NYSE:SEI Q3 2026 Earnings Call Transcript

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Operator | Conference Call Operator:

Good morning and welcome to the Solaris 3rd Quarter 2026 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key and 0 on your telephone keypad. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then 1 on your telephone keypad. To withdraw a question, please press star, then 2. 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 of Finance and Investor Relations:

Thank you, Operator. Good morning and welcome to the Solaris Third 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 and 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 and 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 Thank you, Yvonne, and thank you everyone for joining us this morning.

Bill Zartler | Chairman and Co-CEO:

Solaris' transformation into a comprehensive power infrastructure solutions provider is driving record results in the near term and positioning Solaris for significant long-term value creation. We are creating value for all stakeholders. The behind-the-meter power solutions we provide benefits our customers, the communities in which they operate, and state and national interests. By serving large new loads without any demand to the grid, we keep electricity rates lower for households and businesses. and support the reliability for the broader grid. For our shareholders, that value is already showing up in our results. Our quarterly adjusted EBITDA has more than doubled over the last year and we expect 2027 to be more than double 2026 with further growth beyond that. We're executing strategically, commercially, operationally and financially. That performance is reflected in our results and our outlook. Last week, we signed our largest and longest power contract to date. A 15-year, 900-megawatt contract with a leading industrial and technology investment-grade customer, which we will discuss later in the call. Our near-term execution is driving this quarter's results, and we are again raising both near-term and longer-term guidance. Our significant progress across multiple aspects of our business, combined with our track record of operational reliability, continues to support our ability to provide value to our customers. Our power services capabilities now span site preparation, Power Engineering, Installation and Commissioning, and Operation and Maintenance. This allows our diverse set of customers to contract for any combination of the services we deliver, from full turnkey solutions to select services. Our customers also have large geographic footprints, giving them the flexibility to develop projects and move equipment to the most favorable locations, and our power solutions can be deployed wherever they need them. Having these capabilities in-house also helps us navigate potential industry bottlenecks and streamline project execution to meet our customers' time to power goals, while also improving quality of service and driving efficiencies. For example, through the acquisition of GISA and targeted recruiting, we've added talent with decades of experience in sourcing, installation, and operations and maintenance of various

types of power generation assets. This helps us confidently manage and optimize the entire power stack, which can include multiple forms of generation to drive the best outcomes for our customers. Speed to power and high reliability remain key drivers of the development of our bespoke power grids. As the market matures and grows, we believe the power market evolution will focus on continued operational efficiencies for these grids. Solaris will drive the application of technologies and equipment that will further improve efficiency and utilization which positions our assets and services for the long term. Solaris has successfully delivered power for superintelligence loads for over two years for our power customers. Our bespoke grid solutions are designed to work as standalone solutions or as complements to the larger power grid and can be engineered for our customers' specific needs. We have supported and can continue to support a wide range of load profiles, including today's challenging superintelligence loads. We've integrated our power assets to complement the larger power grid and believe we will be positioned to provide future grid resiliency and overall efficiency benefits. Our services businesses also extend our reach beyond our own generation capacity. We now offer a wide range of services and product offerings to third parties. Today, in addition to the 1 gigawatt of owned capacity we currently operate, we operate an additional 3 gigawatts of third-party owned power globally. The customers for our services equipment also extend far beyond technology companies to now include a broad range of utility, IPP, OEM, government, and industrial customers supporting additional long-term growth. This model has global reach and allows us to broaden our customer mix and access geographically diverse end markets. Our expanded capabilities have supported another step change for Solaris to generate attractive returns. We continue to see robust power demand and opportunities to deploy generation and balance plant solutions, and our growing services business adds a capital light opportunity to participate in global power generation growth. As we look forward at opportunities to continue to expand our capabilities, We are encouraged by potential organic and inorganic possibilities. With that, I'll turn it over to Amanda to discuss our commercial progress.

Amanda Brock | Co-CEO and Director:

Thank you, Bill, and good morning, everyone. We are pleased to highlight that last week we entered into a new agreement with one of our existing customers, a leading investment-grade diversified industrial and technology company, to provide them approximately 900 megawatts of power generation associated with balance of plant equipment and operations and maintenance services. Our balance of plant scope includes emissions control and distribution equipment. The agreement has an initial 15-year term with an option to extend for an additional 15 years, making it the longest tenor contract we have signed to date. Equipment under this contract is not site-specific and can be deployed to various geographic locations. This follow-on agreement reflects the strength of our contracting strategy. High-quality counterparties, Longitena, numerous locations, and broad scope. We have a strong customer record of performance and continue to earn our customers' trust by providing the reliable power services they need and value. During the quarter, we also signed multiple new services contracts with new and existing customers, including a seven-year operations and maintenance agreement and several site preparation and Turban Refurbishment Agreements through our new teams acquired with Omega and GISA. Demand for reliable power remains high with generation and balance of plant equipment continuing to be in short supply. Speed to compute continues to be an economic imperative for our customers with a significant emphasis on prioritizing near return generation capacity. The quantum of compute the industry is looking for over time continue to outpace the availability of traditional infrastructure. Interconnection delays continue, rate payer protection initiatives have gained momentum, and the regulatory and political environment for data centers accessing grid power is challenging. All of these factors are tailwinds for the growth of flexible behind-the-meter bespoke grid power solutions like those we offer. Solaris has a number of advantages we want to highlight. We have high quality customers. All of our long-term customers have investment grade credit ratings and broad geographic footprints, giving them the flexibility to direct equipment and project development toward the most favorable locations. Our customer base is also increasingly diverse. As we look forward to when our currently contracted equipment and projects are fully operational, We estimate no one customer makes up more than 35% of our adjusted EBITDA expectations. This combination of customer quality and diversity strengthens the durability of our

cash flows. Our most recent contract of 15 years now brings our weighted average contract tenure to approximately 11 years. The longer tenure and the quality of the counterparties provides assurance and visibility and many more. Our contractual scope also continues to grow. The bespoke nature of our grids and our ability to provide power to various locations for the long term puts us in the position to deliver power generation, balance of plant, energy storage, fuel and fuel infrastructure and operations and maintenance. And each added service increases our investment and return opportunity. As our customers' needs grow and the planning horizon extends, there will be an added focus on efficiency, interconnectivity, and potentially other sources of generation capacity, and we will have the ability to evolve our current and future grids to fit their needs. This is an exciting time for Solaris as we grow and transform our energy infrastructure business and continue to prove our capabilities as a leader in delivering power solutions. Importantly, we remain in active discussions with our existing and new customers to continue to expand our services, operations, and turnkey power solutions businesses. With that, I'll turn it over to Kyle.

Kyle Ramachandran | President:

Thank you and good morning everyone. Our Power Solutions operations and project development teams delivered a strong quarter. We increased deployment of our own power, and we integrated two acquisitions that expand our capabilities and earnings. Towards the end of the quarter, we energized an initial portion of two of our long-term projects. Both will contribute meaningfully to our growth over the coming quarters. At a third project, site construction remains on track, and we continue to expect to begin earning revenue on this project in the first quarter of 2027. Our recently signed 15-year contract is expected to begin energizing in the first half of 2027 and ramp through mid-2028. Across these 3-plus gigawatts of currently underway projects, we expect to generate high-teens project-level returns on capital. Executing at this pace requires solving the bottlenecks facing our industry, and the services capabilities Bill described is central to how we do that. One of the bottlenecks impacting our industry has been the availability of power generation capacity. Over the last 12 months, we have acquired an incremental 1 gigawatt of generation capacity with attractive delivery timelines, enabled by a combination of our deep industry relationships and global reach. This includes another 200 megawatts we have procured since our last update, which we were able to allocate under the new contract we announced last week and will start generating revenue in 2027. We currently have approximately 300 megawatts of unallocated capacity that is expected to be delivered and working under additional long-term contracts in 2029, and we have line of sight to potential further capacity additions. Human capital is another key limited resource. The acquisitions of Omega and GISA have helped us address this challenge. As we incorporated skill sets from our acquisitions and organically continued hiring and training to support our rapid growth, Our headcount reached nearly 3,000 exiting the quarter. We are proactively working with trade schools, universities, and trade organizations to ensure we are continually investing in growing talent. Over time, we expect maintenance to become a potential bottleneck as well, as global power generation capacity expands. Through the acquisition of GISA, we are both de-risking and we are preparing Solaris for third-party opportunities to earn revenue as the global generation installed base grows. Our services acquisitions are performing better than anticipated and we continue to see opportunities for additional value-add M&A. Our pipeline consists of opportunities that would help us further address the bottlenecks we have discussed or enable us to enhance efficiencies for our customers. Outside of power solutions, our logistics solutions segment also continued to perform extremely well in the third quarter and we expect a small increase in the fourth quarter with momentum continuing in early 2027. The business continues to generate reliable cash flow, and that cash flow helps fund growth in our power business. As we look forward to a strong finish to the year, we are proud of our team and the pace of our progress. We are executing on four major power contracts with investment-grade customers. We closed two acquisitions that expand our capabilities and continue to build a pipeline of value-add M&A. Meanwhile, our logistics business continues to generate reliable cash flow that helps fund this growth. We are well positioned to build on this momentum. With that, I'll turn the call over to Steve.

Steve Thompson | Chief Financial Officer:

Thank you and good morning, everyone. Our third quarter delivered record revenue of $341 million, up 55% sequentially from the second quarter. Record adjusted EBITDA of $136 million was up 26% sequentially, reflecting strong execution, commercial success across all business lines. Adjusted EBITDA attributable to Solaris, excluding the EBITDA impact attributable to the non-controlling interest in our state-line joint venture, was $138 million. Net income was $35 million, and adjusted pro forma net income, excluding the impact of the non-owned portion of the state-line JV, was $43 million, or 45 cents per fully diluted share. In power solutions, we averaged 820 megawatts of capacity earning revenue during the quarter. While our own capacity was up 20% sequentially, the total was down 14% from the second quarter due to the planned release of temporary third-party generation. Power Solutions segment revenue of $284 million was up 79% sequentially, and segment adjusted EBITDA of $127 million increased 32%, driven by an increase in owned capacity and increased service revenue organically and through acquisitions. In logistics, we averaged 104 fully utilized systems. Segment revenue of $57 million was down primarily due to lower last mile transportation activity. Segment adjusted EBITDA of $24 million was in line with expectations in the prior quarter. Looking ahead, we are again raising our outlook, increasing fourth quarter 2026 adjusted EBITDA guidance to a range of $165 to $185 million up from the prior range of $145 to $180 million. We are also increasing our first quarter 2027 adjusted EBITDA guidance to a range of $220 to $260 million up from $200 to $240 million reflecting our visibility into our earnings trajectory. Our long-term visibility has also improved. Contracted backlog now stands at over $16 billion of revenue with a weighted average term of 11 years. that is underpinned by 3.2 gigawatts of long-term power contracts. Together with the 300 megawatts of additional capacity, this gives us strong long-term earnings visibility of over $1.6 billion of annual run rate adjusted EBITDA once all equipment is deployed under contract. Our expectations of future earnings continue to grow as our contracts expand. We will continue to find additional opportunities. Turning to CapEx, investments during the quarter totaled approximately $547 million, which was below our guidance due to timing of payments, which are now expected in the fourth quarter. Overall project costs remain in line with prior guidance, but total expected capital through 2029 has increased approximately $600 million to reflect the purchase of the additional 200 megawatts recently added, as well as balance of plant required to support recent contracts. To fund our ongoing growth, we added nearly $1.5 billion of additional liquidity to the balance sheet in October through a $1.25 billion senior unsecured notes offering and $200 million of additional bank commitments, which brought total revolver capacity to $850 million. The upsized revolver is currently undrawn. With this incremental capital, we are fully funded to deliver our contracted projects as well as the recently added capacity additions while retaining flexibility to grow opportunistically. We continue to pair growth with capital returns. Our board approved a fourth quarter dividend of $0.12 per share. Once paid, it will represent our 33rd consecutive quarterly dividend. Now, before wrapping up, I'd like to share a leadership update. Our Chief Accounting Officer, Chris Wertz, will soon transition to a new role as Vice President, Special Projects. In this new role, Solaris will continue to benefit from Chris's knowledge and experience while allowing him greater personal flexibility. On behalf of everyone at Solaris, I want to thank Chris for all he has done. We are pleased that he will continue to be a valuable member of our accounting team. Joining us later this month as the new Chief Accounting Officer will be Jake Gobar, who brings more than 20 years of accounting and business expertise to the team. We look forward to welcoming Jake. Looking ahead, our focus is on contract execution, continued growth of the business, and maximizing returns on capital. Over the coming quarters, our long-term projects will continue to ramp and our services business will continue to grow. This underpins our raised guidance and our path to approximately $1.6 billion of run rate adjusted EBITDA. And with that, we'd be happy to take your questions.

Operator | Conference Call 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. To withdraw your question, please press star then 2. Please limit your questions to one question and one follow-up. At this time, we will pause momentarily to assemble our roster. The first question comes from

David Ararco with Morgan Stanley.

Alex | Analyst, Morgan Stanley:

Hey, good morning. This is Alex here with Manon for Dave. Thanks for taking my question. Starting with contract D announced last week, could you share more details on what the competitive process looked like? Were there several customers competing for that capacity? And if yes, what made you choose that proposal over the other ones?

Amanda Brock | Co-CEO and Director:

with uptime and reliability. So this was more a factor of...

Operator | Conference Call Operator:

I'm sorry to interrupt. We could not hear you. Could you please go ahead? Come again.

Amanda Brock | Co-CEO and Director:

Can I try again? We're having maybe a problem with microphone. Can you hear me now?

Operator | Conference Call Operator:

Yes, yes. Thank you.

Amanda Brock | Co-CEO and Director:

Okay. Alex, I sounded very eloquent, so I'll try again. This was not really a competitive process. We... We're contracting with a customer that we have worked with before who know our capabilities and how we have performed. So this is just really, we decided that this was the best opportunity for us, geographically diverse, the use of the equipment, the returns. So that is how we approach this project.

Kyle Ramachandran | President:

But with respect to the market, there's certainly lots of competitions with respect to the actual capacity. and so as we alluded to in the prepared remarks, in the quarter we were able to go out and opportunistically pick up some more capacity. We're evaluating additional opportunities as well. But I think the amount of demand growth with respect to the actual application and the end use that our customers are seeing is growing at a tremendous rate. And infrastructure continues to be behind from a development standpoint. So we've got obviously an incredible track record operating multiple large scale Power clusters for large-scale compute. And so that's recognized by multiple of the large consumers of this compute. So that backdrop is leading to lots of customers being interested in our capacity. So yes, it was competitive from that perspective, and we are continuing to work with those same customers and looking for creative ways to solve their power problems and challenges as well.

Alex | Analyst, Morgan Stanley:

Got it. Understood. And then moving to balance sheets, you guys raised $1.25 billion last month. Part of that you fund the M&As, the capacity increase announced yesterday, and also the BOP CapEx for Contract D. But after you account for those uses, how much more dry powder would you say you still have available to fund further capacity expansions?

Steve Thompson | Chief Financial Officer:

Yeah, so as we... As we look at the balance sheet going forward, as we said in the prepared remarks, we are fully funded for everything that we've announced. And with that, you're going to continue to see a strengthening credit profile as well. So the balance sheet's in great shape. The revolving credit facility that we increased, we expect that to be largely undrawn. So that's going to be a significant source of liquidity for anything opportunistic. Then as you've seen the company over the last several years, we've accessed capital markets in a variety of ways. So I think depending on the opportunity that presents itself, we think that we've got fairly good access to a number of markets, a number of ways to structure future transactions either on balance sheet with partners or through joint ventures. And again, look at what we've done in the past.

Alex | Analyst, Morgan Stanley:

Got it. Very clear. Thank you so much.

Operator | Conference Call Operator:

The next question comes from David Anderson with Barclays.

David Anderson | Analyst, Barclays:

Good morning, Bill and Amanda. So yesterday, obviously, some pretty seismic political shifts yesterday, particularly down in Texas. Market didn't seem to discern one company from another, obviously very concerned about permitting and things being delayed. Can you talk specifically to Solaris and kind of your contracts and what you have in hand and The risk or lack of risk about things moving to the right. I think there's a lot of question about what's permitted, what's not, how that impacts you, your take or pay structure. Just tell, Solaris kind of got hit yesterday on a lot of questions about why. It didn't seem to make a lot of sense. Can you please address the contract situation as it relates to that?

Bill Zartler | Chairman and Co-CEO:

Yeah, thanks. That's a very topical question and we As we talked about in our prepared remarks, we really have been hitting on all cylinders with respect to the business, except maybe educating certain shareholders on what our business is and what it isn't. And so I think the key fundamental nature of our contractual setup allows us to move power from location to location. And so our exposure is our customers' exposure about where they want the power. The manufacturing of chips and the need for the customer demand right now for AI is is not slowing down and they will need to be powered or things are going to go black. And so I think as we look at the flexibility that we have built in for our customers in our contracts allows them to move power around, it allows us to build it. Each one of our large customers has obviously giant balance sheets and operate multiple sets of assets providing data center around the country. And as of right now, we have very little power working in Texas and have planned small but most of our power is outside of Texas. I think the anticipation was some of it might have gone to Texas over a period of time and it still might go to Texas as

this all unfolds. I think the nature of the political rebuke of data centers and how that's gotten washed in the rug is trying to do the right thing for the communities and do the right thing for the public and the demand for AI is not going away. The location and choice of location will be where it makes sense to put these kind of complexes. And I think there's been a broad brush look at what it is and not really digging into the details. Our business is contractual. It's very solid. As we look at maybe page five of the investor deck, the range of movement is that very last bar on the right, which is on top of everything else, is either going to be and many more. Thank you for joining us.

Kyle Ramachandran | President:

and many more. There's tremendous positive pieces to this infrastructure build out that has been under emphasized. And we think we're part of that education and that solution. And so we'll continue to support that narrative going forward from here. And then finally, when we look at our infrastructure, it will ultimately represent an option to add megawatts onto the grid, which will be very supportive to ultimately lowering power prices as more supply is made available.

David Anderson | Analyst, Barclays:

Thanks a lot, Kyle. My follow-up question is on the services component of your business. It just continues to surprise. This quarter, once again, had a big step up. As we go forward, and obviously that was also part of your hire guide for early next year, can you talk about two components of that service I'm curious about? A, how much of that business is third-party related? Was that the reason for the step up this past quarter? How much of that will be third-party going forward? And secondarily, what's the recurring nature of this business? Like how much of that is sort of, say, connected to the megawatts that you're powering? I'm just curious about those two components as service becomes a bigger and bigger part of the mix the next few years.

Bill Zartler | Chairman and Co-CEO:

Yeah, I'll let them address the exact percentages of what's internal versus external. But in general, the construction side of this is going to be a little lumpy. And we know that. And it's why we value that business the way we did. some of it's internal, which we don't see in earnings. It actually gets collapsed and capitalized into some of our projects. So there's a little bit of that. That will move around a bit. And our expectations for that business going forward are maybe there's a little bit of a bulge in the system as our capital comes up. But we believe that the maintenance side and the turbine equipment side, that has a long tailwind in it. And I think when we look at The amount of equipment that's been ordered and the nature of the businesses that have ordered it, they're not geared up at this point to take care of all of this stuff. And so all of this rotating equipment and all the generation capacity that's out there is going to need care and maintenance over a period of time. And that's a significant dollar amount for the long-term servicing and maintaining of that. And so we see that as a pretty long tailwind. And frankly, because so much equipment has been put to work over the last year or two, We're going to see that really accelerate three to five years from now when that stuff comes due for some of its major overhauls. I don't know if you have the exact percentages or what's internal or external.

Operator | Conference Call Operator:

The next question comes from Michael Sullivan at Wolf Research.

Michael Sullivan | Analyst, Wolfe Research:

Hey, good morning. Good morning. Just one question. Hey, wanted to ask on how you think about the value of the 300 megawatts of open capacity in 2029. Just given the timeline there, I think you're embedding like similar economics to what you've already locked in. But just as we think about that being further out in time, is the value the same? And should we think about like any incremental capacity we're kind of looking at 2029 at this point?

Bill Zartler | Chairman and Co-CEO:

Great question. I think we are looking at incremental capacity, hopefully ahead of 29. I think the fundamental nature of buying power and going to try to sell that power in a package as a power plant to customers is sort of evolving away from that. Our customers are looking forward now. So if you look at how rapidly the AI demand is ramped and the expectation on our customers about what they're going to need and how long They're able to look ahead and plan a little bit better than they were about a year ago. And so we're in the conversations with them about how to do an orderly rollout of additional capacity for them over the next three to five years or two to five years. And so the maturing of the business, if you will, has allowed us to be their trusted partner in planning ahead and thinking about and organizing a new OEM capacity or organizing some use. But the scramble, if you will, for growth cobbling together power plants to make it work over the last year or so. It looks a lot different as we go forward. And so I think that what you'll see in the future is a bit of a partnership with our customers about providing them the infrastructure and the power infrastructure needed to go forward. And so I think those economics for both of us stabilize in there. And capital costs, we'll see how inflation gets managed, but the capital costs of the equipment should start to stabilize in these prices, I think, for the new New Generation Capacity.

Bobby Brooks | Analyst, Northland Capital Markets:

Super helpful.

Michael Sullivan | Analyst, Wolfe Research:

Thanks. And then, you know, just on the new contract, 15-year tenor kind of setting a new level, should we think, I guess, what unlocked being able to push that out? And should we think about that as the new baseline for future contracts, 15 years or more? Or could we see still some shorter contracts?

Bill Zartler | Chairman and Co-CEO:

I think there'll be a mix. I think it goes back to the maturing of this industry. If you kind of flow back a couple of years, no one really knew what was going to happen, how the power was going to get there, how big the demand was going to look like. And all of that has come out to be that the acceptance of needing a behind-the-meter bespoke power grid for your own use has become very accepted and, frankly, the norm, both from the pushbacks that Amanda mentioned around connecting the grid and protecting rate payers on top of the reliability. and control of that infrastructure in-house in partnership with our customers. So I think the evolution of that says that this is here to stay. This is not a, you know, put some temporary power out there and we're going to replace it simply in the future. It may reverse that this power stays there a long time and actually become, as Kyle mentioned, a little bit of grid support into the communities. You know, things are being overbuilt today. and anticipation of catching up. And as we look at the capacity, as we look at becoming more efficient, so I alluded to in my part about how in order for these to stay, we're putting together simple cycle power plants today. I think it can evolve and it will evolve to more efficient power plants that actually are highly competitive with the grid and become a support for that in a way that's very positive for the total power

situation in the country.

Michael Sullivan | Analyst, Wolfe Research:

Very helpful, thanks Bill.

Operator | Conference Call Operator:

The next question comes from the line of Derek Whitfield with Texas Capital.

Derrick Whitfield | Analyst, Texas Capital:

Good morning and congrats on your tremendous success over the last quarter. For my first question, I wanted to focus on your ability to acquire additional PowerGen assets as it's clear you have the ability to grow your contracted capacity. How would you characterize your appetite to grow capacity and the market opportunity you're seeing to acquire capacity at attractive prices as a result of the moratoriums and delays we're seeing?

Amanda Brock | Co-CEO and Director:

Thanks. I mean, we clearly are watching the market all the time, and we have shown that we have the capability to identify good equipment out there that we have acquired. As Kyle said, we added one gigawatt this year at very attractive prices. So I think as we look out and as Bill indicated, we are working with our customers more on a programmatic approach to acquiring generation. We have the balance sheet to support that. So we will continue to be very active in looking for equipment and also looking at where we would apply that equipment with our customers.

Kyle Ramachandran | President:

I think you have to the point on, you know, specific geographies. There likely is equipment allocated to very specific projects that potentially run into challenges. And I think where we sit is a very nimble, flexible buyer of that equipment that can go wherever the chips end up going. And I think that's been very distinct and different in our business model than some of the other folks that are talking about powering AI. Many are doing it through infrastructure that is not mobile. locations that exist today and they're adding on to them. And I think where we've been very dynamic and nimble is building out a fleet and capacity with a set of assets that are able to be in multiple places. We've obviously vertically integrated in a way where the EPC side of that story, as well as the installation and commissioning, is something that's in-house at a significant scale. So I think that really distinguishes us as well.

Derrick Whitfield | Analyst, Texas Capital:

Thanks, Claire. And Kyle, this is perhaps for you, but with respect to the service businesses, could you elaborate on the organic and inorganic opportunities you're seeing for growth as a result of your involvement in those businesses? I think you made some comments in your prepared remarks on that point. I'd love to hear more about it.

Kyle Ramachandran | President:

Yeah, obviously, from an, well, I guess an internal perspective, we view this as de-risking of the execution. and with respect to just capacity and capabilities, the market is very short, knowledgeable, capable people with real experience. So that positions us very well from a third-party perspective. From additionality with respect to M&A, we've now got a real track record of integrating multiple acquisitions over the last couple of years with entrepreneur-backed companies that have come in and post-closing, they get to be a part of a bigger organization with more capital to help them scale and grow their businesses. So I think that will be a strategic angle that we continue to look at and are evaluating opportunities every day in that area.

Derrick Whitfield | Analyst, Texas Capital:

Thanks. Great update.

Operator | Conference Call Operator:

The next question comes from Bobby Brooks with Northland Capital Markets.

Bobby Brooks | Analyst, Northland Capital Markets:

Hey, good morning, team. Thank you for taking my question. It's really exciting to hear the 200 megawatts of near-term generation equipment secured and I can appreciate you likely want to keep the how that occurred close to the chest. But what I did want to ask on with one, is this new equipment or used equipment? And then second, was the GISA team a big piece in either sourcing this or gaining a level of comfortability to execute on it?

Amanda Brock | Co-CEO and Director:

The GISA team always is very helpful in helping us identify what equipment is good. In terms of the equipment we purchased, some of this was new equipment and some of this was refurbished equipment.

Bobby Brooks | Analyst, Northland Capital Markets:

Got it. And then in prior calls, there was like an emphasis of, you know, looking at different types of gensets or different type of fuel sources, maybe pairing stuff with batteries. Just wanted to maybe hear an update there. I'm sure it's still on the docket or still evaluating it or Is that going to be more led by what the customer wants? Just curious to hear an update there.

Bill Zartler | Chairman and Co-CEO:

From a generation stack, and I think we did mention it, we just didn't get specific or name reciprocating engines or nuclear power or wind power, but we believe that various forms of generation are going to fit for the customer and fit for their specific location. There's areas where altitude and weather make a different kind of engine preferred over the other. We continue to engineer, design, and evaluate the right setup for the customer at all times.

Bobby Brooks | Analyst, Northland Capital Markets:

Appreciate the caller.

Operator | Conference Call Operator:

The next question comes from Stephen Gangaro with Stifle.

Stephen Gengaro | Analyst, Stifel:

Thanks. Good morning, everybody. Two questions for me. The first, when you look at the four major contracts that you have in place right now Can you just give us some color, and it's primarily because we've been getting this question the last day and a half, but what's the contractual terms on duration, and are there any out clauses, and can you give us any color just to give people some comfort?

Amanda Brock | Co-CEO and Director:

Certainly. So the four contracts that we have in place all have tenor. The last, obviously, on contractual terms, 15 years. The average weighted tenor of these contracts right now is 11 years. And in terms of outs, I think people have been very specifically trying to say, do these customers have the right to terminate the contract? And we do have termination for convenience provisions in our contracts. These are very favorable to us. Basically, 50% of the undiscounted future revenue They do not get to keep the equipment. So we find ourselves, if the unlikely event that occurred, that we would own the equipment, it would be paid for, and there'd be some limited return.

Kyle Ramachandran | President:

I think, you know, Steven, even, yeah, I mean, just to the point, I mean, even we look at, you know, the three and a half gigawatts capacity, it's still a tiny fraction of the generation stack. So I think, you know, our customers view this as critical infrastructure. And so does it mean, You know, and it changed, you know, in terms of the near term, in terms of how megawatts get allocated broadly in their stack, maybe. But in terms of their need for generation, this is obviously critical. And with respect to the percentage of their total, it's pretty small.

Amanda Brock | Co-CEO and Director:

And I think the other thing to add to that, Kyle, it's a great point, is the fact that this generation, and we keep saying it, but maybe people are not hearing it, this generation, you know, is very flexible. As Bill said, it can be moved. And also, these contracts are not site-specific. Obviously, with the one contract, we now are at a particular site, but there's very flexible and, you know, diverse geographic locations where this equipment could go, which really is very favorable for the customer.

Stephen Gengaro | Analyst, Stifel:

Great. Thank you. And my follow-up, I think when you look at your kind of run rate EBITDA expectations and you You laid out in the presentation and on the call. Most of that, I think, is excluding a lot of these incremental opportunities from GISA and OMEGA, et cetera. Is that correct?

Bill Zartler | Chairman and Co-CEO:

That is correct. I think in our forward look, we have pared back, as I said earlier, a little bit of the lumpiness or the acceleration of some construction and some activity on GISA. and I think we have, in the long term, we have paired those numbers back to kind of steady state or below just to be, we're generally on the conservative side.

Stephen Gengaro | Analyst, Stifel:

Yes, great. Okay, thank you for the clarity.

Operator | Conference Call Operator:

The next question comes from the line of Derek Podizer with Piper Sandler.

Derek Podhaizer | Analyst, Piper Sandler:

Hey, good morning everyone. Bill, I just want to go back to some of your comments earlier in the Q&A. You talked about, you know, evolving to more efficient power plants These could be highly competitive and complementary with the grid. I guess maybe just kind of in the future as we think about the evolution of behind the meter, clearly more permanent than bridge. But then when we take a step further and these evolve over time, becoming competitive and complementary with the grid, maybe integrating with the grid and selling power back to the grid. Could you maybe talk to us about that and how you see this evolving and developing and maybe what technology in the future would be required for this evolution of the power plants that you're talking about?

Bill Zartler | Chairman and Co-CEO:

Well, I think the simple answer to evolution that's actually required is additional switchgear. So everything we do today is up to 34.5. And so getting back into the grid, we'll need to step that up with a transformer. And I think that grid interconnectivity is going to be an important element of how these bespoke grids connect into each other and how you access potentially low-cost power off the grid. If there's opportunities on a very windy and sunny day and there's wind and solar power that's available for lower incremental costs and running some generation. I think that can flow into the system and there's times when it's cloudy and there's no wind and it may make sense for this generation to go the other direction. So I think that the evolution of what this looks like as a power pod, a grid on the grid, if you will, that's a power pod that can go multi-directional with its power, I think is an evolution that We see coming and we see it cost competitive at times. I mean, the power prices are not the same all day long. Every day they move quite a bit. And so that volatility and pricing structure was what will provide the ability for these to be peakers, if you will, back into the grid. At the same time, it will have demand that will be peaking on the negative when prices are really low. So I think this becomes a stabilizing factor to how the overall grid works over the long haul.

Derek Podhaizer | Analyst, Piper Sandler:

Right. Now, that's helpful. And then maybe going back to the 400 megawatt power service agreement, obviously the power services side is a clear growth avenue for you all. Can you help us understand how you leverage some of your acquisitions, maybe specifically GISA, as far as being able to secure this service agreement? And clearly it's a new moat for you guys, so maybe just a little bit more color as what we can expect, maybe additional power service contracts as you move into the future here.

Kyle Ramachandran | President:

Yeah, I mean, the GISA team has a long track record of operating and providing O&M agreements to power generation all over the world. And so obviously highly synergistic with what we're doing. The complement of their just inherent knowledge of the power generation world and then our specific knowledge with respect to operating these bespoke grids for AI compute, they just really are complementary to each other. So we, as the historical Solaris, operate a 24-7, all about reliability and uptime kind of equipment. And so that all links up together quite well. And we find ourselves in the arena, as I like to say, and those being in the arena, those of us that are there, these opportunities are coming to us in many regards. And we continue to operate at a high degree of reliability with addressing issues as they come up and obtaining clear root cause analysis and demonstrating to the customers that we are aligned in terms of their objectives. And so those kind of synergies are certainly playing out as we establish ourselves here in this space.

Derek Podhaizer | Analyst, Piper Sandler:

Great. Appreciate the call, guys. I'll turn it back.

Operator | Conference Call Operator:

The next question comes from Scott Gruber with Citigroup.

Scott Gruber | Analyst, Citigroup:

Yes, good morning. Phil and Amanda, I want to follow up on Dave's earlier question, but more from a macro perspective. So if we do see a scenario where permit moratoria are extended across a number of states, and even after the moratoria, some states look to limit data center additions longer term, how rapidly do you think the industry can shift to more accommodated states? It does sound like backup plans have been formulated, but obviously these are large, complicated projects. I'm just curious to your perspective on how rapidly the industry can shift to more accommodative states if that is required at scale.

Bill Zartler | Chairman and Co-CEO:

Well, I think if you look at the speed at which things were done in 2024 by our customer, that's probably an example of how quickly things can get done, and that was done in a matter of months. So finding... a particular site that is favorable and building and putting the racks and power in and the appropriate permitting structure. We still have temporary permits in place that can happen and then you have a Title V air permit controlled by the federal EPA and I think that's still accepted and that's across the board for any power plant so those rules are the same and I think we meet all of the requirements to get Title V air permits and we've done it in the past. I think that the flexibility is I think there are those that act pretty quickly and those that don't know how to act pretty quickly. But we think that we have the customers that will respond if needed, have the demand for the ultimate AI need, and are going to make sure that they get their chips powered and will be part of that.

Kyle Ramachandran | President:

And I think, as we alluded to, the community benefits, there are places where this is happening. And what we are seeing is an expansion in those geographies. So if you had One geographic location where you're building and you are contemplating another project somewhere else, if that new location has challenges, your most attractive opportunity to redeploy those ships is probably where you're already operating. And so we've

been a part of that in our projects where people are seeing, hey, this is working here, let's just put more here and keep going.

Amanda Brock | Co-CEO and Director:

So there's an expansion of the existing sites, but we know that our customers have not been focused on just a few sites They have departments that are working on multiple locations, multiple sites throughout the country. So I think, you know, there have been a lot of contingency planning and I think this can happen very quickly.

Scott Gruber | Analyst, Citigroup:

It's all great color. And I want to come back to the third party service ramp. It's been super impressive. A previous presentation back in September showed that rough contribution from services and how it's growing in 4Q and even even more into 1Q. How should we think about the service EBITDA contribution going forward beyond 1Q? Obviously longer term it should rise. But do you think in 2027 the pace that you're on and what you're forecasting to achieve in 1Q, is that sustainable? Is that a sustainable run rate for 2027? Can you build upon that run rate beyond 1Q? Just curious about some color on this question. This run rate, it's been so impressive the last few quarters and obviously going to continue here for the next few quarters.

Kyle Ramachandran | President:

Yeah, I think the opportunity is that, yes, we've got the tracker, we have the capabilities, and so could it expand beyond where we are today? Certainly. I think where we sit from a sort of forecasting standpoint is we don't have the same degree of visibility that we have in our long-term contracts in the services side of things quite yet. We're working towards a paradigm whereby we'd be able to have greater visibility. But at this point, sort of the sort of look forward to Q1 is sort of as far as we would probably feel comfortable guiding to the specific results at that point in time. But I think as we look at The opportunity set, we're continuing to build momentum. We're adding resources to all of our services capabilities from a capital perspective, from a human capital perspective as well. And so I think that option exists and we will sort of spoon feed those updates as we move along. And as has been our nature from a guidance perspective, there's a level of conservatism that we don't wanna overreach and make commitments that we have to stretch to fulfill. So we're very focused on doing that, Scott, but I think the guidance around it will come over time.

Scott Gruber | Analyst, Citigroup:

I appreciate the comment, Kyle. I'll turn it back. Thank you.

Operator | Conference Call Operator:

The next question comes from Michael Dudas with Vertical Research Partners.

Michael Dudas | Analyst, Vertical Research Partners:

Good morning. Thanks for squeezing me in, team. Just quickly on Omega and just The EPC market, which, you know, to maybe assess, it continues to be tight and all. How do you, when you think about those contracts that they're working on and that roll off, are you set up to allocate those resources more internally because of the opportunities you're securing now or looking at a future or? Is there a balance of the

third-party market? Is the demand away from, say, the data center or power customers still reasonably good given all the investment that's been happening in the key states that they're located?

Kyle Ramachandran | President:

Yes, I think there's multiple opportunities internally with the existing customer base and then expanding customer base on that side of the equation. And then there's also the diversification of just pure capabilities. And so specific to the Omega business, there are There are significant scope of work happening today that are outside of the data center world. So those are capabilities that are around building infrastructure. And, you know, we as Solaris are big believers in the need to do more of it across the country. And so those skill sets are applicable beyond just the data center world.

Michael Dudas | Analyst, Vertical Research Partners:

And is that an area where you'd be looking for inorganic opportunities as well, you think?

Kyle Ramachandran | President:

I think we are opportunistic as always. And so, yes, we're looking across the board. I think from a balance of portfolio mix, I mean, I think we view ourselves as an energy infrastructure business. And I think we do want a balanced portfolio that does have some level of short-term opportunities that are tip of the spear, but then also balanced with obviously the long-term contracted pieces that we've built around the business.

Michael Dudas | Analyst, Vertical Research Partners:

Excellent. Thanks, Kyle.

Operator | Conference Call Operator:

Thank you. We have reached the end of question and answer session. I would like to turn the call back over to Mr. Bill for any final closing remarks.

Bill Zartler | Chairman and Co-CEO:

Thank you. Thank you all for joining us today. This course progress showed once again that our strategy is working, our team is executing, and the company is growing rapidly. Our customers keep choosing to grow with us. At the same time, we keep integrating more of the power value chain. A combination is producing durable results. We have over 3.5 gigawatts under long-term contracts and a clear path to significant free cash flow over the next decade. Solaris has never been in a better position. We have a growing contracted backlog and are built for the next decade of power demand. We remain extremely excited about what lies ahead despite getting our message out to the shareholder base. A sincere thank you to all of our employees, customers, and partners. Your dedication and trust are the foundation of everything we are building. We look forward to sharing our continued progress. Thanks again and have a great day. Thank you.

Operator | Conference Call Operator:

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