But we're in that growth phase that, you know, plus or minus a couple months does swing quarter-on-quarter numbers, which is really not our focus. Our focus is ensuring the long-term delivery of the numbers that we forecast.

Patrick Lett | Analyst, Stifel:

Right, yeah. Okay, thanks for that. And then for the 500 megawatt contract, what sort of capacity should we think about this starting at beginning in 2027? And then just curious, like for the turbine delivery slots, are the prices and delivery dates sort of fixed there?

Amanda Brock | Co-CEO and Director:

I'm on the turbine delivery slots. The prices are fixed. Delivery dates, we have an opportunity to move some up, which we are working on right now. So we, and again, as Kyle said in his prepared remarks, we've diversified and de-risked some of that supply chain by working with multiple OEMs. So we feel pretty good about our term deliveries, when to expect them, and certainly prices fixed.

Kyle Ramachandran | President:

Yeah, the 500, they all go under contract at the beginning of the year, but there is a ramping of actual deployment based on the ramp in the data center. So it'll ramp throughout the course of 27 of actual spinning turbines, but they all go under rent under the dry lease convention that we alluded to when the contract was put in place. And then as they get deployed and start operating the sort of wet lease convention, including the equivalent of a fired hour charge comes in.

Operator | Conference Operator:

Our next question comes from Jerry Rebich with Wells Fargo. Please go ahead.

spk14:

Good morning. This is Kevin for Jerry Rebich. Just had a quick question on the quarter. Power Solutions revenue and EBITDA per megawatt both increased on a sequential basis from 4Q. Can you just walk through the moving pieces?

Bill Zartler | Chairman and Co-CEO:

We had more equipment that we rented more of.

spk14:

I'm not sure. On a per megawatt basis, sequentially. Okay.

Kyle Ramachandran | President:

Yeah, there was some mixed impact there and some of the pieces of the new contracts that came into it.

Bill Zartler | Chairman and Co-CEO:

Yeah, and if you have a – so using that per megawatt metric, as we mentioned earlier, if there's pure distribution that's being rented and it doesn't have a megawatt of generation capacity, that's going to show an infinite return on the megawatt. So we're really focused on a return on capital and earnings. So, yeah, the mixed shifts around there is going to move that metric around a little bit.

spk14:

Understood, and then when we think about the capacity additions pipeline, how has that opportunity funnel change stayed the same versus the prior period?

Amanda Brock | Co-CEO and Director:

In terms of the megawatts that we have available, I think as we've indicated, we are in detailed discussions with a number of parties, and I think Bill answered some of them are existing customers that we have signed up with, and some are new. So yes, there is a robust pipeline We're very happy to be in this position where we have got additional capacity to put to work. And if the past is an indication of the future, this is going to be, you know, another great outlook when we put this to work.

Operator | Conference Operator:

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

Jeff LeBlanc | Analyst, TPH:

Good morning, Bill, Amanda, and team. Thank you for taking my question.

Operator | Conference Operator:

Yeah.

Jeff LeBlanc | Analyst, TPH:

I just had a quick one. With respect to the enhanced scope, how should we think about the lead times of the equipment embedded in your active pipeline?

Kyle Ramachandran | President:

They're inside of the dates of the turbines, generally speaking, at the voltages that we're operating at. So the turbines and, quite frankly, the SCRs continue to be the long lead item in the scope. But as we're developing these projects with customers, we are sequencing the timing of placing purchase orders for all the long leads to ensure that we can meet the energization schedule that our customers have. But in general, the balance of plan where we are is still inside of where the turbines and SCRs are.

Jeff LeBlanc | Analyst, TPH:

Okay. Thank you for the call. I'll hand the call back to the operator.

Operator | Conference Operator:

Sure. The next question comes from Scott Gruber with Citigroup. Please go ahead.

Scott Gruber | Analyst, Citigroup:

Yes, good morning. So last call, you discussed about a 20% to 50% uplift on the invested capital on these integrated projects. I want to double-check that the baseline for that uplift is against the $1.1 million per megawatt that's kind of been the blended average. And more importantly, how do we think about the return profile on the turnkey projects with greater scope? Just some color on how the payback evolves, if at all, with greater scope would be great.

Kyle Ramachandran | President:

Well, I think, broadly speaking, Scott, the price of power is going up. OEM prices are going up. There's a recent big project announced by the White House in Ohio, and that's penciling out at roughly $3,500 per kilowatt as far as upfront capital. So our installed base, and even on an incremental basis, is very attractive relative to what the larger scale, longer timeline kind of opportunities are. So From a return standpoint, we still look at north of 20% unlevered returns as sort of our target. And I think with respect to the incremental megawatt going on the grid, we are still very attracted to the customers. So I think there will be puts and takes with respect to our incremental capital costs as OEM prices continue to go up, but there's a recognition within the customer base that that is just the cost of doing business at this point.

Scott Gruber | Analyst, Citigroup:

Yep, yep. I appreciate that. And then, you know, as you push forward with these integrated solutions and you're now building diversity into your data center book of business, which is great to see, how do you think about the smaller oil and gas deals or any, you know, type of smaller deals in other verticals? You get... you know, end market diversity, you know, with those contracts, but you're locking in capacity. On shorter-term contracts, you know, with fewer calories attached, do you start to tilt away from those smaller kind of non-integrated projects, or do you still like that diversity in the book?

Bill Zartler | Chairman and Co-CEO:

And we like, we love all of our children, Scott. No, I think the shorter-term contracts are going to be priced that way as well. So, I think that the portfolio will have a mixture of some shorter-term, longer-term, you know, and a little bit of open capacity for spot work here and there from emergencies and other places where you are going to get tremendous returns on capital. And so I think our business is going to be, you know, heavily weighted towards, from a magnitude perspective, long-term contracts with data centers or large industrial loads. And there'll be a small portion of that that's a little bit more spot and short-term that should see more attractive returns.

Operator | Conference Operator:

The next question comes from Jeff Bellman with Daniel Energy Partners. Please go ahead.

Jeff Bellman | Analyst, Daniel Energy Partners:

Hi. Good morning, everybody. You laid out how you're broadening into a much more integrated power platform. But I'm curious, as customers move towards these gigawatt and larger campuses, what's the hardest part of scaling your model? And I'm not asking for any specifics, but how do you decide what to build organically inside Solaris or outsource or partner with other providers? Thanks.

Bill Zartler | Chairman and Co-CEO:

Well, one of the reasons we bought the distribution business was to have that in-house. And clearly we're not an OEM on transformers and switchgear and the things. So we are doing some of our own assembly work and e-house building and some construction things. And so I think it is a, a situation dependent on where we need to accelerate. I mean, we made an investment in a SCR manufacturing business earlier this year and see that as very strategic and building our relationship on that side as those are a bottleneck as well as the catalyst associated with the SCR. So I think we look at the set of equipment out there, recognize where we've got strengths and advantages, recognize where we don't, and use partner up in areas where they'll really be helpful to us and we'll be helpful to them in putting in all the work. So I think there's not really one-size-fits-all here. And obviously the bigger they are, the larger the footprint, the larger the people needs to do all the installation work and how we partner with various engineering firms and various other subcontractors to make it all work is really part of what we're doing on a regular basis.

Kyle Ramachandran | President:

I think the overall sort of incremental generation source is evolving as well. And if we look at where we started, we were deploying 20 to 35 and a half megawatt units on a site. And now the incremental unit is roughly 16 and a half megawatts. And as the data centers themselves get larger, we can look at the shaping of the fleet as potentially evolving to include some larger units. We've got the 38 megawatt units going out to a data center in 2026. And so that shaping, I think, will also continue to evolve.

Jeff Bellman | Analyst, Daniel Energy Partners:

Okay. Okay. Thank you very much.

Operator | Conference Operator:

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

Don Crist | Analyst, Johnson Rice:

Morning, guys. Thanks for letting me in. Just one question for me on the JV. As it bills out and starts generating more revenue, what is the source or what is the use of that capital that's going to come back to the JV? Is it to pay down debt or will you use that for, you know, cash flow to support the rest of the business? Just where is that cash flow going to go initially at least?

Kyle Ramachandran | President:

Yeah, Don, there's debt servicing requirements down at the JV, interest and amortization. But beyond that, both ourselves and our partner in the JV, the reason that structure was put in place was to create the ability to distribute cash out of it. And so once the requirements on the debt facility with respect to interest and amortization are satisfied, all the cash is available to be distributed up to both Solaris and our partner. And so that will be available cash to continue to grow the business as all other sources of cash for us.

Don Crist | Analyst, Johnson Rice:

Okay, so that can offset some of the CapEx requirements you may have in other places.

Derek Whitfield | Analyst, Texas Capital:

Yes.

Don Crist | Analyst, Johnson Rice:

All right, I appreciate it. Thanks. Good job. Thanks, Tom.

Operator | Conference Operator:

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

Bill Zartler | Chairman and Co-CEO:

Thank you all for joining us today. Our first quarter demonstrated once again that our strategy is working. Our team is executing, and the company is growing quickly. We're building the company we described, a vertically integrated, behind-the-meter power business from molecule to electron, serving the data center and industrial market at scale. It's rewarding to see the milestones we're exceeding and progress we're making. A sincere thank you to all our employees, customers, and partners. Your dedication and trust are the foundation of everything we're building. We look forward to sharing our continued progress over the next quarter. Thanks again, and have a great day.

Operator | Conference Operator:

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