Solaris Energy Infrastructure, Inc. (NYSE: SEI)

Third Quarter 2025 Earnings Call Prepared Remarks

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Yvonne Fletcher, ***Senior Vice President of Finance and Investor Relations***

Thank you, operator. Good morning and welcome to the Solaris Third Quarter 2025 Earnings Conference Call. Joining us today are our Chairman and co-CEO Bill Zartler, our co-CEO and Director Amanda Brock, and our President and CFO Kyle Ramachandran.

Before we begin, I'd like to remind you of our standard cautionary remarks regarding the forward-looking nature of some of the statements that we will make today. Such forward-looking statements may include comments regarding future financial results and reflect a number of known and unknown risks. Please refer to our press release issued yesterday along with other recent public filings with the Securities and Exchange Commission that outline those risks. We also encourage you to refer to our Earnings Supplement slide deck which was published last night on the Investor Relations section of our website under "Events & Presentations."

I would like to point out that our earnings release and today's conference call will contain discussion of non-GAAP financial measures, which we believe can be useful in evaluating our performance. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP. Reconciliations to comparable GAAP measures are available in our earnings release, which is posted in the News section on our website. For more details on the Company's earnings guidance, please refer to the Earnings Supplement slide deck published on our website.

I'll now turn the call over to our Chairman and Co-CEO, Bill Zartler.

Bill Zartler, *Chairman and Co-CEO*

Thank you, Yvonne, and thank you, everyone, for joining us this morning.

Solaris had a great third quarter, achieving record levels of quarterly revenue and profit. Our strong results demonstrate that we are executing well, and are also showing significant progress on our growth.

Solaris is at the center of what appears to be a massive and growing market opportunity. Demand for reliable and efficient power generation is accelerating as data center investment and associated power demand continues to grow at a scale and pace that is providing significant, attractive growth opportunities for Solaris. Many data centers now require more than one gigawatt of electricity demand per site, which, in some cases, represents only the initial phase of what is likely to evolve into a multi-gigawatt facility. Many of the key artificial intelligence players are now planning numerous locations of this size with multi-year development plans.

Power is a key bottleneck for many of these projects. Grid delays, extending equipment lead times, regulatory mandates, and surging demand are leading data center developers and hyperscalers to select locations where they can quickly secure significant power for multiple years.

Over the course of the last eighteen months, Solaris has positioned itself to provide critical infrastructure and services to support this massive investment cycle. In that short time, Solaris has quickly become recognized as a leading power solutions company. This is attributable to our successful track record of delivering a scalable, reliable, and flexible power solutions offering.

In order to continue our growth trajectory, we must execute well in all aspects of the business. This includes growing a capable team while maintaining our culture, developing a strong balance sheet and creating power offerings that optimize capacity, timing, capital, and flexibility.

The optimal power solution for our customers will likely vary based on the application, scale, location, capital efficiency, and, importantly, the timing needs of each unique project. Solaris is in a position to provide our customers with the most appropriate solution or solutions for their range of needs at any particular site. We can provide multiple generation sources to our customers, as well as gas supply infrastructure, power distribution equipment, and resiliency equipment such as battery energy storage systems or "BESS." Our solutions can include a combination of natural gas turbines, natural gas reciprocating engines, grid power, BESS, fuel cells, and other renewable technologies. It's quickly becoming apparent that an all-of-the-above generation approach could be necessary to meet the rapidly growing power demand.

Since we updated you last in July, Solaris has achieved many strategic milestones that have positioned us for substantial growth.

First, we continued to demonstrate strong execution. We operated approximately 760 MW during the third quarter, up from approximately 150 MW only a year ago. Our growing proprietary operational know-how and strong track record of uptime position us as a reliable provider of power.

We began successfully providing primary power to a second data center during the third quarter, highlighting our ability to again rapidly deploy power solutions supported by effective collaboration between our employees, our supply chain partners, and our customers.

Second, we secured additional capacity to position our business to enable us to react swiftly and comprehensively to the numerous meaningful commercial opportunities we are pursuing. With the order of 80 MW announced a few weeks ago and an additional order of just over 400 MW, we now expect to have pro forma generation capacity of approximately 2,200 megawatts by early 2028, compared to our prior plan for 1,700 megawatts by the first half of 2027.

Third, we raised significant capital in the form of new convertible notes to pay off our existing term loan, providing us the financial and operational flexibility to continue our growth. Kyle will share more detail on this shortly.

Fourth, our commercial pipeline is deep and growing as we are currently evaluating a number of potential long-term opportunities. The combination of growing project size, tenor, timing and reliability, has resulted in an increasing interest in solutions like ours. Our recognized track record of execution, and investments we've made in capacity has positioned us at the forefront for many of these new opportunities, and we are confident that the additional capacity we have on order will convert into long-term contracts.

Fifth, we have expanded our capabilities and customer base through M&A. In the third quarter we acquired and welcomed HVMVLV, a provider of specialty voltage distribution and regulation equipment and engineering services. HVMVLV stands for "High voltage, medium voltage, low voltage." Bringing these capabilities in-house further strengthens our power solutions offering by giving us exposure to new, high-growth end markets. Importantly, these balance-of-plant solutions are essential across all electricity use cases, regardless of generation source.

Our acquisition strategy demonstrates how we are strategically both vertically integrating and expanding our technology offering, further enabling us to offer a truly power-agnostic approach to meeting our customers' power needs.

Finally, we have welcomed additional talent to complement our existing team and drive further commercial and operational success. We've added high impact team members to our engineering, operations, commercial and support functions. We've also enhanced our executive leadership team with the addition of Amanda Brock as my Co-CEO. Amanda has been a trusted partner of mine for the last decade and brings a proven, complementary skillset to the office of the CEO. She has an extensive background in building and managing infrastructure, including both water and power, and in leading teams to success. These capabilities come to us at a critical time as we rapidly scale our operations for the significant growth ahead. As I have been asked many times, I would like to make it clear that I have no current plans to retire. This Co-CEO appointment is about covering more ground and accelerating our growth.

Moving now to a discussion of our Logistics Solutions segment. I've often referred to our Logistics Solutions business as "the engine that could." While less than a third of our business today, we would not have the success we've had in Power Solutions without the stable cash flow provided by this business segment. This business is also a critical piece of the natural gas value chain required for the Power Solutions segment.

We also continue to earn the operational and financial returns on the investments we've made in our logistics systems, which continue to help drive efficiencies for our customers. For example, we have increased our deployment of multiple Solaris systems on customer locations, which enables more efficient throughput of raw materials and, in turn, helps our customers accelerate their development schedules. Year-to-date, we've deployed multiple Solaris systems on 90% of our customers' locations, which compares to approximately 60% a year ago and 40% the year before that. We believe that our technology portfolio positions Solaris as a partner-of-choice for operators and service companies pursuing the industry's leading-edge completions designs.

During the third quarter, lower 48 oil and gas industry activity contracted to what we believe reflects a near-term trough, as evidenced by early fourth quarter activity levels. We believe this segment will continue to generate significant free cash flow while providing a highly reliable and efficient system for our customers.

In summary, we are pleased with both the operational and commercial advancements achieved during the quarter. We are confident that the growing demand for our power services will continue, and we are demonstrating that confidence through our incremental generation orders as well as our continued inorganic investment. We're also taking deliberate steps to ensure that we have the right balance sheet and the right people in place to position Solaris for continued growth.

As has been emphasized by our country's leaders, winning the AI race is an imperative strategic objective for the U.S. Solaris can play an important role in advancing this objective by using its technology to efficiently generate and deliver large-scale, reliable, clean energy.

With that, I will turn the call over to Kyle.

Kyle Ramachandran, ***President and Chief Financial Officer***

Thanks, Bill, and good morning, everyone.

Solaris' third quarter demonstrated another quarter of significant growth and solid execution in our Power Solutions segment, as well as continued execution and strong free cash flow generation in our Logistics Solutions segment. This growth and execution were driven by the dedication and skills of our team, the continued support of our customers, and the dependability and flexibility of our suppliers.

During the third quarter, Power Solutions contributed more than 60% of our revenue and over three-quarters of our segment-level Adjusted EBITDA. These results are attributable not only to a robust industry backdrop, but also to the value of the Solaris offering and the team's execution.

As Bill highlighted, in addition to the previously announced 80 MW we recently ordered, we have also secured additional generation capacity for a total of approximately 500 MW. This brings our pro forma expected generation capacity to approximately 2.2 gigawatts by early 2028 which compares to our prior order book of approximately 1.7 gigawatts.

As previously announced concurrent with our recent convertible financing, we expect the first 80 MW of our new orders to be delivered by year-end. The remaining delivery schedule is concentrated around the second half of 2026 and the second half of 2027, with final deliveries of this most recent order occurring in early 2028.

Capital expenditures associated with the 500 MW total approximately $450 million, consisting mostly of turbines and associated emissions control equipment. Once equipment is contracted at a particular site, we expect to add additional project scope to accommodate the unique specifications of any given location and customer need. This increased content would be expected to generate returns on invested capital comparable to the economics of our current Power Solutions offering.

As a result of our recent financing and the ongoing cash flow generation ahead of these deliveries, we have sufficient cash to fund these incremental generation orders.

In early October, Solaris raised approximately $748 million in the form of senior convertible notes due 2031 with a 0.25% coupon. The proceeds from this offering were used to repay our existing term loan and will be used to fund the 500 MW order. This financing also unlocks significant flexibility for Solaris given the removal of restrictive covenants, as well as the meaningful incremental near-term cash flow it unlocks. Over the next four quarters, we now expect to save approximately $45 million in the form of interest and amortization savings as compared to our prior capital structure.

Turning now to a review of our third quarter results and our outlook for the next two quarters.

During the third quarter, Solaris generated revenue of $167 million and Adjusted EBITDA of $68 million on a consolidated basis. Our Adjusted EBITDA grew 12% from the prior quarter and increased more than three times as compared to the same quarter last year, driven by the acceleration of our Power Solutions segment. The primary driver of growth versus the prior quarter was continued activity growth in Power Solutions which more than offset a modest decline in Logistics Solutions activity.

We generated revenue from approximately 760 MW of capacity during the third quarter, which reflects an increase of more than 27% from the prior quarter. This increase in activity was driven by increased and accelerated demand from our customers which we are meeting using a combination of new turbine deliveries as well as selective, short-term sourcing of third-party power generation capacity.

Segment Adjusted EBITDA for the Power Solutions segment was $58 million, a 27% increase from the second quarter.

We expect Segment Adjusted EBITDA next quarter to be relatively flat as a full quarter's benefit from the ramp in operated MW and the HVMVLV acquisition is offset by a mix impact from lower spot utilization and commissioning work. While we expect the recent order of 80 MW to have a limited impact on fourth quarter results given expected timing of deliveries, we expect this incremental capacity to drive first quarter 2026 Segment Adjusted EBITDA for Power Solutions higher sequentially relative to the fourth quarter of this year.

In our Logistics Solutions segment, we averaged 84 fully utilized systems, a decline of 11% from the second quarter. We believe the third quarter represents a near term bottom in drilling and completion activity, and expect our Segment Adjusted EBITDA to improve slightly in the fourth quarter.

Netting these factors and considering corporate and other expenses, Total Adjusted EBITDA guidance for the fourth quarter is now $65-70 million, up from the prior guidance of $58-63 million and relatively flat from the third quarter. We are also introducing our first quarter 2026 Total Adjusted EBITDA guidance of $70-75 million.

Accounting for expected longer-term tenor on our fully-delivered 2,200 megawatt generation capacity and our recent acquisition, our new estimate of pro forma earnings of the company could be over $600 million before considering any additional scope or growth with our existing customers or new opportunities.

We are excited about the accelerating growth of the industry and about these significant strategic steps we've taken to maximize our opportunity to continue to grow. Our priority remains to deliver strong returns on invested capital as we continue to develop our Power Solutions business, while sustaining leading market share and strong cash flow generation from our Logistics Solutions operations.

With that, we'd be happy to take your questions.